As filed with the Securities and Exchange Commission on August 15, 2017

Registration No. 333-

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

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

Zai Lab Limited

(Exact name of registrant as specified in its charter)

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

Cayman Islands	**2834**	**98-1144595**
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

4560 Jinke Road
Bldg. 1, 4F, Pudong, Shanghai, 201210, China
Telephone: +86 21 6163 2588
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

Law Debenture Corporate Services Inc.
801 2nd Avenue, Suite 403
New York, New York 10017
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

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Approximate date of commencement of proposed sale to public: As soon as practicable after this Registration Statement is declared effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. ☐

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ☐

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933.

Emerging growth company ☒

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards† provided pursuant to Section 7(a)(2)(B) of the Securities Act. ☒

† The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered(1)	Proposed maximum aggregate offering price(2)(3)	Amount of registration fee
Ordinary Shares, $0.00001 par value	$115,000,000	$13,329

(1) American depositary shares issuable upon deposit of the ordinary shares registered hereby have been registered under a separate registration statement on Form F-6 (Registration No. 333-). Each American depositary share represents ordinary shares.

(2) Includes the ordinary shares represented by American depositary shares that may be sold upon exercise of the underwriters' option to purchase additional shares.

(3) Estimated solely for the purpose of determining the amount of registration fee in accordance with Rule 457(o) under the Securities Act.

The Registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to completion
Preliminary prospectus dated , 2017

Prospectus

Zai Lab Limited

American depositary shares
Representing ordinary shares

We are offering American depositary shares, or ADSs. Each ADS represents ordinary shares.

This is our initial public offering in the United States, and no public market currently exists for our ADSs.

We currently expect the initial public offering price to be between $ and $ per ADS. After pricing of the offering, we expect that the shares will trade on the Nasdaq Global Market under the symbol "ZLAB."

We are eligible to be treated as an "emerging growth company" as defined in Section 2(a) of the Securities Act of 1933, as amended, and, as a result, are subject to reduced public company reporting requirements. See "Prospectus Summary—Implications of Being an Emerging Growth Company and a Foreign Private Issuer."

Investing in our ADSs involves risks that are described in the "Risk Factors" section beginning on page 12 of this prospectus.

	Per ADS	Total
Public offering price	$	$
Underwriting discount(1)	$	$
Proceeds to Zai Lab Limited before expenses	$	$

(1) See "Underwriting" for a detailed description of compensation payable to the underwriters.

To the extent that the underwriters sell more than ADSs, the underwriters have the option to purchase up to an aggregate of additional ADSs from us at the initial public offering price less the underwriting discounts and commissions for 30 days after the date of this prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the ADSs to the purchasers on or about , 2017.

J.P. Morgan **Citigroup** **Leerink Partners**

The date of this prospectus is , 2017

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We are responsible for the information contained in this prospectus and in any free writing prospectus we prepare or authorize. We have not, and the underwriters have not, authorized anyone to provide you with different information, and we and the underwriters take no responsibility for any other information others may give you. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction repetitive of where the offer and sale is not permitted. You should assume that the information appearing in this prospectus is accurate only as of the date on the front cover of this prospectus. Our business, financial condition, results of operations and prospects may have changed since such date.

Through and including (the 25th day after the date of this prospectus), all dealers effecting transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This delivery requirement is in addition to the obligation of dealers to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

Industry and market data

Although we are responsible for all disclosure contained in this prospectus, in some cases we have relied on certain market and industry data obtained from third-party sources that we believe to be reliable. Market estimates are calculated by using independent industry publications, government publications and third-party forecasts in conjunction with our assumptions about our markets. While we are not aware of any misstatements regarding any market, industry or similar data presented herein, such data involves risks and uncertainties and is subject to change based on various factors, including those discussed under the headings “Cautionary note regarding forward-looking statements” and “Risk factors” in this prospectus.

Trademarks and service marks

We own or have rights to trademarks and service marks for use in connection with the operation of our business, including, but not limited to, ZAI LAB and 再鼎医药 .. All other trademarks or service marks appearing in this prospectus that are not identified as marks owned by us are the property of their respective owners.

Solely for convenience, the trademarks, service marks and trade names referred to in this prospectus may be listed without the ®, (TM) and (sm) symbols, but we will assert, to the fullest extent under applicable law, our applicable rights in these trademarks, service marks and trade names.

Prospectus summary

This summary highlights information contained in other parts of this prospectus. Because it is only a summary, it does not contain all of the information that you should consider before investing in our ADSs, and it is qualified in its entirety by, and should be read in conjunction with, the more detailed information appearing elsewhere in this prospectus. You should read the entire prospectus carefully, especially "Risk factors," "Selected consolidated financial data," and the financial statements and the related notes appearing elsewhere in this prospectus, before deciding to buy our ADSs. Unless the context requires otherwise, references in this prospectus to the "Company," "Zai Lab," "we," "us" and "our" refer to Zai Lab Limited and its consolidated subsidiaries.

Overview of our business

We are an innovative biopharmaceutical company based in Shanghai focusing on discovering or licensing, developing and commercializing proprietary therapeutics that address areas of large unmet medical need in the China market, including in the areas of oncology, autoimmune and infectious diseases. We believe there exists a significant opportunity to build an organization that not only addresses such unmet needs but leverages underutilized resources in China to foster innovation. As part of that effort, we have assembled a management team with global experience and an extensive track record in navigating the regulatory process to develop and commercialize innovative drugs in China. Our mission is to leverage our expertise and insight to address the expanding needs of Chinese patients in order to transform their lives and eventually utilize our China-based competencies to impact human health worldwide.

Furthermore, Zai Lab was built on the vision that, despite having a significant addressable market and sizable growth potential, China has historically lacked access to many innovative therapies available in other parts of the world and its drug development infrastructure has been underutilized. There remains the need to bring new and transformative therapies to China. In recent years, the Chinese government has focused on promoting local innovation through streamlining regulatory processes, improving drug quality standards and fostering a favorable environment, which we believe creates an attractive opportunity for the growth of China-based, innovation-focused companies.

Since our founding in 2014, we have assembled an innovative pipeline consisting of six drug candidates through partnerships with global biopharmaceutical companies. These include three late-stage assets targeting fast growing segments of China's pharmaceutical market and three assets addressing global unmet medical needs. We believe that our management's extensive global drug development expertise, combined with our demonstrated understanding of the pharmaceutical industry, clinical resources and regulatory system in China, has provided us, and will continue to provide us, opportunities to partner with global companies aiming to bring innovative products to market in China efficiently. Our lead drug candidate is niraparib, a PARP inhibitor licensed from Tesaro. We intend to develop niraparib for Chinese patients across multiple tumor types and anticipate beginning two Phase III studies of niraparib in patients with ovarian cancer, one in the second half of 2017 and the other in the first half of 2018. In addition, we intend to pursue niraparib in other indications.

In the longer term, we plan to build a premier, fully integrated drug discovery and development platform that brings both in-licensed and internally-discovered medicines to patients in China and globally. As our business grows, we plan to build our own commercial team to launch our portfolio of drug products. Part of our strategy is the ability to produce both large and small molecule therapeutics under global standard current Good Manufacturing Practice, or cGMP. To this end, in the first half of 2017 we built a small molecule drug product facility capable of supporting clinical and commercial production and have also begun construction of a large molecule facility, which is expected to be utilized for clinical production of our drug candidates. The completion of the large molecule facility is expected in the first half of 2018.

Our company is led by a management team with extensive pharmaceutical research, development and commercialization track record in both global and Chinese biopharmaceutical companies.

Since our founding, we have raised $164.5 million in equity financing from our dedicated group of investors, including global and China-based healthcare funds.

Our innovative pipeline

We have a broad pipeline of proprietary drug candidates that range from discovery stage to late-stage clinical programs. These include three drug candidates with greater China rights and three drug candidates with global rights. The following table summarizes our drug candidates and programs:

Program	Commercial rights	Indication	Zai Lab clinical stage	Partnerships
ZL-2306 (Niraparib)	China, HK and Macau	Ovarian cancer	CTA approved for Phase 3	TESARO
		Breast cancer	CTA approved for Phase 3 (protocol currently under discussion with CFDA)	
		Lung cancer	CTA approved for Phase 2 (protocol currently under discussion with CFDA)	
ZL-2401 (Omadacycline)	China, HK, Macau and Taiwan	ABSSSI	Preparing for CTA Submission for Phase 3	PARATEK
		CABP	Preparing for CTA Submission for Phase 3	
ZL-2301	China, HK and Macau	HCC	Phase 2	Bristol-Myers Squibb
ZL-3101 (Fugan)	Global	Eczema, Psoriasis	Phase 2	gsk
ZL-2302	Global	NSCLC	CTA submitted for Phase 1	SANOFI
ZL-1101	Global	GVHD, SLE	Pre-clinical	ucb

- **Niraparib (ZL-2306)** is a highly potent and selective oral, small molecule poly ADP ribose polymerase, or PARP 1/2, inhibitor with the potential to be a first-in-class drug for treatment across multiple solid tumor types in China including ovarian, certain types of breast and lung cancers. We have licensed niraparib from Tesaro, which in March 2017 received marketing approval for niraparib (Zejula®) from the U.S. Food and Drug Administration, or FDA, as maintenance treatment for women with recurrent platinum-sensitive epithelial ovarian cancer. Niraparib was commercially launched in the United States in April 2017. Niraparib does not require BRCA mutation or other biomarker testing as is necessary for other approved PARP inhibitors which, we believe, significantly expands its availability to ovarian cancer patients in China. As niraparib has been approved in the United States, if approved by the European Medicines Agency, or EMA, we anticipate commercializing niraparib in Hong Kong and Macau approximately 12 months after it is approved by the EMA.

In China, our clinical trial application, or CTA, for niraparib has been approved as a Category 1 drug by the China Food and Drug Administration, or CFDA. We anticipate initiating Phase III studies of niraparib in patients with recurrent platinum-sensitive ovarian cancer as a second-line maintenance therapy in the second half of 2017, and as a first-line maintenance therapy in the first half of 2018. These studies are expected to be similar in design to Tesaro's clinical studies of niraparib. We also anticipate beginning a Phase III study in patients with gBRCA positive breast cancer in the first half of 2018. In addition, we intend to study niraparib in patients with triple negative breast cancer, squamous-type non-small cell lung cancer and small cell lung cancer in China. Niraparib has the potential to be the first PARP inhibitor marketed in China. In addition to niraparib monotherapy in the potential indications stated, we also intend to explore the combination of niraparib with other potential therapies such as immune-oncology therapy, targeted therapy and chemotherapy in the clinically relevant indications.

- **Omadacycline (ZL-2401)** is a broad-spectrum antibiotic in a new class of tetracycline derivatives, known as aminomethylcyclines. We have licensed omadacycline from Paratek, where it is primarily being developed for acute bacterial skin/skin structure infections, or ABSSSI, community-acquired bacterial pneumonia, or CABP, and urinary tract infections, or UTIs. Omadacycline is designed to overcome the two major mechanisms of tetracycline resistance, known as pump efflux and ribosome protection. Omadacycline has been granted Qualified Infectious Disease Product, or QIDP, status in the United States and has been granted Fast Track status by the FDA. If approved, omadacycline is expected to be available in intravenous, or IV, and once-daily oral, or PO, formulations. Paratek has reported the results of two pivotal IV-to-oral Phase III studies of omadacycline in ABSSSI and CABP. Both trials used an IV/oral sequential dosing design. Both of these studies achieved their primary endpoints. Paratek also reported top-line data from its oral-only Phase III ABSSSI study in July 2017. This study also achieved its primary endpoints. We are in the technology transfer stage and plan to discuss our China development plan with key opinion leaders and the CFDA.
- **ZL-2301** is an oral, small molecule dual target tyrosine kinase inhibitor, or TKI, which blocks both vascular endothelial growth factor receptor, or VEGFR, and fibroblast growth factor receptor, or FGFR. ZL-2301 was studied by our partner Bristol-Myers Squibb mainly for the treatment of hepatocellular carcinoma, or HCC, the most common type of liver cancer. In these trials, ZL-2301 demonstrated anti-tumor activity and a generally well-established safety profile in HCC patients. In 2012, Bristol-Myers Squibb terminated its development program of ZL-2301 after it missed the primary endpoints in two Phase III trials with advanced HCC patients. Based on our review of the results from Bristol-Myers Squibb's development program for ZL-2301, our understanding of the etiology and current standard of care of HCC in Chinese patients and our ongoing research, we believe that ZL-2301 has the potential to be an effective treatment option for Chinese HCC patients and merits further clinical trials. The CFDA has approved our CTA for ZL-2301 as a Category 1 drug, and in the second quarter of 2017 we initiated a Phase II trial of ZL-2301 as a second-line treatment for advanced HCC patients in China. Pending results from this Phase II trial, we plan to initiate a Phase III clinical trial shortly thereafter.
- **Fugan (ZL-3101)** is a novel steroid-sparing topical product for the treatment of eczema and psoriasis. We are developing fugan as a botanical formulation to offer patients with eczema and psoriasis a natural alternative to topical steroid treatments, which are currently the main forms of treatment and are known to have many side effects associated with long-term use. We licensed the exclusive worldwide rights to fugan from GSK in 2016. We initiated a Phase II study of fugan in patients with eczema in China in the second quarter of 2017. Pending results from this Phase II study, we plan to initiate a Phase III global, multi-center clinical trial.
- **ZL-2302** is a multi-targeted TKI with activity against both anaplastic lymphoma kinase, or ALK, mutation and crizotinib-resistant ALK mutations being developed for the treatment of patients with non-small cell lung

cancer who have ALK mutations and who have developed crizotinib resistance and/or brain metastasis. We licensed the exclusive worldwide rights to ZL-2302 from Sanofi in 2015. Our preclinical studies demonstrated that ZL-2302 has ability to penetrate the blood-brain barrier, which could make ZL-2302 an effective therapy for a subset of patients who have non-small cell lung cancer with ALK mutations and brain metastasis. Such patients typically have limited treatment options, poor prognosis and low quality of life. Our CTA for ZL-2302 has been accepted as a Category 1 drug by the CFDA, and we expect to initiate a Phase I study of ZL-2302 in China in the first half of 2018.

- **ZL-1101** is an anti-OX40 antagonistic antibody with first-in-class potential for the treatment of a range of autoimmune diseases such as graft-versus-host disease or systemic lupus erythematosus. We licensed the exclusive worldwide rights to ZL-1101 from UCB in 2015. Its anti-inflammatory activities have been validated by a variety of inflammatory and autoimmune disease models. ZL-1101's bioactivities and functional potency have been investigated both *in vitro* and *in vivo* studies. In such studies, cellular proliferation and production of inflammatory cytokines was markedly suppressed, demonstrating that ZL-1101 effectively inhibits lymphocyte activation. ZL-1101 was also found to be highly potent. We intend to file an investigational new drug application, or IND, in 2018.

Industry

As an innovative biopharmaceutical company, we believe we are well positioned to take advantage of industry trends which are favorable to China-based innovation.

Evolution of China's emerging innovative pharmaceutical market

China's pharmaceutical market is the second largest pharmaceutical market in the world and is projected to grow from $115 billion in 2016 to $160 billion by 2021 and $237 billion by 2026, according to BMI Research. This growth is driven by strong fundamental demand for therapeutic treatments and the Chinese government's focus on providing better quality care to patients including by encouraging greater usage of innovative drugs. We believe that the significant market opportunities for innovative therapies in the China market are due to several trends, including demographics and disease incidence, improving access to healthcare, increasing affordability and demand for healthcare and focusing on innovation.

Historically, China's pharmaceutical market was dominated by mature and generic products. In recent years, the Chinese government has focused on promoting innovation especially in areas of high unmet medical need through streamlining regulatory processes, improving drug quality standards and fostering a favorable environment for innovation. Going forward, innovative patented therapeutics are projected to grow at over 10% annually until 2020, which is expected to surpass the growth rate of generic products.

CFDA regulatory outlook—CFDA reform to accelerate innovation

In August 2015, China's State Council released its circular *Opinions Concerning the Reform of the Review and Approval System for Drugs and Medical Devices*, or Circular No. 44, which sets forth the government's clear determination to encourage transformation and upgrade the pharmaceutical industry.

More recently, on May 11, 2017, the CFDA issued three new draft policies regarding innovation for public comments. The three draft policies aim to accelerate the review and approval of new drug and medical device applications (Circular No. 52), deregulate the conduct of clinical trials to encourage innovation (Circular No. 53), and enhance post-market supervision throughout a product's entire life cycle (Circular No. 54).

The CFDA was admitted as a new regulatory member by the International Conference on Harmonisation, or ICH, on June 1, 2017 and will reform its regulatory process in order to conform its policies and regulations to ICH guidelines. We believe it is likely that the draft policies will be adopted and benefit China-based companies that are experienced with global standards of innovative drug development. If the draft policies are not fully adopted, we believe that China-based, innovation-focused pharmaceutical companies will still enjoy competitive advantages over foreign peers. Under the current CFDA regulations, foreign pharmaceutical companies are typically allowed to receive NDAs in China after their products are approved by a foreign regulatory authority. This requirement typically causes delays in time to market for foreign pharmaceutical companies.

Medical insurance and drug spending outlook—multiple engines for improving affordability for innovation

Over the past decade, the Chinese national government has been working on alleviating the burden on individuals by expanding health insurance coverage from approximately 30% in 2003 to over 95% in 2013 with a goal of achieving universal coverage by 2020. At the same time, medical insurance plans at the provincial level have been introduced to complement the basic insurance programs. This increase in health insurance coverage has had a dramatic impact on drug reimbursement and affordability in China.

Aside from the Chinese government's efforts to improve public reimbursement, a large part of China's population has become increasingly affluent and has demonstrated an ability and willingness to pay out-of-pocket for innovative efficacious drugs.

In addition to government health insurance and self-pay, there is also growing government support for the development of commercial private health insurance to provide support for China's growing middle and upper classes. Favorable industry policies such as tax incentives to consumers have been issued.

The advantages of being a China-based, innovation-focused biopharmaceutical platform

China has undertaken significant efforts to encourage innovation and stimulate greater productivity in its economy to transform the competitive landscape of the domestic pharmaceutical market, with incentives which include grants, tax incentives and supporting greater investment and global talent recruitment. We expect that this multi-pronged approach will support the emergence of innovative, globally competitive China-based biopharmaceutical companies.

Some of the key advantages of being a fully integrated, China-based and innovation-focused biopharmaceutical development and manufacturing platform include:

- Accelerated time to market;
- Market exclusivity for up to five years for Category 1 drugs;
- Customized development programs which are tailored to Chinese patients' specific unmet medical needs, and higher efficiency in executing clinical development programs; and
- Commercialization of innovative therapies.

Our vision and strategy

Our vision is to become a leading global innovative biopharmaceutical company based in China and deliver transformative medicines to patients in China and around the world. We intend to utilize our strengths to pursue the following strategies:

- ***Rapidly advance and commercialize our in-licensed late stage clinical drug candidates.*** We have built a broad and sustainable drug pipeline for the greater China and global market and will focus on rapidly advancing and commercializing our in-licensed drug candidates.

- ***Capitalize on our location in China, our management team's domestic and international drug development experience and our track record of licensing to further solidify our position as a strategic gateway partner into China for biopharmaceutical companies outside of China.*** We believe the combination of our management's experience and knowledge, the changing regulatory landscape in China, our manufacturing capabilities, the commercial capabilities we are developing and the global pharmaceutical industry's current approach to the China market makes us an ideal gateway partner for global biopharmaceutical companies seeking to access the China market.
- ***Continue to license promising programs for global rights.*** We have a track record of in-licensing the global rights of drug candidates from leading global biopharmaceutical companies such as GSK, Sanofi and UCB. We will continue to seek new in-licensing opportunities which grant us the global rights for differentiated drug candidates for which we can utilize the advantages of development in China to establish proof of concept prior to pursuing further late-stage development for the global market.
- ***Build a fully integrated platform with drug discovery, development, manufacturing and commercialization capabilities in China and expand globally.*** We will continue to execute our strategy to become a fully integrated biopharmaceutical company in China serving the global market. By focusing on developing and commercializing our late-stage in-licensed drug candidates in parallel with expanding our earlier-stage internal research and discovery capabilities, we believe we can rapidly establish a fully integrated manufacturing and commercialization platform.
- ***Leverage our senior management's experience.*** Our management team has extensive experience in the pharmaceutical industry in the United States and China and is led by our Chief Executive Officer, Samantha Du, Ph.D., who is widely recognized as a leading figure in the China biotech industry.

Risks associated with our business

There are a number of risks that you should understand before making an investment decision regarding this offering. These risks are discussed more fully in the section entitled "Risk factors" following this prospectus summary. These risks include, but are not limited to:

- We have incurred significant losses since our inception, including a net loss of $37.5 million for the year ended December 31, 2016, and anticipate that we will continue to incur losses in the future and may never achieve or maintain profitability.
- Even if we consummate this offering, we will likely need substantial additional funding for our drug development programs and commercialization efforts, which may not be available on acceptable terms, or at all. If we are unable to raise capital on acceptable terms when needed, we could incur losses or be forced to delay, reduce or terminate such efforts.
- We have a very limited operating history, which may make it difficult for you to evaluate the success of our business to date and to assess our future viability.
- All of our drug candidates are still in development. If we are unable to obtain regulatory approval and ultimately commercialize our drug candidates or experience significant delays in doing so, our business, financial condition, results of operations and prospects will be materially adversely harmed.
- If we breach our license or other intellectual property-related agreements for our drug candidates or otherwise experience disruptions to our business relationships with our licensors, we could lose the ability to continue the development and commercialization of our drug candidates.

- Our future success depends on our ability to retain key executives and to attract, retain and motivate qualified personnel.
- In addition to in-licensing or acquiring drug candidates, we may engage in future business acquisitions that could disrupt our business, cause dilution to our ADS holders and harm our financial condition and operating results.
- Pharmaceutical companies in China are required to comply with extensive regulations and hold a number of permits and licenses to carry on their business. Our ability to obtain and maintain these regulatory approvals is uncertain, and future government regulation may place additional burdens on our efforts to commercialize our drug candidates.
- We depend on our licensors or patent owners of our in-licensed patent rights to prosecute and maintain patents and patent applications that are material to our business. Any failure by our licensors or such patent owners to effectively protect these patent rights could adversely impact our business and operations.
- The People's Republic of China's, or PRC, economic, political and social conditions, as well as governmental policies, could affect the business environment and financial markets in China, our ability to operate our business, our liquidity and our access to capital.

Corporate information

Zai Lab Limited was incorporated in the Cayman Islands on March 28, 2013 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, which we refer to as the Companies Law. The address of our registered office in the Cayman Islands is P.O. Box 311 19 Grand Pavilion, Hibiscus West Bay Road, Grand Cayman KY1-1205, Cayman Islands. Our principal executive offices are located at 4560 Jinke Road, Bldg. 1, 4F, Pudong, Shanghai, China 201210. Our telephone number at that address is +86 21 6163 2588.

Investor inquiries should be directed to us at the address and telephone number of our principal executive offices set forth above. Our website address is www.zailaboratory.com. Our website and the information contained on our website do not constitute a part of this prospectus. Our agent for service of process in the United States is Law Debenture Corporate Services Inc., located at 801 2nd Avenue, Suite 403, New York, New York 10017.

Implications of being an emerging growth company and a foreign private issuer

As a company with less than $1.07 billion in revenue during our most recently completed fiscal year as of the initial filing date of the registration statement of which this prospectus forms a part, we qualify as an "emerging growth company" as defined in Section 2(a) of the Securities Act of 1933, as amended, which we refer to as the Securities Act, as modified by the Jumpstart our Business Startups Act of 2012, or the JOBS Act. As an emerging growth company, we may take advantage of specified reduced disclosure and other requirements that are otherwise applicable generally to public companies that are not emerging growth companies. These provisions include exemption from the auditor attestation requirement in the assessment of our internal control over financial reporting. The JOBS Act permits an emerging growth company such as us to take advantage of an extended transition period to comply with new or revised accounting standards applicable to public companies.

Upon consummation of this offering, we will report under the Securities Exchange Act of 1934, as amended, or the Exchange Act, as a non-U.S. company with foreign private issuer status. As a foreign private issuer, we may take advantage of certain provisions in the Nasdaq listing rules that allow us to follow Cayman Islands law for

certain corporate governance matters. See “Management—Foreign private issuer status.” Even after we no longer qualify as an emerging growth company, as long as we qualify as a foreign private issuer under the Exchange Act, we will be exempt from certain provisions of the Exchange Act that are applicable to U.S. domestic public companies, including:

- the sections of the Exchange Act regulating the solicitation of proxies, consents or authorizations in respect of a security registered under the Exchange Act;
- the sections of the Exchange Act requiring insiders to file public reports of their stock ownership and trading activities and liability for insiders who profit from trades made in a short period of time;
- the rules under the Exchange Act requiring the filing with the Securities and Exchange Commission, or SEC, of quarterly reports on Form 10-Q containing unaudited financial and other specified information, or current reports on Form 8-K, upon the occurrence of specified significant events; and
- Regulation Fair Disclosure, or Regulation FD, which regulates selective disclosures of material information by issuers.

The offering

ADSs offered by us	ADSs.
Price per ADS	$
ADSs to be outstanding immediately after completion of this offering	ADSs (ADSs if the underwriters exercise their option to purchase additional ADSs in full).
Ordinary shares to be outstanding immediately after completion of this offering	ordinary shares (ordinary shares if the underwriters exercise their option to purchase additional ADSs in full). Immediately after completion of this offering and assuming the underwriters do not exercise their option to purchase additional ADSs, approximately % of our ordinary shares will be held by our public shareholders.
The ADSs	Each ADS represents ordinary shares, par value $0.00001 per share. The ADSs may be evidenced by ADRs. The depositary will hold the ordinary shares underlying your ADSs, and you will have the rights of an ADS holder as provided in the deposit agreement among us, the depositary and the holders and beneficial owners of ADSs. If we declare dividends on our ordinary shares, the depositary will pay you the cash dividends and other distributions it receives on our ordinary shares, after deducting its fees and expenses. You may turn in your ADSs to the depositary for cancellation and receipt of the corresponding ordinary shares. The depositary will charge you fees for the cancellation of ADSs and delivery of the corresponding ordinary shares. We may amend or terminate the deposit agreement without your consent. If an amendment becomes effective and you continue to hold your ADSs, you will be bound by the deposit agreement as amended. To better understand the terms of the ADSs, you should carefully read “Description of American depositary shares” in this prospectus. You should also read the deposit agreement, which is filed as an exhibit to the registration statement that includes this prospectus.
Depositary	Citibank, N.A.
Option to purchase additional ADSs	The underwriters have an option for a period of 30 days after the date of this prospectus to purchase up to an additional ADSs.
Use of proceeds	We estimate that the net proceeds from this offering will be approximately $ million, or approximately $ million if the underwriters exercise their

	option to purchase additional ADSs in full, at an assumed initial public offering price of $ per ADS, the midpoint of the price range set forth on the cover of this prospectus, after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us. We intend to use the net proceeds of this offering to advance the clinical development of our multiple drug candidates and for working capital and other general corporate purposes. See “Use of proceeds” for additional information.
Dividend Policy	We do not expect to pay any dividends on our ADSs in the foreseeable future.
Risk factors	You should read the “Risk factors” section of this prospectus for a discussion of factors to consider carefully before deciding to invest in our ADSs.
Proposed Nasdaq trading symbol	We have applied for listing of the ADSs on the Nasdaq Global Market under the symbol “ZLAB.”

The number of ordinary shares outstanding after this offering is based on 72,405,000 ordinary shares outstanding as of June 30, 2017, and excludes:

- 38,690,512 shares issuable upon the exercise of options outstanding as of June 30, 2017 pursuant to our 2015 Omnibus Equity Incentive Plan (the “2015 Plan”) at a weighted-average exercise price of $0.17 per share; and
- 11,545,967 shares reserved for future issuance under our 2017 Equity Incentive Plan (the “2017 Equity Plan”), which was adopted in connection with this offering.

Unless otherwise indicated, this prospectus reflects and assumes the following:

- the effectiveness of our fourth amended and restated memorandum and articles of association, which will occur immediately upon the closing of this offering;
- the conversion of our outstanding preferred shares into an aggregate of 170,659,714 ordinary shares upon the closing of this offering;
- 2,770,851 shares issuable upon the exercise of outstanding warrants as of June 30, 2017 at an exercise price of $0.3609 per share;
- no issuance or exercise of options on or after June 30, 2017; and
- no exercise by the underwriters of their option to purchase up to an additional ADSs in this offering.

Our summary consolidated financial data

The following summary consolidated financial data for the years ended December 31, 2015 and December 31, 2016 and the selected balance sheet data as of December 31, 2015 and December 31, 2016 have been derived from our audited consolidated financial statements appearing elsewhere in this prospectus. The summary consolidated financial data for the six months ended June 30, 2016 and June 30, 2017 and the selected balance sheet data as of June 30, 2017 have been derived from our unaudited condensed consolidated financial statements appearing elsewhere in this prospectus. The unaudited condensed interim consolidated financial statements reflect, in the opinion of management, all adjustments of a normal, recurring nature that are necessary for the fair presentation of the financial statements. Our consolidated financial statements appearing in this prospectus have been prepared in accordance with U.S. generally accepted accounting principles, or U.S. GAAP.

Our historical results for any prior period are not necessarily indicative of results to be expected in any future period. The following information should be read in conjunction with "Risk factors," "Capitalization," "Management's discussion and analysis of financial condition and results of operations" and our consolidated financial statements and the related notes included elsewhere in this prospectus.

	Six months ended June 30,		Year ended December 31,	
(in thousands, except share and per share data)	**2016**	**2017**	**2015**	**2016**
Research and development expenses	$ (8,778)	$ (20,874)	$ (13,587)	$ (32,149)
General and administrative expenses	(2,377)	(4,041)	(2,762)	(6,380)
Loss from operations	(11,155)	(24,915)	(16,349)	(38,529)
Interest income	64	286	5	403
Fair value of warrants	(920)	200	(1,980)	(1,920)
Other income	176	11	341	2,534
Other expense	—	(1)	(39)	—
Loss before income taxes	(11,835)	(24,419)	(18,022)	(37,512)
Income tax expense	—	—	—	—
Net loss	$ (11,835)	$ (24,419)	$ (18,022)	$ (37,512)
Weighted-average shares used in calculating net loss per ordinary share, basic and diluted(1)	55,453,938	63,780,229	52,161,918	56,634,142
Net loss per share, basic and diluted(1)	(0.21)	(0.38)	(0.35)	(0.66)

	As of June 30,	As of December 31,	
(in thousands)	**2017**	**2015**	**2016**
Balance sheet data:			
Cash and cash equivalents	$ 92,562	$ 13,161	$ 83,949
Total assets	103,865	13,940	88,907
Total shareholders' deficits	(71,152)	(18,370)	(51,552)
Total current liabilities	9,630	3,941	5,173
Total non-current liabilities	880	62	778

(1) See Note 2 within our notes to our financial statements appearing elsewhere in this prospectus for a description of the method used to calculate basic and diluted net loss per share.

Risk factors

Investing in our ADSs involves a high degree of risk. You should carefully consider the risks and uncertainties described below together with all of the other information contained in this prospectus, including our consolidated financial statements and their related notes appearing at the end of this prospectus, before deciding to invest in our ADSs. If any of the following risks actually occurs, our business, prospects, operating results and financial condition could suffer materially, the trading price of our ADSs could decline and you could lose all or part of your investment. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also adversely affect our business.

Risks related to our financial position and need for additional capital

We have incurred significant losses since our inception and anticipate that we will continue to incur losses in the future and may never achieve or maintain profitability.

We are a clinical stage biopharmaceutical company with a limited operating history. Investment in biopharmaceutical product development is highly speculative because it entails substantial upfront capital expenditures and significant risk that a drug candidate will fail to gain regulatory approval or become commercially viable. To date, we have financed our activities primarily through private placements. We have not generated any revenue from product sales to date, and we continue to incur significant development and other expenses related to our ongoing operations. As a result, we are not profitable and have incurred losses in each period since our inception in 2014. For the two years ended December 31, 2016 and 2015, we reported a net loss of $37.5 million and $18.0 million, respectively.

We expect to continue to incur losses in the foreseeable future, and we expect these losses to increase as we:

- continue our development and commence clinical trials of our drug candidates;
- seek regulatory approvals for our drug candidates that successfully complete clinical trials;
- commercialize any of our drug candidates for which we may obtain marketing approval;
- complete construction of and maintain our manufacturing facilities;
- hire additional clinical, operational, financial, quality control and scientific personnel;
- establish a sales, marketing and commercialization infrastructure for any products that obtain regulatory approval;
- seek to identify additional drug candidates;
- obtain, maintain, expand and protect our intellectual property portfolio;
- enforce and defend intellectual property-related claims; and
- acquire or in-license other intellectual property, drug candidates and technologies.

To become and remain profitable, we must develop and eventually commercialize drug candidates with significant market potential. This will require us to be successful in a range of challenging activities, including completing preclinical testing and clinical trials of our drug candidates, obtaining marketing approval for these drug candidates, manufacturing, marketing and selling those drug candidates for which we may obtain marketing approval and satisfying any post-marketing requirements. We may never succeed in any or all of

these activities and, even if we do, we may never generate revenues that are significant or large enough to achieve profitability. We may encounter unforeseen expenses, difficulties, complications, delays and other unknown factors that may adversely affect our business. The size of our future net losses will depend, in part, on the rate of future growth of our expenses and our ability to generate revenue. Even if we achieve profitability in the future, we may not be able to sustain profitability in subsequent periods. Our failure to become and remain profitable would decrease the value of our company and could impair our ability to raise capital, maintain our research and development efforts, expand our business or continue our operations. A decline in the value of our company also could cause you to lose all or part of your investment.

Even if we consummate this offering, we will likely need substantial additional funding for our drug development programs and commercialization efforts, which may not be available on acceptable terms, or at all. If we are unable to raise capital on acceptable terms when needed, we could incur losses or be forced to delay, reduce or terminate such efforts.

To date, we have financed our activities primarily through private placements. Through June 30, 2017, we have raised $164.5 million in equity financing. Our operations have consumed substantial amounts of cash since inception. The net cash used in our operating activities was $11.5 million and $32.2 million for the years ended December 31, 2015 and 2016, respectively, and $8.8 million and $17.7 million for the six months ended June 30, 2016 and 2017, respectively. We expect our expenses to increase significantly in connection with our ongoing activities, particularly as we advance the clinical development of our four clinical-stage drug candidates and continue research and development of our preclinical-stage drug candidates and initiate additional clinical trials of, and seek regulatory approval for, these and other future drug candidates. In addition, if we obtain regulatory approval for any of our drug candidates, we expect to incur significant commercialization expenses related to product manufacturing, marketing, sales and distribution. In particular, the costs that may be required for the manufacture of any drug candidate that receives regulatory approval may be substantial as we may have to modify or increase the production capacity at our current manufacturing facilities or contract with third-party manufacturers. We may also incur expenses as we create additional infrastructure to support our operations as a U.S. public company. Accordingly, we will likely need to obtain substantial additional funding in connection with our continuing operations through public or private equity offerings, debt financing, collaborations or licensing arrangements or other sources. If we are unable to raise capital when needed or on acceptable terms, we could incur losses and be forced to delay, reduce or terminate our research and development programs or any future commercialization efforts.

We believe our cash and cash equivalents as of June 30, 2017, combined with the net proceeds from this offering, will enable us to fund our operating expenses and capital expenditure requirements for the next months at a minimum. We have based this estimate on assumptions that may prove to be wrong, and we could use our capital resources sooner than we currently expect. Our future capital requirements will depend on many factors, including:

- the number and development requirements of the drug candidates we pursue;
- the scope, progress, timing, results and costs of researching and developing our drug candidates, and conducting pre-clinical and clinical trials;
- the cost, timing and outcome of regulatory review of our drug candidates;
- the cost and timing of future commercialization activities, including product manufacturing, marketing, sales and distribution, for any of our drug candidates for which we receive regulatory approval;
- the cash received, if any, received from commercial sales of any drug candidates for which we receive regulatory approval;

- our ability to establish and maintain strategic partnerships, collaboration, licensing or other arrangements and the financial terms of such agreements;
- the cost, timing and outcome of preparing, filing and prosecuting patent applications, maintaining and enforcing our intellectual property rights and defending any intellectual property-related claims;
- the extent to which we acquire or in-license other drug candidates and technologies;
- our headcount growth and associated costs; and
- the costs of operating as a public company in the United States.

Raising additional capital may cause dilution to our shareholders, restrict our operations or require us to relinquish rights to our technologies or drug candidates.

Identifying and acquiring rights to develop potential drug candidates and conducting pre-clinical testing and clinical trials is a time-consuming, expensive and uncertain process that may take years to complete, and our commercial revenue, if any, will be derived from sales of drug candidates that we do not expect to be commercially available until we receive regulatory approval, if at all. We may never generate the necessary data or results required to obtain regulatory approval and achieve product sales, and even if one or more of our drug candidates is approved, they may not achieve commercial success. Accordingly, we will need to continue to rely on additional financing to achieve our business objectives. Adequate additional financing may not be available to us on acceptable terms, or at all.

We may seek additional funding through a combination of equity offerings, debt financings, collaborations, licensing arrangements, strategic alliances and marketing or distribution arrangements. To the extent that we raise additional capital through the sale of equity or convertible debt securities, your ownership interest will be diluted, and the terms may include liquidation or other preferences that adversely affect your rights as a holder of our ADSs. The incurrence of additional indebtedness or the issuance of certain equity securities could result in increased fixed payment obligations and could also result in certain additional restrictive covenants, such as limitations on our ability to incur additional debt or issue additional equity, limitations on our ability to acquire or license intellectual property rights and other operating restrictions that could adversely impact our ability to conduct our business. In addition, issuance of additional equity securities, or the possibility of such issuance, may cause the market price of our ADSs to decline. In the event that we enter into collaborations or licensing arrangements to raise capital, we may be required to accept unfavorable terms, including relinquishing or licensing to a third party on unfavorable terms our rights to technologies or drug candidates that we otherwise would seek to develop or commercialize ourselves or potentially reserve for future potential arrangements when we might be able to achieve more favorable terms.

Risks related to our business and industry

We have a very limited operating history, which may make it difficult for you to evaluate the success of our business to date and to assess our future viability.

We commenced our operations in 2014. Our operations to date have been limited to organizing and staffing our company, identifying potential partnerships and drug candidates, acquiring product and technology rights, and conducting research and development activities for our drug candidates. We have not yet demonstrated the ability to successfully complete large-scale, pivotal clinical trials. We have also not yet obtained regulatory approval for, or demonstrated an ability to manufacture or commercialize, any of our drug candidates. Consequently, any predictions about our future success, performance or viability may not be as accurate as they could be if we had a longer operating history and/or approved products on the market.

Our limited operating history, particularly in light of the rapidly evolving drug research and development industry in which we operate, may make it difficult to evaluate our current business and prospects for future performance. Our short history makes any assessment of our future performance or viability subject to significant uncertainty. We will encounter risks and difficulties frequently experienced by early-stage companies in rapidly evolving fields as we seek to transition to a company capable of supporting commercial activities. In addition, as a new business, we may be more likely to encounter unforeseen expenses, difficulties, complications and delays due to limited experience. If we do not address these risks and difficulties successfully, our business will suffer.

All of our drug candidates are still in development. If we are unable to obtain regulatory approval and ultimately commercialize our drug candidates or experience significant delays in doing so, our business, financial condition, results of operations and prospects will be materially adversely harmed.

All of our drug candidates are still in development. Four of our drug candidates are in clinical development and various others are in pre-clinical development. Our ability to generate revenue from our drug candidates is dependent on their receipt of regulatory approval and successfully commercializing such products, which may never occur. Each of our drug candidates will require additional pre-clinical and/or clinical development, regulatory approval in multiple jurisdictions, development of manufacturing supply and capacity, substantial investment and significant marketing efforts before we generate any revenue from product sales. The success of our drug candidates will depend on several factors, including the following:

- successful completion of pre-clinical and/or clinical studies;
- successful enrollment in, and completion of, clinical trials;
- receipt of regulatory approvals from applicable regulatory authorities for planned clinical trials, future clinical trials or drug registrations, manufacturing and commercialization;
- successful completion of all safety studies required to obtain regulatory approval in China, the United States and other jurisdictions for our drug candidates;
- adapting our commercial manufacturing capabilities to the specifications for our drug candidates for clinical supply and commercial manufacturing;
- making and maintaining arrangements with third-party manufacturers;
- obtaining and maintaining patent, trade secret and other intellectual property protection and/or regulatory exclusivity for our drug candidates;
- launching commercial sales of our drug candidates, if and when approved, whether alone or in collaboration with others;
- acceptance of the drug candidates, if and when approved, by patients, the medical community and third-party payors;
- effectively competing with other therapies and alternative drugs;
- obtaining and maintaining healthcare coverage and adequate reimbursement;
- successfully enforcing and defending intellectual property rights and claims; and
- maintaining a continued acceptable safety profile of the drug candidates following regulatory approval.

The success of our business is dependent upon our ability to develop and commercialize our clinical-stage drug candidates, particularly niraparib, which received FDA approval as maintenance treatment for recurrent

ovarian cancer patients. As niraparib has been approved in the United States, if approved by the EMA, we anticipate commercializing niraparib in Hong Kong and Macau approximately 12 months after it is approved by the EMA. We anticipate initiating Phase III studies of niraparib in patients with recurrent platinum-sensitive ovarian cancer as a second-line maintenance therapy in the second half of 2017, and as a first-line maintenance therapy in the first half of 2018. We also anticipate initiating a Phase III study in patients with gBRCA positive breast cancer in the first half of 2018. Additionally, we plan to study niraparib in patients with triple negative breast cancer, squamous-type non-small cell lung cancer and small cell lung cancer in China. For omadacycline, we are in the technology transfer stage and plan to discuss our China development plan with key opinion leaders and the CFDA. We initiated a Phase II trial in advanced HCC patients in China to investigate ZL-2301's optimal treatment schedule and dosage as a second-line treatment in the second quarter of 2017 and, pending successful Phase II results, plan to conduct a Phase III registration trial. As a result, our business is substantially dependent on our ability to complete the development of, obtain regulatory approval for, and successfully commercialize niraparib, omadacycline and ZL-2301 and our other drug candidates in a timely manner.

We cannot commercialize drug candidates in China without first obtaining regulatory approval from the CFDA. Similarly, we cannot commercialize drug candidates in the United States or another jurisdiction outside of China without obtaining regulatory approval from the FDA or comparable foreign regulatory authorities. The process to develop, obtain regulatory approval for and commercialize drug candidates is long, complex and costly both inside and outside of China and approval may not be granted. Clinical trials conducted in one country may not be accepted by regulatory authorities in other countries, and obtaining regulatory approval in one country does not mean that regulatory approval will be obtained in any other country. Approval processes vary among countries and can involve additional product testing and validation and additional administrative review periods. Even if our drug candidates were to successfully obtain approval or, in the case of niraparib, have obtained approval, from the FDA and comparable foreign regulatory authorities, we would still need to seek approval in China and any other jurisdictions where we plan to market the product. For example, we will need to conduct clinical trials of each of our drug candidates in patients in China prior to seeking regulatory approval in China. Even if our drug candidates have successfully completed clinical trials outside of China, there is no assurance that clinical trials conducted with Chinese patients will be successful. Any safety issues, product recalls or other incidents related to products approved and marketed in other jurisdictions may impact approval of those products by the CFDA. If we are unable to obtain regulatory approval for our drug candidates in one or more jurisdictions, or any approval contains significant limitations, or are imposed on certain drug candidates, we may not be able to obtain sufficient funding or generate sufficient revenue to continue the development of our drug candidates or any other drug candidate that we may in-license, acquire or develop in the future.

We may allocate our limited resources to pursue a particular drug candidate or indication and fail to capitalize on drug candidates or indications that may later prove to be more profitable or for which there is a greater likelihood of success.

Because we have limited financial and managerial resources, we must limit our licensing, research and development programs to specific drug candidates that we identify for specific indications. As a result, we may forego or delay pursuit of opportunities with other drug candidates or for other indications that later prove to have greater commercial potential. Our resource allocation decisions may cause us to fail to capitalize on viable commercial drugs or profitable market opportunities. In addition, if we do not accurately evaluate the commercial potential or target market for a particular drug candidate, we may relinquish valuable rights to that drug candidate through collaboration, licensing or other royalty arrangements when it would have been more advantageous for us to retain sole development and commercialization rights to such drug candidate.

Our drug candidates are subject to extensive regulation, and we cannot give any assurance that any of our drug candidates will receive regulatory approval or be successfully commercialized.

Our drug candidates and the activities associated with their development and commercialization, including their design, testing, manufacture, safety, efficacy, quality control, recordkeeping, labeling, packaging, storage, approval, advertising, promotion, sale, distribution, import and export are subject to comprehensive regulation by the CFDA, FDA and EMA and other regulatory agencies in China and the United States and by comparable authorities in other countries. We are not permitted to market any of our drug candidates in China, the United States and other jurisdictions unless and until we receive regulatory approval from the CFDA, FDA and EMA and other comparable authorities, respectively. Securing regulatory approval requires the submission of extensive pre-clinical and clinical data and supporting information to the various regulatory authorities for each therapeutic indication to establish the drug candidate's safety and efficacy. Securing regulatory approval may also require the submission of information about the drug manufacturing process to, and inspection of manufacturing facilities by, the relevant regulatory authority. Our drug candidates may not be effective, may be only moderately effective or may prove to have undesirable or unintended side effects, toxicities or other characteristics that may preclude our obtaining regulatory approval or prevent or limit commercial use. Although niraparib was approved in the United States, we cannot provide any assurance that we will ever obtain regulatory approval for niraparib in China or for any of our other drug candidates in any jurisdiction or that any of our drug candidates will be successfully commercialized, even if we receive regulatory approval.

The process of obtaining regulatory approvals in China, the United States and other countries is expensive, may take many years if additional clinical trials are required and can vary substantially based upon a variety of factors, including the type, complexity and novelty of the drug candidates involved. Changes in regulatory approval policies during the development period, changes in or the enactment of additional statutes or regulations, or changes in regulatory review for each submitted new drug application, or NDA, pre-market approval or equivalent application type, may cause delays in the approval or rejection of an application. The CFDA, FDA and EMA and comparable authorities in other countries have substantial discretion in the approval process and may refuse to accept any application or may decide that our data are insufficient for approval and require additional pre-clinical, clinical or other studies. Our drug candidates could be delayed in receiving, or fail to receive, regulatory approval for many reasons, including the following:

- disagreement with the CFDA, FDA and EMA or comparable regulatory authorities regarding the number, design, size, conduct or implementation of our clinical trials;
- failure to demonstrate to the satisfaction of the CFDA, FDA and EMA or comparable regulatory authorities that a drug candidate is safe and effective for its proposed indication;
- failure of contract research organizations, or CROs, clinical study sites or investigators to comply with the ICH-good clinical practice, or GCP, requirements imposed by the CFDA, FDA and EMA or comparable regulatory authorities;
- failure of the clinical trial results to meet the level of statistical significance required by the CFDA, FDA and EMA or comparable regulatory authorities for approval;
- failure to demonstrate that a drug candidate's clinical and other benefits outweigh its safety risks;
- the CFDA, FDA and EMA or comparable regulatory authorities disagreeing with our interpretation of data from pre-clinical studies or clinical trials;
- insufficient data collected from clinical trials to support the submission of an NDA or other submission or to obtain regulatory approval in China, the United States or elsewhere;
- the CFDA, FDA and EMA or comparable regulatory authorities not approving the manufacturing processes for our clinical and commercial supplies;

- changes in the approval policies or regulations of the CFDA, FDA or comparable regulatory authorities rendering our clinical data insufficient for approval;
- the CFDA, FDA or comparable regulatory authorities restricting the use of our products to a narrow population; and
- our CROs or licensors taking actions that materially and adversely impact the clinical trials.

In addition, even if we were to obtain approval, regulatory authorities may revoke approval, approve any of our drug candidates for fewer or more limited indications than we request, may monitor the price we intend to charge for our drugs, may grant approval contingent on the performance of costly post-marketing clinical trials, or may approve a drug candidate with a label that does not include the labeling claims necessary or desirable for the successful commercialization of that drug candidate. Any of the foregoing scenarios could materially harm the commercial prospects for our drug candidates.

If safety, efficacy, manufacturing or supply issues arise with any therapeutic that we use in combination with our drug candidates, we may be unable to market such drug candidate or may experience significant regulatory delays or supply shortages, and our business could be materially harmed.

We plan to develop certain of our drug candidates for use as a combination therapy. For example, Tesaro, Inc., or Tesaro, is currently developing, and we also plan to develop, niraparib as both a monotherapy and in combination with any potential anti-VEGF or PD-1/PD-L1 treatments. However, we did not develop or obtain regulatory approval for, and we do not manufacture or sell, any anti-VEGF or PD-1/PD-L1 treatments or any other therapeutic we use in combination with our drug candidates. We may also seek to develop our drug candidates in combination with other therapeutics in the future.

If the CFDA, FDA or another regulatory agency revokes its approval of any anti-VEGF or PD-1/PD-L1 treatments or another therapeutic we use in combination with our drug candidates, we will not be able to market our drug candidates in combination with such revoked therapeutic. If safety or efficacy issues arise with these or other therapeutics that we seek to combine with our drug candidates in the future, we may experience significant regulatory delays, and we may be required to redesign or terminate the applicable clinical trials. In addition, if manufacturing or other issues result in a supply shortage of any anti-VEGF or PD-1/PD-L1 treatments or any other combination therapeutics, we may not be able to complete clinical development of niraparib and/or another of our drug candidates on our current timeline or at all.

Even if one or more of our drug candidates were to receive regulatory approval for use in combination with any anti-VEGF or PD-1/PD-L1 treatments, as applicable, or another therapeutic, we would continue to be subject to the risk that the CFDA, FDA or another regulatory agency could revoke its approval of the combination therapeutic, or that safety, efficacy, manufacturing or supply issues could arise with one of these combination therapeutics. This could result in niraparib or one of our other products being removed from the market or being less successful commercially.

We face substantial competition, which may result in our competitors discovering, developing or commercializing drugs before or more successfully than we do, or develop therapies that are more advanced or effective than ours, which may adversely affect our financial condition and our ability to successfully market or commercialize our drug candidates.

The development and commercialization of new drugs is highly competitive. We face competition with respect to our current drug candidates, and will face competition with respect to any drug candidates that we may seek to develop or commercialize in the future, from major pharmaceutical companies, specialty pharmaceutical companies and biotechnology companies worldwide. For example, there are a number of large pharmaceutical

and biotechnology companies that currently market drugs or are pursuing the development of therapies in the field of PARP inhibition to treat cancer. Some of these competitive drugs and therapies are based on scientific approaches that are the same as or similar to that of our drug candidates. Potential competitors also include academic institutions, government agencies and other public and private research organizations that conduct research, seek patent protection and establish collaborative arrangements for research, development, manufacturing and commercialization. Specifically, there are a large number of companies developing or marketing treatments for oncology, autoimmune and infectious diseases including many major pharmaceutical and biotechnology companies.

Many of the companies against which we are competing or against which we may compete in the future have significantly greater financial resources and expertise in research and development, manufacturing, pre-clinical testing, conducting clinical trials, obtaining regulatory approvals and marketing approved drugs than we do. Mergers and acquisitions in the pharmaceutical, biotechnology and diagnostic industries may result in even more resources being concentrated among a smaller number of our competitors. Smaller or early stage companies may also prove to be significant competitors, particularly through collaborative arrangements with large and established companies. These competitors also compete with us in recruiting and retaining qualified scientific and management personnel and establishing clinical trial sites and patient registration for clinical trials, as well as in acquiring technologies complementary to, or necessary for, our programs.

Our commercial opportunities could be reduced or eliminated if our competitors develop and commercialize drugs that are safer, more effective, have fewer or less severe side effects, are more convenient or are less expensive than drugs that we may develop. Our competitors also may obtain CFDA, FDA or other regulatory approval for their drugs more rapidly than we may obtain approval for ours, which could result in our competitors establishing a strong market position before we are able to enter the market. Additionally, technologies developed by our competitors may render our potential drug candidates uneconomical or obsolete, and we may not be successful in marketing our drug candidates against competitors.

In addition, as a result of the expiration or successful challenge of our patent rights, we could face more litigation with respect to the validity and/or scope of patents relating to our competitors' products. The availability of our competitors' products could limit the demand, and the price we are able to charge, for any products that we may develop and commercialize.

Clinical development involves a lengthy and expensive process with an uncertain outcome.

There is a risk of failure for each of our drug candidates. It is difficult to predict when or if any of our drug candidates will prove effective and safe in humans or will receive regulatory approval. Before obtaining regulatory approval from regulatory authorities for the sale of any drug candidate, our drug candidates must complete pre-clinical studies and then conduct extensive clinical trials to demonstrate the safety and efficacy of our drug candidates in humans. Clinical testing is expensive, difficult to design and implement, and can take many years to complete. The outcomes of pre-clinical development testing and early clinical trials may not be predictive of the success of later clinical trials, and interim results of a clinical trial do not necessarily predict final results. Moreover, pre-clinical and clinical data are often susceptible to varying interpretations and analyses, and many companies that have believed their drug candidates performed satisfactorily in pre-clinical studies and clinical trials have nonetheless failed to obtain regulatory approval of their drug candidates. Future clinical trials of our drug candidates may not be successful. For example, ZL-2301 failed to meet its primary endpoint of overall survival noninferiority for ZL-2301 versus sorafenib in Phase III trials in patients with HCC conducted by Bristol-Myers Squibb Company, or Bristol-Myers Squibb, before we licensed the development rights from them. Although we believe that ZL-2301 has the potential to be an effective treatment for Chinese patients and merits further clinical trials patients, we cannot guarantee that our future clinical trials of ZL-2301 in Chinese patients will be successful.

Commencement of clinical trials is subject to finalizing the trial design based on ongoing discussions with the CFDA, FDA and/or other regulatory authorities. The CFDA, FDA and other regulatory authorities could change their position on the acceptability of trial designs or clinical endpoints, which could require us to complete additional clinical trials or impose approval conditions that we do not currently expect. Successful completion of our clinical trials is a prerequisite to submitting an NDA (or analogous filing) to the CFDA, FDA and/or other regulatory authorities for each drug candidate and, consequently, the ultimate approval and commercial marketing of our drug candidates. We do not know whether the clinical trials for our drug candidates will begin or be completed on schedule, if at all.

We may incur additional costs or experience delays in completing pre-clinical or clinical trials, or ultimately be unable to complete the development and commercialization of our drug candidates.

We may experience delays in completing our pre-clinical or clinical trials, and numerous unforeseen events could arise during, or as a result of, future clinical trials, which could delay or prevent us from receiving regulatory approval, including:

- regulators or institutional review boards, or IRBs, or ethics committees may not authorize us or our investigators to commence or conduct a clinical trial at a prospective trial site;
- we may experience delays in reaching, or may fail to reach, agreement on acceptable terms with prospective trial sites and prospective CROs who conduct clinical trials on our behalf, the terms of which can be subject to extensive negotiation and may vary significantly among different CROs and trial sites;
- clinical trials may produce negative or inconclusive results, and we may decide, or regulators may require us or them, to conduct additional clinical trials or we may decide to abandon drug development programs;
- the number of patients required for clinical trials of our drug candidates may be larger than we anticipate, enrollment in these clinical trials may be slower than we anticipate or participants may drop out of these clinical trials or fail to return for post-treatment follow-up at a higher rate than we anticipate;
- third-party contractors used in our clinical trials may fail to comply with regulatory requirements or meet their contractual obligations in a timely manner, or at all, or may deviate from the clinical trial protocol or drop out of the trial, which may require that we add new clinical trial sites or investigators;
- the ability to conduct a companion diagnostic test to identify patients who are likely to benefit from our drug candidates;
- we may elect to, or regulators, IRBs or ethics committees may require that we or our investigators, suspend or terminate clinical research for various reasons, including non-compliance with regulatory requirements or a finding that participants are being exposed to unacceptable health risks;
- the cost of clinical trials of our drug candidates may be greater than we anticipate;
- the supply or quality of our drug candidates or other materials necessary to conduct clinical trials of our drug candidates may be insufficient or inadequate; and
- our drug candidates may have undesirable side effects or unexpected characteristics, causing us or our investigators, regulators, IRBs or ethics committees to suspend or terminate the trials, or reports may arise from pre-clinical or clinical testing of other cancer therapies that raise safety or efficacy concerns about our drug candidates.

We could encounter regulatory delays if a clinical trial is suspended or terminated by us or, as applicable, the IRBs or the ethics committee of the institutions in which such trials are being conducted, by the data safety

monitoring board, which is an independent group of experts that is formed to monitor clinical trials while ongoing, or by the CFDA, FDA or other regulatory authorities. Such authorities may impose a suspension or termination due to a number of factors, including: a failure to conduct the clinical trial in accordance with regulatory requirements or the applicable clinical protocols, inspection of the clinical trial operations or trial site by the CFDA, FDA or other regulatory authorities that results in the imposition of a clinical hold, unforeseen safety issues or adverse side effects, failure to demonstrate a benefit from using a drug, changes in governmental regulations or administrative actions or lack of adequate funding to continue the clinical trial. Many of the factors that cause a delay in the commencement or completion of clinical trials may also ultimately lead to the denial of regulatory approval of our drug candidates. Further, the CFDA, FDA or other regulatory authorities may disagree with our clinical trial design or our interpretation of data from clinical trials, or may change the requirements for approval even after it has reviewed and commented on the design for our clinical trials.

If we are required to conduct additional clinical trials or other testing of our drug candidates beyond those that are currently contemplated, if we are unable to successfully complete clinical trials of our drug candidates or other testing, if the results of these trials or tests are not positive or are only modestly positive or if there are safety concerns, we may:

- be delayed in obtaining regulatory approval for our drug candidates;
- not obtain regulatory approval at all;
- obtain approval for indications or patient populations that are not as broad as intended or desired;
- be subject to post-marketing testing requirements;
- encounter difficulties obtaining or be unable to obtain reimbursement for use of certain drugs;
- be subject to restrictions on the distribution and/or commercialization of drugs; and/or
- have the drug removed from the market after obtaining regulatory approval.

Our drug development costs will also increase if we experience delays in testing or regulatory approvals. We do not know whether any of our clinical trials will begin as planned, will need to be restructured or will be completed on schedule, or at all. Significant pre-clinical study or clinical trial delays also could allow our competitors to bring products to market before we do and impair our ability to successfully commercialize our drug candidates and may harm our business and results of operations. Any delays in our clinical development programs may harm our business, financial condition and prospects significantly.

If we experience delays or difficulties in the enrollment of patients in clinical trials, the progress of such clinical trials and our receipt of necessary regulatory approvals could be delayed or prevented.

We may not be able to initiate or continue clinical trials for our drug candidates if we are unable to locate and enroll a sufficient number of eligible patients to participate in these trials as required by the CFDA, FDA or similar regulatory authorities. In particular, we have designed many of our clinical trials, and expect to design future trials, to include some patients with the applicable genomic mutation with a view to assessing possible early evidence of potential therapeutic effect. Genomically defined diseases, however, may have relatively low prevalence, and it may be difficult to identify patients with the applicable genomic mutation. In addition, for our trials studying niraparib in ovarian cancer patients and certain of our other drug candidates, we plan to focus on enrolling patients who have failed their first or second-line treatments, which limits the total size of the patient population available for such trials. The inability to enroll a sufficient number of patients with the applicable genomic alteration or that meet other applicable criteria for our clinical trials would result in significant delays and could require us to abandon one or more clinical trials altogether.

In addition, some of our competitors have ongoing clinical trials for drug candidates that treat the same indications as our drug candidates, and patients who would otherwise be eligible for our clinical trials may instead enroll in clinical trials of our competitors' drug candidates.

Patient enrollment may be affected by other factors including:

- the severity of the disease under investigation;
- the total size and nature of the relevant patient population;
- the design and eligibility criteria for the clinical trial in question;
- the availability of an appropriate genomic screening test;
- the perceived risks and benefits of the drug candidate under study;
- the efforts to facilitate timely enrollment in clinical trials;
- the patient referral practices of physicians;
- the availability of competing therapies also undergoing clinical trials;
- the ability to monitor patients adequately during and after treatment; and
- the proximity and availability of clinical trial sites for prospective patients.

Enrollment delays in our clinical trials may result in increased development costs for our drug candidates, which could cause the value of our company to decline and limit our ability to obtain additional financing.

Our drug candidates may cause undesirable side effects that could delay or prevent their regulatory approval, limit the commercial profile of an approved label, or result in significant negative consequences following regulatory approval, if any.

Undesirable side effects caused by our drug candidates could cause us to interrupt, delay or halt clinical trials or could cause regulatory authorities to interrupt, delay or halt our clinical trials and could result in a more restrictive label or the delay or denial of regulatory approval by the CFDA, FDA or other regulatory authorities. In particular, as is the case with all oncology drugs, it is likely that there may be side effects, such as fatigue, nausea and low blood cell levels, associated with the use of certain of our oncology drug candidates. For example, the known adverse events for niraparib include thrombocytopenia, anemia and neutropenia and for ZL-2301, the known adverse events include hyponatremia, AST elevation, fatigue, hand-foot skin reaction and hypertension. The results of our drug candidates' trials could reveal a high and unacceptable severity and prevalence of these or other side effects. In such an event, trials of our drug candidates could be suspended or terminated and the CFDA, FDA or comparable regulatory authorities could order us to cease further development of or deny approval of our drug candidates for any or all targeted indications. The drug-related side effects could affect patient recruitment or the ability of enrolled patients to complete the trial or result in potential product liability claims. Any of these occurrences may harm our business, financial condition and prospects significantly.

Additionally, our drug candidates could cause undesirable side effects related to off-target toxicity. For example, many of the currently approved PARP inhibitors have been associated with off-target toxicities. While we believe that the superior selectivity of niraparib has the potential to significantly improve the unfavorable adverse off-target toxicity issues, if patients were to experience off-target toxicity, we may not be able to achieve an effective dosage level (especially in combination therapies), receive approval to market, or achieve the commercial success we anticipate with respect to, any of our drug candidates, which could prevent us from ever generating revenue or achieving profitability. Many compounds that initially showed promise in early stage testing for treating cancer have later been found to cause side effects that prevented further development of the compound.

Clinical trials assess a sample of the potential patient population. With a limited number of patients and duration of exposure, rare and severe side effects of our drug candidates may only be uncovered with a significantly larger number of patients exposed to the drug candidate. If our drug candidates receive regulatory approval and we, our partners or others identify undesirable side effects caused by such drug candidates (or any other similar drugs) after such approval, a number of potentially significant negative consequences could result, including:

- the CFDA, FDA or other comparable regulatory authorities may withdraw or limit their approval of such drug candidates;
- the CFDA, FDA or other comparable regulatory authorities may require the addition of labeling statements, such as a “boxed” warning or a contra-indication;
- we may be required to create a medication guide outlining the risks of such side effects for distribution to patients;
- we may be required to change the way such drug candidates are distributed or administered, conduct additional clinical trials or change the labeling of our drug candidates;
- the CFDA, FDA or other comparable regulatory authorities may require a Risk Evaluation and Mitigation Strategy, or REMS (or analogous requirement), plan to mitigate risks, which could include medication guides, physician communication plans, or elements to assure safe use, such as restricted distribution methods, patient registries and other risk minimization tools;
- we may be subject to regulatory investigations and government enforcement actions;
- we may decide to remove such drug candidates from the marketplace;
- we could be sued and held liable for injury caused to individuals exposed to or taking our drug candidates; and
- our reputation may suffer.

Any of these events could prevent us from achieving or maintaining market acceptance of the affected drug candidates and could substantially increase the costs of commercializing our drug candidates, if approved, and significantly impact our ability to successfully commercialize our drug candidates and generate revenue.

If we are unable to obtain CFDA approval for our drug candidates to be eligible for an expedited registration pathway as Category 1 drug candidates, the time and cost we incur to obtain regulatory approvals may increase. Even if we receive such Category 1 designation, it may not lead to a faster development, review or approval process.

The CFDA categorizes domestically-manufactured innovative drug applications as Category 1, provided such drug has a new and clearly defined structure, pharmacological property and apparent clinical value and has not been marketed anywhere in the world. Domestically developed and manufactured innovative drugs will be attributed to Category 1 for their CTA and NDA applications. While some multinational pharmaceutical companies may file CTAs with the CFDA prior to approval of a drug in another country in order to take advantage of Category 1 classification, such drug will most likely be assigned to Category 5 for NDA approval purposes because, based on historical observations, multinational pharmaceutical companies will typically not prioritize applying for local manufacturing rights in China, hence subjecting the drug to the imported drug status. Our CTAs for niraparib and ZL-2301 were approved as Category 1 drugs by the CFDA, and our CTA for ZL-2302 was accepted as a Category 1 drug by the CFDA. Other than fugan, all our other clinical stage drug candidates are eligible for Category 1 designation. These two categories have distinct approval pathways. We believe the local drug registration pathway is a faster and more efficient path to approval in the China market

than the imported drug registration pathway. The imported drug registration pathway is more complex and is evolving. Imported drug registration applications in China may only be submitted after a drug has obtained an NDA approval and received the Certificate of Pharmaceutical Product granted by a major drug regulatory authority, such as the FDA. A Category 1 designation by the CFDA may not be granted for any of our drug candidates or may not lead to faster development or regulatory review or approval process. Moreover, a Category 1 designation does not increase the likelihood that our drug candidates will receive regulatory approval.

Furthermore, there has been recent regulatory initiatives in China, including (i) the China's State Council's August 2015 statement, *Opinions on Reforming the Review and Approval Process for Pharmaceutical Products and Medical Devices*, which declared the Chinese government's clear determination to encourage transformation and upgrade of the pharmaceutical industry, (ii) the CFDA's November 2015 release, *Circular Concerning Several Policies on Drug Registration Review and Approval*, with aims to accelerate the approval process of clinical trials and (iii) the CFDA's February 2016 release, *Opinions on Priority Review and Approval for Resolving Drug Registration Applications Backlog*, which further clarified that a fast track clinical trial approval or drug registration pathway will be available to certain designated drugs. As such, the regulatory process in China is evolving and subject to change. Any future policies, or changes to current polices, that the CFDA approves might require us to change our planned clinical study design or otherwise spend additional resources and effort to obtain approval of our drug candidates. In addition, policy changes may contain significant limitations related to use restrictions for certain age groups, warnings, precautions or contraindications, or may be subject to burdensome post-approval study or risk management requirements. If we are unable to obtain regulatory approval for our drug candidates in one or more jurisdictions, or any approval contains significant limitations, we may not be able to obtain sufficient funding or generate sufficient revenue to continue the development of our drug candidates or any other drug candidate that we may in-license, acquire or develop in the future.

Even if we receive regulatory approval for any of our drug candidates, we will be subject to ongoing obligations and continued regulatory review, which may result in significant additional expense, and if we fail to comply with ongoing regulatory requirements or experience any unanticipated problems with any of our drug candidates, we may be subject to penalties.

If the CFDA, FDA or a comparable regulatory authority approves any of our drug candidates, the manufacturing processes, labeling, packaging, distribution, adverse event reporting, storage, advertising, promotion and recordkeeping for the drug will be subject to extensive and ongoing regulatory requirements. These requirements include submissions of safety and other post-marketing information and reports, registration, and continued compliance with cGMPs and GCPs. Any regulatory approvals that we receive for our drug candidates may also be subject to limitations on the approved indicated uses for which the drug may be marketed or to the conditions of approval, or contain requirements for potentially costly post-marketing testing, including Phase IV studies for the surveillance and monitoring the safety and efficacy of the drug.

In addition, once a drug is approved by the CFDA, FDA or a comparable regulatory authority for marketing, it is possible that there could be a subsequent discovery of previously unknown problems with the drug, including problems with third-party manufacturers or manufacturing processes, or failure to comply with regulatory requirements. If any of the foregoing occurs with respect to our drug products, it may result in, among other things:

- restrictions on the marketing or manufacturing of the drug, withdrawal of the drug from the market, or voluntary or mandatory drug recalls;
- fines, warning letters or holds on clinical trials;

- refusal by the CFDA, FDA or comparable regulatory authority to approve pending applications or supplements to approved applications filed by us, or suspension or revocation of drug license approvals;
- drug seizure or detention, or refusal to permit the import or export of drugs; and
- injunctions or the imposition of civil, administrative or criminal penalties.

Any government investigation of alleged violations of law could require us to expend significant time and resources and could generate negative publicity. Moreover, regulatory policies may change or additional government regulations may be enacted that could prevent, limit or delay regulatory approval of our drug candidates. If we are not able to maintain regulatory compliance, regulatory approval that has been obtained may be lost and we may not achieve or sustain profitability, which may harm our business, financial condition and prospects significantly.

The incidence and prevalence for target patient populations of our drug candidates are based on estimates and third-party sources. If the market opportunities for our drug candidates are smaller than we estimate or if any approval that we obtain is based on a narrower definition of the patient population, our revenue and ability to achieve profitability might be materially and adversely affected.

Periodically, we make estimates regarding the incidence and prevalence of target patient populations for particular diseases based on various third-party sources and internally generated analysis and use such estimates in making decisions regarding our drug development strategy, including acquiring or in-licensing drug candidates and determining indications on which to focus in pre-clinical or clinical trials.

These estimates may be inaccurate or based on imprecise data. For example, the total addressable market opportunity will depend on, among other things, their acceptance by the medical community and patient access, drug pricing and reimbursement. The number of patients in the addressable markets may turn out to be lower than expected, patients may not be otherwise amenable to treatment with our drugs, or new patients may become increasingly difficult to identify or gain access to, all of which may significantly harm our business, financial condition, results of operations and prospects.

Our future success depends on our ability to retain key executives and to attract, retain and motivate qualified personnel.

We are highly dependent on the expertise of the members of our research and development team, as well as the other principal members of our management, including Samantha Du, our founder, Chairman and Chief Executive Officer. Although we have entered into employment letter agreements with our executive officers, each of them may terminate their employment with us at any time with one months' prior written notice. We do not maintain "key person" insurance for any of our executives or other employees.

Recruiting and retaining qualified management, scientific, clinical, manufacturing and sales and marketing personnel will also be critical to our success. The loss of the services of our executive officers or other key employees could impede the achievement of our research, development and commercialization objectives and seriously harm our ability to successfully implement our business strategy. Furthermore, replacing executive officers and key employees may be difficult and may take an extended period of time because of the limited number of individuals in our industry with the breadth of skills and experience required to successfully develop, gain regulatory approval of and commercialize drugs. Competition to hire from this limited pool is intense, and we may be unable to hire, train, retain or motivate these key personnel on acceptable terms given the competition among numerous pharmaceutical and biotechnology companies for similar personnel. We also experience competition for the hiring of scientific and clinical personnel from universities and research

institutions. In addition, our management will be required to devote significant time to new compliance initiatives from our status as a U.S. public company, which may require us to recruit more management personnel. Failure to succeed in clinical trials may make it more challenging to recruit and retain qualified scientific personnel.

We will need to increase the size and capabilities of our organization, and we may experience difficulties in managing our growth.

We expect to experience significant growth in the number of our employees and consultants and the scope of our operations, particularly in the areas of drug development, regulatory affairs and business development. To manage our anticipated future growth, we must continue to implement and improve our managerial, operational and financial systems, expand our facilities and continue to recruit and train additional qualified personnel. Due to our limited financial resources and the limited experience of our management team in managing a company with such anticipated growth, we may not be able to effectively manage the expansion of our operations or recruit and train additional qualified personnel. The expansion of our operations may lead to significant costs and may divert our management and business development resources. Any inability to manage growth could delay the execution of our business plans or disrupt our operations, and have a materially adverse effect on our business.

We have concluded that there is a material weakness in internal control over financial reporting in the past and cannot assure you that additional material weaknesses will not be identified in the future. This weakness may not be timely eliminated and general reputational harm could result or persist, which could materially and adversely affect our business, operations and financial condition. Our failure to implement and maintain effective internal control over financial reporting could result in material misstatements in our financial statements which could require us to restate financial statements, cause investors to lose confidence in our reported financial information and have a negative effect on our stock price.

Prior to the completion of this offering, we have been a private company with limited accounting personnel to adequately execute our accounting processes and other supervisory resources with which to address our internal control over financial reporting. Our management has not completed an assessment of the effectiveness of our internal control over financial reporting and our independent registered public accounting firm has not conducted an audit of our internal control over financial reporting. In the course of auditing our consolidated financial statements for the year ended December 31, 2016, we and our independent registered public accounting firm identified one material weakness in our internal control over financial reporting as of December 31, 2016, in accordance with the standards established by the Public Company Accounting Oversight Board of the United States. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our financial statements will not be prevented or detected on a timely basis. The material weakness related to the lack of sufficient accounting personnel with U.S. GAAP knowledge and SEC financial reporting requirements for the purpose of financial reporting, and lack of accounting policies and procedures over financial reporting in accordance with U.S. GAAP. We are seeking to remedy this material weakness by adding staff with extensive U.S. GAAP experience to our accounting team and developing, communicating and implementing an accounting policy manual for our financial reporting personnel for recurring transactions and period-end closing processes, although no assurance can be given as to whether these steps will be sufficient. The implementation of these improvements may increase our administrative expenses. To the extent these steps are not successful, we could be forced to incur additional management time and expense.

We cannot assure you that additional material weaknesses or significant deficiencies in our internal control over financial reporting will not be identified in the future. Any failure to maintain or implement required new or improved controls, or any difficulties we encounter in their implementation, could result in additional

significant deficiencies or material weaknesses, cause us to fail to meet our periodic reporting obligations or result in material misstatements in our financial statements. Any such failure could also adversely affect the results of periodic management evaluations regarding the effectiveness of our internal control over financial reporting. Furthermore, we will be required, pursuant to Section 404 of the Sarbanes-Oxley Act, to furnish a report by management on, among other things, the effectiveness of our internal control over financial reporting as of the end of our fiscal year ending on December 31, 2018. However, for as long as we are an "emerging growth company" under the JOBS Act, our independent registered public accounting firm will not be required to attest to the effectiveness of our internal control over financial reporting pursuant to Section 404. We could be an emerging growth company for up to five years. An independent assessment of the effectiveness of our internal control over financial reporting could detect problems that our management's assessment might not. The existence of a material weakness could result in errors in our financial statements that could result in a restatement of financial statements, cause us to fail to meet our reporting obligations and cause investors to lose confidence in our reported financial information, leading to a decline in our stock price.

In addition to in-licensing or acquiring drug candidates, we may engage in future business acquisitions that could disrupt our business, cause dilution to our ADS holders and harm our financial condition and operating results.

While we currently have no specific plans to acquire any other businesses, we have, from time to time, evaluated acquisition opportunities and may, in the future, make acquisitions of, or investments in, companies that we believe have products or capabilities that are a strategic or commercial fit with our current drug candidates and business or otherwise offer opportunities for our company. In connection with these acquisitions or investments, we may:

- issue stock that would dilute our ADS holders' percentage of ownership;
- incur debt and assume liabilities; and
- incur amortization expenses related to intangible assets or incur large and immediate write-offs.

We also may be unable to find suitable acquisition candidates and we may not be able to complete acquisitions on favorable terms, if at all. If we do complete an acquisition, we cannot assure you that it will ultimately strengthen our competitive position or that it will not be viewed negatively by customers, financial markets or investors. Further, future acquisitions could also pose numerous additional risks to our operations, including:

- problems integrating the purchased business, products or technologies;
- increases to our expenses;
- the failure to have discovered undisclosed liabilities of the acquired asset or company;
- diversion of management's attention from their day-to-day responsibilities;
- harm to our operating results or financial condition;
- entrance into markets in which we have limited or no prior experience; and
- potential loss of key employees, particularly those of the acquired entity.

We may not be able to complete one or more acquisitions or effectively integrate the operations, products or personnel gained through any such acquisition without a material adverse effect on our business, financial condition and results of operations.

If we are unable to establish sales and marketing capabilities or enter into agreements with third parties to market and sell our drug candidates, we may be unable to generate any revenue.

We do not currently have an organization for the sales, marketing and distribution of pharmaceutical products and the cost of establishing and maintaining such an organization may exceed the cost-effectiveness of doing so. In order to market any products that may be approved by the CFDA, FDA and comparable regulatory authorities, we must build our sales, marketing, managerial and other non-technical capabilities or make arrangements with third parties to perform these services. If we are unable to establish adequate sales, marketing and distribution capabilities, whether independently or with third parties, we may not be able to generate product revenue and may not become profitable. We will be competing with many companies that currently have extensive and well-funded sales and marketing operations. Without an internal commercial organization or the support of a third party to perform sales and marketing functions, we may be unable to compete successfully against these more established companies.

Reimbursement may not be immediately available for our drug candidates in China, the United States or other countries, which could diminish our sales or affect our profitability.

The regulations that govern pricing and reimbursement for pharmaceuticals vary widely from country to country. In China, the Ministry of Human Resources and Social Security of the PRC or provincial or local human resources and social security authorities, together with other government authorities, review the inclusion or removal of drugs from the PRC's National Drug Catalog for Basic Medical Insurance, Work-related Injury Insurance and Maternity Insurance, or the National Reimbursement Drug List, or the NRDL, or provincial or local medical insurance catalogues for the National Medical Insurance Program regularly, and the tier under which a drug will be classified, both of which affect the amounts reimbursable to program participants for their purchases of those drugs. These determinations are made based on a number of factors, including price and efficacy.

In February 2017, the Ministry of Human Resources and Social Security of the PRC released a new edition of the NRDL, or the 2017 NRDL. The 2017 NRDL expands its scope by including an additional 339 drugs. The 2017 NRDL reflects an emphasis on innovative drugs and drugs that treat cancer and other serious diseases. For instance, most of the innovative chemical drugs and biological products approved in China between 2008 and the first half of 2016 have been included in the 2017 NRDL or its candidate list. Most of our drug candidates targeted at treating oncology diseases, including niraparib, are unlikely to be included in the NRDL for the National Medical Insurance Program at least in the short-term. Products included in the NRDL are typically generic and essential drugs. Innovative drugs, like niraparib, have historically been more limited on their inclusion in the NRDL due to the affordability of the government's Basic Medical Insurance. More recently, the government has started to include more innovative drugs in the 2017 NRDL. As a result, if we were to successfully launch commercial sales of our oncology-based drug candidates, including niraparib, our revenue from such sales is largely expected to be self-paid by patients, which may make our drug candidates less desirable. On the other hand, if the Ministry of Human Resources and Social Security of the PRC or any of its local counterparts accepts our application for the inclusion of our drug candidates in the NRDL or provincial or local medical insurance catalogues, which may increase the demand for our drug candidates, our potential revenue from the sales of our drug candidates may still decrease as a result of lower prices we may be required to charge for our drug candidates that are included in the NRDL or provincial or local medical insurance catalogues.

In the United States, there have been and continue to be a number of legislative initiatives to contain healthcare costs which may affect reimbursement rates of our drug candidates if approved. For example, in March 2010, the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act, or the Affordable Care Act, was passed, which substantially changed the way health care is financed by both governmental and private insurers. The Affordable Care Act, among other things, subjects biologic products to potential competition by lower-cost biosimilars and establishes annual fees and taxes on manufacturers of certain branded prescription drugs. It also establishes a new Medicare Part D coverage gap

discount program, in which manufacturers must agree to offer 50% point-of-sale discounts off negotiated prices of applicable brand drugs to eligible beneficiaries during their coverage gap period as a condition for the manufacturer's outpatient drugs to be covered under Medicare Part D. In addition, other legislative changes have been proposed and adopted in the United States since the Affordable Care Act was enacted. We expect that additional U.S. state and federal healthcare reform measures will be adopted in the future, any of which could limit the amounts that federal and state governments will pay for healthcare products and services, which could result in reduced demand for our drug candidates or additional pricing pressures.

Some of the provisions of the Affordable Care Act have yet to be fully implemented, while certain provisions have been subject to judicial and Congressional challenges. In January 2017, Congress voted to adopt a budget resolution for fiscal year 2017, that while not a law, is widely viewed as the first step toward the passage of legislation that would repeal certain aspects of the Affordable Care Act. Further, on January 20, 2017, President Trump signed an Executive Order directing federal agencies with authorities and responsibilities under the Affordable Care Act to waive, defer, grant exemptions from, or delay the implementation of any provision of the Affordable Care Act that would impose a fiscal burden on states or a cost, fee, tax, penalty or regulatory burden on individuals, healthcare providers, health insurers, or manufacturers of pharmaceuticals or medical devices. Congress also could consider subsequent legislation to replace elements of the Affordable Care Act that are repealed. Thus, the full impact of the Affordable Care Act, or any law replacing elements of it, on our business remains unclear. The implementation of cost containment measures or other healthcare reforms may prevent us from being able to generate revenue, attain profitability, or commercialize our drugs.

Moreover, eligibility for reimbursement in either China or the United States does not imply that any drug will be paid for in all cases or at a rate that covers our costs, including licensing fees, research, development, manufacture, sale and distribution. Interim U.S. reimbursement levels for new drugs, if applicable, may also not be sufficient to cover our costs and may not be made permanent. Reimbursement rates may vary according to the use of the drug and the clinical setting in which it is used, may be based on reimbursement levels already set for lower cost drugs and may be incorporated into existing payments for other services. Net prices for drugs may be reduced by mandatory discounts or rebates required by U.S. government healthcare programs or private payors and by any future relaxation of laws that presently restrict imports of drugs from countries where they may be sold at lower prices than in the United States. Third-party payors in the United States often rely upon Medicare coverage policy and payment limitations in setting their own reimbursement policies. Our inability to promptly obtain coverage and profitable payment rates from both government-funded and private payors for any approved drugs that we develop could have a material adverse effect on our operating results, our ability to raise capital needed to commercialize drugs and our overall financial condition.

Pharmaceutical companies in China are required to comply with extensive regulations and hold a number of permits and licenses to carry on their business. Our ability to obtain and maintain these regulatory approvals is uncertain, and future government regulation may place additional burdens on our efforts to commercialize our drug candidates.

The pharmaceutical industry in China is subject to extensive government regulation and supervision. The regulatory framework addresses all aspects of operating in the pharmaceutical industry, including approval, registration, production, distribution, packaging, labelling, storage and shipment, advertising, licensing and certification requirements and procedures, periodic renewal and reassessment processes, registration of new drugs and environmental protection. Violation of applicable laws and regulations may materially and adversely affect our business. In order to commercialize our drug candidates and manufacture and distribute pharmaceutical products in China, we are required to:

- obtain a pharmaceutical manufacturing permit and GMP certificate for each production facility from the CFDA and its relevant branches for trading and distribution of drugs not manufactured by the drug registration certificate holder;

- obtain a drug registration certificate, which includes a drug approval number, from the CFDA for each drug manufactured by us;
- obtain a pharmaceutical distribution permit and good supply practice, or GSP, certificate from the CFDA and its relevant branches; and
- renew the pharmaceutical manufacturing permits, the pharmaceutical distribution permits, drug registration certificates, GMP certificates and GSP certificates every five years, among other requirements.

If we are unable to obtain or renew such permits or any other permits or licenses required for our operations, will not be able to engage in the commercialization, manufacture and distribution of our drug candidates and our business may be adversely affected.

The regulatory framework governing the pharmaceutical industry in China is subject to change and amendment from time to time. Any such change or amendment could materially and adversely impact our business, financial condition and prospects. The PRC government has introduced various reforms to the Chinese healthcare system in recent years and may continue to do so, with an overall objective to expand basic medical insurance coverage and improve the quality and reliability of healthcare services. The specific regulatory changes under the reform still remain uncertain. The implementing measures to be issued may not be sufficiently effective to achieve the stated goals, and as a result, we may not be able to benefit from such reform to the level we expect, if at all. Moreover, the reform could give rise to regulatory developments, such as more burdensome administrative procedures, which may have an adverse effect on our business and prospects.

For further information regarding government regulation in China and other jurisdictions, see “Regulation—Government Regulation of Pharmaceutical Product Development and Approval,” “Regulation—Coverage and Reimbursement” and “Regulation—Other Healthcare Laws.”

If we breach our license or other intellectual property-related agreements for our drug candidates or otherwise experience disruptions to our business relationships with our licensors, we could lose the ability to continue the development and commercialization of our drug candidates.

Our business relies, in large part, on our ability to develop and commercialize drug candidates we have licensed and sublicensed from third parties including niraparib from Tesaro, ZL-2301 from Bristol-Myers Squibb, omadacycline from Paratek Bermuda, Ltd., a subsidiary of Paratek Pharmaceuticals, Inc., or Paratek, fugan from GlaxoSmithKline (China) R&D Co., Ltd., an affiliate of GlaxoSmithKline plc, or GSK, ZL-2302 from Sanofi and ZL-1101 from UCB Biopharma Sprl, an affiliate of Union Chimique Belge, or UCB. Because our licenses from Paratek, GSK and UCB are granted to us by a subsidiary or an affiliate of Paratek, GSK or UCB, as applicable, our licenses may not encumber all intellectual property rights owned or controlled by the affiliates of our licensors and relevant to our drug candidates. If we have not obtained a license to all intellectual property rights owned or controlled by such affiliates of our licensors that are relevant to our drug candidates, we may need to obtain additional licenses to such intellectual property rights which may not be available on an exclusive basis, on commercially reasonable terms or at all. In addition, if our licensors breach such agreements, we may not be able to enforce such agreements against our licensors’ parent entity or affiliates. Under each of our license and intellectual property-related agreements, in exchange for licensing or sublicensing us the right to develop and commercialize the applicable drug candidates, our licensors will be eligible to receive from us milestone payments, tiered royalties from commercial sales of such drug candidates, assuming relevant approvals from government authorities are obtained, or other payments. Our license and intellectual property-related agreements also require us to comply with other obligations including development and diligence obligations, providing certain information regarding our activities with respect to such drug candidates and/or maintaining the confidentiality of information we receive from our licensors. For example, under our agreements relating to niraparib and ZL-2301, we are required to use commercially reasonable efforts to conduct the necessary

pre-clinical, clinical, regulatory and other activities necessary to develop and commercialize such drug candidates in the licensed territories. We are also obligated to use commercially reasonable efforts to develop and commercialize omadacycline, fugan, ZL-2302 and ZL-1101 in certain of their respective licensed territories, in each case, under their respective license agreements.

If we fail to meet any of our obligations under our license and intellectual property-related agreements, our licensors have the right to terminate our licenses and sublicenses and, upon the effective date of such termination, have the right to re-obtain the licensed and sub-licensed technology and intellectual property. If any of our licensors terminate any of our licenses or sublicenses, we will lose the right to develop and commercialize our applicable drug candidates and other third parties may be able to market drug candidates similar or identical to ours. In such case, we may be required to provide a grant back license to the licensors under our own intellectual property with respect to the terminated products. For example, if our agreement with Sanofi for ZL-2302 terminates for any reason, we are required to grant Sanofi an exclusive license with respect to certain of our owned patents and know-how that are necessary to exploit ZL-2302 in the field of oncology in the regions where the license is terminated. In addition, if our agreements with UCB for ZL-1101 and Tesaro for niraparib terminate for any reason, we are required to grant UCB or Tesaro, as applicable, an exclusive license to certain of our intellectual property rights that relate to ZL-1101 or niraparib, as applicable. While we would expect to exercise all rights and remedies available to us, including seeking to cure any breach by us, and otherwise seek to preserve our rights under the intellectual property rights licensed and sublicensed to us, we may not be able to do so in a timely manner, at an acceptable cost or at all. In particular, some of the milestone payments are payable upon our drug candidates reaching development milestones before we have commercialized, or received any revenue from, sales of such drug candidate, and we cannot guarantee that we will have sufficient resources to make such milestone payments. Any uncured, material breach under the license agreements could result in our loss of exclusive rights and may lead to a complete termination of our rights to the applicable drug candidate. Any of the foregoing could have a material adverse effect on our business, financial conditions, results of operations, and prospects.

In addition, disputes may further arise regarding intellectual property subject to a license agreement, including, but not limited to:

- the scope of rights granted under the license agreement and other interpretation-related issues;
- the extent to which our technology and processes infringe, misappropriate or otherwise violate on intellectual property of the licensor that is not subject to the licensing agreement;
- the sublicensing of patent and other rights under our collaborative development relationships;
- our diligence obligations under the license agreement and what activities satisfy those diligence obligations;
- the inventorship and ownership of inventions and know-how resulting from the joint creation or use of intellectual property by our licensors and us and our partners; and
- the priority of invention of patented technology.

Moreover, certain of our licensors do not own some or all of the intellectual property included in the license, but instead have licensed such intellectual property from a third party, and have granted us a sub-license. As a result, the actions of our licensors or of the ultimate owners of the intellectual property may affect our rights to use our sublicensed intellectual property, even if we are in compliance with all of the obligations under our license agreements. For example, our licenses from Tesaro and Paratek comprise sublicenses to us of certain intellectual property rights owned by third parties that are not our direct licensors. If our licensors were to fail to comply with their obligations under the agreements pursuant to which they obtain the rights that are

sublicensed to us, or should such agreements be terminated or amended, our rights to the applicable licensed intellectual property may be terminated or narrowed, our exclusive licenses may be converted to non-exclusive licenses, and our ability to produce and sell our products and drug candidates may be materially harmed. In addition, our license from Paratek is limited to intellectual property rights under the control of Paratek Bermuda, Ltd. To the extent Paratek Bermuda, Ltd. loses control over any of the licensed intellectual property rights for any reason, we will no longer be licensed to such intellectual property rights to use, develop and otherwise commercialize omadacycline. Also, our license from GSK for fugan includes license agreements between GSK and third parties, which were assigned to us. If we do not comply with our license agreement with GSK or with such other third parties, any such agreements may be terminated or narrowed and we may lose our rights to the licensed intellectual property rights and be required to cease development and commercialization of fugan. Any of the foregoing could have a material adverse effect on our business, financial conditions, results of operations, and prospects.

In addition, the agreements under which we currently license intellectual property or technology from third parties are complex, and certain provisions in such agreements may be susceptible to multiple interpretations. The resolution of any contract interpretation disagreement that may arise could narrow what we believe to be the scope of our rights to the relevant intellectual property or technology, or increase what we believe to be our financial or other obligations under the relevant agreement, either of which could have a material adverse effect on our business, financial condition, results of operations, and prospects. Moreover, if disputes over intellectual property that we have licensed or sublicensed prevent or impair our ability to maintain our current licensing arrangements on commercially acceptable terms, we may be unable to successfully develop and commercialize the affected drug candidates, which could have a material adverse effect on our business, financial conditions, results of operations and prospects.

Product liability claims or lawsuits could cause us to incur substantial liabilities.

We face an inherent risk of product liability exposure related to the use of our drug candidates in clinical trials or any drug candidates we may decide to commercialize and manufacture in the future. If we cannot successfully defend against claims that the use of such drug candidates in our clinical trials or any products we may choose to manufacture at our production facilities in the future, including any of our drug candidates which receive regulatory approval, caused injuries, we could incur substantial liabilities. Regardless of merit or eventual outcome, liability claims may result in:

- significant negative media attention and reputational damage;
- withdrawal of clinical trial participants and inability to continue clinical trials;
- significant costs to defend the related litigation;
- substantial monetary awards to trial participants or patients;
- the inability to commercialize any drug candidates that we may develop;
- initiation of investigations by regulators;
- a diversion of management’s time and our resources; and
- a decline in the ADS price.

Existing PRC laws and regulations do not require us to have, nor do we currently, maintain liability insurance to cover product liability claims. We do not have business liability, or in particular, product liability insurance for each of our drug candidates. Any litigation might result in substantial costs and diversion of resources. While we maintain liability insurance for certain clinical trials (which covers the patient human clinical trial liabilities

including, among others, bodily injury), this insurance may not fully cover our potential liabilities. Inability to obtain sufficient insurance coverage at an acceptable cost or otherwise to protect against potential product liability claims could prevent or inhibit the commercialization of drugs we develop, alone or with our collaborators.

The research and development projects under our internal discovery programs are at an early stage of development. As a result, we are unable to predict if or when we will successfully develop or commercialize any drug candidates under such programs.

Our internal discovery programs are at an early stage of development and will require significant investment and regulatory approvals prior to commercialization. We currently have no drug candidates beyond pre-clinical trials under our internal discovery programs. Each of our drug candidates will require additional clinical and preclinical development, management of clinical, preclinical and manufacturing activities, obtaining regulatory approval, obtaining manufacturing supply, building of a commercial organization, substantial investment and significant marketing efforts before they generate any revenue from product sales. We are not permitted to market or promote any of our drug candidates before we receive regulatory approval from the CFDA, the FDA or comparable regulatory authorities, and we may never receive such regulatory approval for any such drug candidates.

We cannot be certain that clinical development of any drug candidates from our internal discovery programs will be successful or that we will obtain regulatory approval or be able to successfully commercialize any of our drug candidates and generate revenue. Success in preclinical testing does not ensure that clinical trials will be successful, and the clinical trial process may fail to demonstrate that our drug candidates are safe and effective for their proposed uses. Any such failure could cause us to abandon further development of any one or more of our drug candidates and may delay development of other drug candidates. Any delay in, or termination of, our clinical trials will delay and possibly preclude the filing of any NDAs, with the CFDA, the FDA or comparable regulatory authorities and, ultimately, our ability to commercialize our drug candidates and generate product revenue.

If our manufacturing facilities are not approved by regulators, are damaged or destroyed or production at such facilities is otherwise interrupted, our business and prospects would be negatively affected.

In early 2017 we built a small molecule facility capable of supporting clinical and commercial production and have begun construction of a large molecule facility capable of supporting clinical production of our drug candidates. The construction of the large molecule facility is expected to be completed in the first half of 2018. We intend to rely on these facilities for the manufacture of clinical and commercial supply of some of our product candidates. Prior to being permitted to sell any drugs produced at these facilities the facilities will need to be inspected and approved by regulatory authorities. If either facility is not approved by regulators or is damaged or destroyed, or otherwise subject to disruption, it would require substantial lead-time to replace our manufacturing capabilities. In such event, we would be forced to identify and rely partially or entirely on third-party contract manufacturers for an indefinite period of time. Any new facility needed to replace an existing production facility would need to comply with the necessary regulatory requirements and be tailored to our production requirements and processes. We also would need regulatory approvals before using any products manufactured at a new facility in clinical trials or selling any products that are ultimately approved. Any disruptions or delays at our facility or its failure to meet regulatory compliance would impair our ability to develop and commercialize our product candidates, which would adversely affect our business and results of operations.

Risks related to our dependence on third parties

We rely on third parties to conduct our preclinical and clinical trials. If these third parties do not successfully carry out their contractual duties or meet expected deadlines, we may not be able to obtain regulatory approval for or commercialize our drug candidates and our business could be substantially harmed.

We have relied upon and plan to continue to rely upon third-party CROs to monitor and manage data for some of our ongoing preclinical and clinical programs. We rely on these parties for execution of our preclinical and clinical trials, and control only certain aspects of their activities. Nevertheless, we are responsible for ensuring that each of our studies is conducted in accordance with the applicable protocol and legal, regulatory and scientific standards, and our reliance on the CROs does not relieve us of our regulatory responsibilities. We also rely on third parties to assist in conducting our preclinical studies in accordance with Good Laboratory Practices, or GLP, and the Administrative Regulations on Experimental Animals or the Animal Welfare Act requirements. We and our CROs are required to comply with GCP regulations and guidelines enforced by the CFDA, and comparable foreign regulatory authorities for all of our drug candidates in clinical development. Regulatory authorities enforce these GCP requirements through periodic inspections of trial sponsors, investigators and trial sites. If we or any of our CROs fail to comply with applicable GCP requirements, the clinical data generated in our clinical trials may be deemed unreliable and the CFDA or comparable foreign regulatory authorities may require us to perform additional clinical trials before approving our marketing applications. We cannot assure you that upon inspection by a given regulatory authority, such regulatory authority will determine that any of our clinical trials comply with ICH-GCP requirements. In addition, our clinical trials must be conducted with product produced under cGMP requirements. Failure to comply with these regulations may require us to repeat preclinical and clinical trials, which would delay the regulatory approval process.

Our CROs are not our employees, and except for remedies available to us under our agreements with such CROs, we cannot control whether or not they devote sufficient time and resources to our on-going clinical, nonclinical and preclinical programs. If CROs do not successfully carry out their contractual duties or obligations or meet expected deadlines or if the quality or accuracy of the clinical data they obtain is compromised due to their failure to adhere to our clinical protocols, regulatory requirements or for other reasons, our clinical trials may be extended, delayed or terminated and we may not be able to obtain regulatory approval for or successfully commercialize our drug candidates. As a result, our results of operations and the commercial prospects for our drug candidates would be harmed, our costs could increase and our ability to generate revenues could be delayed or compromised.

Because we rely on third parties, our internal capacity to perform these functions is limited. Outsourcing these functions involves risk that third parties may not perform to our standards, may not produce results in a timely manner or may fail to perform at all. In addition, the use of third-party service providers requires us to disclose our proprietary information to these parties, which could increase the risk that this information will be misappropriated. We currently have a small number of employees, which limits the internal resources we have available to identify and monitor our third-party providers. To the extent we are unable to identify and successfully manage the performance of third-party service providers in the future, our business may be adversely affected. Though we carefully manage our relationships with our CROs, there can be no assurance that we will not encounter similar challenges or delays in the future or that these delays or challenges will not have a material adverse impact on our business, financial condition and prospects.

If we lose our relationships with CROs, our drug development efforts could be delayed.

We rely on third-party vendors and CROs for some of our preclinical studies and clinical trials related to our drug development efforts. Switching or adding additional CROs involves additional cost and requires

management time and focus. Our CROs have the right to terminate their agreements with us in the event of an uncured material breach. In addition, some of our CROs have an ability to terminate their respective agreements with us if it can be reasonably demonstrated that the safety of the subjects participating in our clinical trials warrants such termination, if we make a general assignment for the benefit of our creditors or if we are liquidated. Identifying, qualifying and managing performance of third-party service providers can be difficult, time-consuming and cause delays in our development programs. In addition, there is a natural transition period when a new CRO commences work and the new CRO may not provide the same type or level of services as the original provider. If any of our relationships with our third-party CROs are terminated, we may not be able to enter into arrangements with alternative CROs or to do so on commercially reasonable terms, and we may not be able to meet our desired clinical development timelines.

We have no experience manufacturing our drug candidates on a large clinical or commercial scale and have built or just started building our manufacturing facilities. We may be dependent on third party manufacturers for the manufacture of our drug candidates as well as on third parties for our supply chain, and if we experience problems with any of these third parties, the manufacture of our drug candidates or products could be delayed, which could harm our results of operations.

In early 2017 we built a small molecule facility capable of supporting clinical and commercial production and have begun construction of a large molecule facility capable of supporting clinical production of our drug candidates. The construction of the large molecule facility is expected to be completed in the first half of 2018. If either of these two facilities is unable to meet our intended production capacity in a timely fashion, we may have to engage a CMO for the production of clinical supplies of our drug candidates.

Additionally, in order to successfully commercialize our drug candidates, we will need to identify qualified CMOs for the scaled production of a commercial supply of certain of our drug candidates. The CMOs should be drug manufacturers holding GMP certificates with a scope that can cover our drug registration candidates, and such CMO arrangement should be approved by the CFDA's provincial level branches. We have not yet identified suppliers to support scaled production. If we are unable to arrange for alternative third-party manufacturing sources, or to do so on commercially reasonable terms or in a timely manner, or to obtain the CFDA approval for our CMO arrangement in a timely manner, we may not be able to complete development of our drug candidates, or market or distribute them.

If we were to rely on third-party manufacturers to manufacture our drug candidates, such reliance entails risks to which we would not be subject to if we manufactured drug candidates or products ourselves, including reliance on the third party for regulatory compliance and quality assurance, the possibility of breach of the manufacturing agreement by the third party because of factors beyond our control (including a failure to synthesize and manufacture our drug candidates or any products we may eventually commercialize in accordance with our specifications) and the possibility of termination or nonrenewal of the agreement by the third party, based on its own business priorities, at a time that is costly or damaging to us. In addition, the CFDA and other regulatory authorities require that our drug candidates and any products that we may eventually commercialize be manufactured according to cGMP standards. Any failure by our third-party manufacturers to comply with cGMP standards or failure to scale up manufacturing processes, including any failure to deliver sufficient quantities of drug candidates in a timely manner, could lead to a delay in, or failure to obtain, regulatory approval of any of our drug candidates. In addition, such failure could be the basis for the CFDA to issue a warning or untitled letter, withdraw approvals for drug candidates previously granted to us, or take other regulatory or legal action, including recall or seizure, total or partial suspension of production, suspension of ongoing clinical trials, refusal to approve pending applications or supplemental applications, detention or product, refusal to permit the import or export of products, injunction, or imposing civil and criminal penalties.

Any significant disruption in our potential supplier relationships could harm our business. We currently source key materials from third parties, either directly through agreements with suppliers or indirectly through our manufacturers who have agreements with suppliers, as well as through our licensors. We anticipate that, in the near term, all key materials will be sourced through third parties. There are a small number of suppliers for certain capital equipment and key materials that are used to manufacture some of our drugs. Such suppliers may not sell these key materials to us or our manufacturers at the times we need them or on commercially reasonable terms. We currently do not have any agreements for the commercial production of these key materials. Any significant delay in the supply of a drug candidate or its key materials for an ongoing clinical study could considerably delay completion of our clinical studies, product testing and potential regulatory approval of our drug candidates. If we or our manufacturers are unable to purchase these key materials after regulatory approval has been obtained for our drug candidates, the commercial launch of our drug candidates would be delayed or there would be a shortage in supply, which would impair our ability to generate revenues from the sale of our drug candidates.

Furthermore, because of the complex nature of our compounds, we or our manufacturers may not be able to manufacture our compounds at a cost or in quantities or in a timely manner necessary to make commercially successful products. In addition, as our drug development pipeline increases and matures, we will have a greater need for clinical study and commercial manufacturing capacity. We have no experience manufacturing pharmaceutical products on a commercial scale and some of our current suppliers will need to increase their scale of production to meet our projected needs for commercial manufacturing, the satisfaction of which on a timely basis may not be met.

We depend on our licensors or patent owners of our in-licensed patent rights to prosecute and maintain patents and patent applications that are material to our business. Any failure by our licensors or such patent owners to effectively protect these patent rights could adversely impact our business and operations.

We have licensed and sublicensed patent rights from third parties for some of our development programs, including niraparib from Tesaro, omadacycline from Paratek, ZL-2301 from Bristol-Myers Squibb and ZL-2302 from Sanofi. As a licensee and sublicensee of third parties, we rely on these third parties to file and prosecute patent applications and maintain patents and otherwise protect the licensed intellectual property under certain of our license agreements. In addition, we have not had and do not have primary control over these activities for certain of our patents or patent applications and other intellectual property rights that we jointly own with certain of our licensors and sub-licensors. We cannot be certain that these patents and patent applications have been or will be prepared, filed, prosecuted or maintained by such third parties in compliance with applicable laws and regulations, in a manner consistent with the best interests of our business, or in a manner that will result in valid and enforceable patents or other intellectual property rights that cover our drug candidates. If our licensors or such third parties fail to prepare, prosecute, or maintain such patent applications and patents, or lose rights to those patent applications or patents, the rights we have licensed may be reduced or eliminated, and our right to develop and commercialize any of our drug candidates that are subject of such licensed rights could be adversely affected.

Pursuant to the terms of the license agreements with some of our licensors, the licensors may have the right to control enforcement of our licensed patents or defense of any claims asserting the invalidity or unenforceability of these patents. For example, under our agreement with Bristol-Myers Squibb for ZL-2301, Bristol-Myers Squibb has the first right to enforce the licensed patents in China, Hong Kong and Macau, subject to certain exceptions. In addition, with respect to the patent portfolio for omadacycline, which we sub-license from Paratek, Paratek has the first right to enforce such patent portfolio in territories outside of China, Hong Kong, Macau and Taiwan. Similarly, with respect to the patent portfolio for niraparib, which we sub-license from Tesaro, we have the first right to enforce such patent portfolio within China, Hong Kong and Macau. However,

Tesaro maintains the right to enforce such patent portfolio in all other territories or, if we fail to bring an action within 90 days within China, Hong Kong or Macau, Tesaro can control such enforcement actions in those areas as well. In the case where Tesaro controls such enforcement actions, although we have rights to consult with Tesaro on such actions within China, Hong Kong and Macau, rights granted by Tesaro under niraparib to another licensee, such as Janssen Biotech, Inc. to whom Tesaro has granted an exclusive right to develop niraparib for the treatment of prostate cancer, could potentially influence Tesaro's interests in the exercise of its prosecution, maintenance and enforcement rights in a manner that may favor the interests of such other licensee as compared with us, which could have a material adverse effect on our business, financial conditions, results of operations and prospects.

Even if we are permitted to pursue the enforcement or defense of our licensed and sub-licensed patents, we will require the cooperation of our licensors and any applicable patent owners and such cooperation may not be provided to us. We cannot be certain that our licensors will allocate sufficient resources or prioritize their or our enforcement of such patents or defense of such claims to protect our interests in the licensed patents. Even if we are not a party to these legal actions, an adverse outcome could harm our business because it might prevent us from continuing to license intellectual property that we may need to operate our business. If we lose any of our licensed intellectual property, our right to develop and commercialize any of our drug candidates that are subject of such licensed rights could be adversely affected.

Other risks and risks related to doing business in China

If we fail to comply with environmental, health and safety laws and regulations of the PRC, we could become subject to fines or penalties or incur costs that could have a material adverse effect on the success of our business.

We are subject to numerous environmental, health and safety laws and regulations, including those governing laboratory procedures and the handling, use, storage, treatment and disposal of hazardous materials and wastes. Our operations primarily occur in China and involve the use of hazardous materials, including chemical materials. Our operations also produce hazardous waste products. We are therefore subject to PRC laws and regulations concerning the discharge of waste water, gaseous waste and solid waste during our processes of research and development of drugs. We engage competent third party contractors for the transfer and disposal of these materials and wastes. We may not at all times comply fully with environmental regulations. Any violation of these regulations may result in substantial fines, criminal sanctions, revocations of operating permits, shutdown of our facilities and obligation to take corrective measures. We cannot completely eliminate the risk of contamination or injury from these materials and wastes. In the event of contamination or injury resulting from the use or discharge of hazardous materials, we could be held liable for any resulting damages, and any liability could exceed our resources. We also could incur significant costs associated with civil, administrative or criminal fines and penalties.

Although we maintain workers' compensation insurance to cover costs and expenses incurred due to on-the-job injuries to our employees and third party liability insurance for injuries caused by unexpected seepage, pollution or contamination, such insurance may not provide adequate coverage against potential liabilities. Furthermore, the PRC government may take steps towards the adoption of more stringent environmental regulations. Due to the possibility of unanticipated regulatory or other developments, the amount and timing of future environmental expenditures may vary substantially from those currently anticipated. If there is any unanticipated change in the environmental regulations, we may need to incur substantial capital expenditures to install, replace, upgrade or supplement our manufacturing facility and equipment or make operational changes to limit any adverse impact or potential adverse impact on the environment in order to comply with new environmental protection laws and regulations. If such costs become prohibitively expensive, we may be forced to cease certain aspects of our business operations.

The PRC's economic, political and social conditions, as well as governmental policies, could affect the business environment and financial markets in China, our ability to operate our business, our liquidity and our access to capital.

Substantially all of our operations are conducted in China. Accordingly, our business, results of operations, financial condition and prospects may be influenced to a significant degree by economic, political, legal and social conditions in China. China's economy differs from the economies of developed countries in many respects, including with respect to the amount of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. While the PRC economy has experienced significant growth over the past 30 years, growth has been uneven across different regions and among various economic sectors of China. The PRC government has implemented various measures to encourage economic development and guide the allocation of resources. Some of these measures may benefit the overall PRC economy, but may have a negative effect on us. For example, our financial condition and results of operations may be adversely affected by government control over capital investments or changes in tax regulations that are currently applicable to us. In addition, in the past the PRC government implemented certain measures, including interest rate increases, to control the pace of economic growth. These measures may cause decreased economic activity in China, which may adversely affect our business and results of operation. More generally, if the business environment in China deteriorates from the perspective of domestic or international investment, our business in China may also be adversely affected.

Uncertainties with respect to the PRC legal system and changes in laws, regulations and policies in China could materially and adversely affect us.

We conduct our business primarily through our subsidiaries in China. PRC laws and regulations govern our operations in China. Our subsidiaries are generally subject to laws and regulations applicable to foreign investments in China, which may not sufficiently cover all of the aspects of our economic activities in China. In addition, the implementation of laws and regulations may be in part based on government policies and internal rules that are subject to the interpretation and discretion of different government agencies (some of which are not published on a timely basis or at all) that may have a retroactive effect. As a result, we may not always be aware of any potential violation of these policies and rules. Such unpredictability regarding our contractual, property and procedural rights could adversely affect our business and impede our ability to continue our operations. Furthermore, since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory and contractual terms, it may be more difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy than in more developed legal systems. These uncertainties could materially and adversely affect our business and results of operations.

In January 2015, the Ministry of Commerce of the PRC, or the MOFCOM, published a discussion draft of the proposed Foreign Investment Law. The MOFCOM has solicited comments on this draft and substantial uncertainties exist with respect to its enactment timetable, interpretation and implementation. If enacted as proposed, the Foreign Investment Law may materially impact our current corporate governance practice and business operations in many aspects and may increase our compliance costs. For instance, the proposed Foreign Investment Law would impose stringent ad hoc and periodic information reporting requirements on foreign investors and the applicable foreign invested entities. Depending on the seriousness of the circumstances, non-compliance with the information reporting obligations, concealment of information or providing misleading or false information could result in monetary fines or criminal charges. In addition, the draft Foreign Investment Law embodies an expected PRC regulation trend of rationalizing the foreign investment regulatory regime in line with prevailing international practice and the legislative efforts to unify the corporate legal requirements for both foreign and domestic investments.

Additionally, the CFDA's recent reform of the drug and approval system may face implementation challenges. The timing and full impact of such reforms is uncertain and could prevent us from commercializing our drug candidates in a timely manner.

In addition, any administrative and court proceedings in China may be protracted, resulting in substantial costs and diversion of resources and management attention.

We may be exposed to liabilities under the U.S. Foreign Corrupt Practices Act, or FCPA, and Chinese anti-corruption laws, and any determination that we have violated these laws could have a material adverse effect on our business or our reputation.

Following this offering, we will be subject to the FCPA. The FCPA generally prohibits us from making improper payments to non-U.S. officials for the purpose of obtaining or retaining business. We are also subject to the anti-bribery laws of other jurisdictions, particularly China. As our business expands, the applicability of the FCPA and other anti-bribery laws to our operations will increase. Our procedures and controls to monitor anti-bribery compliance may fail to protect us from reckless or criminal acts committed by our employees or agents. If we, due to either our own deliberate or inadvertent acts or those of others, fail to comply with applicable anti-bribery laws, our reputation could be harmed and we could incur criminal or civil penalties, other sanctions and/or significant expenses, which could have a material adverse effect on our business, including our financial condition, results of operations, cash flows and prospects.

Restrictions on currency exchange may limit our ability to receive and use financing in foreign currencies, including proceeds from this offering, effectively.

Our PRC subsidiaries' ability to obtain foreign exchange is subject to significant foreign exchange controls and, in the case of transactions under the capital account, requires the approval of and/or registration with PRC government authorities, including the state administration of foreign exchange, or SAFE. In particular, if we finance our PRC subsidiaries by means of foreign debt from us or other foreign lenders, the amount is not allowed to, among other things, exceed the statutory limits and such loans must be registered with the local counterpart of the SAFE. If we finance our PRC subsidiaries by means of additional capital contributions, the amount of these capital contributions must first be approved or filed by the relevant government approval authority.

In the light of the various requirements imposed by PRC regulations on loans to, and direct investment in, PRC entities by offshore holding companies, we cannot assure you that we will be able to complete the necessary government registrations or obtain the necessary government approvals on timely basis, if at all, with respect to future loans or capital contributions by us to our PRC subsidiaries. If we fail to complete such registrations or obtain such approval, our ability to use the proceeds we receive from this offering and to capitalize or otherwise fund our PRC operations may be negatively affected, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

PRC regulations relating to the establishment of offshore special purpose companies by PRC residents may subject our PRC resident beneficial owners or our wholly foreign-owned subsidiaries in China to liability or penalties, limit our ability to inject capital into these subsidiaries, limit these subsidiaries' ability to increase their registered capital or distribute profits to us, or may otherwise adversely affect us.

In 2014, SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles, or SAFE Circular 37. SAFE Circular 37 requires PRC residents to register with local branches of SAFE or competent banks designated by SAFE in connection with their direct establishment or indirect control of an offshore entity, for the purpose of overseas investment and financing, with such PRC residents' legally owned assets or equity

interests in domestic enterprises or offshore assets or interests, referred to in SAFE Circular 37 as a "special purpose vehicle." The term "control" under SAFE Circular 37 is broadly defined as the operation rights, beneficiary rights or decision-making rights acquired by the PRC residents in the offshore special purpose vehicles or PRC companies by such means as acquisition, trust, proxy, voting rights, repurchase, convertible bonds or other arrangements. SAFE Circular 37 further requires amendment to the registration in the event of any changes with respect to the basic information of or any significant changes with respect to the special purpose vehicle. If the shareholders of the offshore holding company who are PRC residents do not complete their registration with the local SAFE branches, the PRC subsidiaries may be prohibited from distributing their profits and proceeds from any reduction in capital, share transfer or liquidation to the offshore company, and the offshore company may be restricted in its ability to contribute additional capital to its PRC subsidiaries. Moreover, failure to comply with SAFE registration and amendment requirements described above could result in liability under PRC law for evasion of applicable foreign exchange restrictions.

To our knowledge, there are no PRC residents who hold direct or indirect interests in our company, and we will request PRC residents who we know hold direct or indirect interests in our company, if any, to make the necessary applications, filings and amendments as required under SAFE Circular 37 and other related rules. However, we may not be informed of the identities of all the PRC residents holding direct or indirect interest in our company, and we cannot provide any assurance that these PRC residents will comply with our request to make or obtain any applicable registrations or comply with other requirements under SAFE Circular 37 or other related rules. The failure or inability of our PRC resident shareholders to comply with the registration procedures set forth in these regulations may subject us to fines and legal sanctions, restrict our cross-border investment activities, limit the ability of our wholly foreign-owned subsidiaries in China to distribute dividends and the proceeds from any reduction in capital, share transfer or liquidation to us, and we may also be prohibited from injecting additional capital into these subsidiaries. Moreover, failure to comply with the various foreign exchange registration requirements described above could result in liability under PRC law for circumventing applicable foreign exchange restrictions. As a result, our business operations and our ability to distribute profits to you could be materially and adversely affected.

PRC regulations establish complex procedures for some acquisitions of Chinese companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in China.

PRC regulations and rules concerning mergers and acquisitions including the Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors, or the M&A Rules, and other recently adopted regulations and rules with respect to mergers and acquisitions established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time consuming and complex. For example, the M&A Rules require that the MOFCOM be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise, if (i) any important industry is concerned, (ii) such transaction involves factors that have or may have impact on the national economic security, or (iii) such transaction will lead to a change in control of a domestic enterprise which holds a famous trademark or PRC time-honored brand. Moreover, according to the Anti-Monopoly Law of PRC promulgated on August 30, 2007 and the Provisions on Thresholds for Prior Notification of Concentrations of Undertakings, or the Prior Notification Rules issued by the State Council in August 2008, the concentration of business undertakings by way of mergers, acquisitions or contractual arrangements that allow one market player to take control of or to exert decisive impact on another market player must also be notified in advance to the MOFCOM when the threshold is crossed and such concentration shall not be implemented without the clearance of prior notification. In addition, the Regulations on Implementation of Security Review System for the Merger and Acquisition of Domestic Enterprise by Foreign Lenders, or the Security Review Rules issued by the MOFCOM that became effective in September 2011 specify that mergers and acquisitions by foreign investors that raise "national defense and security" concerns and mergers and acquisitions through which foreign investors may

acquire the de facto control over domestic enterprises that raise “national security” concerns are subject to strict review by the MOFCOM, and the rules prohibit any activities attempting to bypass a security review by structuring the transaction through, among other things, trusts, entrustment or contractual control arrangements. In the future, we may grow our business by acquiring complementary businesses. Complying with the requirements of the above-mentioned regulations and other relevant rules to complete such transactions could be time consuming, and any required approval processes, including obtaining approval from the MOFCOM or its local counterparts may delay or inhibit our ability to complete such transactions. It is unclear whether our business would be deemed to be in an industry that raises “national defense and security” or “national security” concerns. However, the MOFCOM or other government agencies may publish explanations in the future determining that our business is in an industry subject to the security review, in which case our future acquisitions in the PRC, including those by way of entering into contractual control arrangements with target entities, may be closely scrutinized or prohibited. Our ability to expand our business or maintain or expand our market share through future acquisitions would as such be materially and adversely affected.

Our business benefits from certain financial incentives and discretionary policies granted by local governments. Expiration of, or changes to, these incentives or policies would have an adverse effect on our results of operations.

In the past, local governments in China granted certain financial incentives from time to time to our PRC subsidiaries as part of their efforts to encourage the development of local businesses. We received approximately $2.41 million and $0.36 million in financial incentives from local governments in China relating to our business operations in 2016 and 2015, respectively. We also received approximately $0.37 million in financial incentives from local governments in Australia as part of its tax incentive program in 2016. The timing, amount and criteria of government financial incentives are determined within the sole discretion of the local government authorities and cannot be predicted with certainty before we actually receive any financial incentive. We generally do not have the ability to influence local governments in making these decisions. Local governments may decide to reduce or eliminate incentives at any time. In addition, some of the government financial incentives are granted on a project basis and subject to the satisfaction of certain conditions, including compliance with the applicable financial incentive agreements and completion of the specific project therein. We cannot guarantee that we will satisfy all relevant conditions, and if we do so we may be deprived of the relevant incentives. We cannot assure you of the continued availability of the government incentives currently enjoyed by us. Any reduction or elimination of incentives would have an adverse effect on our results of operations.

If we are classified as a PRC resident enterprise for PRC income tax purposes, such classification could result in unfavorable tax consequences to us and our non-PRC shareholders or ADS holders.

The PRC Enterprise Income Tax Law, or the EIT Law and the Regulation on the Implementation of the EIT Law, effective as of January 1, 2008, define the term “de facto management bodies” as “bodies that substantially carry out comprehensive management and control on the business operation, employees, accounts and assets of enterprises.” Under the EIT Law, an enterprise incorporated outside of PRC whose “de facto management bodies” are located in PRC is considered a “resident enterprise” and will be subject to a uniform 25% enterprise income tax, or EIT, rate on its global income. On April 22, 2009, PRC’s State Administration of Taxation, or the SAT, in the Notice Regarding the Determination of Chinese-Controlled Offshore-Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies, or SAT Circular 82, further specified certain criteria for the determination of what constitutes “de facto management bodies.” If all of these criteria are met, the relevant foreign enterprise may be regarded to have its “de facto management bodies” located in China and therefore be considered a PRC resident enterprise. These criteria include: (i) the enterprise’s day-to-day operational management is primarily exercised in China; (ii) decisions relating to the enterprise’s

financial and human resource matters are made or subject to approval by organizations or personnel in China; (iii) the enterprise's primary assets, accounting books and records, company seals, and board and shareholders' meeting minutes are located or maintained in China; and (iv) 50% or more of voting board members or senior executives of the enterprise habitually reside in China. Although SAT Circular 82 only applies to foreign enterprises that are majority-owned and controlled by PRC enterprises, not those owned and controlled by foreign enterprises or individuals, the determining criteria set forth in SAT Circular 82 may be adopted by the PRC tax authorities as the test for determining whether the enterprises are PRC tax residents, regardless of whether they are majority-owned and controlled by PRC enterprises.

We believe that neither Zai Lab Limited nor any of our subsidiaries outside of China is a PRC resident enterprise for PRC tax purposes. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities, and uncertainties remain with respect to the interpretation of the term "de facto management body." If the PRC tax authorities determine that Zai Lab Limited or any of its subsidiaries outside of China is a PRC resident enterprise for enterprise income tax purposes, that entity would be subject to a 25% enterprise income tax on its global income. If such entity derives income other than dividends from its wholly-owned subsidiaries in China, a 25% EIT on its global income may increase our tax burden. Dividends paid to a PRC resident enterprise from its wholly-owned subsidiaries in China may be regarded as tax-exempt income if such dividends are deemed to be "dividends between qualified PRC resident enterprises" under the EIT Law and its implementation rules. However, we cannot assure you that such dividends will not be subject to PRC withholding tax, as the PRC tax authorities, which enforce the withholding tax, have not yet issued relevant guidance.

In addition, if Zai Lab Limited is classified as a PRC resident enterprise for PRC tax purposes, we may be required to withhold tax at a rate of 10% from dividends we pay to our shareholders, including the holders of our ADSs, that are non-resident enterprises. In addition, non-resident enterprise shareholders (including our ADS holders) may be subject to a 10% PRC withholding tax on gains realized on the sale or other disposition of ADSs or ordinary shares, if such income is treated as sourced from within China. Furthermore, gains derived by our non-PRC individual shareholders from the sale of our shares and ADSs may be subject to a 20% PRC withholding tax. It is unclear whether our non-PRC individual shareholders (including our ADS holders) would be subject to any PRC tax (including withholding tax) on dividends received by such non-PRC individual shareholders in the event we are determined to be a PRC resident enterprise. If any PRC tax were to apply to such dividends, it would generally apply at a rate of 20%. The PRC tax liability may be reduced under applicable tax treaties. However, it is unclear whether our non-PRC shareholders would be able to claim the benefits of any tax treaties between their country of tax residence and the PRC in the event that Zai Lab Limited is treated as a PRC resident enterprise.

We may rely on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiaries to make payments to us could have a material and adverse effect on our ability to conduct our business.

We are a holding company, and we may rely on dividends and other distributions on equity paid by our PRC subsidiaries for our cash and financing requirements, including the funds necessary to pay dividends and other cash distributions to our shareholders or to service any debt we may incur. If any of our PRC subsidiaries incur debt on its own behalf in the future, the instruments governing the debt may restrict its ability to pay dividends or make other distributions to us. Under PRC laws and regulations, our PRC subsidiaries, each of which is a wholly foreign-owned enterprise may pay dividends only out of its respective accumulated profits as determined in accordance with PRC accounting standards and regulations. In addition, a wholly foreign-owned enterprise is required to set aside at least 10% of its accumulated after-tax profits each year, if any, to fund a certain statutory reserve fund, until the aggregate amount of such fund reaches 50% of its registered capital. Such reserve funds cannot be distributed to us as dividends. At its discretion, a wholly foreign-owned enterprise

may allocate a portion of its after-tax profits based on PRC accounting standards to an enterprise expansion fund, or a staff welfare and bonus fund.

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

In response to the persistent capital outflow in China and renminbi's depreciation against U.S. dollar in the fourth quarter of 2016, the PBOC and the SAFE have promulgated a series of capital control measure over recent months, including stricter vetting procedures for domestic companies to remit foreign currency for overseas investments, dividends payments and shareholder loan repayments.

The PRC government may continue to strengthen its capital controls, and more restrictions and substantial vetting process may be put forward by SAFE for cross-border transactions falling under both the current account and the capital account. Any limitation on the ability of our PRC subsidiaries to pay dividends or make other kinds of payments to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends, or otherwise fund and conduct our business.

We and our shareholders face uncertainties in the PRC with respect to indirect transfers of equity interests in PRC resident enterprises.

The indirect transfer of equity interest in PRC resident enterprises by a non-PRC resident enterprise, or Indirect Transfer, is potentially subject to income tax in China at a rate of 10% on the gain if such transfer is considered as not having a commercial purpose and is carried out for tax avoidance. The SAT has issued several rules and notices to tighten the scrutiny over acquisition transactions in recent years. SAT Circular 7 sets out the scope of Indirect Transfers, which includes any changes in the shareholder's ownership of a foreign enterprise holding PRC assets directly or indirectly in the course of a group's overseas restructuring, and the factors to consider in determining whether an Indirect Transfer has a commercial purpose. An Indirect Transfer satisfying all the following criteria will be deemed to lack a bona fide commercial purpose and be taxable under PRC laws: (i) 75% or more of the equity value of the intermediary enterprise being transferred is derived directly or indirectly from the PRC taxable assets; (ii) at any time during the one-year period before the indirect transfer, 90% or more of the asset value of the intermediary enterprise (excluding cash) is comprised directly or indirectly of investments in China, or 90% or more of its income is derived directly or indirectly from China; (iii) the functions performed and risks assumed by the intermediary enterprise and any of its subsidiaries that directly or indirectly hold the PRC taxable assets are limited and are insufficient to prove their economic substance; and (iv) the non-PRC tax payable on the gain derived from the indirect transfer of the PRC taxable assets is lower than the potential PRC income tax on the direct transfer of such assets. Nevertheless, a non-resident enterprise's buying and selling shares or ADSs of the same listed foreign enterprise on the public market will fall under the safe harbor available under SAT Circular 7 and will not be subject to PRC tax pursuant to SAT Circular 7.

However, as these rules and notices are relatively new and there is a lack of clear statutory interpretation, we face uncertainties regarding the reporting required for and impact on future private equity financing transactions, share exchange or other transactions involving the transfer of shares in our company by investors that are non-PRC resident enterprises, or the sale or purchase of shares in other non-PRC resident companies or other taxable assets by us. For example, the PRC tax authorities may consider that our current offering involves an indirect change of shareholding in our PRC subsidiaries and therefore it may be regarded as an Indirect Transfer under SAT Circular 7. Although we believe no SAT Circular 7 reporting is required on the basis that the current offering has commercial purposes and is not conducted for tax avoidance, the PRC tax

authorities may pursue us to report under SAT Circular 7 and request that we and our PRC subsidiaries assist in the filing. As a result, we and our subsidiaries may be required to expend significant resources to provide assistance and comply with SAT Circular 7, or establish that we or our non-resident enterprises should not be subject to tax under SAT Circular 7, for the current offering or other transactions, which may have an adverse effect on our and their financial condition and day-to-day operations.

Any failure to comply with PRC regulations regarding the registration requirements for our employee equity incentive plans may subject us to fines and other legal or administrative sanctions, which could adversely affect our business, financial condition and results of operations.

In February 2012, the SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly Listed Companies, or the Stock Option Rules. In accordance with the Stock Option Rules and relevant rules and regulations, PRC citizens or non-PRC citizens residing in China for a continuous period of not less than one year, who participate in any stock incentive plan of an overseas publicly listed company, subject to a few exceptions, are required to register with SAFE through a domestic qualified agent, which could be a PRC subsidiary of such overseas listed company, and complete certain procedures. We and our employees who are PRC citizens or who reside in China for a continuous period of not less than one year and who participate in our stock incentive plan will be subject to such regulation. We plan to assist our employees to register their share options or shares. However, any failure of our PRC individual beneficial owners and holders of share options or shares to comply with the SAFE registration requirements may subject them to fines and legal sanctions and may limit the ability of our PRC subsidiaries to distribute dividends to us. We also face regulatory uncertainties that could restrict our ability to adopt additional incentive plans for our directors and employees under PRC law.

Proceedings brought by the SEC against the Big Four PRC-based accounting firms, including our independent registered public accounting firm, could result in our inability to file future financial statements in compliance with the requirements of the Exchange Act.

In December 2012, the SEC instituted administrative proceedings under Rule 102(e)(1)(iii) of the SEC's Rules of Practice against the Big Four PRC-based accounting firms, including our independent registered public accounting firm, alleging that these firms had violated U.S. securities laws and the SEC's rules and regulations thereunder by failing to provide to the SEC the firms' audit work papers with respect to certain PRC-based companies under the SEC's investigation. On January 22, 2014, the administrative law judge, or the ALJ, presiding over the matter rendered an initial decision that each of the firms had violated the SEC's rules of practice by failing to produce audit workpapers to the SEC. The initial decision censured each of the firms and barred them from practicing before the SEC for a period of six months. On February 12, 2014, the Big Four PRC-based accounting firms appealed the ALJ's initial decision to the SEC. On February 6, 2015, the four China-based accounting firms each agreed to a censure and to pay a fine to the SEC to settle the dispute and avoid suspension of their ability to practice before the SEC and audit U.S.-listed companies. The settlement required the firms to follow detailed procedures and to seek to provide the SEC with access to Chinese firms' audit documents via the CSRC, in response to future document requests by the SEC made through the CSRC. If the Big Four PRC-based accounting firms fail to comply with the documentation production procedures that are in the settlement agreement or if there is a failure of the process between the SEC and the CSRC, the SEC could restart the proceedings against the firms.

In the event that the SEC restarts the administrative proceedings, depending upon the final outcome, listed companies in the United States with major PRC operations may find it difficult or impossible to retain auditors in respect of their operations in the PRC, which could result in financial statements being determined to not be in compliance with the requirements of the Exchange Act, including possible delisting. Moreover, any negative news about the proceedings against these audit firms may cause investor uncertainty regarding PRC-based, United States-listed companies and the market price of our ADSs may be adversely affected.

If the accounting firms are subject to additional remedial measures, our ability to file our financial statements in compliance with SEC requirements could be impacted. A determination that we have not timely filed financial statements in compliance with SEC requirements would substantially reduce or effectively terminate the trading of our ADSs in the United States.

Risks related to intellectual property

If we are unable to obtain and maintain patent protection for our drug candidates through intellectual property rights, or if the scope of such intellectual property rights obtained is not sufficiently broad, third parties may compete directly against us.

Our success depends, in part, on our ability to protect our drug candidates from competition by obtaining, maintaining and enforcing our intellectual property rights, including patent rights. We seek to protect the drug candidates and technology that we consider commercially important by filing PRC and international patent applications, relying on trade secrets or pharmaceutical regulatory protection or employing a combination of these methods. We also seek to protect our proprietary position by in-licensing intellectual property relating to our technology and drug candidates. We do not own or exclusively license any issued patents with respect to certain of our drug candidates in all territories in which we plan to commercialize our drug candidates. For example, we do not own or exclusively license any issued patents covering niraparib in Hong Kong and Macau. We cannot predict whether any of our other owned or in-licensed pending patent applications will result in the issuance of any patents that effectively protect our drug candidates. If we or our licensors are unable to obtain or maintain patent protection with respect to our drug candidates and technology we develop, our business, financial condition, results of operations, and prospects could be materially harmed.

The patent prosecution process is expensive, time-consuming and complex, and we may not be able to file, prosecute, maintain, enforce or license all necessary or desirable patent applications at a reasonable cost or in a timely manner. In addition, our license and intellectual property-related agreements may not provide us with exclusive rights to use our in-licensed intellectual property rights relating to the applicable drug candidates in all relevant fields of use and in all territories in which we may wish to develop or commercialize our technology and products in the future. For example, under our agreements with Tesaro for niraparib, Paratek for omadacycline and Bristol-Myers Squibb for ZL-2301, our exclusive licenses are limited to China, Hong Kong, Macau and, in the case of our agreement for omadacycline, Taiwan. As a result, we may not be able to prevent competitors from developing and commercializing competitive products in all such fields and territories.

Patents may be invalidated and patent applications may not be granted for a number of reasons, including known or unknown prior art, deficiencies in the patent application or the lack of novelty of the underlying invention or technology. It is also possible that we will fail to identify patentable aspects of our research and development output in time to obtain patent protection. Although we enter into non-disclosure and confidentiality agreements with parties who have access to confidential or patentable aspects of our research and development output, such as our employees, corporate collaborators, outside scientific collaborators, contract manufacturers, consultants, advisors and any other third parties, any of these parties may breach such agreements and disclose such output before a patent application is filed, thereby jeopardizing our ability to seek patent protection. In addition, publications of discoveries in the scientific literature often lag behind the actual discoveries, and patent applications in the United States and other jurisdictions are typically not published until 18 months after filing, or in some cases, not at all. Therefore, we cannot be certain that we or our licensors were the first to make the inventions claimed in our owned or in-licensed patents or pending patent applications or that we or our licensors were the first to file for patent protection of such inventions. Furthermore, the PRC and, recently, the United States have adopted the “first-to-file” system under which whoever first files a patent application will be awarded the patent if all other patentability requirements are met. Under the first-to-file system, third parties may be granted a patent relating to a technology, which we invented.

In addition, under PRC Patent Law, any organization or individual that applies for a patent in a foreign country for an invention or utility model accomplished in China is required to report to the State Intellectual Property Office, or SIPO, for confidentiality examination. Otherwise, if an application is later filed in China, the patent right will not be granted. Moreover, even if patents do grant from any of the applications, the grant of a patent is not conclusive as to its scope, validity or enforceability.

The coverage claimed in a patent application can be significantly reduced before the patent is issued, and its scope can be reinterpreted after issuance. Even if patent applications we license or own currently or in the future issue as patents, they may not issue in a form that will provide us with any meaningful protection, prevent competitors or other third parties from competing with us, or otherwise provide us with any competitive advantage. In addition, the patent position of biotechnology and pharmaceutical companies generally is highly uncertain, involves complex legal and factual questions, and has been the subject of much litigation in recent years. As a result, the issuance, scope, validity, enforceability and commercial value of our patent rights are highly uncertain.

The issuance of a patent is not conclusive as to its inventorship, scope, validity or enforceability, and our patents may be challenged in the courts or patent offices in the PRC, United States and abroad. We and our licensors may be subject to a third-party preissuance submission of prior art to the United States Patent and Trademark Office, or USPTO, or become involved in opposition, derivation, revocation, re-examination, post-grant and *inter partes* review, or interference proceedings or similar proceedings in foreign jurisdictions challenging our patent rights or the patent rights of others. An adverse determination in any such submission, proceeding or litigation could reduce the scope of, or invalidate, our owned or in-licensed patent rights, allow third parties to commercialize our technology or drug candidates and compete directly with us without payment to us, or result in our inability to manufacture or commercialize drug candidates without infringing, misappropriating or otherwise violating third-party patent rights. Moreover, we, or one of our licensors, may have to participate in interference proceedings declared by the USPTO to determine priority of invention or in post-grant challenge proceedings, such as oppositions in a foreign patent office, that challenge the priority of our or our licensor's invention or other features of patentability of our owned or in-licensed patents and patent applications. Such challenges may result in loss of patent rights, loss of exclusivity, or in patent claims being narrowed, invalidated, or held unenforceable, which could limit our ability to stop others from using or commercializing similar or identical technology and products, or limit the duration of the patent protection of our technology and drug candidates. Such proceedings also may result in substantial costs and require significant time from our scientists and management, even if the eventual outcome is favorable to us. Consequently, we do not know whether any of our technology or drug candidates will be protectable or remain protected by valid and enforceable patents. Our competitors or other third parties may be able to circumvent our owned or in-licensed patents by developing similar or alternative technologies or products in a non-infringing manner.

Furthermore, the terms of patents are finite. The patents we own or in-license and the patents that may issue from our currently pending owned and in-licensed patent applications generally have a 20-year protection period starting from such patents and patent applications' earliest filing date. Given the amount of time required for the development, testing and regulatory review of new drug candidates, patents protecting such drug candidates might expire before or shortly after such drug candidates are commercialized. As a result, our owned or in-licensed patents and patent applications may not provide us with sufficient rights to exclude others from commercializing products similar or identical to ours. Moreover, some of our patents and patent applications are, and may in the future be, co-owned with third parties. If we are unable to obtain an exclusive license to any such third party co-owners' interest in such patents or patent applications, such co-owners may be able to license their rights to other third parties, including our competitors, and our competitors could market competing products and technology. In addition, we may need the cooperation of any such co-owners of our patents in order to enforce such patents against third parties, and such cooperation may not be provided to us. Any of the foregoing could have a material adverse effect on our competitive position, business, financial conditions, results of operations and prospects.

Our owned or in-licensed patents could be found invalid or unenforceable if challenged in court or before the USPTO or comparable foreign authority.

We or our licensors may become involved in patent litigation against third parties to enforce our owned or in-licensed patent rights, to invalidate patents held by such third parties, or to defend against such claims. A court may refuse to stop the other party from using the technology at issue on the grounds that our owned or in-licensed patents do not cover the third-party technology in question. Further, such third parties could counterclaim that we infringe, misappropriate or otherwise violate their intellectual property or that a patent we or our licensors have asserted against them is invalid or unenforceable. In patent litigation, defendant counterclaims challenging the validity, enforceability or scope of asserted patents are commonplace and there are numerous grounds upon which a third party can assert invalidity or unenforceability of a patent. In addition, third parties may initiate legal proceedings before administrative bodies in the United States or abroad, even outside the context of litigation, against us or our licensors with respect to our owned or in-licensed intellectual property to assert such challenges to such intellectual property rights. Such mechanisms include re-examination, *inter partes* review, post-grant review, interference proceedings, derivation proceedings and equivalent proceedings in foreign jurisdictions (e.g., opposition proceedings). Such proceedings could result in revocation, cancellation or amendment to our patents in such a way that they no longer cover and protect our drug candidates.

The outcome of any such proceeding is generally unpredictable. Grounds for a validity challenge could be, among other things, an alleged failure to meet any of several statutory requirements, including lack of novelty, obviousness, lack of written description or non-enablement. Grounds for an unenforceability assertion could be, among other things, an allegation that someone connected with prosecution of the patent withheld relevant information or made a misleading statement during prosecution. It is possible that prior art of which we and the patent examiner were unaware during prosecution exists, which could render our patents invalid. Moreover, it is also possible that prior art may exist that we are aware of but do not believe is relevant to our current or future patents, but that could nevertheless be determined to render our patents invalid. Even if we are successful in defending against such challenges, the cost to us of any patent litigation or similar proceeding could be substantial, and it may consume significant management and other personnel time. We do not maintain insurance to cover intellectual property infringement, misappropriation or violation.

An adverse result in any litigation or other intellectual property proceeding could put one or more of our patents at risk of being invalidated, rendered unenforceable or interpreted narrowly. If a defendant were to prevail on a legal assertion of invalidity and/or unenforceability of our patents covering one or more of our drug candidates, we would lose at least part, and perhaps all, of the patent protection covering such drug candidates. Competing drugs may also be sold in other countries in which our patent coverage might not exist or be as strong. If we lose a foreign patent lawsuit, alleging our infringement of a competitor's patents, we could be prevented from marketing our drugs in one or more foreign countries. Any of these outcomes would have a materially adverse effect on our business, financial condition, results of operations and prospects.

We may not be able to protect our intellectual property in the PRC.

The validity, enforceability and scope of protection available under the relevant intellectual property laws in the PRC are uncertain and still evolving. Implementation and enforcement of PRC intellectual property-related laws have historically been deficient and ineffective. Accordingly, intellectual property and confidentiality legal regimes in China may not afford protection to the same extent as in the United States or other countries. Policing unauthorized use of proprietary technology is difficult and expensive, and we may need to resort to litigation to enforce or defend patents issued to us or to determine the enforceability, scope and validity of our proprietary rights or those of others. The experience and capabilities of PRC courts in handling intellectual property litigation varies, and outcomes are unpredictable. Further, such litigation may require a significant

expenditure of cash and may divert management's attention from our operations, which could harm our business, financial condition and results of operations. An adverse determination in any such litigation could materially impair our intellectual property rights and may harm our business, prospects and reputation.

We may not be able to protect our intellectual property and proprietary rights throughout the world.

Filing, prosecuting, maintaining and defending patents on drug candidates in all countries throughout the world would be prohibitively expensive, and the laws of foreign countries may not protect our rights to the same extent as the laws of the United States. Consequently, we may not be able to prevent third parties from practicing our inventions in all countries outside the United States or PRC or from selling or importing products made using our inventions in and into the United States, the PRC or other jurisdictions. Competitors may use our technologies in jurisdictions where we have not obtained patent protection to develop their own competing products and, further, may export otherwise infringing products to territories where we have patent protection or licenses but enforcement is not as strong as that in the United States. These products may compete with our products, and our patents or other intellectual property rights may not be effective or sufficient to prevent them from competing.

Many companies have encountered significant problems in protecting and defending intellectual property rights in foreign jurisdictions, including China. The legal systems of certain countries, particularly certain developing countries, do not favor the enforcement of patents, trade secrets, and other intellectual property protection, particularly those relating to biotechnology products, which could make it difficult for us to stop the infringement of our patents or marketing of competing products in violation of our intellectual property and proprietary rights generally. Proceedings to enforce our intellectual property and proprietary rights in foreign jurisdictions could result in substantial costs and divert our efforts and attention from other aspects of our business, could put our patents at risk of being invalidated or interpreted narrowly, could put our patent applications at risk of not issuing, and could provoke third parties to assert claims against us. We may not prevail in any lawsuits that we initiate, and the damages or other remedies awarded, if any, may not be commercially meaningful. Accordingly, our efforts to enforce our intellectual property and proprietary rights around the world may be inadequate to obtain a significant commercial advantage from the intellectual property that we develop or license.

Furthermore, many countries have compulsory licensing laws under which a patent owner may be compelled to grant licenses to third parties. In addition, many countries limit the enforceability of patents against government agencies or government contractors. In these countries, the patent owner may have limited remedies, which could materially diminish the value of such patent. If we or any of our licensors are forced to grant a license to third parties with respect to any patents relevant to our business, our competitive position may be impaired, and our business, financial condition, results of operations and prospects may be adversely affected.

Developments in patent law could have a negative impact on our business.

Changes in either the patent laws or interpretation of the patent laws in the United States, PRC and other government authorities could increase the uncertainties and costs surrounding the prosecution of patent applications and the enforcement or defense of issued patents, including changing the standards of patentability, and any such changes could have a negative impact on our business. For example, in the United States, the Leahy-Smith America Invents Act, or the America Invents Act, which was signed into law in September 2011, includes a number of significant changes to U.S. patent law. These changes include a transition from a "first-to-invent" system to a "first-to-file" system as of March 2013, changes to the way issued patents are challenged, and changes to the way patent applications are disputed during the examination process. These include allowing third party submission of prior art to the USPTO during patent prosecution and additional

procedures to attack the validity of a patent by USPTO administered post grant proceedings, including post grant review, *inter partes* review, and derivation proceedings. As a result of these changes, patent law in the United States may favor larger and more established companies that have greater resources to devote to patent application filing and prosecution. The USPTO has developed new and untested regulations and procedures to govern the full implementation of the America Invents Act, and many of the substantive changes to patent law associated with the America Invents Act, and, in particular, the first-to-file provisions became effective in March 2013. Substantive changes to patent law associated with the America Invents Act may affect our ability to obtain patents, and if obtained, to enforce or defend them. Accordingly, it is not clear what, if any, impact the America Invents Act will have on the cost of prosecuting our patent applications and our ability to obtain patents based on our discoveries and to enforce or defend any patents that may issue from our patent applications, all of which could have a material adverse effect on our business, financial condition, results of operations and prospects.

In addition, the patent positions of companies in the development and commercialization of biologics and pharmaceuticals are particularly uncertain. Recent U.S. Supreme Court rulings have narrowed the scope of patent protection available in certain circumstances and weakened the rights of patent owners in certain situations. This combination of events has created uncertainty with respect to the validity and enforceability of patents, once obtained. Depending on future actions by the U.S. Congress, the federal courts and the USPTO, the laws and regulations governing patents could change in unpredictable ways that could have a material adverse effect on our existing patent portfolio and our ability to protect and enforce our intellectual property in the future.

If we are unable to maintain the confidentiality of our trade secrets, our business and competitive position may be harmed.

In addition to the protection afforded by registered patents and pending patent applications, we rely upon unpatented trade secret protection, unpatented know-how and continuing technological innovation to develop and maintain our competitive position. However, trade secrets and know-how can be difficult to protect. We also seek to protect our proprietary technology and processes, in part, by entering into confidentiality agreements with parties that have access to them, such as our partners, collaborators, scientific advisors, employees, consultants and other third parties, and invention assignment agreements with our consultants and employees. We cannot guarantee that we have entered into such agreements with each party that may have or have had access to our trade secrets or proprietary technology and processes. We may not be able to prevent the unauthorized disclosure or use of our technical know-how or other trade secrets by the parties to these agreements, however, despite the existence generally of confidentiality agreements and other contractual restrictions. If any of the partners, collaborators, scientific advisors, employees and consultants who are parties to these agreements breaches or violates the terms of any of these agreements or otherwise discloses our proprietary information, we may not have adequate remedies for any such breach or violation, and we could lose our trade secrets as a result. Enforcing a claim that a third party illegally disclosed or misappropriated our trade secrets, including through intellectual property litigations or other proceedings, is difficult, expensive and time consuming, and the outcome is unpredictable. In addition, courts in China and other jurisdictions inside and outside the United States are less prepared, less willing or unwilling to protect trade secrets.

Our trade secrets could otherwise become known or be independently discovered by our competitors or other third parties. For example, competitors could purchase our drug candidates and attempt to replicate some or all of the competitive advantages we derive from our development efforts, willfully infringe, misappropriate or otherwise violate our intellectual property rights, design around our intellectual property protecting such technology or develop their own competitive technologies that fall outside of our intellectual property rights. If any of our trade secrets were to be disclosed or independently developed by a competitor, we would have no

right to prevent them, or others to whom they communicate it, from using that technology or information to compete against us, which may have a material adverse effect on our business, prospects, financial condition and results of operations.

If our drug candidates infringe, misappropriate or otherwise violate the intellectual property rights of third parties, we may incur substantial liabilities, and we may be unable to sell commercialize these drug candidates.

Our commercial success depends significantly on our ability to develop, manufacture, market and sell our drug candidates and use our proprietary technologies without infringing, misappropriating or otherwise violating the patents and other proprietary rights of third parties. The biotechnology and pharmaceutical industries are characterized by extensive litigation regarding patents and other intellectual property rights. In the PRC and the United States, invention patent applications are generally maintained in confidence until their publication 18 months from the filing date. The publication of discoveries in the scientific or patent literature frequently occurs substantially later than the date on which the underlying discoveries were made and invention patent applications are filed. Even after reasonable investigation, we may not know with certainty whether any third-party may have filed a patent application without our knowledge while we are still developing or producing that product. We may become party to, or threatened with, adversarial proceedings or litigation regarding intellectual property rights with respect to our technology and any drug candidates we may develop, including interference proceedings, post-grant review, *inter partes* review and derivation proceedings before the USPTO and similar proceedings in foreign jurisdictions.

Third parties may assert infringement claims against us based on existing patents or patents that may be granted in the future, regardless of their merit. Even if we believe third-party intellectual property claims are without merit, there is no assurance that a court would find in our favor on questions of infringement, validity, enforceability or priority. A court of competent jurisdiction could hold that these third-party patents are valid, enforceable and infringed, which could materially and adversely affect our ability to commercialize any drug candidates we may develop and any other drug candidates or technologies covered by the asserted third-party patents. In order to successfully challenge the validity of any such U.S. patent in federal court, we would need to overcome a presumption of validity. There is no assurance that a court of competent jurisdiction would invalidate the claims of any such U.S. patent.

If we are found to infringe a third party's patent rights, and we are unsuccessful in demonstrating that such patents are invalid or unenforceable, we could be required to:

- obtain royalty-bearing licenses from such third party to such patents, which may not be available on commercially reasonable terms, if at all and even if we were able to obtain such licenses, they could be non-exclusive, thereby giving our competitors and other third parties access to the same technologies licensed to us, and could require us to make substantial licensing and royalty payments;
- defend litigation or administrative proceedings;
- reformulate product(s) so that it does not infringe the intellectual property rights of others, which may not be possible or could be very expensive and time consuming;
- cease developing, manufacturing and commercializing the infringing technology or drug candidates; and
- pay such third party significant monetary damages, including treble damages and attorneys' fees, if we are found to have willfully infringed a patent or other intellectual property right.

Claims that we have misappropriated the confidential information or trade secrets of third parties could have a similar material adverse effect on our business, financial condition, results of operations, and prospects. Even if

we are successful in such litigations or administrative proceedings, such litigations and proceedings may be costly and could result in a substantial diversion of management resources. Any of the foregoing may have a material adverse effect on our business, prospects, financial condition and results of operations.

Intellectual property litigation and proceedings could cause us to spend substantial resources and distract our personnel from their normal responsibilities.

Even if resolved in our favor, litigation or other legal proceedings relating to our, our licensor's or other third parties' intellectual property claims may cause us to incur significant expenses and could distract our personnel from their normal responsibilities. In addition, there could be public announcements of the results of hearings, motions, or other interim proceedings or developments, and if securities analysts or investors perceive these results to be negative, it could have a substantial adverse effect on the price of our common stock. Such litigation or proceedings could substantially increase our operating losses and reduce the resources available for development activities or any future sales, marketing, or distribution activities. We may not have sufficient financial or other resources to conduct such litigation or proceedings adequately. Some of our competitors may be able to sustain the costs of such litigation or proceedings more effectively than we can because of their greater financial resources and more mature and developed intellectual property portfolios. Uncertainties resulting from the initiation and continuation of patent litigation or other proceedings could have a material adverse effect on our ability to compete in the marketplace.

We may be subject to claims that we or our employees, consultants or advisors have wrongfully used or disclosed alleged trade secrets of competitors or their current or former employers or are in breach of non-competition or non-solicitation agreements with competitors or other third parties.

We could in the future be subject to claims that we or our employees, consultants or advisors have inadvertently or otherwise used or disclosed alleged trade secrets or other proprietary information of current or former employers, competitors or other third parties. Many of our employees, consultants and advisors are currently or were previously employed at universities or other biotechnology or pharmaceutical companies, including our competitors or potential competitors. Although we try to ensure that our employees and consultants do not improperly use the intellectual property, proprietary information, know-how or trade secrets of others in their work for us, we may be subject to claims that we or these individuals have breach the terms of his or her non-competition or non-solicitation agreement, or that we or these individuals have, inadvertently or otherwise, used or disclosed the alleged trade secrets or other proprietary information of a current or former employer, competitor or other third parties.

Litigation may be necessary to defend against these claims. Even if we are successful in defending against these claims, litigation could result in substantial costs and could be a distraction to management and research personnel. If our defenses to these claims fail, in addition to requiring us to pay monetary damages, a court could prohibit us from using technologies or features that are essential to our drug candidates, if such technologies or features are found to incorporate or be derived from the trade secrets or other proprietary information of the former employers. An inability to incorporate such technologies or features would have a material adverse effect on our business and may prevent us from successfully commercializing our drug candidates. In addition, we may lose valuable intellectual property rights or personnel as a result of such claims. Moreover, any such litigation or the threat thereof may adversely affect our ability to hire employees or contract with independent sales representatives. A loss of key personnel or their work product could hamper or prevent our ability to commercialize our drug candidates, which would have a material adverse effect on our business, results of operations and financial condition.

In addition, while it is our policy to require our employees and contractors who may be involved in the conception or development of intellectual property to execute agreements assigning such intellectual property

to us, we may be unsuccessful in executing such an agreement with each party who, in fact, conceives or develops intellectual property that we regard as our own. The assignment of intellectual property rights may not be self-executing, or the assignment agreements may be breached, and we may be forced to bring claims against third parties, or defend claims that they may bring against us, to determine the ownership of what we regard as our intellectual property. Such claims could have a material adverse effect on our business, financial condition, results of operations and prospects.

We may not be successful in obtaining necessary intellectual property rights to drug candidates for our development pipeline through acquisitions and in-licenses.

Although we also intend to develop drug candidates through our own internal research, our near-term business model is predicated, in large part, on our ability to successfully identify and acquire or in-license drug candidates to grow our drug candidate pipeline. However, we may be unable to acquire or in-license intellectual property rights relating to, or necessary for, any such drug candidates from third parties on commercially reasonable terms or at all, including because we are focusing on specific areas of care such as oncology and inflammatory and infectious diseases. In that event, we may be unable to develop or commercialize such drug candidates. We may also be unable to identify drug candidates that we believe are an appropriate strategic fit for our company and intellectual property relating to, or necessary for, such drug candidates. Any of the foregoing could have a materially adverse effect on our business, financial condition, results of operations and prospects.

The in-licensing and acquisition of third-party intellectual property rights for drug candidates is a competitive area, and a number of more established companies are also pursuing strategies to in-license or acquire third-party intellectual property rights for drug candidates that we may consider attractive or necessary. These established companies may have a competitive advantage over us due to their size, cash resources and greater clinical development and commercialization capabilities. Furthermore, companies that perceive us to be a competitor may be unwilling to assign or license rights to us. If we are unable to successfully obtain rights to suitable drug candidates, our business, financial condition, results of operations and prospects for growth could suffer.

In addition, we expect that competition for the in-licensing or acquisition of third-party intellectual property rights for drug candidates that are attractive to us may increase in the future, which may mean fewer suitable opportunities for us as well as higher acquisition or licensing costs. We may be unable to in-license or acquire the third-party intellectual property rights for drug candidates on terms that would allow us to make an appropriate return on our investment.

If we do not obtain patent term extension and data exclusivity for any drug candidates we may develop, our business may be materially harmed.

Depending upon the timing, duration and specifics of any FDA marketing approval of any drug candidates we may develop, one or more of our owned or in-licensed U.S. patents may be eligible for limited patent term extension under the Drug Price Competition and Patent Term Restoration Action of 1984, or Hatch Waxman Amendments. The Hatch Waxman Amendments permit a patent extension term of up to five years as compensation for patent term lost during the FDA regulatory review process. A patent term extension cannot extend the remaining term of a patent beyond a total of 14 years from the date of product approval, only one patent may be extended and only those claims covering the approved drug, a method for using it, or a method for manufacturing it may be extended. However, we may not be granted an extension because of, for example, failing to exercise due diligence during the testing phase or regulatory review process, failing to apply within applicable deadlines, failing to apply prior to expiration of relevant patents, or otherwise failing to satisfy applicable requirements. Moreover, the applicable time period or the scope of patent protection afforded could

be less than we request. In addition, no patent term extension system has been established in the PRC. As a result, the patents we have in-licensed or own in the PRC are not eligible to be extended for patent term lost during the regulatory review process. If we are unable to obtain patent term extension or term of any such extension is less than we request, our competitors may obtain approval of competing products following our patent expiration, and our business, financial condition, results of operations, and prospects could be materially harmed.

Obtaining and maintaining our patent protection depends on compliance with various procedural, document submission, fee payment, and other requirements imposed by government patent agencies, and our patent protection could be reduced or eliminated for non-compliance with these requirements.

Periodic maintenance fees, renewal fees, annuity fees, and various other government fees on patents and applications will be due to be paid to the USPTO and various government patent agencies outside of the United States over the lifetime of our owned or licensed patents and applications. In certain circumstances, we rely on our licensing partners to pay these fees due to U.S. and non-U.S. patent agencies. The USPTO and various non-U.S. government agencies require compliance with several procedural, documentary, fee payment, and other similar provisions during the patent application process. We are also dependent on our licensors to take the necessary action to comply with these requirements with respect to our licensed intellectual property. In some cases, an inadvertent lapse can be cured by payment of a late fee or by other means in accordance with the applicable rules. There are situations, however, in which non-compliance can result in abandonment or lapse of the patent or patent application, resulting in a partial or complete loss of patent rights in the relevant jurisdiction. In such an event, potential competitors might be able to enter the market with similar or identical products or technology, which could have a material adverse effect on our business, financial condition, results of operations, and prospects.

Intellectual property rights do not necessarily address all potential threats.

The degree of future protection afforded by our intellectual property rights is uncertain because intellectual property rights have limitations and may not adequately protect our business or permit us to maintain our competitive advantage. For example:

- others may be able to make gene therapy products that are similar to any drug candidates we may develop or utilize similar gene therapy technology but that are not covered by the claims of the patents that we license or may own in the future;
- we, our licensors, patent owners of patent rights that we have in-licensed, or current or future collaborators might not have been the first to make the inventions covered by the issued patent or pending patent application that we license or may own in the future;
- we, our licensors, patent owners of patent rights that we have in-licensed, or current or future collaborators might not have been the first to file patent applications covering certain of our or their inventions;
- others may independently develop similar or alternative technologies or duplicate any of our technologies without infringing, misappropriating or otherwise violating our owned or licensed intellectual property rights;
- it is possible that our pending licensed patent applications or those that we may own in the future will not lead to issued patents;
- issued patents that we hold rights to may be held invalid or unenforceable, including as a result of legal challenges by our competitors;

- our competitors might conduct research and development activities in countries where we do not have patent rights and then use the information learned from such activities to develop competitive products for sale in our major commercial markets;
- we may not develop additional proprietary technologies that are patentable;
- the patents of others may harm our business; and
- we may choose not to file a patent in order to maintain certain trade secrets or know how, and a third party may discover certain technologies containing such trade secrets or know how through independent research and development and/or subsequently file a patent covering such intellectual property.

Should any of these events occur, they could have a material adverse effect on our business, financial condition, results of operations and prospects.

Risks related to our ADSs and this offering

We have broad discretion to determine how to use the net proceeds from this offering and may use them in ways that may not enhance our results of operations or the price of the ADSs.

Although we currently intend to use the net proceeds from this offering in the manner described in the section titled “Use of proceeds” in this prospectus, our management will have broad discretion over the use of net proceeds from this offering, and we could spend the net proceeds from this offering in ways the holders of the ADSs may not agree with or that do not yield a favorable return. Because of the number and variability of factors that will determine our use of the net proceeds from this offering, our use of these proceeds may differ substantially from our current plans. The failure by our management to apply these funds effectively could have a material adverse effect on our business, financial condition and results of operation. You will not have the opportunity, as part of your investment decision, to assess whether proceeds are being used appropriately. You must rely on the judgment of our management regarding the application of the net proceeds of this offering.

After the completion of the global offering, we may be at an increased risk of securities class action litigation.

Historically, securities class action litigation has often been brought against a company following a decline in the market price of its securities. This risk is especially relevant for us because biotechnology and biopharmaceutical companies have experienced significant share price volatility in recent years. If we were to be sued, it could result in substantial costs and a diversion of management’s attention and resources, which could harm our business.

If securities analysts do not publish research or reports about our business or if they publish negative evaluations of our business, the price of our ADSs could decline.

The trading market for our ADSs will rely in part on the research and reports that industry or financial analysts publish about us or our business. We may never obtain research coverage by industry or financial analysts. If no or few analysts commence coverage of us, the trading price of our stock would likely decrease. Even if we do obtain analyst coverage, if one or more of the analysts covering our business downgrade their evaluations of our stock, the price of our stock could decline. If one or more of these analysts cease to cover our stock, we could lose visibility in the market for our stock, which in turn could cause our stock price to decline.

We are eligible to be treated as an "emerging growth company," as defined in the Securities Act, and we cannot be certain if the reduced disclosure requirements applicable to us as an "emerging growth company" will make our ADSs less attractive to investors.

We are eligible to be treated as an "emerging growth company," as defined in Section 2(a) of the Securities Act, as modified by the JOBS Act, and we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not "emerging growth companies," including not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act. As a result, our shareholders may not have access to certain information that they may deem important. We could be an emerging growth company for up to five years, although circumstances could cause us to lose that status earlier, including if our total annual gross revenue exceeds $1.07 billion, if we issue more than $1.0 billion in non-convertible debt securities during any three-year period, or if the market value of our ordinary shares held by non-affiliates exceeds $700.0 million. We cannot predict if investors will find our ADSs less attractive because we may rely on these exemptions. If some investors find our ADSs less attractive as a result, there may be a less active trading market for our ADSs and our stock price may be more volatile.

If we fail to establish and maintain proper internal financial reporting controls, our ability to produce accurate financial statements or comply with applicable regulations could be impaired.

Pursuant to Section 404 of the Sarbanes-Oxley Act, we will be required to file a report by our management on our internal control over financial reporting, including an attestation report on internal control over financial reporting issued by our independent registered public accounting firm. However, while we remain an emerging growth company, we will not be required to include an attestation report on internal control over financial reporting issued by our independent registered public accounting firm. The presence of material weaknesses in internal control over financial reporting could result in financial statement errors which, in turn, could lead to errors in our financial reports and/or delays in our financial reporting, which could require us to restate our operating results. We might not identify one or more material weaknesses in our internal controls in connection with evaluating our compliance with Section 404 of the Sarbanes-Oxley Act. In order to maintain and improve the effectiveness of our disclosure controls and procedures and internal controls over financial reporting, we will need to expend significant resources and provide significant management oversight. Implementing any appropriate changes to our internal controls may require specific compliance training of our directors and employees, entail substantial costs in order to modify our existing accounting systems, take a significant period of time to complete and divert management's attention from other business concerns. These changes may not, however, be effective in maintaining the adequacy of our internal control.

If we are unable to conclude that we have effective internal controls over financial reporting, investors may lose confidence in our operating results, the price of the ADSs could decline and we may be subject to litigation or regulatory enforcement actions. In addition, if we are unable to meet the requirements of Section 404 of the Sarbanes-Oxley Act, the ADSs may not be able to remain listed on the NASDAQ Global Market.

As a foreign private issuer, we are not subject to certain U.S. securities law disclosure requirements that apply to a domestic U.S. issuer, which may limit the information publicly available to our shareholders.

As a foreign private issuer we are not required to comply with all of the periodic disclosure and current reporting requirements of the Exchange Act and therefore there may be less publicly available information about us than if we were a U.S. domestic issuer. For example, we are not subject to the proxy rules in the United States and disclosure with respect to our annual general meetings will be governed by the Cayman Islands requirements. In addition, our officers, directors and principal shareholders are exempt from the reporting and "short-swing" profit recovery provisions of Section 16 of the Exchange Act and the rules thereunder. Therefore, our shareholders may not know on a timely basis when our officers, directors and principal shareholders purchase or sell our ordinary shares or ADSs.

As a foreign private issuer, we are permitted to adopt certain home country practices in relation to corporate governance matters that differ significantly from the NASDAQ Stock Market corporate governance listing standards. These practices may afford less protection to shareholders than they would enjoy if we complied fully with corporate governance listing standards.

As a foreign private issuer, we are permitted to take advantage of certain provisions in the NASDAQ Stock Market listing rules that allow us to follow Cayman Islands law for certain governance matters. Certain corporate governance practices in the Cayman Islands may differ significantly from corporate governance listing standards as, except for general fiduciary duties and duties of care, Cayman Islands law has no corporate governance regime which prescribes specific corporate governance standards. When our ADSs are listed on the Nasdaq Global Market, we intend to continue to follow Cayman Islands corporate governance practices in lieu of the corporate governance requirements of the Nasdaq Stock Market in respect of the following: (i) the majority independent director requirement under Section 5605(b)(1) of the NASDAQ Stock Market listing rules, (ii) the requirement under Section 5605(d) of the NASDAQ Stock Market listing rules that a compensation committee comprised solely of independent directors governed by a compensation committee charter oversee executive compensation and (iii) the requirement under Section 5605(e) of the NASDAQ Stock Market listing rules that director nominees be selected or recommended for selection by either a majority of the independent directors or a nominations committee comprised solely of independent directors. Cayman Islands law does not impose a requirement that our board of directors consist of a majority of independent directors. Nor does Cayman Islands law impose specific requirements on the establishment of a compensation committee or nominating committee or nominating process. Therefore, our shareholders may be afforded less protection than they otherwise would have under corporate governance listing standards applicable to U.S. domestic issuers.

We may lose our foreign private issuer status in the future, which could result in significant additional costs and expenses.

As discussed above, we are a foreign private issuer, and therefore, we are not required to comply with all of the periodic disclosure and current reporting requirements of the Exchange Act. The determination of foreign private issuer status is made annually on the last business day of an issuer's most recently completed second fiscal quarter, and, accordingly, the next determination will be made with respect to us on June 30, 2018. We would lose our foreign private issuer status if, for example, more than 50% of our ordinary shares are directly or indirectly held by residents of the U.S. and we fail to meet additional requirements necessary to maintain our foreign private issuer status. If we lose our foreign private issuer status on this date, we will be required to file with the SEC periodic reports and registration statements on U.S. domestic issuer forms beginning on January 1, 2019, which are more detailed and extensive than the forms available to a foreign private issuer. We will also have to mandatorily comply with U.S. federal proxy requirements, and our officers, directors and principal shareholders will become subject to the short-swing profit disclosure and recovery provisions of Section 16 of the Exchange Act. In addition, we will lose our ability to rely upon exemptions from certain corporate governance requirements under the NASDAQ Stock Market listing rules. As a U.S. listed public company that is not a foreign private issuer, we will incur significant additional legal, accounting and other expenses that we will not incur as a foreign private issuer, and accounting, reporting and other expenses in order to maintain a listing on a U.S. securities exchange.

The audit report included in this prospectus was prepared by an auditor who is not inspected by the U.S. Public Company Accounting Oversight Board, or the PCAOB, and as such, you are deprived of the benefits of such inspection.

Auditors of companies that are registered with the SEC and traded publicly in the United States, including the independent registered public accounting firm of our company, must be registered with the PCAOB, and are required by the laws of the United States to undergo regular inspections by the PCAOB to assess their

compliance with the laws of the United States and professional standards. Because substantially all of our operations are within the PRC, a jurisdiction where the PCAOB is currently unable to conduct inspections without the approval of the Chinese authorities, our auditor is not currently inspected by the PCAOB.

In May 2013, the PCAOB announced that it had entered into a Memorandum of Understanding on Enforcement Cooperation with the China Securities Regulatory Commission, or CSRC, and the Ministry of Finance, which establishes a cooperative framework between the parties for the production and exchange of audit documents relevant to investigations undertaken by the PCAOB in the United States or the CSRC or the Ministry of Finance in the PRC. The PCAOB continues to be in discussions with the CSRC and the Ministry of Finance to permit joint inspections in the PRC of audit firms that are registered with PCAOB and audit Chinese companies that trade on U.S. exchanges.

This lack of PCAOB inspections in China prevents the PCAOB from regularly evaluating audits and quality control procedures of any auditors operating in China, including our auditor. As a result, investors may be deprived of the benefits of PCAOB inspections. The inability of the PCAOB to conduct inspections of auditors in China makes it more difficult to evaluate the effectiveness of our auditor's audit procedures or quality control procedures as compared to auditors outside of China that are subject to PCAOB inspections. Investors may lose confidence in our reported financial information and procedures and the quality of our financial statements.

We do not currently intend to pay dividends on our securities, and, consequently, your ability to achieve a return on your investment will depend on appreciation in the price of the ADSs.

We have never declared or paid any dividends on our ordinary shares. We currently intend to invest our future earnings, if any, to fund our growth. Therefore, you are not likely to receive any dividends on your ADSs at least in the near term, and the success of an investment in ADSs will depend upon any future appreciation in its value. Consequently, investors may need to sell all or part of their holdings of ADSs after price appreciation, which may never occur, to realize any future gains on their investment. There is no guarantee that the ADSs will appreciate in value or even maintain the price at which our investors purchased their ADSs.

There has been no public market in the United States for our ordinary shares or ADSs prior to this offering, and you may not be able to resell our ADSs at or above the price you paid, or at all.

Prior to this offering, there has been no public market in the United States for our ordinary shares or ADSs. We have applied to have our ADSs listed on the Nasdaq Global Market. Our ordinary shares will not be listed on any other exchange, or quoted for trading on any over-the-counter trading system, in the United States.

The initial public offering price for our ADSs will be determined by negotiations between us and the underwriters and may bear no relationship to the market price for our ADSs after this initial public offering. We cannot assure you that an active trading market for our ADSs will develop or that the market price of our ADSs will not decline below the initial public offering price. If an active trading market for our ADSs does not develop after this offering, the market price and liquidity of our ADSs will be materially and adversely affected.

The market price for our ADSs may be volatile which could result in substantial loss to you.

The market price for our ADSs is likely to be highly volatile and subject to wide fluctuations in response to factors, including the following:

- announcements of competitive developments;
- regulatory developments affecting us, our customers or our competitors;
- announcements regarding litigation or administrative proceedings involving us;

- actual or anticipated fluctuations in our period-to-period operating results;
- changes in financial estimates by securities research analysts;
- additions or departures of our executive officers;
- fluctuations of exchange rates between the RMB and the U.S. dollar;
- release or expiry of lock-up or other transfer restrictions on our outstanding ordinary shares or ADSs; and
- sales or perceived sales of additional ordinary shares or ADSs.

In addition, the securities markets have from time to time experienced significant price and volume fluctuations that are not related to the operating performance of particular companies. For example, since August 2008, multiple exchanges in the United States and other countries and regions, including China, experienced sharp declines in response to the growing credit market crisis and the recession in the United States. As recently as August 2015, the exchanges in China experienced a sharp decline. Prolonged global capital markets volatility may affect overall investor sentiment towards our ADSs, which would also negatively affect the trading prices for our ADSs.

Fluctuations in the value of the renminbi may have a material adverse effect on our results of operations and the value of your investment.

The value of the renminbi against the U.S. dollar and other currencies may fluctuate and is affected by, among other things, changes in political and economic conditions. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of the renminbi to the U.S. dollar, and the renminbi appreciated more than 20% against the U.S. dollar over the following three years. Between July 2008 and June 2010, this appreciation halted, and the exchange rate between the renminbi and U.S. dollar remained within a narrow band. In June 2010, China's People's Bank of China, or PBOC, announced that the PRC government would increase the flexibility of the exchange rate, and thereafter allowed the renminbi to appreciate slowly against the U.S. dollar within the narrow band fixed by the PBOC. However, more recently, on August 11, 12 and 13, 2015, the PBOC significantly devalued the renminbi by fixing its price against the U.S. dollar 1.9%, 1.6%, and 1.1% lower than the previous day's value, respectively. On October 1, 2016, the renminbi joined the International Monetary Fund's basket of currencies that make up the Special Drawing Right, or SDR, along with the U.S. dollar, the Euro, the Japanese yen and the British pound. In the fourth quarter of 2016, the renminbi depreciated significantly while the U.S. dollar surged and China experienced persistent capital outflows. With the development of the foreign exchange market and progress towards interest rate liberalization and renminbi internationalization, the PRC government may in the future announce further changes to the exchange rate system. There is no guarantee that the renminbi will not appreciate or depreciate significantly in value against the U.S. dollar in the future. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between the renminbi and the U.S. dollar in the future.

Significant revaluation of the renminbi may have a material adverse effect on your investment. For example, to the extent that we need to convert U.S. dollars into renminbi for our operations, appreciation of the renminbi against the U.S. dollar would have an adverse effect on the renminbi amount we would receive from the conversion. Conversely, if we decide to convert our renminbi into U.S. dollars for the purpose of making payments for dividends on our ordinary shares or ADSs or for other business purposes, appreciation of the U.S. dollar against the renminbi would have a negative effect on the U.S. dollar amount available to us. In addition, appreciation or depreciation in the value of the renminbi relative to U.S. dollars would affect our financial results reported in U.S. dollar terms regardless of any underlying change in our business or results of operations.

Very limited hedging options are available in China to reduce our exposure to exchange rate fluctuations. To date, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risk. While we may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedges may be limited and we may not be able to adequately hedge our exposure or at all. In addition, our currency exchange losses may be magnified by PRC exchange control regulations that restrict our ability to convert renminbi into foreign currency.

Since the U.S. initial public offering price is substantially higher than our net tangible book value per share, you will incur immediate and substantial dilution.

If you purchase our ADSs in this offering, you will pay more for your ADSs than the amount paid by our existing shareholders for their ordinary shares on a per ADS basis. As a result, you will experience immediate and substantial dilution of approximately $ per ADS, representing the difference between our net tangible book value per ADS as of December 31, 2016, after giving effect to this offering and an assumed initial public offering price of $ per ADS. In addition, you may experience further dilution to the extent that our ordinary shares are issued upon the exercise of share options. See “Dilution” for a more complete description of how the value of your investment in our ADSs will be diluted upon completion of this offering.

Substantial future sales or perceived sales of our ADSs in the public market could cause the price of our ADSs to decline.

Sales of our ADSs in the public market after this offering, or the perception that these sales could occur, could cause the market price of our ADSs to decline. Upon completion of this offering, we will have ordinary shares outstanding, including ordinary shares represented by ADSs. All ADSs sold in this offering will be freely transferable without restriction or additional registration under the Securities Act. The remaining ordinary shares outstanding after this offering will be available for sale, subject to restrictions as applicable under Rule 144 under the Securities Act, upon the expiration of the 180-day lock-up arrangements entered into among us and the underwriters. There are certain exceptions to these lock-up arrangements. See “Underwriting” and “Shares Eligible for Future Sale” for additional information. We cannot predict what effect, if any, market sales of securities held by our significant shareholders or any other shareholder or the availability of these securities for future sale will have on the market price of our ADSs.

Holders of ADSs have fewer rights than shareholders and must act through the depositary to exercise their rights.

Holders of our ADSs do not have the same rights as our shareholders and may only exercise the voting rights with respect to the underlying ordinary shares in accordance with the provisions of the deposit agreement. Under our fourth amended and restated memorandum and articles of association, which will be effective immediately upon completion of this offering, an annual general meeting and any extraordinary general meeting at which the passing of a special resolution is to be considered may be called with not less than days’ notice, and all other extraordinary general meetings may be called with not less than days’ notice. When a general meeting is convened, you may not receive sufficient notice of a shareholders’ meeting to permit you to withdraw the ordinary shares underlying your ADSs to allow you to vote with respect to any specific matter. If we ask for your instructions, we will give the depositary notice of any such meeting and details concerning the matters to be voted upon at least 30 days in advance of the meeting date and the depositary will send a notice to you about the upcoming vote and will arrange to deliver our voting materials to you. The depositary and its agents, however, may not be able to send voting instructions to you or carry out your voting instructions in a timely manner. We will make all commercially reasonable efforts to cause the depositary to extend voting rights to you in a timely manner, but we cannot assure you that you will receive the voting materials in time to ensure that you can instruct the depositary to vote the ordinary shares underlying your

ADSs. Furthermore, the depositary will not be liable for any failure to carry out any instructions to vote, for the manner in which any vote is cast or for the effect of any such vote. As a holder or beneficial owner of ADSs, you may have limited recourse if we or the depositary fail to meet our respective obligations under the deposit agreement or if you wish us or the depositary to participate in legal proceedings. As a result, you may not be able to exercise your right to vote and you may lack recourse if your ADSs are not voted as you request. In addition, in your capacity as an ADS holder, you will not be able to call a shareholders' meeting.

You may not receive distributions on our ADSs or any value for them if such distribution is illegal or impractical or if any required government approval cannot be obtained in order to make such distribution available to you.

Although we do not have any present plan to pay any dividends, the depositary of our ADSs has agreed to pay to you the cash dividends or other distributions it or the custodian receives on ordinary shares or other deposited securities underlying our ADSs, after deducting its fees and expenses and any applicable taxes and governmental charges. You will receive these distributions in proportion to the number of ordinary shares your ADSs represent. However, the depositary is not responsible if it decides that it is unlawful or impractical to make a distribution available to any holders of ADSs. For example, it would be unlawful to make a distribution to a holder of ADSs if it consists of securities whose offering would require registration under the Securities Act but are not so properly registered or distributed under an applicable exemption from registration. The depositary may also determine that it is not reasonably practicable to distribute certain property. In these cases, the depositary may determine not to distribute such property. We have no obligation to register under the U.S. securities laws any offering of ADSs, ordinary shares, rights or other securities received through such distributions. We also have no obligation to take any other action to permit the distribution of ADSs, ordinary shares, rights or anything else to holders of ADSs. This means that you may not receive distributions we make on our ordinary shares or any value for them if it is illegal or impractical for us to make them available to you. These restrictions may cause a material decline in the value of our ADSs.

Your right to participate in any future rights offerings may be limited, which may cause dilution to your holdings.

We may from time to time distribute rights to our shareholders, including rights to acquire our securities. However, we cannot make rights available to you in the United States unless we register the rights and the securities to which the rights relate under the Securities Act or an exemption from the registration requirements is available. Also, under the deposit agreement, the depositary bank will not make rights available to you unless either both the rights and any related securities are registered under the Securities Act, or the distribution of them to ADS holders is exempted from registration under the Securities Act. We are under no obligation to file a registration statement with respect to any such rights or securities or to endeavor to cause such a registration statement to be declared effective. Moreover, we may not be able to establish an exemption from registration under the Securities Act. If the depositary does not distribute the rights, it may, under the deposit agreement, either sell them, if possible, or allow them to lapse. Accordingly, you may be unable to participate in our rights offerings and may experience dilution in your holdings.

If we are classified as a passive foreign investment company, U.S. investors could be subject to adverse U.S. federal income tax consequences.

Generally, if, for any taxable year, at least 75% of our gross income is passive income, or at least 50% of the value of our assets is attributable to assets that produce passive income or are held for the production of passive income, including cash, we would be characterized as a "passive foreign investment company," or PFIC, for U.S. federal income tax purposes. For purposes of these tests, passive income includes dividends, interest, and gains from the sale or exchange of investment property and rents and royalties other than rents and royalties which are received from unrelated parties in connection with the active conduct of a trade or business.

If we are a PFIC, U.S. holders of our ADSs may suffer adverse tax consequences, including having gains realized on the sale of the ADSs treated as ordinary income rather than capital gain, the loss of the preferential rate applicable to dividends received on the ADSs by individuals who are U.S. holders, and having interest charges apply to distributions by us and the proceeds of sales of the ADSs.

Whether we are a PFIC for any taxable year is a factual determination that can be made only after the end of each taxable year and which depends on the composition of our income and the composition and value of our assets for the relevant taxable year. Because we hold, and will continue to hold after this offering, a substantial amount of passive assets, including cash, and because the value of our assets for purposes of the PFIC rules (including goodwill) may be determined by reference to the market value of our ADSs, which may be especially volatile due to the early stage of our drug candidates, we cannot give any assurance that we will not be a PFIC for the current or any future taxable year.

Whether or not U.S. holders make a timely "qualified electing fund," or QEF election or mark-to-market election may affect the U.S. federal income tax consequences to U.S. holders with respect to the acquisition, ownership and disposition of our ADSs. Prospective investors should consult their own tax advisors regarding all aspects of the application of the PFIC rules to the ADSs. See "Material United States federal income tax considerations—Passive foreign investment company considerations."

You may have difficulty enforcing judgments obtained against us.

We are a company incorporated under the laws of the Cayman Islands, and substantially all of our assets are located outside the United States. Substantially all of our current operations are conducted in the PRC. In addition, some of our directors and officers are nationals and residents of countries other than the United States. A substantial portion of the assets of these persons are located outside the United States. As a result, it may be difficult for you to effect service of process within the United States upon these persons. It may also be difficult for you to enforce in U.S. courts judgments obtained in U.S. courts based on the civil liability provisions of the U.S. federal securities laws against us and our officers and directors, some of whom currently reside in the United States and whose assets are located outside the United States. In addition, there is uncertainty as to whether the courts of the Cayman Islands or the PRC would recognize or enforce judgments of U.S. courts against us or such persons predicated upon the civil liability provisions of the securities laws of the United States or any state.

The recognition and enforcement of foreign judgments are provided for under the PRC Civil Procedures Law. PRC courts may recognize and enforce foreign judgments in accordance with the requirements of the PRC Civil Procedures Law based either on treaties between China and the country where the judgment is made or on principles of reciprocity between jurisdictions. China does not have any treaties or other forms of reciprocity with the United States that provide for the reciprocal recognition and enforcement of foreign judgments. In addition, according to the PRC Civil Procedures Law, the PRC courts will not enforce a foreign judgment against us or our directors and officers if they decide that the judgment violates the basic principles of PRC laws or national sovereignty, security or public interest. As a result, it is uncertain whether and on what basis a PRC court would enforce a judgment rendered by a court in the United States.

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

Your ADSs are transferable on the books of the depositary. However, the depositary may close its transfer books at any time or from time to time when it deems expedient in connection with the performance of its duties. In addition, the depositary may refuse to deliver, transfer or register transfers of ADSs generally when our books or the books of the depositary are closed, or at any time if we or the depositary deems it advisable to do so because of any requirement of law or of any government or governmental body, or under any provision of the deposit agreement, or for any other reason.

Cautionary note regarding forward-looking statements

This prospectus contains forward-looking statements. Forward-looking statements are neither historical facts nor assurances of future performance. Instead, they are based on our current beliefs, expectations and assumptions regarding the future of our business, future plans and strategies, our operational results and other future conditions. Forward-looking statements can be identified by words such as “anticipate,” “believe,” “estimate,” “expect,” “intend,” “may,” “plan,” “predict,” “project,” “seek,” “target,” “potential,” “will,” “would,” “could,” “should,” “continue,” “contemplate” and other similar expressions, although not all forward-looking statements contain these identifying words. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this prospectus and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the industry in which we operate.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. We believe that these risks and uncertainties include, but are not limited to, those described in the “Risk factors” section of this prospectus, which include, but are not limited to, the following:

- the initiation, timing, progress and results of our preclinical studies and clinical trials, and our research and development programs;
- our ability to advance our drug candidates into, and successfully complete, clinical trials;
- the ability of our drug candidates to be granted or maintain Category 1 designation with the CFDA and to receive a faster development, review or approval process;
- our reliance on the success of our clinical-stage drug candidates niraparib, omadacycline and ZL-2301 and certain other drug candidates;
- the timing or likelihood of regulatory filings and approvals;
- the commercialization of our drug candidates, if approved;
- our ability to develop sales and marketing capabilities;
- the pricing and reimbursement of our drug candidates, if approved;
- our ability to contract on commercially reasonable terms with CROs;
- the disruption of our business relationships with our licensors;
- our ability to operate our business without breaching our licenses or other intellectual property-related agreements;
- cost associated with defending against intellectual property infringement, product liability and other claims;
- regulatory developments in the United States, China and other jurisdictions;
- ability to obtain additional funding for our operations;
- the rate and degree of market acceptance of our drug candidates;
- developments relating to our competitors and our industry;
- our ability to effectively manage our growth; and
- our ability to retain key executives and to attract, retain and motivate personnel.

These factors should not be construed as exhaustive and should be read with the other cautionary statements in this prospectus.

Although we base these forward-looking statements on assumptions that we believe are reasonable when made, we caution you that forward-looking statements are not guarantees of future performance and that our actual results of operations, financial condition and liquidity, and the development of the industry in which we operate may differ materially from those made in or suggested by the forward-looking statements contained in this prospectus. In addition, even if our results of operations, financial condition and liquidity, and the development of the industry in which we operate, are consistent with the forward-looking statements contained in this prospectus, those results or developments may not be indicative of results or developments in subsequent periods.

Given these risks and uncertainties, you are cautioned not to place undue reliance on these forward-looking statements. Any forward-looking statement that we make in this prospectus speaks only as of the date of such statement, and we undertake no obligation to update any forward-looking statements or to publicly announce the results of any revisions to any of those statements to reflect future events or developments. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless specifically expressed as such, and should only be viewed as historical data.

Use of proceeds

We estimate that the net proceeds to us from our issuance and sale of ADSs in this offering will be approximately $ million, after deducting underwriting discounts and commissions and estimated offering expenses payable by us. This estimate assumes an initial public offering price of $ per ADS, the midpoint of the price range set forth on the cover page of this prospectus.

A $1.00 increase (decrease) in the assumed initial public offering price of $ per ADS would increase (decrease) the net proceeds to us from this offering by $ million, assuming the number of ADSs offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting the estimated underwriting discounts and commissions and estimated expenses payable by us.

We intend to use the net proceeds of this offering, together with the cash generated by our operations and other cash resources, primarily to further advance the clinical development and commercial launch of our multiple drug candidates. In particular, we currently expect to use the net proceeds from this offering as follows:

- approximately $ million to complete (i) Phase III studies of niraparib (ZL-2306) in patients with ovarian, breast cancer and other indications in China, (ii) Phase III studies of omadacycline (ZL-2401) in China and (iii) Phase II/III studies of ZL-2301 in patients with HCC in China;
- approximately $ million to support the commercialization efforts for niraparib (ZL-2306) in China, Hong Kong and Macau;
- approximately $ million to fund new business development and licensing opportunities and to accelerate and broaden clinical development of our drug candidates for which we have exclusive rights to develop and commercialize globally; and
- approximately $ million for research and clinical development of other drug candidates.

The expected use of net proceeds from this offering represents our intentions based upon our current plans and business conditions, which we could change in our discretion in the future as our plans and business conditions evolve. Due to the many variables inherent to the development of our drug candidates at this time, such as the timing of patient enrollment and evolving regulatory requirements, we cannot currently predict the stage of development we expect to achieve for our pre-clinical and clinical trial and drug candidates with the net proceeds of this offering. We expect to use the remainder of the net proceeds for working capital and other general corporate purposes, such as acquiring the commercial rights to other drug products and expanding our research organization and infrastructure. The amounts and timing of our actual expenditures may vary significantly depending on numerous factors, including the results of the pre-clinical and clinical trial of our drug candidates, our operating costs and expenditures and the amount of cash generated by our operations. As a result, our management will have broad discretion over the use of the net proceeds from this offering.

Pending these uses, we intend to invest the net proceeds in investment-grade, short-term fixed income instruments.

For additional information, see “Management’s discussion and analysis of financial condition and results of operations—Liquidity and capital resources.”

Dividend policy

We have never declared or paid regular cash dividends on our ordinary shares. We currently expect to retain all future earnings for use in the operation and expansion of our business and do not anticipate paying cash dividends in the foreseeable future. The declaration and payment of any dividends in the future will be determined by our board of directors, in its discretion, and will depend on a number of factors, including our earnings, capital requirements, overall financial condition and contractual restrictions.

Capitalization

The following table sets forth our cash and cash equivalents and capitalization as of June 30, 2017:

- on an actual basis;
- on a pro forma basis to give effect to (i) the conversion of our outstanding preferred shares into an aggregate of 170,659,714 ordinary shares upon the closing of this offering, (ii) the exercise of warrants to purchase our preferred shares and further conversion of the preferred shares into ordinary shares upon the closing of this offering, and (iii) the effectiveness of our fourth amended and restated memorandum and articles of association, which will occur immediately upon this closing of this offering; and
- on a pro forma and as adjusted basis to reflect the issuance and sale of ordinary shares in the form of ADSs by us in this offering and the application of net proceeds from this offering described under "Use of Proceeds."

The information below is illustrative only, and assumes an initial public offering price at the midpoint of the price range set forth on the cover page of this prospectus, after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us. Our capitalization following this offering will be adjusted based on the actual initial public offering price and other terms of this offering determined at pricing, including the amount by which actual offering expenses are higher or lower than estimated. The table should be read in conjunction with the information contained in "Use of proceeds," "Selected consolidated financial data" and "Management's discussion and analysis of financial condition and results of operations," as well as our consolidated financial statements and the related notes included elsewhere in this prospectus.

	As of June 30, 2017		
	Actual	Pro forma	Pro forma as adjusted
Cash and cash equivalents	$ 92,562,012	$ 93,562,012	$
Warrant liabilities	3,700,000	—	
Series A1, par value $0.00001 per share; 50,800,001 shares authorized; 50,800,001 shares issued and outstanding (actual); no shares authorized, issued or outstanding (pro forma and pro forma as adjusted)	10,028,572	—	
Series A2, par value $0.00001 per share; 53,424,190 shares authorized; 50,653,339 shares issued and outstanding (actual); no shares authorized, issued or outstanding (pro forma and pro forma as adjusted)	18,278,572	—	
Series B1, par value $0.00001 per share; 33,374,023 shares authorized; 33,374,023 shares issued and outstanding (actual); no shares authorized, issued or outstanding (pro forma and pro forma as adjusted)	53,100,000	—	
Series B2, par value $0.00001 per share; 23,838,588 shares authorized; 23,838,588 shares issued and outstanding (actual); no shares authorized, issued or outstanding (pro forma and pro forma as adjusted)	53,100,000	—	
Series C, par value $0.00001 per share; 11,993,763 shares authorized; 11,993,763 shares issued and outstanding (actual); no shares authorized, issued or outstanding (pro forma and pro forma as adjusted)	30,000,000	—	
Shareholders' (deficits) equity:			
Ordinary shares, par value $0.00001 per share; 500,000,000 shares authorized, 67,588,056 (actual); 241,018,621 issued and outstanding (pro forma); shares issued and outstanding (pro forma as adjusted)	675	2,410	
Subscription receivable	(8)	(8)	
Additional paid-in capital	13,756,667	182,962,076	
Accumulated deficits	(84,586,920)	(84,586,920)	
Accumulated other comprehensive loss	(321,958)	(321,958)	
Total shareholders' (deficits) equity	(71,151,544)	98,055,600	
Total capitalization	$ 97,055,600	$ 98,055,600	$

The information above is illustrative only and our capitalization following the completion of this offering will be adjusted based on the actual initial public offering price and other terms of this offering determined at pricing.

A $1.00 increase (decrease) in the assumed initial public offering price of $ per ADS, the midpoint of the estimated price range shown on the cover page of this prospectus, would increase (decrease) the amount of cash and cash equivalents, additional paid-in capital, total shareholders' deficits and total capitalization on a pro forma as adjusted basis by approximately $ million, assuming the number of ADSs offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting underwriting discounts and commissions and estimated offering expenses payable by us. Similarly, each increase (decrease) of ADSs offered by us would increase (decrease) cash and cash equivalents, total shareholders' deficits and total capitalization on a pro forma as adjusted basis by approximately $ million, assuming the assumed initial public offering price remains the same, and after deducting underwriting discounts and commissions and estimated offering expenses payable by us. The pro forma as adjusted information discussed above is illustrative only and will be adjusted based on the actual public offering price and other terms of this offering determined at pricing.

The actual, pro forma and pro forma as adjusted information set forth in the table excludes:

- 38,690,512 shares issuable upon the exercise of options outstanding as of June 30, 2017 pursuant to our 2015 Plan at a weighted-average exercise price of $0.17 per share; and
- 11,545,967 shares reserved for future issuance under our 2017 Equity Plan, which was adopted in connection with this offering.

Dilution

If you invest in our ADSs, your investment will be diluted for each ADS you purchase to the extent of the difference between the initial public offering price per ADS and our net tangible book value per ADS after this offering. Dilution results from the fact that the initial public offering price per ordinary share is substantially in excess of the book value per ordinary share attributable to the existing shareholders for our presently outstanding ordinary shares.

As of June 30, 2017, we had a net tangible book value of $ million, or $ per ordinary share and $ per ADS. We calculate net tangible book value per ordinary shares by dividing our total tangible assets less our total liabilities by the number of our ordinary shares outstanding. Pro forma net tangible book value per ordinary share is calculated after giving effect (i) to the conversion of all of our issued and outstanding preferred shares, (ii) the exercise of warrants to purchase our preferred shares and the further conversion of the preferred shares into ordinary shares and (iii) the effectiveness of our fourth amended and restated memorandum and articles of association. Pro forma as adjusted net tangible book value per ordinary share is calculated after giving effect to the conversion of all our issued and outstanding preferred shares and the issuance of ordinary shares in the form of ADSs by us in this offering. Dilution is determined by subtracting pro forma as adjusted net tangible book value per ordinary share from the public offering price per ordinary share.

Without taking into account any other changes in such net tangible book value after June 30, 2017, after giving effect to the receipt of the estimated net proceeds from our sale of ADSs in this offering, assuming an initial public offering price of $ per ADS (the midpoint of the offering range shown on the cover of this prospectus), and the application of the estimated net proceeds therefrom as described under “Use of Proceeds,” our pro forma as adjusted net tangible book value at December 31, 2016 would have been approximately $, or $ per ordinary share and $ per ADS. This represents an immediate increase in net tangible book value of $ per ordinary share and $ per ADS to existing shareholders and an immediate dilution in net tangible book value of $ per ordinary share and $ per ADS to you, or %. The following table illustrates this dilution per ordinary share.

	Per ordinary share	Per ADS
Assumed initial public offering price	$	$
Historical net tangible book value per ordinary share as of June 30, 2017	$	$
Pro forma increase in net tangible book value per share as of June 30, 2017		
Pro forma net tangible book value per share as of June 30, 2017		
Increase in pro forma net tangible book value per share after this offering		
Pro forma as adjusted net tangible book value per share after this offering		
Dilution per share to new investors in this offering	$	$

A $1.00 increase (decrease) in the assumed initial public offering price of $ per ADS would decrease (increase) our pro forma net tangible book value after giving effect to the offering by $, assuming no

change to the number of ADSs offered by us as set forth on the cover page of this prospectus, and after deducting estimated underwriting discounts and commissions and estimated expenses payable by us.

If the underwriters exercise their option to purchase additional ADSs in full, the pro forma as adjusted net tangible book value would be $ per ordinary shares and $ per ADS, and the dilution in pro forma as adjusted net tangible book value to investors in this offering would be $ per ordinary shares and $ per ADS.

The following table sets forth, as of June 30, 2017, the number of ordinary shares purchased from us, the total consideration paid to us and the average price per ordinary share/ADS paid by existing shareholders and to be paid by new investors purchasing ADSs in this offering, before deducting underwriting discounts and commissions and estimated offering expenses payable by us.

	Ordinary shares purchased		Total consideration		Average price per ordinary share	Average price per ADS
	Number	Percent	Amount	Percent		
Existing shareholders	$	%	$	%	$	$
New investors						
Total	$	100.0%	$	100.0%	$	$

If the underwriters were to fully exercise their option to purchase additional ADSs from us, the percentage of our ordinary shares held by existing shareholders would be %, and the percentage of our ordinary shares held by new investors would be %.

The above discussion and tables are based on 72,405,000 ordinary shares issued and outstanding as of June 30, 2017 and also reflects the conversion of all outstanding preferred shares into an aggregate of 170,659,714 ordinary shares immediately prior to the closing of this offering, and excludes:

- 38,690,512 shares issuable upon the exercise of options outstanding as of June 30, 2017 pursuant to our 2015 Plan at a weighted-average exercise price of $0.17 per share; and
- 11,545,967 shares reserved for future issuance under our 2017 Equity Plan, which was adopted in connection with this offering.

To the extent that any share options or warrants are exercised, there will be further dilution to new investors.

Selected consolidated financial data

The following selected consolidated statement of operations data for the years ended December 31, 2015 and December 31, 2016 and the selected balance sheet data as of December 31, 2015 and December 31, 2016 have been derived from our audited consolidated financial statements included elsewhere in this prospectus. The selected consolidated statements of operations data for the six months ended June 30, 2016 and June 30, 2017 and the selected balance sheet data as of June 30, 2017 have been derived from our unaudited condensed consolidated financial statements appearing elsewhere in this prospectus. The unaudited condensed interim consolidated financial statements reflect, in the opinion of management, all adjustments of a normal, recurring nature that are necessary for the fair presentation of the financial statements. Our consolidated financial statements appearing in this prospectus have been prepared in accordance with U.S. GAAP.

Our historical results for any prior period are not necessarily indicative of results to be expected in any future period. This selected historical consolidated financial data should be read in conjunction with the disclosures set forth under “Capitalization,” “Management’s discussion and analysis of financial condition and results of operations” and the consolidated financial statements and the related notes thereto appearing elsewhere in this prospectus.

	Six months ended June 30,		Year ended December 31,	
(in thousands, except share and per share data)	**2016**	**2017**	**2015**	**2016**
Research and development expenses	$ (8,778)	$ (20,874)	$ (13,587)	$ (32,149)
General and administrative expenses	(2,377)	(4,041)	(2,762)	(6,380)
Loss from operations	(11,155)	(24,915)	(16,349)	(38,529)
Interest income	64	286	5	403
Fair value of warrants	(920)	200	(1,980)	(1,920)
Other income	176	11	341	2,534
Other expense	—	(1)	(39)	—
Loss before income taxes	(11,835)	(24,419)	(18,022)	(37,512)
Income tax expense	—	—	—	—
Net loss	$ (11,835)	$ (24,419)	$ (18,022)	$ (37,512)
Weighted-average shares used in calculating net loss per ordinary share, basic and diluted(1)	55,453,938	63,780,229	52,161,918	56,634,142
Net loss per share, basic and diluted(1)	$ (0.21)	$ (0.38)	$ (0.35)	$ (0.66)

	As of June 30,	As of December 31,	
(in thousands)	**2017**	**2015**	**2016**
Balance sheet data:			
Cash and cash equivalents	$ 92,562	$ 13,161	$ 83,949
Total assets	103,865	13,940	88,907
Total shareholders’ deficits	(71,152)	(18,370)	(51,552)
Total current liabilities	9,630	3,941	5,173
Total non-current liabilities	880	62	778

(1) See Note 2 within our notes to our financial statements appearing elsewhere in this prospectus for a description of the method used to calculate basic and diluted net loss per share.

Management's discussion and analysis of financial condition and results of operations

You should read the following discussion and analysis of our financial condition and results of operations together with "Selected consolidated financial data," and our financial statements and the related notes appearing elsewhere in this prospectus. Some of the information contained in this discussion and analysis or set forth elsewhere in this prospectus, including information with respect to our plans and strategy for our business, includes forward-looking statements that involve risks and uncertainties. You should read the "Risk factors" and "Cautionary note regarding forward-looking statements" sections of this prospectus for a discussion of important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis. The terms "Company", "Zai Lab", "we", "our" or "us" as used herein refer to Zai Lab Limited and its consolidated subsidiaries unless otherwise stated or indicated by context.

Overview

We are an innovative biopharmaceutical company based in Shanghai focusing on discovering or licensing, developing and commercializing proprietary therapeutics that address areas of large unmet medical need in the China market, including in the fields of oncology, autoimmune and infectious diseases therapies. Our mission is to transform patients' lives in China and eventually leverage our capabilities to impact human health worldwide.

Since our founding in 2014, we have assembled a pipeline consisting of six drug candidates through partnerships with global biopharmaceutical companies. These include three late-stage assets targeting fast growing segments of China's pharmaceutical market and three assets addressing global unmet medical needs. We believe that management's decades-long global drug development expertise, combined with our demonstrated understanding of the pharmaceutical industry, clinical resources and regulatory system in China, has provided us, and will continue to provide us, opportunities to partner with global companies aiming to bring innovative products to market in China efficiently and effectively.

Our consolidated net loss attributable to ordinary shareholders for the six months ended June 30, 2016 and 2017 was $11.8 million and $24.4 million, respectively. Our consolidated net loss attributable to ordinary shareholders for the years ended December 31, 2015 and 2016 was $18.0 million and $37.5 million, respectively.

Basis of presentation

Our consolidated statement of operations data for the years ended December 31, 2015 and December 31, 2016 and our consolidated statement of financial position data as of December 31, 2015 and December 31, 2016 have been derived from our audited consolidated financial statements included elsewhere in this prospectus. Our consolidated statements of operations data for the six months ended June 30, 2016 and June 30, 2017 and our consolidated statement of financial position data as of June 30, 2017 have been derived from our unaudited condensed consolidated financial statements appearing elsewhere in this prospectus. The unaudited condensed interim consolidated financial statements reflect, in the opinion of management, all adjustments of a normal, recurring nature that are necessary for the fair presentation of the financial statements. Our consolidated financial statements appearing elsewhere in this prospectus have been prepared in accordance with U.S. GAAP.

Factors affecting our results of operations

Research and development expenses

We believe our ability to successfully develop drug candidates will be the primary factor affecting our long-term competitiveness, as well as our future growth and development. Developing high quality drug candidates

requires a significant investment of resources over a prolonged period of time, and a core part of our strategy is to continue making sustained investments in this area. As a result of this commitment, our pipeline of drug candidates has been steadily advancing and expanding, with four clinical-stage drug candidates being investigated. For more information on the nature of the efforts and steps necessary to develop our drug candidates, see “Business” and “Regulation.”

To date, we have financed our activities primarily through private placements. Through June 30, 2017, we have raised $164.5 million in equity financing. Our operations have consumed substantial amounts of cash since inception. The net cash used in our operating activities was $11.5 million and $32.2 million for the years ended December 31, 2015 and 2016, respectively. The net cash used in our operating activities was $8.8 million and $17.7 million for the six months ended June 30, 2016 and 2017, respectively. We expect our expenses to increase significantly in connection with our ongoing activities, particularly as we advance the clinical development of our four clinical-stage drug candidates and continue research and development of our preclinical-stage drug candidates and initiate additional clinical trials of, and seek regulatory approval for, these and other future drug candidates. These expenses include:

- expenses incurred for payments to CROs, investigators and clinical trial sites that conduct our clinical studies;
- employee compensation related expenses, including salaries, benefits and equity compensation expense;
- expenses for licensors;
- the cost of acquiring, developing, and manufacturing clinical study materials;
- facilities, depreciation, and other expenses, which include office leases and other overhead expenses;
- costs associated with pre-clinical activities and regulatory operations; and
- additional costs associated with operating as a public company upon the completion of this offering.

If completed, the net proceeds to us from this offering will be an important source of funds for our research and development. For more information on the nature of the intended uses for the proceeds from this offering, see “Use of Proceeds.”

For more information on the research and development expenses incurred for the development of our drug candidates, see “Key components of results of operations—Research and development expenses.”

General and administrative expenses

Our general and administrative expenses consist primarily of personnel compensation and related costs, including share-based compensation for administrative personnel. Other general and administrative expenses include 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 general and administrative activities. We anticipate that our general and administrative expenses will increase in future periods to support increases in our research and development activities and as we prepare to manufacture and commercialize our products. These increases will likely include increased headcount, increased share compensation charges, expanded infrastructure and increased costs for insurance. We also anticipate increased legal, compliance, accounting and investor and public relations expenses associated with being a public company.

Our ability to commercialize our drug candidates

All of our drug candidates are still in development. Four of our drug candidates are in clinical development and various others are in pre-clinical development. Our ability to generate revenue from our drug candidates is dependent on their receipt of regulatory approval for and successful commercialization of such products, which may never occur. Certain of our drug candidates may require additional pre-clinical and/or clinical development, regulatory approval in multiple jurisdictions, manufacturing supply, substantial investment and significant marketing efforts before we generate any revenue from product sales.

Our licensing arrangements

Our results of operations have been, and we expect them to continue to be, affected by our licensing, collaboration and development agreements. We are required to make upfront payments upon our entry into such agreements and milestone payments upon the achievement of certain development, regulatory and commercial milestones for the relevant drug product under these agreements as well as tiered royalties based on the net sales of the licensed products. These expenses are recorded in research and development expense in our consolidated financial statements and totaled $1.5 million and $7.8 million for the six months ended June 30, 2016 and 2017, respectively, and $6.2 million and $17.1 million for the years ended December 31, 2015 and 2016, respectively.

Critical accounting policies and significant judgments and estimates

We prepare our financial statements in conformity with U.S. GAAP, which requires us to make judgments, estimates and assumptions. We continually evaluate these estimates and assumptions based on the most recently available information, our own historical experiences and various other assumptions that we believe to be reasonable under the circumstances. Since the use of estimates is an integral component of the financial reporting process, actual results could differ from our expectations as a result of changes in our estimates. Some of our accounting policies require a higher degree of judgment than others in their application and require us to make significant accounting estimates.

The selection of critical accounting policies, the judgments and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors that should be considered when reviewing our financial statements. We believe the following accounting policies involve the most significant judgments and estimates used in the preparation of our financial statements.

Share-based compensation

Awards granted to employees

We grant share options to eligible employees, management and directors and account for these share-based awards in accordance with ASC 718, *Compensation-Stock Compensation*, or ASC 718.

Share-based awards are measured at the grant date fair value and recognized as an expense (i) immediately at grant date if no vesting conditions are required or (ii) using a graded vesting method over the requisite service period, which is the vesting period. See footnote 10 to the consolidated financial statements included elsewhere in this prospectus for further details on the assumptions used to estimate the fair value of share-based awards granted in prior periods.

All transactions in which goods or services are received in exchange for equity instruments are accounted for based on the fair value of the consideration received or the fair value of the equity instrument issued, whichever is more reliably measurable.

To the extent the required vesting conditions are not met resulting in the forfeiture of the share-based awards, previously recognized compensation expense relating to those awards are reversed.

We, with the assistance of an independent third party valuation firm, determined the fair value of the stock options granted to employees. The binomial option pricing model was applied in determining the estimated fair value of the options granted to employees.

Awards granted to non-employees

We have accounted for equity instruments issued to non-employees in accordance with the provisions of ASC 505, *Equity-Based Payments to Non-Employees*. All transactions in which goods or services are received in

exchange for equity instruments are accounted for based on the fair value of the consideration received or the fair value of the equity instrument issued, whichever is more reliably measurable. The measurement date of the fair value of the equity instrument issued is the date on which the counterparty's performance is completed as there is no associated performance commitment. The expense is recognized in the same manner as if we had paid cash for the services provided by the non-employees.

Fair value measurements

We apply ASC Topic 820, *Fair Value Measurements and Disclosures*, of 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, for example, to measuring the fair value of assets and liabilities: (1) market approach, (2) income approach and (3) cost approach. The market approach uses prices and other relevant information generated from market transactions involving identical or comparable assets or liabilities. The income approach uses valuation techniques to convert future amounts to a single present value amount. The measurement is based on the value indicated by current market expectations about those future amounts. The cost approach is based on the amount that would currently be required to replace an asset.

Financial instruments of our company primarily include cash and cash equivalents, prepayments and other current assets, accounts payable, warrant liabilities and other payables. As of each reporting date, the carrying values of cash and cash equivalents, prepayments and other current assets, accounts payable and other payables approximated their fair values due to the short-term maturity of these instruments. The warrant liabilities were recorded at fair value as determined on the respective issuance dates and subsequently adjusted to the fair value at each reporting date. We determined the fair values of the warrant liabilities with the assistance of an independent third party valuation firm, and we have measured the warrant liabilities at fair values on a recurring basis using significant unobservable inputs (Level 3) as of each reporting date.

Fair value of our ordinary shares

We are a private company with no quoted market prices for our ordinary shares. We have therefore needed to make estimates of the fair value of our ordinary shares at various dates for the following purposes:

- determining the fair value of our ordinary shares at the date of issuance and the dates of subsequent measurement of convertible instruments as one of the inputs in determining the intrinsic value of the beneficial conversion feature, if any; and
- determining the fair value of our ordinary shares at the date of the grant of a share-based compensation award to our employees and non-employees as one of the inputs in determining the grant date fair value of the award.

In determining the fair value of our ordinary shares as of various valuation dates, we first applied an income approach, specifically a discounted cash flow, or DCF, analysis based on our projected cash flows using management's best estimates as of the valuation date and the market approach by referring to transaction prices of our private equity financing transactions with independent third parties to conclude on the equity value. We then applied the option-pricing method to allocate the equity value between preferred shares and ordinary shares. The determination of the equity value requires complex and subjective judgments to be made regarding prospects of the industry and the products at the respective valuation dates, our projected financial and operating results, our unique business risks and the liquidity of our shares.

The income approach involves applying appropriate discount rates to estimated cash flows that are based on earnings forecasts. However, these fair values are inherently uncertain and highly subjective. The major assumptions utilized in DCF analysis include:

Financial projection. The projected cash flows include among other things, an analysis of projected revenue growth, gross margins, effective tax rates, capital expenditures, working capital requirements and depreciation and amortization. The assumptions used in deriving the fair values are consistent with our business plan. These assumptions include no material changes in the existing political, legal and economic conditions in China; our ability to retain competent management and key personnel to support our ongoing operations; and no material deviation in historical industry trends and market conditions from current forecasts. These assumptions are inherently uncertain.

Discount Rates. The discount rates were based on the weighted average cost of capital and ranged from 16%-25% where the cost of equity was determined based on a Capital Asset Pricing Model, which includes a consideration of the factors including risk-free rate, comparative industry risk, equity risk premium, company size and non-systemic risk factors.

Discount for Lack of Marketability, or DLOM. DLOM reflects the fact that our shares were privately-held shares. DLOM was quantified by various valuation techniques, such as the Black-Scholes option pricing model. Under this method, the cost of the put option, which could be used to hedge the price change before the privately held shares can be sold, was considered as a basis to determine the DLOM. This option pricing method is one of the methods commonly used in estimating DLOM. The key assumptions of such model includes risk-free rates, timing of a liquidity event, and estimated volatility of our shares. The farther the valuation date is from an expected liquidity event, the higher the put option value and thus the higher the implied DLOM. The lower DLOM is used for the valuation, the higher is the determined fair value of the ordinary shares.

The equity value of our company determined at the respective valuation dates based on the income approach under the above assumptions and the market approach referring to transaction price of our private equity financing transactions with independent third parties was allocated between the preferred shares and ordinary shares. The option-pricing method was used to allocate equity value, taking into account the guidance prescribed by the AICPA Audit and Accounting Practice Aid, "*Valuation of Privately-Held Company Equity Securities Issued as Compensation*." The method treats common stock and preferred stock as call options on the enterprise's value, with exercise prices based on the liquidation preference of the preferred stock.

The option-pricing method involves making estimates of the anticipated timing and probability of a potential liquidity event, such as a sale of our company, an initial public offering, a redemption event (for Series C preferred shares issued in June 2017) and estimates of risk free rate and the volatility of our equity securities. The anticipated timing and probability were based on the plans of our board of directors and management. The risk free rate is adopted based on the United States Treasury bond yield with a maturity commensurating with the expected time to liquidity, adjusted by country risk premium between China and the United States. Estimating the volatility of the share price of a privately held company is complex because there is no readily available market for the shares. We estimated the volatility of our shares to be 70% based on the historical

volatilities of comparable publicly traded companies engaged in similar lines of business. Had we used different estimates of volatility, the allocations between preferred and ordinary shares would have been different.

Income taxes

Current income taxes are provided on the basis of net income for financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for income tax purposes, in accordance with the regulations of the relevant tax jurisdictions. We follow the liability method of accounting for income taxes.

Under this method, deferred tax assets and liabilities are determined based on the temporary differences between the financial statements carrying amounts and tax bases of assets and liabilities by applying enacted statutory tax rates that will be in effect in the period in which the temporary differences are expected to reverse. We record a valuation allowance to offset deferred tax assets if based on the weight of available evidence, it is more likely than not that some portion, or all, of the deferred tax assets will not be realized. The effect on deferred taxes of a change in tax rate is recognized in our consolidated financial statements in the period of change.

In accordance with the provisions of ASC 740, *Income Taxes*, we recognize in our financial statements the benefit of a tax position if the tax position is “more likely than not” to prevail based on the facts and technical merits of the position. Tax positions that meet the “more likely than not” recognition threshold are measured at the largest amount of tax benefit that has a greater than fifty percent likelihood of being realized upon settlement. We estimate our liability for unrecognized tax benefits which are periodically assessed and may be affected by changing interpretations of laws, rulings by tax authorities, changes and/or developments with respect to tax audits, and expiration of the statute of limitations. The ultimate outcome for a particular tax position may not be determined with certainty prior to the conclusion of a tax audit and, in some cases, appeal or litigation process.

We consider positive and negative evidence when determining whether some portion or all of our deferred tax assets will not be realized. This assessment considers, among other matters, the nature, frequency and severity of current and cumulative losses, forecasts of future profitability, the duration of statutory carry-forward periods, our historical results of operations, and our tax planning strategies. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Based upon the level of our historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, we believe it is more likely than not that we will not realize the deferred tax assets resulted from the tax loss carried forward in the future periods.

The actual benefits ultimately realized may differ from our estimates. As each audit is concluded, adjustments, if any, are recorded in our financial statements in the period in which the audit is concluded. Additionally, in future periods, changes in facts, circumstances and new information may require us to adjust the recognition and measurement estimates with regard to individual tax positions. Changes in recognition and measurement estimates are recognized in the period in which the changes occur. As of December 31, 2015 and 2016, we did not have any significant unrecognized uncertain tax positions.

Key components of results of operations

Taxation

Cayman Islands

Zai Lab Limited is incorporated in the Cayman Islands. The Cayman Islands currently levies no taxes on profits, income, gains or appreciation earned by individuals or corporations. In addition, our payment of dividends, if

any, is not subject to withholding tax in the Cayman Islands. For more information, see "Taxation—Cayman Islands taxation."

People's Republic of China

Our subsidiaries incorporated in the PRC are governed by the PRC Enterprise Income Tax Law, or EIT Law, and regulations. Under the EIT Law, the standard Enterprise Income Tax, or EIT, rate is 25% on taxable profits as reduced by available tax losses. Tax losses may be carried forward to offset any taxable profits for up to following five years. For more information, see "Taxation—People's Republic of China taxation."

Results of operations

The following table sets forth a summary of our consolidated results of operations for the periods indicated. This information should be read together with our consolidated financial statements and related notes included elsewhere in this prospectus. Our operating results in any period are not necessarily indicative of the results that may be expected for any future period.

	Six months ended June 30,		Year ended December 31,	
(in thousands, except share and per share data)	**2016**	**2017**	**2015**	**2016**
Comprehensive Loss Data:				
Operating expenses:				
Research and development	$ (8,778)	$ (20,874)	$ (13,587)	$ (32,149)
General and administrative	(2,377)	(4,041)	(2,762)	(6,380)
Loss from operations	(11,155)	(24,915)	(16,349)	(38,529)
Interest income	64	286	5	403
Fair value of warrants	(920)	200	(1,980)	(1,920)
Other income	176	11	341	2,534
Other expense	—	(1)	(39)	—
Loss before income tax	(11,835)	(24,419)	(18,022)	(37,512)
Income tax expense	—	—	—	—
Net loss attributable to ordinary shareholders	$ (11,835)	$ (24,419)	$ (18,022)	$ (37,512)
Weighted-average shares used in calculating net loss per ordinary share, basic and diluted	55,453,938	63,780,229	52,161,918	56,634,142
Net loss per share, basic and diluted	(0.21)	(0.38)	(0.35)	(0.66)

Six Months Ended June 30, 2017 Compared to Six Months Ended June 30, 2016

Research and development expenses

The following table sets forth the components of our research and development expenses for the six months indicated.

	Six months ended June 30,			
(in thousands)	**2016**	**%**	**2017**	**%**
Research and development expenses:				
Personnel compensation and related costs	$1,887	21.5	$ 4,498	21.6
Licensing fees	1,506	17.1	7,811	37.4
Payment to CROs/CMOs	3,991	45.5	5,306	25.4
Other costs	1,394	15.9	3,259	15.6
Total	$8,778	100.0	$20,874	100.0

Research and development expense increased by $12.1 million to $20.9 million for six months ended June 30, 2017 from $8.8 million for six months ended June 30, 2016. The increase in research and development expense included the following:

- $2.6 million for increased personnel compensation and related costs which was primarily attributable to increased employee compensation costs, due to hiring of more personnel during six months ended June 30, 2017, the grants of new share options and vesting of restricted shares to certain employees; and
- $6.3 million for increased licensing fees in connection with the upfront fee paid for licensing agreement with Paratek in the second quarter of 2017, for more information, see “Business—Overview of our license agreements—Paratek.”

The following table summarizes our research and development expense by program for the six months ended June 30, 2016 and 2017, respectively:

	Six months ended June 30,			
(in thousands)	**2016**	**%**	**2017**	**%**
Research and development expenses:				
Clinical programs	$4,224	48.1	$12,820	61.4
Preclinical programs	1,995	22.7	1,888	9.1
Unallocated research and development expenses	2,559	29.2	6,166	29.5
Total	$8,778	100.0	$20,874	100.0

During the six months ended June 30, 2017, 61% and 9% of our total research and development expenses were attributable clinical programs and preclinical programs, respectively. During the six months ended June 30, 2016, 48% and 23% of our total research and development expenses were attributable to clinical programs and preclinical programs, respectively. ZL-2401 represented approximately 58% of our external research and development expense, which includes licensing fees and payments to CROs and CMOs, for the six months ended June 30, 2017. ZL-2303 represented approximately 36% of our external research and development expense for the six months ended June 30, 2016. No other programs represented a significant amount of research and development expense for the six months ended June 30, 2017 or 2016.

Though we maintain 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 time.

General and administrative expenses

Our general and administrative expenses consist primarily of personnel compensation and related costs, including share-based compensation for administrative personnel. Other general and administrative expenses include 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 general and administrative activities. The following table sets forth the components of our research and development expenses for the years indicated.

	Six months ended June 30,			
(in thousands)	**2016**	**%**	**2017**	**%**
General and Administrative Expenses:				
Personnel compensation and related costs	$1,067	44.9	$2,475	61.2
Professional service fee	1,059	44.6	1,102	27.3
Other costs	251	10.5	464	11.5
Total	$2,377	100.0	$4,041	100.0

General and administrative expenses increased by $1.6 million to $4.0 million for six months ended June 30, 2017 from $2.4 million for six months ended June 30, 2016. The increase in general and administrative expenses was primarily attributable to a $1.4 million for increased personnel compensation and related costs which was primarily attributable to increased administrative personnel compensation costs, due to hiring of more personnel during six months ended June 30, 2017, the grants of new share options and vesting of restricted shares to certain employees.

Interest Income

Interest income increased by $0.2 million for six months ended June 30, 2017 due to higher cash on hand in 2017.

Changes in Fair Value of Warrants

The expense associated with the changes in fair value of warrants reflected the result of the change in value of the preferred shares issuable upon exercise of the warrants. We determined the fair values of the warrant liabilities with the assistance of an independent third party valuation firm.

Year Ended December 31, 2016 Compared to Year Ended December 31, 2015

Research and development expenses

The following table sets forth the components of our research and development expenses for the years indicated.

	Year ended December 31,			
(in thousands)	**2015**	**%**	**2016**	**%**
Research and development expenses:				
Personnel compensation and related costs	$ 3,172	23.3	$ 6,095	19.0
Licensing fees	6,203	45.7	17,108	53.2
Payment to CROs/CMOs	3,180	23.4	6,759	21.0
Other costs	1,032	7.6	2,187	6.8
Total	$13,587	100.0	$ 32,149	100.0

Research and development expense increased by $18.6 million to $32.1 million for year ended December 31, 2016 from $13.6 million for year ended December 31, 2015. The increase in research and development expense included the following:

- $2.9 million for increased personnel compensation and related costs which was primarily attributable to increased employee compensation costs, due to hiring of more personnel during year ended December 31, 2016 and the grants of new share options to certain employees;
- $10.9 million for increased licensing fees in connection with the upfront fee paid for licensing agreement with Tesaro for ZL-2306 in fiscal year 2016 (see “Business—Our Clinical Pipeline—Niraparib” for further information); and
- $3.6 million for increased payment to CROs/CMOs in fiscal year 2016 as we advanced our drug candidate pipeline.

The following table summarizes our research and development expense by program for the years ended December 31, 2015 and December 31, 2016, respectively:

	Year ended December 31,			
(in thousands)	**2015**	**%**	**2016**	**%**
Research and development expenses:				
Clinical programs	$ 6,020	44.3	$ 20,129	62.6
Preclinical programs	3,821	28.1	4,839	15.1
Unallocated research and development expenses	3,746	27.6	7,181	22.3
Total	$13,587	100.0	$ 32,149	100.0

During the year ended December 31, 2016, 63% and 15% of our total research and development expenses were attributable to clinical programs and preclinical programs, respectively. During the year ended December 31, 2015, 44% and 28% of our total research and development expenses were attributable to clinical programs and preclinical programs, respectively. Niraparib represented approximately 63% of our external research and development expense, which includes licensing fees and payments to CROs and CMOs, for the year ended December 31, 2016. ZL-2303 represented approximately 10% and 61% of our external research and development expense for the years ended December 31, 2016 and December 31, 2015, respectively. No other

programs represented a significant amount of research and development expense for the years ended December 31, 2016 or December 31, 2015. Though 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 time.

General and administrative expenses

The following table sets forth the components of our research and development expenses for the years indicated.

	Year ended December 31,			
(in thousands)	**2015**	**%**	**2016**	**%**
General and Administrative Expenses:				
Personnel compensation and related costs	$ 1,811	65.6	$3,120	48.9
Professional service fee	340	12.3	2,691	42.2
Other costs	611	22.1	569	8.9
Total	$2,762	100.0	$6,380	100.0

General and administrative expenses increased by $3.6 million to $6.4 million for year ended December 31, 2016 from $2.8 million for year ended December 31, 2015. The increase in general and administrative expenses included the following:

- $1.3 million for increased personnel compensation and related costs which was primarily attributable to increased administrative personnel compensation costs, due to hiring of more personnel during year ended December 31, 2016 and the grants of new share options to certain employees; and
- $2.4 million for increased professional service fee due to the increase of legal due diligence expenses in fiscal year 2016.

Interest income

Interest income increased by $0.4 million for year ended December 31, 2016 due to higher cash on hand in 2016.

Fair value change of warrants

On December 31, 2015, we entered into a warrant agreement with an investor to purchase up to 2,770,551 of our Series A2 preferred shares at $0.3609 per share. The fair value of the warrants of $2.0 million was expensed on the date of issuance and an additional $1.9 million change in fair value was expensed in 2016 on the re-measurement date. The warrants are expected to be exercised in connection with this offering. Upon such conversion of the underlying preferred stock, the preferred stock will be classified as a component of equity and no longer be subject to re-measurement. We will incur a non-cash expense upon such exercise of $ (at an assumed initial public offering price of $ per ADS, the midpoint of the price range set forth on the cover of this prospectus).

Other income

Other income increased by $2.2 million for year ended December 31, 2016 primarily as a result of an increase in governmental subsidies.

Net loss attributable to ordinary shareholders

As a result of the foregoing, we had net loss attributable to ordinary shareholders of $18.0 million the year ended December 31, 2015 compared to net loss attributable to ordinary shareholders of $37.5 million for the year ended December 31, 2016.

Liquidity and capital resources

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 general and administrative costs associated with our operations. We incurred net losses of $11.8 million and $24.4 million for the six months ended June 30, 2016 and 2017, respectively, and $18.0 million and $37.5 million for the years ended December 31, 2015 and 2016, respectively. As of June 30, 2017, we had an accumulated deficit of $84.6 million. Our primary use of cash is to fund research and development costs. Our operating activities used $8.8 million and $17.7 million of cash flows during the six months ended June 30, 2016 and 2017, respectively, and $11.5 million $32.2 million of cash flows during the years ended December 31, 2015 and 2016, respectively. Historically, we have financed our operations principally through proceeds from private placements of preferred shares and warrants of $164.5 million. At June 30, 2017, we had cash and cash equivalents of $92.6 million. We believe that the net proceeds of this offering, together with our existing cash and cash equivalents, will be sufficient to fund our operations through .

Our ability to pay dividends may depend on receiving distributions of funds from our PRC subsidiaries. Relevant PRC statutory laws and regulations permit payments of dividends by our PRC subsidiaries only out of their retained earnings, if any, as determined in accordance with PRC 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 our PRC subsidiaries. In accordance with the relevant applicable PRC laws and regulations, 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 PRC statutory accounts. A domestic enterprise is also required to provide discretionary surplus reserve, at the discretion of the board of directors, from the profits determined in accordance with the enterprise's PRC statutory accounts. The aforementioned reserves can only be used for specific purposes and are not distributable as cash dividends. Our PRC subsidiaries were established as domestic enterprises and therefore are subject to the above mentioned restrictions on distributable profits.

During the six months ended June 30, 2016 and 2017 and the years ended December 31, 2015 and 2016, no appropriation to statutory reserves was made because our PRC subsidiaries had substantial losses during such periods. As a result of relevant applicable PRC laws and regulations subject to the limit discussed above that require annual appropriations of 10% of after-tax income to be set aside, prior to payment of dividends, as a general reserve fund, our PRC subsidiaries are restricted in their ability to transfer a portion of its net assets. Foreign exchange and other regulations in the PRC may further restrict our PRC subsidiaries from transferring funds to us in the form of dividends, loans and advances. As of June 30, 2017, amounts restricted are the paid-in capital of our PRC subsidiaries, which amounted to $64.0 million.

The following table provides information regarding our cash flows for the six months ended June 30, 2016 and 2017 and for the years ended December 31, 2015 and 2016:

	Six months ended June 30,		Year ended December 31,	
(in thousands)	**2016**	**2017**	**2015**	**2016**
Net cash (used in) operating activities	(8,809)	(17,677)	(11,465)	(32,158)
Net cash (used in) investing activities	(49)	(3,647)	(738)	(2,730)
Net cash provided by financing activities	106,200	29,840	18,278	106,200
Effect of foreign exchange rate changes	(5)	97	(67)	(524)
Net increases in cash and cash equivalents	97,337	8,613	6,008	70,788

Net cash used in operating activities

The use of cash resulted primarily from our net losses adjusted for non-cash charges and changes in components of our operating assets and liabilities. The primary use of our cash was to fund the development of our research and development activities, regulatory and other clinical trial costs, and related supporting administration. Our prepayments and other current assets, accounts payable and other payables balances were affected by the timing of vendor invoicing and payments.

During the six months ended June 30, 2017, our operating activities used $17.7 million of cash, which resulted principally from our net loss of $24.4 million, adjusted for non-cash charges of $4.3 million, and by cash used in our operating assets and liabilities of $2.4 million. Our net non-cash charges during the six months ended June 30, 2017 primarily consisted of $0.1 million of depreciation expense, $4.4 million of share-based compensation expense and a $0.2 million gain from changes in fair value of warrants.

During the six months ended June 30, 2016, our operating activities used $8.8 million of cash, which resulted principally from our net loss of $11.8 million, adjusted for non-cash charges of $2.8 million, and by cash provided by our operating assets and liabilities of $0.2 million. Our net non-cash charges during the six months ended June 30, 2016 primarily consisted of $0.1 million of depreciation expense, $1.8 million of share-based compensation expense and a $0.9 million loss from changes in fair value of warrants.

During the year ended December 31, 2016, our operating activities used $32.2 million of cash, which resulted principally from our net loss of $37.5 million, adjusted for non-cash charges of $7.0 million, and by cash used in our operating assets and liabilities of $1.7 million. Our net non-cash charges during the year ended December 31, 2016 primarily consisted of $0.2 million of depreciation expense, $4.9 million of share-based compensation expense and a $1.9 million loss from changes in fair value of warrants.

During the year ended December 31, 2015, our operating activities used $11.5 million of cash, which resulted principally from our net loss of $18.0 million, adjusted for non-cash charges of $4.8 million, and by cash provided by our operating assets and liabilities of $1.7 million. Our net non-cash charges during the year ended December 31, 2015 primarily consisted of $0.1 million of depreciation expense, $2.7 million of share-based compensation expense and a $2.0 million loss from changes in fair value of warrants.

Net cash used in investing activities

Net cash used in investing activities was $3.6 million for the six months ended June 30, 2017 compared to $0.1 million for the six months ended June 30, 2016. The increase in cash used in investing activities was mainly due to the construction of our small molecule commercial facility in 2017.

Net cash used in investing activities was $2.7 million for the year ended December 31, 2016 compared to $0.7 million for the year ended December 31, 2015. The increase in cash used in investing activities was due to the construction of our small molecule commercial facility and other investments in 2016.

Net cash provided by financing activities

Net cash provided by financing activities was $29.8 million for the six months ended June 30, 2017 compared to $106.2 million cash provided by financing activities for the six months ended June 30, 2016. The financing activities for the six months ended June 30, 2017 primarily consisted of the issuance of $30 million Series C preferred shares.

Net cash provided by financing activities was $106.2 million for the year ended December 31, 2016 compared to $18.3 million cash provided by financing activities for the year ended December 31, 2015. The increase was due to the issuance of $106.2 million Series B preferred shares and warrants to certain investors.

Internal control over financial reporting

In connection with the audit of our financial statements as of and for the years ended December 31, 2015 and 2016, we identified a material weakness in our internal control over financial reporting as of December 31, 2016. The material weakness related to the lack of sufficient accounting personnel with U.S. GAAP knowledge and SEC financial reporting requirements for the purpose of financial reporting, and lack of accounting policies and procedures over financial reporting in accordance with U.S. GAAP.

We are implementing measures designed to improve our internal control over financial reporting to remediate this material weakness, including the following:

- hiring additional financial professionals with U.S. GAAP and SEC reporting experience;
- increasing the number of qualified financial reporting personnel;
- improving the capabilities of existing financial reporting personnel through training and education in the accounting and reporting requirements under U.S. GAAP and SEC rules and regulations;
- developing, communicating and implementing an accounting policy manual for our financial reporting personnel for recurring transactions and period-end closing processes; and
- establishing effective monitoring and oversight controls for non-recurring and complex transactions to ensure the accuracy and completeness of our consolidated financial statements and related disclosures.

These additional resources and procedures are designed to enable us to broaden the scope and quality of our internal review of underlying information related to financial reporting and to formalize and enhance our internal control procedures. With the oversight of senior management and our board of directors, we have begun taking steps and plan to take additional measures to remediate the underlying causes of the material weakness.

We, and our independent registered public accounting firm, were not required to perform an evaluation of our internal control over financial reporting as of December 31, 2016 in accordance with the provisions of the Sarbanes-Oxley Act. Accordingly, we cannot assure you that we have identified all, or that we will not in the future have additional, material weaknesses. Material weaknesses may still exist when we report on the effectiveness of our internal control over financial reporting as required by reporting requirements under Section 404 of the Sarbanes-Oxley Act after the completion of this offering.

Contractual obligations

The following table sets forth our contractual obligations as of December 31, 2016. Amounts we pay in future periods may vary from those reflected in the table.

	Total	Less than 1 year	1 to 3 years	3 to 5 years	More than 5 years
					(in thousands)
Operating Lease Obligations	$ 2,119	$ 712	$ 1,209	$ 198	$ —
Purchase Obligations	3,397	3,397	—	—	—
Total	$ 5,516	$ 4,109	$ 1,209	$ 198	—

We also have obligations to make future payments to third party licensors that become due and payable on the achievement of certain development, regulatory and commercial milestones as well as tiered royalties on net sales. We have not included these commitments on our balance sheet or in the table above because the commitments are cancelable if the milestones are not complete and achievement and timing of these obligations are not fixed or determinable.

Off-balance sheet arrangements

We currently do not engage in trading activities involving non-exchange traded contracts or interest rate swap transactions or foreign currency forward contracts. In the ordinary course of our business, we do not enter into transactions involving, or otherwise form relationships with, unconsolidated entities or financial partnerships that are established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Qualitative & quantitative disclosures about market risk

We are exposed to market risk including foreign exchange risk, credit risk, cash flow interest rate risk and liquidity risk.

Foreign exchange risk

Renminbi (“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 our company included aggregated amounts of RMB3.5 million and RMB44.2 million, which were denominated in RMB, as of December 31, 2015 and 2016, respectively, representing 4% and 8% of the cash and cash equivalents as of December 31, 2015 and 2016, respectively.

Our business mainly operates in the PRC with most of our transactions settled in RMB, and our financial statements are presented in U.S. dollars. We do not believe that we currently have any significant direct foreign exchange risk and have not used any derivative financial instruments to hedge our exposure to such risk. Although, in general, our exposure to foreign exchange risks should be limited, the value of your investment in our ADSs will be affected by the exchange rate between the U.S. dollar and the RMB because the value of our business is effectively denominated in RMB, while the ADSs will be traded in U.S. dollars.

Translation of the net proceeds that we will receive from this offering into RMB will also expose us to currency risk. The value of the RMB against the U.S. dollar and other currencies may fluctuate and is affected by, among

other things, changes in China's political and economic conditions. The conversion of RMB into foreign currencies, including U.S. dollars, has been based on rates set by the PBOC. On July 21, 2005, the PRC government changed its decade-old policy of pegging the value of the RMB to the U.S. dollar. Under the revised policy, the RMB is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. This change in policy resulted in a more than 20% appreciation of the RMB against the U.S. dollar in the following three years. Between July 2008 and June 2010, this appreciation halted, and the exchange rate between the RMB and U.S. dollar remained within a narrow band. In June 2010, the PBOC announced that the PRC government would increase the flexibility of the exchange rate, and thereafter allowed the RMB to appreciate slowly against the U.S. dollar within the narrow band fixed by the PBOC. However, more recently, on August 11, 12 and 13, 2015, the PBOC significantly devalued the RMB by fixing its price against the U.S. dollar 1.9%, 1.6%, and 1.1% lower than the previous day's value, respectively.

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

Credit risk

Our credit risk is primarily attributable to the carrying amounts of cash and cash equivalents. The carrying amounts of cash and cash equivalents represent the maximum amount of loss due to credit risk. As of December 31, 2015 and 2016, all of our cash and cash equivalents were held by major financial institutions located in the PRC and international financial institutions outside of the PRC which we believe are of high credit quality, and we will continually monitor the credit worthiness of these financial institutions.

Recently issued accounting standards

In May 2014, the Financial Accounting Standards Board, or FASB, issued Accounting Standards Updates, or ASU, 2014-09, *Revenue from Contracts with Customers (Topic 606)*, to clarify the principles of recognizing revenue and create common revenue recognition guidance between U.S. GAAP and International Financial Reporting Standards, or IFRS. An entity has the option to apply the provisions of ASU 2014-09 either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying this standard recognized at the date of initial application. ASU 2014-09 is effective for fiscal years and interim periods within those years beginning after December 15, 2016, and early adoption is not permitted. In August, 2015, the FASB updated this standard to ASU 2015-14, the amendments in this update defer the effective date of Update 2014-09, that the update should be applied to annual reporting periods beginning after December 15, 2017 and earlier application is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period.

In May 2016, FASB issued ASU 2016-12, *Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients*. The amendments in this update do not change the core principle of the guidance in Topic 606. Rather, the amendments in this update affect only the narrow aspects of Topic 606. The areas improved include: (1) Assessing the Collectability Criterion in Paragraph 606-10-25-1(e) and Accounting for Contracts That Do Not Meet the Criteria for Step 1; (2) Presentation of Sales Taxes and Other Similar Taxes Collected from Customers; (3) Noncash Consideration; (4) Contract Modifications at Transition; (5) Completed Contracts at Transition; and (6) Technical Correction. The effective date and transition requirements for the amendments in this update are the same as the effective date and transition requirements for Topic 606 (and any other topic amended by update 2014-09).

We are in a development stage, with no revenues to date, and will evaluate the application of this ASU, but as a result we have not yet determined the potential effects it may have on the Company's financial statements.

In November 2015, FASB issued ASU 2015-17, *Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes*, which requires deferred income tax liabilities and assets to be classified as noncurrent on the balance sheet rather than being separated into current and noncurrent. The guidance is effective for public entities for annual periods beginning after December 15, 2016, and interim periods within those annual periods with early adoption being permitted. We have adopted this guidance during the year ended December 31, 2016, retrospectively. The adoption of this guidance did not have a material effect on the consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities* ("ASU 2016-01"), which requires that equity investments, except for those accounted for under the equity method or those that result in consolidation of the investee, be measured at fair value, with subsequent changes in fair value recognized in net income. However, an entity may choose to measure equity investments that do not have readily determinable fair values at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. ASU 2016-01 also impacts the presentation and disclosure requirements for financial instruments. ASU 2016-01 is effective for public business entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2017. Early adoption is permitted only for certain provisions. We are in the process of evaluating the impact of adoption of this guidance on the consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, which requires lessees to recognize most leases on the balance sheet. This ASU requires lessees to recognize a right-of-use asset and lease liability for all leases with terms of more than 12 months. Lessees are permitted to make an accounting policy election to not recognize the asset and liability for leases with a term of twelve months or less. The ASU does not significantly change the lessees' recognition, measurement and presentation of expenses and cash flows from the previous accounting standard. Lessors' accounting under the ASC is largely unchanged from the previous accounting standard. In addition, the ASU expands the disclosure requirements of lease arrangements. Lessees and lessors will use a modified retrospective transition approach, which includes a number of practical expedients. The provisions of this guidance are effective for annual periods beginning after December 15, 2018, and interim periods within those years, with early adoption permitted. We are currently evaluating this ASU to determine the full impact on its consolidated financial statements, as well as the impact of adoption on policies, practices and systems. As of December 31, 2016, we have $2.1 million of future minimum operating lease commitments that are not currently recognized on its consolidated balance sheets. Therefore, we would expect changes to its consolidated balance sheets for the recognition of these and any additional leases entered into in the future upon adoption.

In March 2016, the FASB issued ASU 2016-09, which simplifies several aspects of the accounting for employee share-based payment transactions for both public and non-public entities, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows. For public entities, the ASU is effective for annual reporting periods beginning after December 15, 2016, including interim periods within those annual reporting periods. Early adoption will be permitted in any interim or annual period for which financial statements have not yet been issued or have not been made available for issuance. We have elected to early adopt this standard on a modified retrospective basis at the beginning of the period presented as we elected to account for forfeitures when they occur to reduce the complexity in the accounting of share based compensation.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230)*. The update is intended to improve financial reporting in regards to how certain transactions are classified in the statement of cash flows. This update requires that debt extinguishment costs be classified as cash outflows for financing activities and provides additional classification guidance for the statement of cash flows. The update also requires that the classification of cash receipts and payments that have aspects of more than one class of cash flows to be determined by applying specific guidance under generally accepted accounting principles. The update also requires that each separately identifiable source or use within the cash receipts and payments be classified on the basis of their nature in financing, investing or operating activities. The update is effective for public companies for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. We are in the process of evaluating the impact of adoption of this guidance on the consolidated financial statements.

In October 2016, FASB issued ASU 2016-16, *Income Taxes (Topic 740)*. Under the new standard, an entity is to recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. The new standard does not include new disclosure requirements; however, existing disclosure requirements might be applicable when accounting for the current and deferred income taxes for an intra-entity transfer of an asset other than inventory. The new standard is effective for annual periods beginning after December 15, 2017, including interim reporting periods within those annual periods. The ASU is not expected impact the consolidated balance sheet upon adoption.

In October 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230), Restricted Cash*. The update applies to all entities that have restricted cash or restricted cash equivalents and are required to present a statement of cash flows. The update addresses diversity in practice that exists in the classification and presentation of changes in restricted cash on the statement of cash flows, and requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. As a result, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The update is effective for public companies for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted. The updates should be applied using a retrospective transition method to each period presented. We currently do not have restricted cash balances.

In May 2017, FASB issued ASU No. 2017-09, *Compensation-Stock Compensation (Topic 718): Scope of Modification Accounting*. The guidance provides clarity and reduces diversity in practice and cost and complexity when accounting for a change to the terms or conditions of a share-based payment award. The amendments in this update are effective for all entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2017. Early adoption is permitted. The Group is currently evaluating the impact the adoption of this ASU will have on its consolidated financial statements.

JOBS Act exemptions and foreign private issuer status

We qualify as an “emerging growth company” as defined in the JOBS Act. An emerging growth company may take advantage of specified reduced reporting and other burdens that are otherwise applicable generally to public companies. This includes an exemption from the auditor attestation requirement in the assessment of our internal control over financial reporting pursuant to the Sarbanes-Oxley Act. We may take advantage of this exemption for up to five years or such earlier time that we are no longer an emerging growth company. We will cease to be an emerging growth company if we have more than $1.07 billion in annual revenue, have more than $700.0 million in market value of our ordinary shares held by non-affiliates or issue more than $1.0 billion of non-convertible debt over a three-year period. We may choose to take advantage of some but not all of these

reduced burdens. We have irrevocably elected not to take advantage of the extended transition period provided under Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards.

Upon consummation of this offering, we will report under the Exchange Act as a non-U.S. company with foreign private issuer status. Even after we no longer qualify as an emerging growth company, as long as we qualify as a foreign private issuer under the Exchange Act we will be exempt from certain provisions of the Exchange Act that are applicable to U.S. domestic public companies, including:

- the sections of the Exchange Act regulating the solicitation of proxies, consents or authorizations in respect of a security registered under the Exchange Act;
- the sections of the Exchange Act requiring insiders to file public reports of their stock ownership and trading activities and liability for insiders who profit from trades made in a short period of time;
- the rules under the Exchange Act requiring the filing with the SEC of quarterly reports on Form 10-Q containing unaudited financial and other specified information, or current reports on Form 8-K, upon the occurrence of specified significant events; and
- Regulation FD, which regulates selective disclosures of material information by issuers.

Industry

Evolution of China's emerging innovative pharmaceutical market

China's pharmaceutical market is the second largest pharmaceutical market in the world and is projected to grow from $115 billion in 2016 to $160 billion by 2021 and $237 billion by 2026, according to BMI Research. This growth is driven by strong fundamental demand for therapeutic treatments and the Chinese government's focus on providing better quality care to patients including by encouraging greater usage of innovative drugs. We believe that the significant market opportunities for innovative therapies in the China market are due to several trends, including:

1. **Demographics and disease incidence:** China's large and rapidly aging population, increasingly sedentary and westernized lifestyle and environmental pollution are contributing to rising incidence rates of diseases in China, such as cancer. China had a total annual cancer incidence of 4.3 million people, compared to 1.7 million in the United States in 2015. For some specific tumor types, including lung, gastric and liver, China's incidence represents approximately 40% to 50% of worldwide incidences.

2. **Improving access to healthcare:** The Chinese government has been strongly committed to improving healthcare access for patients, including enabling access to healthcare through universal public insurance coverage. Recently, the Chinese government has encouraged commercial private health insurance to further increase healthcare accessibility.

3. **Increasing affordability and demand for healthcare:** According to the Global Wealth Report 2015, China's middle class population, adjusted for local purchasing power, amounted to 109 million people, which is larger than the 92 million middle class population in the United States. Nevertheless, China's middle class accounted for only 11% of the total Chinese adult population in 2015, lower than the 38% in the United States, and this share is expected to grow. The rising middle class in China is expected to lead to increasing self-awareness of health issues and demand for more effective treatments.

4. **Focus on innovation:** Historically, China's pharmaceutical market was dominated by mature and generic products. In 2016, innovative patented prescription drugs accounted for only 22% of total drug sales in China, significantly lower than the approximately 75% share of patented drugs in the United States. In recent years, the Chinese government has focused on promoting innovation especially in areas of high unmet medical need through streamlining regulatory processes, improving drug quality standards and fostering a favorable environment for innovation. For example in 2016, the Chinese government announced the "Healthy China 2030" plan, which included a goal to increase the overall five year survival rate of cancer by 15% by 2030, which we believe underscores the need for innovative therapies. Going forward, innovative patented therapeutics are projected to grow at over 10% annually until 2020, which is expected to surpass the growth rate of generic products.

CFDA regulatory outlook—CFDA reform to accelerate innovation

Historically, time to market of new products has been slow in China due to long regulatory timelines, resulting from large numbers of applications for generic drugs, constrained capability of China's Center for Drug Evaluation, or CDE, and other factors. In 2014, there were approximately 120 staff members in the CDE to review more than 8,000 new drug applications every year. This resulted in a large volume of backlog. Recognizing these issues and determined to promote innovation, in August 2015 China's State Council released its circular *Opinions Concerning the Reform of the Review and Approval System for Drugs and Medical Devices*, or Circular No. 44, which sets forth the government's clear determination to encourage transformation and

upgrade of the pharmaceutical industry. It also officially started the CFDA's reform of the drug review and approval system, with five major goals:

1. Improve the quality of regulatory approval and establish a more scientific and efficient evaluation system for drug and medical device registration;
2. Clear the backlog of registration applications and strictly control the approval of oversupplied drugs;
3. Accelerate the conformance assessment of generic drugs;
4. Encourage clinically oriented drug innovation, improve the review process of innovative drugs, open approval fast lanes for innovative drugs of high clinical demand and introduce the pilot Marketing Authorization Holder, or MAH, scheme to incentivize local biopharmaceutical companies to engage in drug development while utilizing contract manufacturers in China to manufacture their drugs; and
5. Make the approval process more transparent to the public.

Since the launch of this initiative, significant progress has been made by the CFDA. Total CDE staff numbers increased to around 600 by 2016 and the backlog has been almost eliminated, according to the 2016 working report of the CDE. The IND/CTA timeline has been reduced from an average of 33 months to eight months, and the NDA timeline from 35 months to 11 months, according to the Boston Consulting Group. Meanwhile, priority review for innovative drugs with large unmet need has been established. In 2016, approximately 200 drug applications were granted priority review, of which approximately 40% were oncology, autoimmune or infectious disease therapeutics.

More recently, on May 11, 2017, the CFDA issued three new draft policies regarding innovation for public comments. The three draft policies aim to accelerate the review and approval of new drug and medical device applications (Circular No. 52), deregulate the conduct of clinical trials to encourage innovation (Circular No. 53), and enhance post-market supervision throughout a product's entire life cycle (Circular No. 54). Specifically, several new measures were proposed by the draft policies to reduce government controls over clinical studies and marketing authorizations, including, but not limited to:

- ***Streamline of the clinical trial authorization process.*** Like the IND process in the United States, companies would need to submit a CTA to the CDE but will only need to wait 60 working days before initiating the study, unless the CDE rejects the application or issues a deficiency notice during the 60-day period.
- ***Accept foreign clinical study data.*** Foreign clinical data can be submitted to support NDA applications in China as long as (i) the studies comply with Chinese regulations, (ii) the studies pass the CFDA's on-site audits and (iii) applicants can provide clinical data to prove that no ethnicity difference affects the drug's safety and efficacy.
- ***Improve efficiency of ethics reviews.*** Currently, ethics committee review at clinical trial sites occurs after the CDE's approval of the CTA. In the proposed regulatory scheme, companies can apply for ethics committee review and approval in parallel to the CDE's review of the CTA.
- ***Allow conditional approvals for urgently needed therapies.*** Drugs that offer new solutions for treating life-threatening diseases or address critical unmet medical needs could be eligible for conditional approval, as long as early- and mid-stage study data in clinical trials indicate their efficacy and predict their clinical value. Companies receiving conditional approval must develop a risk management plan and initiate confirmatory post-approval studies in accordance with the requirements in the conditional approvals. Innovative drugs sponsored by the National Science and Technology Major Project can be eligible for expedited review and approval.

- ***Market access benefits.*** Hospitals will be encouraged to prioritize their procurement and use of new drugs with definite efficacy and reasonable prices. The government will support inclusion of innovative drugs in the basic medical insurance scheme, and the reimbursable drug list will be updated more frequently.

The CFDA was admitted as a new regulatory member by the ICH on June 1, 2017, and will reform its regulatory process in order to conform its policies and regulations to ICH guidelines. We believe it is likely that the draft policies will be adopted and benefit China-based companies that are experienced with global standards of innovative drug development. If the draft policies are not fully adopted, we believe that China-based, innovation-focused pharmaceutical companies will still enjoy competitive advantages over foreign peers. Under the current CFDA regulations, foreign pharmaceutical companies are typically allowed to receive NDAs in China after their products are approved by a foreign regulatory authority. This requirement typically causes delays in time to market for foreign pharmaceutical companies.

Medical insurance and drug spending outlook—multiple engines for improving affordability

Over the past decade, the Chinese national government has been working on alleviating the burden on individuals by expanding health insurance coverage from approximately 30% of the population in 2003 to over 95% in 2013, with a goal of achieving universal coverage by 2020. At the same time, medical insurance plans at the provincial level have been introduced to complement the basic insurance programs. This increase in health insurance coverage has had a dramatic impact on drug reimbursement and affordability in China.

In China, public drug reimbursement schemes depend on the inclusion on the National Reimbursement Drug List, or NRDL, and/or provincial reimbursement drug lists, or PRDL. Historically, the NRDL generally included basic or mature drugs, which were subject to significant price cuts with the PRDL having some flexibility to include more expensive and innovative therapies. In early 2017, the Chinese government updated the NRDL for the first time since its last update in 2009. With the strong intention to promote innovation, the Chinese government has added 339 new drugs to the NRDL, some of which are expensive oncology and autoimmune drugs, including Yi Sai Pu, a local recombinant TNFa receptor II product for rheumatoid arthritis, and Conmana®, the first domestically-developed oncology targeted therapy. In addition to these drugs, the Chinese government created a list with 44 more innovative drugs for price negotiation in 2017. In late July 2017, the government announced the result of the negotiation; among the 44 drugs, 36 drugs have reached the price agreement successfully, 18 of which are for oncology treatment. The 36 drugs will be included in the NRDL and the PRDL.

Aside from the Chinese government's efforts to improve public reimbursement, a large part of China's population has become increasingly affluent and has demonstrated an ability and willingness to pay out-of-pocket for innovative drugs. For example, in June 2011, Betta Pharmaceutical Co., Ltd.'s drug Conmana®, the first domestically-developed oncology targeted therapy in China, was approved by the CFDA for second- or third- line treatment of advanced non-small cell lung cancer. In November 2014, the approved indication expanded to first-line treatment of patients with advanced-stage non-small cell lung cancer with epidermal growth factor receptor, or EGFR, mutations. Conmana®, along with the other EGFR inhibitor Iressa ® were not included in the NRDL until 2017. Another EGFR inhibitor Tarceva® was included in the NRDL price negotiation list in April 2017. According to the CFDA Southern Medicine Economic Research Institute, aggregate China sales of these three EGFR inhibitors, mostly driven by patient self-pay, grew from approximately $180 million since Conmana's launch in 2011 to nearly $450 million in 2015. Although rapidly growing in recent years, this represented only 12.3% of the total lung cancer market in 2015. These relatively modest penetration rates highlight the growth potential for targeted therapy drugs as supported by both self-pay and improving public reimbursement environment.

In addition to government health insurance and self-pay, there is also growing government support for the development of commercial private health insurance to provide support for China's growing middle and upper classes. Favorable industry policies such as tax incentives to consumers have been issued. Total private health insurance premiums increased by over two times, from RMB 158.7 billion in 2014 to RMB 404.2 billion in 2016, according to the China Insurance Regulatory Commission. There are now already more than 100 private insurers in China offering some type of medical coverage.

The advantages of being a China-based, innovation-focused biopharmaceutical platform

Innovation is one of China's strategic priorities in its most recent Five-Year Plan, a high-level master plan guiding China's economic development for a period of five years. The biopharmaceutical industry is one of the six "pillar industry sectors" in the government's pathway to transform China from a manufacturing-focused economy to an innovation-focused economy. Multiple initiatives have been implemented by the government to support this goal. For example, the State Key Healthcare Project designation is granted to promising therapies from China. The grant recipients may benefit from expedited regulatory review and other favorable conditions for the product, including market access benefits. Meanwhile, the Chinese government is also encouraging venture capital and private equity funds to invest in the biopharmaceutical industry and is providing tax incentives to companies that invest in the research and development of innovative drugs. Furthermore, the Chinese government introduced a "Thousand Talents Plan" to recruit leading overseas scientists and business leaders to advance high tech companies and encourage innovation in China. We expect that this multi-pronged approach will support the emergence of innovative, globally competitive China-based biopharmaceutical companies.

However, the China pharmaceutical market remains fragmented and dominated by a large number of generic drug manufacturers. Although the Chinese government is actively promoting consolidation through increasingly stringent regulatory requirements, the historical lack of investment in research and development has created a deficit in the infrastructure needed to keep pace with the government's focus on innovative drugs and its requirement to conduct robust clinical trials in Chinese patients. As a result, while there is a growing demand for innovative drugs to address urgent areas such as oncology, the domestic pharmaceutical companies lack effective clinical development capabilities. We believe there is a significant opportunity for global standard China-based companies that develop, manufacture and commercialize innovative medicines for the China market and beyond.

Some of the key advantages of being a fully integrated, China-based and innovation-focused biopharmaceutical development and commercialization platform include:

Accelerated time to market

The CFDA regulatory framework for new drug development is modeled on the FDA's development pathway. Upon completion of its preclinical research, the developer is required to obtain the CFDA's CTA before initiating clinical trials in China. A three-phase clinical evaluation program is typically required to demonstrate drug safety and efficacy. Developers then submit an NDA.

The CFDA adopted a classification system to guide its registration and approval pathways for chemical drugs, botanical drugs and biological drugs. New drugs and generics (or biosimilars) are assigned to different categories. Under the new classification system adopted by the CFDA in March 2016, chemical drugs are classified into five categories. Category 1 drugs refer to innovative chemical drugs which are not approved anywhere in the world at the time of their initial China CTA submission and are manufactured in China at the time of their NDA submissions. In comparison, imported drugs that are manufactured outside China or have

been first approved by a foreign regulatory authority are referred to as Category 5 drugs. When a chemical drug candidate is accepted as Category 1, it is entitled to expedited CTA and NDA review and approval, similar to the FDA Fast Track Designation.

Market exclusivity for up to five years

Innovative drugs which are manufactured in China are monitored for five years by the CFDA following their NDA approval, during which the CFDA will not accept any applications for new drugs with the same active ingredient.

By contrast, an imported drug which receives its NDA approval from the CFDA is not afforded any protection from this monitoring requirement. Therefore, Category 1 new drugs approved by the CFDA and manufactured in China receive a *de facto* exclusivity (assuming no other applications were already on file) for five years plus the time it would take for the CFDA to accept, review and approve a competitor's NDA filing for a drug with the same active ingredient. We believe this regulatory framework provides significant advantages for companies developing and manufacturing new drugs in China.

Customized development programs which are tailored to Chinese patients' specific unmet medical needs, and higher efficiency in executing clinical development programs

Companies with China-based research and development operations are more likely to efficiently execute drug development programs in China. Moreover, we believe that companies with their headquarters and key decision makers in China will be able to develop broad and deep relationships with Chinese key opinion leaders which will have benefits both in the development and commercialization of drugs. By leveraging these strong working relationships, China-based companies can more efficiently collaborate with key opinion leaders to rapidly design clinical trial protocols to focus on the clinical needs and characteristics of Chinese patients that are in line with the standard of care in China, which can be different from the standard of care in either the United States or Europe. This localized approach to clinical development allows China-based companies to generate the clinical data in Chinese patients that satisfies the CFDA's stringent requirements for clinical trials to identify, or confirm the absence of, ethnicity differences a drug may have in Chinese patients. Through these interactions with Chinese key opinion leaders, domestic companies are also able to efficiently enroll and conduct their clinical trials in China. Moreover, by engaging with these key opinion leaders through the clinical trial stage, domestic companies gain prior experience and have superior communication channels to cultivate the endorsement of these key opinion leaders, which is important in commercializing the drug in China.

Global pharmaceutical companies have historically been and, we believe, continue to be focused on accessing familiar, more established markets, such as the United States and Europe, where they have established clinical development infrastructure. Their reluctance to commence early stage clinical trials in China will hinder the speed of executing clinical development programs for the Chinese market.

Commercialization of innovative therapies

China-based, innovation-focused biopharmaceutical companies have several advantages in commercializing their products in China. By engaging key opinion leaders in the design and conduct of local clinical trials, these drugs benefit from the key opinion leaders' practical experience and endorsement of their clinical efficacy in the Chinese population, which we believe may allow more rapid acceptance of the drug by physicians and accelerate market uptake. In addition, locally-developed products have other market access benefits, such as advantages in reimbursement and priority in hospital procurement. These advantages have already been demonstrated in the commercial success of local innovative drugs, which have taken market share from multinationals on several occasions.

For example, in the EGFR inhibitor market, Conmana was launched in 2011, approximately six years after Iressa's entry in China. By 2015, despite being the last EGFR inhibitor to enter the market, Conmana gained significant share from Iressa, reaching approximately 33% market share in the lung cancer EGFR inhibitor market, and becoming the second product in the market, after Iressa's 44% share. The advantage has also been observed in the case of a local product launched earlier than multinational products. Yi Sai Pu was the first anti-TNF-a product approved for treating rheumatoid arthritis, which was launched in China in 2005. Other anti-TNF-**a** therapies for rheumatoid arthritis such as Enbrel, Humira and Remicade all received CFDA approval between 2006 and 2010. More than 10 years after its launch, Yi Sai Pu has maintained its leading market position with a market share of over 60% as of 2016, according to 3SBio Inc., the maker of Yi Sai Pu. We believe these examples demonstrate the unique advantage of a local innovator when commercializing a product in China.

Business

Overview of our business

We are an innovative biopharmaceutical company based in Shanghai focusing on discovering or licensing, developing and commercializing proprietary therapeutics that address areas of large unmet medical need in the China market, including in the fields of oncology, autoimmune and infectious diseases. We believe there exists a significant opportunity to build an organization that not only addresses such unmet needs but leverages underutilized resources in China to foster innovation. As part of that effort, we have assembled a management team with global experience and an extensive track record in navigating the regulatory process to develop and commercialize innovative drugs in China. Our mission is to leverage our expertise and insight to address the expanding needs of Chinese patients in order to transform their lives and eventually utilize our China-based competencies to impact human health worldwide.

Furthermore, Zai Lab was built on the vision that, despite having a significant addressable market and sizable growth potential, China has historically lacked access to many innovative therapies available in other parts of the world and its drug development infrastructure has been underutilized. There remains the need to bring new and transformative therapies to China. In recent years, the Chinese government has focused on promoting local innovation through streamlining regulatory processes, improving drug quality standards and fostering a favorable environment, which we believe creates an attractive opportunity for the growth of China-based, innovation-focused companies.

Since our founding in 2014, we have assembled an innovative pipeline consisting of six drug candidates through partnerships with global biopharmaceutical companies. These include three late-stage assets targeting fast growing segments of China's pharmaceutical market and three assets addressing global unmet medical needs. We believe that our management's extensive global drug development expertise, combined with our demonstrated understanding of the pharmaceutical industry, clinical resources and regulatory system in China, has provided us, and will continue to provide us, opportunities to partner with global companies aiming to bring innovative products to market in China efficiently.

To date, we have in-licensed three late-stage clinical drug candidates for development in China, Hong Kong, Macau and, in certain instances, Taiwan, through partnerships with Tesaro, Bristol-Myers Squibb and Paratek. Our CTAs for two of these drug candidates have been accepted as Category 1 drugs by the CFDA. This classification provides us with a competitive advantage as Category 1 drugs benefit from an expedited review of CTAs and NDAs as well as commercial benefits.

Our lead drug candidate is niraparib (ZL-2306), an oral, once-daily small molecule PARP 1/2 inhibitor being developed and commercialized by our partner Tesaro. In March 2017, Tesaro received FDA marketing approval for niraparib as a maintenance treatment for women with recurrent platinum-sensitive epithelial ovarian cancer and, in April 2017, commercially launched the product in the United States under the commercial name Zejula. Niraparib is the first PARP inhibitor approved by the FDA for ovarian cancer that does not require BRCA mutation or other biomarker testing. We believe niraparib is uniquely suited for the China marketplace where BRCA biomarker diagnostic tests are not widely available. We intend to develop niraparib for Chinese patients across multiple tumor types and anticipate beginning two Phase III studies of niraparib in patients with ovarian cancer, one in the second half of 2017 and the other in the first half of 2018. In addition, we intend to pursue niraparib in other indications.

As part of our licensing strategy, we have also obtained global development and commercialization rights to three drug candidates, including one late-stage clinical and two preclinical drug candidates, through partnerships with GSK, Sanofi and UCB. We intend to leverage our resources and competitive advantages in

China, including our ability to access China's large patient population and conduct efficient clinical trials, to rapidly and cost-effectively establish proof of concept for such candidates prior to pursuing further late-stage development for the global market.

In the longer term, we plan to build a premier, fully integrated drug discovery and development platform that brings both in-licensed and internally-discovered medicines to patients in China and globally. Our strong in-house research and development team had previously been directly involved in the discovery and development of several successful innovative drug candidates at Hutchison Medi-Pharma, including fruquintinib and savolitinib. These assets were out-licensed to Eli Lilly and AstraZeneca, respectively. Our in-house discovery team is currently focused on exploring immuno-oncology approaches to treating cancer. We have collaborations with leading academic institutions in China, including Tsinghua University and Shanghai Institute of Materia Medica, to expand our in-house research projects. We believe this team and our discovery strategy will enable us to achieve our long-term goal of commercializing our internally discovered innovative medicine for patients worldwide.

As our business grows, we plan to build our own commercial team to launch our portfolio of drug products. Part of our strategy to become a fully integrated biopharmaceutical company is the ability to produce both large and small molecule therapeutics under global standard cGMP. To this end, in the first half of 2017 we built a small molecule drug product facility capable of supporting clinical and commercial production and have also begun construction of a large molecule facility. Completion of the large molecule facility is expected in the first half of 2018, which we estimate will cost approximately $10.0 million to complete and will be financed with existing cash.

Finally, our company is led by a management team with extensive pharmaceutical research, development and commercialization track record in both global and Chinese biopharmaceutical companies. Our team is passionate about bringing transformative medicines to patients in China and worldwide.

Since our founding in 2014, we have raised $164.5 million in equity financing from our dedicated group of investors, including global and China-based healthcare funds.

Our innovative pipeline

We have a broad pipeline of proprietary drug candidates that range from discovery stage to late-stage clinical programs. These include three drug candidates with greater China rights and three drug candidates with global rights. The following table summarizes our drug candidates and programs:

Program	Commercial rights	Indication	Zai Lab clinical stage	Partnerships
ZL-2306 (Niraparib)	China, HK and Macau	Ovarian cancer	CTA approved for Phase 3	TESARO
		Breast cancer	CTA approved for Phase 3 (protocol currently under discussion with CFDA)	
		Lung cancer	CTA approved for Phase 2 (protocol currently under discussion with CFDA)	
ZL-2401 (Omadacycline)	China, HK, Macau and Taiwan	ABSSSI	Preparing for CTA Submission for Phase 3	PARATEK
		CABP	Preparing for CTA Submission for Phase 3	
ZL-2301	China, HK and Macau	HCC	Phase 2	Bristol-Myers Squibb
ZL-3101 (Fugan)	Global	Eczema, Psoriasis	Phase 2	gsk
ZL-2302	Global	NSCLC	CTA submitted for Phase 1	SANOFI
ZL-1101	Global	GVHD, SLE	Pre-clinical	ucb

Our greater China rights drug candidates

Our three late-stage products with greater China rights focus on oncology and infectious diseases, two therapeutic areas where there is a large unmet need and lack of innovative treatment options in China. These drug candidates include:

- **Niraparib (ZL-2306)**, a highly potent and selective oral, small molecule PARP 1/2 inhibitor with the potential to be a first-in-class drug for treatment across multiple solid tumor types in China including ovarian and certain types of breast and lung cancers. We have licensed niraparib from Tesaro, which in March 2017 received FDA marketing approval for niraparib (Zejula®) as maintenance treatment for women with recurrent platinum-sensitive epithelial ovarian cancer. Niraparib was commercially launched in the United States in April 2017. Niraparib does not require BRCA mutation or other biomarker testing as is necessary for other approved PARP inhibitors which, we believe, significantly expands its availability to ovarian cancer patients in China. As niraparib has been approved in the United States, if approved by the EMA, we anticipate commercializing niraparib in Hong Kong and Macau approximately 12 months after it is approved by the EMA. In China, our CTA for niraparib has been approved as a Category 1 drug by the CFDA. We anticipate initiating Phase III studies of niraparib in patients with recurrent platinum-sensitive ovarian cancer as a second-line maintenance therapy in the second half of 2017, and as a first-line maintenance therapy in the first half of 2018. These studies are expected to be similar in design to Tesaro's clinical studies of niraparib. We also anticipate beginning a Phase III

study in patients with gBRCA positive breast cancer in the first half of 2018. In addition, we intend to study niraparib in patients with triple negative breast cancer, squamous-type non-small cell lung cancer and small cell lung cancer in China. Niraparib has the potential to be the first PARP inhibitor marketed in China. In addition to niraparib monotherapy in the potential indications stated, we also intend to explore the combination of niraparib with other potential therapies such as immuno-oncology therapy, targeted therapy and chemotherapy in the clinically relevant indications.

- **Omadacycline (ZL-2401)** is a broad-spectrum antibiotic in a new class of tetracycline derivatives, known as aminomethylcyclines. We have licensed omadacycline from Paratek where it is primarily being developed for ABSSSI, CABP and UTI. Omadacycline is designed to overcome the two major mechanisms of tetracycline resistance, known as pump efflux and ribosome protection. If approved, omadacycline is expected to be available in IV and PO once-daily formulations. Paratek has reported the results of two pivotal IV-to-oral Phase III studies of omadacycline in ABSSSI and CABP. Both of these studies achieved their primary endpoints. Paratek also reported top-line data from its oral-only Phase III ABSSSI study in July 2017. This study also achieved its primary endpoints. We are in the technology transfer stage and plan to discuss China development plans with key opinion leaders and the CFDA.
- **ZL-2301** is an oral, small molecule dual target TKI which blocks both VEGFR and FGFR. ZL-2301 was studied by our partner Bristol-Myers Squibb mainly for the treatment of HCC, the most common type of liver cancer. In these trials, ZL-2301 demonstrated anti-tumor activity and a generally well-established safety profile in HCC patients. In 2012, Bristol-Myers Squibb terminated its development program of ZL-2301 after it missed the primary endpoints in two Phase III trials with advanced HCC patients. Based on our review of the results from Bristol-Myers Squibb's development program for ZL-2301, our understanding of the etiology and current standard of care of HCC in Chinese patients and our ongoing research, we believe that ZL-2301 has the potential to be an effective treatment option for Chinese HCC patients and merits further clinical trials. The CFDA has approved our CTA for ZL-2301 as a Category 1 drug, and in the second quarter of 2017 we initiated a Phase II trial of ZL-2301 as a second-line treatment for advanced HCC patients in China. Pending results from this Phase II trial, we plan to initiate a Phase III clinical trial shortly thereafter.

For our late-stage oncology drug candidates with greater China rights, our near-term development plan focuses on specific patient segments. These patient segments have an estimated annual incidence of approximately 816,000 patients in China. We expect that the commercial success of our products will be driven by their differentiated clinical profiles, efficacy in Chinese patients and ability to provide clinical benefit over existing standards of care in a market where targeted therapies are either unavailable or less utilized relative to more developed markets. For additional information, please refer to the "Market Opportunity" section under each our clinical stage product candidates.

In addition to the opportunities available for our oncology products, we believe that, through our development of omadacycline, we have the chance to introduce into China a new broad-spectrum antibiotic with excellent activity not only against common Gram-positive and Gram-negative bacteria, but also against several MDR pathogens. The profile of omadacycline includes MRSA, enterococci, ESBL-E. coli and many Acinetobacter isolates. In addition, availability of an IV and oral formulation allows treatment of hospital- and community-acquired infections. The prevalent overuse of antibiotics, evolution of resistant bacteria and state of current treatment practices are expected to lead to an increase in drug-resistant infection rates. A 2015 study indicated that the total antibiotic usage in China in 2013 accounted for about half of the global antibiotic usage, with a per-capita use of antibiotics in China being more than five times that in Europe and the United States. Based on our estimates, in 2015 there was an incidence of approximately 2.8 million ABSSSI patients and 16.5 million CABP patients in China.

The China market opportunity for our greater China-rights drug candidates

Program	Clinical Stage	Indication	Annual Incidence (thousands)[a]	Targeted Patient Segment	Targeted Patients (thousands)
ZL-2306 (Niraparib)	CTA approved for Phase 3	Ovarian cancer	52.1[1]	All ovarian patients	52.1
	CTA approved for Phase 3 (protocol currently under discussion with CFDA)	Breast cancer	272.4[1]	gBRCA+ Triple negative	27.2[2] 40.9[2]
	CTA approved for Phase 2 (protocol currently under discussion with CFDA)	Lung cancer	733.3[1]	Squamous NSCLC SCLC	176.0[3] 146.7[3]
ZL-2401 (Omadacycline)	Preparing for CTA Submission for Phase 3	ABSSSI	2,800.0[4]	All ABSSSI patients	2,800.0[4]
	Preparing for CTA Submission for Phase 3	CABP	16,500.0[4]	All CABP patients	16,500.0[4]
ZL-2301	Phase 2	HCC	372.9[5]	All HCC patients	372.9[5]

Sources: 1. Cancer Statistics in China, 2015, a study published by Wangqing Chen et. al. in "A Cancer Journal for Clinicians" in 2016, and based on historical data from 72 local, population-based cancer registries, representing 6.5% of China's population. 2. Assumes that 10% and 15% of the total breast cancer patients would be with gBRCA+ mutation and triple negative mutation, respectively. According to the study by Kim and Choi in 2013, the percentage of BRCA 1/2 gene mutation in familial breast cancer and early-onset breast cancer patients ranged from 8.0% to 13.5% and from 8.7% to 11.4%, respectively. 10-20% of breast cancer is Triple-negative, according to the study by Ping-Ping Bao et. al in 2016. 3. American Cancer Society estimated that globally about 80-85% of lung cancers are non-small cell lung cancer, and about 25-30% of lung cancers are squamous cell carcinomas. Calculation is based on 80% for NSCLC, of which 30% is squamous non-small cell lung cancer, and 20% for small cell lung cancer patients. 4. Management estimate. 5. According to the study by Ran Xu Zhu et. al. in 2016, HCC accounts for 80% of liver cancer patients.

In addition to mainland China, we intend to seek registration and commercialization of the above drug candidates, where we have applicable rights, in Hong Kong, Macau and Taiwan. For Hong Kong and Macau, products with existing approvals by the FDA, EMA or a comparable regulatory agency are eligible for an expedited registration process that does not require conducting local clinical trials. In the case of niraparib, we intend to pursue expedited registration and, if approved by the EMA, expect to launch and commercialize niraparib in Hong Kong and Macau approximately 12 months after it is approved by the EMA.

While the overall patient population in Hong Kong and Macau is smaller compared to that of China, they are higher income markets with developed medical infrastructure, widely available private insurance and proven capacity to pay for advanced therapeutics. In addition to local patients, there is a significant opportunity to provide treatment for medical tourists from China, who visit these regions in order to access high-end cancer treatment, including prescription drugs which may not be available in mainland China.

Our global rights drug candidates

Our drug candidates for which we retain global rights include:

- **Fugan (ZL-3101)** is a novel steroid-sparing topical product for the treatment of eczema and psoriasis. We are developing fugan as a botanical formulation to offer patients with eczema and psoriasis a natural alternative to topical steroid treatments, which are currently the main forms of treatment and are known to have many side effects associated with long-term use. We licensed the exclusive worldwide rights to fugan from GSK in 2016. We initiated a Phase II study of fugan in patients with eczema in China in the second quarter of 2017. Pending results of this Phase II study, we plan to initiate a Phase III global, multi-center clinical trial.
- **ZL-2302** is a multi-targeted TKI with activity against both ALK mutation and crizotinib-resistant ALK mutations being developed for the treatment of patients with non-small cell lung cancer who have ALK

mutations and who have developed crizotinib resistance and/or brain metastasis. We licensed the exclusive worldwide rights to ZL-2302 from Sanofi in 2015. Our preclinical studies demonstrated that ZL-2302 has ability to penetrate the blood-brain barrier, which could make ZL-2302 an effective therapy for a subset of patients who have non-small cell lung cancer with ALK mutations and brain metastasis. Such patients typically have limited treatment options, poor prognosis and low quality of life. Our CTA for ZL-2302 has been accepted as a Category 1 drug by the CFDA, and we expect to initiate a Phase I study of ZL-2302 in China in the first half of 2018.

- **ZL-1101** is an anti-OX40 antagonistic antibody with first-in-class potential for the treatment of a range of autoimmune diseases such as graft-versus-host disease or systemic lupus erythematosus. We licensed the exclusive worldwide rights to ZL-1101 from UCB in 2015. Its anti-inflammatory activities have been validated by a variety of inflammatory and autoimmune disease models. ZL-1101's bioactivities and functional potency have been investigated in both *in vitro* and *in vivo* studies. In such studies, cellular proliferation and production of inflammatory cytokines was markedly suppressed, demonstrating that ZL-1101 effectively inhibits lymphocyte activation. ZL-1101 was also found to be highly potent. We intend to file an IND in 2018.

Our vision and strategy

Our vision is to become a leading global innovative biopharmaceutical company based in China and deliver transformative medicines to patients in China and around the world. We intend to utilize our strengths to pursue the following strategies:

Rapidly advance and commercialize our in-licensed late stage clinical drug candidates.

Two of our late stage assets, niraparib and ZL-2301, have the potential to address large unmet medical needs in China's oncology drug market, where there is a higher total incidence in our targeted indications compared to the United States market. In addition to our oncology products, we believe that through our development of ZL-2401 we have the chance to introduce into China a new and effective broad-spectrum antibiotic, while ZL-3101 could offer eczema and psoriasis patients with a natural alternative to topical steroid treatments, which are known to have many side effects associated with long-term use.

We intend to advance our lead asset, niraparib, into two Phase III trials in China as a second-line and first-line maintenance treatment in platinum sensitive ovarian cancer patients, regardless of their gBRCA mutation status, in the second half of 2017 and first half of 2018, respectively. We also anticipate beginning a Phase III study in patients with gBRCA mutation positive breast cancer in the first half of 2018. Niraparib has the potential to be the first PARP inhibitor marketed in China. As niraparib has been approved in the United States, if approved by the EMA, we anticipate commercializing niraparib in Hong Kong and Macau approximately 12 months after it is approved by the EMA.

In April 2017, we received an exclusive sub-license from Paratek to develop, manufacture and commercialize omadacycline in China, Hong Kong, Macau and Taiwan. Based on the clinical data, we believe omadacycline has the potential to be an effective treatment of patients with serious bacterial infections. We are in the technology transfer stage and plan to discuss China development plans with key opinion leaders and the CFDA.

In the second quarter of 2017, we initiated a Phase II trial for our dual target TKI, ZL-2301, in advanced HCC patients in China to investigate its optimal treatment schedule and dosage as a second-line treatment. Pending Phase II results, we intend to initiate to a Phase III registration trial. We also initiated a Phase II study of fugan, our global rights product, in patients with eczema in China in the second quarter of 2017. Pending results from this Phase II study, we plan to initiate a Phase III global, multi-center trial.

Capitalize on our location in China, our management team's domestic and international drug development experience and our track record of licensing to further solidify our position as a strategic gateway partner into China for biopharmaceutical companies outside of China.

Our drug development team has extensive domestic and international development expertise, combining unique insight in screening drug candidates in global development and an in-depth understanding of the Chinese development pathway. We believe that our management team's experience navigating the Chinese regulatory framework, combined with potential enrollment efficiencies in China, including many treatment-naïve patients, concentrated treatment centers, and relatively lower clinical costs, gives us the ability to bring products to market in China expediently. Moreover, we benefit from China's recent regulatory reforms, which aim to elevate drug quality standards and achieve a faster drug application review process. Given our plans to develop and manufacture our current clinical-stage drug candidates in China, we believe our current clinical drug candidates, other than fugan, will remain Category 1 drugs throughout the development and approval process, making them eligible for expedited regulatory pathways in China.

Conversely, global pharmaceutical companies have historically been and, we believe, continue to be, focused on mature western markets, with which they are more familiar and where they have established clinical development infrastructure. Their reluctance to commence early stage clinical trials in China and to prioritize obtaining China manufacturing rights for innovative products restricts such drug candidates potential to be classified as Category 1, which typically results in a longer regulatory review process than a domestically-manufactured drug candidate classified as Category 1. This has resulted in significant medical demand for innovative treatment options in China. In order to address this unmet medical need and to capture the rapid growth in the Chinese pharmaceutical market, we believe that an increasing number of pharmaceutical companies outside of China will seek to commercialize their drugs in China through a local partner that can do so in a timely and cost-effective manner.

As a result, we believe the combination of our management's experience and knowledge, the changing regulatory landscape in China, the manufacturing and commercial capabilities we are developing and the global pharmaceutical industry's current approach to the China market makes us an ideal gateway partner for biopharmaceutical companies outside of China seeking access to the China market. The recognition of our team as a local partner of choice in China is evidenced by our partnerships with global biopharmaceutical companies, including Tesaro, Paratek and Bristol-Myers Squibb, that out-licensed their clinical products to Zai Lab. We will continue to actively seek high quality drug candidates and to evaluate inbound interest we receive. We are currently in active negotiations for multiple promising assets to further our ambitions to bring new medicines to the China market.

Continue to license promising programs for global rights.

We have a track record of in-licensing the global rights of drug candidates from leading global biopharmaceutical companies such as GSK, Sanofi and UCB. We will continue to seek new in-licensing opportunities which grant us the global rights for differentiated drug candidates. In particular, we focus on candidates that are complementary to our drug pipeline, have demonstrated promising data in early clinical studies and have large global market potential. We seek to utilize the advantages of drug development in China, including relatively fast patient enrollment and low clinical costs to rapidly establish proof of concept for such candidates prior to pursuing further global multi-center trials for the global market.

Build a fully integrated platform with drug discovery, development, manufacturing and commercialization capabilities in China and expand globally.

We will continue to execute our strategy to become a fully integrated biopharmaceutical company in China. We have assembled an internal research and development team with extensive capabilities, whom we will leverage

to discover and develop innovative drug candidates in China and globally. By focusing on developing, manufacturing and commercializing our late-stage in-licensed drug candidates in parallel with expanding our earlier-stage internal research and discovery capabilities, we believe we can rapidly establish a fully integrated biopharmaceutical platform. We believe that building our own China manufacturing and commercialization capabilities presents tangible benefits, which include maintaining better control over the quality and compliance of our operations with increasingly stringent industry regulations and receiving government manufacturing incentives. In addition, where appropriate, we will use China-based high-quality contract manufacturers as back-up and to supplement our internal manufacturing capabilities. By using our own internal manufacturing facilities or China-based contract manufacturers, we believe that we will be able to seek and maintain a Category 1 classification for our current clinical stage drug candidates (other than fugan) throughout the IND and NDA review process, where utilizing China-based manufacturing is a necessary condition for such classification. We believe these capabilities make us a more attractive China licensing partner for global pharmaceutical companies.

We have already built a cGMP-compliant small molecule facility capable of supporting clinical and commercial production and have begun construction of a cGMP-compliant large molecule facility capable of supporting clinical production of our drug candidates in China. The construction of the large molecule facility is expected to be completed in the first half of 2018.

Furthermore, to support our anticipated commercial launch of niraparib in Hong Kong and Macau, we have developed a targeted sales and marketing strategy and plan to build a specialized sales force to cover major medical centers in greater China, where the administration of innovative treatments for cancers and other diseases tend to be concentrated.

Leverage our senior management's experience.

Our management team has extensive experience in the global pharmaceutical industry and is led by our Chief Executive Officer, Samantha Du, Ph.D., who is widely recognized as a leading figure in the China biotech industry. Before the founding of our business, Samantha Du managed the healthcare investment team for Sequoia Capital China, or Sequoia, where she led the fund's investments, including Betta Pharma, BGI Genomics, and JHL Biotech. Prior to Sequoia, Samantha Du founded Hutchison Medi-Pharma as its Chief Executive Officer for over 10 years and co-founded and served as the Chief Scientific Officer of Hutchison China MediTech Limited, or Hutchison, a Nasdaq-listed biopharmaceutical company, where she pioneered China-based global biopharmaceutical innovation by bringing five innovative drug candidates into clinical development and for forging drug collaborations with AstraZeneca, Johnson & Johnson, Eli Lilly and Merck Serono. While at Hutchison, Samantha Du spearheaded the regulatory strategy for securing the very first green channel treatment, a CFDA policy that allows for an expedited registration process for innovative medical assets, for a Category 1 new drug asset, and also produced two programs that successfully completed multiple global Phase III trials. Prior to Hutchison, she was responsible for its global metabolic licensing programs on the scientific side for Pfizer in the United States and was also involved in the development of two clinical stage assets which were launched globally.

In addition to Samantha Du, our senior management team includes our Chief Medical Officer, Oncology, Qi Liu, M.D., Ph.D., a board-certified medical oncologist and hematologist, and our Chief Medical Officer, Autoimmune and Infectious Diseases, Harald Reinhart, M.D., board-certified in internal medicine and infectious diseases.

Prior to joining our company, Dr. Liu was the clinical lead of the BioVenture group at AstraZeneca and executive medical director of AstraZeneca Oncology Global Medicine Development, where she played an essential role in establishing AstraZeneca's biologics joint ventures and was responsible for its joint venture global development programs, regulatory strategy and submissions. She also played an important role in AstraZeneca's TKI

development program. Dr. Liu completed her post-doctoral fellowship at Memorial Sloan-Kettering Cancer Center and medical oncology and hematology fellowship at the MD Anderson Cancer Center where she was an assistant professor prior to joining AstraZeneca.

Prior to joining our company, Dr. Reinhart was the head of clinical development and medical affairs at Shionogi US, where he managed a broad portfolio of antibiotics, diabetes, allergy and pain medications, as well as guided a pharmaceutical compound through an NDA submission and approval. He also held senior roles at Novartis, where he oversaw successful filings of SNDAs and NDAs for Coartem, Famvir, Sebivo and Cubicin. Dr. Reinhart received a medical degree from the University of Würzburg in Germany and completed his specialty training in the United States.

Our clinical pipeline

Niraparib

Niraparib (ZL-2306) is a highly potent and selective oral, once-daily small molecule poly (ADP-ribose) polymerase 1/2, or PARP 1/2, inhibitor with the potential to be a first-in-class drug for treatment across multiple solid tumor types in China. In March 2017, niraparib was approved by the FDA as a maintenance treatment for women with recurrent platinum-sensitive ovarian cancer. Maintenance therapy is for those women who have had prior treatment but are expected to see their cancer return, with the purpose of avoiding or slowing a recurrence if the cancer is in remission after the prior treatment. A platinum-sensitive cancer is one that responded to initial platinum-based chemotherapy and remained in remission post-chemo therapy for more than six months.

Niraparib is the first PARP inhibitor to be approved by the FDA for ovarian cancer that does not require BRCA mutation or other biomarker testing as is required for other approved PARP inhibitors. This makes niraparib suitable for a wide patient population and significantly more accessible to patients in China where BRCA biomarker diagnostic tests are not widely available. If approved by the CFDA, niraparib may potentially be the first PARP inhibitor on the China market approved for second-line maintenance treatment in all recurrent platinum-sensitive ovarian cancer patients.

We obtained an exclusive license for the development and commercialization of niraparib in China, Hong Kong and Macau in 2016. As niraparib has been approved in the United States, if approved by the EMA, we anticipate commercializing niraparib in Hong Kong and Macau approximately 12 months after it is approved by the EMA. In addition, our CTA for niraparib has been approved as a Category 1 drug, and we plan to initiate a Phase I pharmacokinetics, or PK, trial and two Phase III trials for niraparib as a first-line and second-line maintenance treatment in patients with platinum-sensitive ovarian cancer in China. We also intend to study niraparib in patients with gBRCA positive breast cancer and lung cancer in China, either as a monotherapy or combination.

Market opportunity

We believe that niraparib represents a significant market opportunity in China, given its differentiated clinical profile, demonstrated clinical relevance to multiple solid tumor types, potential to provide a notable improvement to existing standards of care, and prospects to be utilized in multiple combination and monotherapy treatment options. We have the right to all indications in greater China (except prostate cancer), and we intend to pursue the approval and registration of niraparib as a potential first-in-class treatment in ovarian and certain types of breast and lung cancers. Across our targeted patient segments in the ovarian, breast cancer and lung indications, we estimate a total annual incidence of 443,000 patients based on 2015 data.

We believe niraparib has the potential to be the first PARP inhibitor, or at least the first PARP inhibitor that does not need a biomarker test, in China. Based on our understanding, local PARP inhibitor product candidates are currently in early stage China clinical trials. Global PARP inhibitors have either not yet made an application in China or have included a limited number of Chinese patients as part of their global Phase III studies in BRCA+ patient populations, which would likely require additional local clinical trials prior to obtaining CFDA approval.

Our currently targeted indications for niraparib include the following:

Ovarian cancer

Ovarian cancer had an estimated annual incidence of 52,000 patients in China in 2015, which is more than double that of the 21,300 patients in the United States and has seen increasing mortality rates. Since early symptoms of ovarian cancer are non-specific and difficult to detect, a majority of women with ovarian cancer are diagnosed when the disease is at an advanced stage, when prognosis is poor. Finding effective therapeutic approaches for advanced ovarian cancer patients represents a large unmet medical need. Given the broad applicability of niraparib across all patient populations, regardless of gBRCA mutation status, we are currently targeting the entire platinum sensitive ovarian cancer patient population. This represents a significant advantage for patient convenience and access, given that there is no need for patients to utilize diagnostic tests to determine their gBRCA mutation status, particularly in China where such tests are not widely available.

The current standard of care in China consists of radical surgery and platinum-based chemotherapy. Although platinum-based chemotherapy is effective at inducing an initial response, ovarian cancer will recur in approximately 85% of women. Many women continue to respond to second-line platinum based chemotherapy, and following a response, the guideline-recommended approach for many patients is surveillance, monitoring patients for disease progression and managing their symptoms. However, during the surveillance period, ovarian cancer survivors report anxiety about cancer antigen testing and fear of recurrence, many experiencing symptoms associated with post-traumatic stress disorder. After relapse, patients respond moderately or poorly to subsequent chemotherapy, with later lines of therapy leading to progressively shorter treatment-free intervals. Therefore, we believe effective maintenance therapies that address a broad patient population are needed to prolong the duration of response following platinum-based treatment.

Breast cancer

Breast cancer is one of the leading causes of cancer death among women in China, with a total estimated annual incidence of 268,600 female patients in 2015, which is nearly 16% larger than the incidence of 231,840 female patients in the United States. Breast cancer has also seen an increasing mortality rate. We initially intend to seek approval for niraparib for treatment of gBRCA positive breast cancer. We also contemplate seeking indication expansion in other patient sub-groups, such as triple negative breast cancer patients. If approved for usage in gBRCA mutation positive and triple negative breast cancer patients, we estimate a target patient pool of approximately 68,000 people, representing about a quarter of total breast cancer incidence in China.

There is no single standard treatment in patients with metastatic breast cancer who have previously failed anthracycline and taxane treatments. Furthermore, there are no approved treatments for patients with BRCA mutations, and patients are only treated according to the status of their hormone receptor and human epidermal growth factor receptor 2, or HER2, status, where Herceptin is the recommended targeted therapy. Therefore, more effective therapies that specifically address the gBRCA+ patient population are needed.

We believe niraparib could bring significant benefits to gBRCA+ metastatic breast cancer patients in China based on available clinical results from niraparib and further clinical validation from other PARP inhibitors. In a

Phase I dose-escalation and confirmation study in participants with advanced solid tumors, two of the four breast cancer patients carrying gBRCA mutations had partial response as best response (response rate in patients with gBRCA mutations: 50%; 95% CI: 7%, 93%). The clinical potential of PARP inhibitors in this patient population has also been established by the results of a positive Phase III study of AstraZeneca's olaparib. In February 2017, AstraZeneca announced that olaparib improved progression-free survival versus standard chemotherapy in patients with gBRCA+ metastatic breast cancer, according to findings from its Phase III trial.

Epidemiologic studies of BRCA 1/2 mutations in Chinese breast cancer patients performed in China, Hong Kong, Taiwan, and Singapore have shown a prevalence of BRCA 1/2 gene mutation in familial breast cancer and early-onset breast cancer patients that ranged from 8.0% to 13.5% and from 8.7% to 11.4%, respectively. In addition, triple-negative breast cancer accounts for 10%—20% of all invasive breast cancer subtypes.

In the case of triple negative breast cancer patients, since tumor cells lack the necessary receptors, common treatments like hormone therapy and drugs that target HER-2 are ineffective. While chemotherapy is used as standard treatment, there is unmet need for other treatment options that can improve patient survival and overcome the long-term issue of chemoresistance. Global clinical data has suggested that the combination of a PARP inhibibitor and chemotherapy might be more effective than chemotherapy alone, and we intend to explore usage of niraparib in this patient segment.

Lung cancer

Lung cancer has the highest total incidence as well as the highest mortality rate of any cancer in China. Annual incidence was estimated at 733,300 patients in China in 2015, which is more than triple the 221,200 patients in the United States. We intend to explore niraparib's efficacy in patients with squamous-type non-small cell lung cancer and small cell lung cancer based on the large unmet need for effective treatment for such patients in China. According to the American Cancer Society, approximately 80% to 85% of lung cancers are non-small cell lung cancer and squamous cell carcinoma is about 25% to 30% of lung cancers. Based on an assumption of 80% share of non-small cell lung cancer and 30% of cancers being squamous, we estimate a potential target patient population of 176,000 patients with squamous-type non-small cell lung cancer and 147,000 in small cell lung cancer in China.

The standard of care for advanced small cell lung cancer and non-small cell lung cancer in China is platinum-based chemotherapy. For EGFR mutation positive patients, geftinib (Iressa®) and erlotinib (Tarceva®) are recommended as first-line therapies for patients in the advanced/metastatic stage of non-small cell lung cancer who are EGFR mutation positive. For non-small cell lung cancer patients with unclear EGFR mutation status, as well as for small cell lung cancer, chemotherapy is the standard of care in China.

We believe niraparib has first-in-class potential in both indications in China, by representing an attractive addition to the current standard of care in small cell lung cancer and squamous type non-small cell lung cancer. While globally monoclonal antibodies, which block the interaction between checkpoint molecules PD-1 on immune cells and PD-L1 on cancer cells, have been used to successfully treat non-small cell lung cancer, these drugs have yet been launched in China and remain in clinical trials. Given the relatively limited therapy options for Chinese physicians and patients we believe that a small molecule PARP inhibitor will offer an attractive addition to the standard of care with an attractive price level relative to large molecule drugs.

In addition to niraparib monotherapy in the potential indications stated above, we also intend to explore the combination of niraparib with other potential therapies such as immuno-oncology therapy, targeted therapy and chemotherapy in the clinically relevant indications.

Our clinical trial designs and strategy for niraparib in the China market

Ovarian cancer

We plan to initiate three clinical studies of niraparib in ovarian cancer patients in China. One is a Phase I PK study for niraparib in patients with platinum-sensitive ovarian cancer. The other two studies will be Phase III studies of niraparib as a maintenance therapy in patients with platinum-sensitive ovarian cancer either as a first-line or second-line maintenance therapy. If approved, niraparib may potentially be the first PARP inhibitor on the China market approved as a second-line maintenance therapy in all recurrent platinum-sensitive ovarian cancer patients, and we would look to rapidly expand niraparib to be available as a first-line maintenance therapy.

Our Phase I PK study is intended to establish the PK profile of niraparib in Chinese patients. We expect to initiate this study in the second half of 2017.

Our first Phase III study is expected to evaluate niraparib as a second-line maintenance therapy in patients with recurrent platinum-sensitive ovarian cancer. Patients with recurrent platinum sensitive ovarian cancer who have responded to a second line platinum-containing treatment will be enrolled in the study. Patients will be randomly assigned in a 2:1 ratio to receive niraparib or placebo once daily. Patients will be stratified by gBRCA status. The primary endpoint is progression-free survival. The primary analysis will be conducted in the entire study population, regardless of gBRCA mutation status. If the primary analysis meets the statistical significance, the study will be ended. If it does not, the study will continue for gBRCA mutation positive patients with the second-step primary analysis conducted in this population. We expect to initiate this study in the second half of 2017.

Our second Phase III study is expected to evaluate niraparib as a first-line maintenance therapy in patients with platinum-sensitive ovarian cancer. The details of the clinical trial designs are being discussed with the CFDA, and, pending authorization, we plan to initiate this trial in the first half of 2018. Tesaro is also evaluating niraparib in the PRIMA trial, a Phase III clinical trial in the first-line maintenance setting in platinum sensitive ovarian cancer patients.

Breast cancer

We plan to initiate a Phase III clinical trial of niraparib in patients with recurrent gBRCA positive breast cancer in China. The details of the clinical trial designs are being discussed with the CFDA and key opinion leaders and, pending authorization, we plan to initiate this trial in the first half of 2018.

Other indications

We also intend to initiate Phase II clinical trials to evaluate the efficacy of niraparib in squamous-type non-small cell lung cancer and small cell lung cancer patients in China. Details of the clinical trial designs are being discussed with the CFDA and key opinion leaders.

Background on PARP inhibitors

One well-studied area of PARP activity relates to DNA repair. DNA contains genetic instructions used in the development and functioning of most known living organisms. DNA can be damaged by many types of mutagens, including oxidizing agents, alkylating agents, ultraviolet light and X-rays. An important property of DNA is that it can replicate, or make copies of itself. This is critical when cells divide because each new cell needs to have an exact copy of the DNA present in the old cell. It is also critical to the integrity and survival of

cells that DNA damage can be repaired. Cells have evolved multiple mechanisms to enable such DNA repair, and these mechanisms are complementary to each other, each driving repair of specific types of DNA damage. If a cell's DNA damage repair system is overpowered, then the cell is programmed to die.

Radiation and certain chemotherapies such as alkylating agents and topoisomerase inhibitors induce significant damage to tumor cells, which results in programmed cell death. DNA repair mechanisms may reduce the activity of these anti-cancer therapies and, conversely, inhibition of DNA repair processes may enhance the effects of DNA-damaging anti-cancer therapy. For example, cancer cells can maintain viability despite disruption of the key DNA repair pathway known as the homologous recombination pathway, but they become particularly vulnerable to chemotherapy if an alternative DNA repair pathway is disrupted. This is known as "synthetic lethality"—a situation where the individual loss of either repair pathway is compatible with cell viability, but the simultaneous loss of both pathways results in cancer cell deaths. Since PARP inhibitors block DNA repair, PARP inhibition is thought to be an important part of cancer therapy.

Clinical studies have shown that PARP inhibitors are effective as a monotherapy in patients with certain types of cancer, including those with gene mutations as discussed below. PARP inhibitors have also been explored in numerous clinical trials to enhance chemotherapy treatments, including in combination with temozolomide, cisplatin, carboplatin, gemcitabine and topotecan.

Niraparib mechanism of action

Many DNA repair processes involve PARP-1 and PARP-2, which are zinc-finger DNA-binding enzymes that sense DNA damage and convert it into intracellular signals to promote DNA repair. PARP inhibitors block DNA repair by the base excision repair pathway. PARP inhibitors appear most effective when used to treat tumors with underlying defects in DNA repair or when combined with another DNA-damaging agent. This is because, in normal cells, the homologous recombination pathway compensates for PARP-mediated inhibition of the base excision repair pathway and maintains the fidelity of DNA repair. In cells with a deficiency in the homologous recombination pathway, such as those with BRCA-1 and BRCA-2 mutations, PARP inhibition leads to irreparable double-strand breaks, collapsed replication forks, and an increased use of the less effective nonhomologous end joining pathway. These disruptions ultimately result in synthetic lethality, and, in this manner, treatment with PARP inhibitors represents an opportunity to selectively kill cancer cells with deficiencies in homologous recombination and other DNA repair mechanisms. PARP inhibitors also have an additional mechanism of action known as "PARP trapping." The effect of PARP trapping is to poison DNA by stabilizing PARP-1 and PARP-2 at sites of DNA damage, generating complexes that may be even more toxic than the unrepaired single-strand breaks which result from PARP inhibition.

Niraparib is designed to be a highly potent, selective inhibitor of PARP-1 and PARP-2. In an ovarian cancer patient-derived xenograft model, where tumor models are established from transplantation of a human tumor specimen from a cancer patient directly into a mouse, niraparib has been shown to have greater tumor concentration, allowing it to deliver sustained anti-tumor activity as compared to olaparib, an FDA-approved PARP inhibitor marketed by AstraZenaca for gBRCA+ ovarian cancer patients who have received at least three prior lines of chemotherapy.

Niraparib clinical results

NOVA, a Phase III maintenance study of niraparib versus placebo in patients with recurrent platinum-sensitive ovarian cancer.

In March 2017, the FDA approved niraparib as a maintenance treatment for women with recurrent platinum-sensitive ovarian cancer, regardless of BRCA mutation or biomarker status, three months ahead of the FDA's

scheduled decision date (PDUFA date). Niraparib's FDA approval followed the release of successful results from Tesaro's NOVA trial in which niraparib demonstrated a clinically meaningful increase in progression-free survival in women with recurrent ovarian cancer, regardless of gBRCA mutation or biomarker status. Treatment with niraparib reduced the risk of disease progression or death by 73% in gBRCA mutation positive patients (hazard ratio = 0.27) and by 55% in patients without gBRCA mutations (hazard ratio = 0.45). Hazard ratio is the probability of an event (such as disease progression or death) occurring in the treatment arm divided by the probability of the event occurring in the control arm of a study, with a ratio of less than one indicating a lower probability of an event occurring for patients in the treatment arm. P-value is a measure of the probability of obtaining the observed sample results, with a lower value indicating a higher degree of statistical confidence in these studies. The magnitude of benefit was similar for patients entering the trial with a partial response or a complete response to platinum treatment. This means that FDA's approval for niraparib is broader than the approval for AstraZeneca's PARP inhibitor, olaparib, which is only approved for BRCA mutation positive patients.

The NOVA trial was a phase III randomized double-blind trial that assessed the effectiveness of niraparib compared with placebo to delay tumor progression following a platinum containing chemotherapy regimen. Patients enrolled into one of two independent cohorts based on gBRCA mutation status. A total of 553 patients were enrolled in the NOVA study at 107 centers worldwide. The study population has 203 patients assigned to the gBRCA mutation positive cohort and 350 patients assigned to the gBRCA mutation negative cohort. Among the patients in the gBRCA mutation negative cohort, 162 had tumors that were tumors deficient in homologous recombination, or HRDpos, and 134 had tumors did not have a homologous recombination deficiency, or HRDneg. The homologous recombination deficiency status was not determined for 54 patients. The gBRCA mutation negative cohort analyses included all patients randomized, regardless of homologous recombination deficiency status.

Within each cohort, patients were randomized 2:1 to receive niraparib or placebo, and were continuously treated with placebo or niraparib until progression. The primary endpoint of this study was progression free survival. Secondary endpoints included patient-reported outcomes, chemotherapy free interval length, and overall survival. This trial successfully achieved its primary endpoint in both cohorts, showing that niraparib treatment significantly prolonged progression free survival, compared to control in patients who were gBRCA mutation positive and in patients who were gBRCA mutation negative. In addition, within the gBRCA mutation negative cohort, niraparib treatment significantly prolonged progression free survival compared to placebo for the prospectively defined patient population with HRDpos tumors. A high proportion of patients in both treatment groups in both cohorts had received three or four prior lines of chemotherapy. The most common treatment-emergent grade 3/4 adverse events in the niraparib arm of the NOVA study, based on the National Cancer Institute's Common Terminology Criteria for Adverse Event, or CTC, which is a set of criteria for the standardized classification of adverse effects of drugs used in cancer therapy (with one and two being relatively mild and higher numbers (up to five) being more severe), were thrombocytopenia, anemia, and neutropenia.

The figures below present the results for the primary endpoint of progression free survival for the three primary efficacy populations.

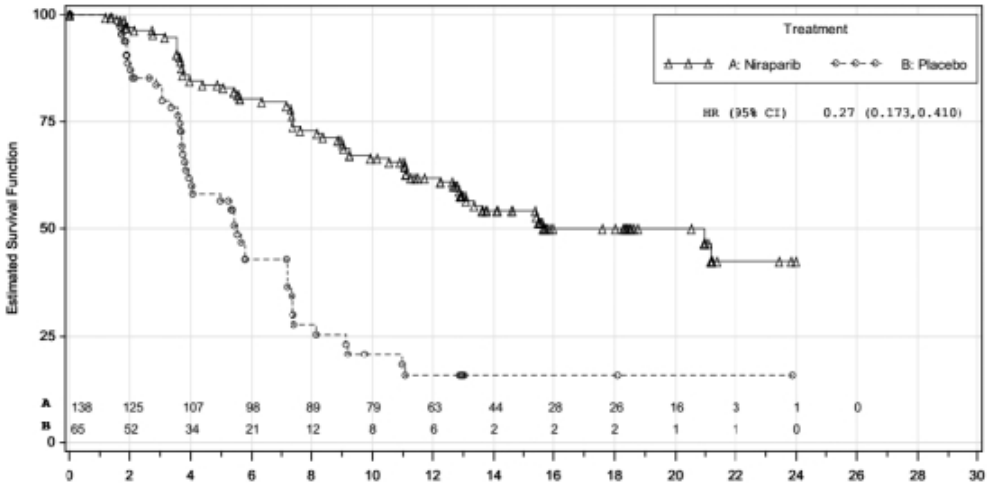
Figure 1: Progression free survival was significantly longer for patients who received niraparib compared to those who received placebo for all primary efficacy populations.

Treatment	Median PFS (95% CI) (Months)	Hazard Ratio (95% CI) p Value	Disease Progression Free (%)		
			6 Months	12 Months	18 Months
gBRCAmut Cohort					
Niraparib (N = 138)	21.0 (12.9, NE)	0.27 (0.173, 0.410) p <0.0001	80%	62%	50%
Placebo (N = 65)	5.5 (3.8, 7.2)		43%	16%	16%
HRDpos Subgroup					
Niraparib (N = 106)	12.9 (8.1, 15.9)	0.38 (0.243, 0.586) p <0.0001	69%	51%	37%
Placebo (N = 56)	3.8 (3.5, 5.7)		35%	13%	9%
Non-gBRCAmut Cohort					
Niraparib (N = 234)	9.3 (7.2, 11.2)	0.45 (0.338, 0.607) p <0.0001	61%	41%	30%
Placebo (N = 116)	3.9 (3.7, 5.5)		36%	14%	12%

Source: Tesaro.

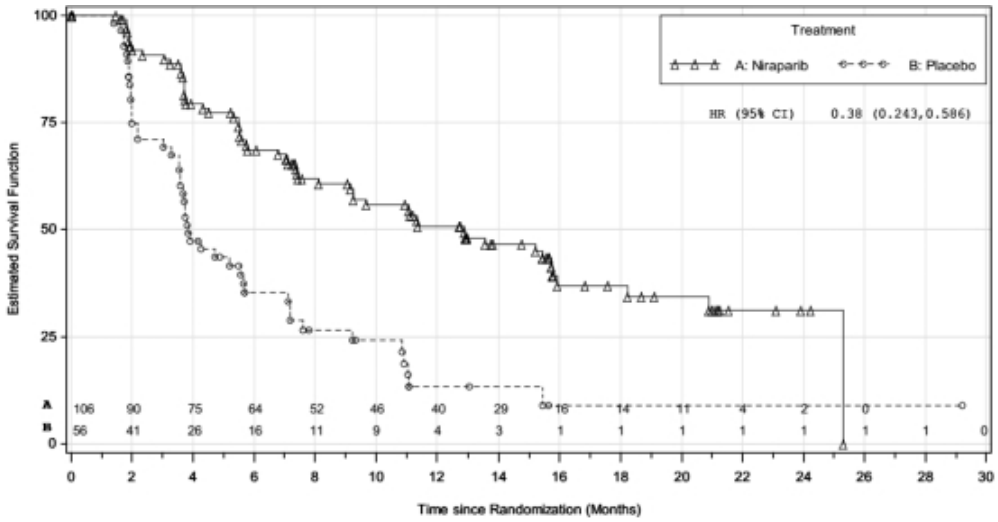
Notes: gBRCAmut = gBRCA mutation positive; non-gBRCA mut = gBRCA mutation negative

Figure 2: Progression free survival in the gBRCA mutation positive cohort of patients treated with niraparib versus placebo



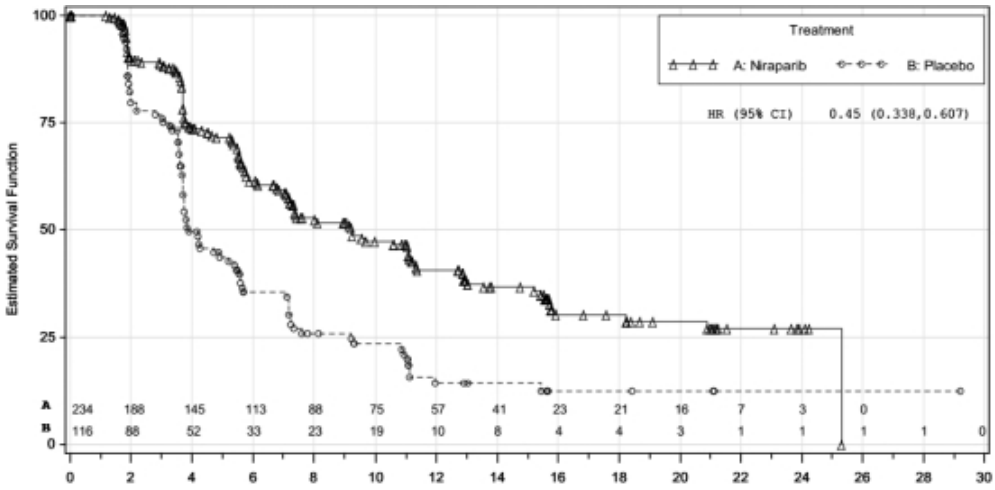
Source: Tesaro.

Figure 3: Progression free survival in the HRDpos group of the gBRCA mutation negative cohort of patients treated with niraparib versus placebo



Source: Tesaro.

Figure 4: Progression free survival in the overall gBRCA mutation negative cohort of patients treated with niraparib versus placebo



Source: Tesaro.

Within the gBRCA mutation positive cohort, the median progression free survival was 21.0 months on niraparib versus 5.5 months on placebo (hazard ratio=0.27; p<0.0001). As shown in the chart above, niraparib's treatment effect started very early during treatment as seen by the two curves being separated at first efficacy assessment. Progression free survival was also significantly longer with niraparib in the HRDpos group of the gBRCA mutation negative cohort (median, 12.9 months versus 3.8 months; hazard ratio=0.38; p<0.0001) and in the overall gBRCA mutation negative cohort (median, 9.3 months versus 3.9 months; hazard ratio = 0.45;

p<0.0001). Additionally, in an exploratory pooled analysis that evaluated all patients in both cohorts combined, progression free survival was longer with niraparib (median 11.3 months versus 4.7 months, hazard ratio = 0.38, 95% confidence interval: 0.303, 0.488; p<0.0001).

As it is maintenance therapy, quality of life is important to patients receiving treatment. Patient-reported outcome data from validated survey tools indicated that niraparib-treated patients reported no significant difference from placebo in measures associated with symptom specific and general quality of life.

Furthermore, niraparib treatment did not reduce the effectiveness of subsequent therapies, and continued to show carry-over of the beneficial treatment effect in the secondary efficacy measure of second objective disease progression, which is time from randomization to objective tumor progression on next-line treatment or death from any cause. Overall survival data, while immature, showed no negative impact of niraparib treatment.

The incidences of CTC grade 3/4 treatment-emergent adverse events (74% vs 23%), serious adverse events (30% vs 15%), treatment-emergent adverse events leading to treatment interruption (69% vs 5%), treatment-emergent adverse events leading to dose reduction (67% vs 15%), and treatment-emergent adverse events leading to treatment discontinuation (15% vs 2%) were higher for niraparib versus placebo. There were no on-treatment deaths reported.

The most commonly observed hematologic treatment-emergent adverse events (all CTC grades) related to niraparib were thrombocytopenia (61%), anemia (50%) and neutropenia (30%). Although CTC grade 3/4 hematologic laboratory events were common at the initiation of treatment, no severe clinical sequelae were observed and relatively few patients discontinued due to these adverse events. Dose adjustment based on individual tolerability during the first cycles substantially reduced the incidence of these events beyond the third 28-day treatment cycle, indicating the overall effectiveness of the approach to dose modification. Overall the treatment-emergent adverse events were manageable, with no negative impact on quality of life.

Niraparib preclinical development

As discussed below, Merck and our partner Tesaro have completed various preclinical trials to evaluate the pharmacodynamics, pharmacokinetics and toxicology profile of niraparib.

Pharmacodynamics. In preclinical trials studying niraparib's pharmacodynamics, niraparib was found to be a potent and selective PARP-1 and PARP-2 inhibitor that displayed at least a 100-fold selectivity over other PARP-family members PARP-3, v-PARP, and Tankyrase-1. A commonly used quantitative measure of potency is IC_{90}, which represents the concentration of a drug that is required to suppress 90% of the target enzyme. The IC_{90} of niraparib for PARylation in BRCA-deficient tumor cells correlates with functional suppression of single strand breakage repair and anti-tumor effects on BRCA mutation positive tumor cells.

Normal primary cells were resistant to niraparib with the most sensitive cells (megakaryocytes) exhibiting a 13-fold selectivity margin as compared to BRCA mutation positive tumor cells *in vitro*. Maximal *in-vivo* efficacy was achieved in BRCA 1 mutation positive ovarian tumor models with once-daily oral administration of niraparib at a dose sufficient to suppress 90% of the PARP enzymatic activity in the tumor at eight hours after the dose, which translated to greater than 50% inhibition of PARP activity in peripheral blood mononuclear cells at eight hours post dose.

The therapeutic potential of niraparib was evaluated in a study designed to examine the benefit of niraparib in maintenance setting, *i.e.,* daily niraparib treatment following a regression induced with a platinum-based regimen. In this study, tumors in mice receiving maintenance niraparib therapy became undetectable whereas regrowth was observed in those receiving only the chemotherapy regimen. These data support the concept that

maintenance niraparib therapy after tumor response to chemotherapeutic agents may prolong recurrence-free survival.

Niraparib showed no significant observable effects in nonclinical safety pharmacology studies at clinically relevant doses across the species evaluated.

Pharmacokinetics. Niraparib elicited desirable and consistent pharmacokinetic profiles in nonclinical species *in vivo.* The oral absorption in rats and dogs was rapid, with moderate to high bioavailability. The compound is readily distributed to the brains of rats and monkeys to a modest extent, suggesting additional therapeutic potential.

Elimination of niraparib and its metabolites was fecal and renal in rats, while mainly renal in dogs. The potential risk for drug—drug interactions was determined to be minimal for niraparib, due to the lack of the interactions between niraparib and the hepatic drug-metabolizing CYP enzymes, the major hepatic and renal uptake transporters (OATP1B1, OATP1B3, OAT1, OAT3, and OCT2), and BSEP, an efflux transporter known to be associated with hepatotoxicity. The *in vitro* metabolic results, combined with the *in vivo* pharmacokinetic findings, demonstrated that niraparib had a desirable disposition profile with a minimal potential for drug—drug interactions, consistent with the development of niraparib as an anticancer agent.

Toxicology. A comprehensive preclinical toxicology program was conducted to support the administration of niraparib in patients with cancer. This program included oral repeat-dose toxicity studies (up to three-months duration) in dogs and rats, genotoxicity and phototoxicity studies. The results obtained from the general toxicity studies in rats and dogs indicated that niraparib causes bone marrow suppression which leads to decreases in circulating white and red blood cells. Infections and septicemia were a consequence of bone marrow suppression and lymphoid depletion. These findings are linked to pharmacology of niraparib and showed reversibility.

Niraparib—Pharmacokinetics

The pharmacokinetic profile of niraparib has been evaluated in multiple clinical studies, with an overall niraparib-dosed population of 526 patients.

Absorption. Niraparib exhibited linear pharmacokinetic, dose proportional exposure, and dose-independent absorption and clearance. Following repeat administrations of the daily recommended dose of 300 mg, niraparib accumulation on day 21 was consistent for both the area under the plasma concentration-time curve and maximum concentration (approximately two- to three-fold). Niraparib was shown to be highly orally bioavailable (F ~73%). Bioavailability is a measure of the absorption of drug and is expressed as a percentage of the administrated case of the drug which reaches the patient’s system. Niraparib can be administered with or without food.

Distribution. Niraparib was moderately protein bound to human plasma (83.0%). The apparent volume of distribution was 1220 L, indicating an extensive tissue distribution of niraparib.

Metabolism. The carboxylesterases-catalyzed amide hydrolysis was delineated to be the major primary pathway, followed by the uridine-5’-diphospho-glucuronosyltransferases (UGT)-mediated glucuronidation and the other minor secondary pathway (*i.e*., methylation). The major circulating metabolites in humans are the carboxylic acid and the glucuronides of carboxylic acid. The metabolic profile seen in humans is consistent with what was detected in the experimental species (rats and dogs).

Elimination. In an absorption, metabolism and elimination study in cancer patients using 14C-radioactive niraparib, a mean measured total of 86.2% of the radioactive dose was recovered in urine and fecal samples

collected daily from 0 to 504 hours (21 days) post dose after single oral administration of 14C-niraparib. It suggests minimal long-term retention of niraparib or its metabolites in body. Moreover, hepatobiliary clearance and renal excretion are the major routes of elimination in humans.

Intrinsic Effects. Population pharmacokinetic analysis identified no intrinsic factors such as age, race, hepatic impairment, renal impairment would have significant impact on the pharmacokinetic of niraparib.

Omadacycline

Omadacycline is a broad-spectrum antibiotic in a new class of tetracycline derivatives, known as aminomethylcyclines. Omadacycline is primarily being developed for ABSSSI, CABP and UTIs in both the hospital and community settings and is designed to overcome the two major mechanisms of tetracycline resistance, known as pump efflux and ribosome protection. Omadacycline has been granted QIDP status in the U.S. by the FDA and has been granted Fast Track status by the FDA. The drug has been administered to over 1,500 patients and has an established safety profile. If approved, omadacycline is expected to be available in IV and oral once-daily formulations.

Paratek had previously reached an agreement with the FDA under a Special Protocol Assessment, or SPA, whereby if both the IV to oral Phase III ABSSSI and CABP studies are positive, Paratek could seek approval for both indications. In June 2016, Paratek announced positive top-line efficacy data in a Phase III registration study in ABSSSI which demonstrated the efficacy and safety of IV to oral once-daily omadacycline compared to linezolid. In April 2017, Paratek announced positive top-line results from a global, pivotal Phase III clinical study in CABP which demonstrated the efficacy, general safety and tolerability of IV to oral omadacycline compared to moxifloxacin. In July 2017, Paratek also announced positive top-line results from a Phase III study comparing oral-only administration of omadacycline in ABSSSI compared to oral-only linezolid, which met all of its primary endpoints.

Paratek plans to submit its NDA in the U.S. during the first quarter of 2018 and its EMA submission later in 2018. In addition to its Phase III program for omadacycline, a Phase Ib study in UTIs was initiated in May 2016 and positive top-line PK proof-of-principle data was reported in November 2016. Paratek plans to begin enrolling patients in a proof-of-concept Phase II study of omadacycline in complicated UTI, or cUTI, as early as the fourth quarter of 2017.

We obtained the exclusive license to develop, manufacture and commercialize omadacycline in the field of all human therapeutic and preventative uses (other than biodefense) in China, Hong Kong, Macau, and Taiwan in April 2017.

Market opportunity

We believe omadacycline addresses an unmet need in China for a broad-spectrum antibiotic that provides a new treatment option for physicians in China challenged by growing antibiotic resistance. A 2015 study by the State Key Laboratory of Organic Geochemistry under the Chinese Academy of Sciences indicated that the total antibiotic usage in China in 2013 accounted for about half of the antibiotic usage globally, with the per-capita use of antibiotics in China being more than five times that in Europe and the United States. As a result, China has one of the world's most serious problems with antibiotic misuse and antibiotic resistance. According to a May 2016 study from the Wellcome Trust in London, antimicrobial resistance in China could cause 1 million premature deaths annually by 2050 and cost the country $20 trillion.

In 2015, there were approximately 2.8 million ABSSSI patients and 16.5 million CABP patients in China. We believe that omadacycline will provide a new treatment option for patients with such infections, including those

caused by drug-resistant pathogens whose numbers are expected to increase as the result of the abuse of antibiotics. The product has been designed to provide potential advantages over existing antibiotics, including broad-spectrum, antibacterial activity and activity against resistant bacteria, no known drug interactions and a favorable safety and tolerability profile. In addition, once daily dosing of the oral and IV formulations will offer a unique advantage by reducing hospital days through a step-down from IV to the oral formulation, which not only has important cost-saving implications but increases patient comfort and reduces exposure to nosocomial pathogens.

The competitive field in China and worldwide is characterized by the wide use of various generic formulations of older tetracyclines, such as oral formulations of doxycycline. Minocycline is rarely used except for long-term treatment of acne. A member of a new generation of tetracyclines known as glycylcyclines, dominates the market and has experienced a considerable growth rate despite a limited list of labeled indications, the absence of an oral formulation, and significant tolerability and safety issues.

In three well-controlled Phase III trials, designed with FDA input, omadacycline was shown to be non-inferior to its study comparators. Omadacycline met all primary efficacy endpoints as stipulated by the FDA and EMA. In all three studies omadacycline was shown to be generally safe and well tolerated.

Tigecycline (Tygacil®), the most recently approved tetracycline derivative available today, is marketed in China and worldwide. One of omadacycline's differentiating features is the availability of a bioequivalent oral formulation while tigecycline is an IV-only drug. If approved, omadacycline can be used in the outpatient setting. In the hospital, the ability to switch from IV to oral administration enables greater flexibility in patient management and potential cost savings.

Omadacycline has a broad microbiologic profile with effective microbiological activity against a broad spectrum of pathogens, including problem pathogens like MRSA and PRSP, Gram-negative pathogens such as H. influenzae and atypical bacteria such as Legionella. It has strong activity against most of the pathogens encountered in the indications pursued, ABSSSI, CABP and UTI. It has useful activity against *Acinetobacter,* a multi-drug resistant pathogen in the health care setting which is frequently encountered in Chinese hospitals.

Our clinical trials designs and strategy for omadacycline in the China market

We are in the technology transfer stage and plan to discuss China development plan with key opinion leaders and the CFDA.

Background on tetracycline antibiotics

The tetracycline class of antibiotics was introduced into the clinic in the 1960s and found considerable use in the treatment of respiratory and gastrointestinal infections. They are mostly bacteriostatic drugs interfering with protein synthesis by binding selectively to the bacterial 30S ribosomal subunit.

Tetracyclines provide excellent broad-spectrum coverage of Gram-positive, Gram-negative, anaerobes and special pathogens (e.g., malaria, anthrax, Lyme borrelia, nocardia). Resistance is due to efflux mechanisms and ribosomal mutations, but despite the gradual and inevitable increase in resistance over many decades of continued use, doxycycline is still an effective and commonly used drug today.

Omadacycline – Pharmacokinetics

Studies showed that oral doses of 300 mg provide bioequivalent exposure with the therapeutic IV dose of 100 mg. Like with other tetracyclines, absorption is affected by food and divalent cations. The drug has a long half-life (approximately 16-18 hours) and excellent penetration into tissues, including alveolar and epithelial lining

fluid. In contrast to other tetracyclines, plasma protein binding is low (20%) and not dose-related. The drug is not metabolized and excretion is predominantly via the biliary route. There is no need for dose adjustment in hepatic or renal impairment.

Omadacycline clinical results

Phase III pivotal trial—ABSSSI / OASIS—ABSI 1108

Omadacycline was statistically non-inferior to linezolid IV/PO in a direct comparison study following a protocol established under an SPA agreed to with the FDA as well as the criteria outlined by the EMA. In this trial, patients with wound infections, major abscesses, and erysipelas/cellulitis were enrolled in equal numbers. On average, patients received IV omadacycline for 4.4 days, and oral omadacycline for 5.5 days.

S. aureus (both MSSA and MRSA) was the predominant pathogen isolated from patients followed by streptococci. Clinical response and bacterial eradication rates showed the high efficacy of omadacycline against skin pathogens including MRSA.

Figure 5: Omadacycline vs Linezolid—ABSSSI Trial—Primary Efficacy Outcomes

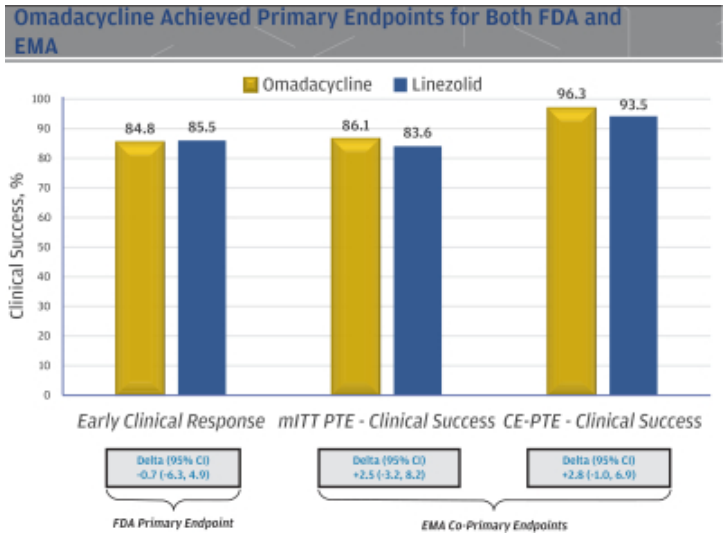
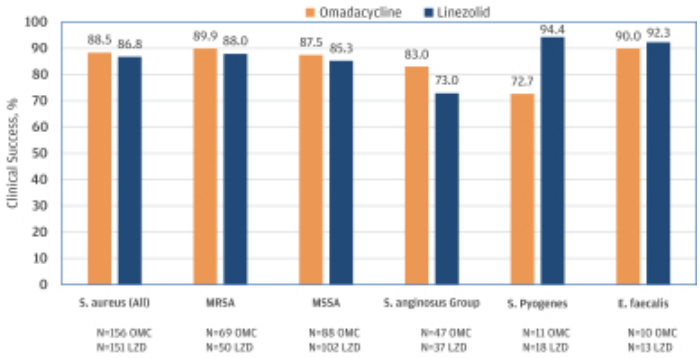


Figure 6: Early Clinical Success by Pathogen—micro-mITT Population



The safety / tolerability profile was very similar between the treatment arms with only a slightly higher rate of gastrointestinal side effects and infusion site reactions in omadacycline recipients. There was no significant imbalance in treatment emergent adverse events, or TEAEs, serious TEAEs, premature discontinuations or deaths.

Figure 7: Study ABSI-1108: Most Frequent TEAEs (> 3%)—Safety Population

	Omadacycline N = 323	Linezolid N = 322
	%	%
Subjects with Any TEAE	**48.3**	**45.7**
Nausea	12.4	9.9
Infusion Site Extravasation	8.7	5.9
Subcutaneous Abscess	5.3	5.9
Vomiting	5.3	5.0
Cellulitis	4.6	4.7
Headache	3.1	4.0
ALT Increased	2.8	4.3
AST Increased	2.5	3.7
Diarrhea	2.2	3.1

Phase III Pivotal Trial—CABP / OPTIC—CABP1200

Omadacycline was non-inferior to moxifloxacin IV/oral in this direct comparison study following a protocol established under an SPA agreed with the FDA as well as the criteria outlined by the EMA. In this trial, patients with PORT Class II—IV were recruited; less than 25% of patients had received non-study antibiotics before enrollment.

S. pneumoniae and Mycoplasma pneumoniae were the predominant pathogens isolated, followed by H. influenzae, H. parainfluenzae, Legionella and Chlamydophila. The clinical response rates were high for all respiratory pathogens isolated at entry and very similar between omadacycline and moxifloxacin, a powerful respiratory fluoroquinolone.

Figure 8: CABP Study—OPTIC: Primary Efficacy Results—FDA Analysis

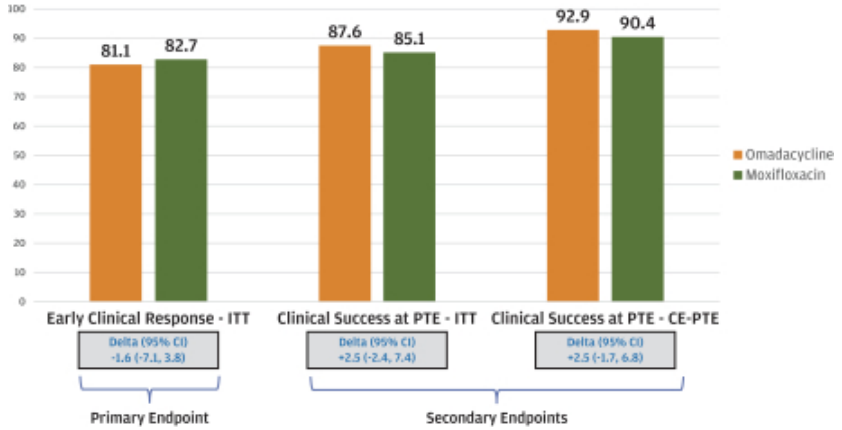


Figure 9: CABP Study—OPTIC: Primary Efficacy Results—EMA Analysis

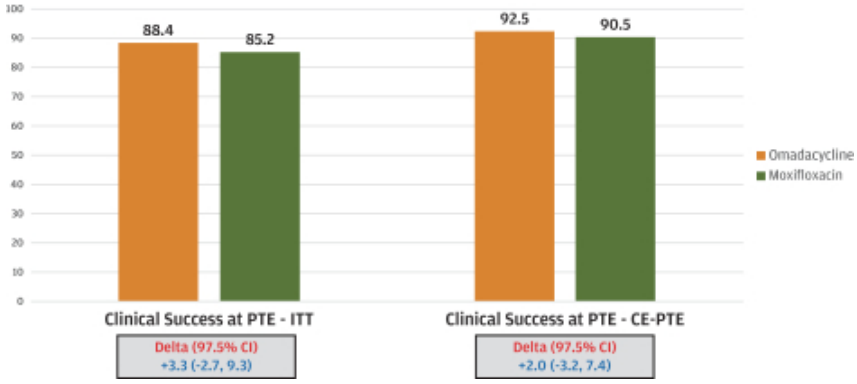


Figure 10: CABP Study—OPTIC: Clinical Success at PTE by Baseline Pathogen

	Omadacycline (N = 204)		Moxifloxacin (N = 182)	
Baseline Pathogen	**N**	**Clinical Success n (%)**	**N1**	**Clinical Success n (%)**
Atypical Pathogens	118	109 (92.4)	106	97 (91.5)
Mycoplasma *Pneumoniae*	70	66 (94.3)	57	50 (87.7)
Chlamydophila Pneumoniae	28	25 (89.3)	28	25 (89.3)
Legionella Pneumophila	37	35 (94.6)	37	36 (97.3)
Gram-Negative Bacteria (aerobes)	79	67 (84.8)	68	55 (80.9)
Haemophilus Influenzae	32	26 (81.3)	16	16 (100.0)
Haemophilus Parainfluenzae	18	15 (83.3)	17	13 (76.5)
Klebsiella Pneumoniae	13	10 (76.9)	13	11 (84.6)
Gram-Positive Bacteria(aerobes)	61	52 (85.2)	56	49 (87.5)
Streptococcus Pneumoniae	43	37 (86.0)	34	31 (91.2)
PSSP	26	23 (88.5)	22	21 (95.5)
Macrolide Resistant	10	10 (100.0)	5	5 (100.0)
Staphylococcus Aureus	11	8 (72.7)	11	9 (81.8)
*10 or More Isolates for Omadacycline				

Omadacycline was observed to be generally safe and well tolerated. Neither gastrointestinal side effects nor IV infusion reactions occurred more frequently in the omadacycline arm than in the comparator arm. Cardiovascular signs and symptoms and liver function test abnormalities occurred in both study arms with similar frequency.

Figure 11: TEAEs in CABP Trial

	Omadacycline (N = 382) n (%)	Moxifloxacin (N = 388) n (%)
Subjects with at Least One TEAE	157 (41.1)	188 (48.5)
ALT Increased	14 (3.7)	18 (4.6)
Hypertension	13 (3.4)	11 (2.8)
GGT Increased	10 (2.6)	8 (2.1)
Insomnia	10 (2.6)	8 (2.1)
Vomiting	10 (2.6)	6 (1.5)
Constipation	9 (2.4)	6 (1.5)
Nausea	9 (2.4)	21 (5.4)
AST Increased	8 (2.1)	14 (3.6)
Headache	8 (2.1)	5 (1.3)

Phase III trial – ABSSSI /OASIS-2

Paratek's third Phase III clinical study (OASIS-2) was an oral-only administration of omadacycline in ABSSSI compared to oral-only linezolid. Oral, once daily omadacycline met the FDA-specified primary efficacy endpoint

of statistical non-inferiority in the modified intent-to-treat, or mITT, population (10% non-inferiority margin, 95% confidence interval) compared to oral, twice daily linezolid at the early clinical response, or ECR, 48-72 hours after initiation of therapy. The ECR rates for the omadacycline and linezolid treatment arms were 87.5% and 82.5%, respectively. In addition, omadacycline met specified co-primary endpoints for the EMA, which are key secondary endpoints for the FDA. For these endpoints, non-inferiority in the mITT and clinically evaluable populations in at the post treatment evaluation, seven to 14 days after end of treatment, omadacycline demonstrated a high response rate and met statistical non-inferiority to linezolid for both populations using a pre-specified 95% confidence interval. High success rates were observed with response rates of 84.2% (omadacycline) vs. 80.8% (linezolid) and 97.9% (omadacycline) vs. 95.5% (linezolid), respectively.

Omadacycline was shown to be generally safe and well tolerated in the OASIS-2 study, consistent with prior studies of omadacycline. The most common TEAEs in omadacycline-treated patients (occurring in ^{3} 3% of patients) were gastrointestinal adverse events of omadacycline vs. linezolid included: vomiting (16.8% vs. 3.0%), nausea (30.2% vs. 7.6%), diarrhea (4.1% vs. 2.7%). In addition, alanine aminotransferase, or ALT, increase (5.2% with omadacycline vs. 3.0% with linezolid), aspartate aminotransferse increases (4.6% with omadacycline vs. 3.3 for linezolid) and headache (3.5% with omadacycline vs. 2.2% with linezolid). Drug-related TEAEs were 37.8% for omadacycline vs. 14.2% for linezolid (including gastrointestinal events). Discontinuation for TEAEs was uncommon, 1.6% for omadacycline vs. 0.8% for linezolid. Serious TEAEs occurred in 1.4% of omadacycline patients and 1.4% of linezolid patients; only one serious TEAE was considered related to the study drug and the event occurred in a linezolid patient. The mortality rate was 0.0% with omadacycline and 0.3% with linezolid. Drug-related serious TEAEs leading to premature discontinuation of test articles were 0.8% with omadacycline and 0.5% with linezolid.

Phase II studies

In a small study (N=111) conducted in cSSSI patients omadacycline showed comparable efficacy and safety to linezolid IV/PO ± aztreonam. However, the design of the Phase II study (and a truncated Phase III study with 68 patients) was no longer consistent with newer FDA guidance issued for ABSSSI in 2008 which required, among other changes, an early efficacy read-out at 48-72 hours.

In addition, this early omadacycline program used a 200 mg oral step-down dose that proved to not be bioequivalent to the 100 mg IV dose. Hence, these data are considered exploratory and cannot be merged easily with the larger pivotal program trials in ABSSSI and CABP that were conducted with FDA guidance and bioequivalent IV to oral step-down dosing.

Phase I studies

Omadacycline has been evaluated in more than 20 Phase I studies, including food-effect, age and gender, and renal / hepatic insufficiency studies.

Omadacycline has a very favorable PK profile. It was absorbed well; its plasma $T_{1/2}$ of 14-20 hours permitted once-daily dosing. The drug was not metabolized and drug-drug interactions were minimal. In contrast to other tetracyclines, which paradoxically display dose-dependent increases in protein binding, 80% of omadacycline remained available as free drug. Excretion was via biliary and urinary routes. Data from hepatic and renal impairment studies showed that dose adjustments are not needed for patients with either condition.

In bioequivalence studies, the 300 mg oral dose was found to match the area under the curve of the 100 mg IV dose within the 80-125% range.

Omadacycline was negative on hERG testing and had no appreciable effect on cardiac conduction in a Thorough QT trial at supra-therapeutic doses. However, in animal tests and during Phase I, a dose-dependent elevation of

blood pressure (syst and diast) and heart rate were observed. Omadacycline was found to be an acetylcholine antagonist for muscarinic receptor subtype M2, essentially acting as a vagolytic agent. In subsequent patient studies, these effects were less pronounced or absent and clinically asymptomatic. All Phase II and III studies included systematic cardiovascular pre- and post-dose monitoring of blood pressure and heart rate to further characterize these effects both qualitatively and quantitatively.

An ELF study showed excellent penetration of omadacycline into bronchoalveolar lavage fluid and into alveolar macrophages.

A cystitis (uUTI) study was conducted to obtain PK information for different oral dosing regimens of omadacycline.

ZL-2301

ZL-2301 is an oral, small molecule dual TKI which blocks both VEGFR and FGFR. ZL-2301 was studied by our partner Bristol-Myers Squibb mainly for the treatment of HCC, the most common type of liver cancer. To date, ZL-2301 has been tested in 26 trials, including 19 Phase I trials, two Phase II trials and five Phase III trials, with 2,651 oncology patients around the world. In these trials, ZL-2301 has demonstrated anti-tumor activity and a generally well-established safety profile, particularly in HCC patients. In 2012, Bristol-Myers Squibb terminated its development program for ZL-2301 after it missed the primary endpoints in two Phase III trials with advanced HCC patients.

Based on our review of the results from Bristol-Myers Squibb's development program for ZL-2301, our understanding of the etiology of HCC in Chinese patients, standard of care of HCC patients in China and our ongoing research, a number of factors lead us to believe that ZL-2301 has the potential to be an effective treatment option for Chinese HCC patients and merits further clinical trials. These factors include:

- in prior clinical trials, ZL-2301 was observed to have comparable anti-tumor activity in HCC patients to sorafenib, particularly in patients with HCC induced by hepatitis B infection rather than hepatitis C infection. In Chinese patients HCC is typically induced by hepatitis B infection, rather than hepatitis C infection;
- in China, chemotherapy, rather than TKIs, such as sorafenib, remains the primary first-line treatment for HCC and, as a result, a much greater percentage of Chinese patients are TKI-naive going into second-line treatment, hence more sensitive to TKI treatment;
- limited target therapy treatment options for HCC patients, especially in China; and
- our PD analysis and PK modeling data suggest that there may be a more effective dosing schedule of ZL-2301 compared to the dosing schedule studied in prior clinical trials.

In Bristol-Myers Squibb's BRISK-FL study, which was a Phase III non-inferiority study of ZL-2301 compared to sorafenib in patients without prior systemic treatment, 223 Chinese HCC patients out of 1,155 patients in total participated. Although the study missed the primary end point of overall survival noninferiority for ZL-2301 versus sorafenib based on the prespecified margin, ZL-2301 demonstrated evidence of anti-tumor activity. Median OS was 9.9 months for sorafenib and 9.5 months for ZL-2301. TTP, ORR, and DCR were similar between sorafenib and ZL-2301. Most frequent grade 3/4 adverse events for sorafenib and ZL-2301 were hand-foot skin reaction (15% and 2%, respectively), hyponatremia (9% and 23%, respectively), AST elevation (17% and 14%, respectively), fatigue (7% and 15%, respectively), and hypertension (5% and 13%, respectively). Discontinuation as a result of adverse events was 33% for sorafenib and 43% for ZL-2301; rates for dose reduction were 50% and 49%, respectively.

Our analysis of Chinese patients in the BRISK-FL study showed that ZL-2301 demonstrated a trend of efficacy and a safety profile comparable to those of sorafenib. In particular, more Chinese HCC patients experienced no dose reduction compared to non-Chinese patients. Our analysis also showed that less Chinese HCC patients experienced one dose or two dose reductions compared to non-Chinese patients. This data suggests that ZL-2301 treatment may be better tolerated by Chinese HCC patients than non-Chinese patients. While the BRISK-FL study was not designed specifically to determine efficacy and safety in a Chinese patient population, we concluded that our analysis of such clinical data was promising and warranted further clinical trials.

It has been debated within the HCC expert community that the biology of Chinese HCC may be different from that of non-Chinese HCC. In China, hepatitis B infections are much more prevalent than that of hepatitis C, and as a result HCC among Chinese patients are usually induced by the hepatitis B virus rather than the hepatitis C virus, which more commonly induces HCC in patients from western countries. We believe that this difference between Chinese HCC patients and non-Chinese HCC patients could potentially explain the difference in outcomes in patients treated with ZL-2301. For example, the subgroup analysis of 512 patients enrolled in the BRISK-FL study whose HCC was induced by hepatitis B infection showed overall survival of 8.4 months for ZL-2301 treated patients compared to 8.1 months for sorafenib treated patients; the subgroup analysis of 235 patients enrolled in the BRISK-FL study whose HCC was induced by hepatitis C infection showed overall survival of 10.9 months for ZL-2301 treated patients compared to 12.9 months for sorafenib treated patients. The treatment available to most advanced HCC patients in China is generally limited to traditional chemotherapy, and only a very small portion of Chinese HCC patients have access to sorafenib (Nexavar®), a kinase inhibitor co-developed and co-marketed by Bayer Healthcare and Onyx Pharmaceuticals Inc., a subsidiary of Amgen Inc., and used to treat 1st line HCC in the United States and other jurisdictions. Due to the difference in the standard-of-care in first-line treatment, most Chinese patients are TKI naïve, and they are therefore likely more sensitive and responsive to TKI therapy as compared to western second-line HCC patients who have already been exposed to TKI treatment and in most cases have become TKI resistant.

In addition, our pharmacodynamics analysis and pharmacology modeling data suggest that a 400 mg twice-a-day treatment regime seems to have better coverage for target inhibition as compared to a regime of 800 mg once daily. Therefore, we will explore and optimize the dose and dosing schedule in our further trials.

In 2015, we obtained an exclusive license for the development and commercialization of ZL-2301 in China, Hong Kong and Macau. The CFDA has approved our CTA for ZL-2301 as a Category 1 drug, and in the second quarter of 2017 we initiated a Phase II trial of ZL-2301 as a second-line treatment comparing 800mg once daily to 400mg twice daily for advanced HCC patients in China. Pending results from such Phase II trial, we plan to initiate a Phase III clinical trial shortly thereafter.

Market opportunity

The annual incidence for liver cancer was estimated at 466,100 patients in China in 2015, as compared with 35,660 patients in the United States. Among liver cancer patients in China, HCC is largely caused by the hepatitis B virus, or HBV, while hepatitis C is the main cause for non-Chinese HCC patients. HBV is found in more than two thirds of cases in China as compared to only 8% in the United States, according to the *Hepatology Journal*. This corresponds to over 10 times more HCC patients in China compared to the US. The number of hepatitis B cases in China is expected to continue to grow as the result of poor control of hepatitis B infection.

When identified in its early stages, liver cancer can often be treated with surgical resection or liver transplantation. At a more advanced stage, trans-catheter arterial chemoembolization, or TACE, and systemic drug therapy are considered. TACE is a combination of regional chemotherapy and some form of hepatic artery occlusion. Consistently higher response rates have been reported for TACE when compared with systemic chemotherapy. Sorafenib, a TKI, and chemotherapy are approved as the standard-of-care, first-line targeted

therapies in China. In addition, sorafenib is also recommended for use with TACE as an adjuvant in the China guidelines.

Overall, chemotherapy remains the main drug treatment method for HCC in China. There is only a low level of usage of targeted therapy with agents such as sorafenib, largely due to the low level of engagement of the leading physicians in the HCC area in China. It has been observed in HCC community that many Chinese patients with HCC who take sorafenib either do not respond well or show poor tolerance to such treatment. We believe this could be the result of a difference in biology of Chinese patients from non-Chinese patients and the fact that HCC is typically secondary to a hepatitis B infection in China. There is, therefore, a large unmet medical need to develop a widely accessible drug for advanced HCC treatment in China which presents better tolerability for Chinese patients. This is especially relevant since chemotherapy drugs are generally less effective in HCC, compared to other cancers.

Our clinical trial designs and strategy for the China market

In the second quarter of 2017 we initiated a Phase II trial in advanced HCC patients in China to further investigate ZL-2301's optimal treatment schedule and dosage as a second-line treatment. The study is an open label study of ZL-2301 with two treatment arms of 30 patients each. One arm is receiving 800 mg of ZL-2301 once daily and the other arm is receiving 400 mg of ZL-2301 twice daily. The primary endpoints of this Phase II trial are disease control rate at three months post treatment and time to tumor progression. The PK profile of each treatment schedule and dosage level is also being investigated.

Pending results from the Phase II trial, including the optimal dosage level and schedule, we plan to initiate a Phase III double-blind, randomized, parallel trial to compare ZL-2301 at the selected treatment schedule/dosage with best supportive care versus placebo with best supportive care as a second-line treatment of advanced HCC patients. We plan to enroll 348 patients at a 2:1 ratio for the Phase III trial. The primary endpoints will be overall survival and the secondary endpoints will be time to tumor progression, disease control rate, objective response rate and overall safety. If this Phase III trial yields positive results, we plan to use the results to support an NDA submission of ZL-2301 in China.

Background on tyrosine kinase inhibitors

Tyrosine kinases are enzymes responsible for the activation of many proteins by signaling transduction cascades, the process by which a foreign DNA is introduced into a cell by a virus or viral vector. The tyrosine kinase inhibitors comprise a relatively new group of anticancer drugs that have been developed as oral formulations. The mechanism of action of tyrosine kinase inhibitors includes modulation of key pathways and mechanisms of angiogenesis, the formation of new blood vessels in human body, and tumorigenesis, the formation of cancers, such as VEGFR. However, tyrosine kinase involvement and activity may vary from tumor to tumor, resulting in differing responses to different TKIs.

VEGF plays a key role in tumor angiogenesis during the development of cancer, tumors at an advanced stage can secrete large amounts of VEGF to stimulate excessive angiogenesis around the tumor in order to provide greater blood flow, oxygen, and nutrients to fuel the rapid growth of the tumor. VEGF and other ligands can bind to three VEGF receptors, VEGFR1, 2 and 3, each of which has been shown to play a role in angiogenesis. Therefore, inhibition of the VEGF/VEGFR signaling pathway can act to stop the growth of the vasculature around the tumor and thereby starve the tumor of the nutrients and oxygen it needs to grow rapidly.

In addition, a growing body of evidence has demonstrated the oncogenic potential of FGFR aberrations in driving tumor growth, promoting angiogenesis, and conferring resistance mechanisms to anti-cancer therapies. There is also evidence that anti-VEGF therapy treatment could increase FGFR pathway activation, leading to

drug resistance to anti-VEGF therapies. As a result, simultaneously targeting VEGFR and FGFR is an attractive approach to improve clinical efficacy.

ZL-2301 mechanism of action

By inhibiting VEGFR and FGFR, ZL-2301 affects the human vein endothelium cells, which are responsible for angiogenesis. Since essentially all solid tumors require angiogenesis to progress beyond a few millimeters in diameter, anti-angiogenesis drugs have demonstrated benefits in a wide variety of tumor types.

The exact mechanisms by which ZL-2301 inhibits tumor growth are not entirely understood, but clinical trial results to date suggest that ZL-2301 effectively inhibits tumor growth and such inhibition is associated with the inactivation of VEGFR-2, increased apoptosis, a process of programmed cell death, a reduction in microvessel density, inhibition of cell proliferation and down-regulation of cell cycle regulators.

ZL-2301 preclinical and clinical background

As discussed below, Bristol-Myers Squibb completed various preclinical studies to evaluate the pharmacodynamics, pharmacokinetics and toxicology profile of ZL-2301.

Pharmacodynamics. In preclinical studies, ZL-2301 demonstrated strong in vitro inhibitory effects on human umbilical vein endothelial cells when stimulated with VEGF and basic fibroblast growth factor for VEGFR-2 and basic fibroblast growth factor receptor-1, respectively. Each of ZL-2301 and ZL-2301 alaninate, which becomes the pharmacologically active ZL-2301 after being metabolized, demonstrated, in vivo, a broad spectrum of antitumor activities, with cytostasis, the inhibition of cell growth and multiplication, observed in all human tumor models tested.

In addition, when ZL-2301 was administered in combination with cetuximab, enhanced antitumor activities were observed against mouse xenograft lung tumor tissue samples. Enhanced antitumor activities were also observed when ZL-2301 was administered in combination with ixabepilone and paclitaxel. When tested on a model of human lung carcinoma tissues, ZL-2301 demonstrated more prolonged tumor growth delay than sorafenib. Furthermore, complete tumor stasis was also observed in a staged tumor xenograft derived from HCC patients after ZL-2301 was administered.

Further studies demonstrated that ZL-2301 effected mainly the gastrointestinal, vascular, skeletal and female reproductive systems. The effects of ZL-2301 on these target systems were consistent with the expected pharmacology of ZL-2301. In addition, in repeat-dose studies, reversible increases in serum transaminases were observed in studies conducted on mice, rats and monkeys, total bilirubin and liver weight gains were observed in studies conducted on rats, and microscopic alterations of hepatocellular vacuolation were observed in studies conducted on rats and monkeys, which indicated that ZL-2301 has a significant effect on livers.

Pharmacokinetics. ZL-2301 elicited desirable and consistent pharmacokinetic profiles in nonclinical species in vivo. The oral absorption of ZL-2301 alaninate in mice, rats, dogs and monkeys was rapid, with bioavailability ranging from 52% to 97%.

Elimination of ZL-2301 and its metabolites was mainly fecal. ZL-2301 was also found to be highly bound to serum proteins and exhibit a moderate level of extravascular distribution.

Toxicology. Comprehensive preclinical toxicology studies were conducted to support the administration of ZL-2301 in patients with cancer. These studies indicated that ZL-2301 alaninate and ZL-2301 inhibited hERG/IKr channels resulting in a high, in the case of ZL-2301 alaninate or moderate, in the case of ZL-2301, risk for QT prolongation. However, neither ZL-2301 alaninate nor ZL-2301 produced substantive effects on rabbit Purkinje

fiber action potential duration and no biologically relevant inhibitory effect on any of 53 different receptors, transporters, and ion channels investigated in vitro. ZL-2301 produced no central nervous system-related effects on rats and monkeys, and apart from a slight decrease in heart rates on monkeys, dose-dependent increases in blood pressure, and mild decreases in heart rate in a telemetered rat model, it produced no changes in respiratory function and heart rates or sounds in exploratory or pivotal toxicity studies conducted in dogs or monkeys.

The effects of ZL-2301 alaninate on male and female fertility have not been studied. However, repeat-dose toxicity studies in rats and monkeys indicated that ZL-2301 could potentially impair reproductive function and fertility in females. ZL-2301 alaninate also produced embryo-fetal developmental toxicity in rats and rabbits at doses that did not produce maternal toxicity. As a result, ZL-2301 is considered a selective developmental toxicant in these two species.

With respect to clinical stage studies, Bristol-Myers Squibb conducted three Phase III studies of ZL-2301. The Phase III study called the BRISK-FL study tested the efficacy of ZL-2301 against sorafenib in patients with advanced HCC without prior systemic treatment. The second study, BRISK-PS, tested ZL-2301 against best supportive care in patients that failed or were intolerant to sorafenib. In both studies, ZL-2301 failed to meet its primary endpoint but nonetheless it did demonstrate some anti-tumor activity. Due to these results, a third Phase III trial in which ZL-2301 was used as an adjuvant to TACE was terminated by Bristol-Myers Squibb, prior to its completion in 2012.

Fugan

Overview

Fugan (ZL-3101) is a novel steroid-sparing topical product for the treatment of eczema and psoriasis. We licensed the exclusive worldwide rights to fugan in 2016 from GSK. The active botanical ingredients in fugan were originally used in a hospital setting within China to treat patients with eczema and psoriasis. Our management team, who has extensive experience developing botanical products in the clinical setting, acquired fugan from GSK because it identified fugan as a potential steroid-sparing treatment for eczema and psoriasis sufferers who have limited natural treatment options. The potential anti-inflammatory benefit of fugan results from its active botanical formula which incorporates the herbs Glycyrrhizae Radix et Rhizoma and Sophorae Flavescentis.

We started our Phase II study in patients with mild to moderate subacute eczema in China in the second quarter of 2017.

Market opportunity

Eczema. Atopic dermatitis, also known as eczema, is a chronic disease of the skin that is believed to be caused by a combination of hereditary and environmental factors. The main symptoms of atopic dermatitis include dry, itchy skin leading to rashes on the face, hands, feet, along with inside the elbows and behind the knees. Scratching results in redness, swelling, cracking, “weeping” clear fluid, and crusting or scaling. Globally, the disease has a prevalence rate of 15-20% in children and 1-3% in adults and 90% of eczema cases represent mild to moderate forms, according to studies by S. Nutten and Zhang JZ, respectively.

Most patients with mild to moderate eczema are currently treated with topical agents such as corticosteroids and moisturizers. Corticosteroids were the first immunomodulators available in topical formulations and exert anti-inflammatory and immunosuppressive effects. However, treatment-related side effects associated with corticosteroid use, such as local application-site reactions, including skin atrophy with prolonged use, and

profound effects on neuroendocrine system, which can lead to growth retardation in adolescents and an increased risk for diabetes, underscore the need for novel therapies to treat this disease.

Non-steroidal medications such as topical calcineurin inhibitors are also sometimes applied to the parts of the skin affected by eczema for purposes of controlling symptoms for short periods of time, but there are safety risks to application of calcineurin inhibitors to large areas of skin due to systemic absorption of these immunosuppressive agents.

In recent years, drug makers have responded to the significant unmet need in the market for eczema and have actively been developing safe and efficacious prescription drug alternatives. In December 2016, the FDA granted approval for Eucrisa™ (Pfizer), a topical treatment for mild to moderate eczema, while in March 2017, the FDA granted approval for Dupixent® (Sanofi/Regeneron), a monoclonal antibody for adults with moderate to severe eczema. According to GMR data, sales of Eucrisa™ and Dupixent® are estimated to be $2.0 billion and $3.8 billion, respectively, by 2026. These products are expected to contribute to a broader and fast growing market opportunity. The global eczema drug market is expected to grow from $0.8 billion in 2016, to $10.5 billion by 2026, representing a CAGR of 29.4%.

Fugan is a novel botanical topical product, with the key target indication of mild to moderate eczema. We believe fugan could offer a natural, topical, steroid-sparing product with strong efficacy and limited long-term safety concerns, at a more attractive price point, compared to global competitors. In addition, fugan has shown efficacy and safety in published prototype clinical studies conducted in China. We believe that fugan will allow us to access a large and fast-growing global market opportunity.

Psoriasis. Psoriasis is a common chronic disorder of the skin characterized by dry scaling patches, called “plaques,” for which current treatments are few, and those that are available have potentially serious side effects. According to a study (L. Cai) in 2016, the prevalence of psoriasis in China is approximately 0.12-0.47%. Globally, prevalence of psoriasis is even higher, with the disease being more prevalent in colder climates. According to WHO, the worldwide prevalence of psoriasis is around 2%.

The majority of psoriasis sufferers have mild cases and are treated with topical steroids that can have undesirable side effects. Biologics treatments treat moderate to severe psoriasis and are not advisable for people with compromised immune systems. We believe fugan could offer a natural, steroid-sparing product with strong efficacy and limited long-term safety effects for psoriasis patients.

Our clinical trial designs and strategy

We have initiated a Phase II proof-of-concept study in patients with mild to moderate subacute eczema in China. This Phase II study is a multi-center, randomized, double-blind, parallel, placebo controlled study to evaluate the efficacy and safety of different fugan ointment treatment schedule/dose in patients. This study will enroll an estimated 310 patients to ensure at least 250 clinically evaluable patients are available. Enrollment is expected to be completed in early 2018 and top-line results are expected to be reported in mid-2018.

Patients will be recruited and randomized in a ratio of 2:2:1 into groups that receive fugan twice daily, once daily and placebo. Randomization will be stratified by disease severity. The primary objective is to evaluate efficacy of fugan using the Eczema Area and Severity Index. The Eczema Area and Severity Index is a tool for the measurement of severity of eczema. It ranges from zero (no eczema) to 72. The primary endpoint is Eczema Area and Severity Index score changes from baseline to day 21 of treatment. The secondary objective is to assess the safety and tolerability of fugan ointment in subjects with mild to moderate subacute eczema. The safety endpoints include incidence, severity and relationship of adverse events, the proportion of subjects with adverse events leading to discontinuation and local tolerability at various points during the trial.

Pending results of the Phase II study, we plan to initiate a Phase III global, multi-center clinical trial.

Fugan mechanism of action

Pharmacologic disease management of eczema and psoriasis is typically aimed at targeting the immune system dysfunction responsible for the inflammatory reaction at the site of the flares, that is, proinflammatory cytokines and other products of T-cell activation. Topical therapies are the mainstay of treatment for most patients with these conditions.

Our preclinical studies demonstrated that the active components of the formulation is not absorbed systematically, we believe fugan may offer an improved safety profile over currently approved topical therapies and could significantly improve outcomes for patients globally. Furthermore, GSK-sponsored preclinical studies have demonstrated that fugan may inhibit cell infiltration and suppress inflammatory cytokines that would otherwise go unchecked and continue to propagate chronic inflammation. Preclinical studies also suggest that fugan can inhibit overexpression of proinflammatory cytokines such as such as tumor necrosis factor, or TNF-a, and interferon gamma, IFN-g, and ICAM-1, a gene that may be associated with pro-inflammatory pathways.

Fugan preclinical development

In preclinical development, fugan demonstrated inhibitory effects in mouse and rat acute inflammation models, with significant inhibition seen in xylene-induced ear swelling, skin capillary permeability and carrageenan-induced paw swelling models. The preclinical studies used 4-dinitrofluorobenzene-, or DNFB-, induced mice which more closely reflect the characteristics of chronic T-cell-dependent inflammation. The degree of swelling in mouse auricles and the inflammatory cell counts were decreased in DNFB-induced delayed type hypersensitivity models of dermatitis and eczema. Significant decreases in IFN-g TNF-a and ICAM-1 levels in auricular tissues were seen following topical application of fugan. Furthermore, histamine-induced itching reactions were reduced in guinea pigs, with significant increases in the itching thresholds following fugan application. These results suggest that fugan inhibits the overexpression of inflammation-related cytokines (IFN-g) and intercellular cell adhesion molecule-1 (ICAM-1), subsequently alleviating the inflammatory, anaphylactic and pruritic characteristics of eczema.

In addition to the anti-inflammatory effects, fugan demonstrated potent bacteriostatic or bactericidal effects in vitro against Staphylococcus aureus, beta-streptococcus and candida albicans at a low concentration. Staphylococcus aureus is the most common bacteria to infect and colonize the skin in eczema, the bactericidal effects of fugan could be helpful in treating eczema. Fugan showed no significant observable effects in preclinical safety pharmacology studies across the species evaluated.

Pharmacokinetics. The systemic exposure of four representative marker compounds from the two herbs used in fugan's formula was assessed following single and repeat dose dermal administration of fugan (doses up to 5.6 g herb/kg/day) to miniature pigs for up to 28 days. No consistent kinetic profile was observed for any of the marker compounds prohibiting any conclusion to be made on the relationship between dose, dose duration and exposure for these four markers.

Toxicology. The results obtained from preclinical toxicology studies of fugan in in miniature pig and rabbit species indicated there were dermal changes at the application site, including erythema, rash, sores and skin scaling, which primarily occurred in the fourth week of the dosing period. When averaged over the entire study per CFDA guidelines, the response was classified as "no irritation" at all doses. However, possible adverse events at the application site will be monitored in our clinical trials.

Our preclinical pipeline

ZL-2302

ZL-2302 is a multi-targeted TKI with activity on both ALK and crizotinib-resistant ALK mutations developed for the treatment of patients with non-small cell lung cancer who have ALK mutations and have developed crizotinib-resistant mutations and/or brain metastasis. We licensed the exclusive worldwide rights to ZL-2302 from Sanofi in 2015. Our preclinical studies demonstrated that ZL-2302 has a great ability to penetrate the blood-brain barrier, which could make ZL-2302 an effective therapy for the significant portion of the patients who have non-small cell lung cancer with ALK mutations and brain metastasis. Such patients typically have poor prognosis, a low quality of life and limited treatment options.

Our clinical trial designs and strategy

Our CTA for ZL-2302 has been accepted as a Category 1 drug by the CFDA, and we expect to initiate a Phase I study of ZL-2302 in China in the first half of 2018.

Mechanism of action

ZL-2302 was designed with broad-spectrum activity against resistant ALK mutations and brain penetration as the next-generation ALK inhibitor.

ZL-2302 preclinical development

Comprehensive preclinical studies have been done to analyze ZL-2302. The key results are summarized as indicated below. Based on the study data, an IND package has been prepared and filed with the CFDA.

In vitro pharmacology studies demonstrated that ZL-2302 can inhibit the ALK kinase in both wild-type and active against activated mutant forms (R1275Q, F1174L and F1245V) as well as the resistance gatekeeper mutant (ALK L1196M) and EML4-ALK oncogenic fusion. Such studies have also shown that it inhibits the proliferation of the Ba/F3 expressing wild-type and mutant forms of EML4-ALK and ALK dependent cell lines NCI-H3122, KARPAS-299 and SU-DHL-1. However, it was shown not to inhibit the proliferation of PC3, an ALK independent cell line, at concentrations up to 3 μM.

In vivo patient-derived xenograft models showed ZL-2302 had antitumor activity in mice bearing the ALK-dependent and Crizotinib-resistant tumors. It also has great brain penetration abilities in mice and can inhibit the intracranial tumor growth in the ALK-dependent xenograft model. The brain-to-plasma ratio of drug exposure is 1.26, which indicated it has good brain penetration.

Preclinical studies have shown that it can be easily absorbed after oral administration with the 15-75% bioavailability in different species. The drug can be widely distributed in the body, but high drug concentration was found in tumor tissues and lung. No drug accumulation was fond after repeated dose administration. Safety pharmacology, general toxicology and gene toxicity studies in different species showed ZL-2302 has a good safety profile. No significant toxicity was found. All adverse effects found in the studies are reversible and can be managed and monitored.

ZL-1101

ZL-1101 is an anti-OX40 antagonistic antibody with first-in-class potential for the treatment of a range of autoimmune diseases such as graft-versus-host disease or systemic lupus erythematosus. We licensed the exclusive worldwide rights to ZL-1101 from UCB, a multinational biopharmaceutical company based in Belgium, in 2015. Its anti-inflammatory activities have been validated by a variety of inflammatory and autoimmune pharmacology models.

Our clinical trial designs and strategy

We intend to file an IND in 2018.

Mechanism of action

OX40, also known as CD134, TNFRSF4, ACT35 or TXGP1L, is a member of the TNF receptor superfamily, which is a group of ligands and receptors involved in diverse biological processes ranging from the selective induction of cell death in potentially dangerous and superfluous cells to providing costimulatory signals that help mount an effective immune response. OX40 is predominantly expressed on activated T-cells, and its cognate ligand, OX40L, is expressed on activated antigen presenting cells. OX40 functions as a major costimulatory receptor on T cells, and ligation by OX40L delivers activation signals to increase the proliferation and longevity of effector T cells, increase production of effector cytokines, suppress regulatory function, preserve cellular memory and facilitate migration. When immune activation is excessive or uncontrolled, pathological allergy, asthma, inflammation, autoimmune and other related diseases may occur. In such instances, activation and differentiation of T-cells play an important role. Because OX40 functions to enhance immune responses, it may exacerbate autoimmune and inflammatory diseases, including graft-versus-host disease, systemic lupus erythematosus, asthma and viral-induced lung inflammation, and therefore drugs which block or suppress OX40 have the potential to treat a range of such disorders.

ZL-1101 is an isolated antagonist antibody that specifically binds to a human OX40. It exhibits complete blockade of OX40-OX40L interaction with high potency as such it is expected to inhibit pathogenic effector T cells while simultaneously restore regulatory T cell generation and/or function, thus re-balancing the immune system.

ZL-1101 preclinical development

ZL-1101's bioactivities and functional potency have been investigated both *in vitro* and *in vivo* studies. In such studies, cellular proliferation and production of inflammatory cytokines was markedly suppressed, demonstrating that ZL-1101 effectively inhibits lymphocyte activation. ZL-1101 was also found to be highly potent. The efficacy of a single dose of ZL-1101 has been shown to be potent enough to effectively inhibit human T cell proliferation *in vivo*, supporting ZL-1101 as a viable therapeutic candidate. *In vitro* activity and cell-based assays demonstrated that ZL-1101 has a good affinity and ligand-blocking capacity. In a functional assay, it has been demonstrated that ZL-1101 is capable of blocking OX40L binding to cynomolgus cell-surface expressed OX40.

In addition, pharmacokinetic and pharmacodynamic studies confirmed it has a profile that is sufficient for development into a drug candidate. Preliminary modeling to predict the human half-life and the pharmacologically active dose have shown that the expected half-life in humans is 14 days and 17 days when the 0.3 mg/kg data were excluded from the analysis. The target turnover model indicates that approximately1 mg/kg dose would result in almost complete target engagement.

Internal discovery programs

Our in-house research and development team focuses on the development of immuno-oncology large molecules for the treatment of oncology. Our team members have been directly involved in the discovery, development and commercialization of several successful global drug launches, including fruguintinib and savolitinib while they were at Hutchison Medi-Pharma. We have collaborations with leading academic institutions in China, Tsinghua University and Shanghai Institute of Materia Medica, to support our in-house research projects.

Overview of our license agreements

Tesaro

In September 2016, we entered into a collaboration, development and license agreement with TESARO Inc., or Tesaro, under which we obtained an exclusive sub-license under certain patents and know-how that Tesaro licensed from Merck, Sharp & Dohme Corp. (a subsidiary of Merck & Co. Inc.), or Merck Corp., and AstraZeneca UK Limited to develop, manufacture, use, sell, import and commercialize Tesaro's proprietary PARP inhibitor, niraparib, in mainland China, Hong Kong and Macau, or licensed territory, in the licensed field of treatment, diagnosis and prevention of any human diseases or conditions (other than prostate cancer). We also obtained the right of first negotiation to obtain a license from Tesaro to develop and commercialize certain follow-on compounds of niraparib being developed by Tesaro in our licensed field and licensed territory. Under the agreement, we agreed not to research, develop or commercialize certain competing products and we also granted Tesaro the right of first refusal to license certain immuno-oncology assets developed by us.

We are obligated to use commercially reasonable efforts to develop and commercialize the licensed products in our licensed field and licensed territory. We are also responsible for funding all development and commercialization of the licensed products in our licensed territory. Tesaro has the option to elect to co-promote the licensed products in our licensed territory. This co-marketing right must be exercised by Tesaro twelve months prior to the first commercial sale of niraparib in the licensed territories.

We also agree to take any action or omission reasonably requested by Tesaro that is necessary or advisable to maintain compliance with the terms of Tesaro's license agreements with Merck Corp. and AstraZeneca UK Limited.

Under the terms of the agreement, we made an upfront payment of $15.0 million to Tesaro. If we achieve a specified regulatory, development and commercialization milestones, we may be required to pay aggregate milestone payments up to $39.5 million to Tesaro. In addition, if we successfully develop and commercialize the licensed products and Tesaro does not exercise its co-promotion option, we will pay Tesaro tiered royalties at percentage rates in the mid- to high-teens on the net sales of the licensed products, until the later of the expiration of the last-to-expire licensed patent covering the licensed product, the expiration of regulatory exclusivity for the licensed product, or the tenth anniversary of the first commercial sale of the licensed product, in each case on a product-by-product and region-by-region basis.

The agreement with Tesaro will remain in effect until the expiration of the royalty term and may be earlier terminated by either party for the other party's uncured material breach, bankruptcy or insolvency or by mutual agreement of the parties. In addition, we have the right to terminate the agreement for convenience at any time upon advance notice to Tesaro. Upon early termination of the agreement, we must grant to Tesaro an exclusive license under certain of our intellectual property to develop and commercialize the licensed products outside the licensed territory.

Paratek

In April 2017, we entered into a license and collaboration agreement with Paratek Bermuda, Ltd., a subsidiary of Paratek Pharmaceuticals, Inc., under which we obtained both an exclusive license under certain patents and know-how of Paratek Bermuda Ltd. and an exclusive sub-license under certain intellectual property that Paratek Bermuda Ltd. licensed from Tufts University to develop, manufacture, use, sell, import and commercialize omadacycline in mainland China, Hong Kong, Macau and Taiwan, or licensed territory, in the field of all human therapeutic and preventative uses other than biodefense, or the licensed field. Under certain circumstances, our exclusive sub-license to certain intellectual property Paratek Bermuda Ltd. licensed from Tufts University may be converted to a non-exclusive license if Paratek Bermuda Ltd.'s exclusive license from

Tufts University is converted to a non-exclusive license under the Tufts Agreement. We also obtained the right of first negotiation to be Paratek Bermuda Ltd.'s partner to develop certain derivatives or modifications of omadacycline in our licensed territory. Paratek Bermuda Ltd. retains the right to manufacture the licensed product in our licensed territory for use outside our licensed territory. We also granted to Paratek Bermuda Ltd. a non-exclusive license to certain of our intellectual property for Paratek Bermuda Ltd. to develop and commercialize licensed products outside of our licensed territory. Under the agreement, we agreed not to commercialize certain competing products in our licensed territory. We are obligated to use commercially reasonable efforts to develop and commercialize the licensed products in our licensed field and licensed territory, including making certain regulatory filings within a specified period of time.

Under the terms of the agreement, we made an upfront payment to Paratek Bermuda Ltd. of $7.5 million and we may be required to pay milestone payments up to $54.5 million to Paratek Bermuda Ltd. for the achievement of certain development and sales milestone events. In addition, we will pay to Paratek Bermuda Ltd. tiered royalties at percentage rates in the range of low- to mid-teens on the net sales of licensed products, until the later of the abandonment, expiration or invalidation of the last-to-expire licensed patent covering the licensed product, or the eleventh anniversary of the first commercial sale of the licensed product, in each case on a product-by-product and region-by-region basis.

The agreement with Paratek Bermuda Ltd. will remain in effect until the expiration of the royalty term and may be earlier terminated by either party for the other party's uncured material breach, bankruptcy or insolvency. In addition, we have the right to terminate the agreement for convenience at any time upon advance notice to Paratek Bermuda Ltd. Paratek Bermuda Ltd. has the right to terminate the agreement if we challenge its patents. Upon termination of the agreement, our license of certain intellectual property to Paratek Bermuda Ltd. will continue for Paratek Bermuda Ltd. to develop and commercialize licensed products worldwide.

Bristol-Myers Squibb

In March 2015, we entered into a collaboration and license agreement with Bristol-Myers Squibb Company, or BMS, under which we obtained an exclusive license under certain patents and know-how of BMS to develop, manufacture, use, sell, import and commercialize BMS's proprietary multi-targeted kinase inhibitor, brivanib in mainland China, Hong Kong and Macau, or licensed territory, in the field of diagnosis, prevention, treatment or control of oncology indications, or licensed field, with the exclusive right to expand our licensed territory to include Taiwan and Korea under certain conditions. BMS retains the non-exclusive right to use the licensed compounds to conduct internal research and the exclusive right to use the licensed compounds to manufacture compounds that are not brivanib. Under the agreement, we agreed not to develop and commercialize certain competing products for specified time periods.

We are obligated to use commercially reasonable efforts to develop and commercialize the licensed products in our licensed field and licensed territory. BMS has the option to elect to co-promote the licensed products in our licensed territory. If BMS exercises its co-promotion option, BMS will pay us an option exercise fee and we will share equally with BMS the operating profits and losses of the licensed products in our licensed territory.

If BMS does not exercise its co-promotion option, we may be required to pay BMS milestone payments up to $114.5 million for the achievement of certain development and sales milestone events, and also tiered royalties at percentage rates in the mid- to high-teens on the net sales of the licensed products in our licensed territory, until the later of the expiration of the last-to-expire licensed patent covering the licensed product, the expiration of regulatory exclusivity for the licensed product, or the twelfth anniversary of the first commercial sale of the licensed product, in each case on a product-by-product and region-by-region basis.

We also have the right to opt-out of the commercialization of the licensed products in our licensed territory under certain conditions. If we elect to opt-out, BMS will have the right to commercialize the licensed products

in our licensed territory and will pay us royalties on the net sales of the licensed products in our licensed territory.

BMS has the option to use the data generated by us from our development of the licensed products to seek regulatory approval of the licensed products outside our licensed territory, and if BMS exercises such option, BMS will be obligated to make certain payments to us, including upfront, milestone and royalty payments.

The agreement with BMS will remain in effect until the expiration of all payment obligations, and may be earlier terminated by either party for the other party's uncured material breach, safety reasons or failure of the development of the licensed products. In addition, we have the right to terminate the agreement for convenience after a certain specified time period upon advance notice to BMS. BMS may also terminate the agreement for our bankruptcy or insolvency.

GSK

In October 2016, we entered into a license and transfer agreement with GlaxoSmithKline (China) R&D Co., Ltd, or GSK China, an affiliate of GSK, under which GSK China transferred to us its worldwide, exclusive license under certain patents, know-how, inventory and regulatory materials to develop, manufacture, use and commercialize FUGAN and GRAPE, two formulations comprising extracts from traditional Chinese herbs, for the treatment, diagnosis and prevention of any human diseases. In connection with such transfer, GSK China also assigned to us its agreements with Chengdu Bater Pharmaceutical Co., Ltd, or Bater, and Traditional Chinese Medical Hospital, Xinjiang Medical University, or Xinjiang, relating to FUGAN and GRAPE.

We are obligated to use commercially reasonable efforts to develop at least one licensed product, until the later of the expiration of the last-to-expire licensed patent covering the licensed product, the expiration of regulatory exclusivity for the licensed product, or an anniversary date in the mid-teens of the first commercial sale of the licensed product, in each case on a product-by-product and country-by-country basis. Under the terms of the agreement, we made an upfront payment to GSK China of RMB 4.5 million. We may be required to make milestone payments to GSK China up to RMB 55.0 million for the achievement of certain development milestone events. In addition, we will pay to GSK China tiered royalties at percentage rates in the low- to mid-single digits on the net sales of FUGAN and GRAPE, until the later of the expiration of the last-to-expire licensed patent covering the licensed product, the expiration of regulatory exclusivity for the licensed product, or an anniversary date in the mid-teens of the first commercial sale of the licensed product, in each case on a product-by-product and country-by-country basis. GSK China made a milestone payment to Bater of RMB 4.0 million and we have made a milestone payment to Bater of RMB 2.0 million. We also assumed the obligation to make additional milestone payments up to RMB 4.0 million and RMB 10.0 million under the assigned agreements with Bater and Xinjiang, respectively, for milestones achieved after the assignment of the agreements to us. If we sublicense, sell or otherwise divest the patents and know-how acquired from GSK China to third parties before the completion of certain development phase, we are also required to pay to GSK China half of our income attributed to such sublicense, sale, or divesture.

The agreement with GSK China will remain in effect until the expiration of the royalty term and may be earlier terminated by either party for the other party's uncured material breach. In addition, we have the right to terminate the agreement for convenience upon advance notice to GSK China at any time after completion of a certain stage of development work. GSK China has the right to terminate the agreement if we fail to reach certain development milestones, fail to make payments owed to GSK China, or fail to use commercially reasonable efforts in the development and commercialization of the licensed products and cannot correct such failure in the agreed period. Upon termination of the agreement with GSK China for our uncured breaches, we must, among other actions, assign back to GSK China and/or Bater and Xinjiang the transferred know-how and the license agreements between GSK China and Bater and Xinjiang.

Sanofi

In July 2015, we entered into a license agreement with Sanofi, under which we obtained an exclusive and worldwide license under certain patents and know-how of Sanofi to develop, manufacture, use, sell, import and commercialize Sanofi's ALK inhibitor, or the licensed compound, or ZL-2302 for any oncology indications in humans. Sanofi retains the non-exclusive right to use the licensed compound to conduct internal research and manufacture the licensed compound and licensed product for such research.

We are obligated to use commercially reasonable efforts to develop and commercialize the licensed product in each of the major market countries. Sanofi has the option to exclusively negotiate with us to obtain the exclusive rights to commercialize the licensed product in the oncology field in such major market countries or throughout the world under certain circumstances.

Under the terms of the agreement, we made upfront payments to Sanofi totaling $0.5 million. We may be required to make milestone payments to Sanofi up to $31.0 million for the achievement of certain development and regulatory milestone events. In addition, we will pay Sanofi tiered royalties at percentage rates in the range of high single digits to low double digits on the net sales of the licensed products, until the later of the expiration of the last-to-expire licensed patent covering the licensed product, the expiration of regulatory exclusivity for the licensed product, or the tenth anniversary of the first commercial sale of the licensed product, in each case on a product-by-product and country-by-country basis. If we sublicense, transfer or assign (other than through a change of control transaction) the right to the licensed product to third parties, we are also required to pay to Sanofi a share of our sublicensing income.

The agreement with Sanofi will remain in effect until the expiration of the royalty term and may be earlier terminated by either party for the other party's uncured material breach. In addition, we have the right to terminate the agreement for convenience at any time upon advance notice to Sanofi. Sanofi has the right to terminate the agreement if we challenge any of the licensed patents. Sanofi may also terminate the agreement for our bankruptcy or insolvency. Upon any termination of the agreement, in addition to other obligations, we must grant to Sanofi an exclusive license under certain of our intellectual property to commercialize the licensed product.

UCB

In September 2015, we entered into a license agreement with UCB Biopharma Sprl, under which we obtained an exclusive and worldwide license under certain patents and know-how of UCB Biopharma Sprl to develop, manufacture, use, sell, import and commercialize UCB Biopharma Sprl's proprietary antibody UCB3000, or the licensed compound, or ZL-1101 for the treatment, prevention and diagnosis of any human diseases. UCB Biopharma Sprl retains the non-exclusive right to use the licensed compound for its own research purposes.

We are obligated to use commercially reasonable efforts to develop and commercialize at least one licensed product in the U.S. and EU and to file an IND within a certain specified time period. UCB Biopharma Sprl has the right of first negotiation to acquire the rights to the licensed products back from us upon our successful completion of certain clinical development work.

Under the terms of the agreement, we made upfront payments to UCB Biopharma Sprl totaling $0.8 million. If we successfully develop and commercialize the licensed products, we may be required to make milestone payments to UCB Biopharma Sprl up to an aggregate of $106.7 million for the achievement of certain development, regulatory and sales milestone events. In addition, we will pay to UCB Biopharma Sprl royalties at percentage rates in the range of mid-single digits to low-double digits on the net sales of the licensed products, until the later of the expiration of the last-to-expire licensed patent covering the licensed product, the

expiration of regulatory exclusivity for the licensed product, or the tenth anniversary of the first commercial sale of the licensed product, in each case on a product-by-product and country-by-country basis. If we sublicense the right to the licensed product to third parties, we are also required to pay to UCB Biopharma Sprl a low-double digit percentage share of our sublicensing income.

The agreement with UCB Biopharma Sprl will remain in effect until the expiration of the royalty term and may be earlier terminated by either party for the other party's uncured material breach, bankruptcy or insolvency. In addition, we have the right to terminate the agreement for convenience at any time upon advance notice to UCB Biopharma Sprl. Each party also has the right to terminate the agreement if the other party challenges its patents. Upon our termination of the agreement for convenience or UCB Biopharma Sprl's termination for our material breach, bankruptcy or patent challenges, among other obligations, we must grant UCB Biopharma Sprl an exclusive license under certain of our intellectual property to develop and commercialize ZL-1101.

Competition

Our industry is highly competitive and subject to rapid and significant change. While we believe that our management's research, development and commercialization experience provide us with competitive advantages, we face competition from global and China-based biopharmaceutical companies, including specialty pharmaceutical companies, generic drug companies, biologics drug companies, academic institutions, government agencies and research institutions.

For our global product candidates, we expect to face competition from a broad range of global and local pharmaceutical companies. Many of our competitors have significantly greater financial, technical and human resources than we have, and mergers and acquisitions in the biopharmaceutical industry may result in even more resources being concentrated among a smaller number of our competitors. Our commercial opportunity could be reduced or eliminated if our competitors develop or market products or other novel therapies that are more effective, safer or less costly than our current or future drug candidates, or obtain regulatory approval for their products more rapidly than we may obtain approval for our drug candidates. For additional information, please refer to the "Market Opportunity" description under each our drug candidates.

Patents and other intellectual property

Our commercial success depends in part on our ability to obtain and maintain proprietary or intellectual property protection for our drug candidates and our core technologies and other know-how to operate without infringing, misappropriating or otherwise violating on the proprietary rights of others and to prevent others from infringing, misappropriating or otherwise violating our proprietary or intellectual property rights. We expect that we will seek to protect our proprietary and intellectual property position by, among other methods, licensing or filing our own U.S., international and foreign patent applications related to our proprietary technology, inventions and improvements that are important to the development and implementation of our business. We also rely on trade secrets, know-how and continuing technological innovation to develop and maintain our proprietary and intellectual property position, which we generally seek to protect through contractual obligations with third parties.

Patents

Patents, patent applications and other intellectual property rights are important in the sector in which we operate. We consider on a case-by-case basis filing patent applications with a view to protecting certain innovative products, processes, and methods of treatment. We may also license or acquire rights to patents, patent applications or other intellectual property rights owned by third parties, academic partners or commercial companies which are of interest to us.

As with other biotechnology and pharmaceutical companies, our ability to maintain and solidify our proprietary and intellectual property position for our drug candidates and technologies will depend on our success in obtaining effective patent claims and enforcing those claims if granted. However, our pending patent applications, and any patent applications that we may in the future file or license from third parties may not result in the issuance of patents. We also cannot predict the breadth of claims that may be allowed or enforced in our patents. Any issued patents that we may receive or license in the future may be challenged, invalidated or circumvented. For example, we cannot be certain of the priority of our patents and patent applications over third-party patents and patent applications. In addition, because of the extensive time required for clinical development and regulatory review of a drug candidate we may develop, it is possible that, before any of our drug candidates can be commercialized, any related patent may expire or remain in force for only a short period following commercialization, thereby limiting protection such patent would afford the respective product and any competitive advantage such patent may provide. For more information regarding the risks related to our intellectual property, please see “Risk Factors—Risks Related to Intellectual Property.”

Niraparib

As of June 30, 2017, we exclusively licensed two issued patents in the PRC directed to niraparib’s free base compound, and salts thereof, and analogues of niraparib. These issued patents are projected to expire between 2027 and 2028. We also exclusively licensed one pending patent application in the PRC directed to a salt that covers 4-methylbenzenesulfonate monohydrate, the active pharmaceutical ingredient, or API, of niraparib. If this patent application issues as a patent, such patent will be projected to expire in 2029. There are no patent term adjustments or patent term extensions available for issued patents in the PRC. We do not own or have an exclusive license to any patents or patent applications in any jurisdictions outside of the PRC.

Omadacycline

As of June 30, 2017, we exclusively licensed three issued patents in the PRC directed to omadacycline’s compound, formulations and crystal form and two pending patent applications in the PRC directed to other crystalline forms of omadacycline. The issued composition of matter patent covering omadacycline is projected to expire in 2021 and the other two issued patents are projected to expire in 2029. If the two patent applications are issued, they are expected to expire in 2029. There are no patent term adjustments or patent term extensions available for issued patents in the PRC. We have also exclusively licensed an issued patent in Hong Kong that covers a crystalline salt form of omadacycline, which expires in 2029. We do not own or have an exclusive license to any patents or patent applications in any jurisdictions outside of the PRC, Hong Kong and Taiwan.

ZL-2301

As of June 30, 2017, we exclusively licensed four issued patents in the PRC and one issued patent in Hong Kong that relate to ZL-2301. Of these issued patents, one patent in the PRC is a composition-of-matter patent that covers the ZL-2301 compound and its analogues. One patent in the PRC covers the medical use of ZL-2301. These patents are projected to expire in 2023. Our exclusively licensed patents also include a patent in the PRC that covers a manufacturing process for intermediates useful in the synthesis of ZL-2301’s API. This patent is projected to expire in 2027. In addition, one patent we exclusively licensed in the PRC covers a crystal form of brivanib alaninate and is projected to expire in 2026. There are no patent term adjustments or patent term extensions available for these issued patents in the PRC. The issued patent in Hong Kong that we exclusively licensed is projected to expire in 2023. We do not own or have an exclusive license to any patents or patent applications in any jurisdictions other than the PRC and Hong Kong.

Fugan

As of June 30, 2017, we own one issued patent in the PRC directed to the pharmaceutical composition and therapeutic uses of fugan. Our issued patent in the PRC is projected to expire in 2029. There are no patent term adjustments or patent term extensions available for this issued patent in the PRC. We do not own or have an exclusive license to any patents or patent applications in any jurisdictions outside of the PRC.

ZL-2302

As of June 30, 2017, we exclusively licensed one pending patent application in the PRC. We also exclusively licensed one issued U.S. patent, two pending U.S. patent applications, and 14 issued patents and 29 pending patent applications in other jurisdictions, including Australia, Canada, Europe, Japan, South Korea and Taiwan. The issued patents in this portfolio are directed to the pharmaceutical composition and therapeutic uses of ZL-2302, and are projected to expire between 2032 and 2033, excluding any additional term for patent term adjustments or patent term extensions in jurisdictions where such adjustments and extensions are available.

ZL-1101

As of June 30, 2017, we exclusively licensed one issued patent and one pending patent application in the PRC. We also exclusively licensed three issued U.S. patents, two pending U.S. patent applications and approximately 21 issued patents and 49 pending patent applications in other jurisdictions, including Australia, Canada, Europe, Hong Kong, Japan, South Korea, South Africa and Taiwan. The issued patents and pending patent applications in this portfolio cover antibody sequences and therapeutic uses of ZL-1101. The issued patents in this portfolio are projected to expire between 2030 and 2032, excluding any additional term for patent term adjustments or patent term extensions in jurisdictions where such adjustments and extensions are available.

Patent Term

The term of a patent depends upon the laws of the country in which it is issued. In most jurisdictions, a patent term is 20 years from the earliest filing date of a non-provisional patent application. Under the PRC Patent Law, the term of patent protection starts from the date of application. Patents relating to inventions are effective for twenty years, and utility models and designs are effective for ten years from the date of application. There are no patent term adjustments or patent term extensions available in the PRC for issued patents.

Trade Secrets

In addition to patents, we rely upon unpatented trade secrets and know-how and continuing technological innovation to develop and maintain our competitive position. However, trade secrets and know-how can be difficult to protect. We seek to protect our proprietary information, in part, by executing confidentiality agreements with our partners, collaborators, scientific advisors, employees, consultants and other third parties, and invention assignment agreements with our consultants and employees. We have also executed agreements requiring assignment of inventions with selected scientific advisors and collaborators. The confidentiality agreements we enter into are designed to protect our proprietary information and the agreements or clauses requiring assignment of inventions to us are designed to grant us ownership of technologies that are developed through our relationship with the respective counterparty. We cannot guarantee that we have entered into such agreements with each party that may have or have had access to our trade secrets or proprietary technology and processes or that these agreements will afford us adequate protection of our intellectual property and proprietary information rights. If any of the partners, collaborators, scientific advisors, employees and consultants who are parties to these agreements breaches or violates the

terms of any of these agreements or otherwise discloses our proprietary information, we may not have adequate remedies for any such breach or violation, and we could lose our trade secrets as a result. For more information regarding the risks related to our trade secrets, please see "Risk Factors—Risks Related to Intellectual Property—If we are unable to maintain the confidentiality of our trade secrets, our business and competitive position may be harmed.

Trademarks and domain names

We conduct our business using trademarks with various forms of the "ZAI LAB" and " 再鼎医药 " brands, as well as domain names incorporating some or all of these trademarks.

Employees

As of December 31, 2016, we employed a total of 50 full-time employees and two part-time employees, including a total of 20 employees with M.D. or Ph.D. degrees. Of our workforce, 40 employees are engaged in research and development. Due to the initiation of discovery efforts and increase in number of development-stage products, we increased our headcount between fiscal years 2015 and 2016, mainly in respect of our research and development personnel. None of our employees is represented by labor unions or covered by collective bargaining agreements.

Facilities

We are headquartered in Shanghai where we have our main administrative and laboratory offices, which is 3,632 square meters in size. The lease for this facility expires in 2020. We also have a 98 square meter office in Beijing, the lease for which expires in 2018. In early 2017, we built a small molecule drug product facility in Suzhou, China capable of supporting clinical and commercial production and have begun construction of a large molecule facility in Suzhou, China using GE Healthcare FlexFactory platform technology capable of supporting clinical production of our drug candidates. The construction of the large molecule facility is expected to be completed in the first half of 2018. We believe our current facilities are sufficient to meet our near-term needs.

Quality Control and assurance

We have our own independent quality control system and devote significant attention to quality control for the designing, manufacturing and testing of our drug candidates. We have established a strict quality control system in accordance with CFDA regulations. Our laboratories are staffed with highly educated and skilled technicians to ensure quality of all batches of products released. We monitor our operations in real time throughout the entire production process, from inspection of raw and auxiliary materials, to manufacture and delivery of finished products to clinical testing at hospitals. Our quality assurance team is also responsible for ensuring that we are in compliance with all applicable regulations, standards and internal policies. Our senior management team is actively involved in setting quality policies and managing the internal and external quality performance of the Company.

Legal proceedings

We are, from time to time, subject to claims and suits arising in the ordinary course of business. Although the outcome of these and other claims cannot be predicted with certainty, management does not believe that the ultimate resolution of these matters will have a material adverse effect on our financial position or on our results of operations. We are not currently a party to, nor is our property the subject of, any material legal proceedings.

Regulation

Government regulation of pharmaceutical product development and approval

PRC regulation of pharmaceutical product development and approval

Since China's entry into the World Trade Organization in 2001, the PRC government has made significant efforts to standardize regulations, develop its pharmaceutical regulatory system and strengthen intellectual property protection.

Regulatory authorities

In the PRC, the CFDA is the authority under the State Council that monitors and supervises the administration of pharmaceutical products and medical appliances and equipment as well as food (including food additives and health food) and cosmetics. The CFDA's predecessor, the State Drug Administration, or the SDA, was established on August 19, 1998 as an organization to assume the responsibilities previously handled by the Ministry of Health of the PRC, or the MOH, the State Pharmaceutical Administration Bureau of the PRC and the State Administration of Traditional Chinese Medicine of the PRC. The SDA was replaced by the State Food and Drug Administration in March 2003 and was later reorganized into the CFDA following the institutional reform of the State Council in March 2013.

The primary responsibilities of the CFDA include:

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

The National Health and Family Planning Commission, or NHFPC, is an authority at the ministerial level under the State Council and is primarily responsible for national public health. The predecessor of NHFPC is the Ministry of Health, or MOH. Following the establishment of the CFDA in 2003, the MOH was put in charge of the overall administration of the national health in the PRC excluding the pharmaceutical industry. The MOH performs a variety of tasks in relation to the health industry such as establishing social medical institutes and producing professional codes of ethics for public medical personnel. The MOH is also responsible for overseas affairs, such as dealings with overseas companies and governments. The MOH was reorganized into the NHFPC following the institutional reform of the State Council in March 2013.

Healthcare system reform

The PRC government recently promulgated several healthcare reform policies and regulations to reform the healthcare system. On March 17, 2009, the Central Committee of the PRC Communist Party and the State

Council jointly issued the Guidelines on Strengthening the Reform of Healthcare System. The State Council issued the Notice on the Issuance of the 13th Five-year Plan on Strengthening the Reform of Healthcare System on December 27, 2016. On April 21, 2016, the General Office of the State Council issued the Main Tasks of Healthcare System Reform in 2016.

Highlights of these healthcare reform policies and regulations include the following:

- One of the main objectives of the reform was to establish a basic healthcare system to cover both urban and rural residents and provide the Chinese people with safe, effective, convenient and affordable healthcare services. As of 2017, basic medical insurance coverage has reached more than 95% of the country's population. By 2020, a basic healthcare system covering both urban and rural residents should be established.
- Another main objective of reform was to improve the healthcare system, through the reform and development of a graded diagnosis and treatment system, modern hospital management, basic medical insurance, drug supply support and comprehensive supervision.
- The reforms aimed to promote orderly market competition and improve the efficiency and quality of the healthcare system to meet the various medical needs of the Chinese population. From 2009, basic public healthcare services such as preventive healthcare, maternal and child healthcare and health education were to be provided to urban and rural residents. In the meantime, the reforms also encouraged innovations by pharmaceutical companies to eliminate pharmaceutical products that fail to prove definite efficacy and positive risk-benefit ratio.
- The key tasks of the reform in 2016 were as follows: (1) to deepen the reform of public hospitals, (2) to accelerate the development of a graded diagnosis and treatment system, (3) to consolidate and improve the universal medical insurance system, (4) to guarantee drug supply, (5) to establish and improve a comprehensive supervision system, (6) to cultivate talented health-care practitioners, (7) to stabilize and perfect the basic public health service equalization system, (8) to advance the construction of health information technology, (9) to accelerate the development of the health services industry generally, and (10) to strengthen organization and implementation.

Drug administration laws and regulations

The PRC Drug Administration Law as promulgated by the Standing Committee of the National People's Congress in 1984 and the Implementing Measures of the PRC Drug Administration Law as promulgated by the MOH in 1989 have laid down the legal framework for the establishment of pharmaceutical manufacturing enterprises and pharmaceutical trading enterprises and for the administration of pharmaceutical products including the development and manufacturing of new drugs and medicinal preparations by medical institutions. The PRC Drug Administration Law also regulates the packaging, trademarks and advertisements of pharmaceutical products in the PRC.

Certain amendments to the PRC Drug Administration Law took effect on December 1, 2001. Subsequent amendments were also made on December 28, 2013 and April 24, 2015. They were formulated to strengthen the supervision and administration of pharmaceutical products, and to ensure the quality of pharmaceutical products and the safety of pharmaceutical products for human use. The current PRC Drug Administration Law applies to entities and individuals engaged in the development, production, trade, application, supervision and administration of pharmaceutical products. It regulates and prescribes a framework for the administration of pharmaceutical manufacturers, pharmaceutical trading companies, and medicinal preparations of medical institutions and the development, research, manufacturing, distribution, packaging, pricing and advertisements of pharmaceutical products.

According to the current PRC Drug Administration Law, no pharmaceutical products may be produced in China without a pharmaceutical production license. A local manufacturer of pharmaceutical products must obtain a pharmaceutical production license from one of CFDA's provincial level branches in order to commence production of pharmaceuticals. Prior to granting such license, the relevant government authority will inspect the manufacturer's production facilities, and decide whether the sanitary conditions, quality assurance system, management structure and equipment within the facilities have met the required standards.

The PRC Implementing Regulations of the Drug Administration Law promulgated by the State Council took effect on September 15, 2002, were amended on February 6, 2016 and serve to provide detailed implementation regulations for the revised PRC Drug Administration Law.

Good laboratories practice certification for nonclinical research

To improve the quality of animal research, the CFDA promulgated the Good Laboratories Practice of Preclinical Laboratory in 2003 and began to conduct the certification program of the GLP. In April 2007, the CFDA promulgated the Administrative Measures for Certification of Good Laboratory Practice of Preclinical Laboratory, providing that the CFDA is responsible for certification of nonclinical research institutions. According to the Administrative Measures for Certification of Good Laboratory Practice of Preclinical Laboratory, the CFDA decides whether an institution is qualified for undertaking pharmaceutical nonclinical research upon the evaluation of the institution's organizational administration, personnel, laboratory equipment and facilities and its operation and management of nonclinical pharmaceutical projects. If all requirements are met, a GLP Certification will be issued by the CFDA and published on the CFDA's website.

Animal testing permits

According to Regulations for the Administration of Affairs Concerning Experimental Animals promulgated by the State Science and Technology Commission in November 1988, as amended in January 2011, July 2013 and March 2017, and Administrative Measures on the Certificate for Animal Experimentation promulgated by the State Science and Technology Commission and other regulatory authorities in December 2001, performing experimentation on animals requires a Certificate for Use of Laboratory Animals. Applicants must satisfy the following conditions:

- Laboratory animals must be qualified and sourced from institutions that have Certificates for Production of Laboratory Animals;
- The environment and facilities for the animals' living and propagating must meet state requirements;
- The animals' feed and water must meet state requirements;
- The animals' feeding and experimentation must be conducted by professionals, specialized and skilled workers, or other trained personnel;
- The management systems must be effective and efficient; and
- The applicable entity must follow other requirements as stipulated by Chinese laws and regulations.

Administrative measures for drug registration

In July 2007, the CFDA released the Administrative Measures for Drug Registration which took effect on October 1, 2007. The Administrative Measures for Drug Registration cover (1) definitions of drug registration applications and regulatory responsibilities of the CFDA; (2) general requirements for drug registration; (3) drug

clinical trials; (4) application, examination and approval of drugs; (5) supplemental applications and re-registrations of drugs; (6) inspections; (7) registration standards and specifications; (8) time limit; (9) re-examination; and (10) liabilities and other supplementary provisions.

In July 2016, the CFDA released the revised Administrative Measures for Drug Registration (Draft for Comments) to seek comments from the public, which as compared to the current Administrative Measures for Drug Registration, includes the following key highlights:

- encourage clinically oriented drug innovation, under which innovative drugs should have definite clinical value and modified drugs should present obvious clinical advantages over the drugs being modified;
- broaden the definition of applicants for marketing authorization from “domestic institutions” to “domestic entities” to cover both the drug research and development institutions and the scientific researchers;
- on-site inspections and sample taking are not compulsory prerequisites for CFDA approval, and the CFDA may determine whether to take such steps based on the results of regulatory review of drug registration applications;
- clinical trials can be conducted in the sequence of Phase I, II and III, or different stages can cross-over or overlap;
- recommend that decisions of regulatory review in each stage should be made within the prescribed time frame and the CFDA should establish a priority review system based on clinical needs and the characteristics of drugs;
- remove the section of “application and approval of generic drugs” and set out all relevant provisions in the section of “drug marketing authorization”;
- change the regulatory review process of bioequivalence study from approval to a more simplified recordal process; and
- adjust and stipulate the functions of the CFDA and its branches.

Although there is no definitive timeline for the official enactment of the revised Administrative Measures for Drug Registration (Draft for Comments), it embodies a regulatory trend of promoting drug innovation, accelerating the drug registration process and setting forth higher quality and technical requirements.

Regulations on the clinical trials and registration of drugs

Four phases of clinical trials

According to the Administrative Measures for Drug Registration, a clinical development program consists of Phases I, II, III and IV. Phase I refers to the initial clinical pharmacology and safety evaluation studies in humans. Phase II refers to the preliminary evaluation of a drug candidate’s therapeutic effectiveness and safety for particular indication(s) in patients, which provides evidence and support for the design of Phase III clinical trials and settles the administrative dose regimen. Phase III refers to clinical trials undertaken to confirm the therapeutic effectiveness of a drug. Phase III is used to further verify the drug’s therapeutic effectiveness and safety on patients with target indication(s), to evaluate overall benefit-risk relationships of the drug, and ultimately to provide sufficient evidence for the review of drug registration application. Phase IV refers to a new drug’s post-marketing study to assess therapeutic effectiveness and adverse reactions when the drug is widely used, to evaluate overall benefit-risk relationships of the drug when used among the general population or specific groups and to adjust the administration dose, etc.

Approval authority for clinical trial application

According to the Administrative Measures for Drug Registration, upon completion of its pre-clinical research, a research institution must apply for approval of a CTA before conducting clinical trials. As of May 1, 2017, the clinical trial approval can be directly issued by the CDE on behalf of the CFDA. This delegation of authority can shorten the approval timeline for the approval of a CTA.

Special examination and approval for domestic Category 1 drugs

According to the Administrative Measures for Drug Registration, drug registration applications are divided into three different types, namely Domestic New Drug Application, Domestic Generic Drug Application, and Imported Drug Application. Drugs fall into one of three general types divided by working mechanism, namely chemical medicine, biological product or traditional Chinese or natural medicine. Under the Administrative Measures for Drug Registration, a Category 1 drug refers to a new drug that has never been marketed in any country, and is eligible for special review or fast track approval by the CFDA.

In March 2016, the CFDA issued the Reform Plan for Registration Category of Chemical Medicine, or the Reform Plan, which outlined the reclassifications of drug applications under the Administrative Measures for Drug Registration. Under the Reform Plan, Category 1 drugs refer to new drugs that have not been marketed anywhere in the world. Improved new drugs that are not marketed anywhere in the world fall into Category 2. Generic drugs, that have equivalent quality and efficacy to the originator's drugs have been marketed abroad but not yet in China, fall into Category 3. Generic drugs, that have equivalent quality and efficacy to the originator's drugs and have been marketed in China, fall into Category 4. Category 5 drugs are drugs which have already been marketed abroad, but are not yet approved in China. Category 1 drugs and Category 5 drugs can be registered through the Domestic New Drug Application and the Imported Drug Application procedures under the Administrative Measures for Drug Registration, respectively.

According to the Special Examination and Approval Provisions, the CFDA conducts special examination and approval for new drug registration applications when:

(1). the effective constituent of drug extracted from plants, animals, minerals, etc. as well as the preparations thereof have never been marketed in China, and the material medicines and the preparations thereof are newly discovered;

(2). the chemical raw material medicines as well as the preparations thereof and the biological product have not been approved for marketing home and abroad;

(3). the new drugs are for treating AIDS, malignant tumors and rare diseases, etc., and have obvious advantages in clinic treatment; or

(4). the new drugs are for treating diseases with no effective methods of treatment.

The Special Examination and Approval Provisions provide that the applicant may file for special examination and approval at the CTA stage if the drug candidate falls within items (1) or (2). The provisions provide that for drug candidates that fall within items (3) or (4), the application for special examination and approval cannot be made until filing for production.

We believe that our current drug candidates fall within items (2) and (3) above. Therefore, we may file an application for special examination and approval at the CTA stage, which may enable us to pursue a more expedited path to approval in China and bring therapies to patients more quickly.

Fast track approval for clinical trial and registration of domestic Category 1 drugs

In November 2015, the CFDA released the *Circular Concerning Several Policies on Drug Registration Review and Approval*, which further clarified the following policies, potentially simplifying and accelerating the approval process of clinical trials:

- a one-time umbrella approval procedure allowing the overall approval of all phases of a new drug's clinical trials, replacing the current phase-by-phase application and approval procedure, will be adopted for new drugs' CTAs; and
- a fast track drug registration or clinical trial approval pathway for the following applications: (1) registration of innovative new drugs treating HIV, cancer, serious infectious diseases and orphan diseases; (2) registration of pediatric drugs; (3) registration of geriatric drugs and drugs treating China-prevalent diseases in elders; (4) registration of drugs listed in national major science and technology projects or national key research and development plan ; (5) registration of innovative drugs using advanced technology, using innovative treatment methods, or having distinctive clinical benefits; (6) registration of foreign innovative drugs to be manufactured locally in China; (7) concurrent applications for new drug clinical trials which are already approved in the United States or European Union or concurrent drug registration applications for drugs which have applied to the competent drug approval authorities for marketing authorization and passed such authorities' onsite inspections in the United States or European Union and are manufactured using the same production line in China; and (8) CTAs for drugs with urgent clinical need and patent expiry within three years, and manufacturing authorization applications for drugs with urgent clinical need and patent expiry within one year.

In addition, in February 2016, the CFDA released the Opinions on Priority Review and Approval for Resolving Drug Registration Applications Backlog, or the Priority Review Opinions, which further clarified that a fast track clinical trial approval or drug registration pathway will be available to the following drugs:

- the following drugs with distinctive clinical benefits: (1) registration of innovative drugs not sold within or outside China; (2) registration of innovative drug transferred to be manufactured locally in China; (3) registration of drugs using advanced technology, innovative treatment methods, or having distinctive treatment advantages; (4) CTAs for drugs with patent expiry within three years, and manufacturing authorization applications for drugs with patent expiry within one year; (5) concurrent applications for new drug clinical trials which are already approved in the United States or European Union, or concurrent drug registration applications for drugs which have applied to the competent drug approval authorities for marketing authorization and passed such authorities' onsite inspections in the United States or European Union and are manufactured using the same production line in China; (6) traditional Chinese medicines (including ethnic medicines) with clear position in prevention and treatment of serious diseases; and (7) registration of new drugs listed in national major science and technology projects or national key research and development plans; and
- drugs with distinctive clinical benefits for the prevention and treatment of the following diseases: HIV, phthisis, viral hepatitis, orphan diseases, cancer, children's diseases, and generic and prevalent diseases in elders.

Other than fugan, we believe that all of our current clinical stage drug candidates will be classified as Category 1 drugs. Therefore, we will be entitled to the fast track clinical trial approval or drug registration pathway under the Priority Review Opinions.

According to the Administrative Measures for Drug Registration, Category 5 drug applications may only be submitted after a company obtains an NDA approval and receives the Certificate of Pharmaceutical Product

granted by a major regulatory authority, such as the FDA or the EMEA. Multinational companies may need to apply for conducting multi-regional clinical trials, which means that companies do not have the flexibility to design the clinical trials to fit Chinese patients and standard-of-care. Category 5 drug candidates may not always qualify to benefit from fast track review with priority at the CTA stage. Moreover, a requirement to further conduct local clinical trials when the multi-regional clinical trials do not present sufficient Chinese patient data can potentially delay market access by several years from its international NDA approval. Further, according to the Reform Plan, the drugs which have already been marketed abroad may no longer be categorized as new drugs under Chinese law in the future, and therefore may not be able to enjoy any preferential treatment for new drugs.

Drug clinical practice certification and compliance with GCP

To improve the quality of clinical trials, the CFDA promulgated the Administration of Quality of Drug Clinical Practice in August 2003. In February 2004, the CFDA issued the Circular on Measures for Certification of Drug Clinical Practice (Trial), providing that the CFDA is responsible for certification of clinical trial institutions, and that the National Health and Family Planning Commission of the PRC, formerly known as the Ministry of Health, is responsible for certification of clinical trial institutions within its duties. Under the Circular on Measures for Certification of Drug Clinical Practice (trial), the CFDA and the National Health and Family Planning Commission of the PRC decide whether an institution is qualified for undertaking pharmaceutical clinical trials upon the evaluation of the institution's organizational administration, its research personnel, its equipment and facilities, its management system and its standard operational rules. If all requirements are met, a GCP Certification will be issued by the CFDA and the result will be published on the CFDA's website.

The conduct of clinical trials must adhere to the GCP and the protocols approved by the ethics committees of each study site. Since 2015, the CFDA has strengthened the enforcement against widespread data integrity issues associated with clinical trials in China. To ensure authenticity and reliability of the clinical data, the CFDA mandates applicants of the pending drug registration submissions to conduct self-inspection and verification of their clinical trial data. Based on the submitted self-inspection results, the CFDA also regularly launches onsite clinical trial audits over selected applications and reject those found with data forgery.

Pilot plan for the marketing authorization holder system

Under the authorization of the Standing Committee of the National People's Congress, the State Council issued the Pilot Plan for the Drug Marketing Authorization Holder Mechanism on May 26, 2016, which provides a detailed pilot plan for the marketing authorization holder system, or the MAH System, for drugs in 10 provinces in China. Under the MAH System, domestic drug research and development institutions and individuals in the piloted regions are eligible to be holders of drug registrations without having to become drug manufacturers. The marketing authorization holders may engage contract manufacturers for manufacturing, provided that the contract manufacturers are licensed and GMP-certified, and are also located within the piloted regions. Drugs qualified for the MAH System are: (1) new drugs (including Category 1 and 2 drugs under the Reform Plan) approved after the implementation of the MAH System; (2) generic drugs approved as Category 3 or 4 drugs under the Reform Plan; (3) previously approved generics that have passed the equivalence assessments against originator drugs; and (4) previously approved drugs whose licenses were held by drug manufacturers originally located within the piloted regions, but have been moved out of the piloted regions due to corporate mergers or other reasons.

Administrative protection and monitoring periods for new drugs

According to the Administrative Measures for Drug Registration, the Implementing Regulations of the Drug Administration Law and the Reform Plan, the CFDA may, for the purpose of protecting public health, provide for

an administrative monitoring period of five years for Category 1 new drugs approved to be manufactured, commencing from the date of approval, to continually monitor the safety of those new drugs.

During the monitoring period of a new drug, the CFDA will not accept other applications for new drugs containing the same active ingredient. This renders an actual five-year exclusivity protection for Category 1 new drugs. The only exception is that the CFDA will continue to handle any application if, prior to the commencement of the monitoring period, the CFDA has already approved the applicant's clinical trial for a similar new drug. If such application conforms to the relevant provisions, the CFDA may approve such applicant to manufacture or import the similar new drug during the remainder of the monitoring period.

Non-inferiority standard

In China, a drug may receive regulatory approval without showing superiority in its primary endpoint. Rather, a drug may be approved for use if it shows non-inferiority in its primary endpoint and superiority in one of its secondary endpoints.

New drug application

When Phases I, II and III of the clinical trials have been completed, the applicant may apply to the CFDA for approval of an NDA. The CFDA then determines whether to approve the application according to the comprehensive evaluation opinion provided by the CDE of the CFDA. We must obtain approval of an NDA before our drugs can be manufactured and sold in the China market.

International multi-center clinical trials regulations

On January 30, 2015, the CFDA promulgated Notice on Issuing the International Multi-Center Clinical Trial Guidelines (Trial), or the Multi-Center Clinical Trial Guidelines, which took effect as of March 1, 2015, aiming to provide guidance for the regulation of application, implementation and administration of international multi-center clinical trials in China. Pursuant to the Multi-Center Clinical Trial Guidelines, international multi-center clinical trial applicants may simultaneously perform clinical trials in different centers using the same clinical trial protocol. Where the applicant plans to make use of the data derived from the international multi-center clinical trials for application to CFDA for approval of an NDA, such international multi-center clinical trials shall satisfy, in addition to the requirements set forth in Drug Administration Law and its implementation regulations, Provisions for Drug Registration and relevant laws and regulations, the following requirements:

- The applicant shall first conduct an overall evaluation on the global clinical trial data and further make trend analysis of the Asian and Chinese clinical trial data. In the analysis of Chinese clinical trial data, the applicant shall consider the representativeness of the research subjects, i.e., the participating patients;
- The applicant shall analyze whether the amount of Chinese research subjects is sufficient to assess and adjudicate the safety and effectiveness of the drug under clinical trial, and satisfy the statistical and relevant legal requirements; and
- The onshore and offshore international multi-center clinical trial research centers shall be subject to on-site inspections by competent PRC governmental agencies.

International multi-center clinical trials shall follow international prevailing GCP principles and ethics requirements. Applications shall ensure the truthfulness, reliability and trustworthiness of clinical trials results; the researchers shall have the qualification and capability to perform relevant clinical trials; and an ethics committee shall continuously review the trials and protect the subjects' interests, benefits and safety. Before

the performance of the international multi-center clinical trial, applicants shall obtain clinical trial approvals or complete filings pursuant to requirements under the local regulations where clinical trials are conducted, and register and disclose the information of all major researchers and clinical trial organizations on the CFDA drug clinical trial information platform.

Data derived from international multi-center clinical trials can be used for the NDAs with the CFDA. When using international multi-center clinical trial data to support NDAs in China, applicants shall submit the completed global clinical trial report, statistical analysis report and database, along with relevant supporting data in accordance with ICH-CTD (International Conference on Harmonization-Common Technical Document) content and format requirements; subgroup research results summary and comparative analysis shall also be conducted concurrently.

Leveraging the clinical trial data derived from international multi-center clinical trials conducted by our partners, we may avoid unnecessary repetitive clinical trials and thus further accelerate the NDA process in China.

On March 17, 2017, the CFDA released the Decision on Adjusting Items concerning the Administration of Imported Drug Registration (Draft for Comments) for public comment, which includes the following key points:

- If the International Multicenter Clinical Trial, or IMCCT, of a drug is conducted in China, the IMCCT drug does not need to be approved or entered into either a Phase II or III clinical trial in a foreign country, except for vaccines.
- If the IMCCT is conducted in China, the application for drug marketing authorization can be submitted directly after the completion of the IMCCT.
- With respect to applications for imported innovative chemical drugs and therapeutic biological products, the marketing authorization in the country or region where the foreign drug manufacturer is located will not be required.
- With respect to drug applications that have been accepted before the release of this Draft, if relevant requirements are met, importation permission can be granted if such applications request exemption of clinical trials for the imported drugs based on the data generated from IMCCT.

Uncertainties exist as to when this Draft will be officially enacted and take effect, and significant amendments may be made before then.

Drug technology transfer regulations

On August 19, 2009, the CFDA promulgated the Administrative Regulations for Technology Transfer Registration of Drugs to standardize the registration process of drug technology transfer, which includes application for, and evaluation, examination, approval and monitoring of, drug technology transfer. Drug technology transfer refers to the transfer of drug production technology by the owner to a drug manufacturer and the application for drug registration by the transferee according to the provisions in the new regulations. Drug technology transfer includes new drug technology transfer and drug production technology transfer.

Conditions for the application for new drug technology transfer

Applications for new drug technology transfer may be submitted prior to the expiration date of the monitoring period of the new drugs with respect to:

- drugs with new drug certificates only; or
- drugs with new drug certificates and drug approval numbers.

For drugs with new drug certificates only and not yet in the monitoring period, or drug substances with new drug certificates, applications for new drug technology transfer should be submitted prior to the respective expiration date of the monitoring periods for each drug registration category set forth in the new regulations and after the issue date of the new drug certificates.

Conditions for the application of drug production technology transfer

Applications for drug production technology transfer may be submitted if:

- the transferor holds new drug certificates or both new drug certificates and drug approval numbers, and the monitoring period has expired or there is no monitoring period; or
- with respect to drugs without new drug certificates, both the transferor and the transferee are legally qualified drug manufacturing enterprises, one of which holds over 50% of the equity interests in the other, or both of which are majority-owned subsidiaries of the same drug manufacturing enterprise.

With respect to imported drugs with imported drug licenses, the original applicants for the imported drug registration may transfer these drugs to domestic drug manufacturing enterprises.

Application for, and examination and approval of, drug technology transfer

Applications for drug technology transfer should be submitted to the provincial food and drug administration where the transferee is located. If the transferor and the transferee are located in different provinces, the provincial food and drug administration where the transferor is located should provide examination opinions. The provincial food and drug administration where the transferee is located is responsible for examining application materials for technology transfer and organizing inspections on the production facilities of the transferee. Food and drug control institutes are responsible for testing three batches of drug samples.

The CDE should further review the application materials, provide technical evaluation opinions and form a comprehensive evaluation opinion based on the site inspection reports and the testing results of the samples. The CFDA should determine whether to approve the application according to the comprehensive evaluation opinion of the CDE. An approval letter of supplementary application and a drug approval number will be issued to qualified applications. An approval letter of clinical trials will be issued when necessary. For rejected applications, a notification letter of the examination opinions will be issued with the reasons for rejection.

Permits and licenses for manufacturing of drugs

Pharmaceutical manufacturing permit

To manufacture pharmaceutical products in the PRC, a pharmaceutical manufacturing enterprise must first obtain a Pharmaceutical Manufacturing Permit issued by the relevant pharmaceutical administrative authorities at the provincial level where the enterprise is located. Among other things, such a permit must set forth the permit number, the name, legal representative and registered address of the enterprise, the site and scope of production, issuing institution, date of issuance and effective period.

Each Pharmaceutical Manufacturing Permit issued to a pharmaceutical manufacturing enterprise is effective for a period of five years. Any enterprise holding a Pharmaceutical Manufacturing Permit is subject to review by the relevant regulatory authorities on an annual basis. The enterprise is required to apply for renewal of such permit within six months prior to its expiry and will be subject to reassessment by the issuing authorities in accordance with then prevailing legal and regulatory requirements for the purposes of such renewal.

Business licenses

In addition to a Pharmaceutical Manufacturing permit, the manufacturing enterprise must also obtain a business license from the administrative bureau of industry and commerce at the local level after it has obtained the requisite Pharmaceutical Manufacturing Permit. The name, legal representative and registered address of the enterprise specified in the business license must be identical to that set forth in the Pharmaceutical Manufacturing Permit.

GMP certificates

The World Health Organization encourages the adoption of good manufacturing practice, or GMP, standards in pharmaceutical production in order to minimize the risks involved in any pharmaceutical production that cannot be eliminated through testing the final products.

A GMP certification certifies that a manufacturer's factory and quality management system have met certain criteria for engaging in the planning and manufacturing of drug products, which address institution and staff qualifications, production premises and facilities, equipment, hygiene conditions, production management, quality controls, product operation, maintenance of sales records and manner of handling customer complaints and adverse reaction reports. In January 2011, the MOH issued an updated set of GMP standards, also known as the new GMP, to replace the previous version issued in 1998. There are also five annexes to the new GMP issued by the CFDA in February 2011, with detailed requirements for the manufacture of sterile drugs, drug/substances/APIs, biologics, blood products and traditional Chinese medicines.

The GMP certificate is valid for a term of five years and an application for renewal must be submitted six months prior to its expiration date. The CFDA and its provincial branches are authorized to monitor the continued compliance of pharmaceutical manufacturers, for example, by a follow-up inspection of implementation of the GMP requirements. Failure to continuously comply with the statutory requirements may lead to rectification orders imposed on the manufacturers. Penalties for breach of GMP compliance can vary depending on the degree of seriousness. Administrative sanctions range from a rectification notice to monetary fines, suspension of production and business operation, and revocation of the pharmaceutical manufacturing permit and the Pharmaceutical GMP Certificate.

U.S. regulation of pharmaceutical product development and approval

In the United States, the FDA regulates drugs under the Federal Food, Drug, and Cosmetic Act, or FDCA, and its implementing regulations. The process of obtaining approvals and the subsequent compliance with appropriate federal, state and local rules and regulations requires the expenditure of substantial time and financial resources. Failure to comply with the applicable U.S. regulatory requirements at any time during the product development process, approval process or after approval may subject an applicant and/or sponsor to a variety of administrative or judicial sanctions, including refusal by FDA to approve pending applications, withdrawal of an approval, imposition of a clinical hold, issuance of warning letters and other types of letters, product recalls, product seizures, total or partial suspension of production or distribution, injunctions, fines, refusals of government contracts, restitution, disgorgement of profits, or civil or criminal investigations and penalties brought by FDA and the Department of Justice, or DOJ, or other governmental entities. Drugs are also subject to other federal, state and local statutes and regulations.

Our drug candidates must be approved by the FDA through the NDA process before they may be legally marketed in the United States. The process required by the FDA before a drug may be marketed in the United States generally involves the following:

- completion of extensive pre-clinical studies, sometimes referred to as pre-clinical laboratory tests, pre-clinical animal studies and formulation studies all performed in compliance with applicable regulations, including the FDA's GLP regulations;
- submission to the FDA of an investigational new drug application, or IND, which must become effective before human clinical trials may begin and must be updated annually;
- approval by an independent IRB representing each clinical site before each clinical trial may be initiated;
- performance of adequate and well-controlled human clinical trials in accordance with applicable good clinical practices, or GCPs and other clinical trial-related regulations , to establish the safety and efficacy of the proposed drug product for its proposed indication;
- preparation and submission to the FDA of an NDA;
- a determination by the FDA within 60 days of its receipt of an NDA to file the NDA for review and review by an FDA advisory committee, where appropriate or if applicable;
- satisfactory completion of an FDA pre-approval inspection of the manufacturing facility or facilities at which the API and finished drug product are produced to assess compliance with the FDA's cGMP;
- potential FDA audit of the pre-clinical and/or clinical trial sites that generated the data in support of the NDA;
- payment of user fees and FDA review and approval of the NDA prior to any commercial marketing or sale of the drug in the United States; and
- compliance with any post-approval requirements, including Risk Evaluation and Mitigation Strategies, or REMS, and post-approval studies required by FDA.

Preclinical studies

The data required to support an NDA is generated in two distinct development stages: pre-clinical and clinical. For new chemical entities, or NCEs, the pre-clinical development stage generally involves synthesizing the active component, developing the formulation and determining the manufacturing process, evaluating purity and stability, as well as carrying out non-human toxicology, pharmacology and drug metabolism studies in the laboratory, which support subsequent clinical testing. The conduct of the pre-clinical tests must comply with federal regulations, including GLPs. The sponsor must submit the results of the pre-clinical tests, together with manufacturing information, analytical data, any available clinical data or literature and a proposed clinical protocol, to the FDA as part of the IND. An IND is a request for authorization from the FDA to administer an investigational drug product to humans. The central focus of an IND submission is on the general investigational plan and the protocol(s) for human trials. The IND automatically becomes effective 30 days after receipt by the FDA, unless the FDA raises concerns or questions regarding the proposed clinical trials and places the IND on clinical hold within that 30-day time period. In such a case, the IND sponsor and the FDA must resolve any outstanding concerns or questions before the clinical trial can begin. Some long-term preclinical testing, such as animal tests of reproductive adverse events and carcinogenicity, may continue after the IND is submitted. The FDA may also impose clinical holds on a drug candidate at any time before or during clinical trials due to safety concerns or non-compliance. Accordingly, submission of an IND does not guarantee the FDA will allow clinical trials to begin, or that, once begun, issues will not arise that could cause the trial to be suspended or terminated.

Clinical studies

The clinical stage of development involves the administration of the drug product to human subjects or patients under the supervision of qualified investigators, generally physicians not employed by or under the trial sponsor's control, in accordance with GCPs, which include the requirement that all research subjects provide their informed consent in writing for their participation in any clinical trial. Clinical trials are conducted under written study protocols detailing, among other things, the objectives of the clinical trial, dosing procedures, subject selection and exclusion criteria, and the parameters to be used to monitor subject safety and assess efficacy. Each protocol, and any subsequent amendments to the protocol, must be submitted to the FDA as part of the IND. Further, each clinical trial must be reviewed and approved by each institution at which the clinical trial will be conducted. An IRB is charged with protecting the welfare and rights of trial participants and considers such items as whether the risks to individuals participating in the clinical trials are minimized and are reasonable in relation to anticipated benefits. The IRB also reviews and approves the informed consent form that must be provided to each clinical trial subject or his or her legal representative and must monitor the clinical trial until completed. There are also requirements governing the reporting of ongoing clinical trials and completed clinical trial results to public registries. For example, information about certain clinical trials must be submitted within specific timeframes to the National Institutes of Health for public dissemination on their ClinicalTrials.gov website.

Clinical trials are generally conducted in three sequential phases that may overlap or be combined, known as Phase I, Phase II and Phase III clinical trials.

- Phase I: The drug is initially introduced into a small number of healthy volunteers who are initially exposed to a single dose and then multiple doses of the drug candidate. The primary purpose of these clinical trials is to assess the metabolism, pharmacologic action, side effect tolerability and safety of the drug.
- Phase II: The drug is administered to a limited patient population to determine dose tolerance and optimal dosage required to produce the desired benefits. At the same time, safety and further pharmacokinetic and pharmacodynamic information is collected, as well as identification of possible adverse effects and safety risks and preliminary evaluation of efficacy.
- Phase III: The drug is administered to an expanded number of patients, generally at multiple sites that are geographically dispersed, in well-controlled clinical trials to generate enough data to demonstrate the efficacy of the drug for its intended use, its safety profile, and to establish the overall benefit/risk profile of the drug and provide an adequate basis for drug approval and labeling of the drug product. Phase III clinical trials may include comparisons with placebo and/or other comparator treatments. The duration of treatment is often extended to mimic the actual use of a drug during marketing. Generally, two adequate and well-controlled Phase III clinical trials are required by the FDA for approval of an NDA. A pivotal study is a clinical study that adequately meets regulatory agency requirements for the evaluation of a drug candidate's efficacy and safety such that it can be used to justify the approval of the drug. Generally, pivotal studies are also Phase III studies but may be Phase II studies if the trial design provides a well-controlled and reliable assessment of clinical benefit, particularly in situations where there is an unmet medical need. Post-approval trials, sometimes referred to as Phase 4 clinical trials, may be conducted after initial marketing approval. These trials are used to gain additional experience from the treatment of patients in the intended therapeutic indication. In certain instances, FDA may mandate the performance of Phase 4 clinical trials.

Progress reports detailing the results of the clinical trials must be submitted at least annually to the FDA, and more frequently if serious adverse events occur. Written IND safety reports must be submitted to the FDA and the investigators for serious and unexpected adverse events or any finding from tests in laboratory animals that suggests a significant risk to human subjects. The FDA, the IRB, or the clinical trial sponsor may suspend or

terminate a clinical trial at any time on various grounds, including a finding that the research subjects or patients are being exposed to an unacceptable health risk. The FDA will typically inspect one or more clinical sites to assure compliance with GCP and the integrity of the clinical data submitted. Similarly, an IRB can suspend or terminate approval of a clinical trial at its institution, or an institution it represents, if the clinical trial is not being conducted in accordance with the IRB's requirements or if the drug has been associated with unexpected serious harm to patients. Additionally, some clinical trials are overseen by an independent group of qualified experts organized by the clinical trial sponsor, known as a data safety monitoring board or committee. This group provides authorization for whether or not a trial may move forward at designated check points based on access to certain data from the trial. Concurrent with clinical trials, companies usually complete additional animal studies and must also develop additional information about the chemistry and physical characteristics of the drug as well as finalize a process for manufacturing the drug in commercial quantities in accordance with cGMP requirements. The manufacturing process must be capable of consistently producing quality batches of the drug candidate and, among other things, cGMPs impose extensive procedural, substantive and recordkeeping requirements to ensure and preserve the long term stability and quality of the final drug product. Additionally, appropriate packaging must be selected and tested and stability studies must be conducted to demonstrate that the drug candidate does not undergo unacceptable deterioration over its shelf life.

NDA submission and FDA review process

Following trial completion, trial results and data are analyzed to assess safety and efficacy. The results of pre-clinical studies and clinical trials are then submitted to the FDA as part of an NDA, along with proposed labeling for the drug, information about the manufacturing process and facilities that will be used to ensure drug quality, results of analytical testing conducted on the chemistry of the drug, and other relevant information. The NDA is a request for approval to market the drug and must contain adequate evidence of safety and efficacy, which is demonstrated by extensive pre-clinical and clinical testing. The application may include negative or ambiguous results of pre-clinical and clinical trials as well as positive findings. Data may come from company-sponsored clinical trials intended to test the safety and efficacy of a use of a drug, or from a number of alternative sources, including studies initiated by investigators. To support marketing approval, the data submitted must be sufficient in quality and quantity to establish the safety and efficacy of the investigational drug product to the satisfaction of the FDA. Under federal law, the submission of most NDAs is subject to the payment of an application user fees; a waiver of such fees may be obtained under certain limited circumstances. FDA approval of an NDA must be obtained before a drug may be offered for sale in the United States.

In addition, under the Pediatric Research Equity Act, or PREA, an NDA or supplement to an NDA must contain data to assess the safety and efficacy of the drug for the claimed indications in all relevant pediatric subpopulations and to support dosing and administration for each pediatric subpopulation for which the drug is safe and effective. The FDA may grant deferrals for submission of data or full or partial waivers.

Under the Prescription Drug User Fee Act, or PDUFA, as amended, each NDA must be accompanied by an application user fee. The FDA adjusts the PDUFA user fees on an annual basis. According to the FDA's fee schedule, effective through September 30, 2015, the user fee for an application requiring clinical data, such as an NDA, is $2,335,200. PDUFA also imposes an annual product fee for human drugs ($110,370) and an annual establishment fee ($569,200) on facilities used to manufacture prescription drugs. Fee waivers or reductions are available in certain circumstances, including a waiver of the application fee for the first application filed by a small business. Additionally, no user fees are assessed on NDAs for products designated as orphan drugs, unless the product also includes a non-orphan indication.

The FDA reviews all NDAs submitted before it accepts them for filing and may request additional information rather than accepting an NDA for filing. The FDA conducts a preliminary review of an NDA within 60 days of receipt and informs the sponsor by the 74th day after FDA's receipt of the submission to determine whether the application is sufficiently complete to permit substantive review. Once the submission is accepted for filing, the FDA begins an in-depth review of the NDA. Under the goals and policies agreed to by the FDA under PDUFA, the FDA has ten months from the filing date in which to complete its initial review of a standard NDA and respond to the applicant, and six months from the filing date for a "priority review" NDA. The FDA does not always meet its PDUFA goal dates for standard and priority review NDAs, and the review process is often significantly extended by FDA requests for additional information or clarification.

After the NDA submission is accepted for filing, the FDA reviews the NDA to determine, among other things, whether the proposed drug is safe and effective for its intended use, and whether the drug is being manufactured in accordance with cGMP to assure and preserve the drug's identity, strength, quality and purity. The FDA may refer applications for novel drugs or drug candidates that present difficult questions of safety or efficacy to an advisory committee, typically a panel that includes clinicians and other experts, for review, evaluation and a recommendation as to whether the application should be approved and under what conditions. The FDA is not bound by the recommendations of an advisory committee, but it considers such recommendations carefully when making decisions. The FDA may re-analyze the clinical trial data, which can result in extensive discussions between the FDA and us during the review process.

Before approving an NDA, the FDA will conduct a pre-approval inspection of the manufacturing facilities for the new drug to determine whether they comply with cGMPs. The FDA will not approve the drug unless it determines that the manufacturing processes and facilities are in compliance with cGMP requirements and adequate to assure consistent production of the drug within required specifications. In addition, before approving an NDA, the FDA may also audit data from clinical trials to ensure compliance with GCP requirements. After the FDA evaluates the application, manufacturing process and manufacturing facilities where the drug product and/or its API will be produced, it may issue an approval letter or a Complete Response Letter. An approval letter authorizes commercial marketing of the drug with specific prescribing information for specific indications. A Complete Response Letter indicates that the review cycle of the application is complete and the application is not ready for approval. A Complete Response Letter usually describes all of the specific deficiencies in the NDA identified by the FDA. The Complete Response Letter may require additional clinical data and/or an additional pivotal clinical trial(s), and/or other significant, expensive and time-consuming requirements related to clinical trials, pre-clinical studies or manufacturing. If a Complete Response Letter is issued, the applicant may either resubmit the NDA, addressing all of the deficiencies identified in the letter, or withdraw the application. Even if such data and information is submitted, the FDA may ultimately decide that the NDA does not satisfy the criteria for approval. Data obtained from clinical trials are not always conclusive and the FDA may interpret data differently than we interpret the same data.

If a drug receives marketing approval, the approval may be limited to specific diseases and dosages or the indications for use may otherwise be limited. Further, the FDA may require that certain contraindications, warnings or precautions be included in the drug labeling or may condition the approval of the NDA on other changes to the proposed labeling, development of adequate controls and specifications, or a commitment to conduct post-market testing or clinical trials and surveillance to monitor the effects of approved drugs. For example, the FDA may require Phase 4 testing which involves clinical trials designed to further assess a drug's safety and effectiveness and may require testing and surveillance programs to monitor the safety of approved drugs that have been commercialized. The FDA may also place other conditions on approvals including the requirement for a Risk Evaluation and Mitigation Strategy, or REMS, to ensure that the benefits of a drug or biological product outweigh its risks. If the FDA concludes a REMS is needed, the sponsor of the NDA must submit a proposed REMS. The FDA will not approve the NDA without an approved REMS, if required. A REMS

could include medication guides, physician communication plans, or elements to assure safe use, such as restricted distribution methods, patient registries and other risk minimization tools. Any of these limitations on approval or marketing could restrict the commercial promotion, distribution, prescription or dispensing of drugs. Drug approvals may be withdrawn for non-compliance with regulatory standards or if problems occur following initial marketing.

Section 505(b)(2) NDAs

NDAs for most new drug products are based on two full clinical studies which must contain substantial evidence of the safety and efficacy of the proposed new product. These applications are submitted under Section 505(b)(1) of the FDCA. The FDA is, however, authorized to approve an alternative type of NDA under Section 505(b)(2) of the FDCA. This type of application allows the applicant to rely, in part, on the FDA's previous findings of safety and efficacy for a similar product, or published literature. Specifically, Section 505(b)(2) applies to NDAs for a drug for which the investigations made to show whether or not the drug is safe for use and effective in use and relied upon by the applicant for approval of the application "were not conducted by or for the applicant and for which the applicant has not obtained a right of reference or use from the person by or for whom the investigations were conducted."

Section 505(b)(2) authorizes the FDA to approve an NDA based on safety and effectiveness data that were not developed by the applicant. NDAs filed under Section 505(b)(2) may provide an alternate and potentially more expeditious pathway to FDA approval for new or improved formulations or new uses of previously approved products. If the 505(b)(2) applicant can establish that reliance on the FDA's previous approval is scientifically appropriate, the applicant may eliminate the need to conduct certain preclinical or clinical studies of the new product. The FDA may also require companies to perform additional studies or measurements to support the change from the approved product. The FDA may then approve the new drug candidate for all or some of the label indications for which the referenced product has been approved, as well as for any new indication sought by the Section 505(b)(2) applicant.

Special FDA expedited review and approval programs

The FDA has various programs, including Fast Track Designation, accelerated approval, priority review and Breakthrough Therapy Designation, that are intended to expedite or simplify the process for the development and FDA review of drugs that are intended for the treatment of serious or life threatening diseases or conditions and demonstrate the potential to address unmet medical needs. The purpose of these programs is to provide important new drugs to patients earlier than under standard FDA review procedures.

Fast track designation

To be eligible for a Fast Track Designation, the FDA must determine, based on the request of a sponsor, that a drug is intended to treat a serious or life threatening disease or condition for which there is no effective treatment and demonstrates the potential to address an unmet medical need for the disease or condition. Under the fast track program, the sponsor of a drug candidate may request FDA to designate the product for a specific indication as a fast track product concurrent with or after the filing of the IND for the drug candidate. The FDA must make a fast track designation determination within 60 days after receipt of the sponsor's request.

In addition to other benefits, such as the ability to use surrogate endpoints and have greater interactions with FDA, FDA may initiate review of sections of a fast track product's NDA before the application is complete. This rolling review is available if the applicant provides, and FDA approves, a schedule for the submission of the

remaining information and the applicant pays applicable user fees. However, FDA's time period goal for reviewing a fast track application does not begin until the last section of the NDA is submitted. In addition, the fast track designation may be withdrawn by FDA if FDA believes that the designation is no longer supported by data emerging in the clinical trial process.

Priority review

The FDA may give a priority review designation to drugs that offer major advances in treatment, or provide a treatment where no adequate therapy exists. A priority review means that the goal for the FDA to review an application is six months, rather than the standard review of ten months under current PDUFA guidelines. These six and ten month review periods are measured from the "filing" date rather than the receipt date for NDAs for new molecular entities, which typically adds approximately two months to the timeline for review and decision from the date of submission. Most products that are eligible for Fast Track Designation are also likely to be considered appropriate to receive a priority review.

Breakthrough therapy designation

Under the provisions of the new Food and Drug Administration Safety and Innovation Act, or FDASIA, enacted by Congress in 2012, a sponsor can request designation of a drug candidate as a "breakthrough therapy." A breakthrough therapy is defined as a drug that is intended, alone or in combination with one or more other drugs, to treat a serious or life-threatening disease or condition, and preliminary clinical evidence indicates that the drug may demonstrate substantial improvement over existing therapies on one or more clinically significant endpoints, such as substantial treatment effects observed early in clinical development. Drugs designated as breakthrough therapies are also eligible for accelerated approval. The FDA may take certain actions, such as holding timely meetings and providing advice, intended to expedite the development and review of an application for approval of a breakthrough therapy.

Accelerated approval

FDASIA also codified and expanded on FDA's accelerated approval regulations, under which FDA may approve a drug for a serious or life-threatening illness that provides meaningful therapeutic benefit over existing treatments based on a surrogate endpoint that is reasonably likely to predict clinical benefit, or on a clinical endpoint that can be measured earlier than irreversible morbidity or mortality, that is reasonably likely to predict an effect on irreversible morbidity or mortality or other clinical benefit. This determination takes into account the severity, rarity or prevalence of the disease or condition and the availability or lack of alternative treatments. As a condition of approval, the FDA may require a sponsor of a drug receiving accelerated approval to perform Phase 4 or post-marketing studies to verify and describe the predicted effect on irreversible morbidity or mortality or other clinical endpoint, and the drug may be subject to accelerated withdrawal procedures. All promotional materials for drug candidates approved under accelerated regulations are subject to prior review by the FDA.

Even if a product qualifies for one or more of these programs, the FDA may later decide that the product no longer meets the conditions for qualification or decide that the time period for FDA review or approval will not be shortened. Furthermore, Fast Track Designation, priority review, accelerated approval and Breakthrough Therapy Designation, do not change the standards for approval and may not ultimately expedite the development or approval process.

Pediatric trials

Under the Pediatric Research Equity Act of 2003, a NDA or supplement thereto must contain data that are adequate to assess the safety and effectiveness of the drug product for the claimed indications in all relevant

pediatric subpopulations, and to support dosing and administration for each pediatric subpopulation for which the product is safe and effective. With the enactment of FDASIA, a sponsor who is planning to submit a marketing application for a drug that includes a new active ingredient, new indication, new dosage form, new dosing regimen or new route of administration must also submit an initial Pediatric Study Plan, or PSP, within sixty days of an end-of-Phase II meeting or as may be agreed between the sponsor and FDA. The initial PSP must include an outline of the pediatric study or studies that the sponsor plans to conduct, including study objectives and design, age groups, relevant endpoints and statistical approach, or a justification for not including such detailed information, and any request for a deferral of pediatric assessments or a full or partial waiver of the requirement to provide data from pediatric studies along with supporting information. FDA and the sponsor must reach agreement on the PSP. A sponsor can submit amendments to an agreed-upon initial PSP at any time if changes to the pediatric plan need to be considered based on data collected from pre-clinical studies, early phase clinical trials, and/or other clinical development programs.

Orphan drug designation and exclusivity

Under the Orphan Drug Act, FDA may designate a drug product as an “orphan drug” if it is intended to treat a rare disease or condition (generally meaning that it affects fewer than 200,000 individuals in the United States, or more in cases in which there is no reasonable expectation that the cost of developing and making a drug product available in the United States for treatment of the disease or condition will be recovered from sales of the product). A company must request orphan product designation before submitting a NDA. If the request is granted, FDA will disclose the identity of the therapeutic agent and its potential use. Orphan product designation does not convey any advantage in or shorten the duration of the regulatory review and approval process, but the product will be entitled to orphan product exclusivity, meaning that FDA may not approve any other applications for the same product for the same indication for seven years, except in certain limited circumstances. Competitors may receive approval of different products for the indication for which the orphan product has exclusivity and may obtain approval for the same product but for a different indication. If a drug or drug product designated as an orphan product ultimately receives marketing approval for an indication broader than what was designated in its orphan product application, it may not be entitled to exclusivity.

Post-marketing requirements

Following approval of a new drug, a pharmaceutical company and the approved drug are subject to continuing regulation by the FDA, including, among other things, monitoring and recordkeeping activities, reporting to the applicable regulatory authorities of adverse experiences with the drug, providing the regulatory authorities with updated safety and efficacy information, drug sampling and distribution requirements, and complying with applicable promotion and advertising requirements, which include, among others, standards for direct-to-consumer advertising, restrictions on promoting drugs for uses or in patient populations that are not described in the drug’s approved labeling (known as “off-label use”), limitations on industry-sponsored scientific and educational activities, and requirements for promotional activities involving the internet. Although physicians may legally prescribe drugs for off-label uses, manufacturers may not market or promote such off-label uses. Modifications or enhancements to the drug or its labeling or changes of the site of manufacture are often subject to the approval of the FDA and other regulators, which may or may not be received or may result in a lengthy review process.

Prescription drug advertising is subject to federal, state and foreign regulations. In the United States, the FDA regulates prescription drug promotion, including direct-to-consumer advertising. Prescription drug promotional materials must be submitted to the FDA in conjunction with their first use. Any distribution of prescription drugs and pharmaceutical samples must comply with the U.S. Prescription Drug Marketing Act, or the PDMA, a part of the FDCA.

In the United States, once a drug is approved, its manufacture is subject to comprehensive and continuing regulation by the FDA. The FDA regulations require that drugs be manufactured in specific approved facilities and in accordance with cGMP. Applicants may also rely on third parties for the production of clinical and commercial quantities of drugs, and these third parties must operate in accordance with cGMP regulations. cGMP regulations require among other things, quality control and quality assurance as well as the corresponding maintenance of records and documentation and the obligation to investigate and correct any deviations from cGMP. Drug manufacturers and other entities involved in the manufacture and distribution of approved drugs are required to register their establishments with the FDA and certain state agencies, and are subject to periodic unannounced inspections by the FDA and certain state agencies for compliance with cGMP and other laws. Accordingly, manufacturers must continue to expend time, money, and effort in the area of production and quality control to maintain cGMP compliance. These regulations also impose certain organizational, procedural and documentation requirements with respect to manufacturing and quality assurance activities. NDA holders using third party contract manufacturers, laboratories or packagers are responsible for the selection and monitoring of qualified firms, and, in certain circumstances, qualified suppliers to these firms. These firms and, where applicable, their suppliers are subject to inspections by the FDA at any time, and the discovery of violative conditions, including failure to conform to cGMP, could result in enforcement actions that interrupt the operation of any such facilities or the ability to distribute drugs manufactured, processed or tested by them. Discovery of problems with a drug after approval may result in restrictions on a drug, manufacturer, or holder of an approved NDA, including, among other things, recall or withdrawal of the drug from the market, and may require substantial resources to correct.

The FDA also may require post-approval testing, sometimes referred to as Phase 4 testing, risk minimization action plans and post-marketing surveillance to monitor the effects of an approved drug or place conditions on an approval that could restrict the distribution or use of the drug. Discovery of previously unknown problems with a drug or the failure to comply with applicable FDA requirements can have negative consequences, including adverse publicity, judicial or administrative enforcement, warning letters from the FDA, mandated corrective advertising or communications with doctors, and civil or criminal penalties, among others. Newly discovered or developed safety or effectiveness data may require changes to a drug's approved labeling, including the addition of new warnings and contraindications, and also may require the implementation of other risk management measures. Also, new government requirements, including those resulting from new legislation, may be established, or the FDA's policies may change, which could delay or prevent regulatory approval of our drugs under development.

Other U.S. regulatory matters

Manufacturing, sales, promotion and other activities following drug approval are also subject to regulation by numerous regulatory authorities in addition to the FDA, including, in the United States, the Centers for Medicare & Medicaid Services, other divisions of the Department of Health and Human Services, the Drug Enforcement Administration for controlled substances, the Consumer Product Safety Commission, the Federal Trade Commission, the Occupational Safety & Health Administration, the Environmental Protection Agency and state and local governments. In the United States, sales, marketing and scientific/educational programs must also comply with state and federal fraud and abuse laws. Pricing and rebate programs must comply with the Medicaid rebate requirements of the U.S. Omnibus Budget Reconciliation Act of 1990 and more recent requirements in the Health Care Reform Law, as amended by the Health Care and Education Affordability Reconciliation Act, or ACA. If drugs are made available to authorized users of the Federal Supply Schedule of the General Services Administration, additional laws and requirements apply. The handling of any controlled substances must comply with the U.S. Controlled Substances Act and Controlled Substances Import and Export Act. Drugs must meet applicable child-resistant packaging requirements under the U.S. Poison Prevention

Packaging Act. Manufacturing, sales, promotion and other activities are also potentially subject to federal and state consumer protection and unfair competition laws.

The distribution of pharmaceutical drugs is subject to additional requirements and regulations, including extensive record-keeping, licensing, storage and security requirements intended to prevent the unauthorized sale of pharmaceutical drugs.

The failure to comply with regulatory requirements subjects firms to possible legal or regulatory action. Depending on the circumstances, failure to meet applicable regulatory requirements can result in criminal prosecution, fines or other penalties, injunctions, recall or seizure of drugs, total or partial suspension of production, denial or withdrawal of product approvals, or refusal to allow a firm to enter into supply contracts, including government contracts. In addition, even if a firm complies with FDA and other requirements, new information regarding the safety or efficacy of a product could lead the FDA to modify or withdraw product approval. Prohibitions or restrictions on sales or withdrawal of future products marketed by us could materially affect our business in an adverse way.

Changes in regulations, statutes or the interpretation of existing regulations could impact our business in the future by requiring, for example: (i) changes to our manufacturing arrangements; (ii) additions or modifications to product labeling; (iii) the recall or discontinuation of our products; or (iv) additional record-keeping requirements. If any such changes were to be imposed, they could adversely affect the operation of our business.

U.S. patent term restoration and marketing exclusivity

Depending upon the timing, duration and specifics of the FDA approval of our drug candidates, some of our U.S. patents may be eligible for limited patent term extension under the Hatch-Waxman Act. The Hatch-Waxman Act permits a patent restoration term of up to five years as compensation for patent term lost during product development and the FDA regulatory review process. However, patent term restoration cannot extend the remaining term of a patent beyond a total of 14 years from the product's approval date. The patent term restoration period is generally one-half the time between the effective date of an IND and the submission date of an NDA plus the time between the submission date of an NDA and the approval of that application. Only one patent that covers the approved drug (and to only those patent claims covering the approved drug, a method for using it, or a method for manufacturing it) is eligible for the extension and the application for the extension must be submitted prior to the expiration of the patent. The United States Patent and Trademark Office, in consultation with the FDA, reviews and approves the application for any patent term extension or restoration.

Marketing exclusivity provisions under the FDCA can also delay the submission or the approval of certain marketing applications. The FDCA provides a five-year period of non-patent marketing exclusivity within the United States to the first applicant to obtain approval of an NDA for a NCE. A drug is a NCE if the FDA has not previously approved any other new drug containing the same active moiety, which is the molecule or ion responsible for the action of the drug substance. During the exclusivity period, the FDA may not accept for review an ANDA, or a 505(b)(2) NDA submitted by another company for another drug based on the same active moiety, regardless of whether the drug is intended for the same indication as the original innovator drug or for another indication, where the applicant does not own or have a legal right of reference to all the data required for approval. However, an application may be submitted after four years if it contains a certification of patent invalidity or non-infringement to one of the patents listed with the FDA by the innovator NDA holder. Specifically, the applicant must certify with respect to each relevant patent that: the required patent information has not been filed; the listed patent has expired; the listed patent has not expired, but will expire on a particular date and approval is sought after patent expiration, or the listed patent is invalid, unenforceable

or will not be infringed by the new product. A certification that the new product will not infringe the already approved product's listed patents or that such patents are invalid or unenforceable is called a Paragraph IV certification. If the applicant does not challenge the listed patents or indicate that it is not seeking approval of a patented method of use, the ANDA application will not be approved until all the listed patents claiming the referenced product have expired. If the ANDA applicant has provided a Paragraph IV certification to the FDA, the applicant must also send notice of the Paragraph IV certification to the NDA and patent holders once the ANDA has been accepted for filing by the FDA. The NDA and patent holders may then initiate a patent infringement lawsuit in response to the notice of the Paragraph IV certification. The filing of a patent infringement lawsuit within 45 days after the receipt of a Paragraph IV certification automatically prevents the FDA from approving the ANDA until the earlier of 30 months after the receipt of the Paragraph IV notice, expiration of the patent, or a decision in the infringement case that is favorable to the ANDA applicant.

The FDCA also provides three years of marketing exclusivity for an NDA, or supplement to an existing NDA if new clinical investigations, other than bioavailability studies, that were conducted or sponsored by the applicant are deemed by the FDA to be essential to the approval of the application, for example new indications, dosages or strengths of an existing drug. This three-year exclusivity covers only the modification for which the drug received approval on the basis of the new clinical investigations and does not prohibit the FDA from approving ANDAs for drugs containing the active agent for the original indication or condition of use. Five-year and three-year exclusivity will not delay the submission or approval of a full NDA. However, an applicant submitting a full NDA would be required to conduct or obtain a right of reference to all of the pre-clinical studies and adequate and well-controlled clinical trials necessary to demonstrate safety and effectiveness. Orphan drug exclusivity, as described above, may offer a seven-year period of marketing exclusivity, except in certain circumstances. Pediatric exclusivity is another type of regulatory market exclusivity in the United States. Pediatric exclusivity, if granted, adds six months to existing exclusivity periods and patent terms. This six-month exclusivity, which runs from the end of other exclusivity protection or patent term, may be granted based on the voluntary completion of a pediatric trial in accordance with an FDA-issued "Written Request" for such a trial.

Rest of the world regulation of pharmaceutical product development and approval

For other countries outside of China and the United States, such as countries in Europe, Latin America or other parts of Asia, the requirements governing the conduct of clinical trials, drug licensing, pricing and reimbursement vary from country to country. In all cases the clinical trials must be conducted in accordance with GCP requirements and the applicable regulatory requirements and ethical principles.

If we fail to comply with applicable foreign regulatory requirements, we may be subject to, among other things, fines, suspension or withdrawal of regulatory approvals, product recalls, seizure of products, operating restrictions and criminal prosecution.

Coverage and reimbursement

PRC coverage and reimbursement

Historically, most Chinese healthcare costs have been borne by patients out-of-pocket, which has limited the growth of more expensive pharmaceutical products. However, in recent years the number of people covered by government and private insurance has increased. According to the PRC National Bureau of Statistics, as of December 31, 2015, 666 million urban employees and residents in China were enrolled in the national medical insurance program, representing an increase of 11.44% from December 31, 2014. The PRC government has announced a plan to give every person in China access to basic healthcare by year 2020.

Reimbursement under the national medical insurance program

The national medical insurance program was adopted pursuant to the Decision of the State Council on the Establishment of the Urban Employee Basic Medical Insurance Program issued by the State Council on December 14, 1998, under which all employers in urban cities are required to enroll their employees in the basic medical insurance program and the insurance premium is jointly contributed by the employers and employees. The State Council promulgated Guiding Opinions of the State Council about the Pilot Urban Resident Basic Medical Insurance on July 10, 2007, under which urban residents of the pilot district, rather than urban employees, may voluntarily join Urban Resident Basic Medical Insurance. The State Council expects the pilot Urban Resident Basic Medical Insurance to cover the whole nation by 2010.

Participants of the national medical insurance program and their employers, if any, are required to contribute to the payment of insurance premium on a monthly basis. Program participants are eligible for full or partial reimbursement of the cost of medicines included in the Medical Insurance Catalogue. The Notice Regarding the Tentative Measures for the Administration of the Scope of Medical Insurance Coverage for Pharmaceutical Products for Urban Employee, jointly issued by several authorities including the Ministry of Labor and Social Security and the MOF, among others, on May 12, 1999, provides that a pharmaceutical product listed in the Medical Insurance Catalogue must be clinically needed, safe, effective, reasonably priced, easy to use, available in sufficient quantity, and must meet the following requirements:

- it is set forth in the Pharmacopoeia of the PRC;
- it meets the standards promulgated by the CFDA; and
- if imported, it is approved by the CFDA for import.

Factors that affect the inclusion of a pharmaceutical product in the Medical Insurance Catalogue include whether the product is consumed in large volumes and commonly prescribed for clinical use in the PRC and whether it is considered to be important in meeting the basic healthcare needs of the general public.

The PRC Ministry of Human Resources and Social Security, together with other government authorities, has the power to determine the medicines included in the NRDL. In February 2017, the PRC Ministry of Human Resources and Social Security released the 2017 NRDL. The 2017 NRDL expands its scope and covers 2,535 drugs in total, including 339 drugs that are newly added. The 2017 NRDL reflects an emphasis on innovative drugs and drugs that treat cancer and other serious diseases. For instance, most of the innovative chemical drugs and biological products approved in China between 2008 and the first half of 2016 have been included in the 2017 NRDL or its candidate list.

Medicines included in the NRDL are divided into two parts, Part A and Part B. Provincial governments are required to include all Part A medicines listed on the NRDL in their provincial Medical Insurance Catalogue,, but have the discretion to adjust upwards or downwards by no more than 15% from the number of Part B medicines listed in the NRDL. As a result, the contents of Part B of the provincial Medical Insurance Catalogues may differ from region to region in the PRC.

Patients purchasing medicines included in Part A of the NRDL are entitled to reimbursement of the entire amount of the purchase price. Patients purchasing medicines included in Part B of the NRDL are required to pay a certain percentage of the purchase price and obtain reimbursement for the remainder of the purchase price. The percentage of reimbursement for Part B medicines differs from region to region in the PRC.

The total amount of reimbursement for the cost of medicines, in addition to other medical expenses, for an individual participant under the national medical insurance program in a calendar year is capped at the amounts in such participant’s individual account under such program. The amount in a participant’s account varies, depending on the amount of contributions from the participant and his or her employer.

National list of essential drugs

On August 18, 2009, MOH and eight other ministries and commissions in the PRC issued the Provisional Measures on the Administration of the National List of Essential Drugs and the Guidelines on the Implementation of the National List of Essential Drugs System, which aim to promote essential medicines sold to consumers at fair prices in the PRC and ensure that the general public in the PRC has equal access to the drugs contained in the National List of Essential Drugs. MOH promulgated the National List of Essential Drugs (Catalog for the Basic Healthcare Institutions) on August 18, 2009, and promulgated the revised National List of Essential Drugs on March 13, 2013. According to these regulations, basic healthcare institutions funded by government, which primarily include county-level hospitals, county-level Chinese medicine hospitals, rural clinics and community clinics, shall store up and use drugs listed in National List of Essential Drugs. The drugs listed in National List of Essential Drugs shall be purchased by centralized tender process and shall be subject to the price control by NDRC. Remedial drugs in the National List of Essential Drugs are all listed in the Medical Insurance Catalogue and the entire amount of the purchase price of such drugs is entitled to reimbursement.

Commercial insurance

On October 25, 2016, the State Council and the Communist Party of China jointly issued the Plan for Healthy China 2030. According to the Plan, the country will establish a multi-level medical security system built around basic medical insurance, with other forms of insurance supplementing the basic medical insurance, including serious illness insurance for urban and rural residents, commercial health insurance and medical assistance. Furthermore, the Plan encourages enterprises and individuals to participate in commercial health insurance and various forms of supplementary insurance. The evolving medical insurance system makes innovative drugs more affordable and universally available to the Chinese population, which renders greater opportunities to drug manufacturers that focus on the research and development of innovative drugs, such as high-cost cancer therapeutics.

Price controls

Instead of direct price controls which were historically used in China but abolished in June 2016, the government regulates prices mainly by establishing a consolidated procurement mechanism, revising medical insurance reimbursement standards and strengthening regulation of medical and pricing practices as discussed below.

Centralized procurement and tenders

The Guiding Opinions concerning the Urban Medical and Health System Reform, promulgated on February 21, 2000, aims to regulate the purchasing process of pharmaceutical products by medical institution. The MOH and other relevant government authorities have promulgated a series of regulations and releases in order to implement the tender requirements.

According to the Notice on Issuing Certain Regulations on the Trial Implementation of Centralised Tender Procurement of Drugs by Medical Institutions promulgated on July 7, 2000 and the Notice on Further Improvement on the Implementation of Centralised Tender Procurement of Drugs by Medical Institutions promulgated on August 8, 2001, medical institutions established by county or higher level government or state-owned enterprises (including state-controlled enterprises) are required to implement centralised tender procurement of drugs.

The MOH promulgated the Working Regulations of Medical Institutions for Procurement of Drugs by Centralised Tender and Price Negotiations (for Trial Implementation), or there Centralised Procurement Regulations, on March 13, 2002, and promulgated Sample Document for Medical Institutions for Procurement of Drugs by

Centralised Tender and Price Negotiations (for Trial Implementation), or the Centralised Tender Sample Document in November 2001, to implement the tender process requirements and ensure the requirements are followed uniformly throughout the country. The Centralised Tender Regulations and the Centralised Tender Sample Document provide rules for the tender process and negotiations of the prices of drugs, operational procedures, a code of conduct and standards or measures of evaluating bids and negotiating prices. On January 17, 2009, the MOH, the CFDA and other four national departments jointly promulgated the Opinions on Further Regulating Centralised Procurement of Drugs by Medical Institutions. According to the notice, public medical institutions owned by the government at the county level or higher or owned by state-owned enterprises (including state-controlled enterprises) shall purchase pharmaceutical products by online centralised procurement. Each provincial government shall formulate its catalogue of drugs subject to centralised procurement. Except for drugs in the National List of Essential Drugs (the procurement of which shall comply with the relevant rules on National List of Essential Drugs), certain pharmaceutical products which are under the national government's special control, such as toxic, radioactive and narcotic drugs and traditional Chinese medicines, in principle, all drugs used by public medical institutions shall be covered by the catalogue of drugs subject to centralised procurement. On July 7, 2010, the MOH and six other ministries and commissions jointly promulgated the Notice on Printing and Distributing the Working Regulations of Medical Institutions for Centralised Procurement of Drugs to further regulate the centralised procurement of drugs and clarify the code of conduct of the parties in centralised drug procurement.

The centralized tender process takes the form of public tender operated and organised by provincial or municipal government agencies. The centralised tender process is in principle conducted once every year in the relevant province or city in China. The bids are assessed by a committee composed of pharmaceutical and medical experts who will be randomly selected from a database of experts approved by the relevant government authorities. The committee members assess the bids based on a number of factors, including but not limited to, bid price, product quality, clinical effectiveness, product safety, qualifications and reputation of the manufacturer, after-sale services and innovation. Only pharmaceuticals that have won in the centralised tender process may be purchased by public medical institutions funded by the governmental or state-owned enterprise (including state-controlled enterprises) in the relevant region.

Insurance reform

The Opinions on Integrating the Basic Medical Insurance Systems for Urban and Rural Residents issued by the State Council on January 3, 2016, call for the integration of the urban resident basic medical insurance and the new rural cooperative medical care system and the establishment of a unified basic medical insurance system, which will cover all urban and rural residents other than rural migrant workers and persons in flexible employment arrangement who participate in the basic medical insurance for urban employees.

According to the Main Tasks of Healthcare System Reform in 2016 issued by the General Office of the State Council on April 21, 2016, the key tasks of the medical insurance reform are: (1) to advance the establishment of the mechanisms of stable and sustainable financing and security level adjustment, (2) to advance the integration of the basic medical insurance systems for urban and rural residents, (3) to consolidate and improve the system for serious illness insurance for urban and rural residents, (4) to reform medical insurance payment methods, and (5) to advance the development of commercial health insurance.

The Human Resources and Social Security Departments issued the Guiding Opinions on Actively Promoting the Coordinated Healthcare, Medical Insurance and Pharmaceutical Reforms on June 29, 2016, which state that reform will focus on exploring and leveraging the fundamental role of medical insurance through further integration of medical insurance systems in all aspects, deepening the reform of the payment methods for medical insurance and promoting innovation in the medical insurance management system.

According to the Notice on the Issuance of the 13th Five-year Plan on Strengthening the Reform of Healthcare System issued by the State Council on December 27, 2016, one of the guiding principles is to insist on the reform of the coordinated development among healthcare, medical insurance and pharmaceutical systems. The reform intends to establish a complete policy structure in healthcare by 2017, including by perfecting the graded diagnosis and treatment system, establishing and improving the comprehensive supervision and modern hospital management systems, improving the universal medical insurance system, perfecting drug production and distribution policies and strengthening public health service, medical service, medical insurance, drug supply, supervision and management systems throughout the healthcare industry.

U.S. coverage and reimbursement

Successful sales of our products or drug candidates in the U.S. market, if approved, will depend, in part, on the extent to which our drugs will be covered by third-party payors, such as government health programs, commercial insurance and managed healthcare organizations. Patients who are provided with prescriptions as part of their medical treatment generally rely on such third-party payors to reimburse all or part of the costs associated with their prescriptions and therefore adequate coverage and reimbursement from such third-party payors are critical to new product acceptance. These third-party payors are increasingly reducing reimbursements for medical drugs and services. Additionally, the containment of healthcare costs has become a priority of federal and state governments, and the prices of drugs have been a focus in this effort. The U.S. government, state legislatures and foreign governments have shown significant interest in implementing cost-containment programs, including price controls, restrictions on reimbursement and requirements for substitution of generic drugs. Adoption of price controls and cost-containment measures, and adoption of more restrictive policies in jurisdictions with existing controls and measures, could further limit our net revenue and results. Decreases in third-party reimbursement for our drug candidates, if approved, or a decision by a third-party payor to not cover our drug candidates could reduce physician usage of such drugs and have a material adverse effect on our sales, results of operations and financial condition.

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, or the MMA, established the Medicare Part D program to provide a voluntary prescription drug benefit to Medicare beneficiaries. Under Part D, Medicare beneficiaries may enroll in prescription drug plans offered by private entities that provide coverage of outpatient prescription drugs. Unlike Medicare Part A and B, Part D coverage is not standardized. Part D prescription drug plan sponsors are not required to pay for all covered Part D drugs, and each drug plan can develop its own drug formulary that identifies which drugs it will cover and at what tier or level. However, Part D prescription drug formularies must include drugs within each therapeutic category and class of covered Part D drugs, though not necessarily all the drugs in each category or class. Any formulary used by a Part D prescription drug plan must be developed and reviewed by a pharmacy and therapeutic committee. Medicare payment for some of the costs of prescription drugs may increase demand for drugs for which we receive marketing approval. However, any negotiated prices for our drugs covered by a Part D prescription drug plan will likely be lower than the prices we might otherwise obtain. Moreover, while the MMA applies only to drug benefits for Medicare beneficiaries, private payors often follow Medicare coverage policy and payment limitations in setting their own payment rates. Any reduction in payment that results from the MMA may result in a similar reduction in payments from non-governmental payors.

The American Recovery and Reinvestment Act of 2009 provides funding for the federal government to compare the effectiveness of different treatments for the same illness. The plan for the research was published in 2012 by the U.S. Department of Health and Human Services, the Agency for Healthcare Research and Quality and the National Institutes for Health, and periodic reports on the status of the research and related expenditures will be made to Congress. Although the results of the comparative effectiveness studies are not intended to mandate coverage policies for public or private payors, if third-party payors do not consider a drug to be cost-

effective compared to other available therapies, they may not cover such drugs as a benefit under their plans or, if they do, the level of payment may not be sufficient.

The Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010, or collectively the ACA, enacted in March 2010, has had a significant impact on the health care industry. The ACA expanded coverage for the uninsured while at the same time containing overall healthcare costs. With regard to pharmaceutical products, the ACA, among other things, addressed a new methodology by which rebates owed by manufacturers under the Medicaid Drug Rebate Program are calculated for drugs that are inhaled, infused, instilled, implanted or injected, increased the minimum Medicaid rebates owed by manufacturers under the Medicaid Drug Rebate Program and extended the rebate program to individuals enrolled in Medicaid managed care organizations, established annual fees and taxes on manufacturers of certain branded prescription drugs, and a new Medicare Part D coverage gap discount program, in which manufacturers must agree to offer 50% point-of-sale discounts off negotiated prices of applicable brand drugs to eligible beneficiaries during their coverage gap period, as a condition for the manufacturer's outpatient drugs to be covered under Medicare Part D.

In addition, other legislative changes have been proposed and adopted in the United States since the ACA was enacted. On August 2, 2011, the Budget Control Act of 2011 among other things, created measures for spending reductions by Congress. A Joint Select Committee on Deficit Reduction, tasked with recommending a targeted deficit reduction of at least $1.2 trillion for the years 2013 through 2021, was unable to reach required goals, thereby triggering the legislation's automatic reduction to several government programs. This includes aggregate reductions to Medicare payments to providers of up to 2% per fiscal year, started in April 2013, and, due to subsequent legislative amendments, will stay in effect through 2024 unless additional Congressional action is taken. On January 2, 2013, President Obama signed into law the American Taxpayer Relief Act of 2012, or the ATRA, which among other things, also reduced Medicare payments to several providers, including hospitals, imaging centers and cancer treatment centers, and increased the statute of limitations period for the government to recover overpayments to providers from three to five years.

Rest of the world coverage and reimbursement

In some foreign countries, the proposed pricing for a drug must be approved before it may be lawfully marketed. The requirements governing drug pricing vary widely from country to country. For example, the European Union provides options for its member states to restrict the range of medicinal drugs for which their national health insurance systems provide reimbursement and to control the prices of medicinal drugs for human use. A member state may approve a specific price for the medicinal drug or it may instead adopt a system of direct or indirect controls on the profitability of the Company placing the medicinal drug on the market. Historically, drugs launched in the European Union do not follow price structures of the United States and generally tend to be significantly lower.

Other healthcare laws

Other PRC healthcare laws

Advertising of pharmaceutical products

Pursuant to the Provisions for Drug Advertisement Examination, which were promulgated on March 13, 2007 and came into effect on 1 May 2007, an enterprise seeking to advertise its drugs must apply for an advertising approval code. The validity term of an advertisement approval number for pharmaceutical drugs is one year. The content of an approved advertisement may not be altered without prior approval. Where any alteration to the advertisement is needed, a new advertisement approval number shall be obtained by submitting a reapplication.

Insert sheet and labels of pharmaceutical products

According to the Measures for the Administration of the Insert Sheets and Labels of Drugs effective on June 1, 2006, the insert sheets and labels of drugs should be reviewed and approved by the CFDA. A drug insert sheet should include the scientific data, conclusions and information concerning drug safety and efficacy in order to direct the safe and rational use if drugs. The inner label of a drug should bear such information as the drug's name, indication or function, strength, dose and usage, production date, batch number, expiry date and drug manufacturer, and the outer label of a drug should indicate such information as the drug's name, ingredients, description, indication or function, strength, dose and usage and adverse reaction.

Packaging of pharmaceutical products

According to the Measures for The Administration of Pharmaceutical Packaging effective on September 1, 1988, pharmaceutical packaging must comply with the national and professional standards. If no national or professional standards are available, the enterprise can formulate its own standards and put into implementation after obtaining the approval of the food and drug administration or bureau of standards at provincial level. The enterprise shall reapply with the relevant authorities if it needs to change its own packaging standard. Drugs that have not developed and received approval for packing standards must not be sold or traded in PRC (except for drugs for the military).

Other U.S. healthcare laws

We may also be subject to healthcare regulation and enforcement by the U.S. federal government and the states where we may market our drug candidates, if approved. These laws include, without limitation, state and federal anti-kickback, fraud and abuse, false claims, privacy and security and physician sunshine laws and regulations.

Anti-kickback statute

The federal Anti-Kickback Statute prohibits, among other things, any person from knowingly and willfully offering, soliciting, receiving or providing remuneration, directly or indirectly, to induce either the referral of an individual, for an item or service or the purchasing or ordering of a good or service, for which payment may be made under federal healthcare programs such as the Medicare and Medicaid programs. The majority of states also have anti-kickback laws, which establish similar prohibitions and in some cases may apply to items or services reimbursed by any third-party payor, including commercial insurers. The Anti-Kickback Statute is subject to evolving interpretations. In the past, the government has enforced the Anti-Kickback Statute to reach large settlements with healthcare companies based on sham consulting and other financial arrangements with physicians. A person or entity does not need to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation. In addition, the government may assert that a claim including items or services resulting from a violation of the federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the federal False Claims Act.

False claims

Additionally, the civil False Claims Act prohibits knowingly presenting or causing the presentation of a false, fictitious or fraudulent claim for payment to the U.S. government. Actions under the False Claims Act may be brought by the Attorney General or as a qui tam action by a private individual in the name of the government. Analogous state law equivalents may apply and may be broader in scope than the federal requirements. Violations of the False Claims Act can result in very significant monetary penalties and treble damages. The

federal government is using the False Claims Act, and the accompanying threat of significant liability, in its investigation and prosecution of pharmaceutical and biotechnology companies throughout the U.S., for example, in connection with the promotion of products for unapproved uses and other sales and marketing practices. The government has obtained multi-million and multi-billion dollar settlements under the False Claims Act in addition to individual criminal convictions under applicable criminal statutes. Given the significant size of actual and potential settlements, it is expected that the government will continue to devote substantial resources to investigating healthcare providers' and manufacturers' compliance with applicable fraud and abuse laws.

The federal Health Insurance Portability and Accountability Act of 1996, or HIPAA, also created new federal criminal statutes that prohibit among other actions, knowingly and willfully executing, or attempting to execute, a scheme to defraud any healthcare benefit program, including private third-party payors, knowingly and willfully embezzling or stealing from a healthcare benefit program, willfully obstructing a criminal investigation of a healthcare offense, and knowingly and willfully falsifying, concealing or covering up a material fact or making any materially false, fictitious or fraudulent statement in connection with the delivery of or payment for healthcare benefits, items or services. Similar to the federal Anti-Kickback Statute, a person or entity does not need to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation.

Payments to physicians

There has also been a recent trend of increased federal and state regulation of payments made to physicians and other healthcare providers. The ACA, among other things, imposes new reporting requirements on drug manufacturers for payments made by them to physicians and teaching hospitals, as well as ownership and investment interests held by physicians and their immediate family members. Failure to submit required information may result in civil monetary penalties of up to an aggregate of $150,000 per year (or up to an aggregate of $1 million per year for "knowing failures"), for all payments, transfers of value or ownership or investment interests that are not timely, accurately and completely reported in an annual submission. Drug manufacturers were required to begin collecting data on August 1, 2013 and submit reports to the government by March 31, 2014 and June 30, 2014, and the 90th day of each subsequent calendar year. Certain states also mandate implementation of compliance programs, impose restrictions on drug manufacturer marketing practices and/or require the tracking and reporting of gifts, compensation and other remuneration to physicians.

Data privacy and security

We may also be subject to data privacy and security regulation by both the federal government and the states in which we conduct our business. HIPAA, as amended by the Health Information Technology and Clinical Health Act, or HITECH, and their respective implementing regulations, including the final omnibus rule published on January 25, 2013, imposes specified requirements relating to the privacy, security and transmission of individually identifiable health information. Among other things, HITECH makes HIPAA's privacy and security standards directly applicable to "business associates," defined as independent contractors or agents of covered entities that create, receive, maintain or transmit protected health information in connection with providing a service for or on behalf of a covered entity. HITECH also increased the civil and criminal penalties that may be imposed against covered entities, business associates and possibly other persons, and gave state attorneys general new authority to file civil actions for damages or injunctions in federal courts to enforce the federal HIPAA laws and seek attorney's fees and costs associated with pursuing federal civil actions. In addition, state laws govern the privacy and security of health information in certain circumstances, many of which differ from each other in significant ways, thus complicating compliance efforts.

Other significant PRC regulation affecting our business activities in China

PRC regulation of foreign investment

Investment activities in China by foreign investors are principally governed by the Guidance Catalogue of Industries for Foreign Investment, or the Catalogue, which was promulgated and is amended from time to time by the MOFCOM and the National Development and Reform Commission. Pursuant to the latest Catalogue, amended and issued on June 28, 2017 and effective on July 28, 2017, or the 2017 Catalogue, industries listed therein are divided into two categories: encouraged industries and the industries within the catalogue of special management measures, or the Negative List. The Negative List is further divided into two sub-categories: restricted industries and prohibited industries. Establishment of wholly foreign-owned enterprises is generally allowed in industries outside of the Negative List. For the restricted industries within the Negative List, some are limited to equity or contractual joint ventures, while in some cases Chinese partners are required to hold the majority interests in such joint ventures. In addition, restricted category projects are subject to government approvals and certain special requirements. Foreign investors are not allowed to invest in industries in the prohibited category. Industries not listed in the Catalogue are generally open to foreign investment unless specifically restricted by other PRC regulations. Pursuant to the 2017 Catalogue, the manufacture of pharmaceutical products falls in the encouraged industries for foreign investments.

Under PRC law, the establishment of a wholly foreign-owned enterprise is subject to the approval of, or the requirement for record filing with, the MOFCOM or its local counterparts and the wholly foreign owned enterprise must register with the competent administrative bureau of industry and commerce. We have duly obtained the approvals from the MOFCOM or its local counterparts for our interest in our wholly-owned PRC subsidiaries and completed the registration of these PRC subsidiaries with the competent administrative bureau of industry and commerce.

In October 2016, the MOFCOM issued the Interim Measures for Record-filing Administration of the Establishment and Change of Foreign-invested Enterprises, or FIE Record-filing Interim Measures. Pursuant to FIE Record-filing Interim Measures, the establishment and change of foreign-invested enterprises are subject to record-filing procedures, instead of prior approval requirements, provided that the establishment or change does not involve special entry administrative measures. If the establishment or change of FIE matters involve the special entry administrative measures, the approval of the MOFCOM or its local counterparts is still required. Pursuant to the Announcement 2016 No. 22 of the National Development and Reform Commission and the MOFCOM dated October 8, 2016, the special entry administrative measures for foreign investment apply to restricted and prohibited categories specified in the Catalogue, and the encouraged categories are subject to certain requirements relating to equity ownership and senior management under the special entry administrative measures.

PRC regulation of commercial bribery

Pharmaceutical companies involved in a criminal investigation or administrative proceedings related to bribery are listed in the Adverse Records of Commercial Briberies by its provincial health and family planning administrative department. Pursuant to the Provisions on the Establishment of Adverse Records of Commercial Briberies in the Medicine Purchase and Sales Industry which became effective on March 1, 2014, provincial health and family planning administrative departments formulate the implementing measures for establishment of Adverse Records of Commercial Briberies. If a pharmaceutical company is listed in the Adverse Records of Commercial Briberies for the first time, their production is not required to be purchased by public medical institutions. A pharmaceutical company will not be penalized by the relevant PRC government authorities merely by virtue of having contractual relationships with distributors or third party promoters who are engaged in bribery activities, so long as such pharmaceutical company and its employees are not utilizing

the distributors or third party promoters for the implementation of, or acting in conjunction with them in, the prohibited bribery activities. In addition, a pharmaceutical company is under no legal obligation to monitor the operating activities of its distributors and third party promoters, and will not be subject to penalties or sanctions by relevant PRC government authorities as a result of failure to monitor their operating activities.

PRC regulation of product liability

In addition to the strict new drug approval process, certain PRC laws have been promulgated to protect the rights of consumers and to strengthen the control of medical products in the PRC. Under current PRC law, manufacturers and vendors of defective products in the PRC may incur liability for loss and injury caused by such products. Pursuant to the General Principles of the Civil Law of the PRC, or the PRC Civil Law, promulgated on April 12, 1986 and amended on August 27, 2009, a defective product which causes property damage or physical injury to any person may subject the manufacturer or vendor of such product to civil liability for such damage or injury.

On February 22, 1993, the Product Quality Law of the PRC, or the Product Quality Law, was promulgated to supplement the PRC Civil Law aiming to protect the legitimate rights and interests of the end-users and consumers and to strengthen the supervision and control of the quality of products. The Product Quality Law was revised by the Ninth National People's Congress on July 8, 2000 and by the Eleventh National People's Congress on August 27, 2009. Pursuant to the revised Product Quality Law, manufacturers who produce defective products may be subject to civil or criminal liability and have their business licenses revoked.

The Law of the PRC on the Protection of the Rights and Interests of Consumers was promulgated on October 31, 1993 and was amended on August 27, 2009 and October 25, 2013 to protect consumers' rights when they purchase or use goods and accept services. All business operators must comply with this law when they manufacture or sell goods and/or provide services to customers. Under the amendment on October 25, 2013, all business operators shall pay high attention to protect the customers' privacy and strictly keep it confidential any consumer information they obtain during the business operation. In addition, in extreme situations, pharmaceutical product manufacturers and operators may be subject to criminal liability if their goods or services lead to the death or injuries of customers or other third parties.

PRC tort law

Under the Tort Law of the PRC which became effective on July 1, 2010, if damages to other persons are caused by defective products due to the fault of a third party, such as the parties providing transportation or warehousing, the producers and the sellers of the products have the right to recover their respective losses from such third parties. If defective products are identified after they have been put into circulation, the producers or the sellers shall take remedial measures such as issuance of a warning, recall of products, etc. in a timely manner. The producers or the sellers shall be liable under tort if they fail to take remedial measures in a timely manner or have not made efforts to take remedial measures, thus causing damages. If the products are produced or sold with known defects, causing deaths or severe adverse health issues, the infringed party has the right to claim punitive damages in addition to compensatory damages.

PRC regulation of intellectual property rights

China has made substantial efforts to adopt comprehensive legislation governing intellectual property rights, including patents, trademarks, copyrights and domain names.

Patents

Pursuant to the PRC Patent Law, most recently amended in December 2008, and its implementation rules, most recently amended in January 2010, patents in China fall into three categories: invention, utility model and design. An invention patent is granted to a new technical solution proposed in respect of a product or method or an improvement of a product or method. A utility model is granted to a new technical solution that is practicable for application and proposed in respect of the shape, structure or a combination of both of a product. A design patent is granted to the new design of a certain product in shape, pattern or a combination of both and in color, shape and pattern combinations aesthetically suitable for industrial application. Under the PRC Patent Law, the term of patent protection starts from the date of application. Patents relating to invention are effective for twenty years, and utility models and designs are effective for ten years from the date of application. The PRC Patent Law adopts the principle of “first-to-file” system, which provides that where more than one person files a patent application for the same invention, a patent will be granted to the person who files the application first.

Existing patents can become narrowed, invalid or unenforceable due to a variety of grounds, including lack of novelty, creativity, and deficiencies in patent application. In China, a patent must have novelty, creativity and practical applicability. Under the PRC Patent Law, novelty means that before a patent application is filed, no identical invention or utility model has been publicly disclosed in any publication in China or overseas or has been publicly used or made known to the public by any other means, whether in or outside of China, nor has any other person filed with the patent authority an application that describes an identical invention or utility model and is recorded in patent application documents or patent documents published after the filing date. Creativity means that, compared with existing technology, an invention has prominent substantial features and represents notable progress, and a utility model has substantial features and represents any progress. Practical applicability means an invention or utility model can be manufactured or used and may produce positive results. Patents in China are filed with the State Intellectual Property Office, or SIPO. Normally, the SIPO publishes an application for an invention patent within 18 months after the filing date, which may be shortened at the request of applicant. The applicant must apply to the SIPO for a substantive examination within three years from the date of application.

Article 20 of the PRC Patent Law provides that, for an invention or utility model completed in China, any applicant (not just Chinese companies and individuals), before filing a patent application outside of China, must first submit it to the SIPO for a confidential examination. Failure to comply with this requirement will result in the denial of any Chinese patent for the relevant invention. This added requirement of confidential examination by the SIPO has raised concerns by foreign companies who conduct research and development activities in China or outsource research and development activities to service providers in China.

Patent enforcement

Unauthorized use of patents without consent from owners of patents, forgery of the patents belonging to other persons, or engagement in other patent infringement acts, will subject the infringers to infringement liability. Serious offences such as forgery of patents may be subject to criminal penalties.

When a dispute arises out of infringement of the patent owner’s patent right, Chinese law requires that the parties first attempt to settle the dispute through mutual consultation. However, if the dispute cannot be settled through mutual consultation, the patent owner, or an interested party who believes the patent is being infringed, may either file a civil legal suit or file an administrative complaint with the relevant patent administration authority. A Chinese court may issue a preliminary injunction upon the patent owner’s or an interested party’s request before instituting any legal proceedings or during the proceedings. Damages for infringement are calculated as the loss suffered by the patent holder arising from the infringement, and if the

loss suffered by the patent holder arising from the infringement cannot be determined, the damages for infringement shall be calculated as the benefit gained by the infringer from the infringement. If it is difficult to ascertain damages in this manner, damages may be determined by using a reasonable multiple of the license fee under a contractual license. Statutory damages may be awarded in the circumstances where the damages cannot be determined by the above mentioned calculation standards. The damage calculation methods shall be applied in the aforementioned order. Generally, the patent owner has the burden of proving that the patent is being infringed. However, if the owner of an invention patent for manufacturing process of a new product alleges infringement of its patent, the alleged infringer has the burden of proof.

Medical patent compulsory license

According to the PRC Patent Law, for the purpose of public health, the SIPO may grant a compulsory license for manufacturing patented drugs and exporting them to countries or regions covered under relevant international treaties to which PRC has acceded.

Exemptions for Unlicensed Manufacture, Use, Sale or Import of Patented Products

The PRC Patent Law provides five exceptions for unauthorized manufacture, use, sale or import of patented products. None of following circumstances are deemed an infringement of the patent rights, and any person may manufacture, use, sell or import patented products without authorization granted by the patent owner as follows:

- Any person who uses, promises to sell, sells or imports any patented product or product directly obtained in accordance with the patented methods after such product is sold by the patent owner or by its licensed entity or individual;
- Any person who has manufactured an identical product, has used an identical method or has made necessary preparations for manufacture or use prior to the date of patent application and continues to manufacture such product or use such method only within the original scope;
- Any foreign transportation facility that temporarily passes through the territory, territorial waters or territorial airspace of China and uses the relevant patents in its devices and installations for its own needs in accordance with any agreement concluded between China and that country to which the foreign transportation facility belongs, or any international treaty to which both countries are party, or on the basis of the principle of reciprocity;
- Any person who uses the relevant patents solely for the purposes of scientific research and experimentation; or
- Any person who manufactures, uses or imports patented drug or patented medical equipment for the purpose of providing information required for administrative approval, or manufactures, uses or imports patented drugs or patented medical equipment for the abovementioned person.

However, if patented drugs are utilized on the ground of exemptions for unauthorized manufacture, use, sale or import of patented drugs prescribed in PRC Patent Law, such patented drugs cannot be manufactured, used, sold or imported for any commercial purposes without authorization granted by the patent owner.

Trade secrets

According to the PRC Anti-Unfair Competition Law, the term “trade secrets” refers to technical and business information that is unknown to the public that has utility and may create business interests or profits for its legal owners or holders, and is maintained as a secret by its legal owners or holders.

Under the PRC Anti-Unfair Competition Law, business persons are prohibited from infringing others' trade secrets by: (1) obtaining the trade secrets from the legal owners or holders by any unfair methods such as theft, solicitation or coercion; (2) disclosing, using or permitting others to use the trade secrets obtained illegally under item (1) above; or (3) disclosing, using or permitting others to use the trade secrets, in violation of any contractual agreements or any requirements of the legal owners or holders to keep such trade secrets in confidence. If a third party knows or should have known of the above-mentioned illegal conduct but nevertheless obtains, uses or discloses trade secrets of others, the third party may be deemed to have committed a misappropriation of the others' trade secrets. The parties whose trade secrets are being misappropriated may petition for administrative corrections, and regulatory authorities may stop any illegal activities and fine infringing parties in the amount of RMB10,000 to RMB200,000. Alternatively, persons whose trade secrets are being misappropriated may file lawsuits in a Chinese court for loss and damages incurred due to the misappropriation.

The measures to protect trade secrets include oral or written non-disclosure agreements or other reasonable measures to require the employees of, or persons in business contact with, legal owners or holders to keep trade secrets confidential. Once the legal owners or holders have asked others to keep trade secrets confidential and have adopted reasonable protection measures, the requested persons bear the responsibility for keeping the trade secrets confidential.

Trademarks and domain names

Trademark. The PRC Trademark Law and its implementation rules protect registered trademarks. The PRC Trademark Office of State Administration of Industry and Commerce is responsible for the registration and administration of trademarks throughout the PRC. The Trademark Law has adopted a "first-to-file" principle with respect to trademark registration. As of June 30, 2017, we had two registered trademarks in China and four trademark applications pending outside China.

Domain Name. Domain names are protected under the Administrative Measures on the Internet Domain Names promulgated by the Ministry of Industry and Information Technology. The Ministry of Industry and Information Technology is the main regulatory body responsible for the administration of PRC internet domain names. We have registered zaibio.com, zaibiotech.com, zailaboratory.com, zailab.com.cn, zaimedicine.com and zaipharma.com.

PRC regulation of labor protection

Under the Labor Law of the PRC, effective on January 1, 1995 and subsequently amended on August 27, 2009, the PRC Employment Contract Law, effective on January 1, 2008 and subsequently amended on December 28, 2012 and the Implementing Regulations of the Employment Contract Law, effective on September 18, 2008, employers must establish a comprehensive management system to protect the rights of their employees, including a system governing occupational health and safety to provide employees with occupational training to prevent occupational injury, and employers are required to truthfully inform prospective employees of the job description, working conditions, location, occupational hazards and status of safe production as well as remuneration and other conditions as requested by the Labor Contract Law of the PRC.

Pursuant to the Law of Manufacturing Safety of the PRC effective on November 1, 2002 and amended on August 27, 2009 and August 31, 2014, manufacturers must establish a comprehensive management system to ensure manufacturing safety in accordance with applicable laws, regulations, national standards, and industrial standards. Manufacturers not meeting relevant legal requirements are not permitted to commence their manufacturing activities.

Pursuant to the Administrative Measures Governing the Production Quality of Pharmaceutical Products effective on March 1, 2011, manufacturers of pharmaceutical products are required to establish production safety and labor protection measures in connection with the operation of their manufacturing equipment and manufacturing process.

Pursuant to applicable PRC laws, rules and regulations, including the Social Insurance Law which became effective on July 1, 2011, the Interim Regulations on the Collection and Payment of Social Security Funds which became effective on January 22, 1999, Interim Measures concerning the Maternity Insurance of Employees which become effective on December 14, 1994, and the Regulations on Work-related Injury Insurance which became effective on January 1, 2004 and was subsequently amended on December 20, 2010, employers are required to contribute, on behalf of their employees, to a number of social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, work-related injury insurance and maternity insurance. If an employer fails to make social insurance contributions timely and in full, the social insurance collecting authority will order the employer to make up outstanding contributions within the prescribed time period and impose a late payment fee at the rate of 0.05% per day from the date on which the contribution becomes due. If such employer fails to make the overdue contributions within such time limit, the relevant administrative department may impose a fine equivalent to one to three times the overdue amount.

Regulations relating to foreign exchange registration of offshore investment by PRC residents

In July 2014, SAFE issued the SAFE Circular 37, and its implementation guidelines, which abolished and superseded the SAFE Circular 75. Pursuant to SAFE Circular 37 and its implementation guidelines, PRC residents (including PRC institutions and individuals) must register with local branches of SAFE in connection with their direct or indirect offshore investment in an overseas special purpose vehicle, or SPV, directly established or indirectly controlled by PRC residents for the purposes of offshore investment and financing with their legally owned assets or interests in domestic enterprises, or their legally owned offshore assets or interests. Such PRC residents are also required to amend their registrations with SAFE when there is a change to the basic information of the SPV, such as changes of a PRC resident individual shareholder, the name or operating period of the SPV, or when there is a significant change to the SPV, such as changes of the PRC individual resident's increase or decrease of its capital contribution in the SPV, or any share transfer or exchange, merger, division of the SPV. Failure to comply with the registration procedures set forth in the Circular 37 may result in restrictions being imposed on the foreign exchange activities of the relevant onshore company, including the payment of dividends and other distributions to its offshore parent or affiliate, the capital inflow from the offshore entities and settlement of foreign exchange capital, and may also subject relevant onshore company or PRC residents to penalties under PRC foreign exchange administration regulations.

Regulations relating to employee stock incentive plan

In February 2012, the SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly Listed Companies, or the Stock Option Rules, which replaced the Application Procedures of Foreign Exchange Administration for Domestic Individuals Participating in Employee Stock Ownership Plans or Stock Option Plans of Overseas Publicly Listed Companies issued by SAFE on March 28, 2007. In accordance with the Stock Option Rules and relevant rules and regulations, PRC citizens or non-PRC citizens residing in China for a continuous period of not less than one year, who participate in any stock incentive plan of an overseas publicly listed company, subject to a few exceptions, are required to register with SAFE through a domestic qualified agent, which could be a PRC subsidiary of such overseas listed company, and complete certain procedures. We and our employees who are PRC citizens or who reside in China for a continuous period of not less than one year and who participate in our stock incentive plan will be subject to such regulation. In addition, the SAT has issued circulars concerning

employee share options or restricted shares. Under these circulars, employees working in the PRC who exercise share options, or whose restricted shares vest, will be subject to PRC individual income tax, or the IIT. The PRC subsidiaries of an overseas listed company have obligations to file documents related to employee share options or restricted shares with relevant tax authorities and to withhold IIT of those employees related to their share options or restricted shares. If the employees fail to pay, or the PRC subsidiaries fail to withhold, their IIT according to relevant laws, rules and regulations, the PRC subsidiaries may face sanctions imposed by the tax authorities or other PRC government authorities.

Regulations relating to dividend distribution

The principal regulations governing distribution of dividends paid by wholly foreign-owned enterprises include:

- Company Law of the PRC (1993), as amended in 1999, 2004, 2005 and 2013; and
- Foreign Investment Enterprise Law of the PRC (1986), as amended in 2000 and 2016; and
- Administrative Rules under the Foreign Investment Enterprise Law (1990), as amended in 2001 and 2014.

Under these laws and regulations, foreign-invested enterprises in China may pay dividends only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. In addition, a wholly foreign-owned enterprise in China is required to set aside at least 10.0% of its after-tax profit based on PRC accounting standards each year to its general reserves until the accumulative amount of such reserves reach 50.0% of its registered capital. These reserves are not distributable as cash dividends. The foreign-invested enterprise has the discretion to allocate a portion of its after-tax profits to staff welfare and bonus funds. A PRC company is not permitted to distribute any profits until any losses from prior fiscal years have been offset. Profits retained from prior fiscal years may be distributed together with distributable profits from the current fiscal year.

Regulations relating to foreign exchange

The principal regulations governing foreign currency exchange in China are the Foreign Exchange Administration Regulations, most recently amended in August 2008. Under the Foreign Exchange Administration Regulations, payments of current account items, such as profit distributions and trade and service-related foreign exchange transactions can be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, approval from or registration with appropriate government authorities is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of foreign currency-denominated loans.

In August 2008, SAFE issued the Circular on the Relevant Operating Issues Concerning the Improvement of the Administration of the Payment and Settlement of Foreign Currency Capital of Foreign-Invested Enterprises, or SAFE Circular No. 142, regulating the conversion by a foreign-invested enterprise of foreign currency-registered capital into RMB by restricting how the converted RMB may be used. SAFE Circular No. 142 provides that the RMB capital converted from foreign currency registered capital of a foreign-invested enterprise may only be used for purposes within the business scope approved by the applicable government authority and may not be used for equity investments within China. SAFE also strengthened its oversight of the flow and use of the RMB capital converted from foreign currency registered capital of foreign-invested enterprises. The use of such RMB capital may not be changed without SAFE's approval, and such RMB capital may not in any case be used to repay RMB loans if the proceeds of such loans have not been used. In March 2015, SAFE issued SAFE Circular No. 19, which took effective and replaced SAFE Circular No. 142 on June 1, 2015. Although SAFE Circular No. 19 allows for the use of RMB converted from the foreign currency-denominated capital for equity investments in China, the restrictions continue to apply as to foreign-invested enterprises' use of the converted RMB for

purposes beyond the business scope, for entrusted loans or for inter-company RMB loans. SAFE promulgated the Notice of the State Administration of Foreign Exchange on Reforming and Standardizing the Foreign Exchange Settlement Management Policy of Capital Account, or Circular 16, effective on June 9, 2016, which reiterates some of the rules set forth in Circular 19, but changes the prohibition against using RMB capital converted from foreign currency-denominated registered capital of a foreign-invested company to issue RMB entrusted loans to a prohibition against using such capital to issue loans to nonassociated enterprises. Violations of SAFE Circular 19 or Circular 16 could result in administrative penalties.

In November 2012, SAFE promulgated the Circular of Further Improving and Adjusting Foreign Exchange Administration Policies on Foreign Direct Investment which substantially amends and simplifies the current foreign exchange procedure. Pursuant to this circular, the opening of various special purpose foreign exchange accounts (e.g., pre-establishment expenses accounts, foreign exchange capital accounts and guarantee accounts), the reinvestment of lawful incomes derived by foreign investors in China (e.g. profit, proceeds of equity transfer, capital reduction, liquidation and early repatriation of investment), and purchase and remittance of foreign exchange as a result of capital reduction, liquidation, early repatriation or share transfer in a foreign-invested enterprise no longer require SAFE approval, and multiple capital accounts for the same entity may be opened in different provinces, which was not possible before. In addition, SAFE promulgated the Circular on Printing and Distributing the Provisions on Foreign Exchange Administration over Domestic Direct Investment by Foreign Investors and the Supporting Documents in May 2013, which specifies that the administration by SAFE or its local branches over direct investment by foreign investors in the PRC shall be conducted by way of registration and banks shall process foreign exchange business relating to the direct investment in China based on the registration information provided by SAFE and its branches.

In February 2015, SAFE promulgated the Circular on Further Simplifying and Improving the Policies Concerning Foreign Exchange Control on Direct Investment, or SAFE Circular No. 13, which took effect on June 1, 2015. SAFE Circular No. 13 delegates the authority to enforce the foreign exchange registration in connection with the inbound and outbound direct investment under relevant SAFE rules to certain banks and therefore further simplifies the foreign exchange registration procedures for inbound and outbound direct investment.

Other PRC national- and provincial-level laws and regulations

We are subject to changing regulations under many other laws and regulations administered by governmental authorities at the national, provincial and municipal levels, some of which are or may become applicable to our business. For example, regulations control the confidentiality of patients' medical information and the circumstances under which patient medical information may be released for inclusion in our databases, or released by us to third parties. These laws and regulations governing both the disclosure and the use of confidential patient medical information may become more restrictive in the future.

We also comply with numerous additional national and provincial laws relating to matters such as safe working conditions, manufacturing practices, environmental protection and fire hazard control. We believe that we are currently in compliance with these laws and regulations; however, we may be required to incur significant costs to comply with these laws and regulations in the future. Unanticipated changes in existing regulatory requirements or adoption of new requirements could therefore have a material adverse effect on our business, results of operations and financial condition.

Management

Our executive officers and directors

Below is a list of our directors and executive officers as of the date of this prospectus, as well as a brief account of the business experience of each of them:

Name	Age	Position(s)
Executive Officers		
Ying (Samantha) Du	52	Director, Chairman and Chief executive officer
Qi Liu	52	Chief medical officer, oncology
Harald Reinhart	65	Chief medical officer, autoimmune and infectious diseases
Ning Xu	52	Executive vice president, clinical operations and regulatory affairs
James Yan	53	Executive vice president, head of early development and drug safety
Non-Management Directors		
Nisa Leung	47	Director
Peter Wirth	67	Director; Senior Advisor
Marietta Wu	49	Director
Jianming Yu	45	Director
John Diekman	74	Director
Tao Fu	45	Director
Other Key Employees		
Minghui Chen	49	Vice president, government and regulatory affairs
Xiaopeng (Tom) Feng	44	Vice president, finance
Jonathan Wang	35	Vice president, head of business development
Bo Zhang	45	Senior vice president, chemistry, manufacturing and controls
Scientific Advisors		
Richard A. Flavell	71	Scientific Advisor
Gwen Fyfe	65	Scientific Advisor
Neal Rosen	67	Scientific Advisor

Executive officers

Ying (Samantha) Du, Ph.D., co-founded our company and has been our director, chairman and chief executive officer since our inception. Prior to founding our company, Dr. Du spent two years as managing director of healthcare investments at Sequoia Capital China, where she led four investments. From 2001 to 2011, Dr. Du was founder and chief executive officer of Hutchison Medi-Pharma and the co-founder and chief scientific officer of Hutchison China MediTech Limited, a Nasdaq-listed biopharmaceutical company, where she pioneered China-based global biopharmaceutical innovation by bringing five internally-discovered innovative drug candidates into clinical trials, including two global Phase III ready drug candidates. Dr. Du began her career with Pfizer in the United States in 1994, where she was involved in the development and launch of two global drugs. While at Pfizer, she was responsible for Pfizer's global metabolic licensing program on the scientific side. She received a Ph.D. in biochemistry from the University of Cincinnati. Dr. Du has also been involved with and chaired several Chinese regulatory and government related committees.

Qi Liu, M.D., Ph.D. has been our chief medical officer, oncology since 2015. Prior to joining our company, Dr. Liu was the clinical head of the BioVenture group at AstraZeneca and the executive medical director of AstraZeneca Oncology, where she played an important role in establishing AstraZeneca's biologics joint ventures and was responsible for its joint venture global clinical development programs and regulatory strategy and submissions. She also played a key role in the TKI development program. Prior to joining AstraZeneca, Dr. Liu was an assistant professor at the MD Anderson Cancer Center. Dr. Liu received a medical degree from Shanghai Medical University (currently known as Shanghai Medical College of Fudan University) and a Ph.D. in molecular genetics from the University of Georgia. She completed a post-doctoral fellowship at Memorial Sloan Kettering Cancer Center and a medical oncology and hematology fellowship at the MD Anderson Cancer Center with board certifications in internal medicine, medical oncology and hematology.

Harald Reinhart, M.D., has been our chief medical officer, autoimmune and infectious diseases since 2017. He is currently adjunct clinical professor of infectious diseases at the Yale School of Medicine. Prior to joining our company, in 2012, Dr. Reinhart joined Shionogi US as head of Clinical Development and Medical Affairs, where he directed a broad portfolio of antibiotics, diabetes, allergy and pain medications, as well as guided a pharmaceutical product through NDA submission and approval. Between 2003 and 2011, Dr. Reinhart held senior roles at Novartis, where he oversaw successful filings of SNDAs and NDAs for Coartem, Famvir, Sebivo, and Cubicin, managed clinical development groups for transplantation, renal disease and immunity, and supervised the transitioning of projects from research into clinics. Dr. Reinhart received a medical degree from the University of Würzburg in Germany. He completed his medical specialty training in the United States with board-certifications in internal medicine and infectious diseases.

Ning Xu, M.D., has been our executive vice president, clinical operations and regulatory affairs since 2014. Prior to joining our company, he served as vice president, head of clinical development service at Covance China. Before joining Covance, Dr. Xu served as a senior medical and regulatory affairs executive at Johnson & Johnson and GlaxoSmithKline. Dr. Xu received a medical degree from Peking Union Medical College and a master of business administration from the University of Illinois at Chicago. Dr. Xu also completed a postdoctoral fellowship at the Medical School, University of Illinois at Chicago. Between 2011 and 2015, he was the chairman of the Advisory Council of DIA China and a director of DIA Global.

James Yan, Ph.D., has been our executive vice president and head of pre-clinical development and drug safety since 2015. Prior to joining our company, Dr. Yan was the head of the Covance early development Shanghai site, where he was responsible for all aspects of the business. Between 2009 and 2011, Dr. Yan served as the head of drug safety evaluation and program management of Hutchison Medi-Pharma. Prior to Hutchison Medi-Pharma, Dr. Yan had significant experience at Pfizer in the United States. Over the course of his career, Dr. Yan was been involved in many IND and NDA filings for multiple drug candidates and gained substantial experience working

with regulatory agencies in several countries. Dr. Yan received a Ph.D. from Peking Union Medical University and completed post-doctoral training at the University of Chicago's Ben-May Institute for Cancer Research. He is a diplomat of the American Board of Toxicology, a council member of the China Society of Toxicology and a member of the Drug Toxicity and Drug Safety Evaluation Committee.

Non-management directors

Nisa Leung has been our independent director since 2014. Ms. Leung is a Managing Partner at Qiming Venture Partners, where she leads its health care investments. In addition to serving on our board of directors, Ms. Leung is also a member of the board of directors of Berry Genomics, a biotechnology company that provides prenatal genetic testing; CanSino Biotechnology, a vaccine developer; dMed, a Shanghai-based CRO consulting startup; Gan & Lee Pharmaceuticals, a developer of insulin analog; Nurotron Biotechnology, a developer of neurostimulation systems; and Venus Medtech, a developer of interventional artificial cardiac valve systems. Ms. Leung received a master of business administration from the Stanford Graduate School of Business.

Peter Wirth has been our director since 2017 and has been our senior advisor since 2015. He is chairman of FORMA Therapeutics Holdings LLC, a small molecule drug discovery company; executive chairman of ZappRx, a digital health care company; chair of the board of directors at Syros Pharmaceuticals, a Nasdaq-listed biopharmaceutical company; and director of Aura Biosciences, Inc., a biopharmaceutical company. From 2011 to 2014, Mr. Wirth served as president and director of Lysosomal Therapeutics, Inc., a biopharmaceutical company focused on small molecule research. From 1996 to 2011, Mr. Wirth served as a senior executive at Genzyme, which is now part of Sanofi, and most recently as its executive vice president of legal and corporate development, chief risk officer and corporate secretary. During the last five years, Mr. Wirth also served as a director of Synageva BioPharma Corp., a biopharmaceutical company which is now owned by Nasdaq-listed Alexion Pharmaceuticals. Mr. Wirth received a law degree from Harvard Law School.

Marietta Wu, M.D., Ph.D., co-founded our company, has been our director since 2014 and served as our chief operating officer from 2014 to 2017. She also serves as a director of JING Medicine Technology (Shanghai) Ltd., Qiagen (Suzhou) Translational Medicine Co., Ltd. and Kira Pharmaceuticals (Hong Kong) Limited. Prior to founding our company, Dr. Wu served as general manager of greater China and later managing director of Burrill & Company, or Burrill, where she led Burrill's operation in greater China and focused on venture capital investing in China and Taiwan related to life science opportunities. Prior to joining Burrill, Dr. Wu was director of strategy at Edwards Lifesciences. From 2009 to 2010, Dr. Wu also served as acting chief operating officer of Waterstone Pharmaceuticals, a specialty pharmaceutical company with key operations in China. She also held various financial and business development positions at Eli Lilly & Company. Dr. Wu received her medical degree from Shanghai Jiaotong University School of Medicine, a Ph.D. in Medical Sciences from Medical College of Ohio and a master of business administration from the University of Michigan Ross School of Business. Dr. Wu is a founding member of the China Healthcare Investment Conference.

Jianming Yu, Ph.D., has been our director since 2016. Dr. Yu is a co-founder of New Horizon Capital and has been its managing partner and chief executive officer since its inception in 2005. Dr. Yu also founded Advantech Capital, a growth fund specializing in innovative technologies and healthcare, and has served as its managing partner since 2015. In addition, Dr. Yu is founder and managing partner of Redview Capital, a private equity fund with focus on consumer products and services, advanced manufacturing, and new energy sectors. Dr. Yu received a master of business administration from Kellogg School of Management, Northwestern University, and a Ph.D. in biology from Harvard University.

John D. Diekman, Ph.D., has been our independent director since 2017. Dr. Diekman is founding partner of 5AM Ventures, where he has served since 2002. He is chairman of the board of directors of IDEAYA Biosciences, Inc.,

an oncology-focused biotechnology company; director of Igenica Biotherapeutics, Inc., a developer of antibody-based oncology treatments; director of Wildcat Discovery Technologies, Inc., a technology company that discovers materials for energy storage applications; charter trustee of Princeton University; chairman of the board of directors of The Scripps Research Institute; and a member of the advisory board of the Schaeffer Center for Health Policy and Economics at the University of Southern California. During the last five years, Dr. Diekman also served as director of Calibrium LLC, a biopharmaceutical research company focused on diabetes and other metabolic diseases; Cellular Research, Inc., a single-cell genomics startup; and PhaseRx Inc., a biopharmaceutical company developing mRNA treatments for life-threatening inherited liver diseases in children. Dr. Diekman holds an A.B. in Organic Chemistry from Princeton University and a Ph.D. in Chemistry from Stanford University.

Tao Fu has been our independent director since 2017. He is currently executive vice president, chief commercial and business officer of Portola Pharmaceuticals, Inc., a publicly traded biotechnology company specializing in cardiovascular disease, hematological disorders and cancer. In this role, Mr. Fu leads Portola's commercial operations, marketing, sales and business development functions. Prior to joining Portola in June 2015, Mr. Fu was vice president, business development, head of M&A and alliance management at BMS. Mr. Fu led all M&A, divestiture, strategic transaction and venture investment opportunities as well as alliance management for BMS. Between 2003 and 2015, Mr. Fu worked at Johnson & Johnson in a number of roles, most recently as vice president, business development, where he was responsible for global M&A activities in the pharmaceutical sector. Prior to joining Johnson & Johnson, Mr. Fu held managerial positions with Scios Inc., a biotechnology company in California; McKinsey & Company, a global management consulting firm; and Becton Dickinson, a leading medical device company. Mr. Fu received a master of science in cell biology from the University of Rochester, and a master of business administration in finance and marketing from Vanderbilt University. Mr. Fu did his undergraduate studies in biology at Tsinghua University and is a Chartered Financial Analyst (CFA).

Other key employees and advisors

Minghui Chen has been our vice president, government and regulatory affairs since 2017. Prior to joining our company, he was senior director at a subsidiary of Wuxi Apptec. From 2012 to 2013, he was vice president at Cenova Ventures. From 2008 to 2011, he was head of regulatory affairs at Hutchison Medi-Pharma, where he maintained a highly successful track record of leading new drug submissions and obtaining fast approvals through the green channel. Mr. Chen also had significant experience working in the regulatory affairs department at AstraZeneca in China prior to joining Hutchison Medi-Pharma. Mr. Chen received a bachelor of science in pharmacology from Fudan University Medical School.

Xiaopeng (Tom) Feng has been our vice president, finance since 2017. Prior to joining our company, Mr. Feng was the financial director of Ascletis Bioscience Limited, where he was responsible for financial reporting and management. From 2012 to 2015, Mr. Feng served as financial controller of GMT Shipping Nigeria. From 2002 to 2011, Mr. Feng served as financial director in various subsidiaries of Hutchison China MediTech Limited. Mr. Feng received a bachelor of economics from Fudan University. He is a member of CICPA and a fellow member of the FCCA.

Jonathan Wang has been our vice president, head of business development since 2014. Prior to joining our company, Mr. Wang was an investment professional at OrbiMed, where he was responsible for China healthcare investment and portfolio management. From 2005 to 2011, Mr. Wang worked as a consultant at the Boston Consulting Group in China, where he specialized in pharmaceutical and healthcare engagements, assisting multinational and local companies with their China strategy. Previously, Mr. Wang also gained financial transactional experience at Goldman Sachs Investment Banking. Mr. Wang received a master of business administration in healthcare management from Wharton Business School.

Bo Zhang has been our senior vice president, chemistry, manufacturing and controls since 2014. Prior to joining our company, Dr. Zhang was a director of the nature product business unit at GlaxoSmithKline, where he was responsible for chemistry, manufacturing and controls development. From 2010 to 2013, Dr. Zhang served as senior director of Hutchison Medi-Pharma, where he was responsible for chemistry, manufacturing and controls development. Before returning to China, Dr. Zhang had significant experience at Pfizer in the United States. Dr. Zhang received a Ph.D. in analytical chemistry from Iowa State University and a masters degree in chemical fibers from Sichuan University.

Richard A. Flavell, Ph.D., FRS, has served on our scientific advisory board since 2017. Since 2002, Dr. Flavell has been the Sterling Professor of Immunobiology at Yale University School of Medicine. Prior to joining the Yale faculty in 1988, Dr. Flavell was the President and Chief Scientific Officer of Biogen Research Corporation. Dr. Flavell received a Ph.D. in biochemistry from the University of Hull, England, and performed postdoctoral work in Amsterdam and Zurich. He is an Investigator of the Howard Hughes Medical Institute, a fellow of the Royal Society, a member of the National Academy of Sciences, and a member of the Institute of Medicine of the National Academies. He has published over 800 papers and has received many awards, including the Invitrogen Meritorious Career Award from the American Association of Immunologists.

Gwen Fyfe, M.D., has served on our scientific advisory board since 2016. Since 2009, Dr. Fyfe has been a consultant for venture capital firms and for a variety of biotechnology companies. From 1997 to 2009, Dr. Fyfe held various positions with Genentech Inc. (now a member of the Roche Group), including Vice President, Oncology Development and Vice President, Avastin Franchise Team, as well as the honorary title of Senior Staff Scientist. Dr. Fyfe played an important role in the development of Genentech's approved oncology agents including Rituxan®, Herceptin®, Avastin® and Tarceva®. From 1990 to 1997, Dr. Fyfe was Medical Director at Chiron Therapeutics. Dr. Fyfe currently serves as a director of Array Biopharma, Inc., Cascadian Therapeutics and Molecular Partners AG and previously served as a director of Infinity Pharmaceuticals, Inc. Dr. Fyfe received a medical degree from Washington University and is a board-certified pediatric oncologist. She has been an invited member of Institute of Medicine panels, National Cancer Institute working groups and grant committees and American Society of Clinical Oncologists oversight committees.

Neal Rosen, M.D., Ph.D. has served on our scientific advisory board since 2016. Dr. Rosen is a Member of the Department of Medicine and a Member of the Molecular Pharmacology and Chemistry Program at Memorial Sloan Kettering Cancer Center, where he serves as Head of Developmental Therapeutics. He is also a Professor of Pharmacology, Cell Biology and Medicine at Cornell University Medical School. He has played an important role in the development of tyrosine kinase-mediated signaling inhibitors and has pioneered the concept that cancer cells are dependent on cellular machinery for protein folding. Dr. Rosen received a medical degree and a Ph.D. in Molecular Biology from the Albert Einstein College of Medicine. He completed a residency in Internal Medicine at the Brigham and Women's Hospital and post-doctoral training and a fellowship in Medical Oncology at the National Cancer Institute, where he served on the senior staff prior to joining the faculty of Memorial Sloan Kettering Cancer Center. He was the recipient of the NIH/NCI Outstanding Investigator Award in 2016.

Foreign private issuer status

The NASDAQ Stock Market listing rules include certain accommodations in the corporate governance requirements that allow foreign private issuers, such as us, to follow "home country" corporate governance practices in lieu of the otherwise applicable corporate governance standards of the Nasdaq Stock Market. The application of such exceptions requires that we disclose each noncompliance with the Nasdaq listing rules that we do not follow and describe the Cayman Islands corporate governance practices we do follow in lieu of the relevant NASDAQ Stock Market corporate governance standard. When our ADSs are listed on the Nasdaq Global

Market, we intend to continue to follow Cayman Islands corporate governance practices in lieu of the corporate governance requirements of the Nasdaq Stock Market in respect of the following:

- the majority independent director requirement under Section 5605(b)(1) of the NASDAQ Stock Market listing rules;
- the requirement under Section 5605(d) of the NASDAQ Stock Market listing rules that a compensation committee comprised solely of independent directors governed by a compensation committee charter oversee executive compensation;
- the requirement under Section 5605(e) of the NASDAQ Stock Market listing rules that director nominees be selected or recommended for selection by either a majority of the independent directors or a nominations committee comprised solely of independent directors; and
- the requirement under Section 560-5(b)(2) of the NASDAQ Stock Market listing rules that the independent directors have regularly scheduled meetings with only the independent directors present.

Cayman Islands law does not impose a requirement that the board consist of a majority of independent directors or that such independent directors meet regularly without other members present. Nor does Cayman Islands law impose specific requirements on the establishment of a compensation committee or nominating committee or nominating process.

Code of ethics and corporate governance guidelines

Prior to the completion of this offering, we will adopt a code of ethics, which will be applicable to all of our directors, executive officers and employees. Following the completion of this offering we will make our code of ethics publicly available on our website.

In addition, prior to the completion of this offering, we will adopt a set of corporate governance guidelines covering a variety of matters, including approval of related party transactions. The guidelines will reflect certain guiding principles with respect to our board's structure, procedures and committees. The guidelines are not intended to change or interpret any applicable law, rule or regulation or our amended articles of association.

Board of directors

Composition of our board

Upon consummation of this offering, our articles of association will provide that the size of our board of directors will be determined from time to time by resolution of our board of directors. Following the completion of this offering, we anticipate that our board of directors will consist of seven directors, of whom we expect three to qualify as independent directors under the rules and regulations of the SEC and Nasdaq Stock Market. Prior to the completion of this offering, we will complete our review of the composition of our board of directors and its committees and the independence of each director.

Duties of directors

Under Cayman Islands law, all of our directors owe us fiduciary duties, including a duty of loyalty, a duty to act honestly and a duty to act in good faith and in a manner they believe to be in our best interests. Our directors also have a duty to exercise the skill they actually possess and such care and diligence that a reasonably prudent person would exercise in comparable circumstances. In fulfilling their duty of care to us, our directors must ensure compliance with our amended articles of association, as amended and restated from time to time. We have the right to seek damages if a duty owed by any of our directors is breached.

Board committees

Prior to the completion of this offering, our board of directors will establish an audit committee, a compensation committee and a nominating and corporate governance committee.

Audit committee

Our audit committee consists of Tao Fu, Nisa Leung and Marietta Wu, with Mr. Fu serving as chairman of the committee. We have determined that Mr. Fu qualifies as a financial expert as set forth under the applicable rules of the SEC and satisfies the independence requirements under the rules of the Nasdaq Stock Market and under Rule 10A-3 of the Exchange Act. Within 90 days following the effective date of the registration statement of which this prospectus forms a part, we anticipate that the audit committee will consist of a majority of independent directors, and within one year following the effective date of the registration statement of which this prospectus forms a part, the audit committee will consist exclusively of independent directors.

The audit committee oversees our accounting and financial reporting processes and the audits of our financial statements. Our audit committee is responsible for, among other things:

- selecting, and evaluating the qualifications, performance and independence of, the independent auditor;
- approving or, as permitted, pre-approving auditing and non-auditing services permitted to be performed by the independent auditor;
- considering the adequacy of our internal accounting controls and audit procedures;
- reviewing with the independent auditor any audit problems or difficulties and management's response;
- reviewing and approving related party transactions;
- reviewing and discussing the annual audited financial statements with management and the independent auditor;
- establishing procedures for the receipt, retention and treatment of complaints received from our employees regarding accounting, internal accounting controls or auditing matters and the confidential, anonymous submission by our employees of concerns regarding questionable accounting or auditing matters;
- meeting separately, periodically, with management, internal auditors and the independent auditor; and
- reporting regularly to the full board of directors.

Compensation committee

Our compensation committee consists of Peter Wirth, Jianming Yu and Nisa Leung, with Mr. Wirth serving as chairman of the committee.

Our compensation committee will be responsible for, among other things:

- reviewing, evaluating and, if necessary, revising our overall compensation policies;
- reviewing and evaluating the performance of our directors and executive officers and determining the compensation of our executive officers;
- reviewing and approving our executive officers' employment agreements with us;

- determining performance targets for our executive officers with respect to our incentive compensation plan and equity-based compensation plans;
- administering our equity-based compensation plans in accordance with the terms thereof; and
- carrying out such other matters that are specifically delegated to the compensation committee.

Nominating and corporate governance committee

Our nominating and corporate governance committee consists of Samantha Du, Jianming Yu and John Diekman, with Ms. Du serving as chairman of the committee.

Our nominating and corporate governance committee will be responsible for, among other things:

- selecting the board nominees for election by the shareholders or appointment by the board;
- periodically reviewing with the board the current composition of the board with regards to characteristics such as independence, knowledge, skills, experience and diversity;
- making recommendations on the frequency and structure of board meetings and monitoring the functioning of the committees of the board; and
- advising the board periodically with regards to significant developments in corporate governance law and practices as well as our compliance with applicable laws and regulations, and making recommendations to the board on corporate governance matters.

Scientific advisory board

The members of our scientific advisory board provide scientific, portfolio and project strategy advice to the company, including the evaluation of licensing arrangements and research and development strategies. The members of our scientific advisory board receive cash compensation, as well as stock options subject to a three-year time-vesting schedule, as compensation for their service to the company.

Employment arrangements with our executive officers

We have entered into employment agreements with each of our executive officers and our directors (other than our non-executive directors) (together, the “executive officers”). All of our executive officers are employed by both of our Hong Kong subsidiary, Zai Lab (Hong Kong) Limited, and our Shanghai subsidiary, Zai Lab (Shanghai) Co., Ltd., except Dr. Reinhart, who is employed only by Zai Lab (Hong Kong) Limited.

Employment agreements with executive officers at Zai Lab (Hong Kong) Limited

Under the terms of the Zai Lab (Hong Kong) Limited employment agreements, except with respect to the main founder Dr. Du, we may terminate an executive officer’s employment with Zai Lab (Hong Kong) Limited at any time, with or without “cause,” by giving such executive officer a notice of termination. In the event of a voluntary termination other than for “good reason” or termination by the company for cause, the executive officer except for Dr. Du will receive the unpaid portion of the base salary, computed pro rata to the date of termination, plus reimbursement for unpaid business expenses (“accrued compensation”). In the event of a termination without “cause,” or a resignation of the executive officer for “good reason,” the executive officer will receive the accrued compensation, plus, except for Dr. Du, a separation benefit consisting of either one or three months’ base pay and fringe benefits depending on service (the “severance period”) plus any additional compensation that may be required by applicable law.

For purposes of the employment agreements, “cause” means (i) the executive officer’s repeated drunkenness or use of illegal drugs which adversely interferes with the performance of the executive officer’s obligations and duties in the company, (2) the conviction of a felony, or any crime involving fraud or misrepresentation or violation of applicable securities laws; (3) the executive officer’s gross mismanagement of the business and affairs of the company or of its subsidiaries that directly results in a material loss to the company and for which the company has reasonable proof was committed by the executive officer; (4) material violation of any terms of the employment agreement or the restrictive covenants agreement between the executive officer and the company; or (5) a conclusive finding by an independent fact finder appointed by the board of directors for any willful misconduct, dishonesty or acts of moral turpitude by the executive, which is materially detrimental to the interests and well-being of the Company, including, without limitation harm to its business or reputation. In addition, for this purpose, “good reason” means (1) any material diminution of the executive officer’s duties or responsibilities (except in connection with a termination for cause, or by reason of death or “disability” or an assignment of duties or responsibilities that are materially inconsistent with the executive officer’s position, (2) any material breach of the employment agreement by the company which is not cured within ten (10) business days after written notice is given to the company, or (3) relocation of the executive officer’s, without consent. to a location more than thirty (30) kilometers from the original employment location, other than temporary relocations of no longer than six (6) calendar months.

In the event of termination of employment by reason of death or disability, the executive officer except for Dr. Du is entitled to receive the accrued compensation, a payment equal to one month’s base salary and fringe benefits, plus any other additional compensation required by law. For purposes of the employment agreement, “disability” means the executive officer is incapacitated or disabled by accident, sickness or otherwise, so as to render him or her unable to mentally or physically incapable of performing the services under the employment agreement for a period of ninety (90) or more consecutive days, or for ninety (90) days during any six (6) month period.

As a condition to receiving payments during the severance period, the executive officer must execute a release of claims that is satisfactory to the Company.

Each executive officer has agreed to assign to us or our designee all rights and titles to any inventions created while he or she is performing services within the scope of employment with us or utilizing our facilities. Each executive officer has also agreed, during his or her employment with us and thereafter, not to use, disclose or transfer any confidential information of our company other than as authorized by us within the scope of his or her duties. Moreover, each of our executive officers has agreed, for the term of his or her employment with us at Zai Lab (Hong Kong) Limited and for a period of one to two years thereafter not to (i) directly or indirectly, compete with our business within any country where we conduct or, at the time of his or her employment, are actively engaged in planning to conduct, our business or (ii) solicit for any employees of our company or orders from any person, firm or company which was at any time during the 12 months prior to termination of such employment a customer or supplier of our company, or to modify its business relationship with our company in a manner adverse thereto.

Employment agreements with executive officers at Zai Lab (Shanghai) Co., Ltd.

Executive officers working for Zai Labs (Shanghai), except Dr. Reinhart, are party to a service agreement with Zai Lab (Shanghai). Zai Lab (Shanghai) employment agreements provide that we engage each executive officer on a fixed term. We provide labor protection and work conditions that comply with the safety and sanitation requirements stipulated by the relevant PRC laws. Relevant executive officers (except non-PRC nationals) and the company contribute to statutory social insurance and other benefits.

During any probation period, we may immediately terminate an executive’s employment agreement without payment of severance or other liability if the executive fails to meet the company’s recruiting requirements.

Outside any probation period, we may terminate an executive officer's employment with Zai Lab (Shanghai) Co., Ltd. by providing the executive with 30 days' notice or one month's base salary in lieu of such notice and a severance benefit in accordance with local law if (i) the executive is ill or suffers any injury that is not work-related, and fails to perform the original work after the prescribed treatment period or fails to perform other work arranged by the company; (ii) the executive is not qualified for the job, and still fails to be qualified for the job after training is given or the position is adjusted; (iii) there is a significant change to the objective circumstances on which this contract is based, resulting in the failure to perform this contract, and after the consultations by both parties, no agreement can be reached in respect of the modification of the content of this contract; (iv) the company needs to terminate employees during any reorganization to avoid bankruptcy, or because it experiences serious difficulties in production or operation; and (iv) other circumstances prescribed by PRC laws or regulation. In addition, we may terminate the executive's employment without notice or payment if the executive (i) seriously or continuously violates, or violates several times the employment rules and policies of the company; (ii) commits serious dereliction in the performance of his or her duties, or practices graft, causing severe damage to the interests of the company; (iii) commits fraud or uses coercive measures or takes advantage of the company vulnerability to make it enter into this contract or to make amendments thereto against the company's will; (iv) is prosecuted for criminal liability, or is subject to re-education through labor in accordance with law; (iv) may be terminated as otherwise permitted by PRC laws. The executive officer may voluntarily terminate his or her contract without cause with 30 days' prior notice to us. The executive officer may also terminate employment immediately for "cause," which includes, among other things, being asked to perform tasks that are unsafe.

Each executive officer has agreed, during his or her employment with us and thereafter, not to use, disclose or transfer any confidential information of our company other than as authorized by us within the scope of his or her duties. Moreover, each of our executive officers has agreed that for a certain period of time after his or her employment with us at Zai Lab (Shanghai) Co., Ltd., he or she will not (i) work for another company or individual that is in competition with us or (ii) manufacture any product or operate any business which is in competition with us.

In addition, we have been advised by our PRC counsel, Zhong Lun Law Firm, that notwithstanding any provision to the contrary in our employment agreements at Zai Lab (Shanghai) Co., Ltd., we may still be required to make severance payments upon termination without Cause to comply with the PRC labor laws and other relevant PRC regulations, which entitle employees to severance payments in case of early termination.

Compensation of directors and executive officers

In the year ended December 31, 2016, we paid aggregate salaries, bonuses and benefits (excluding equity-based grants) of approximately $1.4 million to our executive officers. Executive officers are eligible to receive an annual incentive bonus, as determined by our board of directors, based on achievement of pre-established individual, departmental and company performance goals. We do not separately set aside any amounts for pensions, retirement or other benefits for our executive officers, other than pursuant to relevant statutory requirements, and, in the case of executives who are not PRC citizens, health and life insurance. In the year ended December 31, 2016, we did not pay any compensation to our non-executive directors, except that Mr. Wirth received a cash retainer for his service as a senior advisor. For information regarding equity-based grants to our executive officers and directors, see "—Equity Incentive Plan."

Equity incentive plans

2015 Plan

Our shareholders originally adopted an equity incentive plan in September 2014, and it was subsequently superseded and replaced in its entirety by a plan approved by our shareholders in August 2015. We refer to this equity incentive plan, as amended from time to time, as our 2015 Plan. We believe the equity-based incentives provided in our 2015 Plan are vital to attract and retain the best available personnel for positions by providing incentives to our directors, employees and consultants to promote the success of our business. In connection with this offering, our board of directors has adopted and our shareholders have approved the Zai Lab Limited 2017 Equity Incentive Plan, which is described below.

The following describes the material terms of our 2015 Plan. This summary is not a complete description of all provisions of the 2015 Plan and is qualified in its entirety by reference to such plan, which is filed as an exhibit to the registration statement of which this prospectus is a part.

Administration. Our board of directors is responsible for administering our 2015 Plan. As the plan administrator, our board of directors has the authority to, among other things, determine eligibility for awards to be granted, determine the size, terms and conditions of the awards, accelerate the vesting of or waive any restrictions applicable to the awards, interpret the terms and provisions of the 2015 Plan, and make all other determinations as it deems necessary or advisable to administer the 2015 Plan. The board of directors' decisions with respect to the 2015 Plan and any awards made under such plan are binding upon all participants.

Eligibility. Under the 2015 Plan, awards may be granted to a director, employee or consultant of our company and subsidiaries, as applicable. Options intended to qualify as "incentive stock options" under U.S. law may only be granted to an employee of our company or subsidiaries, as applicable.

Authorized shares. Subject to certain adjustments for stock splits, reorganizations, mergers, consolidations, split-up, and other changes in our corporate structure, the maximum number of ordinary shares that may be issued pursuant to the awards granted under the 2015 Plan is 44,218,603. If an award expires or becomes unexercisable without being exercised in full, or is forfeited or repurchased due to a failure to vest, the unpurchased shares subject to such awards will again become available for grant under the 2015 Plan.

Types of awards. The 2015 Plan provides for awards of stock options, share appreciation rights, restricted shares and restricted share units (the latter, "RSUs").

- *Stock options*. The exercise price for our ordinary shares to be issued pursuant to the exercise of stock options granted under the 2015 Plan is determined by our board of directors on the date of such grant, provided that such exercise price shall not be less than the fair market value of our ordinary shares on the date of such grant (110% in the case of incentive stock options), which will be determined by our board of directors in good faith. To exercise a vested award, the participant must submit a notice of exercise and full payment of the exercise price and applicable tax withholding in a form permitted under the plan. The term of each option may not extend beyond ten (10) years from the grant date.
- *Share appreciation rights*. The exercise price used to determine the amount payable to a participant receiving share appreciation rights under the 2015 Plan is determined by our board of directors, provided that such price my not be less than the fair market value of our ordinary shares on the date of such grant. Upon exercising of a vested share appreciation right, such participant is entitled to receive from us an amount equal to the difference between the fair market value of our ordinary share on the date of exercise over the exercise price, multiplied by the number of ordinary shares with respect to which such share appreciation right is exercised.

- *Restricted shares*. A restricted share granted under the 2015 Plan is subject to forfeiture, transfer restrictions and other restrictions during a certain period of restriction as determined by our board of directors. We keep any restricted shares granted under the 2015 Plan in escrow on behalf of the participants receiving such grant until the end of the applicable period of restriction, unless our board of directors decides to accelerate the time at which such restrictions will lapse or be removed. During the restriction period, participants holding shares of restricted stock will be entitled to receive dividends and distributions paid with respect to such shares under the administrator determines otherwise.
- *RSUs*. A RSU granted under the 2015 Plan entitles a participant receiving such grant to a payment in the form of cash, our ordinary shares or a combination of both upon the future vesting of such RSU. The form of payment and vesting conditions are determined by our board of directors.

Award agreements. Each award granted under the 2015 Plan will be evidenced by an award agreement providing for the number of ordinary shares subject to such award, restrictions and such other terms and conditions as our board of directors determines in its sole discretion.

Vesting schedule; termination of employment. Awards granted under the 2015 Plan are subject to vesting schedules as specified by the relevant award agreements.

In the event of a plan participant's termination of his or her employment with us other than for Cause, the ordinary shares that are not vested on the date of termination or unexercised will revert to the company and be available for grant under our 2015 Plan. In the event of a participant's termination for Cause, ordinary shares covered by any stock option under our 2015 Plan, whether vested or not, will revert to the company and be available for new or additional grants to participants. In addition, in the event of a participant's termination, voluntary or involuntary, we have the right to repurchase any unvested restricted shares at par value per ordinary share. A stock option must be exercised within thirty (30) days of employment termination (or such longer period specified in the award), but before the option's term expires.

Non-transferability of awards. Awards granted under our 2015 Plan may not be transferred other than by will or by the laws of descent or distribution and may only be exercised by the relevant participant receiving such award.

Change of control. If a merger or change of control of our company occurs, each outstanding award under the 2015 Plan may be treated in the following ways (or any combination of such ways) as our board determines in its sole discretion:

- assumed or substituted by the acquiring or succeeding corporation (or an affiliate thereof) with appropriate adjustments as to the number and type of shares and prices;
- terminated upon or immediately prior to the consummation of such merger or change in control upon written notice to participants;
- vested and become exercisable, realizable or payable, or restrictions deemed lapsed, in whole or in part; or
- terminated in exchange for cash and/or property or replaced with other rights or property.

For this purpose a "change of control" will occur if any one person, or more than one person acting as a group, (together, a "person") acquires ownership of the company's stock that, together with the stock held by such person constitutes more than 50% of the total voting power of the company's stock, excluding any change in stock ownership resulting from a private financing of the company approved by the company's board of directors. A change of control may also occur if, while the company has a class of securities registered pursuant to Section 12 of the Securities Exchange Act of 1934, as amended, a majority of the members of our board of

directors is replaced during any twelve month period by directors whose appointment was not endorsed by a majority of our board of directors at the time of such appointment. In addition, a change of control will occur if any person acquires (or has acquired during the 12 months ending on the date of the most recent acquisition by such person) assets from the company that have a total gross fair market value equal to or more than 50% of the total gross fair market value of all assets of the company immediately prior to such acquisition. Gross fair market value of the assets is determined without regard to any liabilities associates with the assets. Changes in the company's place of incorporation, or for the sole purpose of creating a holding company owned in substantially the same proportions by the persons who held the company's securities immediate before the transaction is not a change of control under the 2015 Plan.

Term. Unless earlier terminated, our 2015 Plan has a term of ten years.

Amendment and termination. Our board of directors may at any time amend, suspend or terminate the 2015 Plan.

2017 Equity incentive plan

In connection with this offering, our board of directors has adopted and our shareholders have approved the Zai Lab Limited 2017 Equity Incentive Plan (the "2017 Equity Plan"), and, in connection with and following this offering, all equity-based awards will be granted under our 2017 Equity Plan. The following summary describes the material terms of our 2017 Equity Plan. This summary is not a complete description of all provisions of our 2017 Equity Plan and is qualified in its entirety by reference to our 2017 Equity Plan, which is filed as an exhibit to the registration statement of which this prospectus is a part.

Purposes. The purposes of our 2017 Equity Plan are to attract, retain and reward key employees and directors of, and consultants and advisors to, the Company and its subsidiaries, to incentivize them to generate shareholder value, to enable them to participate in the growth of the Company and to align their interests with the interests of our shareholders.

Administration. Our 2017 Equity Plan will be administered by our compensation committee, which will have the discretionary authority to interpret our 2017 Equity Plan, determine eligibility for and grant awards, determine, modify and waive the terms and conditions of any award, determine the form of settlement of awards, designate whether an award will be over, or with respect to, ordinary shares or ADSs, prescribe forms, rules and procedures relating to our 2017 Equity Plan and awards and otherwise do all things necessary or desirable to carry out the purposes of our 2017 Equity Plan. Our compensation committee may delegate such of its duties, powers and responsibilities as it may determine to one or more of its members, members of our board of directors and, to the extent permitted by law, officers of the Company, and may delegate to employees and other persons such ministerial tasks as it deems appropriate. As used in this summary, the term "Administrator" refers to our compensation committee and its authorized delegates, as applicable.

Eligibility. Key employees, directors, consultants and advisors of the Company and its subsidiaries are eligible to participate in our 2017 Equity Plan. Eligibility for stock options intended to be incentive stock options, or ISOs, is limited to employees of the Company or certain affiliates. Eligibility for stock options, other than ISOs, and stock appreciation rights, or SARs, is limited to individuals who are providing direct services on the date of grant of the award to the Company or certain affiliates.

Authorized shares. Subject to adjustment as described below, the maximum number of shares that may be delivered in satisfaction of awards under our 2017 Equity Plan is 11,545,967 shares, plus an annual increase, to be added as of January 1st of each year from January 1, 2018, to January 1, 2027, equal to the lesser of (i) four percent (4%) of the number of shares outstanding as of the close of business on the immediately preceding December 31st; and (ii) the number of shares determined by our board of directors on or prior to such date for

such year. For purposes of our 2017 Equity Plan, “share” means a share of our common stock (an “ordinary share”), unless there are ADSs representing ordinary shares available, in which case “share” means the number of ADSs equal to an ordinary share. If the ratio of ADSs to ordinary shares is not 1:1, then (a) the maximum number of shares that may be delivered under our 2017 Equity Plan, (b) all award adjustments made pursuant to our 2017 Equity Plan; and (c) all awards designated as awards over ordinary shares will automatically be adjusted to reflect the ratio of the ADSs to ordinary shares, as reasonably determined by the Administrator. Up to the total number of shares available for awards under the plan may be delivered in satisfaction of ISOs.

Subject to applicable laws, shares delivered under our 2017 Equity Plan may be newly issued ordinary shares, previously issued ordinary shares acquired by us or ADSs. Any shares underlying awards that are settled or that expire, become unexercisable, terminate or are forfeited or repurchased by us, in each case without the delivery of shares, will again be available for issuance under our 2017 Equity Plan. In addition, the number of shares delivered in satisfaction of awards will be determined net of shares withheld by us in payment of the exercise price or purchase price of an award or in satisfaction of tax withholding requirements with respect to an award.

Individual limits. The maximum number of shares subject to share options that may be granted to any participant in our 2017 Equity Plan in any calendar year is 3,463,790 shares and the maximum number of shares subject to SARs that may be granted to any participant in any calendar year is 1,731,895 shares. The maximum number of shares subject to awards other than share options and SARs that may be granted to any participant in any calendar year is 1,731,895 shares.

Director limits. In addition to the individual limits described above, the maximum grant date fair value of awards granted under our 2017 Equity Plan to any non-employee director of the Company in respect of his or her service as a director with respect to any calendar year may not exceed $500,000, assuming maximum payout.

Types of awards. Our 2017 Equity Plan provides for the grant of share options, SARs, restricted and unrestricted shares and share units, performance awards, and other awards that are convertible into or otherwise based on our shares. Dividend equivalents may also be provided in connection with awards under our 2017 Equity Plan.

- *Stock options and SARs.* The Administrator may grant share options, including ISOs, and SARs. A share option is a right entitling the holder to acquire shares upon payment of the applicable exercise price. A SAR is a right entitling the holder upon exercise to receive an amount (payable in cash or shares of equivalent value) equal to the excess of the fair market value of the shares subject to the right over the base value from which appreciation is measured. The exercise price of each share option, and the base value of each SAR, granted under our 2017 Equity Plan shall be no less than 100% of the fair market value of a share on the date of grant (110% in the case of certain ISOs). Other than in connection with certain corporate transactions or changes to our capital structure, share options and SARs granted under our 2017 Equity Plan may not be repriced or substituted for with new share options or SARs having a lower exercise price or base value, nor may any consideration be paid upon the cancellation of any share options or SARs that have a per share exercise or base price greater than the fair market value of a share on the date of such cancellation, in each case, without shareholder approval. Each share option and SAR will have a maximum term of not more than ten years from the date of grant (or five years, in the case of certain ISOs).
- *Restricted and unrestricted shares and share units.* The Administrator may grant awards of shares, share units, restricted shares and restricted share units. A share unit is an unfunded and unsecured promise, denominated in shares, to deliver shares or cash measured by the value of shares in the future, and a restricted share unit is a share unit that is subject to the satisfaction of specified performance or other

vesting conditions. Restricted shares are shares that are subject to restrictions requiring that they be redelivered or offered for sale to the Company if specified conditions are not satisfied.

- *Performance awards.* The Administrator may grant performance awards, which are awards subject to performance criteria. The Administrator may grant performance awards that are intended to qualify as exempt performance-based compensation under Section 162(m), to the extent applicable, and awards that are not intended to so qualify.
- *Other stock-based awards.* The Administrator may grant other awards that are convertible into or otherwise based on shares, subject to such terms and conditions as it determines.
- *Substitute awards.* The Administrator may grant substitute awards, which may have terms and conditions that are inconsistent with the terms and conditions of our 2017 Equity Plan.

Vesting; terms of awards. The Administrator determines the terms of all awards granted under our 2017 Equity Plan, including the time or times an award vests or becomes exercisable, the terms on which an award remains exercisable, and the effect of termination of a participant's employment or service on an award. The Administrator may at any time accelerate the vesting or exercisability of an award.

Transferability of awards. Except as the Administrator may otherwise determine, awards may not be transferred other than by will or by the laws of descent and distribution.

Performance criteria. Our 2017 Equity Plan provides for grants of performance awards subject to "performance criteria." Performance criteria with respect to those awards that are intended to qualify as "performance-based compensation" for purposes of Section 162(m) are limited to objectively determinable measures of performance relating to any, or any combination of, the following (measured either absolutely or comparatively (including, without limitation, by reference to an index or indices or the performance of one or more companies) and determined either on a consolidated basis or, as the context permits, on a divisional, subsidiary, line of business, project or geographical basis or in combinations thereof and subject to such adjustments, if any, as the Administrator specifies, consistent with the requirements of Section 162(m) of the Code, to the extent applicable): sales; revenues; assets; expenses; earnings before or after deduction for all or any portion of interest, taxes, depreciation, or amortization, whether or not on a continuing operations or an aggregate or per share basis; return on equity, investment, capital or assets; one or more operating ratios; borrowing levels, leverage ratios or credit rating; market share; capital expenditures; cash flow; share or ADS price; shareholder return; sales of particular products or services; customer acquisition or retention; acquisitions and divestitures (in whole or in part); joint ventures and strategic alliances; spin-offs, split-ups and the like; reorganizations; recapitalizations, restructurings, financings (issuance of debt or equity) or refinancings; or strategic business criteria, consisting of one or more objectives including meeting specified market penetration or value added, product development or introduction (including, without limitation any clinical trial accomplishments, regulatory or other filings or approvals, or other product development milestones), geographic business expansion, cost targets, cost reductions or savings, customer satisfaction, operating efficiency, acquisition or retention, employee satisfaction, information technology, corporate development (including, without limitation, licenses, innovation, research or establishment of third-party collaborations), manufacturing or process development, legal compliance or risk reduction, patent application or issuance goals.

To the extent consistent with the requirements of the performance-based compensation exception under Section 162(m) of the Code, the Administrator may provide in the case of any award intended to qualify for such exception that one or more of the performance criteria applicable to such award will be adjusted in an objectively determinable manner to reflect events (for example, but without limitation, acquisitions or dispositions) occurring during the performance period that affect the applicable performance criteria. During a

transition period following the completion of this offering, the Administrator may grant awards under our 2017 Equity Plan that are exempt from Section 162(m) of the Code and its requirements under a special transition rule.

Effect of certain transactions. In the event of certain covered transactions (including the consummation of a merger, consolidation, or the sale of substantially all of the Company's assets or shares, a change in ownership of the Company's shares, or the dissolution or liquidation of the Company), the Administrator may, with respect to outstanding awards, provide for (in each case, on such terms and subject to such conditions as it deems appropriate):

- The assumption, substitution or continuation of some or all awards (or any portion thereof) by the acquirer or surviving entity;
- The acceleration of exercisability or delivery of shares in respect of any award, in full or in part; and/or
- The cash payment in respect of some or all awards (or any portion thereof) equal to the difference between the fair market value of the shares subject to the award and its exercise or base price, if any.

Except as the Administrator may otherwise determine, each award will automatically terminate immediately upon the consummation of the covered transaction, other than awards that are substituted for or assumed.

Adjustment provisions. In the event of certain corporate transactions, including an extraordinary cash dividend, share dividend, share split or combination of shares (including a reverse share split), recapitalization or other change in our capital structure, the Administrator shall make appropriate adjustments to the maximum number of shares that may be issued under our 2017 Equity Plan, the individual award limits, the number and kind of securities subject to, and, if applicable, the exercise or purchase prices (or base values) of, outstanding awards, and any other provisions affected by such event.

Clawback. The Administrator may provide that any outstanding award or the proceeds of any award or shares acquired thereunder will be subject to forfeiture and disgorgement to the Company if the participant to whom the award was granted violates a non-competition, non-solicitation, confidentiality or other restrictive covenant or to the extent provided in any applicable Company policy that provides for forfeiture or disgorgement, or as otherwise required by law or applicable stock exchange listing standards.

Amendments and termination. The Administrator may at any time amend our 2017 Equity Plan or any outstanding award and may at any time terminate our 2017 Equity Plan as to future grants. However, except as expressly provided in our 2017 Equity Plan, the Administrator may not alter the terms of an award so as to materially and adversely affect a participant's rights without the participant's consent (unless the Administrator expressly reserved the right to do so at the time the award was granted). Any amendments to our 2017 Equity Plan will be conditioned on shareholder approval to the extent required by law or applicable stock exchange requirements.

Outstanding awards. As of June 30, 2017, there were 38,690,512 shares of our company subject to awards made under the 2015 Plan. The following table summarizes, as of that date, the outstanding share options and restricted shares held by our directors and executive officers, as well as by their affiliates, under the 2015 Plan.

Name	Ordinary shares* underlying outstanding awards, which represent options unless otherwise indicated	Purchase price ($/share)	Exercise price ($/share)	Date of grant(1)
Samantha Du	1,300,000	N/A	US$ 0.10	March 5, 2015
	10,435,000	N/A	US$ 0.10	October 22, 2015
	3,626,259	N/A	US$ 0.20	March 9, 2016
	5,533,108	N/A	US$ 0.29	August 25, 2016
Qi Liu	2,000,000	N/A	US$ 0.10	October 22, 2015
	200,000	N/A	US$ 0.29	August 25, 2016
Harald Reinhart	400,000	N/A	US$ 0.50	May 12, 2017
James Yan	2,000,000	N/A	US$ 0.10	October 22, 2015
	500,000	N/A	US$ 0.29	August 25, 2016
Ning Xu	1,270,000	N/A	US$ 0.10	March 5, 2015
	2,700,000	N/A	US$ 0.10	October 22, 2015
Marietta Wu	291,667	N/A	US$ 0.10	March 5, 2015(2)
	360,000	N/A	US$ 0.10	October 22, 2015(2)
	150,000	N/A	US$ 0.20	March 9, 2016(2)
Peter Wirth	1,000,000(3)	N/A	N/A	August 10, 2015
	350,000(3)	N/A	N/A	July 15, 2016
	450,000(3)	N/A	N/A	August 25, 2016

* The share options and restricted shares in the aggregate held by each of these directors and executive officers and their affiliates represent less than 1% of our total outstanding shares.

(1) Options expire on or before the 10-year anniversary of the grant date.

(2) Options expire on or before April 5, 2019.

(3) Represents restricted shares.

Other compensation programs

2017 Cash bonus plan

In connection with this offering, our board of directors has adopted and our shareholders have approved the Zai Lab Limited 2017 Cash Bonus Plan (our "Cash Plan"). Starting in calendar year 2018, annual award opportunities for executive officers and key employees of the Company and its subsidiaries will be granted under our Cash Plan. The following summary describes the material terms of our Cash Plan. This summary is not a complete description of all provisions of our Cash Plan and is qualified in its entirety by reference to our Cash Plan, which will be filed as an exhibit to the registration statement of which this prospectus is a part.

Administration. Our Cash Plan will be administered by our compensation committee and its delegates. As used in this summary, the term "Administrator" refers to our compensation committee and its authorized delegates, as applicable.

The Administrator will have the discretionary authority to interpret our Cash Plan, determine eligibility for and grant awards, determine, modify or waive the terms and conditions of any award, prescribe forms, rules and procedures relating to our Cash Plan and awards, and otherwise do all things necessary or appropriate to carry out the purposes of our Cash Plan.

Eligibility and participation. Executive officers and key employees of the Company and its subsidiaries will be eligible to participate in our Cash Plan and will be selected from time to time by the Administrator to participate in the plan.

Awards. For each award granted under our Cash Plan, the Administrator will establish the performance criteria applicable to the award, the amount or amounts payable if the performance criteria are achieved and such other terms and conditions as the Administrator deems appropriate. Our Cash Plan permits the grant of awards that are intended to satisfy the requirements of the performance-based compensation exception under Section 162(m) of the Code, to the extent applicable, or Section 162(m) Awards, and awards that are not intended to satisfy such requirements. For Section 162(m) Awards, the terms of the award will be established within the time periods required under Section 162(m) of the Code.

Performance criteria. Awards under our Cash Plan will be made based on, and subject to achieving, specified criteria established by the Administrator. Performance criteria for Section 162(m) Awards are limited to objectively determinable measures of performance relating to any, or any combination of, the following (measured either absolutely or comparatively (including, without limitation, by reference to an index or indices or the performance of one or more companies) and determined either on a consolidated basis or, as the context permits, on a divisional, subsidiary, line of business, project or geographical basis or in combinations thereof and subject to such adjustments, if any, as the Administrator specifies, consistent with the requirements of Section 162(m) of the Code, to the extent applicable): sales; revenues; assets; expenses; earnings before or after deduction for all or any portion of interest, taxes, depreciation, or amortization, whether or not on a continuing operations or an aggregate or per share basis; return on equity, investment, capital or assets; one or more operating ratios; borrowing levels, leverage ratios or credit rating; market share; capital expenditures; cash flow; share or ADS price; shareholder return; sales of particular products or services; customer acquisition or retention; acquisitions and divestitures (in whole or in part); joint ventures and strategic alliances; spin-offs, split-ups and the like; reorganizations; recapitalizations, restructurings, financings (issuance of debt or equity) or refinancings; or strategic business criteria, consisting of one or more objectives based on: meeting specified market penetration or value added, product development or introduction (including, without limitation any clinical trial accomplishments, regulatory or other filings or approvals, or other product development milestones), geographic business expansion, cost targets, cost reductions or savings, customer satisfaction, operating efficiency, acquisition or retention, employee satisfaction, information technology, corporate development (including, without limitation, licenses, innovation, research or establishment of third-party collaborations), manufacturing or process development, legal compliance or risk reduction, patent application or issuance goals.

To the extent consistent with the requirements of the performance-based compensation exception under Section 162(m) of the Code, the Administrator may provide in the case of any award intended to qualify for such exception that one or more of the performance criteria applicable to such award will be adjusted in an objectively determinable manner to reflect events (for example, but without limitation, acquisitions or dispositions) occurring during the performance period that affect the applicable performance criteria. During a transition period following the completion of this offering, the Administrator may grant awards under our Cash Plan that are exempt from Section 162(m) of the Code and its requirements under a special transition rule.

Payments under an award; individual limits. A participant will be entitled to payment under an award only if all conditions to payment have been satisfied in accordance with our Cash Plan and the terms of the award.

Following the end of a performance period, the Administrator will determine (and, to the extent required by Section 162(m) of the Code, take such steps to certify) whether and to what extent the applicable performance criteria have been satisfied and will determine the amount payable under each award. The Administrator has the discretionary authority to increase or decrease the amount actually paid under any award, provided that the actual payment of Section 162(m) Awards may not be more than the amount indicated by the certified level of achievement. The maximum amount payable to any participant in any calendar year under Section 162(m) Awards will be $5,000,000.

Recovery of compensation. Payments in respect of an award will be subject to forfeiture and disgorgement to the Company if the participant to whom the award was granted violates a non-competition, non-solicitation, confidentiality or other restrictive covenant or to the extent provided in any applicable Company policy that provides for forfeiture or disgorgement, or as otherwise required by law or applicable stock exchange listing standards.

Amendment and termination. The Administrator may amend or terminate our Cash Plan at any time, except that any amendment or termination that would materially and adversely affect a participant's rights under an award will require the consent of the affected participant, unless the Administrator expressly reserved the right to so amend the award at the time of grant, and any amendment will be approved by our stockholders if required by Section 162(m) of the Code.

Non-employee director compensation policy

In connection with this offering, our board of directors has adopted a non-employee director compensation policy under which each member of our board of directors who is not an employee of the Company or one of our affiliates (each a "non-employee director") will be eligible to receive an annual cash retainer payment of $50,000. In addition, in connection with this offering, each non-employee director who is appointed to our board of directors following the adoption of this policy and whose appointment is effective prior to this offering, will be eligible to receive an award of 150,000 restricted shares under our 2017 Equity Plan, which will vest ratably on each of the first three anniversaries of the date of grant, subject to continued service as a member of our board of directors through such date. Further, commencing in calendar year 2018, non-employee directors will be eligible to receive an annual grant of 75,000 restricted shares under our 2017 Equity Plan, which will vest in full on the first anniversary of the date of grant, subject to continued service as a member of our board of directors through such date.

In addition, the non-employee director compensation policy provides for the following additional annual cash retainer payments for the members and chairpersons of our board committees: audit committee chair, $20,000; audit committee member, $10,000; compensation committee chair, $15,000; compensation committee member, $7,500; nominating committee chair, $10,000; and nominating committee member, $5,000.

Security ownership of beneficial owners and management

We had 72,405,000 ordinary shares outstanding as of June 30, 2017. The following table and accompanying footnotes set forth information relating to the beneficial ownership of our ordinary shares as of June 30, 2017 by:

- each person, or group of affiliated persons, known by us to beneficially own more than 5% of our outstanding ordinary shares;
- each of our directors;
- each of our executive officers; and
- all of our executive officers and directors as a group.

Our major shareholders do not have voting rights that are different from our shareholders in general. The percentage of shares beneficially owned prior to this offering is computed on the basis of 243,064,714 ordinary shares as of June 30, 2017, which reflects the assumed conversion of all of our outstanding shares of preferred shares into an aggregate of 170,659,714 ordinary shares. All of our preferred shares convert into ordinary shares on a one to one basis. The percentage of shares beneficially owned after this offering includes ordinary shares in the form of ADSs issued in connection with this offering, assuming the underwriters do not exercise their option to purchase additional ADSs.

Beneficial ownership is determined in accordance with the rules and regulations of the SEC. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, we have included shares that the person has the right to acquire within 60 days, including through the exercise of any option, warrant or other right or the conversion of any other security. These shares, however, are not included in the computation of the percentage ownership of any other person.

	Ordinary shares beneficially owned prior to this offering		Ordinary shares beneficially owned after this offering	
Name of beneficial owner†	**Number**	**Percent**	**Number**	**Percent**
Executive Officers and Directors:				
Samantha Du(1)	51,951,373	20.8%		
Qi Liu(2)	773,333	*		
Ning Xu(3)	1,603,833	*		
James Yan(4)	833,333	*		
Marietta Wu(5)	801,667	*		
Peter Wirth(6)	943,056	*		
Nisa Leung	—	—		
Jianming Yu	—	—		
All Executive Officers and Directors as a Group	**56,906,596**	**22.5%**		
Beneficial Owners of 5% or More of our Ordinary Shares:				
QM 11 Limited(7)	61,425,615	25.3%		
Maxway Investment Limited(8)	40,404,387	16.6%		
The Z Trust(9)	25,739,584	10.6%		
Investment funds affiliated with Sequoia Capital(10)	23,304,928	9.6%		
KPCB China Fund II, L.P.(11)	22,723,873	9.3%		

* The person beneficially owns less than 1% of our outstanding ordinary shares.

† The business address of all directors and officers is 4560 Jinke Road, Bldg. 1, 4F, Pudong, Shanghai, 201210, China

(1) Includes 6,286,373 ordinary shares issuable to Dr. Du upon exercise of options within 60 days of June 30, 2017. Includes 37,605,000 ordinary shares held by certain holders of ordinary shares, including Zai management and their affiliates. Although Dr. Du does not have any pecuniary interest in these ordinary shares, these shareholders have granted Dr. Du the right to vote their shares and, therefore, she may be deemed to be the beneficial owner of the ordinary shares held by these shareholders.

(2) Includes 773,333 ordinary shares issuable upon exercise of options within 60 days of June 30, 2017.

(3) Includes 1,605,833 ordinary shares issuable upon exercise of options within 60 days of June 30, 2017.

(4) Includes 833,333 ordinary shares issuable upon exercise of options within 60 days of June 30, 2017.

(5) Includes 801,667 ordinary shares issuable upon exercise of vested options.

(6) Includes 943,056 restricted ordinary shares which have vested or vest within 60 days of June 30, 2017.

(7) Consists of (i) 53,753,033 ordinary shares issuable upon conversion of Series A preferred shares, (ii) 7,272,790 ordinary shares issuable upon conversion of Series B preferred shares and (iii) 399,792 ordinary shares issuable upon conversion of Series C preferred shares. The address for QM 11 Limited is Unit 1904 Gloucester Tower, The Landmark, Central, Hong Kong.

(8) Consists of 40,404,387 ordinary shares issuable upon conversion of Series B preferred shares. The address for Maxway Investment Limited is c/o Intertrust Corporate Services (Cayman) Limited, 190 Elgin Avenue, George Town, Grand Cayman, KY1-9005, Cayman Islands.

(9) Includes 799,584 ordinary shares issuable upon conversion of Series C preferred shares. The address for The Z Trust is 16015 Huebner BLF, San Antonio, Texas 78248-1469.

(10) Consists of (i) 17,917,677 ordinary shares issuable upon conversion of Series A preferred shares held by Sequoia Capital CV IV Holdco, Ltd. and (ii) 5,387,251 ordinary shares issuable upon conversion of Series B preferred shares held by SCC Growth I Holdco A, Ltd. The address for Sequoia Capital CV IV Holdco, Ltd. and SCC Growth I Holdco A, Ltd. is Conyers Trust Company (Cayman) Limited, P.O. Box 2681, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

(11) Consists of 22,723,873 ordinary shares issuable upon conversion of Series A preferred shares. The address for KPCB China Fund II, L.P. is Scotia Centre, P.O. Box 268, George Town, Grand Cayman KY1-1104, Cayman Islands.

As of June 30, 2017, we had 19 holders of record with addresses in the United States, and such holders held approximately 14.8% of our outstanding ordinary shares in the aggregate, assuming the conversion of all of our outstanding shares of preferred shares into ordinary shares. None of the holders of our ordinary shares will have different voting rights from other holders of ordinary shares after the closing of this offering. We are not aware of any arrangement that may, at a subsequent date, result in a change of control of our company.

Related party transactions

The following is a description of related party transactions we have entered into since January 1, 2014 with any members of our board of directors or executive officers and beneficial holders of more than 5% of our ordinary shares:

Agreements and transactions with shareholders

Registration Rights Agreement

We have entered into a shareholders agreement in January 2016, or the Registration Rights Agreement, with certain of our shareholders. The Registration Rights Agreement provides that certain holders of our ordinary shares have the right to demand that we file a registration statement or request that their ordinary shares be covered by a registration statement that we are otherwise filing. The registration rights are described in more detail under “Description of share capital—Registration rights.” All rights under the Registration Rights Agreement, other than the registration rights, will terminate upon the closing of this offering.

Management rights letter

We have entered into a management rights letter, or the MRL, with Vivo Capital Fund VIII, L.P. and Vivo Capital Surplus Fund VIII, L.P., or collectively, Vivo Capital, on June 26, 2017. The MRL provides Vivo Capital with certain contractual management rights (the “Contractual Management Rights”) solely to the extent necessary for its investment in our company to qualify as a “venture capital investment” under United States law, including the rights to (i) consult with and advise our management on significant business issues, (ii) inspect our books and records and its facilities upon reasonable advance written request, and (iii) receive all information and materials provided to our board of directors, other than any information or materials that are highly confidential or proprietary information. The Contractual Management Rights under the MRL will terminate upon the closing of this offering.

Convertible loan agreements and shareholder private placements

We entered into a (i) $500,000 convertible loan agreement with QM 11 Limited on March 24, 2014, (ii) $1,000,000 convertible loan agreement with Sequoia Capital CV IV Holdco, Ltd. on April 17, 2014, and (iii) $500,000 convertible loan agreement with KPCB China Fund II, L.P. on March 27, 2014. Each convertible loan agreement was converted into Series A-1 Preferred Shares on August 20, 2014.

On August 20, 2014, we closed a private placement transaction pursuant to which we issued an aggregate of 50,800,001 Series A-1 preferred shares for an aggregate cash consideration of $8,028,572. The following table sets forth the number of shares of our Series A-1 preferred shares that we issued to our 5% stockholders and their affiliates in this transaction:

Investor	Shares of Series A-1 preferred shares	Purchase price ($)
QM 11 Limited	30,000,001(1)	5,714,286
KPCB China Fund II, L.P.	7,066,667(2)	800,000
Sequoia Capital CV IV Holdco, Ltd.	10,000,000(3)	714,286

(1) 3,333,334 of these Series A-1 Preferred Shares are issued pursuant to a convertible loan agreement converted from a principal amount of $500,000.

(2) 3,333,334 of these Series A-1 Preferred Shares are issued pursuant to a convertible loan agreement converted from a principal amount of $500,000.

(3) 6,666,667 of these Series A-1 Preferred Shares are issued pursuant to a convertible loan agreement converted from a principal amount of $1,000,000.

On April 30, 2015, we closed a private placement transaction pursuant to which we issued an aggregate of 57,719,866 Series A-2 preferred shares for an aggregate consideration of $20,828,572 of which $5,300,000 was unpaid. The following table sets forth the number of shares of our Series A-2 preferred shares that we issued to our 5% stockholders and their affiliates in this transaction:

Investor	Shares of Series A-2 preferred shares	Purchase price ($)
QM 11 Limited	23,753,032	8,571,429
KPCB China Fund II, L.P.	22,723,733(1)	8,200,000
Sequoia Capital CV IV Holdco, Ltd.	7,917,677	2,857,143

(1) On September 30, 2015, we cancelled 7,066,527 of these Series A-2 Preferred Shares issued to KPCB China Fund II, L.P. and forgave the $2,550,000.000 unpaid capital balance.

On January 20, 2016, we closed a private placement transaction pursuant to which we sold an aggregate of 33,374,023 Series B-1 preferred shares for an aggregate consideration of $53,100,000. The following table sets forth the number of shares of our Series B-1 preferred shares that we issued to our 5% stockholders and their affiliates in this transaction:

Investor	Shares of Series B-1 preferred shares	Purchase price ($)
Maxway Investment Limited	23,569,226	37,500,000
QM 11 Limited	4,242,461	6,750,000

On April 1, 2016, we closed a private placement transaction pursuant to which we sold an aggregate of 23,838,588 Series B-2 preferred shares for an aggregate consideration of $53,100,000. The following table sets forth the number of shares of our Series B-2 preferred shares that we issued to our 5% stockholders and their affiliates in this transaction:

Investor	Shares of Series B-2 preferred shares	Purchase price ($)
Maxway Investment Limited	16,835,161	37,500,000
SCC Growth I Holdco, Ltd.	5,387,251	12,000,000
QM 11 Limited	3,030,329	6,750,000

On June 26, 2017, we closed a private placement transaction pursuant to which we sold an aggregate of 11,993,763 of Series C preferred shares for an aggregate consideration of $30,000,000. The following table sets forth the number of shares of our Series C preferred shares we issued to our 5% stockholders and their affiliates in this transaction:

Investor	Shares of Series C preferred shares	Purchase price ($)
QM 11 Limited	399,792	1,000,000

Other relationships

Voting proxy

Certain holders of Zai ordinary shares, which hold 37,605,000 ordinary shares, have granted Dr. Du the right to vote their ordinary shares.

Quan Venture Partners I, L.L.C.

Quan Venture Fund I, L.P., or Quan Fund, is a Cayman Islands exempted limited partnership organized in April 2017 to make capital investments in global public and private companies with a particular focus on the healthcare industry. Quan Fund's general partner, which is responsible for investment and divestment decisions related to the Quan Fund, is Quan Venture Partners I, L.L.C., or Quan GP, a Cayman Islands limited liability company. Each of Dr. Du and Marietta Wu are managers of Quan GP. In the first half of 2017, Zai sold its interest in three entities to the Quan Fund, for a total consideration of approximately $500,000.

Agreements with our directors and executive officers

Employment agreements

We have entered into employment agreements with our executive officers. For more information regarding these agreements, see "Management—Employment arrangements with our executive officers."

Indemnification agreements

In connection with this offering, we intend to enter into indemnification agreements with each of our directors and executive officers. We also maintain a general liability insurance policy which covers certain liabilities of our directors and executive officers arising out of claims based on acts or omissions in their capabilities as directors or officers.

Description of share capital

We are a Cayman Islands company and our affairs are governed by our memorandum and articles of association and the Companies Law.

Our authorized share capital is $5,000.00 divided into ordinary shares and preferred shares. In respect of all of our ordinary shares and preferred shares we have power insofar as is permitted by law, to redeem or purchase any of our shares and to increase or reduce the said capital subject to the provisions of the Companies Law and the articles of association and to issue any part of our capital, whether original, redeemed or increased with or without any preference, priority or special privilege or subject to any postponement of rights or to any conditions or restrictions and so that unless the conditions of issue shall otherwise expressly declare every issue of shares whether declared to be preference or otherwise shall be subject to the powers under our memorandum and articles of association.

As of June 30, 2017 our authorized share capital consists of 338,563,198 Ordinary Shares of par value $0.00001 each, 50,800,001 Series A-1 preferred shares of par value $0.00001 each, 53,424,190 Series A-2 preferred shares of par value $0.00001 each, 33,374,023 Series B-1 preferred shares of par value $0.00001 each, 23,838,588 Series B-2 preferred shares of par value $0.00001 each and 11,993,763 Series C preferred shares of par value $0.00001 each. As of June 30, 2017, there were 71,800,000 ordinary shares, 50,800,001 Series A-1 preferred shares, 50,653,339 Series A-2 preferred shares, 33,374,023 Series B-1 preferred shares, 23,838,588 Series B-2 preferred shares issued and outstanding and 11,993,763 Series C preferred shares issued and outstanding. All of our issued and outstanding convertible preferred shares will automatically convert into 170,659,714 ordinary shares concurrently with the completion of this initial public offering. Following completion of this offering, our authorized capital will be $ divided into ordinary shares with a par value of $0.00001 per share.

Our shareholders have adopted a fourth amended and restated memorandum and articles of association, which will become effective and replace the current third amended and restated memorandum and articles of association in its entirety immediately upon the completion of this offering. We will issue ordinary shares represented by our ADSs in this offering. All options, regardless of grant dates, will entitle holders to an equivalent number of ordinary shares once the vesting and exercising conditions are met. The following are summaries of material provisions of our post-offering amended and restated memorandum and articles of association and the Companies Law insofar as they relate to the material terms of our ordinary shares that we expect will become effective upon the closing of this offering.

Ordinary shares

General. Upon the completion of this offering, our authorized share capital will be $5,000.00 divided into ordinary shares, with a par value of $0.00001 each. Holders of ordinary shares will have the same rights except for voting and conversion rights. All of our outstanding ordinary shares are fully paid and non-assessable. Certificates representing the ordinary shares are issued in registered form. Our shareholders who are non-residents of the Cayman Islands may freely hold and transfer their ordinary shares.

Dividends. The holders of our ordinary shares are entitled to such dividends as may be declared by our board of directors. Our post-offering amended and restated articles of association provide that dividends may be declared and paid out of our profits, realized or unrealized, or from any reserve set aside from profits which our board of directors determine is no longer needed. Dividends may also be declared and paid out of share premium account or any other fund or account which can be authorized for this purpose in accordance with the Companies Law. Holders of ordinary shares will be entitled to the same amount of dividends, if declared.

Voting rights. In respect of all matters subject to a shareholders' vote, each ordinary share is entitled to one vote. Voting at any meeting of shareholders is by show of hands unless a poll is demanded. A poll may be

demanded by the chairman of such meeting or any one or more shareholders present in person or by proxy and who together hold not less than 10% of the nominal value of the total issued voting shares of our company. Each holder of our ordinary shares is entitled to have one vote for each ordinary share registered in his or her name on our register of members.

A quorum required for a meeting of shareholders consists of one or more shareholders who hold at least one-third of all voting power of our share capital in issue at the date of the meeting present in person or by proxy or, if a corporation or other non-natural person, by its duly authorized representative. Shareholders' meetings may be held annually. Each general meeting, other than an annual general meeting, shall be an extraordinary general meeting. Extraordinary general meetings may be called by a majority of our board of directors or our chairman or upon a requisition of shareholders holding at the date of deposit of the requisition not less than one-third of the aggregate voting power of our company. Advance notice of at least seven days is required for the convening of our annual general meeting and other general meetings unless such notice is waived in accordance with our articles of association.

An ordinary resolution to be passed at a meeting by the shareholders requires the affirmative vote of a simple majority of the votes attaching to all issued and outstanding shares cast at a meeting, while a special resolution also requires the affirmative vote of no less than two-thirds of the votes cast attaching to the issued and outstanding shares at a meeting. A special resolution will be required for important matters such as a change of name or making changes to our post-offering amended and restated memorandum and articles of association.

Transfer of ordinary shares. Subject to the restrictions set out below, any of our shareholders may transfer all or any of his or her ordinary shares by an instrument of transfer in the usual or common form or any other form approved by our board of directors.

Our board of directors may, in its absolute discretion, decline to register any transfer of any ordinary share which is not fully paid up or on which we have a lien. Our board of directors may also decline to register any transfer of any ordinary share unless:

- the instrument of transfer is lodged with us, accompanied by the certificate for the ordinary shares to which it relates and such other evidence as our board of directors may reasonably require to show the right of the transferor to make the transfer;
- the instrument of transfer is in respect of only one class of ordinary shares;
- the instrument of transfer is properly stamped, if required;
- in the case of a transfer to joint holders, the number of joint holders to whom the ordinary share is to be transferred does not exceed four;
- the shares are free from any lien in favor of the Company; and
- a fee of such maximum sum as the Nasdaq Stock Market may determine to be payable or such lesser sum as our directors may from time to time require is paid to us in respect thereof.

If our directors refuse to register a transfer they shall, within two months after the date on which the instrument of transfer was lodged, send to each of the transferor and the transferee notice of such refusal.

The registration of transfers may, on 14 days' notice being given by advertisement in one or more newspapers or by electronic means, be suspended and the register closed at such times and for such periods as our board of directors may from time to time determine, provided, however, that the registration of transfers shall not be suspended nor the register closed for more than 30 days in any year.

Liquidation. On a return of capital on winding up or otherwise (other than on conversion, redemption or purchase of ordinary shares), assets available for distribution among the holders of ordinary shares shall be distributed by a liquidator who may divide our assets for distribution among our shareholders in his discretion. The liquidator also may vest all or part of our assets in trust. None of our shareholders may be compelled to accept any shares subject to liability.

Calls on ordinary shares and forfeiture of ordinary shares. Our board of directors may from time to time make calls upon shareholders for any amounts unpaid on their ordinary shares in a notice served to such shareholders at least 14 clear days prior to the specified time of payment. The ordinary shares that have been called upon and remain unpaid are subject to forfeiture.

Redemption of ordinary shares. The Companies Law and our post-offering amended and restated articles of association permit us to purchase our own shares. In accordance with our post-offering amended and restated articles of association and provided the necessary shareholders or board approval have been obtained, we may issue shares on terms that are subject to redemption, at our option or at the option of the holders of these shares, on such terms and in such manner, including out of capital, as may be determined by our board of directors.

Variations of rights of shares. All or any of the special rights attached to any class of shares may, subject to the provisions of the Companies Law, be varied with the written consent of the holders of a majority of the issued shares of that class or with the sanction of a special resolution passed at a general meeting of the holders of the shares of that class. The rights conferred upon the holders of the shares of any class issued shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking *pari passu* with such existing class of shares.

Inspection of books and records. Holders of our ordinary shares have no general right under Cayman Islands law to inspect or obtain copies of our list of shareholders or our corporate records. However, we will provide our shareholders with annual audited financial statements. See "Where You Can Find Additional Information."

Issuance of additional shares. Our post-offering amended and restated memorandum of association authorizes our board of directors to issue additional ordinary shares from time to time as our board of directors shall determine, to the extent of available authorized but unissued shares.

Our post-offering amended and restated memorandum of association also authorizes our board of directors to establish from time to time one or more series of preferred shares and to determine, with respect to any series of preferred shares, the terms and rights of that series, including:

- the designation of the series;
- the number of shares of the series;
- the dividend rights, dividend rates, conversion rights, voting rights; and
- the rights and terms of redemption and liquidation preferences.

Our board of directors may issue preferred shares without action by our shareholders to the extent authorized but unissued. Issuance of these shares may dilute the voting power of holders of ordinary shares.

Anti-Takeover provisions. Some provisions of our post-offering amended and restated memorandum and articles of association may discourage, delay or prevent a change of control of our company or management that shareholders may consider favorable, including provisions that authorize our board of directors to issue preferred shares in one or more series and to designate the price, rights, preferences, privileges and restrictions of such preferred shares without any further vote or action by our shareholders.

Exempted company. We are an exempted company with limited liability under the Companies Law. The Companies Law distinguishes between ordinary resident companies and exempted companies. Any company

that is registered in the Cayman Islands but conducts business mainly outside of the Cayman Islands may apply to be registered as an exempted company. The requirements for an exempted company are essentially the same as for an ordinary company except that an exempted company:

- does not have to file an annual return of its shareholders with the Registrar of Companies;
- is not required to open its register of members for inspection;
- does not have to hold an annual general meeting;
- may issue negotiable or bearer shares or shares with no par value;
- may obtain an undertaking against the imposition of any future taxation (such undertakings are usually given for 20 years in the first instance);
- may register by way of continuation in another jurisdiction and be deregistered in the Cayman Islands;
- may register as a limited duration company; and
- may register as a segregated portfolio company.

"Limited liability" means that the liability of each shareholder is limited to the amount unpaid by the shareholder on the shares of the company.

Differences in corporate law

The Companies Law is modeled after that of English law but does not follow many recent English law statutory enactments. In addition, the Companies Law differs from laws applicable to United States corporations and their shareholders. Set forth below is a summary of the significant differences between the provisions of the Companies Law applicable to us and the laws applicable to companies incorporated in the State of Delaware.

Mergers and similar arrangements. A merger of two or more constituent companies under Cayman Islands law requires a plan of merger or consolidation to be approved by the directors of each constituent company and authorization by (i) a special resolution of the shareholders and (ii) such other authorization, if any, as may be specified in such constituent company's articles of association.

A merger between a Cayman parent company and its Cayman subsidiary or subsidiaries does not require authorization by a resolution of shareholders of that Cayman subsidiary if a copy of the plan of merger is given to every member of that Cayman subsidiary to be merged unless that member agrees otherwise. For this purpose, a subsidiary is a company of which at least 90% of the issued shares entitled to vote are owned by the parent company.

The consent of each holder of a fixed or floating security interest over a constituent company is required unless this requirement is waived by a court in the Cayman Islands.

Save in certain circumstances, a dissentient shareholder of a Cayman constituent company is entitled to payment of the fair value of his shares upon dissenting to a merger or consolidation. The exercise of appraisal rights will preclude the exercise of any other rights save for the right to seek relief on the grounds that the merger or consolidation is void or unlawful.

In addition, there are statutory provisions that facilitate the reconstruction and amalgamation of companies, provided that the arrangement is approved by a majority in number of each class of shareholders and creditors with whom the arrangement is to be made, and who must in addition represent three-fourths in value of each such class of shareholders or creditors, as the case may be, that are present and voting either in person or by

proxy at a meeting, or meetings, convened for that purpose. The convening of the meetings and subsequently the arrangement must be sanctioned by the Grand Court of the Cayman Islands. While a dissenting shareholder has the right to express to the court the view that the transaction ought not to be approved, the court can be expected to approve the arrangement if it determines that:

- the statutory provisions as to the required majority vote have been met;
- the shareholders have been fairly represented at the meeting in question and the statutory majority are acting bona fide without coercion of the minority to promote interests adverse to those of the class;
- the arrangement is such that may be reasonably approved by an intelligent and honest man of that class acting in respect of his interest; and
- the arrangement is not one that would more properly be sanctioned under some other provision of the Companies Law.

When a takeover offer is made and accepted by holders of 90% of the shares within four months, the offeror may, within a two-month period commencing on the expiration of such four month period, require the holders of the remaining shares to transfer such shares on the terms of the offer. An objection can be made to the Grand Court of the Cayman Islands but this is unlikely to succeed in the case of an offer which has been so approved unless there is evidence of fraud, bad faith or collusion.

If an arrangement and reconstruction is thus approved, the dissenting shareholder would have no rights comparable to appraisal rights, which would otherwise ordinarily be available to dissenting shareholders of Delaware corporations, providing rights to receive payment in cash for the judicially determined value of the shares.

Shareholders' suits. In principle, we will normally be the proper plaintiff and as a general rule a derivative action may not be brought by a minority shareholder. However, based on English authorities, which would in all likelihood be of persuasive authority in the Cayman Islands, there are exceptions to the foregoing principle, including when:

- a company acts or proposes to act illegally or ultra vires;
- the act complained of, although not ultra vires, could only be effected duly if authorized by more than a simple majority vote that has not been obtained; and
- those who control the company are perpetrating a "fraud on the minority."

Indemnification of directors and executive officers and limitation of liability. Cayman Islands law does not limit the extent to which a company's memorandum and articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy, such as to provide indemnification against civil fraud or the consequences of committing a crime. Our post-offering amended and restated memorandum and articles of association permit indemnification of officers and directors for losses, damages, costs and expenses incurred in their capacities as such unless such losses or damages arise from dishonesty or fraud of such directors or officers. This standard of conduct is generally the same as permitted under the Delaware General Corporation Law for a Delaware corporation. In addition, we intend to enter into indemnification agreements with our directors and executive officers that provide such persons with additional indemnification beyond that provided in our post-offering amended and restated memorandum and articles of association.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers or persons controlling us under the foregoing provisions, we have been informed that in the opinion of

the SEC, such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

Directors' fiduciary duties. Under Delaware corporate law, a director of a Delaware corporation has a fiduciary duty to the corporation and its shareholders. This duty has two components: the duty of care and the duty of loyalty. The duty of care requires that a director act in good faith, with the care that an ordinarily prudent person would exercise under similar circumstances. Under this duty, a director must inform himself of, and disclose to shareholders, all material information reasonably available regarding a significant transaction. The duty of loyalty requires that a director acts in a manner he reasonably believes to be in the best interests of the corporation. He must not use his corporate position for personal gain or advantage. This duty prohibits self-dealing by a director and mandates that the best interest of the corporation and its shareholders take precedence over any interest possessed by a director, officer or controlling shareholder and not shared by the shareholders generally. In general, actions of a director are presumed to have been made on an informed basis, in good faith and in the honest belief that the action taken was in the best interests of the corporation. However, this presumption may be rebutted by evidence of a breach of one of the fiduciary duties. Should such evidence be presented concerning a transaction by a director, the director must prove the procedural fairness of the transaction, and that the transaction was of fair value to the corporation.

As a matter of Cayman Islands law, a director of a Cayman Islands company is in the position of a fiduciary with respect to the company and therefore it is considered that he or she owes the following duties to the company—a duty to act bona fide in the best interests of the company, a duty not to make a profit based on his or her position as director (unless the company permits him or her to do so) and a duty not to put himself or herself in a position where the interests of the company conflict with his or her personal interest or his or her duty to a third party. A director of a Cayman Islands company owes to the company a duty to act with skill and care. It was previously considered that a director need not exhibit in the performance of his or her duties a greater degree of skill than may reasonably be expected from a person of his or her knowledge and experience. However, English and Commonwealth courts have moved towards an objective standard with regard to the required skill and care and these authorities are likely to be followed in the Cayman Islands.

Shareholder action by written consent. Under the Delaware General Corporation Law, a corporation may eliminate the right of shareholders to act by written consent by amendment to its certificate of incorporation. Cayman Islands law and our post-offering amended and restated articles of association provide that shareholders may approve corporate matters by way of a unanimous written resolution signed by or on behalf of each shareholder who would have been entitled to vote on such matter at a general meeting without a meeting being held.

Shareholder proposals. Under the Delaware General Corporation Law, a shareholder has the right to put any proposal before the annual meeting of shareholders, provided it complies with the notice provisions in the governing documents. A special meeting may be called by the board of directors or any other person authorized to do so in the governing documents, but shareholders may be precluded from calling special meetings.

Cayman Islands law does not provide shareholders any right to put proposal before a meeting or requisition a general meeting. However, these rights may be provided in articles of association. Our post-offering amended and restated articles of association allow our shareholders holding not less than one-third of all voting power of our share capital in issue to requisition a shareholders' meeting. Other than this right to requisition a shareholders' meeting, our post-offering amended and restated articles of association do not provide our shareholders other right to put proposal before a meeting. As an exempted Cayman Islands company, we are not obliged by law to call shareholders' annual general meetings.

Cumulative voting. Under the Delaware General Corporation Law, cumulative voting for elections of directors is not permitted unless the corporation's certificate of incorporation specifically provides for it. Cumulative

voting potentially facilitates the representation of minority shareholders on a board of directors since it permits the minority shareholder to cast all the votes to which the shareholder is entitled on a single director, which increases the shareholders' voting power with respect to electing such director. There are no prohibitions in relation to cumulative voting under the laws of the Cayman Islands but our post-offering amended and restated articles of association do not provide for cumulative voting. As a result, our shareholders are not afforded any less protections or rights on this issue than shareholders of a Delaware corporation.

Removal of directors. Under the Delaware General Corporation Law, a director of a corporation with a classified board may be removed only for cause with the approval of a majority of the outstanding shares entitled to vote, unless the certificate of incorporation provides otherwise. Under our post-offering amended and restated articles of association, directors may be removed with or without cause, by an ordinary resolution of our shareholders.

Transactions with interested shareholders. The Delaware General Corporation Law contains a business combination statute applicable to Delaware corporations whereby, unless the corporation has specifically elected not to be governed by such statute by amendment to its certificate of incorporation, it is prohibited from engaging in certain business combinations with an "interested shareholder" for three years following the date that such person becomes an interested shareholder. An interested shareholder generally is a person or a group who or which owns or owned 15% or more of the target's outstanding voting share within the past three years. This has the effect of limiting the ability of a potential acquirer to make a two-tiered bid for the target in which all shareholders would not be treated equally. The statute does not apply if, among other things, prior to the date on which such shareholder becomes an interested shareholder, the board of directors approves either the business combination or the transaction which resulted in the person becoming an interested shareholder. This encourages any potential acquirer of a Delaware corporation to negotiate the terms of any acquisition transaction with the target's board of directors.

Cayman Islands law has no comparable statute. As a result, we cannot avail ourselves of the types of protections afforded by the Delaware business combination statute. However, although Cayman Islands law does not regulate transactions between a company and its significant shareholders, it does provide that such transactions must be entered into bona fide in the best interests of the company and not with the effect of constituting a fraud on the minority shareholders.

Dissolution; winding up. Under the Delaware General Corporation Law, unless the board of directors approves the proposal to dissolve, dissolution must be approved by shareholders holding 100% of the total voting power of the corporation. Only if the dissolution is initiated by the board of directors may it be approved by a simple majority of the corporation's outstanding shares. Delaware law allows a Delaware corporation to include in its certificate of incorporation a supermajority voting requirement in connection with dissolutions initiated by the board. Under Cayman Islands law, a company may be wound up by either an order of the courts of the Cayman Islands or by a special resolution of its members or, if the company is unable to pay its debts as they fall due, by an ordinary resolution of its members. The court has authority to order winding up in a number of specified circumstances including where it is, in the opinion of the court, just and equitable to do so. Under the Companies Law and our post-offering amended and restated articles of association, our company may be dissolved, liquidated or wound up by a special resolution of our shareholders.

Variation of rights of shares. Under the Delaware General Corporation Law, a corporation may vary the rights of a class of shares with the approval of a majority of the outstanding shares of such class, unless the certificate of incorporation provides otherwise. Under Cayman Islands law and our post-offering amended and restated articles of association, if our share capital is divided into more than one class of shares, we may vary the rights attached to any class with the written consent of the holders of a majority of the issued shares of that class or with the sanction of a special resolution passed at a general meeting of the holders of the shares of that class.

Amendment of governing documents. Under the Delaware General Corporation Law, a corporation's governing documents may be amended with the approval of a majority of the outstanding shares entitled to vote, unless the certificate of incorporation provides otherwise. As permitted by Cayman Islands law, our post-offering amended and restated memorandum and articles of association may only be amended with a special resolution of our shareholders.

Rights of non-resident or foreign shareholders. There are no limitations imposed by our post-offering amended and restated memorandum and articles of association on the rights of non-resident or foreign shareholders to hold or exercise voting rights on our shares. In addition, there are no provisions in our post-offering amended and restated memorandum and articles of association governing the ownership threshold above which shareholder ownership must be disclosed.

History of securities issuances

In the three years preceding the filing of this registration statement, we have issued the following securities that were not registered under the Securities Act. We believe that each of the following issuances was exempt from registration under the Securities Act in reliance on Regulation S under the Securities Act regarding sales by an issuer in offshore transactions, Regulation D under the Securities Act, Rule 701 under the Securities Act or pursuant to Section 4(a)(2) of the Securities Act regarding transactions not involving a public offering. No underwriters were used in the below issuances.

1. On April 3, 2014, we issued 20,999,999 restricted ordinary shares and 500,000 ordinary shares to Samantha Du for an aggregate cash consideration of $50,210. On the same date, we issued 48,500,000 ordinary shares to Red Kingdom Investments Limited for an aggregate consideration of $141,971.
2. On August 20, 2014, we closed a private placement transaction pursuant to which we issued an aggregate of 50,800,001 Series A-1 preferred shares for an aggregate cash consideration of $8,028,572 and in consideration for the conversion of convertible loans amounting an aggregate consideration of $2,000,000.
3. On April 30, 2015, we issued a total of 57,719,866 Series A-2 preferred shares in connection with the second closing of the private placement transaction described above for an aggregate consideration of $20,828,572 of which $5,300,000 remained unpaid. On September 30, 2015 we cancelled 7,066,527 of these Series A-2 preferred shares and forgave the $2,550,000 unpaid capital balance.
4. On August 10, 2015, we issued 1,000,000 restricted ordinary shares to Peter Karl Wirth.
5. On December 31, 2015, we granted a warrant to purchase 2,770,851 Series A-2 preferred shares at the purchase price of $0.3609 per share to OrbiMed Asia Partners II, L.P. for a period commencing on April 1, 2016 and ending on the earlier of (i) the sixth anniversary of the date of issuance of this warrant or (ii) 90 calendar days prior to the date on which we consummate this offering. No consideration was received by us in connection with the issuance of the warrant. As of the date of this prospectus, no Series A-2 preferred shares have been purchased by OrbiMed Asia Partners II, L.P. pursuant to this warrant.
6. On January 20, 2016, we closed a private placement transaction pursuant to which we sold an aggregate of 33,374,023 Series B-1 preferred shares for an aggregate consideration of $53,100,000 in cash.
7. On April 1, 2016, we issued a total of 23,838,588 Series B-2 preferred shares in connection with the second closing of the private placement transaction described above for an aggregate consideration of $53,100,000 in cash.
8. On July 15, 2016 and August 25, 2016, we issued an additional 350,000 and 450,000 restricted ordinary shares to Peter Karl Wirth, respectively.

9. On June 26, 2017, we closed a private placement transaction pursuant to which we sold an aggregate of 11,993,763 Series C preferred shares for an aggregate consideration of $30,000,000 in cash.

In addition to the above, since January 1, 2014, we have granted share options to purchase (i) an aggregate of 25,855,395 ordinary shares, each at an exercise price of $0.10 per share, (ii) an aggregate of 6,946,759 ordinary shares, each at an exercise price of $0.20 per share, (iii) an aggregate of 10,567,208 ordinary shares, each at an exercise price of $0.29 per share, and (iv) an aggregate of 977,383 ordinary shares, each at an exercise price of $0.50 per share, to our employees, consultants and directors. These grants were made pursuant to written compensatory plans or arrangements with our employees, consultants and directors in reliance upon the exemption provided by Rule 701 promulgated under the Securities Act or Section 4(a)(2) of the Securities Act for transactions by an issuer not involving a public offering or Regulation S under the Securities Act.

Registration rights

In connection with our issuance of Series C preferred shares, we and all of our then shareholders entered into a third amended and restated shareholders agreement in June 2017.

Under the shareholders agreement, our preferred shareholders are entitled to registration rights and certain preferential rights, including, among others, preferential and non-cumulative dividend rights, information rights, right of participation to purchase and subscribe for their respective pro rata portions of new securities to be issued, right of first refusal before any securities of the company may be sold or otherwise transferred or disposed of by any ordinary shareholder and certain principal employees, co-sale rights in the event that any offered securities are not purchased by the preferred shareholders exercising their rights of first refusal, drag-along rights in the event that shareholders approve a drag-along transaction and preferred distribution rights in the event of a liquidation. Except for the registration rights, all preferred shareholders' rights will automatically terminate upon the completion of this offering.

Pursuant to our shareholders' agreement, we have granted certain registration rights to our shareholders. Such registration rights would terminate with respect to a shareholder upon the earlier of (i) the date of a deemed liquidation event, (ii) five years following the consummation of this offering and (iii) such time at which all registrable securities held by a shareholder proposed to be sold may be sold under Rule 144 of the Securities Act in any 90-day period without registration in compliance with Rule 144 of the Securities Act. Set forth below is a description of the registration rights granted under the agreement.

Demand registration rights. At any time after the earlier of (i) June 26, 2023 or (ii) the date six months following the consummation of an initial public offering (in the cases of (a) and (b) below, other than this offering), upon a written request from the holders of at least 10% of (a) the voting power of the registrable securities, (b) the then outstanding Series B preferred shares and any ordinary shares converted from Series B shares together or (c) the then outstanding Series C preferred shares and any ordinary shares converted from Series C preferred shares together we must file a registration statement covering the offer and sale of the registrable securities held by the requesting shareholders and other holders who choose to participate in the offering in the event that the anticipated gross receipts from this offering are to exceed $10,000,000. Registrable securities include, among others, our ordinary shares issued or to be issued upon conversion of the preferred shares.

However, we are not obligated to proceed with a demand registration if we have, within the six-month period preceding the date of such request, already effected a registration under the Securities Act pursuant to the exercise of the holders' demand registration rights or Form F-3 registration rights, or in which the holders had an opportunity to participate in the piggyback registration rights, unless the registrable securities of the holders were excluded from such registration. We have the right to defer filing of a registration statement for

up to 90 days if our board of directors determines in good faith that the filing of a registration statement would be materially detrimental to us and our shareholders, but we cannot exercise the deferral right more than once in any 12-month period. We are obligated to effect only three demand registrations on forms other than Form F-3 so long as such registrations have been declared or ordered effective.

F-3 registration rights. When we are eligible for registration on Form F-3, upon a written request from any holder all registrable securities, we must effect a registration on Form-3 and any related qualification or compliance covering the offer and sale of the registrable securities.

We are not obligated to effect a Form F-3 registration, among other things, if we have, within the 12-month period preceding the date of the request, already effected two registrations under the Securities Act or if the holders of Registrable securities proposed to sell at an aggregate price to the public less than $2,000,000. We have the right to defer filing of a registration statement for up to 90 days if our board of directors determines in good faith that the filing of a registration statement would be materially detrimental to us and our shareholders, but we cannot exercise the deferral right more than once in any 12-month period.

Piggyback registration rights. If we propose to file a registration statement under the Securities Act for purposes of effecting a public offering of our securities (including, but not limited to, registration statements relating to secondary offerings of our securities, but excluding registration statements relating to any employee benefit plan, a corporate reorganization or this offering), we must afford holders of registrable securities an opportunity to include in that registration all or any part of their registrable securities then held. We have the right to terminate or withdraw any registration initiated by us under the piggyback registration rights prior to the effectiveness of such registration whether or not any holder has elected to include securities in such registration. The underwriters of any underwritten offering have the right to limit the number of shares with registration rights to be included in the registration statement, subject to certain limitations.

Expenses of registration. We will pay all expenses relating to any demand, Form F-3, or piggyback registration except for the underwriting discounts and selling commissions applicable to the sale of registrable securities and certain other limited exceptions.

Description of American depositary shares

Citibank, N.A. has agreed to act as the depositary bank for the American Depositary Shares. Citibank's depositary offices are located at 388 Greenwich Street, 23rd Floor, New York, New York 10013 USA. American Depositary Shares are frequently referred to as "ADSs" and represent ownership interests in securities that are on deposit with the depositary bank. ADSs may be represented by certificates that are commonly known as "American Depositary Receipts" or "ADRs." The depositary bank typically appoints a custodian to safekeep the securities on deposit. In this case, the custodian is Citibank, N.A.—Hong Kong**,** located at 9/F., Citi Tower, One Bay East, 83 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong**.**

We have appointed Citibank as depositary bank pursuant to a deposit agreement. A copy of the deposit agreement is on file with the SEC under cover of a Registration Statement on Form F-6. You may obtain a copy of the deposit agreement from the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549 and from the SEC's website (www.sec.gov). Please refer to Registration Number 333- when retrieving such copy.

We are providing you with a summary description of the material terms of the ADSs and of your material rights as an owner of ADSs. Please remember that summaries by their nature lack the precision of the information summarized and that the rights and obligations of an owner of ADSs will be determined by reference to the terms of the deposit agreement and not by this summary. We urge you to review the deposit agreement in its entirety. The portions of this summary description that are italicized describe matters that may be relevant to the ownership of ADSs but that may not be contained in the deposit agreement.

Each ADS represents the right to receive, and to exercise the beneficial ownership interests in, ordinary shares that are on deposit with the depositary bank and/or custodian. An ADS also represents the right to receive, and to exercise the beneficial interests in, any other property received by the depositary bank or the custodian on behalf of the owner of the ADS but that has not been distributed to the owners of ADSs because of legal restrictions or practical considerations. We and the depositary bank may agree to change the ADS-to-share ratio by amending the deposit agreement. This amendment may give rise to, or change, the depositary fees payable by ADS owners. The custodian, the depositary bank and their respective nominees will hold all deposited property for the benefit of the holders and beneficial owners of ADSs. The deposited property does not constitute the proprietary assets of the depositary bank, the custodian or their nominees. Beneficial ownership in the deposited property will under the terms of the deposit agreement be vested in the beneficial owners of the ADSs. The depositary bank, the custodian and their respective nominees will be the record holders of the deposited property represented by the ADSs for the benefit of the holders and beneficial owners of the corresponding ADSs. A beneficial owner of ADSs may or may not be the holder of ADSs. Beneficial owners of ADSs will be able to receive, and to exercise beneficial ownership interests in, the deposited property only through the registered holders of the ADSs, the registered holders of the ADSs (on behalf of the applicable ADS owners) only through the depositary bank, and the depositary bank (on behalf of the owners of the corresponding ADSs) directly, or indirectly, through the custodian or their respective nominees, in each case upon the terms of the deposit agreement.

If you become an owner of ADSs, you will become a party to the deposit agreement and therefore will be bound to its terms and to the terms of any ADR that represents your ADSs. The deposit agreement and the ADR specify our rights and obligations as well as your rights and obligations as owner of ADSs and those of the depositary bank. As an ADS holder you appoint the depositary bank to act on your behalf in certain circumstances. The deposit agreement and the ADRs are governed by New York law. However, our obligations to the holders of ordinary shares will continue to be governed by the laws of the Cayman Islands, which may be different from the laws in the United States.

In addition, applicable laws and regulations may require you to satisfy reporting requirements and obtain regulatory approvals in certain circumstances. You are solely responsible for complying with such reporting requirements and obtaining such approvals. Neither the depositary bank, the custodian, us or any of their or our respective agents or affiliates shall be required to take any actions whatsoever on your behalf to satisfy such reporting requirements or obtain such regulatory approvals under applicable laws and regulations.

As an owner of ADSs, we will not treat you as one of our shareholders and you will not have direct shareholder rights. The depositary bank will hold on your behalf the shareholder rights attached to the ordinary shares underlying your ADSs. As an owner of ADSs you will be able to exercise the shareholders rights for the ordinary shares represented by your ADSs through the depositary bank only to the extent contemplated in the deposit agreement. To exercise any shareholder rights not contemplated in the deposit agreement you will, as an ADS owner, need to arrange for the cancellation of your ADSs and become a direct shareholder.

The manner in which you own the ADSs (e.g., in a brokerage account vs. as registered holder, or as holder of certificated vs. uncertificated ADSs) may effect your rights and obligations, and the manner in which, and extent to which, the depositary bank's services are made available to you. As an owner of ADSs, you may hold your ADSs either by means of an ADR registered in your name, through a brokerage or safekeeping account, or through an account established by the depositary bank in your name reflecting the registration of uncertificated ADSs directly on the books of the depositary bank (commonly referred to as the "direct registration system" or "DRS"). The direct registration system reflects the uncertificated (book-entry) registration of ownership of ADSs by the depositary bank. Under the direct registration system, ownership of ADSs is evidenced by periodic statements issued by the depositary bank to the holders of the ADSs. The direct registration system includes automated transfers between the depositary bank and The Depository Trust Company ("DTC"), the central book-entry clearing and settlement system for equity securities in the United States. If you decide to hold your ADSs through your brokerage or safekeeping account, you must rely on the procedures of your broker or bank to assert your rights as ADS owner. Banks and brokers typically hold securities such as the ADSs through clearing and settlement systems such as DTC. The procedures of such clearing and settlement systems may limit your ability to exercise your rights as an owner of ADSs. Please consult with your broker or bank if you have any questions concerning these limitations and procedures. All ADSs held through DTC will be registered in the name of a nominee of DTC. This summary description assumes you have opted to own the ADSs directly by means of an ADS registered in your name and, as such, we will refer to you as the "holder." When we refer to "you," we assume the reader owns ADSs and will own ADSs at the relevant time.

The registration of the ordinary shares in the name of the depositary bank or the custodian shall, to the maximum extent permitted by applicable law, vest in the depositary bank or the custodian the record ownership in the applicable ordinary shares with the beneficial ownership rights and interests in such ordinary shares being at all times vested with the beneficial owners of the ADSs representing the ordinary shares. The depositary bank or the custodian shall at all times be entitled to exercise the beneficial ownership rights in all deposited property, in each case only on behalf of the holders and beneficial owners of the ADSs representing the deposited property.

Dividends and distributions

As a holder of ADSs, you generally have the right to receive the distributions we make on the securities deposited with the custodian. Your receipt of these distributions may be limited, however, by practical considerations and legal limitations. Holders of ADSs will receive such distributions under the terms of the deposit agreement in proportion to the number of ADSs held as of the specified record date, after deduction of the applicable fees, taxes and expenses.

Distributions of cash

Whenever we make a cash distribution for the securities on deposit with the custodian, we will deposit the funds with the custodian. Upon receipt of confirmation of the deposit of the requisite funds, the depositary bank will arrange for the funds received in a currency other than U.S. dollars to be converted into U.S. dollars and for the distribution of the U.S. dollars to the holders, subject to Cayman Islands laws and regulations.

The conversion into U.S. dollars will take place only if practicable and if the U.S. dollars are transferable to the United States. The depositary bank will apply the same method for distributing the proceeds of the sale of any property (such as undistributed rights) held by the custodian in respect of securities on deposit.

The distribution of cash will be made net of the fees, expenses, taxes and governmental charges payable by holders under the terms of the deposit agreement. The depositary bank will hold any cash amounts it is unable to distribute in a non-interest bearing account for the benefit of the applicable holders and beneficial owners of ADSs until the distribution can be effected or the funds that the depositary bank holds must be escheated as unclaimed property in accordance with the laws of the relevant states of the United States.

Distributions of shares

Whenever we make a free distribution of ordinary shares for the securities on deposit with the custodian, we will deposit the applicable number of ordinary shares with the custodian. Upon receipt of confirmation of such deposit, the depositary bank will either distribute to holders new ADSs representing the ordinary shares deposited or modify the ADS-to-ordinary share ratio, in which case each ADS you hold will represent rights and interests in the additional ordinary shares so deposited. Only whole new ADSs will be distributed. Fractional entitlements will be sold and the proceeds of such sale will be distributed as in the case of a cash distribution.

The distribution of new ADSs or the modification of the ADS-to-ordinary share ratio upon a distribution of ordinary shares will be made net of the fees, expenses, taxes and governmental charges payable by holders under the terms of the deposit agreement. In order to pay such taxes or governmental charges, the depositary bank may sell all or a portion of the new ordinary shares so distributed.

No such distribution of new ADSs will be made if it would violate a law (*e.g.*, the U.S. securities laws) or if it is not operationally practicable. If the depositary bank does not distribute new ADSs as described above, it may sell the ordinary shares received upon the terms described in the deposit agreement and will distribute the proceeds of the sale as in the case of a distribution of cash.

Distributions of rights

Whenever we intend to distribute rights to subscribe for additional ordinary shares, we will give prior notice to the depositary bank and we will assist the depositary bank in determining whether it is lawful and reasonably practicable to distribute rights to subscribe for additional ADSs to holders.

The depositary bank will establish procedures to distribute rights to subscribe for additional ADSs to holders and to enable such holders to exercise such rights if it is lawful and reasonably practicable to make the rights available to holders of ADSs, and if we provide all of the documentation contemplated in the deposit agreement (such as opinions to address the lawfulness of the transaction). You may have to pay fees, expenses, taxes and other governmental charges to subscribe for the new ADSs upon the exercise of your rights. The depositary bank is not obligated to establish procedures to facilitate the distribution and exercise by holders of rights to subscribe for new ordinary shares other than in the form of ADSs.

The depositary bank will *not* distribute the rights to you if:

- We do not timely request that the rights be distributed to you or we request that the rights not be distributed to you; or
- We fail to deliver satisfactory documents to the depositary bank; or
- It is not reasonably practicable to distribute the rights.

The depositary bank will sell the rights that are not exercised or not distributed if such sale is lawful and reasonably practicable. The proceeds of such sale will be distributed to holders as in the case of a cash distribution. If the depositary bank is unable to sell the rights, it will allow the rights to lapse.

Elective distributions

Whenever we intend to distribute a dividend payable at the election of shareholders either in cash or in additional shares, we will give prior notice thereof to the depositary bank and will indicate whether we wish the elective distribution to be made available to you. In such case, we will assist the depositary bank in determining whether such distribution is lawful and reasonably practicable.

The depositary bank will make the election available to you only if it is reasonably practicable and if we have provided all of the documentation contemplated in the deposit agreement. In such case, the depositary bank will establish procedures to enable you to elect to receive either cash or additional ADSs, in each case as described in the deposit agreement.

If the election is not made available to you, you will receive either cash or additional ADSs, depending on what a shareholder in the Cayman Islands would receive upon failing to make an election, as more fully described in the deposit agreement.

Other distributions

Whenever we intend to distribute property other than cash, ordinary shares or rights to subscribe for additional ordinary shares, we will notify the depositary bank in advance and will indicate whether we wish such distribution to be made to you. If so, we will assist the depositary bank in determining whether such distribution to holders is lawful and reasonably practicable.

If it is reasonably practicable to distribute such property to you and if we provide to the depositary bank all of the documentation contemplated in the deposit agreement, the depositary bank will distribute the property to the holders in a manner it deems practicable.

The distribution will be made net of fees, expenses, taxes and governmental charges payable by holders under the terms of the deposit agreement. In order to pay such taxes and governmental charges, the depositary bank may sell all or a portion of the property received.

The depositary bank will *not* distribute the property to you and will sell the property if:

- We do not request that the property be distributed to you or if we request that the property not be distributed to you; or
- We do not deliver satisfactory documents to the depositary bank; or
- The depositary bank determines that all or a portion of the distribution to you is not reasonably practicable.

The proceeds of such a sale will be distributed to holders as in the case of a cash distribution.

Redemption

Whenever we decide to redeem any of the securities on deposit with the custodian, we will notify the depositary bank in advance. If it is practicable and if we provide all of the documentation contemplated in the deposit agreement, the depositary bank will provide notice of the redemption to the holders.

The custodian will be instructed to surrender the shares being redeemed against payment of the applicable redemption price. The depositary bank will convert into U.S. dollars upon the terms of the deposit agreement the redemption funds received in a currency other than U.S. dollars and will establish procedures to enable holders to receive the net proceeds from the redemption upon surrender of their ADSs to the depositary bank. You may have to pay fees, expenses, taxes and other governmental charges upon the redemption of your ADSs. If less than all ADSs are being redeemed, the ADSs to be retired will be selected by lot or on a *pro rata* basis, as the depositary bank may determine.

Changes affecting ordinary shares

The ordinary shares held on deposit for your ADSs may change from time to time. For example, there may be a change in nominal or par value, split-up, cancellation, consolidation or any other reclassification of such ordinary shares or a recapitalization, reorganization, merger, consolidation or sale of assets of the Company.

If any such change were to occur, your ADSs would, to the extent permitted by law and the deposit agreement, represent the right to receive the property received or exchanged in respect of the ordinary shares held on deposit. The depositary bank may in such circumstances deliver new ADSs to you, amend the deposit agreement, the ADRs and the applicable Registration Statement(s) on Form F-6, call for the exchange of your existing ADSs for new ADSs and take any other actions that are appropriate to reflect as to the ADSs the change affecting the ordinary shares. If the depositary bank may not lawfully distribute such property to you, the depositary bank may sell such property and distribute the net proceeds to you as in the case of a cash distribution.

Issuance of ADSs upon deposit of ordinary shares

Upon completion of this offering, the ordinary shares being offered pursuant to this prospectus will be deposited by us with the custodian. Upon receipt of confirmation of such deposit, the depositary bank will issue ADSs to the underwriters named in this prospectus. After the completion of this offering, the ordinary shares that are being offered for sale pursuant to this prospectus will be deposited by us with the custodian. Upon receipt of confirmation of such deposit, the depositary bank will issue ADSs to the underwriters named in this prospectus.

After the closing of this offer, the depositary bank may create ADSs on your behalf if you or your broker deposit ordinary shares with the custodian. The depositary bank will deliver these ADSs to the person you indicate only after you pay any applicable issuance fees and any charges and taxes payable for the transfer of the ordinary shares to the custodian. Your ability to deposit ordinary shares and receive ADSs may be limited by U.S. and Cayman Islands legal considerations applicable at the time of deposit.

The issuance of ADSs may be delayed until the depositary bank or the custodian receives confirmation that all required approvals have been given and that the ordinary shares have been duly transferred to the custodian. The depositary bank will only issue ADSs in whole numbers.

When you make a deposit of ordinary shares, you will be responsible for transferring good and valid title to the depositary bank. As such, you will be deemed to represent and warrant that:

- The ordinary shares are duly authorized, validly issued, fully paid, non-assessable and legally obtained.

- All preemptive (and similar) rights, if any, with respect to such ordinary shares have been validly waived or exercised.
- You are duly authorized to deposit the ordinary shares.
- The ordinary shares presented for deposit are free and clear of any lien, encumbrance, security interest, charge, mortgage or adverse claim, and are not, and the ADSs issuable upon such deposit will not be, "restricted securities" (as defined in the deposit agreement).
- The ordinary shares presented for deposit have not been stripped of any rights or entitlements.

If any of the representations or warranties are incorrect in any way, we and the depositary bank may, at your cost and expense, take any and all actions necessary to correct the consequences of the misrepresentations.

Transfer, combination and split up of ADRs

As an ADR holder, you will be entitled to transfer, combine or split up your ADRs and the ADSs evidenced thereby. For transfers of ADRs, you will have to surrender the ADRs to be transferred to the depositary bank and also must:

- ensure that the surrendered ADR is properly endorsed or otherwise in proper form for transfer;
- provide such proof of identity and genuineness of signatures as the depositary bank deems appropriate;
- provide any transfer stamps required by the State of New York or the United States; and
- pay all applicable fees, charges, expenses, taxes and other government charges payable by ADR holders pursuant to the terms of the deposit agreement, upon the transfer of ADRs.

To have your ADRs either combined or split up, you must surrender the ADRs in question to the depositary bank with your request to have them combined or split up, and you must pay all applicable fees, charges and expenses payable by ADR holders, pursuant to the terms of the deposit agreement, upon a combination or split up of ADRs.

Withdrawal of ordinary shares upon cancellation of ADSs

As a holder, you will be entitled to present your ADSs to the depositary bank for cancellation and then receive the corresponding number of underlying ordinary shares at the custodian's offices. Your ability to withdraw the ordinary shares held in respect of the ADSs may be limited by U.S. and Cayman Islands considerations applicable at the time of withdrawal. In order to withdraw the ordinary shares represented by your ADSs, you will be required to pay to the depositary bank the fees for cancellation of ADSs and any charges and taxes payable upon the transfer of the ordinary shares. You assume the risk for delivery of all funds and securities upon withdrawal. Once canceled, the ADSs will not have any rights under the deposit agreement.

If you hold ADSs registered in your name, the depositary bank may ask you to provide proof of identity and genuineness of any signature and such other documents as the depositary bank may deem appropriate before it will cancel your ADSs. The withdrawal of the ordinary shares represented by your ADSs may be delayed until the depositary bank receives satisfactory evidence of compliance with all applicable laws and regulations. Please keep in mind that the depositary bank will only accept ADSs for cancellation that represent a whole number of securities on deposit.

You will have the right to withdraw the securities represented by your ADSs at any time except for:

- Temporary delays that may arise because (i) the transfer books for the ordinary shares or ADSs are closed, or (ii) ordinary shares are immobilized on account of a shareholders' meeting or a payment of dividends.

- Obligations to pay fees, taxes and similar charges.
- Restrictions imposed because of laws or regulations applicable to ADSs or the withdrawal of securities on deposit.

The deposit agreement may not be modified to impair your right to withdraw the securities represented by your ADSs except to comply with mandatory provisions of law.

Voting rights

As a holder, you generally have the right under the deposit agreement to instruct the depositary bank to exercise the voting rights for the ordinary shares represented by your ADSs. The voting rights of holders of ordinary shares are described in "Description of share capital."

At our request, the depositary bank will distribute to you any notice of shareholders' meeting received from us together with information explaining how to instruct the depositary bank to exercise the voting rights of the securities represented by ADSs.

If the depositary bank timely receives voting instructions from a holder of ADSs, it will endeavor to vote the securities (in person or by proxy) represented by the holder's ADSs in accordance with such voting instructions as follows**:**

- *In the event of voting by show of hands*, the depositary bank will vote (or cause the custodian to vote) all ordinary shares held on deposit at that time in accordance with the voting instructions received from a majority of holders of ADSs who provide timely voting instructions.
- *In the event of voting by poll*, the depositary bank will vote (or cause the Custodian to vote) the ordinary shares held on deposit in accordance with the voting instructions received from the holders of ADSs.

In the event of voting by poll, holders of ADSs in respect of which no timely voting instructions have been received shall be deemed to have instructed the depositary bank to give a discretionary proxy to a person designated by us to vote the ordinary shares represented by such holders' ADSs; provided, that no such instructions shall be deemed given and no such discretionary proxy shall be given with respect to any matter as to which we inform the depositary bank that we do not wish such proxy to be given; provided, further, that no such discretionary proxy shall be given (x) with respect to any matter as to which we inform the depositary that (i) there exists substantial opposition, or (ii) the rights of holders of ADSs or the shareholders of our company will be materially adversely affected, and (y) in the event that the vote is on a show of hands.

Please note that the ability of the depositary bank to carry out voting instructions may be limited by practical and legal limitations and the terms of the securities on deposit. We cannot assure you that you will receive voting materials in time to enable you to return voting instructions to the depositary bank in a timely manner.

Fees and charges

As an ADS holder, you will be required to pay the following fees under the terms of the deposit agreement:

Service	Fees
• Issuance of ADSs (e.g., an issuance of ADS upon a deposit of ordinary shares, upon a change in the ADS(s)-to-share ratio, or for any other reason), excluding ADS issuances as a result of distributions of ordinary shares	Up to U.S. 5¢ per ADS issued
• Cancellation of ADSs (e.g., a cancellation of ADSs for delivery of deposited property, upon a change in the ADS(s)-to-share ratio, or for any other reason)	Up to U.S. 5¢ per ADS cancelled
• Distribution of cash dividends or other cash distributions (e.g., upon a sale of rights and other entitlements)	Up to U.S. 5¢ per ADS held
• Distribution of ADSs pursuant to (i) stock dividends or other free stock distributions, or (ii) exercise of rights to purchase additional ADSs	Up to U.S. 5¢ per ADS held
• Distribution of securities other than ADSs or rights to purchase additional ADSs (e.g., upon a spin-off)	Up to U.S. 5¢ per ADS held
• ADS Services	Up to U.S. 5¢ per ADS held on the applicable record date(s) established by the depositary bank

As an ADS holder you will also be responsible to pay certain charges such as:

- taxes (including applicable interest and penalties) and other governmental charges;
- the registration fees as may from time to time be in effect for the registration of ordinary shares on the share register and applicable to transfers of ordinary shares to or from the name of the custodian, the depositary bank or any nominees upon the making of deposits and withdrawals, respectively;
- certain cable, telex and facsimile transmission and delivery expenses;
- the expenses and charges incurred by the depositary bank in the conversion of foreign currency;
- the fees and expenses incurred by the depositary bank in connection with compliance with exchange control regulations and other regulatory requirements applicable to ordinary shares, ADSs and ADRs; and
- the fees and expenses incurred by the depositary bank, the custodian, or any nominee in connection with the servicing or delivery of deposited property.

ADS fees and charges payable upon (i) the issuance of ADSs, and (ii) the cancellation of ADSs are charged to the person to whom the ADSs are issued (in the case of ADS issuances) and to the person whose ADSs are cancelled (in the case of ADS cancellations). In the case of ADSs issued by the depositary bank into DTC, the ADS issuance and cancellation fees and charges may be deducted from distributions made through DTC, and may be charged to the DTC participant(s) receiving the ADSs being issued or the DTC participant(s) holding the ADSs being cancelled, as the case may be, on behalf of the beneficial owner(s) and will be charged by the DTC participant(s) to the account of the applicable beneficial owner(s) in accordance with the procedures and practices of the DTC participants as in effect at the time. ADS fees and charges in respect of distributions and the ADS service fee are charged to the holders as of the applicable ADS record date. In the case of distributions of cash, the amount of

the applicable ADS fees and charges is deducted from the funds being distributed. In the case of (i) distributions other than cash and (ii) the ADS service fee, holders as of the ADS record date will be invoiced for the amount of the ADS fees and charges and such ADS fees and charges may be deducted from distributions made to holders of ADSs. For ADSs held through DTC, the ADS fees and charges for distributions other than cash and the ADS service fee may be deducted from distributions made through DTC, and may be charged to the DTC participants in accordance with the procedures and practices prescribed by DTC and the DTC participants in turn charge the amount of such ADS fees and charges to the beneficial owners for whom they hold ADSs.

In the event of refusal to pay the depositary bank fees, the depositary bank may, under the terms of the deposit agreement, refuse the requested service until payment is received or may set off the amount of the depositary bank fees from any distribution to be made to the ADS holder. Certain of the depositary fees and charges (such as the ADS services fee) may become payable shortly after the closing of the ADS offering. Note that the fees and charges you may be required to pay may vary over time and may be changed by us and by the depositary bank. You will receive prior notice of such changes. The depositary bank may reimburse us for certain expenses incurred by us in respect of the ADR program, by making available a portion of the ADS fees charged in respect of the ADR program or otherwise, upon such terms and conditions as we and the depositary bank agree from time to time.

Amendments and termination

We may agree with the depositary bank to modify the deposit agreement at any time without your consent. We undertake to give holders 30 days' prior notice of any modifications that would materially prejudice any of their substantial rights under the deposit agreement. We will not consider to be materially prejudicial to your substantial rights any modifications or supplements that are reasonably necessary for the ADSs to be registered under the Securities Act or to be eligible for book-entry settlement, in each case without imposing or increasing the fees and charges you are required to pay. In addition, we may not be able to provide you with prior notice of any modifications or supplements that are required to accommodate compliance with applicable provisions of law.

You will be bound by the modifications to the deposit agreement if you continue to hold your ADSs after the modifications to the deposit agreement become effective. The deposit agreement cannot be amended to prevent you from withdrawing the ordinary shares represented by your ADSs (except as permitted by law).

We have the right to direct the depositary bank to terminate the deposit agreement. Similarly, the depositary bank may in certain circumstances on its own initiative terminate the deposit agreement. In either case, the depositary bank must give notice to the holders at least 30 days before termination. Until termination, your rights under the deposit agreement will be unaffected.

After termination, the depositary bank will continue to collect distributions received (but will not distribute any such property until you request the cancellation of your ADSs) and may sell the securities held on deposit. After the sale, the depositary bank will hold the proceeds from such sale and any other funds then held for the holders of ADSs in a non-interest bearing account. At that point, the depositary bank will have no further obligations to holders other than to account for the funds then held for the holders of ADSs still outstanding (after deduction of applicable fees, taxes and expenses).

Books of depositary

The depositary bank will maintain ADS holder records at its depositary office. You may inspect such records at such office during regular business hours but solely for the purpose of communicating with other holders in the interest of business matters relating to the ADSs and the deposit agreement.

The depositary bank will maintain in New York facilities to record and process the issuance, cancellation, combination, split-up and transfer of ADSs. These facilities may be closed from time to time, to the extent not prohibited by law.

Limitations on obligations and liabilities

The deposit agreement limits our obligations and the depositary bank's obligations to you. Please note the following:

- We and the depositary bank are obligated only to take the actions specifically stated in the deposit agreement without negligence or bad faith.
- The depositary bank disclaims any liability for any failure to carry out voting instructions, for any manner in which a vote is cast or for the effect of any vote, provided it acts in good faith and in accordance with the terms of the deposit agreement.
- The depositary bank disclaims any liability for any failure to determine the lawfulness or practicality of any action, for the content of any document forwarded to you on our behalf or for the accuracy of any translation of such a document, for the investment risks associated with investing in ordinary shares, for the validity or worth of the ordinary shares, for any tax consequences that result from the ownership of ADSs, for the credit-worthiness of any third party, for allowing any rights to lapse under the terms of the deposit agreement, for the timeliness of any of our notices or for our failure to give notice.
- We and the depositary bank will not be obligated to perform any act that is inconsistent with the terms of the deposit agreement.
- We and the depositary bank disclaim any liability if we or the depositary bank, or our respective controlling persons or agents are prevented or forbidden from, or subject to any civil or criminal penalty or restraint on account of, or delayed in, doing or performing any act or thing required by the terms of the deposit agreement, by reason of any provision, present or future of any law or regulation, or by reason of present or future provision of any provision of our Articles of Association, or any provision of or governing the securities on deposit, or by reason of any act of God or war or other circumstances beyond our control.
- We and the depositary bank disclaim any liability by reason of any exercise of, or failure to exercise, any discretion provided for in the deposit agreement or in our Articles of Association or in any provisions of or governing the securities on deposit.
- We and the depositary bank further disclaim any liability for any action or inaction in reliance on the advice or information received from legal counsel, accountants, any person presenting ordinary shares for deposit, any holder of ADSs or authorized representatives thereof, or any other person believed by either of us in good faith to be competent to give such advice or information.
- We and the depositary bank also disclaim liability for the inability by a holder to benefit from any distribution, offering, right or other benefit that is made available to holders of ordinary shares but is not, under the terms of the deposit agreement, made available to you.
- We and the depositary bank may rely without any liability upon any written notice, request or other document believed to be genuine and to have been signed or presented by the proper parties.
- We and the depositary bank also disclaim liability for any consequential, indirect or punitive damages for any breach of the terms of the deposit agreement, or otherwise.
- No disclaimer of any Securities Act liability is intended by any provision of the deposit agreement.

- Nothing in the deposit agreement gives rise to a partnership or joint venture, or establishes a fiduciary relationship, among us, the depositary bank and you as ADS holder.
- Nothing in the deposit agreement precludes Citibank (or its affiliates) from engaging in transactions in which parties adverse to us or the ADS owners have interests, and nothing in the deposit agreement obligates Citibank to disclose those transactions, or any information obtained in the course of those transactions, to us or to the ADS owners, or to account for any payment received as part of those transactions.

Pre-release transactions

Subject to the terms and conditions of the deposit agreement, the depositary bank may issue to broker/dealers ADSs before receiving a deposit of ordinary shares or release ordinary shares to broker/dealers before receiving ADSs for cancellation. These transactions are commonly referred to as “pre-release transactions,” and are entered into between the depositary bank and the applicable broker/dealer. The deposit agreement limits the aggregate size of pre-release transactions (not to exceed 30% of the ordinary shares on deposit in the aggregate) and imposes a number of conditions on such transactions (e.g., the need to receive collateral, the type of collateral required, the representations required from brokers, etc.). The depositary bank may retain the compensation received from the pre-release transactions.

Taxes

You will be responsible for the taxes and other governmental charges payable on the ADSs and the securities represented by the ADSs. We, the depositary bank and the custodian may deduct from any distribution the taxes and governmental charges payable by holders and may sell any and all property on deposit to pay the taxes and governmental charges payable by holders. You will be liable for any deficiency if the sale proceeds do not cover the taxes that are due.

The depositary bank may refuse to issue ADSs, to deliver, transfer, split and combine ADRs or to release securities on deposit until all taxes and charges are paid by the applicable holder. The depositary bank and the custodian may take reasonable administrative actions to obtain tax refunds and reduced tax withholding for any distributions on your behalf. However, you may be required to provide to the depositary bank and to the custodian proof of taxpayer status and residence and such other information as the depositary bank and the custodian may require to fulfill legal obligations. You are required to indemnify us, the depositary bank and the custodian for any claims with respect to taxes arising out of any refund of taxes, reduced rate of withholding or of the tax benefit obtained for or by you.

Foreign currency conversion

The depositary bank will arrange for the conversion of all foreign currency received into U.S. dollars if such conversion is practical, and it will distribute the U.S. dollars in accordance with the terms of the deposit agreement. You may have to pay fees and expenses incurred in converting foreign currency, such as fees and expenses incurred in complying with currency exchange controls and other governmental requirements.

If the conversion of foreign currency is not practical or lawful, or if any required approvals are denied or not obtainable at a reasonable cost or within a reasonable period, the depositary bank may take the following actions in its discretion:

- Convert the foreign currency to the extent practical and lawful and distribute the U.S. dollars to the holders for whom the conversion and distribution is lawful and practical.

- Distribute the foreign currency to holders for whom the distribution is lawful and practical.
- Hold the foreign currency (without liability for interest) for the applicable holders.

Governing law/waiver of jury trial

The deposit agreement and the ADRs will be interpreted in accordance with the laws of the State of New York. The rights of holders of ordinary shares (including ordinary shares represented by ADSs) is governed by the laws of the Cayman Islands.

By holding an ADS or an interest therein, you irrevocably agree that any legal suit, action or proceeding against or involving us or the Depositary, arising out of or based upon the deposit agreement, ADSs or ADRs, may only be instituted in a state or federal court in New York, New York, and you irrevocably waive any objection to the laying of venue and irrevocably submit to the exclusive jurisdiction of such courts with respect to any such suit, action or proceeding.

AS A PARTY TO THE DEPOSIT AGREEMENT, YOU IRREVOCABLY WAIVE YOUR RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF THE DEPOSIT AGREEMENT OR THE ADRs AGAINST US AND/OR THE DEPOSITARY BANK.

Shares eligible for future sale

Before this offering, no public market existed in the United States for our ordinary shares or the ADSs. Upon completion of this offering, we will have ADSs outstanding, representing approximately % of our outstanding ordinary shares. All of the ADSs sold in this offering will be freely transferable by persons other than by our "affiliates" without restriction or further registration under the Securities Act. Sales of substantial amounts of our ADSs in the public market could adversely affect prevailing market prices of our ADSs. We intend to apply to list the ADSs on the Nasdaq Global Market, but we cannot assure you that a regular trading market will develop for the ADSs. We do not expect that a trading market will develop for our ordinary shares not represented by the ADSs.

Lock-up agreements

We, our executive officers, directors and certain of our existing shareholders have agreed, for a period of 180 days after the date of this prospectus and subject to specified exceptions, not to (i) offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, or file with the Commission a registration statement under the Securities Act relating to, any ordinary shares or ADSs or any securities convertible into or exercisable or exchangeable for ordinary shares or ADSs, or publicly disclose the intention to make any offer, sale, pledge, disposition or filing, or (ii) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of the ordinary shares or ADSs or any such other securities, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of ordinary shares or ADSs or such other securities, in cash or otherwise, without the prior written consent of the representatives of the underwriters, other than the ADSs to be sold in this offering and any ordinary shares or ADSs issued upon the exercise of options granted under our stock plans.

In addition, through a letter agreement, we have instructed , as depositary, not to accept any deposit of any ordinary shares or issue any ADSs for 180 days after the date of this prospectus unless we consent to such deposit or issuance. We have also agreed not to provide such consent without the prior written consent of the representatives of the underwriters. The foregoing does not affect the right of ADS holders to cancel their ADSs and withdraw the underlying ordinary shares.

Other than this offering, we are not aware of any plans by any significant shareholders to dispose of significant numbers of our ADSs or ordinary shares. However, one or more existing shareholders or owners of securities convertible or exchangeable into or exercisable for our ADSs or ordinary shares may dispose of significant numbers of our ADSs or ordinary shares in the future. We cannot predict what effect, if any, future sales of our ADSs or ordinary shares, or the availability of ADSs or ordinary shares for future sale, will have on the trading price of our ADSs from time to time. Sales of substantial amounts of our ADSs or ordinary shares in the public market, or the perception that these sales could occur, could adversely affect the trading price of our ADSs.

Regulation S

Regulation S under the Securities Act provides an exemption from registration requirements in the United States for offers and sales of securities that occur outside the United States. Rule 903 of Regulation S provides the conditions to the exemption for a sale by an issuer, a distributor, their respective affiliates or anyone acting on their behalf, while Rule 904 of Regulation S provides the conditions to the exemption for a resale by persons other than those covered by Rule 903. In each case, any sale must be completed in an offshore transaction, as that term is defined in Regulation S, and no directed selling efforts, as that term is defined in Regulation S, may be made in the United States.

We are a foreign issuer as defined in Regulation S. As a foreign issuer, securities that we sell outside the United States pursuant to Regulation S are not considered to be restricted securities under the Securities Act, and are freely tradable without registration or restrictions under the Securities Act, unless the securities are held by your affiliates. Generally, subject to certain limitations, holders of our restricted shares who are not our who are our affiliates solely by virtue of their status as an officer or director of us may, under Regulation S, resell their restricted shares in an "offshore transaction" if none of the seller, its affiliate nor any person acting on their behalf engages in directed selling efforts in the United States and, in the case of a sale of our restricted shares by an officer or director who is an affiliate of us solely by virtue of holding such position, no selling commission, fee or other remuneration is paid in connection with the offer or sale other than the usual and customary broker's commission that would be received by a person executing such transaction as agent. Additional restrictions are applicable to a holder of our restricted shares who will be an affiliate of us other than by virtue of his or her status as an officer or director of us.

We are not claiming the potential exemption offered by Regulation S in connection with the offering of newly issued shares outside the United States and will register all of the newly issued shares under the Securities Act.

Rule 144

All of our ordinary shares that will be outstanding upon the completion of this offering, other than those ordinary shares sold in this offering, are "restricted securities" as that term is defined in Rule 144 under the Securities Act and may be sold publicly in the United States only if they are subject to an effective registration statement under the Securities Act or pursuant to an exemption from the registration requirement such as those provided by Rule 144 and Rule 701 promulgated under the Securities Act. In general, beginning 90 days after the date of this prospectus, a person (or persons whose shares are aggregated) who at the time of a sale is not, and has not been during the three months preceding the sale, an affiliate of ours and has beneficially owned our restricted securities for at least six months will be entitled to sell the restricted securities without registration under the Securities Act, subject only to the availability of current public information about us, and will be entitled to sell restricted securities beneficially owned for at least one year without restriction. Persons who are our affiliates and have beneficially owned our restricted securities for at least six months may sell a number of restricted securities within any three-month period that does not exceed the greater of the following:

- 1% of the then outstanding ordinary shares of the same class, in the form of ADSs or otherwise, which immediately after this offering will equal ordinary shares, assuming the underwriters do not exercise their option to purchase additional ADSs; or
- the average weekly trading volume of our ordinary shares of the same class, in the form of ADSs or otherwise, during the four calendar weeks preceding the date on which notice of the sale is filed with the SEC.

Sales by our affiliates under Rule 144 are also subject to certain requirements relating to manner of sale, notice and the availability of current public information about us.

Rule 701

In general, under Rule 701 of the Securities Act as currently in effect, each of our employees, consultants or advisors who purchases our ordinary shares from us in connection with a compensatory stock plan or other written agreement executed prior to the completion of this offering is eligible to resell those ordinary shares in reliance on Rule 144, but without compliance with some of the restrictions, including the holding period, contained in Rule 144. However, the Rule 701 shares would remain subject to lock-up arrangements and would only become eligible for sale when the lock-up period expires.

Taxation

Cayman Islands taxation

The Cayman Islands currently levies no taxes on individuals or corporations based upon profits, income, gains or appreciation and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to us levied by the government of the Cayman Islands except for stamp duties which may be applicable on instruments executed in, or after execution brought within the jurisdiction of the Cayman Islands. The Cayman Islands is not party to any double tax treaties that are applicable to any payments made to or by our company. There are no exchange control regulations or currency restrictions in the Cayman Islands.

People's Republic of China taxation

We are a holding company incorporated in the Cayman Islands.

Under the EIT Law and its implementation rules, an enterprise established outside of China with a "de facto management body" within China is considered a "resident enterprise," and will be subject to the enterprise income tax on its global income at the rate of 25%. The implementation rules define the term "de facto management body" as the body that exercises full and substantial control and overall management over the business, productions, personnel, accounts and properties of an enterprise. In 2009, the State Administration of Taxation issued SAT Circular 82, which provides certain specific criteria for determining whether the "de facto management body" of a PRC-controlled enterprise that is incorporated offshore is located in China. Although this circular only applies to offshore enterprises controlled by PRC enterprises or PRC enterprise groups, not those controlled by PRC individuals or foreigners, the criteria set forth in the circular may reflect the State Administration of Taxation's general position on how the "de facto management body" text should be applied in determining the tax resident status of all offshore enterprises. According to SAT Circular 82, all offshore enterprises controlled by a PRC enterprise or a PRC enterprise will be regarded as a PRC tax resident by virtue of having its "de facto management body" in China only if all of the following conditions are met:

(i) the primary location of the day-to-day operational management is in the PRC;

(ii) decisions relating to the enterprise's financial and human resource matters are made or are subject to approval by organizations or personnel in the PRC;

(iii) the enterprise's primary assets, accounting books and records, company seals, and board and shareholder resolutions, are located or maintained in China; and

(iv) at least 50% of voting board members or senior executives habitually reside in China.

We believe that none of Zai Lab Limited and its subsidiaries outside of China is a PRC resident enterprise for PRC tax purposes. Zai Lab Limited is not controlled by a PRC enterprise or PRC enterprise group, and we do not believe that Zai Lab Limited meets all of the conditions above. Zai Lab Limited is a company incorporated outside China. As a holding company, some of its key assets are located, and its records (including the resolutions of its board of directors and the resolutions of its shareholders) are maintained, outside China. For the same reasons, we believe our other subsidiaries outside of China are also not PRC resident enterprises. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term "de facto management body."

If the PRC tax authorities determine that Zai Lab Limited is a PRC resident enterprise for EIT purposes, we may be required to withhold tax at a rate of 10% on dividends we pay to our shareholders, including holders of our ADSs, that are non-resident enterprises. In addition, non-resident enterprise shareholders (including our ADS holders) may be subject to a 10% PRC withholding tax on gains realized on the sale or other disposition of ADS

or ordinary shares, if such income is treated as sourced from within China. Furthermore, gains derived by our non-PRC individual shareholders from the sale of our shares and ADSs may be subject to a 20% PRC withholding tax. It is unclear whether our non-PRC individual shareholders (including our ADS holders) would be subject to any PRC tax (including withholding tax) on dividends received by such non-PRC individual shareholders in the event we are determined to be a PRC resident enterprise. If any PRC tax were to apply to dividends realized by non-PRC individuals, it will generally apply at a rate of 20%. The PRC tax liability may be reduced under applicable tax treaties. However, it is unclear whether non-PRC shareholders of Zai Lab Limited would be able to claim the benefits of any tax treaty between their country of tax residence and China in the event that Zai Lab Limited is treated as a PRC resident enterprise.

See “Risk Factors—Risks Related to Doing Business in China—If we are classified as a PRC resident enterprise for PRC income tax purposes, such classification could result in unfavorable tax consequences to us and our non-PRC shareholders or ADS holders.”

Pursuant to the EIT Law and its implementation rules, if a non-resident enterprise has not set up an organization or establishment in China, or has set up an organization or establishment but the income derived has no actual connection with such organization or establishment, it will be subject to a withholding tax on its PRC-sourced income at a rate of 10%. Pursuant to the Arrangement between Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Tax Evasion on Income, the tax rate in respect to dividends paid by a PRC enterprise to a Hong Kong enterprise is reduced to 5% from a standard rate of 10% if the Hong Kong enterprise directly holds at least 25% of the PRC enterprise. Pursuant to the Notice of the State Administration of Taxation on the Issues concerning the Application of the Dividend Clauses of Tax Agreements, or SAT Circular 81, a Hong Kong resident enterprise must meet the following conditions, among others, in order to enjoy the reduced tax rate: (i) it must directly own the required percentage of equity interests and voting rights in the PRC resident enterprise; and (ii) it must have directly owned such percentage in the PRC resident enterprise throughout the 12 months prior to receiving the dividends. Furthermore, the Administrative Measures for Non-Resident Enterprises to Enjoy Treatments under Tax Treaties (For Trial Implementation), which became effective in October 2009, require that non-resident enterprises must obtain approval from the relevant tax authority in order to enjoy the reduced tax rate. There are also other conditions for enjoying the reduced tax rate according to other relevant tax rules and regulations. Accordingly, our subsidiary Zai Lab (HongKong) Limited may be able to enjoy the 5% tax rate for the dividends it receives from its PRC incorporated subsidiaries if they satisfy the conditions prescribed under SAT Circular 81 and other relevant tax rules and regulations and obtain the approvals as required. However, according to SAT Circular 81, if the relevant tax authorities determine our transactions or arrangements are for the primary purpose of enjoying a favorable tax treatment, the relevant tax authorities may adjust the favorable tax rate on dividends in the future.

If our Cayman Islands holding company, Zai Lab Limited, is not deemed to be a PRC resident enterprise, holders of our ADSs and ordinary shares who are not PRC residents will not be subject to PRC income tax on dividends distributed by us or gains realized from the sale or other disposition of our shares or ADSs.

Material United States federal income tax considerations

The following discussion, subject to the limitations set forth below, describes the material U.S. federal income tax consequences for a U.S. Holder (as defined below) of the acquisition, ownership and disposition of ADSs. This discussion is limited to U.S. Holders who are initial purchasers of ADSs pursuant to this offering and hold such ADSs as capital assets (generally, property held for investment). For purposes of this summary, a “U.S. Holder” is a beneficial owner of an ADS that is for U.S. federal income tax purposes:

- a citizen or individual resident of the United States;

- a corporation (or any other entity treated as a corporation for U.S. federal income tax purposes) organized in or under the laws of the United States or any state thereof, or the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust if (i) it has a valid election in effect to be treated as a U.S. person for U.S. federal income tax purposes or (ii) a U.S. court can exercise primary supervision over its administration and one or more U.S. persons have the authority to control all of its substantial decisions.

Except as explicitly set forth below, this summary does not address all aspects of U.S. federal income taxation that may be applicable to U.S. Holders subject to special rules, including:

- banks or other financial institutions;
- insurance companies;
- real estate investment trusts;
- regulated investment companies;
- grantor trusts;
- tax-exempt organizations;
- persons holding ADSs through a partnership (including an entity or arrangement treated as a partnership for U.S. federal income tax purposes) or S corporation;
- dealers or traders in securities, commodities or currencies;
- persons whose functional currency is not the U.S. dollar;
- certain former citizens and former long-term residents of the United States;
- persons holding ADSs as part of a position in a straddle or as part of a hedging, conversion or integrated transaction for U.S. federal income tax purposes; or
- direct, indirect or constructive owners of 10% or more of our total combined voting power.

In addition, this summary does not address the 3.8% Medicare contribution tax imposed on certain net investment income, the U.S. federal estate and gift tax or the alternative minimum tax consequences of the acquisition, ownership, and disposition of ADSs. We have not received nor do we expect to seek a ruling from the U.S. Internal Revenue Service, or the IRS, regarding any matter discussed herein. No assurance can be given that the IRS would not assert, or that a court would not sustain, a position contrary to any of those set forth below. Each prospective investor should consult its own tax advisors with respect to the U.S. federal, state, local and non-U.S. tax consequences of acquiring, owning and disposing of ADSs.

This discussion is based on the U.S. Internal Revenue Code of 1986, as amended, or the Code, U.S. Treasury Regulations promulgated thereunder and administrative and judicial interpretations thereof, and the income tax treaty between the PRC and the United States, or the U.S.-PRC Tax Treaty, each as available and in effect on the date hereof, all of which are subject to change or differing interpretations, possibly with retroactive effect, which could affect the tax consequences described herein. In addition, this summary is based, in part, upon representations made by the depositary to us and assumes that the deposit agreement, and all other related agreements, will be performed in accordance with their terms.

If an entity or arrangement treated as a partnership for U.S. federal income tax purposes holds ADSs, the tax treatment of the partnership and a partner in such partnership generally will depend on the status of the

partner and the activities of the partnership. Such partner or partnership should consult its own tax advisors as to the U.S. federal income tax consequences of acquiring, owning and disposing of ADSs.

PROSPECTIVE INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS WITH REGARD TO THE PARTICULAR TAX CONSEQUENCES APPLICABLE TO THEIR SITUATIONS AS WELL AS THE APPLICATION OF ANY U.S. FEDERAL, STATE, LOCAL, NON-U.S. OR OTHER TAX LAWS, INCLUDING GIFT AND ESTATE TAX LAWS.

ADSs

A U.S. Holder of ADSs will generally be treated, for U.S. federal income tax purposes, as the owner of the underlying ordinary shares that such ADSs represent. Accordingly, no gain or loss will be recognized if a U.S. Holder exchanges ADSs for the underlying shares represented by those ADSs.

The U.S. Treasury has expressed concern that parties to whom ADSs are released before shares are delivered to the depositary or intermediaries in the chain of ownership between holders and the issuer of the security underlying the ADSs, may be taking actions that are inconsistent with the claiming of foreign tax credits by U.S. Holders of ADSs. These actions would also be inconsistent with the claiming of the reduced rate of tax, described below, applicable to dividends received by certain non-corporate U.S. Holders. Accordingly, the creditability of non-U.S. withholding taxes (if any), and the availability of the reduced tax rate for dividends received by certain non-corporate U.S. Holders, each described below, could be affected by actions taken by such parties or intermediaries.

Taxation of dividends

As described in “Dividend Policy” above, we do not currently anticipate paying any distributions on our ADSs in the foreseeable future. However, subject to the discussion below in “—Passive Foreign Investment Company Considerations,” to the extent there are any distributions made with respect to our ADSs, the gross amount of any distribution on the ADSs (including withheld taxes, if any) made out of our current or accumulated earnings and profits (as determined for U.S. federal income tax purposes) will generally be taxable to a U.S. Holder as ordinary dividend income on the date such distribution is actually or constructively received. Distributions in excess of our current and accumulated earnings and profits will be treated as a non-taxable return of capital to the extent of the U.S. Holder’s adjusted tax basis in the ADSs and thereafter as capital gain. However, because we do not maintain calculations of our earnings and profits in accordance with U.S. federal income tax accounting principles, U.S. Holders should expect to treat distributions paid with respect to the ADSs as dividends. Dividends paid to corporate U.S. Holders generally will not qualify for the dividends received deduction that may otherwise be allowed under the Code. This discussion assumes that distributions on the ADSs, if any, will be paid in U.S. dollars.

Dividends paid to a non-corporate U.S. Holder by a “qualified foreign corporation” may be subject to reduced rates of U.S. federal income taxation if certain holding period and other requirements are met. A qualified foreign corporation generally includes a foreign corporation (other than a PFIC) if (1) its ordinary shares (or ADSs backed by ordinary shares) are readily tradable on an established securities market in the United States or (2) it is eligible for benefits under a comprehensive U.S. income tax treaty that includes an exchange of information program and which the U.S. Treasury Department has determined is satisfactory for these purposes.

We have applied to list the ADSs on the Nasdaq Global Market, which is an established securities market in the United States. Provided that such listing is approved, IRS guidance indicates that the ADSs will be readily tradable for these purposes.

The United States does not have a comprehensive income tax treaty with the Cayman Islands. However, in the event that we were deemed to be a PRC resident enterprise under the EIT Law (see "—People's Republic of China taxation" above), although no assurance can be given, we might be considered eligible for the benefits of the U.S.-PRC Tax Treaty, and if we were eligible for such benefits, dividends paid on the ADSs, regardless of whether the ADSs are readily tradable on an established securities market in the United States, would be eligible for the reduced rates of U.S. federal income taxation, subject to applicable limitations. U.S. Holders should consult their own tax advisors regarding the availability of the reduced tax rates on dividends in light of their particular circumstances.

Non-corporate U.S. Holders will not be eligible for reduced rates of U.S. federal income taxation on any dividends received from us if we are a PFIC in the taxable year in which such dividends are paid or in the preceding taxable year.

In the event that we were deemed to be a PRC resident enterprise under the EIT Law (see "—People's Republic of China taxation" above), ADS holders might be subject to PRC withholding taxes on dividends paid with respect to ADSs. In that case, subject to certain conditions and limitations, such PRC withholding tax may be treated as a foreign tax eligible for credit against a U.S. Holder's U.S. federal income tax liability under the U.S. foreign tax credit rules. For purposes of calculating the U.S. foreign tax credit, dividends paid on the ADSs will be treated as income from sources outside the United States and will generally constitute passive category income. If a U.S. Holder is eligible for U.S.-PRC Tax Treaty benefits, any PRC taxes on dividends will not be creditable against such U.S. Holder's U.S. federal income tax liability to the extent such tax is withheld at a rate exceeding the applicable U.S.-PRC Tax Treaty rate. An eligible U.S. Holder who does not elect to claim a foreign tax credit for PRC tax withheld may instead be eligible to claim a deduction, for U.S. federal income tax purposes, in respect of such withholding but only for the year in which such U.S. Holder elects to do so for all creditable foreign income taxes. The U.S. foreign tax credit rules are complex. U.S. Holders should consult their own tax advisors regarding the foreign tax credit or deduction rules in light of their particular circumstances.

Taxation of capital gains

Subject to the discussion below in "—Passive foreign investment company considerations" below, upon the sale, exchange, or other taxable disposition of ADSs, a U.S. Holder generally will recognize gain or loss on the taxable sale or exchange in an amount equal to the difference between the amount realized on such sale or exchange and the U.S. Holder's adjusted tax basis in the ADSs. The initial tax basis of ADSs to a U.S. Holder will generally be the U.S. Holder's U.S. dollar purchase price for the ADS.

Subject to the discussion below in "—Passive foreign investment company considerations" below, such gain or loss will be capital gain or loss. Under current law, capital gains of non-corporate U.S. Holders derived with respect to capital assets held for more than one year are generally eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations. Capital gain or loss, if any, recognized by a U.S. Holder generally will be treated as U.S. source income or loss for U.S. foreign tax credit purposes. U.S. Holders are encouraged to consult their own tax advisors regarding the availability of the U.S. foreign tax credit in consideration of their particular circumstances.

If we were treated as a PRC resident enterprise for EIT Law purposes and PRC tax were imposed on any gain (see "—People's Republic of China taxation" above), and if a U.S. holder is eligible for the benefits of the U.S.-PRC Tax Treaty, the holder may be able to treat such gain as PRC source gain under the treaty for U.S. foreign tax credit purposes. A U.S. Holder will be eligible for U.S.-PRC Tax Treaty benefits if (for purposes of the treaty) such holder is a resident of the United States and satisfies the other requirements specified in the U.S.-PRC Tax Treaty. Because the determination of treaty benefit eligibility is fact-intensive and depends upon a holder's particular circumstances, U.S. Holders should consult their tax advisors regarding U.S.-PRC Tax Treaty

benefit eligibility. U.S. Holders are also encouraged to consult their own tax advisors regarding the tax consequences in the event PRC tax were to be imposed on a disposition of ADSs, including the availability of the U.S. foreign tax credit and the ability and whether to treat any gain as PRC source gain for the purposes of the U.S. foreign tax credit in consideration of their particular circumstances.

Passive foreign investment company considerations

Status as a PFIC

The rules governing PFICs can have adverse tax effects on U.S. Holders. We generally will be classified as a PFIC for U.S. federal income tax purposes if, for any taxable year, either: (1) 75% or more of our gross income consists of certain types of passive income (the Income Test), or (2) the average value (determined on a quarterly basis), of our assets that produce, or are held for the production of, passive income (including cash) is 50% or more of the value of all of our assets (the Asset Test).

Passive income generally includes dividends, interest, rents and royalties (other than certain rents and royalties derived in the active conduct of a trade or business), annuities and gains from assets that produce passive income. If a non-U.S. corporation owns at least 25% by value of the stock of another corporation, the non-U.S. corporation is treated for purposes of the PFIC tests as owning its proportionate share of the assets of the other corporation and as receiving directly its proportionate share of the other corporation's income.

Whether we are a PFIC for any taxable year is a factual determination that can be made only after the end of each taxable year and which depends on the composition of our income and the composition and value of our assets for the relevant taxable year. The fair market value of our assets for purposes of the PFIC rules (including goodwill) may be determined in large part by reference to the quarterly market price of our ADSs, which is likely to fluctuate significantly after the offering. In addition, the composition of our income and assets will be affected by how, and how quickly, we use the cash proceeds from the offering in our business.

Because we hold, and will continue to hold after this offering, a substantial amount of passive assets, including cash, and because the value of our assets (including goodwill) may be determined by reference to the market value of our ADSs, which may be especially volatile due to the early stage of our drug candidates, we cannot give any assurance that we will not be a PFIC for the current or any future taxable year.

If we are a PFIC in any taxable year with respect to which a U.S. Holder owns ADSs, we generally will continue to be treated as a PFIC with respect to such U.S. Holder in all succeeding taxable years, regardless of whether we continue to meet the tests described above, unless the U.S. Holder makes the "deemed sale election" described below. Prospective investors should consult their own tax advisors regarding our PFIC status for the current or any future taxable years.

U.S. federal income tax treatment of a shareholder of a PFIC

If we are a PFIC for any taxable year during which a U.S. Holder owns ADSs, the U.S. Holder, absent certain elections (including the mark-to-market and QEF elections described below), generally will be subject to adverse rules (regardless of whether we continue to be a PFIC) with respect to (1) any "excess distributions" (generally, any distributions received by the U.S. Holder on its ADSs in a taxable year that are greater than 125% of the average annual distributions received by the U.S. Holder in the three preceding taxable years or, if shorter, the U.S. Holder's holding period for its ADSs) and (2) any gain realized on the sale or other disposition, including in certain circumstances a pledge, of its ADSs.

Under these adverse rules (a) the excess distribution or gain will be allocated ratably over the U.S. Holder's holding period, (b) the amount allocated to the current taxable year and any taxable year prior to the first

taxable year in which we are a PFIC will be taxed as ordinary income and (c) the amount allocated to each other taxable year during the U.S. Holder's holding period in which we were a PFIC (i) will be subject to tax at the highest rate of tax in effect for the applicable category of taxpayer for that year and (ii) will be subject to an interest charge at a statutory rate with respect to the resulting tax attributable to each such other taxable year.

If we are a PFIC, a U.S. Holder will generally be treated as owning a proportionate amount (by value) of stock or shares owned by us in any direct or indirect subsidiaries that are also PFICs, or Lower-tier PFICs, and will be subject to similar adverse rules with respect to any distributions we receive from, and dispositions we make of, the stock or shares of such subsidiaries. U.S. Holders are urged to consult their tax advisors about the application of the PFIC rules to any of our subsidiaries.

If we are classified as a PFIC and then cease to be so classified, a U.S. Holder may make an election (a "deemed sale election") to be treated for U.S. federal income tax purposes as having sold such U.S. Holder's ADSs on the last day of our taxable year during which we were a PFIC. A U.S. Holder that makes a deemed sale election would then cease to be treated as owning stock in a PFIC by reason of ownership of our ADSs. However, gain recognized as a result of making the deemed sale election would be subject to the adverse rules described above and loss would not be recognized.

PFIC "mark-to-market" election

In certain circumstances if we are a PFIC for any taxable year, a U.S. Holder can be subject to rules different from those described above by making a mark-to-market election with respect to its ADSs, provided that the ADSs are "marketable." ADSs will be marketable if they are "regularly traded" on a "qualified exchange" or other market within the meaning of applicable U.S. Treasury Regulations. ADSs will be treated as "regularly traded" in any calendar year in which more than a de minimis quantity of the ADSs are traded on a qualified exchange on at least 15 days during each calendar quarter. A "qualified exchange" includes a national securities exchange that is registered with the SEC.

Under current law, the mark-to-market election may be available to U.S. Holders of ADSs if the ADSs are listed on the Nasdaq Global Market (which constitutes a qualified exchange) and such ADSs are "regularly traded" for purposes of the mark-to-market election (for which no assurance can be given).

A U.S. Holder that makes a mark-to-market election must include in gross income, as ordinary income, for each taxable year that we are a PFIC an amount equal to the excess, if any, of the fair market value of the U.S. Holder's ADSs at the close of the taxable year over the U.S. Holder's adjusted tax basis in its ADSs. An electing U.S. Holder may also claim an ordinary loss deduction for the excess, if any, of the U.S. Holder's adjusted tax basis in its ADSs over the fair market value of its ADSs at the close of the taxable year, but this deduction is allowable only to the extent of any net mark-to-market gains previously included in income. The adjusted tax basis of a U.S. Holder's ADSs will be adjusted to reflect amounts included in gross income or allowed as a deduction because of such mark-to-market election. If a U.S. Holder makes an effective mark-to-market election, gains from an actual sale or other disposition of ADSs in a year in which we are a PFIC will be treated as ordinary income, and any losses incurred on a sale or other disposition of ADSs will be treated as ordinary losses to the extent of any net mark-to-market gains previously included in income.

If we are a PFIC for any taxable year in which a U.S. Holder owns ADSs but before a mark-to-market election is made, the adverse PFIC rules described above will apply to any mark-to-market gain recognized in the year the election is made. Otherwise, a mark-to-market election will be effective for the taxable year for which the election is made and all subsequent taxable years unless the ADSs are no longer regularly traded on a qualified exchange or the IRS consents to the revocation of the election.

A mark-to-market election is not permitted for the shares of any of our subsidiaries that are also classified as PFICs. Prospective investors should consult their own tax advisors regarding the availability of, and the procedure for making, a mark-to-market election, and whether making the election would be advisable, including in light of their particular circumstances.

PFIC "QEF" election

Alternatively, if we provide the necessary information, a U.S. Holder can be subject to rules different from those described above by electing to treat us (and each Lower-tier PFIC, if any) as a qualified electing fund under Section 1295 of the Code, or QEF, in the first taxable year that we (and each Lower-tier PFIC) are treated as a PFIC with respect to the U.S. Holder. A U.S. Holder must make the QEF Election for each PFIC by attaching a separate properly completed IRS Form 8621 for each PFIC to the U.S. Holder's timely filed U.S. federal income tax return.

If we determine that we are a PFIC for 2017 or any future year, then upon the request of a U.S. Holder, we will provide the information necessary for a U.S. Holder to make a QEF election with respect to us and will endeavor to cause each Lower-tier PFIC that we control to provide such information with respect to such Lower-tier PFIC. However, there can be no assurance that we will be able to cause any Lower-tier PFIC we do not control to provide such information. We may elect to provide the information necessary to make such QEF elections on our website.

If you make a QEF election with respect to a PFIC, you will be taxed currently on your pro rata share of the PFIC's ordinary earnings and net capital gain (at ordinary income and capital gain rates, respectively) for each taxable year that the entity is classified as a PFIC, even if no distributions were received. If a U.S. Holder makes a QEF election with respect to us, any distributions paid by us out of our earnings and profits that were previously included in the U.S. Holder's income under the QEF election would not be taxable to the U.S. Holder. A U.S. Holder will increase its tax basis in its ADSs by an amount equal to any income included under the QEF election and will decrease its tax basis by any amount distributed on the ADSs that is not included in the U.S. Holder's income. In addition, a U.S. Holder will recognize capital gain or loss on the disposition of ADSs in an amount equal to the difference between the amount realized and the U.S. Holder's adjusted tax basis in the ADSs, as determined in U.S. dollars. Once made, a QEF election remains in effect unless invalidated or terminated by the IRS or revoked by the U.S. Holder. A QEF election can be revoked only with the consent of the IRS. A U.S. Holder will not be currently taxed on the ordinary income and net capital gain of a PFIC with respect to which a QEF election was made for any taxable year of the non-U.S. corporation for which such corporation does not satisfy the PFIC Income Test or Asset Test.

U.S. Holders should note that if they make QEF elections with respect to us and any Lower-tier PFIC, they may be required to pay U.S. federal income tax with respect to their ADSs for any taxable year significantly in excess of any cash distributions received on the ADSs for such taxable year. U.S. Holders should consult their tax advisers regarding the advisability of, and procedure for, making QEF elections in their particular circumstances.

PFIC information reporting requirements

If we are a PFIC in any year with respect to a U.S. Holder, such U.S. Holder will be required to file an annual information return on IRS Form 8621 regarding distributions received on, and any gain realized on the disposition of, our ADSs, and certain U.S. Holders will be required to file an annual information return (also on IRS Form 8621) relating to their ownership of our ADSs.

THE U.S. FEDERAL INCOME TAX RULES RELATING TO PFICS ARE COMPLEX. PROSPECTIVE INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE OPERATION OF THE PFIC RULES AND RELATED

REPORTING REQUIREMENTS IN LIGHT OF THEIR PARTICULAR CIRCUMSTANCES, INCLUDING THE ADVISABILITY OF MAKING ANY ELECTION THAT MAY BE AVAILABLE.

U.S. Backup Withholding and Information Reporting

Backup withholding and information reporting requirements may apply to distributions on, and proceeds from the sale or disposition of, ADSs that are held by U.S. Holders. The payor will be required to backup withhold tax on payments made within the United States, or by a U.S. payor to a U.S. intermediary (and certain subsidiaries thereof), on the ADSs to a U.S. Holder, other than an exempt recipient, if the U.S. Holder fails to furnish its correct taxpayer identification number or otherwise fails to comply with, or establish an exemption from, the backup withholding requirements. Backup withholding is not an additional tax. Amounts withheld as backup withholding may be credited against a U.S. Holder's U.S. federal income tax liability (if any) or refunded provided the required information is furnished to the IRS in a timely manner.

Certain U.S. Holders of specified foreign financial assets with an aggregate value in excess of the applicable dollar threshold are required to report information relating to their holding of ADSs, subject to certain exceptions (including an exception for shares held in accounts maintained by certain financial institutions) with their tax return for each year in which they hold ADSs. U.S. Holders should consult their own tax advisors regarding the information reporting obligations that may arise from their acquisition, ownership or disposition of ADSs.

THE ABOVE DISCUSSION DOES NOT COVER ALL TAX MATTERS THAT MAY BE OF IMPORTANCE TO A PARTICULAR INVESTOR. PROSPECTIVE INVESTORS ARE STRONGLY URGED TO CONSULT THEIR OWN TAX ADVISORS ABOUT THE TAX CONSEQUENCES OF AN INVESTMENT IN THE ADSs.

Underwriting

We are offering the ADSs described in this prospectus through a number of underwriters. J.P. Morgan Securities LLC, Citigroup Global Markets Inc. and Leerink Partners LLC are acting as joint book-running managers of the offering and as representatives of the underwriters. We have entered into an underwriting agreement with the underwriters. Subject to the terms and conditions of the underwriting agreement, we have agreed to sell to the underwriters, and each underwriter has severally agreed to purchase, at the public offering price less the underwriting discounts and commissions set forth on the cover page of this prospectus, the number of ADSs listed next to its name in the following table:

Name	Number of ADSs
J.P. Morgan Securities LLC	
Citigroup Global Markets Inc.	
Leerink Partners LLC	
Total	

The underwriters are committed to purchase all the ADSs offered by us if they purchase any ADSs. The underwriting agreement also provides that if an underwriter defaults, the purchase commitments of non-defaulting underwriters may also be increased or the offering may be terminated.

The underwriters propose to offer the ADSs directly to the public at the initial public offering price set forth on the cover page of this prospectus and to certain dealers at that price less a concession not in excess of $ per ADS. Any such dealers may resell ADSs to certain other brokers or dealers at a discount of up to $ per share from the initial public offering price. After the initial offering of the ADSs to the public, the offering price and other selling terms may be changed by the underwriters. Sales of ADSs made outside of the United States may be made by affiliates of the underwriters.

The underwriters have an option to buy up to additional ADSs from us to cover sales of ADSs by the underwriters which exceed the number of ADSs specified in the table above. The underwriters have 30 days from the date of this prospectus to exercise this option to purchase additional ADSs. If any ADSs are purchased with this option to purchase additional ADSs, the underwriters will purchase ADSs in approximately the same proportion as shown in the table above. If any additional ADSs are purchased, the underwriters will offer the additional ADSs on the same terms as those on which the ADSs are being offered.

The underwriting fee is equal to the public offering price per ADS less the amount paid by the underwriters to us per ADS. The underwriting fee is $ per ADS. The following table shows the per ADS and total underwriting discounts and commissions to be paid to the underwriters assuming both no exercise and full exercise of the underwriters' option to purchase additional ADSs.

	Without option to purchase additional ADSs	With full option to purchase additional ADSs exercise
Per ADS	$	$
Total	$	$

We estimate that the total expenses of this offering, including registration, filing and listing fees, printing fees and legal and accounting expenses, but excluding the underwriting discounts and commissions, will be

approximately $. We have also agreed to reimburse the underwriters for certain of their expenses in an amount up to $.

A prospectus in electronic format may be made available on the web sites maintained by one or more underwriters, or selling group members, if any, participating in the offering. The underwriters may agree to allocate a number of ADSs to underwriters and selling group members for sale to their online brokerage account holders. Internet distributions will be allocated by the representatives to underwriters and selling group members that may make Internet distributions on the same basis as other allocations.

We have agreed that we will not (i) offer, pledge, announce the intention to sell, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase or otherwise dispose of, directly or indirectly, or file with the Securities and Exchange Commission a registration statement under the Securities Act relating to, any ADSs or securities convertible into or exchangeable or exercisable for any ADSs, or publicly disclose the intention to make any offer, sale, pledge, disposition or filing, or (ii) enter into any swap or other arrangement that transfers all or a portion of the economic consequences associated with the ownership of any ADSs or any such other securities (regardless of whether any of these transactions are to be settled by the delivery of ADSs or such other securities, in cash or otherwise), in each case without the prior written consent of J.P. Morgan Securities LLC, Citigroup Global Markets Inc. and Leerink Partners LLC for a period of 180 days after the date of this prospectus other than the ADSs to be sold hereunder.

Our directors and executive officers, and certain of our significant shareholders have entered into lock-up agreements with the underwriters prior to the commencement of this offering pursuant to which each of these persons or entities, with limited exceptions, for a period of 180 days after the date of this prospectus, may not, without the prior written consent of J.P. Morgan Securities LLC, Citigroup Global Markets Inc. and Leerink Partners LLC, (1) offer, pledge, announce the intention to sell, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, any ADSs or any securities convertible into or exercisable or exchangeable for our ADSs (including, without limitation, ADSs or such other securities which may be deemed to be beneficially owned by such directors, executive officers, managers and members in accordance with the rules and regulations of the SEC and securities which may be issued upon exercise of a stock option or warrant) or (2) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of the ADSs or such other securities, whether any such transaction described in clause (1) or (2) above is to be settled by delivery of ADSs or such other securities, in cash or otherwise, or (3) make any demand for or exercise any right with respect to the registration of any ADSs or any security convertible into or exercisable or exchangeable for our ADSs.

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act of 1933.

We have applied for listing of the ADSs on the Nasdaq Global Market under the symbol “ZLAB”.

In connection with this offering, the underwriters may engage in stabilizing transactions, which involves making bids for, purchasing and selling ADSs in the open market for the purpose of preventing or retarding a decline in the market price of the ADSs while this offering is in progress. These stabilizing transactions may include making short sales of the ADSs, which involves the sale by the underwriters of a greater number of ADSs than they are required to purchase in this offering, and purchasing ADSs on the open market to cover positions created by short sales. Short sales may be “covered” shorts, which are short positions in an amount not greater than the underwriters’ option to purchase additional ADSs referred to above, or may be “naked” shorts, which are short positions in excess of that amount. The underwriters may close out any covered short position either

by exercising their option to purchase additional ADSs, in whole or in part, or by purchasing ADSs in the open market. In making this determination, the underwriters will consider, among other things, the price of ADSs available for purchase in the open market compared to the price at which the underwriters may purchase ADSs through the option to purchase additional ADSs. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the ADSs in the open market that could adversely affect investors who purchase in this offering. To the extent that the underwriters create a naked short position, they will purchase ADSs in the open market to cover the position.

The underwriters have advised us that, pursuant to Regulation M of the Securities Act of 1933, they may also engage in other activities that stabilize, maintain or otherwise affect the price of the ADSs, including the imposition of penalty bids. This means that if the representatives of the underwriters purchase ADSs in the open market in stabilizing transactions or to cover short sales, the representatives can require the underwriters that sold those ADSs as part of this offering to repay the underwriting discount received by them.

These activities may have the effect of raising or maintaining the market price of the ADSs or preventing or retarding a decline in the market price of the ADSs, and, as a result, the price of the ADSs may be higher than the price that otherwise might exist in the open market. If the underwriters commence these activities, they may discontinue them at any time. The underwriters may carry out these transactions on the Nasdaq Stock Market, in the over-the-counter market or otherwise.

Prior to this offering, there has been no public market for our ADSs. The initial public offering price will be determined by negotiations between us and the representatives of the underwriters. In determining the initial public offering price, we and the representatives of the underwriters expect to consider a number of factors including:

- the information set forth in this prospectus and otherwise available to the representatives;
- our prospects and the history and prospects for the industry in which we compete;
- an assessment of our management;
- our prospects for future earnings;
- the general condition of the securities markets at the time of this offering;
- the recent market prices of, and demand for, publicly traded ADSs of generally comparable companies; and
- other factors deemed relevant by the underwriters and us.

Neither we nor the underwriters can assure investors that an active trading market will develop for our ADSs, or that the ADSs will trade in the public market at or above the initial public offering price.

Other than in the United States, no action has been taken by us or the underwriters that would permit a public offering of the securities offered by this prospectus in any jurisdiction where action for that purpose is required. The securities offered by this prospectus may not be offered or sold, directly or indirectly, nor may this prospectus or any other offering material or advertisements in connection with the offer and sale of any such securities be distributed or published in any jurisdiction, except under circumstances that will result in compliance with the applicable rules and regulations of that jurisdiction. Persons into whose possession this prospectus comes are advised to inform themselves about and to observe any restrictions relating to the offering and the distribution of this prospectus. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities offered by this prospectus in any jurisdiction in which such an offer or a solicitation is unlawful.

Notice to prospective investors in Australia

This prospectus:

- does not constitute a product disclosure document or a prospectus under Chapter 6D.2 of the Corporations Act 2001 (Cth) (the "Corporations Act");
- has not been, and will not be, lodged with the Australian Securities and Investments Commission ("ASIC"), as a disclosure document for the purposes of the Corporations Act and does not purport to include the information required of a disclosure document under Chapter 6D.2 of the Corporations Act;
- does not constitute or involve a recommendation to acquire, an offer or invitation for issue or sale, an offer or invitation to arrange the issue or sale, or an issue or sale, of interests to a "retail client" (as defined in section 761G of the Corporations Act and applicable regulations) in Australia; and
- may only be provided in Australia to select investors who are able to demonstrate that they fall within one or more of the categories of investors, or Exempt Investors, available under section 708 of the Corporations Act.

The ADSs may not be directly or indirectly offered for subscription or purchased or sold, and no invitations to subscribe for or buy the ADSs may be issued, and no draft or definitive offering memorandum, advertisement or other offering material relating to any ADSs may be distributed in Australia, except where disclosure to investors is not required under Chapter 6D of the Corporations Act or is otherwise in compliance with all applicable Australian laws and regulations. By submitting an application for the ADSs, you represent and warrant to us that you are an Exempt Investor.

As any offer of ADSs under this document will be made without disclosure in Australia under Chapter 6D.2 of the Corporations Act, the offer of those securities for resale in Australia within 12 months may, under section 707 of the Corporations Act, require disclosure to investors under Chapter 6D.2 if none of the exemptions in section 708 applies to that resale. By applying for the ADSs you undertake to us that you will not, for a period of 12 months from the date of issue of the ADSs, offer, transfer, assign or otherwise alienate those securities to investors in Australia except in circumstances where disclosure to investors is not required under Chapter 6D.2 of the Corporations Act or where a compliant disclosure document is prepared and lodged with ASIC.

Notice to prospective investors in Bermuda

ADSs may be offered or sold in Bermuda only in compliance with the provisions of the Investment Business Act of 2003 of Bermuda which regulates the sale of securities in Bermuda. Additionally, non-Bermudian persons (including companies) may not carry on or engage in any trade or business in Bermuda unless such persons are permitted to do so under applicable Bermuda legislation.

Notice to prospective investors in the British Virgin Islands

The ADSs are not being, and may not be offered to the public or to any person in the British Virgin Islands for purchase or subscription by or on our behalf. The ADSs may be offered to companies incorporated under the BVI Business Companies Act, 2004 (British Virgin Islands), "BVI Companies"), but only where the offer will be made to, and received by, the relevant BVI Company entirely outside of the British Virgin Islands.

Notice to prospective investors in Canada

The ADSs may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of

the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the ADSs must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

Notice to prospective investors in China

This Prospectus does not constitute a public offer of ADSs, whether by sale or subscription, in the People's Republic of China (the "PRC"). The ADSs are not being offered or sold directly or indirectly in the PRC to or for the benefit of, legal or natural persons of the PRC.

Further, no legal or natural persons of the PRC may directly or indirectly purchase any of the ADSs or any beneficial interest therein without obtaining all prior PRC's governmental approvals that are required, whether statutorily or otherwise. Persons who come into possession of this document are required by the issuer and its representatives to observe these restrictions.

Notice to prospective investors in the European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State"), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State, no offer of ADSs may be made to the public in that Relevant Member State other than:

A. to any legal entity which is a qualified investor as defined in the Prospectus Directive;

B. to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the underwriters; or

C. in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of ADSs shall require us or any underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Directive and each person who initially acquires any ADSs or to whom any offer is made will be deemed to have represented, acknowledged and agreed to and with each of the underwriters and us that it is a "qualified investor" within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive.

In the case of any ADSs being offered to a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, each such financial intermediary will be deemed to have represented, acknowledged and agreed that the ADSs acquired by it in the offer have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give

rise to an offer of any ADSs to the public other than their offer or resale in a Relevant Member State to qualified investors as so defined or in circumstances in which the prior consent of the representatives has been obtained to each such proposed offer or resale.

For the purposes of this provision, the expression an "**offer of ADSs to the public**" in relation to any ADSs in any Relevant Member State means the communication in any form and by means of sufficient information on the terms of the offer and the ADSs to be offered so as to enable an investor to decide to purchase ADSs, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "Prospectus Directive" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measure in the Relevant Member State.

Notice to prospective investors in Hong Kong

The ADSs have not been offered or sold and will not be offered or sold in Hong Kong, by means of any document, other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. No advertisement, invitation or document relating to the ADSs has been or may be issued or has been or may be in the possession of any person for the purposes of issue, whether in Hong Kong or elsewhere, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to ADSs which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Notice to prospective investors in Japan

The ADSs have not been and will not be registered pursuant to Article 4, Paragraph 1 of the Financial Instruments and Exchange Act. Accordingly, none of the ADSs nor any interest therein may be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any "resident" of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to or for the benefit of a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and any other applicable laws, regulations and ministerial guidelines of Japan in effect at the relevant time.

Notice to prospective investors in Korea

The ADSs have not been and will not be registered under the Financial Investments Services and Capital Markets Act of Korea and the decrees and regulations thereunder (the "FSCMA"), and the ADSs have been and will be offered in Korea as a private placement under the FSCMA. None of the ADSs may be offered, sold or delivered directly or indirectly, or offered or sold to any person for re-offering or resale, directly or indirectly, in Korea or to any resident of Korea except pursuant to the applicable laws and regulations of Korea, including the FSCMA and the Foreign Exchange Transaction Law of Korea and the decrees and regulations thereunder (the "FETL"). Furthermore, the purchaser of the ADSs shall comply with all applicable regulatory requirements (including but not limited to requirements under the FETL) in connection with the purchase of the ADSs. By the purchase of the ADSs, the relevant holder thereof will be deemed to represent and warrant that if it is in Korea or is a resident of Korea, it purchased the ADSs pursuant to the applicable laws and regulations of Korea.

Notice to prospective investors in Malaysia

No prospectus or other offering material or document in connection with the offer and sale of the ADSs has been or will be registered with the Securities Commission of Malaysia ("Commission") for the Commission's approval pursuant to the Capital Markets and Services Act 2007. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the ADSs may not be circulated or distributed, nor may the ADSs be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Malaysia other than (i) a closed end fund approved by the Commission; (ii) a holder of a Capital Markets Services Licence; (iii) a person who acquires the ADSs, as principal, if the offer is on terms that the ADSs may only be acquired at a consideration of not less than RM250,000 (or its equivalent in foreign currencies) for each transaction; (iv) an individual whose total net personal assets or total net joint assets with his or her spouse exceeds RM3 million (or its equivalent in foreign currencies), excluding the value of the primary residence of the individual; (v) an individual who has a gross annual income exceeding RM300,000 (or its equivalent in foreign currencies) per annum in the preceding twelve months; (vi) an individual who, jointly with his or her spouse, has a gross annual income of RM400,000 (or its equivalent in foreign currencies), per annum in the preceding twelve months; (vii) a corporation with total net assets exceeding RM10 million (or its equivalent in a foreign currencies) based on the last audited accounts; (viii) a partnership with total net assets exceeding RM10 million (or its equivalent in foreign currencies); (ix) a bank licensee or insurance licensee as defined in the Labuan Financial Services and Securities Act 2010; (x) an Islamic bank licensee or takaful licensee as defined in the Labuan Financial Services and Securities Act 2010; and (xi) any other person as may be specified by the Commission; provided that, in the each of the preceding categories (i) to (xi), the distribution of the ADSs is made by a holder of a Capital Markets Services Licence who carries on the business of dealing in securities. The distribution in Malaysia of this prospectus is subject to Malaysian laws. This prospectus does not constitute and may not be used for the purpose of public offering or an issue, offer for subscription or purchase, invitation to subscribe for or purchase any securities requiring the registration of a prospectus with the Commission under the Capital Markets and Services Act 2007.

Notice to prospective investors in Saudi Arabia

This document may not be distributed in the Kingdom of Saudi Arabia except to such persons as are permitted under the Offers of Securities Regulations as issued by the board of the Saudi Arabian Capital Market Authority ("CMA") pursuant to resolution number 2-11-2004 dated 4 October 2004 as amended by resolution number 1-28-2008, as amended (the "CMA Regulations"). The CMA does not make any representation as to the accuracy or completeness of this document and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this document. Prospective purchasers of the securities offered hereby should conduct their own due diligence on the accuracy of the information relating to the securities. If you do not understand the contents of this document, you should consult an authorised financial adviser.

Notice to prospective investors in Singapore

This prospectus has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of ADSs may not be circulated or distributed, nor may the ADSs be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the ADSs are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the ADSs pursuant to an offer made under Section 275 of the SFA except:

(a) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(b) where no consideration is or will be given for the transfer;

(c) where the transfer is by operation of law;

(d) as specified in Section 276(7) of the SFA; or

(e) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore

Notice to prospective investors in South Africa

Due to restrictions under the securities laws of South Africa, the ADSs are not offered, and the offer shall not be transferred, sold, renounced or delivered, in South Africa or to a person with an address in South Africa, unless one or other of the following exemptions applies:

i. the offer, transfer, sale, renunciation or delivery is to:

(a) persons whose ordinary business is to deal in securities, as principal or agent;

(b) the South African Public Investment Corporation;

(c) persons or entities regulated by the Reserve Bank of South Africa;

(d) authorised financial service providers under South African law;

(e) financial institutions recognised as such under South African law;

(f) a wholly-owned subsidiary of any person or entity contemplated in (c), (d) or (e), acting as agent in the capacity of an authorised portfolio manager for a pension fund or collective investment scheme (in each case duly registered as such under South African law); or

(g) any combination of the person in (a) to (f); or

ii. the total contemplated acquisition cost of the securities, for any single addressee acting as principal is equal to or greater than ZAR1,000,000.

No "offer to the public" (as such term is defined in the South African Companies Act, No. 71 of 2008 (as amended or re-enacted) (the "South African Companies Act")) in South Africa is being made in connection with the issue of the ADSs. Accordingly, this document does not, nor is it intended to, constitute a "registered

prospectus" (as that term is defined in the South African Companies Act) prepared and registered under the South African Companies Act and has not been approved by, and/or filed with, the South African Companies and Intellectual Property Commission or any other regulatory authority in South Africa. Any issue or offering of the ADSs in South Africa constitutes an offer of the ADSs in South Africa for subscription or sale in South Africa only to persons who fall within the exemption from "offers to the public" set out in section 96(1)(a) of the South African Companies Act. Accordingly, this document must not be acted on or relied on by persons in South Africa who do not fall within section 96(1)(a) of the South African Companies Act (such persons being referred to as "SA Relevant Persons"). Any investment or investment activity to which this document relates is available in South Africa only to SA Relevant Persons and will be engaged in South Africa only with SA relevant persons.

Certain of the underwriters and their affiliates have provided in the past to us and our affiliates and may provide from time to time in the future certain commercial banking, financial advisory, investment banking and other services for us and such affiliates in the ordinary course of their business, for which they have received and may continue to receive customary fees and commissions. In addition, from time to time, certain of the underwriters and their affiliates may effect transactions for their own account or the account of customers, and hold on behalf of themselves or their customers, long or short positions in our debt or equity securities or loans, and may do so in the future.

Notice to prospective investors in Switzerland

The ADSs may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange ("SIX") or on any other stock exchange or regulated trading facility in Switzerland. This document does not constitute a prospectus within the meaning of, and has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this document nor any other offering or marketing material relating to the ADSs or the offering may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this document nor any other offering or marketing material relating to the offering, us or the ADSs have been or will be filed with or approved by any Swiss regulatory authority. In particular, this document will not be filed with, and the offer of ADSs will not be supervised by, the Swiss Financial Market Supervisory Authority FINMA (FINMA), and the offer of ADSs has not been and will not be authorized under the Swiss Federal Act on Collective Investment Schemes ("CISA"). The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of ADSs.

Notice to prospective investors in Taiwan

The ADSs have not been and will not be registered with the Financial Supervisory Commission of Taiwan pursuant to relevant securities laws and regulations and may not be sold, issued or offered within Taiwan through a public offering or in circumstances which constitutes an offer within the meaning of the Securities and Exchange Act of Taiwan that requires a registration or approval of the Financial Supervisory Commission of Taiwan. No person or entity in Taiwan has been authorised to offer, sell, give advice regarding or otherwise intermediate the offering and sale of the ADSs in Taiwan.

Notice to prospective investors in the United Arab Emirates

The ADSs have not been, and are not being, publicly offered, sold, promoted or advertised in the United Arab Emirates (including the Dubai International Financial Centre) other than in compliance with the laws of the

United Arab Emirates (and the Dubai International Financial Centre) governing the issue, offering and sale of securities. Further, this prospectus does not constitute a public offer of securities in the United Arab Emirates (including the Dubai International Financial Centre) and is not intended to be a public offer. This prospectus has not been approved by or filed with the Central Bank of the United Arab Emirates, the Securities and Commodities Authority or the Dubai Financial Services Authority.

Notice to prospective investors in the United Kingdom

In addition, in the United Kingdom, this document is being distributed only to, and is directed only at, and any offer subsequently made may only be directed at persons who are “qualified investors” (as defined in the Prospectus Directive) (i) who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “Order”) and/or (ii) who are high net worth companies (or persons to whom it may otherwise be lawfully communicated) falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as “relevant persons”) or otherwise in circumstances which have not resulted and will not result in an offer to the public of the ADSs in the United Kingdom.

Any person in the United Kingdom that is not a relevant person should not act or rely on the information included in this document or use it as basis for taking any action. In the United Kingdom, any investment or investment activity that this document relates to may be made or taken exclusively by relevant persons.

Legal matters

We are being represented by Ropes & Gray LLP with respect to certain legal matters as to United States federal securities and New York State law. The underwriters are being represented by Davis Polk & Wardwell LLP with respect to certain legal matters as to United States federal securities and New York State law. One of Davis Polk & Wardwell LLP's partners is the spouse of Nisa Leung, who is one of our directors and a Managing Partner at Qiming Venture Partners which beneficially owns approximately 26.5% of our ordinary shares prior to this offering. The validity of the ordinary shares represented by the ADSs offered in this offering will be passed upon for us by Travers Thorp Alberga. Certain legal matters as to PRC law will be passed upon for us by Zhong Lun Law Firm and for the underwriters by Fangda Partners. Ropes & Gray LLP may rely upon Travers Thorp Alberga with respect to matters governed by Cayman Islands law and Zhong Lun Law Firm with respect to matters governed by PRC law. Davis Polk & Wardwell LLP may rely upon Fangda Partners with respect to matters governed by PRC law.

Experts

The consolidated financial statements as of December 31, 2015 and 2016, and for each of the two years in the period ended December 31, 2016, and the related financial statement schedule included in this prospectus have been audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP, an independent registered public accounting firm, as stated in their report appearing herein. Such financial statements and financial statement schedule are included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

The offices of Deloitte Touche Tohmatsu Certified Public Accountants LLP are located at Bund Center, 30th Floor 222 Yan An Road East, Shanghai, the People's Republic of China.

Enforcement of civil liabilities

We are incorporated in the Cayman Islands to take advantage of certain benefits associated with being a Cayman Islands exempted company, such as:

- political and economic stability;
- an effective judicial system;
- a favorable tax system;
- the absence of exchange control or currency restrictions; and
- the availability of professional and support services.

However, certain disadvantages accompany incorporation in the Cayman Islands. These disadvantages include, but are not limited to:

- the Cayman Islands has a less developed body of securities laws as compared to the United States and these securities laws provide significantly less protection to investors as compared to the United States; and
- Cayman Islands companies may not have standing to sue before the federal courts of the United States.

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

Substantially all of our operations are conducted in China, and substantially all of our assets are located in China. All of our directors and executive officers are nationals or residents of jurisdictions other than the United

States and most of their assets are located outside the United States. As a result, it may be difficult for a shareholder to effect service of process within the United States upon these persons, or to enforce against us or them judgments obtained in United States courts, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any state in the United States.

We have appointed Law Debenture Corporate Services Inc., located at 801 2nd Avenue, Suite 403, New York, New York 10017 as our agent upon whom process may be served in any action brought against us under the securities laws of the United States.

Travers Thorp Alberga, our legal counsel as to Cayman Islands law, and Zhong Lun Law Firm, our legal counsel as to PRC law, have advised us, respectively, that there is uncertainty as to whether the courts of the Cayman Islands and China, respectively, would:

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

There is uncertainty with regard to Cayman Islands law relating to whether a judgment obtained from the United States courts under civil liability provisions of the securities laws will be determined by the courts of the Cayman Islands as penal or punitive in nature. If such a determination is made, the courts of the Cayman Islands will not recognize or enforce the judgment against a Cayman Islands company. Because the courts of the Cayman Islands have yet to rule on whether such judgments are penal or punitive in nature, it is uncertain whether they would be enforceable in the Cayman Islands. Travers Thorp Alberga has advised us that although there is no statutory enforcement in the Cayman Islands of judgments obtained in the federal or state courts of the United States, a judgment in personam obtained in such jurisdiction will be recognized and enforced in the courts of the Cayman Islands at common law, without any re-examination of the merits of the underlying dispute, by an action commenced on the foreign judgment debt in the Grand Court of the Cayman Islands, provided such judgment:

- is given by a competent foreign court with jurisdiction to give the judgment;
- imposes a specific positive obligation on the judgment debtor (such as an obligation to pay a liquidated sum or perform a specified obligation);
- is final and conclusive;
- is not in respect of taxes, a fine or a penalty; and
- was not obtained in a manner and is not of a kind the enforcement of which is contrary to natural justice or the public policy of the Cayman Islands.

Zhong Lun Law Firm has further advised us that the recognition and enforcement of foreign judgments are provided for under the PRC Civil Procedures Law. PRC courts may recognize and enforce foreign judgments in accordance with the requirements of the PRC Civil Procedures Law based either on treaties between China and the country where the judgment is made or on principles of reciprocity between jurisdictions. China does not have any treaties or other form of reciprocity with the United States or the Cayman Islands that provide for the reciprocal recognition and enforcement of foreign judgments. In addition, according to the PRC Civil Procedures Law, courts in China will not enforce a foreign judgment against us or our directors and officers if they decide that the judgment violates the basic principles of PRC law or national sovereignty, security or social public interest. As a result, it is uncertain whether and on what basis a PRC court would enforce a judgment rendered

by a court in the United States or in the Cayman Islands. Under the PRC Civil Procedures Law, foreign shareholders may originate actions based on PRC law against a company in China for disputes if they can establish sufficient nexus to the PRC for a PRC court to have jurisdiction, and meet other procedural requirements, including, among others, the plaintiff must have a direct interest in the case, and there must be a concrete claim, a factual basis and a cause for the suit. However, it would be difficult for foreign shareholders to establish sufficient nexus to China by virtue only of holding our ADSs or ordinary shares.

In addition, it will be difficult for U.S. shareholders to originate actions against us in China in accordance with PRC laws because we are incorporated under the laws of the Cayman Islands and it will be difficult for U.S. shareholders, by virtue only of holding our ADSs or ordinary shares, to establish a connection to China for a PRC court to have jurisdiction as required under the PRC Civil Procedures Law.

Expenses relating to this offering

The following table sets forth the costs and expenses, other than the underwriting discounts and commissions, payable by the registrant in connection with the sale of ordinary shares being registered. All amounts are estimates except for the SEC registration fee, the Financial Industry Regulatory Authority filing fee and The Nasdaq Stock Market listing fee.

Item		Amount to be paid
SEC registration fee	$	13,329
FINRA filing fee	$	17,750
The Nasdaq Stock Market listing fee		*
Blue sky fees and expenses		*
Printing and engraving expenses		*
Legal fees and expenses		*
Accounting fees and expenses		*
Transfer Agent fees and expenses		*
Miscellaneous expenses		*
Total		*

* To be completed by amendment

Where you can find more information

We have filed with the SEC a registration statement on Form F-1 under the Securities Act with respect to the ADSs offered hereby. This prospectus, which constitutes a part of the registration statement, does not contain all of the information set forth in the registration statement or the exhibits and schedules filed therewith. For further information with respect to us and the ADSs offered hereby, please refer to the registration statement and the exhibits and schedules filed therewith. Statements contained in this prospectus regarding the contents of any contract or any other document that is filed as an exhibit to the registration statement are not necessarily complete, and each such statement is qualified in all respects by reference to the full text of such contract or other document filed as an exhibit to the registration statement. A copy of the registration statement and the exhibits and schedules filed therewith may be inspected without charge at the public reference room maintained by the SEC, located at 100 F Street N.E., Washington, D.C. 20549, and copies of all or any part of the registration statement may be obtained from such offices upon the payment of the fees prescribed by the SEC. Please call the SEC at 1-800-SEC-0330 for further information about the public reference room. The SEC also maintains a website that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC. The address is www.sec.gov.

We are subject to periodic reporting and other informational requirements of the Exchange Act as applicable to foreign private issuers. Accordingly, we are required to file reports, including annual reports on Form 20-F, and other information with the SEC. As a foreign private issuer, we are exempt from the rules of the Exchange Act prescribing the furnishing and content of proxy statements to shareholders and Section 16 short-swing profit reporting for our officer, directors and holders of more than 10% of our ordinary shares.

ZAI Lab Limited

Index to consolidated financial statements

Index to unaudited condensed consolidated financial statements

Report of independent registered public accounting firm

To the Board of Directors and Shareholders of Zai Lab Limited

We have audited the accompanying consolidated balance sheets of Zai Lab Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) as of December 31, 2015 and 2016, and the related consolidated statements of operations, comprehensive loss, changes in shareholders’ deficits, and cash flows for each of the two years in the period ended December 31, 2016 and related financial statement schedule included in Schedule I. These consolidated financial statements and financial statement schedule are the responsibility of the Group’s management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Group is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2015 and 2016, and the results of their operations and their cash flows for each of the two years in the period ended December 31, 2016, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ Deloitte Touche Tohmatsu Certified Public Accountants LLP

Shanghai, China

May 30, 2017

ZAI Lab Limited
Consolidated balance sheets
(In U.S. dollars ("$") except for number of shares)

	Note	As of December 31, 2015 $	As of December 31, 2016 $
Assets			
Current assets:			
Cash and cash equivalents	3	13,160,696	83,948,770
Prepayments and other current assets		69,020	143,527
Total current assets		13,229,716	84,092,297
Cost method investment		—	500,000
Prepayments for Equipment		—	1,417,029
Property and equipment	4	707,584	1,246,058
Intangible assets		2,525	7,000
Long term deposits		—	267,980
Value added tax recoverable		—	1,376,921
Total assets		13,939,825	88,907,285
Liabilities, mezzanine equity and shareholders' deficits			
Current liabilities:			
Accounts payable		1,453,054	523,338
Warrant liabilities	7	1,980,000	3,900,000
Other payables	6	507,931	750,118
Total current liabilities		3,940,985	5,173,456
Deferred subsidy income		61,599	778,434
Total liabilities		4,002,584	5,951,890
Commitments and Contingencies (Note 15)			
Mezzanine equity			
Series A1 convertible preferred shares (par value US$0.00001 per share; 50,800,001 shares authorized, issued and outstanding as of December 31, 2015 and 2016)	7	10,028,572	10,028,572
Series A2 convertible preferred shares (par value US$0.00001 per share; 53,424,190 shares authorized, 50,653,339 issued and outstanding as of December 31, 2015 and 2016)	7	18,278,572	18,278,572
Series B1 convertible preferred shares (par value US$0.00001 per share; 33,374,023 shares authorized, issued and outstanding as of 2016)	7	—	53,100,000
Series B2 convertible preferred shares (par value US$0.00001 per share; 23,838,588 shares authorized, issued and outstanding as of December 31, 2016)	7	—	53,100,000
Total mezzanine equity		28,307,144	134,507,144

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

ZAI Lab Limited
Consolidated balance sheets
(In U.S. dollars ("$") except for number of shares)

	As of December 31,	
	2015	2016
	$	$
Shareholders' deficits		
Ordinary shares (par value of US$0.00001 per share; 500,000,000 shares authorized, 53,311,111 and 57,943,056 shares issued and outstanding as of December 31,2015 and 2016, respectively)	533	579
Subscription receivable	(1)	(5)
Additional Paid-in Capital	4,388,410	9,313,646
Accumulated deficits	(22,655,225)	(60,167,437)
Accumulated other comprehensive loss	(103,620)	(698,532)
Total shareholders' deficits	(18,369,903)	(51,551,749)
Total liabilities, mezzanine equity and shareholders' deficits	13,939,825	88,907,285

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

ZAI Lab Limited
Consolidated statements of operations
(In U.S. dollars ("$") except for number of shares)

	Year ended December 31,	
	2015	2016
	$	$
Operating expenses:		
Research and development	(13,587,145)	(32,149,157)
General and administrative	(2,762,292)	(6,380,144)
Loss from operations	(16,349,437)	(38,529,301)
Interest income	5,005	403,266
Fair value of warrants	(1,980,000)	(1,920,000)
Other income	341,112	2,533,966
Other expense	(38,417)	(143)
Loss before income tax	(18,021,737)	(37,512,212)
Income tax expense	—	—
Net loss	(18,021,737)	(37,512,212)
Net loss attributable to ordinary shareholders	(18,021,737)	(37,512,212)
Net loss per share attributable to ordinary shareholders-basic and diluted	(0.35)	(0.66)
Weighted-average shares used in calculating net loss per ordinary share-basic and diluted	52,161,918	56,634,142

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

ZAI Lab Limited
Consolidated statements of comprehensive loss
(In U.S. dollars ("$") except for number of shares)

	Year ended December 31,	
	2015	2016
	$	$
Net loss	(18,021,737)	(37,512,212)
Other comprehensive loss, net of tax of nil:		
Foreign currency translation adjustments	(98,893)	(594,912)
Comprehensive loss	(18,120,630)	(38,107,124)

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

ZAI Lab Limited
Consolidated statements of shareholders' deficits
(In U.S. dollars ("$") except for number of shares)

	Ordinary shares		Additional paid in capital	Subscription receivables	Accumulated deficits	Accumulated other comprehensive loss	Total
	Number of shares	Amount					
		$	$	$	$	$	$
Balance at January 1, 2015	49,000,000	490	1,687,048	—	(4,633,488)	(4,727)	(2,950,677)
Issuance of ordinary shares upon vesting of restricted shares	4,311,111	43	(42)	(1)	—	—	—
Share-based compensation	—	—	2,701,404	—	—	—	2,701,404
Net loss	—	—	—	—	(18,021,737)	—	(18,021,737)
Foreign currency translation	—	—	—	—	—	(98,893)	(98,893)
Balance at December 31, 2015	53,311,111	533	4,388,410	(1)	(22,655,225)	(103,620)	(18,369,903)
Issuance of ordinary shares upon vesting of restricted shares	4,631,945	46	(42)	(4)	—	—	—
Share-based compensation	—	—	4,925,278	—	—	—	4,925,278
Net loss	—	—	—	—	(37,512,212)	—	(37,512,212)
Foreign currency translation	—	—	—	—	—	(594,912)	(594,912)
Balance at December 31, 2016	57,943,056	579	9,313,646	(5)	(60,167,437)	(698,532)	(51,551,749)

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

ZAI Lab Limited
Consolidated statements of cash flows
(In U.S. dollars ("$") except for number of shares)

	Year ended December 31,	
	2015	2016
	$	$
Operating activities		
Net loss	(18,021,737)	(37,512,212)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation of property and equipment	125,774	198,224
Amortization of intangible assets	733	781
Share-based compensation	2,701,404	4,925,278
Loss on disposal of property and equipment	38,417	—
Fair value of warrants	1,980,000	1,920,000
Changes in operating assets and liabilities:		
Prepayments and other current assets	33,713	(74,507)
Long term deposits	—	(267,980)
Value added tax recoverable	—	(1,376,921)
Accounts payable	1,287,687	(929,716)
Payroll payable and other payables	327,500	242,187
Deferred subsidy income	61,599	716,835
Net cash used in operating activities	(11,464,910)	(32,158,031)
Cash flows from investing activities:		
Purchase of cost method investment	—	(500,000)
Purchases of property and equipment	(738,470)	(2,223,882)
Purchase of intangible assets	—	(5,615)
Net cash used in investing activities	(738,470)	(2,729,497)
Cash flows from financing activities:		
Proceed from issuance of convertible preferred shares and warrants	18,278,572	106,200,000
Net cash provided by financing activities	18,278,572	106,200,000
Effect of foreign exchange rate changes on cash and cash equivalents	(66,770)	(524,398)
Net increases in cash and cash equivalents	6,008,422	70,788,074
Cash and cash equivalents—beginning of the year	7,152,274	13,160,696
Cash and cash equivalents—end of the year	13,160,696	83,948,770

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

ZAI Lab Limited
Notes to the consolidated financial statements
For the years ended December 31, 2015 and 2016

(In U.S. dollars ("$") except for number of shares)

1. Organization and principal activities

ZAI Lab Limited (the "Company") was incorporated on March 28, 2013 in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in discovering or licensing, developing and commercializing proprietary therapeutics that address areas of large unmet medical needs in the China market, including in the fields of oncology, autoimmune and infectious disease therapies.

As at December 31, 2016, the Group's significant operating subsidiaries are as follows:

Name of company	Place of incorporation	Date of incorporation	Percentage of ownership	Principal activities
ZAI Lab (Hong Kong) Limited	Hong Kong	April 29, 2013	100%	Operating company for business development and R&D activities
ZAI Lab (Shanghai) Co., Ltd.	The People's Republic of China ("PRC" or "China")	January 6, 2014	100%	Development and commercialisation of innovative medicines
ZAI Lab (AUST) Pty., Ltd.	Australia	December 10, 2014	100%	Clinical trial activities
ZAI Lab (Suzhou) Co., Ltd.	PRC	October 20, 2015	100%	Development and commercialisation of innovative medicines

2. Summary of significant accounting policies

(a) Basis of Presentation

The consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP").

(b) Principles of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries. All intercompany transactions and balances among the Group and its subsidiaries 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 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 expenses during the period. Areas where management uses subjective judgment include estimating the useful lives of long-lived assets, assessing the impairment of long-lived assets, valuation of ordinary shares, share-based compensation expenses, recoverability of deferred tax assets and the fair value of the financial instruments. Management bases the estimates on historical experience and various other assumptions that are believed to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results could differ from these estimates.

(d) Foreign currency translation

The functional currency of ZAI Lab Limited and ZAI Lab (Hong Kong) Limited are the United States dollar ("$"). The Group's PRC subsidiaries determined their functional currency to be Chinese Renminbi ("RMB"). The Group's Australia subsidiary determined its functional currency to be Australia dollar ("A$"). The determination of the respective functional currency is based on the criteria of Accounting Standard Codification ("ASC") 830, *Foreign Currency Matters*. The Group uses the United States dollar as its reporting currency.

Assets and liabilities are translated from each entity's functional currency to U.S. dollars at the exchange rate on the balance sheet date. Equity amounts are translated at historical exchange rates, and expenses, gains and losses are translated using the average rate for the year. Translation adjustments are reported as cumulative translation adjustments and are shown as a separate component of other comprehensive loss in the consolidated statements of changes in shareholders' deficits and comprehensive loss.

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. Nonmonetary assets and liabilities are remeasured 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 and cash equivalents

The Group 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 plus interests earned, which approximates fair value.

(f) Cost method investment

For investments for which the Group does not have significant influence or control, the cost method of accounting is used. Under the cost method, the Group carries the investment at cost and recognizes income to the extent of dividends received from the distribution of the equity investee's post-acquisition profits. As of December 31, 2015 and 2016, investments in cost method investees accounted for under the cost method were nil and $500,000.

ZAI Lab Limited
Notes to the consolidated financial statements
For the years ended December 31, 2015 and 2016
(In U.S. dollars ("$") except for number of shares)

The Group is required to perform an impairment assessment of its investments whenever events or changes in business circumstances indicate that the carrying value of the investment may not be fully recoverable. An impairment loss is recorded when there has been a loss in value of the investment that is other than temporary. No impairment was recorded for the years ended December 31, 2015 and 2016.

(g) Prepayments for equipment

The prepayments for equipment purchase are recorded in long term prepayments considering the prepayments are all related to property and equipment.

(h) Property and equipment

Property and equipment are stated at cost, less accumulated depreciation and amortization. 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	3 years
Vehicle	4 years
Laboratory equipment	5 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.

(i) Long term deposits

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

(j) Value added tax recoverable

Value added tax recoverable represent amounts paid by the Group for purchases. The amounts were recorded as long term assets considering they are expected to be deducted from future value added tax payables arising on the Group's revenues which it expects to generate in the future.

(k) Intangible assets

Intangible assets mainly consist of externally purchased software which are amortized over five years on a straight-line basis. As of December 31, 2015 and 2016, the original value of the Group's intangible assets is $3,523 and $8,684 with accumulated amortization of $998 and $1,684.

(l) Impairment of long-lived assets

Long-lived assets are reviewed for impairment in accordance with authoritative guidance for impairment or disposal of long-lived assets. Long-lived assets are reviewed for events or changes in circumstances, which

(In U.S. dollars ("$") except for number of shares)

indicate that their carrying value may not be recoverable. Long-lived assets are reported at the lower of carrying amount or fair value less cost to sell. For the years ended December 31, 2015 and 2016, there was no impairment of the value of the Group's long-lived assets.

(m) Fair value measurements

The Group applies ASC topic 820 ("ASC 820"), *Fair Value Measurements and Disclosures*, 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, for example, to measuring the fair value of assets and liabilities: (1) market approach; (2) income approach and (3) cost approach. The market approach uses prices and other relevant information generated from market transactions involving identical or comparable assets or liabilities. The income approach uses valuation techniques to convert future amounts to a single present value amount. The measurement is based on the value indicated by current market expectations about those future amounts. The cost approach is based on the amount that would currently be required to replace an asset.

Financial instruments of the Group primarily include cash and cash equivalents, prepayments and other current assets, accounts payable, warrant liabilities and other payables. As of December 31, 2015 and 2016, the carrying values of cash and cash equivalents, prepayments and other current assets, accounts payable and other payables approximated their fair values due to the short-term maturity of these instruments. The warrant liabilities were recorded at fair value as determined on the respective issuance dates and subsequently adjusted to the fair value at each reporting date. The Group determined the fair values of the warrant liabilities with the assistance of an independent third party valuation firm.

Liabilities measured at fair value on a recurring basis as of December 31, 2015 are summarized below:

	Level 1	Level 2	Level 3
	$	$	$
Warrant liabilities	—	—	1,980,000

Liabilities measured at fair value on a recurring basis as of December 31, 2016 are summarized below:

	Level 1	Level 2	Level 3
	$	$	$
Warrant liabilities	—	—	3,900,000

ZAI Lab Limited
Notes to the consolidated financial statements
For the years ended December 31, 2015 and 2016
(In U.S. dollars ("$") except for number of shares)

The Group has measured the warrant liabilities at fair values on a recurring basis using significant unobservable inputs (Level 3) as of the years ended December 31, 2015 and 2016.

The Group used the binomial model to estimate the fair value of warrant liabilities using the following assumptions:

	December 31, 2015	December 31, 2016
Risk-free rate of return	2.9%	2.9%
Vesting date	April 1,2016	April 1,2016
Maturity date	December 31,2021	December 31,2021
Estimated volatility rate	70%	70%
Exercise price	0.36	0.36
Fair value of underlying preferred shares	0.90	1.64

The model requires the input of highly subjective assumptions including the risk-free rate of return, expected vesting date, maturity date, estimated volatility rate and fair value of underlying preferred shares. The risk-free rate for periods within the contractual life is based on the US treasury bonds with maturity similar to the maturity of the warrants as of valuation dates plus a China country risk premium. On April 1, 2016, the investment amount met the $7,000,000 threshold, therefore, the vesting date was on April 1, 2016. For maturity date, the terms state that it shall be the earlier of 6 years from grant and 90 days before the IPO date. Prior to 2017, the Group did not have a concrete plan to undertake an IPO, and as such, the maturity date was estimated to be December 31, 2021. For expected volatilities, the Group has made reference to the historical price volatilities of ordinary shares of several comparable companies in the same industry as the Group. The estimated fair value of the preferred shares was determined with assistance from an independent third party valuation firm. The Group's management is ultimately responsible for the determination of the estimated fair value of its preferred shares.

The significant unobservable inputs used in the fair value measurement of the warrant liabilities include risk-free rate of return, interval between vesting date and maturity date, estimated volatility rate and fair value of underlying preferred shares. Significant decreases in interval between vesting date and maturity date, estimated volatility rate and fair value of underlying preferred shares would result in a significantly lower fair value measurement. Significant increases in risk-free rate of return would result in a significantly lower fair value measurement.

(n) Revenue recognition

The Group has not yet generated any revenues from the sale of goods or from the rendering of services.

Prior to the adoption of ASC 606, the Group will recognize any revenues when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the fee is fixed or determinable, and there is reasonable assurance that the related amounts are collectible in accordance with ASC 605, Revenue Recognition.

ZAI Lab Limited
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For the years ended December 31, 2015 and 2016
(In U.S. dollars ("$") except for number of shares)

(o) 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 fee of exclusive development rights of drugs granted to the Group, (iii) costs related to preclinical testing of the Group's technologies under development and clinical trials such as payments to contract research organizations ("CROs"), investigators and clinical trial sites that conduct our clinical studies (iv)costs to develop the product candidates, including raw materials and supplies, product testing, depreciation, and facility related expenses, (v) other research and development expenses. Research and development expenses are charged to expense as incurred when these expenditures relate to the Group's research and development services and have no alternative future uses. The conditions enabling capitalization of development costs as an asset have not yet been met and, therefore, all development expenditures are recognized in profit or loss when incurred.

The Group also has obligations to make future payments to third party licensors that become due and payable on the achievement of certain development, regulatory and commercial milestones, which will be recorded as research and development expenses. The Group has not included these commitments on our balance sheet because the commitments are cancellable if the milestones are not completed and achievement and timing of these milestones are not fixed or determinable.

(p) Government grants

Government grants consist of cash subsidies received by the Group's subsidiaries in the PRC from local governments. Grants received as incentives for conducting business in certain local districts with no performance obligation or other restriction as to the use are recognized when cash is received. Cash grants of $298,072 and $2,065,510 were included in other income for the years ended December 31, 2015 and 2016, respectively. Grants received with government specified performance obligations are recognized when all the obligations have been fulfilled. If such obligations are not satisfied, the Company may be required to refund the subsidy. Cash grants of $61,599 and $778,434 were recorded in deferred subsidy income as of December 31, 2015 and 2016 respectively, which will be recognized when the government specified performance obligation is satisfied.

(q) Leases

Leases are classified at the inception date as either a capital lease or an operating lease. The Group assesses a lease to be a capital lease if any of the following conditions exist: a) ownership is transferred to the lessee by the end of the lease term, b) there is a bargain purchase option, c) the lease term is at least 75% of the property's estimated remaining economic life or d) the present value of the minimum lease payments at the beginning of the lease term is 90% or more of the fair value of the leased property to the lessor at the inception date. A capital lease is accounted for as if there was an acquisition of an asset and an incurrence of an obligation at the inception of the lease. The Group has no capital leases for the years presented.

All other leases are accounted for as operating leases wherein rental payments are expensed on a straight-line basis over the periods of their respective lease terms. The Group leases office space and employee accommodation under operating lease agreements. Certain of the lease agreements contain rent holidays. Rent

holidays are considered in determining the straight-line rent expense to be recorded over the lease term. The lease term begins on the date of initial possession of the lease property for purposes of recognizing lease expense on straight-line basis over the term of the lease.

(r) Comprehensive loss

Comprehensive loss is defined as the changes in equity of the Group during a period from transactions and other events and circumstances excluding transactions resulting from investments by owners and distributions to owners. Among other disclosures, *ASC 220, Comprehensive Income*, requires that all items that are required to be recognized under current accounting standards as components of comprehensive loss be reported in a financial statement that is displayed with the same prominence as other financial statements. For each of the periods presented, the Group's comprehensive loss includes net loss and foreign currency translation adjustments, which are presented in the consolidated statements of comprehensive loss.

(s) Stock-based compensation

Awards Granted to Employees

The Group grants share options to eligible employees, management and directors and accounts for these share based awards in accordance with ASC 718 *Compensation-Stock Compensation.*

Employees' share-based awards are measured at the grant date fair value of the awards and recognized as expenses a) immediately at grant date if no vesting conditions are required; or b) using graded vesting method over the requisite service period, which is the vesting period.

All transactions in which goods or services are received in exchange for equity instruments are accounted for based on the fair value of the consideration received or the fair value of the equity instrument issued, whichever is more reliably measurable.

To the extent the required vesting conditions are not met resulting in the forfeiture of the share-based awards, previously recognized compensation expense relating to those awards are reversed.

The Group, with the assistance of an independent third party valuation firm, determined the fair value of the stock options granted to employees. The binomial option pricing model was applied in determining the estimated fair value of the options granted to employees.

Awards Granted to Non-Employees

The Group has accounted for equity instruments issued to non-employees in accordance with the provisions of ASC ASC 505, Equity-based payments to non-employees. All transactions in which goods or services are received in exchange for equity instruments are accounted for based on the fair value of the consideration received or the fair value of the equity instrument issued, whichever is more reliably measurable. The measurement date of the fair value of the equity instrument issued is the date on which the counterparty's performance is completed as there is no associated performance commitment. The expense is recognized in the same manner as if the Group had paid cash for the services provided by the non-employees in accordance with ASC 505.

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(t) Income taxes

The Group uses the liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on the differences between the financial reporting and the tax bases of assets and liabilities and 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 Group 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 Group's policy to recognize interest and penalties related to unrecognized tax benefits, if any, as a component of income tax expense. No unrecognized tax benefits and related interest and penalties were recorded in any of the periods presented.

(u) Earnings (loss) per share

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

The Group's convertible preferred shares are participating securities as the preferred shares participate in undistributed earnings on an as-if-converted basis. Accordingly, the Group uses the two-class method whereby undistributed net income is allocated on a pro rata basis to each participating share to the extent that each class may share income for the period. Undistributed net loss is not allocated to preferred shares because they are not contractually obligated to participate in the loss allocated to the ordinary shares.

Diluted earnings (loss) per ordinary share reflects the potential dilution that could occur if securities were exercised or converted into ordinary shares. The Group had convertible preferred shares, warrants, stock options and non-vested restricted shares, which could potentially dilute basic earnings per share in the future. To calculate the number of shares for diluted income per share, the effect of the convertible redeemable preferred shares and warrants is computed using the as-if-converted method; the effect of the stock options and non-vested restricted shares is computed using the treasury stock method.

(v) Segment information

In accordance with ASC 280, *Segment Reportin*g, the Group's chief operating decision maker, the Chief Executive Officer, reviews the consolidated results when making decisions about allocating resources and assessing performance of the Group as a whole and hence, the Group has only one reportable segment. The Group does not distinguish between markets or segments for the purpose of internal reporting. As the Group's long-lived assets are substantially located in and derived from the PRC, no geographical segments are presented.

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(w) Concentration of risks

Concentration of suppliers

The following suppliers accounted for 10% or more of research and development expenses for the years ended December 31, 2015 and 2016:

	For year ended December 31,	
	2015	2016
	$	$
A	5,703,000	*
B	*	14,625,500

* Represents less than 10% of research and development expenses for the years ended December 31, 2015 and 2016.

Concentration of credit risk

Financial instruments that are potentially subject to significant concentration of credit risk consist of cash and cash equivalents and prepayments for equipment. The carrying amounts of cash and cash equivalents represent the maximum amount of loss due to credit risk. As of December 31, 2015 and 2016, all of the Group's cash and cash equivalents were held by major financial institutions located in the PRC and international financial institutions outside of the PRC which management believes are of high credit quality and continually monitors the credit worthiness of these financial institutions. With respect to the prepayment to suppliers, the Company performs on-going credit evaluations of the financial condition of these suppliers.

Foreign currency risk

Renminbi ("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 Group included aggregated amounts of RMB3,541,812 and RMB44,156,161, which were denominated in RMB, as of December 31, 2015 and 2016, respectively, representing 4% and 8% of the cash and cash equivalents as of December 31, 2015 and 2016, respectively.

(w) Recent accounting pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Updates ("ASU") 2014-09, "Revenue from Contracts with Customers (Topic 606)", to clarify the principles of recognizing revenue and create common revenue recognition guidance between U.S. GAAP and International Financial Reporting Standards ("IFRS"). An entity has the option to apply the provisions of ASU 2014-09 either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying this standard recognized at the date of initial application. ASU 2014-09 is effective for fiscal years and interim periods within those years beginning after December 15, 2016, and early adoption is not permitted. In August 2015, the FASB updated this standard to ASU 2015-14, the amendments in this Update defer the effective date

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of Update 2014-09 so that the Update should be applied to annual reporting periods beginning after December 15, 2017 and earlier application is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period.

In May 2016, FASB issued ASU 2016-12 "Revenue from Contracts with Customers (Topic 606)": Narrow-Scope Improvements and Practical Expedients. The amendments in this Update do not change the core principle of the guidance in Topic 606. Rather, the amendments in this Update affect only the narrow aspects of Topic 606. The areas improved include: (1) Assessing the Collectability Criterion in Paragraph 606-10-25-1(e) and Accounting for Contracts That Do Not Meet the Criteria for Step 1; (2) Presentation of Sales Taxes and Other Similar Taxes Collected from Customers; (3) Noncash Consideration; (4) Contract Modifications at Transition; (5) Completed Contracts at Transition; and (6) Technical Correction. The effective date and transition requirements for the amendments in this Update are the same as the effective date and transition requirements for Topic 606 (and any other Topic amended by Update 2014-09).

The Group is in a development stage, with no revenues to date, and will evaluate the application of this ASU, but as a result has not yet determined the potential effects it may have on the Company's financial statements.

In November 2015, FASB issued ASU 2015-17, *Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes*, which requires deferred income tax liabilities and assets to be classified as noncurrent on the balance sheet rather than being separated into current and noncurrent. The guidance is effective for public entities for annual periods beginning after December 15, 2016, and interim periods within those annual periods with early adoption being permitted. The Group has adopted this guidance during the year ended December 31, 2016, retrospectively. The adoption of this guidance did not have a material effect on the Group's consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments-Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities ("ASU 2016-01"),* which requires that equity investments, except for those accounted for under the equity method or those that result in consolidation of the investee, be measured at fair value, with subsequent changes in fair value recognized in net income. However, an entity may choose to measure equity investments that do not have readily determinable fair values at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. ASU 2016-01 also impacts the presentation and disclosure requirements for financial instruments. ASU 2016-01 is effective for public business entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2017. Early adoption is permitted only for certain provisions. The Group is in the process of evaluating the impact of adoption of this guidance on the Group's consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842),* which requires lessees to recognize most leases on the balance sheet. This ASU requires lessees to recognize a right-of-use asset and lease liability for all leases with terms of more than 12 months. Lessees are permitted to make an accounting policy election to not recognize the asset and liability for leases with a term of twelve months or less. The ASU does not significantly change the lessees' recognition, measurement and presentation of expenses and cash flows from the previous accounting standard. Lessors' accounting under the ASC is largely unchanged from the previous accounting standard. In addition, the ASU expands the disclosure requirements of lease arrangements. Lessees and lessors

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will use a modified retrospective transition approach, which includes a number of practical expedients. The provisions of this guidance are effective for annual periods beginning after December 15, 2018, and interim periods within those years, with early adoption permitted. The Group is currently evaluating this ASU to determine the full impact on its consolidated financial statements, as well as the impact of adoption on policies, practices and systems. As of December 31, 2016, the Group has $2.1 million of future minimum operating lease commitments that are not currently recognized on its consolidated balance sheets (see Note 15). Therefore, the Group would expect changes to its consolidated balance sheets for the recognition of these and any additional leases entered into in the future upon adoption.

In March 2016, the FASB issued ASU 2016-09, which simplifies several aspects of the accounting for employee share-based payment transactions for both public and non-public entities, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows. For public entities, the ASU is effective for annual reporting periods beginning after December 15, 2016, including interim periods within those annual reporting periods. Early adoption will be permitted in any interim or annual period for which financial statements have not yet been issued or have not been made available for issuance. The Group has elected to early adopt this standard on a modified retrospective basis at the beginning of the period presented as the Group elected to account for forfeitures when they occur to reduce the complexity in the accounting of share based compensation.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230)*. The update is intended to improve financial reporting in regards to how certain transactions are classified in the statement of cash flows. This update requires that debt extinguishment costs be classified as cash outflows for financing activities and provides additional classification guidance for the statement of cash flows. The update also requires that the classification of cash receipts and payments that have aspects of more than one class of cash flows to be determined by applying specific guidance under generally accepted accounting principles. The update also requires that each separately identifiable source or use within the cash receipts and payments be classified on the basis of their nature in financing, investing or operating activities. The update is effective for public companies for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. The Group is in the process of evaluating the impact of adoption of this guidance on the consolidated financial statements.

In October 2016, FASB issued ASU 2016-16, *Income Taxes (Topic 740)*. Under the new standard, an entity is to recognize the income tax consequences of an intra-entity transfer of an asset other than inventory when the transfer occurs. The new standard does not include new disclosure requirements; however, existing disclosure requirements might be applicable when accounting for the current and deferred income taxes for an intra-entity transfer of an asset other than inventory. The new standard is effective for annual periods beginning after December 15, 2017, including interim reporting periods within those annual periods. The ASU is not expected impact the Group's consolidated balance sheet upon adoption.

In October 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230), Restricted Cash*. The update applies to all entities that have restricted cash or restricted cash equivalents and are required to present a statement of cash flows. The update addresses diversity in practice that exists in the classification and presentation of changes in restricted cash on the statement of cash flows, and requires that a statement of cash

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flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. As a result, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The update is effective for public companies for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted. The updates should be applied using a retrospective transition method to each period presented. The Group currently does not have restricted cash balances.

3. Cash and cash equivalents

	December 31,	
	2015	2016
	$	$
Cash at bank and in hand	13,160,696	36,531,272
Cash Equivalents	—	47,417,498
	13,160,696	83,948,770
Denominated in:		
US$	12,344,841	77,463,141
RMB (note (i))	545,431	6,365,311
Australia dollar ("A$")	270,424	120,318
	13,160,696	83,948,770

Notes:

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

4. Property and equipment

Property and equipment consist of the following:

	December 31,	
	2015	2016
	$	$
Office equipment	50,514	49,432
Electronic equipment	33,224	66,271
Vehicle	—	76,636
Laboratory equipment	481,432	593,582
Leasehold improvements	214,730	465,428
Construction in progress	—	252,509
	779,900	1,503,858
Less accumulated depreciation	(72,316)	(257,800)
Property and equipment, net	707,584	1,246,058

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Depreciation expenses for the years ended December 31, 2015 and 2016 were $125,774 and $198,224, respectively.

5. Income tax

Cayman islands

ZAI Lab Limited is incorporated in the Cayman Islands. Under the current laws of the Cayman Islands, ZAI Lab Limited is 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.

Australia

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

Hong Kong

ZAI Lab (Hong Kong) Limited is 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. The applicable tax rate is 16.5% in Hong Kong. For the years ended December 31, 2015 and 2016, The ZAI Lab (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 is exempted from income tax on its foreign-derived income and there are no withholding taxes in Hong Kong on remittance of dividends.

PRC

ZAI Lab (Shanghai) Co., Ltd and ZAI Lab (Suzhou) Co., Ltd. are both subject to the statutory rate of 25% for the years ended December 31, 2015 and 2016 in accordance with the Enterprise Income Tax law (the "EIT Law").

There is no provision for income taxes because the Company and all of its owned subsidiaries are in a current loss position for all the periods presented.

Loss before income taxes consists of:

	Year ended December 31,	
	2015	2016
	$	$
Cayman	2,036,806	2,454,660
PRC	4,938,688	26,111,094
HK	9,869,007	8,010,908
AUST	1,177,236	935,550
	18,021,737	37,512,212

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Reconciliations of the differences between the PRC statutory income tax rate and the Group's effective income tax rate for the years ended December 31, 2015 and 2016 are as follows:

	2015	2016
	$	$
Statutory income tax rate	25%	25%
Share-based Compensations	(3.68%)	(2.92%)
Non-deductible expenses	(7.19%)	(1.59%)
Effect of different tax rate of subsidiary operation in other jurisdiction	(7.15%)	(3.33%)
Changes in valuation allowance	(6.98%)	(17.16%)
Effective income tax rate	—	—

The principal components of the deferred tax assets and liabilities are as follows:

	2015	2016
	$	$
Deferred tax assets:		
Depreciation of property and equipment, net	2,415	3,892
Accrued expenses	72,408	—
Government grants	16,025	166,336
Net operating loss forward	1,729,009	8,086,361
Less: valuation allowance	(1,819,857)	(8,256,589)
Deferred tax assets, net	—	—

The Group considers positive and negative evidence to determine whether some portion or all of the deferred tax assets will be more likely than not realized. This assessment considers, among other matters, the nature, frequency and severity of recent losses and forecasts of future profitability. These assumptions require significant judgment and the forecasts of future taxable income are consistent with the plans and estimates the Group is using to manage the underlying businesses. Valuation allowances are established for deferred tax assets based on a more likely than not threshold. The Group'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 2015 and 2016, the Group has determined that the deferred tax assets on temporary differences and net operating loss carry forward are related to certain other subsidiaries, for which the Group is not able to conclude that the future realization of those net operating loss carry forwards and other deferred tax assets are more likely than not. As such, it has fully provided valuation allowance for the deferred tax assets as of December 31, 2015 and 2016. Amounts of operating loss carry forwards were $7,969,098 and $34,716,071 for the year ended December 31, 2015 and 2016, which are expected to be expired from 2019 to 2021.

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Movement of the valuation allowance is as follows:

	December 31,	
	2015	2016
	$	$
Balance as of January 1	(561,672)	(1,819,857)
Additions	(1,258,185)	(6,436,732)
Balance as of December 31	(1,819,857)	(8,256,589)

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

6. Other payables

	December 31,	
	2015	2016
	$	$
Payroll	350,514	573,802
Other taxes payable	—	23,721
Other payables(note (i))	157,417	152,595
	507,931	750,118

Notes:

(i) Other payables are mainly payables related to legal advisory fee and travel expense.

7. Convertible preferred shares and warrants

In August, 2014 and April, 2015, the Company issued 37,466,668 Series A1 convertible preferred shares ("Series A1 Preferred Shares") and 50,653,339 Series A2 convertible preferred shares ("Series A2 Preferred Shares") with a par value $0.00001 per share to a group of investors for a cash consideration of $8,028,572 or $0.2143 per share and $18,278,572 or $0.3609 per share, respectively. In August 2014, $2,000,000 in convertible loans issued in March and April of 2014 to certain investors who purchased Series A1 Preferred Shares were converted into 13,333,333 Series A1 Preferred Shares in connection with the offering at a per share price of $0.15.

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In January and April, 2016, the Company issued 33,374,023 Series B1 convertible preferred shares ("Series B1 Preferred Shares") and 23,838,588 Series B2 convertible preferred shares ("Series B2 Preferred Shares") with a par value of $0.00001 per share to a group of investors including existing preferred share investors for a cash consideration of $53,100,000 or $1.5911 per share and $53,100,000 or $2.2275 per share, respectively.

On December 31, 2015, as an inducement to participate in the contemplated issuance of Series B1 Preferred Shares and Series B2 Preferred Shares, the Company entered into an agreement with one investor to issue warrants to purchase up to 2,770,851 Series A2 Preferred Shares at $0.3609 per share, as adjusted from time to time pursuant to the agreement. The fair value of the warrants of $1,980,000 was expensed on the date of issuance (as opposed to being treated as a cost of equity issuance because the warrant would have become exercisable after the passage of time in the absence of an equity offering).

The key terms of the Series A1, A2, B1 and B2 Preferred Shares (collectively "Preferred Shares") are as follows:

Conversion rights

Each holder of Preferred Shares shall have the right, at such holder's sole discretion, to convert all or any portion of the Preferred Shares into ordinary shares based on a one-for-one basis at any time. The initial conversion price is the issuance price of Preferred Shares, subject to adjustment in the event of (1) stock splits, share combinations, share dividends and distribution, recapitalizations and similar events, and (2) issuance of new securities at a price per share less than the conversion price in effect on the date of or immediately prior to such issuance. In that case, the conversion price shall be reduced concurrently to the subscription price of such issuance.

The Preferred Shares will be automatically converted into ordinary shares at the then applicable conversion price upon the earlier of (1) the closing of a Qualified Initial Public Offering, or (2) the date specified by written consent or agreement of majority holders of Preferred Shares.

Voting rights

The Preferred Shareholders are entitled to vote with ordinary shareholders on an as-converted basis. The holders of the Preferred Shares also have certain veto rights including, but not limited to, an increase or decrease in the total number of directors and change of board composition, appointment or removal of senior management, approval of business plan and operating budget, dividend declaration, any merger, split, reorganization or consolidation.

Dividends

The Preferred Shareholders may be entitled to receive dividends accruing at the rate of 8% per annum. In addition, Preferred Shareholders are also entitled to dividends on the Company's ordinary shares on an as if converted basis and must be paid prior to any payment on ordinary shares. All dividends shall be payable only when, as, and if declared by the Board of Directors and shall be noncumulative.

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Liquidation preference

Series A1 Preferred Shares and Series A2 Preferred Shares

In the event of any liquidation, dissolution or winding up of the Company, either voluntary or involuntary, the holders of Series A1 and Series A2 Preferred Shares are entitled to receive, prior to any distribution to the holders of ordinary shares, an amount per share equal to the Series A original issue price, plus accrued but unpaid dividends (the "Preference Amount").

Series B1 Preferred Shares and Series B2 Preferred Shares

In the event of any liquidation, dissolution or winding up of the Company, either voluntary or involuntary, the holders of Series B1 and Series B2 Preferred Shares are entitled to receive, prior to any distribution to the holders of ordinary shares, an amount per share equal the Series B original issue price plus five percent (5%) simple interest on such Series B issue price accrued annually from the applicable Series B issue date, plus accrued but unpaid dividends.

In the event insufficient funds are available to pay in full the Preference Amount in respect of each preferred shareholders, the sequence of liquidation right of all series of preferred shares was as follows:

(1) Series B1 and B2 Preferred Shares

(2) Series A1 and A2 Preferred Shares

After the Preference Amount has been paid, any remaining funds or assets legally available for distribution shall be distributed pro rata among the preferred shareholders together with ordinary shares.

A liquidation event includes, (i) any liquidation, dissolution or winding up of the Company, whether voluntary or involuntary; the exclusive licensing of all or substantially all of the Group Companies' intellectual property, taken as a whole, to a third party; (ii) any sale of all or substantially all of the assets of the Group to a third party unaffiliated with any member of the Group; or (iii) the transfer (whether by merger, reorganization or other transaction) in which a majority of the outstanding voting power of the Company is transferred (excluding any sale of shares by the Company for capital raising purposes).

The key terms of the warrants are as follows:

Vesting date

The warrant was vested on April 1, 2016.

Exercise period

If not previously exercised, the warrants shall expire on the earlier of (i) the sixth (6th) anniversary of the issue date or (ii) ninety (90) days prior to the date on which the Company consummates an initial public offering.

The Company has classified the Preferred Shares as mezzanine equity as these convertible preferred shares are redeemable upon the occurrence of a conditional event (i.e. a liquidation event). The holders of the Preferred

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Shares have a liquidation preference and will not receive the same form of consideration upon the occurrence of the conditional event as the ordinary shareholders would. The holders of Preferred Shares have the ability to convert the instrument into the Company's ordinary shares. The conversion option of the convertible preferred shares do not qualify for bifurcation accounting because the conversion option is clearly and closely related to the host instrument and the underlying ordinary shares are not publicly traded nor readily convertible into cash.

The Group has determined that there was no beneficial conversion feature ("BCF") attributable to the Preferred Shares, as the effective conversion price was greater than the fair value of the ordinary shares on the respective commitment date. The Group will re-evaluate whether additional BCF is required to be recorded upon the modification to the effective conversion price of the Preferred Shares, if any.

The Company concluded that the Preferred Shares are not redeemable currently, and is not probable that the Preferred Shares will become redeemable because the likelihood of a liquidation event is remote. Therefore, no adjustment will be made to the initial carrying amount of the Preferred Shares until it is probable that they will become redeemable.

The warrants are freestanding instruments and are recorded as liabilities in accordance with ASC480. The Series B1 and B2 Preferred Shares were initially recorded as mezzanine equity equal to the proceeds received of $106.2 million in total. The warrants are initially recognized at fair value, with subsequent changes in fair value recorded in losses. For the year ended December 31, 2016, the Company recognized a loss from the increase in fair value of the warrants of $1.92 million.

8. Net loss per share

Basic and diluted net loss per share for each of the years presented are calculated as follow:

	For the year ended December 31,	
	2015	2016
	$	$
Numerator:		
Net loss attributable to ordinary shareholders	(18,021,737)	(37,512,212)
Denominator:		
Weighted average number of ordinary shares-basic and diluted	52,161,198	56,634,142
Net loss per share-basic and diluted	(0.35)	(0.66)

The Group has determined that its convertible preferred shares are participating securities as the preferred shares participate in undistributed earnings on an as-if-converted basis. The holders of the preferred shares are entitled to receive dividends on a pro rata basis, as if their shares had been converted into ordinary shares. Accordingly, the Group uses the two-class method of computing net income per share, for ordinary and preferred shares according to participation rights in undistributed earnings, However, undistributed net loss is only allocated to ordinary shareholders because holders of preferred shares are not contractually obligated to share losses.

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As a result of the Group's net loss for the two years ended December 31, 2015 and 2016, Series A1, A2, B1 and B2 preferred shares, share options, non-vested restricted shares and warrants outstanding in the respective periods were excluded from the calculation of diluted loss per share as their inclusion would have been anti-dilutive.

	As of December 31,	
	2015	2016
Number of Series A1 Shares outstanding	50,800,001	50,800,001
Number of Series A2 Shares outstanding	50,653,339	50,653,339
Number of Series B1 Shares outstanding	—	33,374,023
Number of Series B2 Shares outstanding	—	23,838,588
Share options	25,855,395	43,368,862
Non-vested restricted shares	17,688,889	13,856,945
Warrants	2,770,851	2,770,851

9. Related party transactions

The table below sets forth the related party transactions and the relationship with the Group as of December 31, 2016:

Company Name	Relationship with the group
Qiagen (Suzhou) Translational Medicine Co., Ltd.	Significant influence held by Samantha Du's immediate family

(a) The Group entered into the following transactions between its related party:

	Year ended December 31,	
	2015	2016
	$	$
Research and development expense	96,656	—

(b) The Group had the following balances with its related party:

	December 31,	
	2015	2016
	$	$
Accounts payable	27,865	—

10. Share-based compensation

Share options

On March 5, 2015, the Board of Directors of the Company approved an Equity Incentive Plan (the "Plan") which is administered by the Board of Directors. Under the plan, the Board of Directors may grant options to purchase

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ordinary shares to management including officers, directors, employees and individual advisors who render services to the Group to purchase an aggregate of no more than 24,845,671 ordinary shares of the Group ("Option Pool"). On October 22, 2015, March 9, 2016 and August 25, 2016, the Board of Directors approved the increase in the Option Pool to 44,218,603 ordinary shares. These options granted have a contractual term of 10 years and generally vest over a five year period, with 20% of the awards vesting one year after the grant date and the remainder of the awards vesting on a monthly basis thereafter.

In March and October 2015, the Group granted 5,222,695 and 20,632,700 share options to certain of the Group's management and employees at an exercise price of $0.1 per share, respectively. These options granted have a contractual term of 10 years and generally vest over a five year period, with 20% of the awards vesting one year after the grant date and the remainder of the awards vesting on a monthly basis thereafter.

In March 2016, the Group granted 6,946,759 share options to certain of the Group's management and employees at an exercise price of $0.2 per share. These options granted have a contractual term of 10 years and generally vest over a five year period, with 20% of the awards vesting anniversary year after the grant date.

In August 2016, the Group granted 10,562,208 share options to certain of the Group's management and employees at an exercise price of $0.29 per share, respectively. These options granted have a contractual term of 10 years and generally vest over a five year period, with 20% of the awards vesting on the anniversary of the grant date each year.

In August and December 2016, the Group granted 2,500 and 2,500 share options to certain individual advisors of the Group at an exercise price of $0.29 per share. These options granted have a contractual term of 10 years and generally vest over a three year period, with 33.33% of the awards vesting anniversary year after the grant date.

The binomial option-pricing model was applied in determining the estimated fair value of the options granted. The model requires the input of highly subjective assumptions including the estimated expected stock price volatility and, the exercise multiple for which employees are likely to exercise share options. For expected volatilities, the Group has made reference to the historical price volatilities of ordinary shares of several comparable companies in the same industry as the Group. For the exercise multiple, the Group has no historical exercise patterns as reference, thus the exercise multiple is based on management's estimation, which the Group believes is representative of the future exercise pattern of the options. The risk-free rate for periods within the contractual life of the option is based on the US treasury bonds with maturity similar to the maturity of the options as of valuation dates plus a China country risk premium. The estimated fair value of the ordinary shares, at the option grant dates, was determined with assistance from an independent third party valuation firm. The Group's management is ultimately responsible for the determination of the estimated fair value of its ordinary shares.

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

	March, 2015	October, 2015	March, 2016	August, 2016	December, 2016
Risk-free rate of return	3.1%	3.1%	2.8%	2.5%	3.4%
Contractual life of option	10 years	10 years	10 years	10 years	10 years
Estimated volatility rate	70%	70%	70%	70%	70%
Expected dividend yield	0%	0%	0%	0%	0%
Fair value of underlying ordinary shares	0.27	0.32	1.19	1.34	1.34

A summary of option activity under the Plan during the years ended December 31, 2015 and 2016 is presented below:

	Number of options	Weighted average exercise price	Weighted average remaining contractual term	Aggregate intrinsic value
		$	Years	$
Outstanding at January 1, 2015	—	—	—	—
Granted	25,855,395	0.10	—	—
Outstanding at December 31, 2015	25,855,395	0.10	9.68	18,874,438
Granted	17,513,967	0.25	—	—
Forfeited	(500)	0.29	—	—
Outstanding at December 31, 2016	43,368,862	0.16	9.00	53,677,170
Vested and Exercisable as of December 31, 2016	6,642,240	0.10	8.63	8,634,911
Vested or expected to vest as of December 31, 2016	43,368,862	0.16	9.00	53,677,170

The weighted-average grant-date fair value of the options granted in 2015 and 2016 was $0.27 and $1.16 per share. The Group recorded compensation expense related to the option of $419,709 and $3,524,733 for the year ended December 31, 2015 and 2016, respectively, which were classified in the accompanying consolidated statements of operations as follows:

	2015	2016
	$	$
Year ending December 31:		
General and administrative	124,871	1,472,993
Research and development	294,838	2,051,740
Total	419,709	3,524,733

As of December 31, 2016, there was $23,286,577 of total unrecognized compensation expense related to unvested share options granted. That cost is expected to be recognized over a weighted-average period of 4.0 years.

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Non-vested restricted shares

On April 3, 2014, the Company entered into a restricted share arrangement with Samantha Du, founder and Chairman and Chief Executive Officer of the Company (the "CEO") to secure her services, pursuant to which all of her 21,000,000 ordinary shares of the Company became subject to transfer restrictions. In addition, the restricted shares shall initially be unvested and subject to repurchase by the Company at par value upon voluntary or involuntary termination of employment by the CEO (the "Repurchase Right"). One fifth of the restricted shares shall vest and be released from the restrictions and Repurchase Right on each yearly anniversary from the date of the agreement. The CEO retains the voting rights of such non-vested restricted shares and any additional securities or cash received as the result of ownership of such shares, such as a share dividend, become subject to restriction in the same manner. This arrangement has been accounted for as a performance-based plan. Accordingly, the Group measured the fair value of the non-vested restricted shares as of April 3, 2014 and is recognizing the amount as compensation expense over the five year deemed service period using a graded vesting attribution model for each separately vesting portion of the non-vested restricted shares.

On August 10, 2015, the Company entered into an restricted share arrangement with an individual advisor to secure their services, for 1,000,000 ordinary shares authorized for grant. In general, restrictions limit the sale or transfer of these shares during a three year period, and restrictions lapse proportionately over the three year period. During the three year period the Company upon voluntary or involuntary termination of service agreement by the individual advisor will repurchase unvested restricted shares at par (the "Repurchase Right"). On July 15, 2016 and August 25, 2016, 350,000 and 450,000 ordinary shares were authorized for grant to the individual advisor with the same Repurchase Right. The Repurchase Right terminates over the three years commencing August 10, 2015, July 15, 2016 and August 25, 2016 in 36 equal monthly instalments thereafter. Any additional securities or cash received as the result of ownership of such shares, such as dividends, become subject to restriction in the same manner. For all restricted shares, the individual advisor has delegated his voting rights to the CEO of the Company. This arrangement has been accounted for as a performance-based plan. Accordingly, the Group measures the service expense based on the fair value at the date the services are completed which is monthly.

The following table summarized the Group's non-vested restricted share activity in 2016.

	Numbers of non-vested restricted shares	Weighted average grant date fair value
Non-vested as of January 1, 2016	17,688,889	0.14
Granted	800,000	1.34
Vested	(4,631,944)	0.21
Non-vested as of December 31, 2016	13,856,945	0.22

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As of December 31, 2016, there was $1,367,014 of total unrecognized compensation expense related to non-vested Restricted Shares. The Group recorded compensation expense related to the restricted shares of $476,806 and $954,660 for the year ended December 31, 2015 and 2016, respectively, which were classified in the accompanying consolidated statements of operations as follows:

	2015	2016
	$	$
Year ending December 31:		
General and administrative	210,000	210,000
Research and development	266,806	744,660
Total	476,806	954,660

Ordinary shares issued to Red Kingdom Investment Limited ("Red Kingdom")

Red Kingdom is a company incorporated in the British Virgin Islands in August 2013 and owned by a group of senior management including the CEO of the Company and advisors of the Group and third party investors. Red Kingdom has no activities and does not have employees. All the shareholders of the Red Kingdom have delegated their voting rights to the CEO of the Company.

On April 3, 2014, the Company issued 48,500,000 shares to Red Kingdom which are corresponding to the total outstanding shares of Red Kingdom for total consideration of $141,971. One share of Red Kingdom is entitled to indirectly all of the economic rights associated with the underlying ordinary shares of the Company. Of these shares, 47,085,000 shares were held by members of senior management and certain advisors of the Group, who paid par value.

In April and May 2014, Red Kingdom entered into restricted share arrangements with the members of senior management of the Group to secure their services, pursuant to which all of their 38,755,000 ordinary shares of the Red Kingdom became subject to transfer restrictions (the "Restricted Shares"). In addition, the Restricted Shares shall initially be unvested and subject to repurchase by Red Kingdom at par value upon voluntary or involuntary termination of employment by those senior management (the "Repurchase Right"). One fifth of the Restricted Shares shall vest and be released from the restrictions and Repurchase Right on each yearly anniversary from the date of the agreement. Any additional securities or distributions received associated with the Restricted Shares shall become subject to the same restrictions. The Repurchase Right shall terminate upon the earlier to occur of: (i) the cancelation of the Repurchase Right upon vesting, (ii) immediately prior to the consummation of an initial public offering of the securities of the Company, or (iii) a Change of Control. Accordingly, the Group measured the fair value of the non-vested Restricted Shares at grant date and recognizes the amount as compensation expense over the five year deemed service period using a graded vesting attribution model on a straight-line basis.

In April 2014, Red Kingdom entered into a restricted share arrangement with one of its advisors whereby all of their 2,100,000 ordinary shares of Red Kingdom became subject to transfer restrictions (the "Advisor Restricted Shares"). Such shares shall initially be unvested and subject to repurchase by Red Kingdom at par value during the 5 year period following the date of the agreement. The Advisor Restricted Shares shall vest and

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be released from the Repurchase Right at the rate of twenty percent (20%) of the total number of Advisor Restricted Shares as each the contractually agreed milestones within each year (collectively, the "Milestones") are determined to have been achieved by the Company. Accordingly, the Group measures the service expense based on the fair value of the Restricted Shares when the milestones are achieved.

The 6,230,000 shares of the Company that issued to Red Kingdom corresponding to the shares of Red Kingdom held by advisors of the Group, purchased for par value in 2014 are not subject to the transfer restrictions or other repurchase rights, and so were considered vested immediately at the date of grant and expensed.

On December 15, 2015, 11,526,000 unvested Restricted Shares granted to the CEO were deemed vested by the Company and the unrecognized share-based compensation of $1,152,600 as of the modification date was immediately recognized as compensation expense in the consolidated statements of operations.

The following table summarized the non-vested Restricted Shares activities of Red Kingdom in 2016.

	Numbers of non-vested restricted shares	Weighted average grant date fair value
Non-vested as of January 1, 2016	21,160,000	0.10
Vested	(4,450,000)	0.10
Non-vested as of December 31, 2016	16,710,000	0.10

As of December 31, 2016, there was $1,136,753 of total unrecognized compensation expense related to non-vested Restricted Shares. The Group recorded compensation expense related to the restricted shares of $1,804,889 and $445,885 for the year ended December 31, 2015 and 2016, respectively, which were classified in the accompanying consolidated statements of operations as follows:

	2015	2016
	$	$
Year ending December 31:		
General and administrative	697,206	364,723
Research and development	1,107,683	81,162
Total	1,804,889	445,885

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11. Accumulated other comprehensive loss

The movement of accumulated other comprehensive loss is as follows:

	Foreign currency translation adjustments
	$
Balance as of January 1, 2015	(4,727)
Other comprehensive loss	(98,893)
Balance as of December 31, 2015	(103,620)
Other comprehensive loss	(594,912)
Balance as of December 31, 2016	(698,532)

12. Licenses and collaborative arrangements

License and collaboration agreement with Bristol-Myers Squibb Company ("BMS")

In March 2015, the Group entered into a collaboration and license agreement with BMS, under which the Group obtained an exclusive license under certain patents and know-how of BMS to develop, manufacture, use, sell, import and commercialize brivanib, BMS's proprietary multi-targeted kinase inhibitor, in mainland China, Hong Kong and Macau, or the licensed territory, in the licensed field of diagnosis, prevention, treatment or control of oncology indications, with the right to expand the licensed territory to include Taiwan and Korea under certain conditions. BMS retains the non-exclusive right to use the licensed compounds to conduct internal research and the exclusive right to use the licensed compounds to manufacture compounds that are not brivanib.

BMS has the option to elect to co-promote the licensed products in the licensed territory. If BMS exercises its co-promotion option, BMS will pay the Group an option exercise fee, and the Group will share with BMS the operating profits and losses of the licensed products in the licensed territory. If BMS does not exercise its co-promotion option, the Group will pay BMS milestone payments for the achievement of certain development and sales milestone events, and also tiered royalties at certain percentage rates on the net sales of the licensed products in the licensed territory, until the later of the expiration of the last-to-expire licensed patent covering the licensed product, the expiration of regulatory exclusivity for the licensed product, or the twelfth anniversary of the first commercial sale of the licensed product, in each case on a product-by-product and region-by-region basis.

The Group also has the right to opt-out of the commercialization of the licensed products in its licensed territory under certain conditions. If the Group elects to opt-out, BMS will have the right to commercialize the licensed products in the Group's licensed territory and will pay the Group royalties on the net sales of the licensed products in its licensed territory. BMS has the option to use the data generated by the Group from the Group's development of the licensed products to seek regulatory approval of the licensed products outside the Group's licensed territory, and if BMS exercises such option, BMS will be obligated to make certain payments to the Group, including upfront, milestone and royalty payments.

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The agreement may be terminated by either party for the other party's uncured material breach, safety reasons or failure of the development of the licensed products. In addition, the Group has the right to terminate the agreement for convenience after a certain specified time period upon advance notice to BMS. BMS may also terminate the agreement for our bankruptcy or insolvency.

License and collaboration agreement with Sanofi

In July 2015, the Group entered into a license agreement with Sanofi, under which the Group obtained an exclusive and worldwide license under certain patents and know-how of Sanofi to develop, manufacture, use, sell, import and commercialize Sanofi's ALK inhibitor, or the licensed compound (also known as ZL-2302), for any oncology indications in humans. Sanofi retains the non-exclusive right to use the licensed compound to conduct internal research.

Under the terms of the agreement, the Group made upfront payments to Sanofi totalling $0.5 million which were recorded as research and development expenses in 2015. If the Group successfully develops and commercializes the licensed product, the Group will make milestone payments to Sanofi for the achievement of certain development milestone events. In addition, the Group will pay to Sanofi tiered royalties at certain percentage rates of the net sales of the licensed products, until the later of the expiration of the last-to-expire licensed patent covering the licensed product, the expiration of regulatory exclusivity for the licensed product, or the tenth anniversary of the first commercial sale of the licensed product, in each case on a product-by-product and country-by-country basis. If the Group sublicenses, transfers or assigns (other than through a change of control transaction) the right to the licensed product to third parties, the Group is also required to pay to Sanofi a share of its sublicense income.

The Group at any time has the right to terminate this agreement for any reason or no reason at all by providing Sanofi with prior written notice.

License and collaboration agreement with UCB Biopharma Sprl ("UCB")

In September 2015, the Group entered into a license agreement with UCB, under which the Group obtained an exclusive and worldwide license under certain patents and know-how of UCB to develop, manufacture, use, sell, import and commercialize UCB's proprietary antibody UCB3000 or the licensed compound (also known as ZL-1101), for the treatment, prevention and diagnosis of any human diseases. UCB retains the non-exclusive right to use the licensed compound for its own research purposes.

Under the terms of the agreement, the Group made upfront payments to UCB totalling $0.8 million which was recorded as a research and development expense in 2016. If the Group successfully develops and commercializes the licensed products, the Group will make milestone payments to UCB for the achievement of certain development and sales milestone events. In addition, the Group will pay to UCB royalties at certain percentage rates on the net sales of the licensed products, until the later of the expiration of the last-to-expire licensed patent covering the licensed product, the expiration of regulatory exclusivity for the licensed product, or the tenth anniversary of the first commercial sale of the licensed product, in each case on a product-by-product and country-by-country basis. If the Group sublicenses the right to the licensed product to third parties, the Group is also required to pay to UCB a share of its sublicense income.

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The Group has the right to terminate this agreement by providing UCB with prior written notice.

License and collaboration agreement with Hanmi Pharm, Co., Ltd.("Hanmi")

In November 2015, the Group entered into a collaboration and license agreement with Hanmi under which the Group obtained an exclusive right of license under certain patents and know-how of Hanmi to develop, manufacture, use, sell, import and commercialize Hanmi's EGFR mutation specific TKI HM61713, or the licensed compound (also known as ZL-2303) for the treatment, diagnosis or prevention of any diseases or conditions in human. Hanmi retains the non-exclusive right to use the licensed compound for its own research purposes. Hanmi has the right of first negotiation to acquire the rights to the licensed products back from the Group upon successful completion of certain clinical development work.

Under the terms of the agreement, the Group made upfront payments amounted $6.0 million and $1.0 million to Hanmi in 2015 and 2016, respectively. If the Group successfully develop and commercialize the licensed products, the Group will make milestone payments to Hanmi for the achievement of certain development milestone events. In addition, the Group will pay to Hanmi royalties at certain percentage rates on the net sales of the licensed products in its licensed territory, until date of expiration of the latest of valid claim that claims the composition-of-matter of the licensed product, the expiration date of any regulatory data exclusivity for the licensed product, or the tenth anniversary of the first commercial sale of the licensed product.

The Group has the right to terminate this agreement by providing Hanmi with prior written notice.

License and collaboration agreement with Tesaro Inc., ("Tesaro")

In September 2016, the Group entered into a collaboration, development and license agreement with Tesaro, under which the Group obtained an exclusive license for certain patents and know-how that Tesaro licensed from Merck, Sharp & Dohme Corp. (a subsidiary of Merck & Co. Inc.), or Merck Corp., and AstraZeneca UK Limited to develop, manufacture, use, sell, import and commercialize Tesaro's proprietary PARP inhibitor, niraparib, in mainland China, Hong Kong and Macau, or the licensed territory, in the licensed field of treatment, diagnosis and prevention of any human diseases or conditions (other than prostate cancer). Tesaro has the option to elect to co-promote the licensed products in the Group's licensed territory.

Under the terms of the agreement, the Group made an upfront payment of $15.0 million to Tesaro which was recorded as a research and development expense in 2016. If the Group successfully develops and commercializes the licensed products, the Group will make a milestone payment to Tesaro for the achievement of a certain development milestone event. In addition, if Tesaro does not exercise its co-promotion option, the Group will pay Tesaro milestone payments for the achievement of certain sales milestone events, and also tiered royalties at certain percentages of net sales of the licensed products, until the later of the expiration of the last-to-expire licensed patent covering the licensed product, the expiration of regulatory exclusivity for the licensed product, or the tenth anniversary of the first commercial sale of the licensed product, in each case on a product-by-product and region-by-region basis.

The Group has the right to terminate this agreement by providing Tesaro with prior written notice.

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License and collaboration agreement with GlaxoSmithKline (China) R&D Co., Ltd ("GSK China")

In October 2016, the Group entered into a license and transfer agreement with GSK China, an affiliate of GSK, under which GSK China transferred to the Group its rights under certain patents, know-how, inventory and regulatory materials to develop, manufacture, use and commercialize FUGAN and GRAPE, two formulations comprising extracts from traditional Chinese herbs, for the treatment, diagnosis and prevention of human diseases. In connection with such transfer, GSK China also assigned to the Group its agreements with Chengdu Bater Pharmaceutical Co., Ltd, or Bater, and Traditional Chinese Medical Hospital, Xinjiang Medical University, or Xinjiang, relating to FUGAN and GRAPE.

Under the terms of the agreement, the Group made an upfront payment to GSK China of $0.7 million (RMB4.5 million) which was recorded as a research and development expense in 2016. The Group will make milestone payments to GSK China for the achievement of certain development milestone events. In addition, the Group will pay to GSK China tiered royalties at certain percentage rates on the net sales of FUGAN and GRAPE. The Group also assumed the obligation to make milestone payments under the assigned agreements with Bater and Xinjiang for milestones achieved after the assignment of the agreements to the Group.

If the Group sublicenses, sells or otherwise divests the patents and know-how acquired from GSK China to third parties before the completion of a certain development phase, the Group is also required to pay to GSK China a share of its income attributed to such sublicense, sale, or divesture.

The Group may not terminate the agreement before the completion of the Phase II Study of fugan unless for causes beyond the reasonable control of the Group. Subject to the completion of the Phase II Study of fugan, the Group has the right to terminate the agreement upon prior written consent.

As noted above, the Group has entered into various license and collaboration agreements with third party licensors to develop and commercialize drug candidates. Based on the terms of these agreements the Group is contingently obligated to make additional material payments upon the achievement of certain contractually defined milestones. The Group hasn't made any milestone payment under these agreements for the years ended December 31, 2014, 2015 and 2016, respectively, because none of the milestones were achieved. Based on management's evaluation of the progress of each project noted above, the licensors will be eligible to receive from the Group up to an aggregate of approximately $300.0 million in future milestone payments upon the achievement of contractually specified development milestones, such as regulatory approval for the drug candidates, which may be before the Group has commercialized the drug or received any revenue from sales of such drug candidate, which may never occur.

13. Restricted net assets

The Group's ability to pay dividends may depend on the Group receiving distributions of funds from its PRC subsidiary. Relevant PRC statutory laws and regulations permit payments of dividends by the Group's PRC subsidiary only out of its retained earnings, if any, as determined in accordance with PRC 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 Group's PRC subsidiary.

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In accordance with the Company law of the PRC, 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 PRC statutory accounts. A domestic enterprise is also required to provide discretionary surplus reserve, at the discretion of the Board of Directors, from the profits determined in accordance with the enterprise's PRC statutory accounts. The aforementioned reserves can only be used for specific purposes and are not distributable as cash dividends. The Group's PRC subsidiary was established as domestic invested enterprise and therefore is subject to the above mentioned restrictions on distributable profits.

During the years ended December 31, 2015 and 2016, no appropriation to statutory reserves was made because the PRC subsidiary had substantial losses during such periods.

As a result of these PRC laws and regulations subject to the limit discussed above that require annual appropriations of 10% of after-tax income to be set aside, prior to payment of dividends, as general reserve fund, the Group's PRC subsidiary is restricted in their ability to transfer a portion of their net assets to the Group.

Foreign exchange and other regulation in the PRC may further restrict the Group's PRC subsidiary from transferring funds to the Group in the form of dividends, loans and advances. As of December 31, 2015 and 2016, amounts restricted are the paid-in capital of the Group's PRC subsidiaries, which amounted to $5,699,980 and $39,215,714, respectively.

14. Employee defined contribution plan

Full time employees of the Group in the PRC 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 Group's PRC subsidiary make contributions to the government for these benefits based on certain percentages of the employees' salaries. The Group has no legal obligation for the benefits beyond the contributions made. The total amounts for such employee benefits, which were expensed as incurred, were $79,878 and $288,666 for the years ended December 31, 2015 and 2016, respectively.

15. Commitments and Contingencies

(A) Operating lease commitments

The Group leases office facilities under non-cancellable operating leases expiring on different dates. Payments under operating leases are expensed on a straight-line basis over the periods of their respective leases, and the terms of the leases do not contain rent escalation, contingent rent, renewal, or purchase options.

There are no restrictions placed upon the Group by entering into these leases. Total expenses under these operating leases were $148,274 and $285,742 for the years ended December 31, 2015 and 2016, respectively.

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Future minimum lease payments under non-cancellable operating lease agreements at December 31, 2016 were as follows:

	Year ended December 31,
	$
2017	712,301
2018	659,810
2019	548,923
2020	198,451
2021 and thereafter	—
Total lease commitment	2,119,485

(B) Purchase commitments

As of December 31, 2016, the Group's commitments related to purchase of property and equipment contracted but not yet reflected in the consolidated financial statement was $3,396,524 which is expected to be incurred within one year.

(C) Contingencies

The Group is a party to or assignee of license and collaboration agreements that may require it to make future payments relating to milestone fees and royalties on future sales of licensed products (Note 12).

16. Subsequent events

The subsequent events have been evaluated through May 30, 2017, which is the date the audited consolidated financial statements were available to be issued.

On April 21, 2017, the Group entered into a license and collaboration agreement with Paratek Bermuda Ltd. for the development, manufacture and commercialization of omadacycline in China, Hong Kong, Macau and Taiwan.

In May 2017, the Group granted 949,883 share options to certain of the Group's management and employees at an exercise price of $0.5 per share. These options have a contractual term of 10 years and generally vest over a four or five year period, with 25% or 20% of the awards vesting on the anniversary date of the grant. The Group also granted 27,500 share options to certain individual advisors of the Group at an exercise price of $0.5 per share. These options granted have a contractual term of 10 years and generally vest over a three year period, with 33.33% of the awards vesting on the anniversary date of the grant.

In March and May, 2017, pursuant to the board resolution, the Repurchase Right to all the remaining non-vested shares of the Chief Executive Officer which are subject to the restricted share arrangement dated April 3, 2014 was terminated.

Additional financial information of parent company - Financial statements schedule I
ZAI Lab Limited
Financial information of parent company
Condensed statements of operations and comprehensive income (loss)

(In U.S. dollars ("$") except for number of shares)

	As of December 31,	
	2015	2016
	$	$
Assets		
Current assets:		
Cash and cash equivalents	3,114,070	24,813,050
Total current assets	3,114,070	24,813,050
Investment in subsidiaries	8,803,171	62,042,345
Total assets	11,917,241	86,855,395
Liabilities, mezzanine equity and shareholders' deficits		
Liabilities		
Current liabilities:		
Warrant liabilities	1,980,000	3,900,000
Total liabilities	1,980,000	3,900,000
Mezzanine equity		
Series A1 convertible preferred shares (par value US$0.00001 per share; 50,800,001 shares authorized, issued and outstanding as of December 31, 2015 and 2016)	10,028,572	10,028,572
Series A2 convertible preferred shares (par value US$0.00001 per share; 53,424,190 shares authorized, 50,653,339 issued and outstanding as of December 31, 2015 and 2016)	18,278,572	18,278,572
Series B1 convertible preferred shares (par value US$0.00001 per share; 33,374,023 shares authorized, issued and outstanding as of 2016)	—	53,100,000
Series B2 convertible preferred shares (par value US$0.00001 per share; 23,838,588 shares authorized, issued and outstanding as of December 31, 2016)	—	53,100,000
Total mezzanine equity	28,307,144	134,507,144
Shareholders' deficits		
Ordinary shares (par value of US$0.00001 per share; 500,000,000 shares authorized, 53,311,111 and 57,943,056 shares outstanding as of December 31, 2015 and 2016, respectively)	533	579
Subscription receivable	(1)	(5)
Additional Paid-in Capital	4,388,410	9,313,646
Accumulated deficits	(22,655,225)	(60,167,437)
Additional other comprehensive loss	(103,620)	(698,532)
Total shareholders' deficits	(18,369,903)	(51,551,749)
Total liabilities, mezzanine equity and shareholders' deficits	11,917,241	86,855,395

Additional financial information of parent company - Financial statements schedule I
ZAI Lab Limited
Financial information of parent company
Condensed statements of operations and comprehensive income (loss)

(In U.S. dollars ("$") except for number of shares)

	Year ended December 31,	
	2015	**2016**
	$	**$**
Operating Expenses:		
General and administrative	(56,806)	(534,660)
Loss from operations	(56,806)	(534,660)
Changes in fair value of warrants	(1,980,000)	(1,920,000)
Equity in loss of subsidiaries	(15,984,931)	(35,057,552)
Loss before income tax	(18,021,737)	(37,512,212)
Income tax expense	—	—
Net loss attributable to ordinary shareholders	(18,021,737)	(37,512,212)
Net loss	(18,021,737)	(37,512,212)
Other comprehensive income, net of tax of nil:		
Foreign currency translation adjustment	(98,893)	(594,912)
Comprehensive loss	(18,120,630)	(38,107,124)

Additional financial information of parent company - Financial statements schedule I
ZAI Lab Limited
Financial information of parent company
Condensed statements of cash flows

(In U.S. dollars ("$") except for number of shares)

	Year ended December 31,	
	2015	**2016**
	$	**$**
Operating activities		
Net loss	(18,021,737)	(37,512,212)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Share based compensation	56,806	534,660
Change of fair value of warrants	1,980,000	1,920,000
Equity in loss of subsidiaries	15,984,931	35,057,552
Net cash provided by operating activities	—	—
Cash flows from investing activities:		
Investment in subsidiaries	(21,500,000)	(84,501,020)
Net cash used in investing activities	(21,500,000)	(84,501,020)
Cash flows from financing activities:		
Proceed from issuance of convertible preferred shares	18,278,572	106,200,000
Net cash provided by financing activities	18,278,572	106,200,000
Effect of foreign exchange rate changes on cash and cash equivalent	—	—
Net (decrease) increase in cash and cash equivalents	(3,221,428)	21,698,980
Cash and cash equivalents—beginning of the year	6,335,498	3,114,070
Cash and cash equivalents—end of the year	3,114,070	24,813,050

Additional financial information of parent company - Financial statements schedule I
ZAI Lab Limited
Financial information of parent company
Notes to schedule I

(In U.S. dollars (“$”) except for number of shares)

1) Schedule I has been provided pursuant to the requirements of Rule 12-04(a) and 5-04(c) of Regulation S-X, which require condensed financial information as to the financial position, changes in financial position and results of operations of a parent company as of the same dates and for the same periods for which audited consolidated financial statements have been presented when the restricted net assets of consolidated subsidiaries exceed 25 percent of consolidated net assets as of the end of the most recently completed fiscal year.

2) The condensed financial information has been prepared using the same accounting policies as set out in the consolidated financial statements except that the equity method has been used to account for investments in its subsidiaries. For the parent company, the Company records its investments in subsidiaries under the equity method of accounting as prescribed in ASC 323, Investments-Equity Method and Joint Ventures. Such investments are presented on the Condensed Balance Sheets as ‘‘Investment in subsidiaries’’. Ordinarily under the equity, an investor in an equity method investee would cease to recognize its share of the losses of an investee once the carrying value of the investment has been reduced to nil absent an undertaking by the investor to provide continuing support and fund losses. For the purpose of this Schedule I, the parent company has continued to reflect its share, based on its proportionate interest, of the losses of subsidiaries regardless of the carrying value of the investment even though the parent company is not obligated to provide continuing support or fund losses.

3) As of December 31, 2015 and 2016, there were no material contingencies, significant provisions of long term obligations, mandatory dividend or redemption requirements of redeemable stocks or guarantees of the Company.

ZAI Lab Limited
Unaudited condensed consolidated balance sheets
(In U.S. dollars ("$") except for number of shares)

	Notes	As of December 31, 2016 $	As of June 30, 2017 $
Assets			
Current assets:			
Cash and cash equivalents	3	83,948,770	92,562,012
Deferred initial public offering costs		—	1,032,004
Prepayments and other current assets		143,527	287,898
Total current assets		84,092,297	93,881,914
Investments in equity investees	4	500,000	—
Prepayments for Equipment		1,417,029	—
Property and equipment	5	1,246,058	7,044,292
Intangible assets		7,000	6,279
Long term deposits		267,980	324,181
Value added tax recoverable		1,376,921	2,608,491
Total assets		88,907,285	103,865,157
Liabilities, mezzanine equity and shareholders' deficits			
Current liabilities:			
Accounts payable		523,338	3,971,317
Warrant liabilities		3,900,000	3,700,000
Other payables	7	750,118	1,958,457
Total current liabilities		5,173,456	9,629,774
Deferred subsidy income		778,434	879,783
Total liabilities		5,951,890	10,509,557
Commitments (Note 14)			
Mezzanine equity			
Series A1 convertible preferred shares (par value $0.00001 per share; 50,800,001 shares authorized, issued and outstanding as of December 31, 2016 and June 30, 2017)	8	10,028,572	10,028,572
Series A2 convertible preferred shares (par value $0.00001 per share; 53,424,190 shares authorized; 50,653,339 shares issued and outstanding as of December 31, 2016 and June 30, 2017)	8	18,278,572	18,278,572
Series B1 convertible preferred shares (par value $0.00001 per share; 33,374,023 shares authorized, issued and outstanding as of December 31, 2016 and June 30, 2017)	8	53,100,000	53,100,000
Series B2 convertible preferred shares (par value $0.00001 per share; 23,838,588 shares authorized, issued and outstanding as of December 31, 2016 and June 30, 2017)	8	53,100,000	53,100,000
Series C convertible redeemable preferred shares (par value $0.00001 per share; 11,993,763 shares authorized, issued and outstanding as of June 30, 2017)	8	—	30,000,000
Total mezzanine equity		134,507,144	164,507,144
Shareholders' deficits			
Ordinary shares (par value of $0.00001 per share; 500,000,000 shares authorized, 53,311,111 and 57,943,056 shares issued and outstanding as of December 31, 2016; and 67,588,056 shares issued and outstanding as of June 30, 2017		579	675
Subscription receivable		(5)	(8)
Additional paid-in capital		9,313,646	13,756,667
Accumulated deficits		(60,167,437)	(84,586,920)
Accumulated other comprehensive loss		(698,532)	(321,958)
Total shareholders' deficits		(51,551,749)	(71,151,544)
Total liabilities, mezzanine equity and shareholders' deficits		88,907,285	103,865,157

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

ZAI Lab Limited
Unaudited condensed consolidated statements of operations
(In U.S. dollars ("$") except for number of shares)

	Six months ended June 30,	
	2016	2017
	$	$
Operating expenses:		
Research and development	(8,777,957)	(20,873,605)
General and administrative	(2,377,431)	(4,040,996)
Loss from operations	(11,155,388)	(24,914,601)
Interest income	63,654	285,466
Changes in fair value of warrants	(920,000)	200,000
Other income	176,559	10,882
Other expense	—	(1,230)
Loss before income tax	(11,835,175)	(24,419,483)
Income tax expense	—	—
Net loss	(11,835,175)	(24,419,483)
Net loss attributable to ordinary shareholders	(11,835,175)	(24,419,483)
Net loss per share attributable to ordinary shareholders-basic and diluted	(0.21)	(0.38)
Weighted-average shares used in calculating net loss per ordinary share-basic and diluted	55,453,938	63,780,229

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

ZAI Lab Limited
Unaudited condensed consolidated statements of comprehensive loss
(In U.S. dollars ("$") except for number of shares)

	Six months ended June 30,	
	2016	2017
	$	$
Net loss	(11,835,175)	(24,419,483)
Other comprehensive loss, net of tax of nil:		
Foreign currency translation adjustments	(23,066)	376,574
Comprehensive loss	(11,858,241)	(24,042,909)

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

ZAI Lab Limited
Unaudited condensed consolidated statements of shareholders' deficits
(In U.S. dollars ("$") except for number of shares)

	Ordinary shares		Additional paid in capital	Subscription receivables	Accumulated deficits	Accumulated other comprehensive loss	Total
	Number of Shares	Amount					
		$	$	$	$	$	$
Balance at January 1, 2016	53,311,111	533	4,388,410	(1)	(22,655,225)	(103,620)	(18,369,903)
Issuance of ordinary shares upon vesting of restricted shares	4,366,667	44	(42)	(2)	—	—	—
Share-based compensation	—	—	1,779,832	—	—	—	1,779,832
Net loss	—	—	—	—	(11,835,175)	—	(11,835,175)
Foreign currency translation	—	—	—	—	—	(23,066)	(23,066)
Balance at June 30, 2016	57,677,778	577	6,168,200	(3)	(34,490,400)	(126,686)	(28,448,312)
Balance at January 1, 2017	57,943,056	579	9,313,646	(5)	(60,167,437)	(698,532)	(51,551,749)
Issuance of ordinary shares upon vesting of restricted shares	9,040,000	90	(87)	(3)	—	—	—
Share-based compensation	—	—	4,377,666	—	—	—	4,377,666
Exercise of shares option	605, 000	6	65,442	—	—	—	65,448
Net loss	—	—	—	—	(24,419,483)	—	(24,419,483)
Foreign currency translation	—	—	—	—	—	376,574	376,574
Balance at June 30, 2017	67,588,056	675	13,756,667	(8)	(84,586,920)	(321,958)	(71,151,544)

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

ZAI Lab Limited
Unaudited condensed consolidated statements of cash flows
(In U.S. dollars ("$") except for number of shares)

	Six months ended June 30,	
	2016	2017
	$	$
Operating activities		
Net loss	(11,835,175)	(24,419,483)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation of property and equipment	91,822	149,900
Amortization of intangible assets	350	878
Share-based compensation	1,779,832	4,377,666
Fair value of warrants	920,000	(200,000)
Changes in operating assets and liabilities:		
Prepayments and other current assets	(59,327)	(17,360)
Long term deposits	(58,945)	(56,201)
Value added tax recoverable	(207,676)	(1,231,570)
Accounts payable	161,712	3,447,979
Other payables	(203,302)	169,828
Deferred subsidy income	601,931	101,349
Net cash used in operating activities	(8,808,778)	(17,677,014)
Cash flows from investing activities:		
Disposal of cost method investment	—	500,000
Purchases of property and equipment	(49,005)	(4,147,544)
Net cash used in investing activities	(49,005)	(3,647,544)
Cash flows from financing activities:		
Proceed from issuance of convertible preferred shares	106,200,000	30,000,000
Proceeds from exercises of stock options	—	65,448
Payment of initial public offering costs	—	(224,993)
Net cash provided by financing activities	106,200,000	29,840,455
Effect of foreign exchange rate changes on cash and cash equivalents	(4,867)	97,345
Net increases in cash and cash equivalents	97,337,350	8,613,242
Cash and cash equivalents—beginning of the period	13,160,696	83,948,770
Cash and cash equivalents—end of the period	110,498,046	92,562,012

Supplemental disclosure on non-cash investing and financing activities:

As of June 30, 2016 and 2017, payables for purchase of property and equipment are nil and $318,295, respectively.

As of June 30, 2016 and 2017, payables for initial public offering costs are nil and $1,027,011, respectively.

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

ZAI Lab Limited
Notes to the unaudited condensed consolidated financial statements
For the six months ended June 30, 2016 and 2017

(In U.S. dollars ("$") except for number of shares)

1. Organization and principal activities

ZAI Lab Limited (the "Company") was incorporated on March 28, 2013 in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands. The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in discovering or licensing, developing and commercializing proprietary therapeutics that address areas of large unmet medical needs in the China market, including in the fields of oncology, autoimmune and infectious disease therapies.

As of June 30, 2017, the Group's significant operating subsidiaries are as follows:

Name of company	Place of incorporation	Date of incorporation	Percentage of ownership	Principal activities
ZAI Lab (Hong Kong) Limited	Hong Kong	April 29, 2013	100%	Operating company for business development and R&D activities
ZAI Lab (Shanghai) Co., Ltd.	The People's Republic of China ("PRC" or "China")	January 6, 2014	100%	Development and commercialisation of innovative medicines
ZAI Lab (AUST) Pty., Ltd.	Australia	December 10, 2014	100%	Clinical trial activities
ZAI Lab (Suzhou) Co., Ltd.	PRC	October 20, 2015	100%	Development and commercialisation of innovative medicines

2. Summary of significant accounting policies

(a) Basis of presentation

The unaudited condensed consolidated financial statements included herein are unaudited and have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and applicable rules and regulations of the Securities and Exchange Commission, regarding interim financial reporting, and include all normal and recurring adjustments that management of the Group considers necessary for a fair presentation of its financial position and operating results. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to such rules and regulations. Accordingly, these statements should be read in conjunction with the audited consolidated financial statements and accompanying notes thereto contained in the Company's consolidated financial statements as of and for the two years in the period ended December 31, 2016.

ZAI Lab Limited
Notes to the unaudited condensed consolidated financial statements
For the six months ended June 30, 2016 and 2017
(In U.S. dollars ("$") except for number of shares)

(b) Principles of consolidation

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

Expenses, assets and liabilities can vary during each quarter of the year. Therefore, the results and trends in these interim unaudited condensed consolidated financial statements may not be the same as those for the full year.

(c) Use of estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the period. Areas where management uses subjective judgment include estimating the useful lives of long-lived assets, assessing the impairment of long-lived assets, valuation of ordinary shares, share-based compensation expenses, recoverability of deferred tax assets and the fair value of the financial instruments. Management bases the estimates on historical experience and various other assumptions that are believed to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results could differ from these estimates.

(d) Deferred initial public offering ("IPO")costs

Direct costs incurred by the Company attributable to its proposed IPO of ordinary shares in the U.S. have been deferred and recorded in deferred initial public offering costs and will be charged against the gross proceeds received from such offering.

(e) Investments in equity investees

The Group uses the equity method to account for an equity investment over which it has significant influence but does not own a majority equity interest or otherwise control. The Group records equity method adjustments in share of earnings and losses. Equity method adjustments include the Group's proportionate share of investee income or loss, adjustments to recognize certain differences between the Group's carrying value and its equity in net assets of the investee at the date of investment, impairments, and other adjustments required by the equity method. Dividends received are recorded as a reduction of carrying amount of the investment. Cumulative distributions that do not exceed the Group's cumulative equity in earnings of the investee are considered as a return on investment and classified as cash inflows from operating activities. Cumulative distributions in excess of the Group's cumulative equity in the investee's earnings are considered as a return of investment and classified as cash inflows from investing activities.

For equity investments over which the Group does not have significant influence or control, the cost method of accounting is used. Under the cost method, the Group carries the investment at cost and recognizes income to the extent of dividends received from the distribution of the equity investee's post-acquisition profits.

ZAI Lab Limited
Notes to the unaudited condensed consolidated financial statements
For the six months ended June 30, 2016 and 2017
(In U.S. dollars ("$") except for number of shares)

(f) Fair value measurements

The Group applies ASC topic 820 ("ASC 820"), *Fair Value Measurements and Disclosures*, 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: (1) market approach; (2) income approach and (3) cost approach. The market approach uses prices and other relevant information generated from market transactions involving identical or comparable assets or liabilities. The income approach uses valuation techniques to convert future amounts to a single present value amount. The measurement is based on the value indicated by current market expectations about those future amounts. The cost approach is based on the amount that would currently be required to replace an asset.

Financial instruments of the Group primarily include cash and cash equivalents, prepayments and other current assets, accounts payable, warrant liabilities and other payables. As of June 30, 2017, the carrying values of cash and cash equivalents, prepayments and other current assets, accounts payable and other payables approximated their fair values due to the short-term maturity of these instruments. The warrant liabilities were recorded at fair value as determined on the issuance date and subsequently adjusted to the fair value at each reporting date. The Group determined the fair values of the warrant liabilities with the assistance of an independent third party valuation firm. For the six months ended June 30, 2017, the Company recognized a gain from the decrease in fair value of the warrants which amounted to $200,000.

Liabilities measured at fair value on a recurring basis as of June 30, 2017 are summarized below:

	Level 1	Level 2	Level 3
	$	$	$
Warrant liabilities	—	—	3,700,000.00

ZAI Lab Limited
Notes to the unaudited condensed consolidated financial statements
For the six months ended June 30, 2016 and 2017
(In U.S. dollars ("$") except for number of shares)

The Group used the binomial model to estimate the fair value of warrant liabilities using the following assumptions:

	June 30, 2017
Risk-free rate of return	2.1%
Vesting date	April 1, 2016
Maturity date	July 31, 2017
Estimated volatility rate	70%
Exercise price	0.36
Fair value of underlying preferred shares	1.71

(g) Revenue recognition

The Group has not yet generated any revenues from the sale of goods or from the rendering of services.

Prior to the adoption of ASC 606, the Group will recognize any revenues when persuasive evidence of an arrangement exists, delivery has occurred or services have been rendered, the fee is fixed or determinable, and there is reasonable assurance that the related amounts are collectible in accordance with ASC 605, *Revenue Recognition*.

(h) 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 fee of exclusive development rights of drugs granted to the Group, (iii) costs related to preclinical testing of the Group's technologies under development and clinical trials such as payments to contract research organizations ("CROs"), investigators and clinical trial sites that conduct our clinical studies, (iv) costs to develop the product candidates, including raw materials and supplies, product testing, depreciation, and facility related expenses, (v) other research and development expenses. Research and development expenses are charged to expense as incurred when these expenditures relate to the Group's research and development services and have no alternative future uses. The conditions enabling capitalization of development costs as an asset have not yet been met and, therefore, all development expenditures are recognized in profit or loss when incurred.

The Group also has obligations to make future payments to third party licensors that become due and payable on the achievement of certain development, regulatory and commercial milestones, which will be recorded as research and development expenses. The Group has not included these commitments on our balance sheet because the commitments are cancellable if the milestones are not completed and achievement and timing of these milestones are not fixed or determinable.

ZAI Lab Limited
Notes to the unaudited condensed consolidated financial statements
For the six months ended June 30, 2016 and 2017
(In U.S. dollars ("$") except for number of shares)

(i) Government grants

Government grants consist of cash subsidies received by the Group's subsidiaries in the PRC from local governments. Grants received as incentives for conducting business in certain local districts with no performance obligation or other restriction as to the use are recognized when cash is received. Cash grants of $179,155 and nil were included in other income for the six months ended June 30, 2016 and 2017, respectively. Grants received with government specified performance obligations are recognized when all the obligations have been fulfilled. If such obligations are not satisfied, the Company may be required to refund the subsidy. Cash grants of $778,434 and $879,783 were recorded in deferred subsidy income as of December 31, 2016 and June 30, 2017, respectively, which will be recognized when the government specified performance obligation is satisfied.

(j) Stock-based compensation

Awards Granted to Employees

The Group grants share options to eligible employees, management and directors and accounts for these share based awards in accordance with ASC 718 *Compensation-Stock Compensation.*

Employees' share-based awards are measured at the grant date fair value of the awards and recognized as expenses a) immediately at grant date if no vesting conditions are required; or b) using graded vesting method over the requisite service period, which is the vesting period.

All transactions in which goods or services are received in exchange for equity instruments are accounted for based on the fair value of the consideration received or the fair value of the equity instrument issued, whichever is more reliably measurable.

To the extent the required vesting conditions are not met resulting in the forfeiture of the share-based awards, previously recognized compensation expense relating to those awards are reversed.

The Group, with the assistance of an independent third party valuation firm, determined the fair value of the stock options granted to employees. The binomial option pricing model was applied in determining the estimated fair value of the options granted to employees.

Awards Granted to Non-Employees

The Group has accounted for equity instruments issued to non-employees in accordance with the provisions of ASC 505, *Equity-Based Payments to Non-Employees*. All transactions in which goods or services are received in exchange for equity instruments are accounted for based on the fair value of the consideration received or the fair value of the equity instrument issued, whichever is more reliably measurable. The measurement date of the fair value of the equity instrument issued is the date on which the counterparty's performance is completed as there is no associated performance commitment. The expense is recognized in the same manner as if the Group had paid cash for the services provided by the non-employees in accordance with ASC 505.

ZAI Lab Limited
Notes to the unaudited condensed consolidated financial statements
For the six months ended June 30, 2016 and 2017
(In U.S. dollars ("$") except for number of shares)

(k) Concentration of Risks

Concentration of suppliers

The following suppliers accounted for 10% or more of research and development expenses for the six months ended June 30, 2016 and 2017:

	Six Months Ended June 30,	
	2016	2017
	$	$
A	1,006,290	*
B	951,198	*
C	*	7,519,568

* Represents less than 10% of research and development expenses for the six months ended June 30, 2016 and 2017.

Concentration of Credit Risk

Financial instruments that are potentially subject to significant concentration of credit risk consist of cash and cash equivalents and prepayments for equipment. The carrying amounts of cash and cash equivalents represent the maximum amount of loss due to credit risk. As of June 30, 2017, all of the Group's cash and cash equivalents were held by major financial institutions located in the PRC and international financial institutions outside of the PRC which management believes are of high credit quality and continually monitors the credit worthiness of these financial institutions. With respect to the prepayment to suppliers, the Company performs on-going credit evaluations of the financial condition of these suppliers.

Foreign Currency Risk

Renminbi ("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 Group included aggregated amounts of RMB 44,156,161 and RMB 24,724,805, as of December 31, 2016 and June 30, 2017, respectively, representing 8% and 4% of the cash and cash equivalents as of December 31, 2016 and June 30, 2017, respectively.

(l) Recent accounting pronouncements

In May 2017, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2017-09, Compensation—Stock Compensation (Topic 718): Scope of Modification Accounting. The guidance provides clarity and reduces diversity in practice and cost and complexity when accounting for a change to the terms or conditions of a share-based payment award. The amendments in this update are effective for all entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2017. Early adoption is permitted. The Group is currently evaluating the impact the adoption of this ASU will have on its consolidated financial statements.

ZAI Lab Limited
Notes to the unaudited condensed consolidated financial statements
For the six months ended June 30, 2016 and 2017
(In U.S. dollars ("$") except for number of shares)

3. Cash and cash equivalents

	As of December 31, 2016	As of June 30, 2017
	$	$
Cash at bank and in hand	36,531,272	67,083,748
Cash equivalents	47,417,498	25,478,264
	83,948,770	92,562,012
Denominated in:		
$	77,463,141	88,794,068
RMB (note (i))	6,365,311	3,649,741
Australia dollar ("A$")	120,318	118,203
	83,948,770	92,562,012

Notes:

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

4. Investment in equity investees

In June 2017, the Group entered into agreement with other three third-party investors to launch a new company named JING Medicine Technology (Shanghai) Ltd. ("JING"), which will provide services for the drug discovery and development, consultation and transfer of pharmaceutical technology. The capital contribution by the Group will be RMB26.3 million ($3.86 million) in cash, representing 20% of the equity interest of JING, which will be paid after June 2017. The Group accounts for this investment using equity method of accounting because the Group does not control the investee but has the ability to exercise significant influence over the operating and financial policies of the investee. As of June 30, 2017, there has been no operation activities in JING.

In October 2016, the Group invested $500,000 in a private company over which the Group does not have significant influence or control and accounted for the investment using cost method of accounting. In April 2017, the Group disposed its investment to Quan Venture Fund I, L.P. for a cash consideration of approximately $500,000 and no gain/loss was recognized upon disposal (Note 10).

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5. Property and equipment

Property and equipment consist of the following:

	As of December 31, 2016	As of June 30, 2017
	$	$
Office equipment	49,432	125,151
Electronic equipment	66,271	85,532
Vehicle	76,636	78,475
Laboratory equipment	593,582	657,285
Leasehold improvements	252,509	1,229,225
Construction in progress	465,428	5,284,421
	1,503,858	7,460,089
Less accumulated depreciation	(257,800)	(415,797)
Property and equipment, net	1,246,058	7,044,292

Depreciation expenses for the six months ended June 30, 2016 and 2017 were $91,822 and $149,900, respectively.

6. Income tax

There is no provision for income taxes because the Company and all of its wholly owned subsidiaries are in a current loss position for the six months ended June 30, 2016 and 2017.

The Company recorded a full valuation allowance against deferred tax assets of all its consolidated entities because all entities were in a cumulative loss position as of June 30, 2016 and 2017. No unrecognized tax benefits and related interest and penalties were recorded in any of the periods presented.

7. Other payables

	As of December 31, 2016	As of June 30, 2017
	$	$
Payroll	573,802	441,598
Other taxes payable	23,721	2,513
Other payables (note (i))	152,595	1,514,346
	750,118	1,958,457

Notes:

(i) Other payables are mainly payables related to legal advisory fee, travel expense and purchase of property and equipment.

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8. Convertible redeemable preferred shares

In June 2017, the Company issued 11,993,763 Series C convertible redeemable preferred shares ("Series C Preferred Shares") with a par value of $ 0.00001 per share to a group of investors including existing preferred share investors for a cash consideration of $30,000,000 or $2.5013 per share.

The key terms of the Series C Preferred Shares are as follows:

Conversion Rights

Each holder of Series C Preferred Shares shall have the right, at such holders' sole discretion, to convert all or any portion of the Series C Preferred Shares into ordinary shares based at any time. The initial conversion price shall equal the lower of (i) the issuance price of Series C Preferred Shares and (ii) Calculated Price which is one hundred percent minus the discount rate of fifteen percent (the "Discount Rate") multiplied by the offering price of the ordinary shares of the Company to the public on the date of the Qualified Initial Public Offering ("QIPO"). The Discount Rate will increase at increments of an additional two percent as of the first day of each successive six months period after June, 2018 but shall in no event exceed twenty percent.

The conversion price is subject to adjustment in the event of (1) stock splits, share combinations, share dividends and distribution, recapitalizations and similar events, and (2) issuance of new securities at a price per share less than the conversion price in effect on the date of or immediately prior to such issuance. In that case, the conversion price shall be reduced concurrently to the subscription price of such issuance.

The Preferred Shares will be automatically converted into ordinary shares at the then applicable conversion price upon the earlier of (1) the closing of a QIPO, or (2) the date specified by written consent or agreement of majority holders of Series C Preferred Shares. A QIPO refers to a firm commitment underwritten public offering by the Company of its ordinary shares in the United States on the New York Stock Exchange or the Nasdaq Global Market pursuit to an effective registration statement under the United States Securities Act of 1933, that result in net cash proceeds to the Company of at least $75 million (net of underwriting discounts and selling commissions) through the sales of the ordinary shares in an IPO, the occurrence of which the company has assessed as probable.

Voting Rights

The Series C Preferred Shareholders are entitled to vote with ordinary shareholders on an as-converted basis. The holders of the Preferred Shares also have certain veto rights including, but not limited to, an increase or decrease in the total number of directors and change of board composition, appointment or removal of senior management, approval of business plan and operating budget, dividend declaration, any merger, split, reorganization or consolidation.

Dividends

The Series C Preferred Shareholders may be entitled to receive dividends accruing at the rate of 8% per annum of the issuance price of Series C Preferred Shares (the "Dividend Rate"). The Dividend Rate shall increase by an

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additional one percent per annum for each successive six months period after June 2018 but shall in no event exceed ten percent.

In addition, Preferred Shareholders are also entitled to dividends on the Company's ordinary shares on an as if converted basis and must be paid prior to any payment on other class or series of equity securities of the Company. All dividends shall be payable only when, as, and if declared by the Board of Directors and shall be cumulative.

Liquidation Preference

In the event of any liquidation, dissolution or winding up of the Company, either voluntary or involuntary, the holders of Series C Preferred Shares are entitled to receive, prior to any distribution to the holders of any other class or series of equity securities, an amount per share equal the issuance price of Series C Preferred Shares plus non-compounding simple interest accruing at five percent (5%) per annum on the issuance price and plus any accrued but unpaid dividends (the "Series C Preference Amount").

In the event insufficient funds are available to pay in full the Series C Preference Amount in respect of each Series C preferred shareholders, the sequence of liquidation right of all series of preferred shares was as follows:

(1) Series C Preferred Shares

(2) Series B1 and B2 Preferred Shares

(3) Series A1 and A2 Preferred Shares

After the preference amount for preferred shares have been paid, any remaining funds or assets legally available for distribution shall be distributed pro rata among the preferred shareholders together with ordinary shareholders.

A liquidation event includes, (i) any liquidation, dissolution or winding up of the Company, whether voluntary or involuntary; the exclusive licensing of all or substantially all of the Group Companies' intellectual property, taken as a whole, to a third party; (ii) any sale of all or substantially all of the assets of the Group to a third party unaffiliated with any member of the Group; or (iii) the transfer (whether by merger, reorganization or other transaction) in which a majority of the outstanding voting power of the Company is transferred (excluding any sale of shares by the Company for capital raising purposes).

Redemption

In the event that a QIPO has not been completed by June, 2022 (the fifth anniversary of the closing date), holders of the Series C Preferred Shares may at any time thereafter require that the Company redeem all of the Series C Preferred Shares held by such holder at a redemption price per share equal to the sum of (i) an amount equal to the original issuance price, and (ii) an additional amount which would result in holders of Series C Preferred Shares receiving an internal rate of return of fifteen percent after taking into consideration the payment of issuance price of Series C Preferred Shares and all prior distributions received.

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The Group classified the Series C Preferred Shares in the mezzanine equity of the consolidated balance sheets because they were redeemable at the holders' option any time after a certain date and were contingently redeemable upon the occurrence of certain event outside of the Company's control (i.e. a liquidation event or failure to complete the QIPO within required period).

Because the Series C Preferred Shares are automatically convertible into ordinary shares upon a QIPO, the ability of holders to redeem such shares on or after the closing date is contingent upon a QIPO not occurring in five years or occurrence of any liquidation event. Upon issuance, the Group determined that redemption was not probable due to the expected successful IPO within five years and the remote likelihood of a liquidation event. Therefore, Series C Preferred Shares were recorded at fair value and not accreted to the redemption value, of $30,049,315 as of June 30, 2017.

The Group has determined that there was no beneficial conversion feature ("BCF") attributable to the Series C Preferred Shares, as the effective conversion price was greater than the fair value of the ordinary shares on the respective commitment date. The Group will re-evaluate whether additional BCF is required to be recorded upon the modification to the effective conversion price of the Series C Preferred Shares, if any.

9. Net loss per share

Basic and diluted net loss per share for each of the periods presented are calculated as follow:

	Six Months Ended June 30,	
	2016	2017
	$	$
Numerator:		
Net loss attributable to ordinary shareholders	(11,835,175)	(24,419,483)
Denominator:		
Weighted average number of ordinary shares-basic and diluted	55,453,938	63,780,229
Net loss per share-basic and diluted	(0.21)	(0.38)

The Group has determined that its convertible preferred shares are participating securities as the preferred shares participate in undistributed earnings on an as-if-converted basis. The holders of the preferred shares are entitled to receive dividends on a pro rata basis, as if their shares had been converted into ordinary shares. Accordingly, the Group uses the two-class method of computing net loss per share, for ordinary and preferred shares according to participation rights in undistributed earnings. However, undistributed net loss is only allocated to ordinary shareholders because holders of preferred shares are not contractually obligated to share losses.

As a result of the Group's net loss for the six months ended June 30, 2016 and 2017, Series A1, A2, B1, B2 and C Preferred Shares, share options, non-vested restricted shares and warrants outstanding in the respective periods were excluded from the calculation of diluted loss per share as their inclusion would have been anti-dilutive.

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	As of June 30,	
	2016	2017
Number of Series A1 Shares outstanding	50,800,001	50,800,001
Number of Series A2 Shares outstanding	50,653,339	50,653,339
Number of Series B1 Shares outstanding	33,374,023	33,374,023
Number of Series B2 Shares outstanding	23,838,588	23,838,588
Number of Series C Shares outstanding	—	11,993,763
Share options	32,802,154	38,690,512
Non-vested restricted shares	13,322,222	4,816,945
Warrants	2,770,851	2,770,851

10. Related party transactions

The table below sets forth the major related parties and the relationship with the Group as of June 30, 2017:

Company Name	Relationship with the Group
Qiagen (Suzhou) Translational Medicine Co., Ltd.	Over which, Samantha Du, holds significant influence
Quan Venture Fund I, L.P.	Significantly influenced by Samantha Du

The Group entered into the following transactions between its related parties:

	Six months ended June 30,	
	2016	2017
	$	$
Research and development expense		
Qiagen (Suzhou) Translational Medicine Co., Ltd.	96,656	—

On April 30, 2017, the Group disposed investment in a cost method investee to Quan Venture Fund I, L.P. for a cash consideration of approximately $500,000 and no gain/loss was recognized upon disposal.

11. Share-based compensation

Share options

In May 2017, the Group granted 949,883 share options to qualified management and employees of the Group and at an exercise price of $0.5 per share under the Plan as defined in Note 10 to the consolidated financial statements for the years ended December 31, 2015 and 2016. These options granted have a contractual term of 10 years and generally vest over a four or five year period, with 25% or 20% of the awards vesting on each annual anniversary after the grant date.

In May 2017, the Group granted 27,500 share options to qualified individual advisors of the Group at an exercise price of $0.5 per share. These options granted have a contractual term of 10 years and generally vest over a three year period, with 33.33% of the awards vesting anniversary year after the grant date.

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The binomial option-pricing model was applied in determining the estimated fair value of the options granted. For expected volatilities, the Group has made reference to the historical price volatilities of ordinary shares of several comparable companies in the same industry as the Group. For the exercise multiple, the Group has no historical exercise patterns as reference, thus the exercise multiple is based on management's estimation, which the Group believes is representative of the future exercise pattern of the options. The risk-free rate for periods within the contractual life of the option is based on the US treasury bonds with maturity similar to the maturity of the options as of valuation dates plus a China country risk premium. The estimated fair value of the ordinary shares, at the option grant dates, was determined with assistance from an independent third party valuation firm. The Group's management is ultimately responsible for the determination of the estimated fair value of its ordinary shares.

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

	May, 2017
Risk-free rate of return	3.2%
Contractual life of option	10 years
Estimated volatility rate	70%
Expected dividend yield	0%
Fair value of underlying ordinary shares	1.6

A summary of option activity under the Plan during the six months ended June 30, 2017 is presented below:

	Number of options	Weighted average exercise price	Weighted average remaining contractual term	Aggregate intrinsic value
		$	Years	$
Outstanding at December 31, 2016	43,368,862	0.16	9.00	53,677,170
Granted	977,383	0.50	—	—
Forfeited	(5,050,733)	0.18	—	—
Exercised	(605,000)	0.11	—	—
Outstanding at June 30, 2017	38,690,512	0.17	8.54	55,376,737
Vested and Exercisable as of June 30, 2017	9,806,640	0.11	8.23	14,585,034
Vested or expected to vest as of June 30, 2017	38,690,512	0.17	8.54	55,376,737

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The Group recorded compensation expense related to the option of $1,165,797 and $2,191,427 for the six months ended June 30, 2016 and 2017, respectively, which were classified in the accompanying unaudited condensed consolidated statements of operations as follows:

	Six months ended June 30,	
	2016	2017
	$	$
General and administrative	450,866	1,100,961
Research and development	714,931	1,090,466
Total	1,165,797	2,191,427

The weighted-average grant-date fair value of the options granted in 2017 was $1.38 per share. As of June 30, 2017, there was $18,592,630 of total unrecognized compensation expense related to unvested share options granted. That cost is expected to be recognized over a weighted-average period of 3.5 years.

Non-vested restricted shares and ordinary shares issued to Red Kingdom Investment Limited ("Red Kingdom")

In March and May, 2017, pursuant to the board resolution of the Company, the Repurchase Right as defined in Note 10 to the consolidated financial statements for the years ended December 31, 2015 and 2016 to all the remaining 12,600,000 non-vested restricted shares of the Chief Executive Officer which were subject to the restricted share arrangement dated April 3, 2014 was removed and the unrecognized share-based compensation of $ 840,000 as of the modification date was immediately recognized as an expense in the consolidated statements of operations.

On June 15, 2017, pursuant to the Board's resolution, Red Kingdom distributed all of the ordinary shares that it currently holds in the Group to all Red Kingdom shareholders, in accordance with the Articles of Association of Red Kingdom. All the prior restricted share arrangements in force as of the distribution date between Red Kingdom and members of senior management and advisors were amended to assign the rights and obligations of Red Kingdom thereunder to the Group (the "Transfer"). Before the Transfer, 4,870,000 restricted shares of Red Kingdom have been vested and 7,980,000 non-vested restricted shares of Red Kingdom have been repurchased by Red Kingdom due to the termination of employment by certain members of senior management and allocated to the founders of Red Kingdom at par value in 2017.

The following table summarizes the Group's non-vested restricted share activity in 2017.

	Numbers of non-vested restricted shares	Weighted average grant date fair value
		$
Non-vested as of December 31, 2016	13,856,945	0.22
Vested	(12,900,000)	0.10
Transferred from Red Kingdom	3,860,000	0.10
Non-vested as of June 30, 2017	4,816,945	0.26

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As of June 30, 2017, there was $347,529 of total unrecognized compensation expense related to non-vested restricted shares. The Group recorded compensation expense related to the restricted shares of $614,035 and $2,186,239 for the six months ended June 30, 2016 and 2017, respectively, which were classified in the accompanying consolidated statements of operations as follows:

	Six months ended June 30,	
	2016	2017
	$	$
General and administrative	328,236	1,689,633
Research and development	285,799	496,606
Total	614,035	2,186,239

12. Licenses and collaborative arrangement

The Group did not enter into any new collaborative arrangements during the six months ended June 30, 2017 except for one arrangement listed below:

License and collaboration agreement with Paratek Bermuda Ltd. ("Paratek")

In April 2017, the Group entered into a collaboration, development and license agreement with Paratek Bermuda Ltd., under which the Group obtained both an exclusive license under certain patents and know-how of Paratek Bermuda Ltd. and an exclusive sub-license under certain intellectual property that Paratek Bermuda Ltd. licensed from Tufts University to develop, manufacture, use, sell, import and commercialize omadacycline in mainland China, Hong Kong, Macau and Taiwan, or licensed territory, in the field of all human therapeutic and preventative uses other than biodefense, or the licensed field. Paratek Bermuda Ltd. retains the right to manufacture the licensed product in the licensed territory for use outside the licensed territory. The Group also granted to Paratek Bermuda Ltd. a non-exclusive license to certain of intellectual property for Paratek Bermuda Ltd.

Under the terms of the agreement, the Group made an upfront payment of $7.5 million to Paratek which was recorded as a research and development expense in 2017. The Group will make a milestone payment to Paratek for the achievement of a certain development milestone and sales milestone event. In addition, we will pay to Paratek Bermuda Ltd. tiered royalties at certain percentage rates on the net sales of licensed products, until the later of the abandonment, expiration or invalidation of the last-to-expire licensed patent covering the licensed product, or the eleventh anniversary of the first commercial sale of the licensed product, in each case on a product-by-product and region-by-region basis.

The Group has the right to terminate this agreement for any or no reason by providing Paratek with prior written notice with no penalty.

As of June 30, 2017, the Group has entered into various license and collaboration agreements with third party licensors to develop and commercialize drug candidates. Based on the terms of these agreements the Group is contingently obligated to make additional material payments upon the achievement of certain contractually

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defined milestones. The Group made $291,515 milestone payments under these agreements for the six months ended June 30, 2017. Based on management's evaluation of the progress of each project noted above, the licensors will be eligible to receive from the Group up to an aggregate of approximately $356.3 million in future milestone payments upon the achievement of contractually specified development milestones, such as regulatory approval for the drug candidates, which may be before the Group has commercialized the drug or received any revenue from sales of such drug candidate, which may never occur.

13. Employee defined contribution plan

Full time employees of the Group in the PRC 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 Group's PRC subsidiaries make contributions to the government for these benefits based on certain percentages of the employees' salaries. The Group has no legal obligation for the benefits beyond the contributions made. The total amounts for such employee benefits, which were expensed as incurred, were $112,898 and $210,842 for the six months ended June 30, 2016 and 2017, respectively.

14. Commitments and contingencies

(A) Operating Lease Commitments

The Group leases office facilities under non-cancellable operating leases expiring on different dates. Payments under operating leases are expensed on a straight-line basis over the periods of their respective leases, and the terms of the leases do not contain rent escalation, contingent rent, renewal, or purchase options.

There are no restrictions placed upon the Group by entering into these leases. Total expenses under these operating leases were $63,344 and $459,276 for the six months ended June 30, 2016 and 2017, respectively. Future minimum lease payments under non-cancellable operating lease agreements as of June 30, 2017 were as follows:

	As of June 30, 2017
	$
July to December, 2017	529,521
2018	947,861
2019	831,608
2020	242,325
2021 and thereafter	—
Total lease commitment	2,551,315

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(B) Capital Commitments

As of June 30, 2017, the Group's commitments related to purchase of property and equipment contracted but not yet reflected in the condensed consolidated financial statement were $451,233 which are expected to be incurred within one year.

(C) Contingencies

The Group is a party to or assignee of license and collaboration agreements that may require it to make future payments relating to milestone fees and royalties on future sales of licensed products (Note 12).

15. Subsequent events

The subsequent events have been evaluated through August 1, 2017 which is the date the unaudited condensed consolidated financial statements were available to be issued.

On July 5, 2017, pursuit to the investment agreement entered with three third-party investors in June, 2017, the Group contributed RMB 13.1 million ($1.9 million) in cash to JING Medicine Technology (Shanghai) Ltd..

On July 19, 2017, the investor holding the warrants exercised the warrants to purchase 2,770,851 Series A2 convertible preferred shares at $0.3609 per share.

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Through and including , 2017 (25 days after the commencement of this offering), all dealers that effect transactions in our ordinary shares or ADSs, whether or not participating in this offering, may be required to deliver a prospectus. This delivery is in addition to a dealer's obligation to deliver a prospectus when acting as an underwriter and with respect to their unsold allotments or subscriptions.

Zai Lab Limited

American depositary shares

Representing ordinary shares

J.P. Morgan **Citigroup** **Leerink Partners**

, 2017

Part II
Information not required in prospectus

Item 6. Indemnification of directors and officers

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy, such as to provide indemnification against civil fraud or the consequences of committing a crime.

The post-offering amended and restated articles of association that we expect to adopt to become effective immediately prior to the completion of this offering provide that we shall indemnify our directors and officers (each an indemnified person) against all actions, proceedings, costs, charges, expenses, losses, damages or liabilities incurred or sustained by such indemnified person, other than by reason of such person's own dishonesty, willful default or fraud, in or about the conduct of our company's business or affairs (including as a result of any mistake of judgment) or in the execution or discharge of his duties, powers, authorities or discretions, including without prejudice to the generality of the foregoing, any costs, expenses, losses or liabilities incurred by such indemnified person in defending (whether successfully or otherwise) any civil proceedings concerning our company or its affairs in any court whether in the Cayman Islands or elsewhere.

Pursuant to the indemnification agreements, the form of which will be filed as Exhibit 10.12 to this registration statement, we agree to indemnify our directors and executive officers against certain liabilities and expenses incurred by such persons in connection with claims made by reason of their being such a director or officer.

The underwriting agreement, the form of which will be filed as Exhibit 1.1 to this registration statement, will also provide for indemnification by the underwriters of us and our officers and directors for certain liabilities, including liabilities arising under the Securities Act, but only to the extent that such liabilities are caused by information relating to the underwriters furnished to us in writing expressly for use in this registration statement and certain other disclosure documents.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers or persons controlling us pursuant to the foregoing provisions, we have been informed that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable.

Item 7. Recent sales of unregistered securities

In the three years preceding the filing of this registration statement, we have issued the following securities that were not registered under the Securities Act. We believe that each of the following issuances was exempt from registration under the Securities Act in reliance on Regulation S under the Securities Act regarding sales by an issuer in offshore transactions, Regulation D under the Securities Act, Rule 701 under the Securities Act or pursuant to Section 4(a)(2) of the Securities Act regarding transactions not involving a public offering. No underwriters were used in the below issuances.

1. On April 3, 2014, we issued 20,999,999 restricted ordinary shares and 500,000 ordinary shares to Samantha Du for an aggregate cash consideration of $50,210. On the same date, we issued 48,500,000 ordinary shares to Red Kingdom Investments Limited for an aggregate consideration of $141,971.
2. On August 20, 2014, we closed a private placement transaction pursuant to which we issued an aggregate of 50,800,001 Series A-1 preferred shares for an aggregate cash consideration of $8,028,572 and in consideration for the conversion of convertible loans amounting an aggregate consideration of $2,000,000.

3. On April 30, 2015, we issued a total of 57,719,866 Series A-2 preferred shares in connection with the second closing of the private placement transaction described above for an aggregate consideration of $20,828,572 of which $5,300,000 remained unpaid. On September 30, 2015 we cancelled 7,066,527 of these Series A-2 preferred shares and forgave the $2,550,000 unpaid capital balance.
4. On August 10, 2015, we issued 1,000,000 restricted ordinary shares to Peter Karl Wirth, which were credited as full paid.
5. On December 31, 2015, we granted a warrant to purchase 2,770,851 Series A-2 preferred shares at the purchase price of $0.3609 per share to OrbiMed Asia Partners II, L.P. for a period commencing on April 1, 2016 and ending on the earlier of (i) the sixth anniversary of the date of issuance of this warrant or (ii) 90 calendar days prior to the date on which we consummate this offering. No consideration was received by us in connection with the issuance of the warrant. As of the date of this prospectus, no Series A-2 preferred shares have been purchased by OrbiMed Asia Partners II, L.P. pursuant to this warrant.
6. On January 20, 2016, we closed a private placement transaction pursuant to which we sold an aggregate of 33,374,023 Series B-1 preferred shares for an aggregate consideration of $53,100,000 in cash.
7. On April 1, 2016, we issued a total of 23,838,588 Series B-2 preferred shares in connection with the second closing of the private placement transaction described above for an aggregate consideration of $53,100,000 in cash.
8. On July 15, 2016 and August 25, 2016, we issued an additional 350,000 and 450,000 restricted ordinary shares to Peter Karl Wirth, respectively, which were credited as fully paid.
9. On June 26, 2017, we closed a private placement transaction pursuant to which we sold an aggregate of 11,993,763 Series C preferred shares for an aggregate consideration of $30,000,000.

In addition to the above, since January 1, 2014, we have granted share options to purchase (i) an aggregate of 25,855,395 ordinary shares, each at an exercise price of $0.10 per share, (ii) an aggregate of 6,946,759 ordinary shares, each at an exercise price of $0.20 per share, (iii) an aggregate of 10,567,208 ordinary shares, each at an exercise price of $0.29 per share, and (iv) an aggregate of 977,383 ordinary shares, each at an exercise price of $0.50 per share, to our employees, consultants and directors. These grants were made pursuant to written compensatory plans or arrangements with our employees, consultants and directors in reliance upon the exemption provided by Rule 701 promulgated under the Securities Act or Section 4(a)(2) of the Securities Act for transactions by an issuer not involving a public offering or Regulation S under the Securities Act.

Item 8. Exhibits and financial statement schedules

(a) Exhibits

Exhibit number	Exhibit title
1.1*	Form of Underwriting Agreement
3.1	Fourth Amended and Restated Memorandum and Articles of Association of Zai Lab Limited
4.1*	Form of Deposit Agreement
4.2*	Form of American Depositary Receipt (included in Exhibit 4.1)
4.3*	Registrant's Specimen Certificate for Ordinary Shares
4.4	Third Amended and Restated Shareholders Agreement between Zai Lab Limited and other parties named therein dated June 26, 2017
5.1*	Form of opinion of Travers Thorp Alberga regarding the validity of the ordinary shares being registered

Exhibit number	Exhibit title
8.1*	Opinion of Travers Thorp Alberga regarding certain Cayman Islands tax matters (included in Exhibit 5.1)
8.2	Opinion of Zhong Lun Law Firm regarding certain PRC tax matters (included in Exhibit 99.2)
10.1*#	Zai Lab Limited 2015 Omnibus Equity Incentive Plan
10.2+	Collaboration, Development and License Agreement by and between Tesaro, Inc. and Zai Lab (Shanghai) Co., Ltd. dated September 28, 2016
10.3+	License Agreement by and between Bristol-Myers Squibb Company and Zai Lab (Hong Kong) Limited dated March 9, 2015
10.4+	License and Collaboration Agreement by and between Paratek Bermuda Ltd. and Zai Lab (Shanghai) Co., Ltd. dated April 21, 2017
10.5+	License and Transfer Agreement by and between GlaxoSmithKline (China) R&D Co., Ltd and Zai Lab (Shanghai) Co., Ltd. dated October 18, 2016
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10.7+	Assignment and Assumption Agreement by and among GlaxoSmithKline (China) R&D Co., Ltd, Zai Lab (Shanghai) Co., Ltd. and Traditional Chinese Medical Hospital, Xinjiang Medical University dated October 14, 2016
10.8+	License Agreement by and between Sanofi and Zai Lab (Hong Kong) Limited dated July 22, 2015
10.9+	License Agreement by and between UCB Biopharma SPRL and Zai Lab (Hong Kong) Limited dated September 17, 2015
10.10*#	Form of Executive Employment Agreement for Zai Lab (Hong Kong) Limited executive officers
10.11*#	Form of Executive Employment Agreement for Zai Lab (Shanghai) Co., Ltd. executive officers
10.12	Form of Indemnification Agreement for Directors and Officers
21.1	Subsidiaries of the registrant
23.1	Consent of Deloitte Touche Tohmatsu Certified Public Accountants LLP, an independent accounting firm, regarding the consolidated financial statements of Zai Lab Limited
23.2*	Consent of Travers Thorp Alberga (included in Exhibit 5.1)
23.3	Consent of Zhong Lun Law Firm (included in Exhibit 99.2)
24.1	Power of Attorney (included on signature page)
99.1*	Code of Ethics
99.2	Opinion of Zhong Lun Law Firm regarding certain PRC law matters

* To be filed by amendment.

\+ Portions of this exhibit (indicated by asterisks) have been omitted pursuant to a request for confidential treatment and this exhibit has been submitted separately to the Securities and Exchange Commission.

\# Management contract or compensatory plan or arrangement.

(b) Financial statement schedules

All schedules have been omitted because the information required to be set forth therein is not applicable or is shown in the financial statements or notes thereto.

Item 9. Undertakings

The undersigned Registrant hereby undertakes:

(1) That for purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act of 1933 shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) That for the purpose of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To provide to the underwriters at the closing specified in the underwriting agreement certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

(4) Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933 and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act of 1933 and will be governed by the final adjudication of such issue.

Signatures

Pursuant to the requirements of the Securities Act of 1933, the registrant certifies that it has reasonable grounds to believe that it meets all of the requirements for filing on Form F-1 and has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the city of Shanghai, on August 15, 2017.

ZAI LAB LIMITED

By: /s/ Samantha Du
Name: Samantha Du
Title: Chief Executive Officer

* * *

Power of attorney

The undersigned directors and officers of Zai Lab Limited hereby appoint each of Samantha Du, Tom Feng and Marietta Wu, as attorney-in-fact for the undersigned, with full power of substitution and resubstitution, for and in the name, place and stead of the undersigned, to sign and file with the Securities and Exchange Commission under the Securities Act of 1933 any and all amendments (including post-effective amendments) and exhibits to this registration statement on Form F-1 (or any other registration statement for the same offering that is to be effective upon filing pursuant to Rule 462(b) under the Securities Act of 1933) and any and all applications and other documents to be filed with the Securities and Exchange Commission pertaining to the registration of the securities covered hereby, with full power and authority to do and perform any and all acts and things whatsoever requisite and necessary or desirable, hereby ratifying and confirming all that said attorney-in-fact, or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Samantha Du Samantha Du	Chief Executive Officer, Chairman of the Board of Directors (Principal Executive Officer)	August 15, 2017
/s/ Tom Feng Tom Feng	Vice President, Finance (Principal Financial and Accounting Officer)	August 15, 2017
/s/ John Diekman John Diekman	Director	August 15, 2017
/s/ Tao Fu Tao Fu	Director	August 15, 2017
/s/ Nisa Leung Nisa Leung	Director	August 15, 2017
/s/ Peter Wirth Peter Wirth	Director	August 15, 2017
/s/ Marietta Wu Marietta Wu	Director	August 15, 2017
/s/ Jianming Yu Jianming Yu	Director	August 15, 2017

Signature of authorized representative in the United States

Pursuant to the Securities Act of 1933, the undersigned, the duly authorized representative in the United States of Zai Lab Limited, has signed this registration statement or amendment thereto in New York, NY on August 15, 2017.

Law Debenture Corporate Services Inc.
(Authorized U.S. Representative)

By: /s/ Giselle Manon
Name: Giselle Manon
Title: Service of Process Officer

Exhibit index

Exhibit number	Exhibit title
1.1*	Form of Underwriting Agreement
3.1	Fourth Amended and Restated Memorandum and Articles of Association of Zai Lab Limited
4.1*	Form of Deposit Agreement
4.2*	Form of American Depositary Receipt (included in Exhibit 4.1)
4.3*	Registrant's Specimen Certificate for Ordinary Shares
4.4	Third Amended and Restated Shareholders Agreement between Zai Lab Limited and other parties named therein dated June 26, 2017
5.1*	Form of opinion of Travers Thorp Alberga regarding the validity of the ordinary shares being registered
8.1*	Opinion of Travers Thorp Alberga regarding certain Cayman Islands tax matters (included in Exhibit 5.1)
8.2	Opinion of Zhong Lun Law Firm regarding certain PRC tax matters (included in Exhibit 99.2)
10.1*#	Zai Lab Limited 2015 Omnibus Equity Incentive Plan
10.2+	Collaboration, Development and License Agreement by and between Tesaro, Inc. and Zai Lab (Shanghai) Co., Ltd. dated September 28, 2016
10.3+	License Agreement by and between Bristol-Myers Squibb Company and Zai Lab (Hong Kong) Limited dated March 9, 2015
10.4+	License and Collaboration Agreement by and between Paratek Bermuda Ltd. and Zai Lab (Shanghai) Co., Ltd. dated April 21, 2017
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\# Management contract or compensatory plan or arrangement.

THE COMPANIES LAW (2016 REVISION)

OF THE CAYMAN ISLANDS

COMPANY LIMITED BY SHARES

FOURTH AMENDED AND RESTATED MEMORANDUM OF ASSOCIATION

OF

ZAI LAB LIMITED

Adopted by a Special Resolution passed on August 11, 2017 and effective immediately upon completion of the Company's initial public offering of shares represented by American Depositary Shares

1. The name of the Company is **ZAI LAB LIMITED**.

2. The registered office of the Company shall be at the offices of Vistra (Cayman) Limited, P. O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1 - 1205 Cayman Islands or at such other place as the Directors may from time to time decide.

3. The objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Law (2016 Revision) or as the same may be revised from time to time, or any other law of the Cayman Islands.

4. The liability of each Member is limited to the amount from time to time unpaid on such Member's shares.

5. The authorized share capital of the Company is US$5,000 divided into 500,000,000 shares of a nominal or par value of US$0.00001 each. The Company has the power to redeem or purchase any of its shares and to increase or reduce the said capital subject to the provisions of the Companies Law (2016 Revision) and the Articles of Association and to issue any part of its capital, whether original, redeemed or increased with or without any preference, priority or special privilege or subject to any postponement of rights or to any conditions or restrictions and so that unless the conditions of issue shall otherwise expressly declare every issue of shares whether declared to be preference or otherwise shall be subject to the powers hereinbefore contained.

6. The Company has the power to register by way of continuation as a body corporate limited by shares under the laws of any jurisdiction outside the Cayman Islands and to be deregistered in the Cayman Islands.

7. Capitalized terms that are not defined in this Memorandum of Association bear the same meaning as those given in the Articles of Association of the Company.

THE COMPANIES LAW (2016 REVISION)

OF THE CAYMAN ISLANDS

COMPANY LIMITED BY SHARES

FOURTH AMENDED AND RESTATED ARTICLES OF ASSOCIATION

OF

ZAI LAB LIMITED

Adopted by a Special Resolution passed on August 11, 2017 and effective immediately upon completion of the Company's initial public offering of shares represented by American Depositary Shares

INTERPRETATION

1. In these Articles, Table A in the Schedule in the Companies Law does not apply and unless otherwise defined, the defined terms shall have the meanings assigned to them as follows:

"**Articles**"	these Articles of Association of the Company as altered or added to, from time to time;
"**Board**" or "**Board of Directors**"	the board of Directors for the time being of the Company;
"**Business Day**"	a day (excluding Saturdays or Sundays), on which banks in Hong Kong, Beijing and New York are open for general banking business throughout their normal business hours;
"**Chairman**"	the Chairman appointed pursuant to Article 81;
"**Commission**"	Securities and Exchange Commission of the United States of America or any other federal agency for the time being administering the Securities Act;
"**Companies Law**"	the Companies Law (2016 Revision) of the Cayman Islands and any statutory amendment or re-enactment thereof. Where any provision of the Companies Law is referred to, the reference is to that provision as amended by any law for the time being in force;
"**Company**"	AutoNavi Holdings Limited, a Cayman Islands company limited by shares;
"**Company's Website**"	the website of the Company, the address or domain name of which has been notified to Members;
"**Designated Stock Exchange**"	the Global Market of The Nasdaq Stock Market, The New York Stock Exchange or any other internationally recognized stock exchange where the Company's securities are traded;

"**Directors**"	the directors of the Company for the time being, or as the case may be, the Directors assembled as a Board or as a committee thereof;
"**electronic**"	the meaning given to it in the Electronic Transactions Law (2003 Revision) of the Cayman Islands and any amendment thereto or re-enactments thereof for the time being in force and includes every other law incorporated therewith or substituted therefore;
"**electronic communication**"	electronic posting to the Company's Website, transmission to any number, address or internet website or other electronic delivery methods as otherwise decided and approved by not less than two-thirds of the vote of the Board;
"**in writing**"	includes writing, printing, lithograph, photograph, type-writing and every other mode of representing words or figures in a legible and non-transitory form and, only where used in connection with a notice served by the Company on Members or other persons entitled to receive notices hereunder, shall also include a record maintained in an electronic medium which is accessible in visible form so as to be useable for subsequent reference;
"**Member**"	the meaning given to it in the Companies Law;
"**Memorandum of Association**"	the Memorandum of Association of the Company, as amended and re-stated from time to time;
"**month**"	calendar month;
"**Ordinary Resolution**"	a resolution: (a) passed by a simple majority of votes cast by such Members as, being entitled to do so, vote in person or, in the case of any Member being an organization, by its duly authorized representative or, where proxies are allowed, by proxy at a general meeting of the Company; or (b) approved in writing by all of the Members entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of the Members and the effective date of the resolution so adopted shall be the date on which the instrument, or the last of such instruments if more than one, is executed;
"**paid up**"	paid up as to the par value and any premium payable in respect of the issue of any shares and includes credited as paid up;
"**Register of Members**"	the register to be kept by the Company in accordance with the Companies Law;
"**seal**"	the Common Seal of the Company (if adopted) including any facsimile thereof;

"**Securities Act**"	the Securities Act of 1933 of the United States of America, as amended, or any similar federal statute and the rules and regulations of the Commission thereunder, all as the same shall be in effect at the time;
"**share**"	any share in the capital of the Company and includes a fraction of a share;
"**signed**"	includes a signature or representation of a signature affixed by mechanical means or an electronic symbol or process attached to or logically associated with an electronic communication and executed or adopted by a person with the intent to sign the electronic communication;
"**Special Resolution**"	the meaning given to it in the Companies Law and includes a unanimous written resolution;
"**Statutes**"	the Companies Law and every other laws and regulations of the Cayman Islands for the time being in force concerning companies and affecting the Company;
"**year**"	calendar year.

2. In these Articles, save where the context requires otherwise:

   (a) words importing the singular number shall include the plural number and vice versa;

   (b) words importing the masculine gender only shall include the feminine gender;

   (c) words importing persons only shall include companies or associations or bodies of persons, whether corporate or not;

   (d) "MAY" shall be construed as permissive and "SHALL" shall be construed as imperative;

   (e) a reference to a dollar or dollars (or $) is a reference to dollars of the United States;

   (f) references to a statutory enactment shall include reference to any amendment or re-enactment thereof for the time being in force;

   (g) any phrase introduced by the terms "including", "include", "in particular" or any similar expression shall be construed as illustrative and shall not limit the sense of the words preceding those terms; and

   (h) Section 8 of the Electronic Transactions Law (2003 Revision) shall not reply.

3. Subject to the last two preceding Articles, any words defined in the Companies Law shall, if not inconsistent with the subject or context, bear the same meaning in these Articles.

PRELIMINARY

4. The business of the Company may be conducted as the Directors see fit.

5. The registered office of the Company shall be at such address in the Cayman Islands as the Directors shall from time to time determine. The Company may in addition establish and maintain such other offices and places of business and agencies in such places as the Directors may from time to time determine.

ISSUE OF SHARES

6. Subject to the provisions, if any, in the Memorandum of Association, these Articles and to any direction that may be given by the Company in a general meeting, the Directors may, in their absolute discretion and without approval of the existing Members, issue shares, grant rights over existing shares or issue other securities in one or more series as they deem necessary and appropriate and determine designations, powers, preferences, privileges and other rights, including dividend rights, conversion rights, terms of redemption and liquidation preferences, any or all of which may be greater than the powers and rights associated with the shares held by existing Members, at such times and on such other terms as they think proper. The Company shall not issue shares in bearer form.

7. The Directors may provide, out of the unissued shares, for series of preferred shares. Before any preferred shares of any such series are issued, the Directors shall fix, by resolution or resolutions, the following provisions of the preferred shares thereof:

   (a) the designation of such series, the number of preferred shares to constitute such series and the subscription price thereof if different from the par value thereof;

   (b) whether the shares of such series shall have voting rights, in addition to any voting rights provided by law, and, if so, the terms of such voting rights, which may be general or limited;

   (c) the dividends, if any, payable on such series, whether any such dividends shall be cumulative, and, if so, from what dates, the conditions and dates upon which such dividends shall be payable, the preference or relation which such dividends shall bear to the dividends payable on any shares of any other class or any other series of preferred shares;

   (d) whether the preferred shares of such series shall be subject to redemption by the Company, and, if so, the times, prices and other conditions of such redemption;

   (e) the amount or amounts payable upon preferred shares of such series upon, and the rights of the holders of such series in, a voluntary or involuntary liquidation, dissolution or winding up, or upon any distribution of the assets, of the Company;

   (f) whether the preferred shares of such series shall be subject to the operation of a retirement or sinking fund and, if so, the extent to and manner in which any such retirement or sinking fund shall be applied to the purchase or redemption of the preferred shares of such series for retirement or other corporate purposes and the terms and provisions relative to the operation thereof;

   (g) whether the preferred shares of such series shall be convertible into, or exchangeable for, shares of any other class or any other series of preferred shares or any other securities and, if so, the price or prices or the rate or rates of conversion or exchange and the method, if any, of adjusting the same, and any other terms and conditions of conversion or exchange;

(h) the limitations and restrictions, if any, to be effective while any preferred shares of such series are outstanding upon the payment of dividends or the making of other distributions on, and upon the purchase, redemption or other acquisition by the Company of, the existing shares or shares of any other class of shares or any other series of preferred shares;

(i) the conditions or restrictions, if any, upon the creation of indebtedness of the Company or upon the issue of any additional shares, including additional shares of such series or of any other class of shares or any other series of preferred shares; and

(j) any other powers, preferences and relative, participating, optional and other special rights, and any qualifications, limitations and restrictions thereof.

Without limiting the foregoing and subject to Article 81, the voting powers of any series of preferred shares may include the right, in the circumstances specified in the resolution or resolutions providing for the issuance of such preferred shares, to elect one or more Directors who shall serve for such term and have such voting powers as shall be stated in the resolution or resolutions providing for the issuance of such preferred shares. The term of office and voting powers of any Director elected in the manner provided in the immediately preceding sentence of this Article 7 may be greater than or less than those of any other Director or class of Directors.

8. The powers, preferences and relative, participating, optional and other special rights of each series of preferred shares, and the qualifications, limitations or restrictions thereof, if any, may differ from those of any and all other series at any time outstanding. All shares of any one series of preferred shares shall be identical in all respects with all other shares of such series, except that shares of any one series issued at different times may differ as to the dates from which dividends thereon shall be cumulative.

REGISTER OF MEMBERS AND SHARE CERTIFICATES

9. The Company shall maintain a Register of its Members and a Member shall only be entitled to a share certificate if the Directors resolve that share certificates shall be issued. Share certificates (if any) shall specify the share or shares held by that person and the amount paid up thereon, provided that in respect of a share or shares held jointly by several persons the Company shall not be bound to issue more than one certificate, and delivery of a certificate for a share to one of several joint holders shall be sufficient delivery to all. All certificates for shares shall be delivered personally or sent through the post addressed to the Member entitled thereto at the Member's registered address as appearing in the register.

10. All share certificates shall bear legends required under the applicable laws, including the Securities Act.

11. Any two or more certificates representing shares of any one class held by any Member may at the Member's request be cancelled and a single new certificate for such shares issued in lieu on payment (if the Directors shall so require) of US$1.00 or such smaller sum as the Directors shall determine.

12. If a share certificate shall be damaged or defaced or alleged to have been lost, stolen or destroyed, a new certificate representing the same shares may be issued to the relevant Member upon request subject to delivery up of the old certificate or (if alleged to have been lost, stolen or destroyed) compliance with such conditions as to evidence and indemnity and the payment of out-of-pocket expenses of the Company in connection with the request as the Directors may think fit.

13. In the event that shares are held jointly by several persons, any request may be made by any one of the joint holders and if so made shall be binding on all of the joint holders.

TRANSFER OF SHARES

14. (a) Shares are transferable subject to the approval of the Board or the written consent of a Director authorized by the Board in writing to approve share transfers and the Board may, in its sole discretion, decline to register any transfer of any share which is not fully paid up or on which the Company has a lien.

    (b) The Directors may also decline to register any transfer of any share unless:

        (i) the instrument of transfer is lodged with the Company, accompanied by the certificate for the shares to which it relates and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer;

        (ii) the instrument of transfer is in respect of only one class of shares;

        (iii) the instrument of transfer is properly stamped, if required;

        (iv) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;

        (v) the shares conceded are free of any lien in favor of us; or

        (vi) a fee of such maximum sum as the Designated Stock Exchange may determine to be payable, or such lesser sum as the Board may from time to time require, is paid to the Company in respect thereof.

    (c) If the Directors refuse to register a transfer they shall, within two months after the date on which the instrument of transfer was lodged, send to each of the transferor and the transferee notice of such refusal.

15. The registration of transfers may, on 14 days' notice being given by advertisement in such one or more newspapers or by electronic means, be suspended and the register closed at such times and for such periods as the Board may from time to time determine, provided, however, that the registration of transfers shall not be suspended nor the register closed for more than 30 days in any year.

16. The instrument of transfer of any share shall be in writing and executed by or on behalf of the transferor (and if the Directors so require, signed by the transferee). The transferor shall be deemed to remain a holder of the share until the name of the transferee is entered in the Register of Members.

17. All instruments of transfer that shall be registered shall be retained by the Company.

REDEMPTION AND PURCHASE OF OWN SHARES

18. Subject to the provisions of the Statutes and these Articles, the Company may:

    (a) issue shares on terms that they are to be redeemed or are liable to be redeemed at the option of the Company or the Member and the redemption of shares shall be effected on such terms and in such manner as the Board may, before the issue of such shares, determine;

    (b) purchase its own shares (including any redeemable shares) provided that the Members shall have approved the manner of purchase by Ordinary Resolution or the manner of purchase is in accordance with the Articles 19 and 20 (this authorization is in accordance with section 37(2) of the Statutes or any modification or re-enactment thereof for the time being in force); and

    (c) the Company may make a payment in respect of the redemption or purchase of its own shares in any manner permitted by the Statutes, including out of capital.

19. Purchase of shares listed on the Designated Stock Exchange: the Company is authorised to purchase any share listed on the Designated Stock Exchange in accordance with the following manner of purchase:

    (a) the maximum number of shares that may be repurchased shall be equal to the number of issued and outstanding shares less one share; and

    (b) the repurchase shall be at such time; at such price and on such other terms as determined and agreed by the Board in their sole discretion provided however that:

        (i) such repurchase transactions shall be in accordance with the relevant code, rules and regulations applicable to the listing of the shares on the Designated Stock Exchange; and

        (ii) at the time of the repurchase, the Company is able to pay its debts as they fall due in the ordinary course of its business.

20. Purchase of shares not listed on the Designated Stock Exchange: the Company is authorised to purchase any shares not listed on the Designated Stock Exchange in accordance with the following manner of purchase:

    (a) the Company shall serve a repurchase notice in a form approved by the Board on the Member from whom the shares are to be repurchased at least two Business Days prior to the date specified in the notice as being the repurchase date;

(b) the price for the shares being repurchased shall be such price agreed between the Board and the applicable Member;

(c) the date of repurchase shall be the date specified in the repurchase notice; and

(d) the repurchase shall be on such other terms as specified in the repurchase notice as determined and agreed by the Board and the applicable Member in their sole discretion.

21. The redemption or purchase of any share shall not be deemed to give rise to the redemption or purchase of any other share and the Company is not obligated to purchase any other share other than as may be required pursuant to applicable law and any other contractual obligations of the Company.

22. The holder of the shares being purchased shall be bound to deliver up to the Company the certificate(s) (if any) thereof for cancellation and thereupon the Company shall pay to him the purchase or redemption monies or consideration in respect thereof.

VARIATION OF RIGHTS ATTACHING TO SHARES

23. If at any time the share capital is divided into different classes or series of shares, the rights attaching to any class or series (unless otherwise provided by the terms of issue of the shares of that class or series) may, subject to these Articles, be varied or abrogated with the consent in writing of the holders of a majority of the issued shares of that class or series or with the sanction of a Special Resolution passed at a general meeting of the holders of the shares of that class or series.

24. The provisions of these Articles relating to general meetings shall apply to every such general meeting of the holders of one class or series of shares except the following:

(a) separate general meetings of the holders of a class or series of shares may be called only by (i) the Chairman of the Board, or (ii) a majority of the entire Board of Directors (unless otherwise specifically provided by the terms of issue of the shares of such class or series). Nothing in this Article 24 or Article 23 shall be deemed to give any Member or Members the right to call a class or series meeting.

(b) the necessary quorum shall be one or more persons holding or representing by proxy at least one-third of the issued shares of the class or series and that any holder of shares of the class or series present in person or by proxy may demand a poll.

25. The rights conferred upon the holders of the shares of any class or series shall not, unless otherwise expressly provided by the terms of issue of the shares of that class or series, be deemed to be varied by the creation or issue of further shares ranking in priority thereto or pari passu therewith.

COMMISSION ON SALE OF SHARES

26. The Company may in so far as the Statutes from time to time permit pay a commission to any person in consideration of his subscribing or agreeing to subscribe whether

absolutely or conditionally for any shares of the Company. Such commissions may be satisfied by the payment of cash or the lodgement of fully or partly paid-up shares or partly in one way and partly in the other. The Company may also on any issue of shares pay such brokerage as may be lawful.

NON-RECOGNITION OF TRUSTS

27. No person shall be recognised by the Company as holding any share upon any trust and the Company shall not be bound by or be compelled in any way to recognise (even when having notice thereof) any equitable, contingent, future, or partial interest in any share, or any interest in any fractional part of a share, or (except only as is otherwise provided by these Articles or the Statutes) any other rights in respect of any share except an absolute right to the entirety thereof in the registered holder.

LIEN ON SHARES

28. The Company shall have a first and paramount lien and charge on all shares (whether fully paid-up or not) registered in the name of a Member (whether solely or jointly with others) for all debts, liabilities or engagements to or with the Company (whether presently payable or not) by such Member or his estate, either alone or jointly with any other person, whether a Member or not, but the Directors may at any time declare any share to be wholly or in part exempt from the provisions of this Article. The registration of a transfer of any such share shall operate as a waiver of the Company's lien (if any) thereon. The Company's lien (if any) on a share shall extend to all dividends or other monies payable in respect thereof.

29. The Company may sell, in such manner as the Directors think fit, any shares on which the Company has a lien, but no sale shall be made unless some sum in respect of which the lien exists is presently payable nor until the expiration of 14 calendar days after a notice in writing, stating and demanding payment of such part of the amount in respect of which the lien exists as is presently payable, has been given to the registered holder for the time being of the share, or the persons entitled thereto by reason of his death or bankruptcy.

30. For giving effect to any such sale the Directors may authorise some person to transfer the shares sold to the purchaser thereof. The purchaser shall be registered as the holder of the shares comprised in any such transfer and he shall not be bound to see to the application of the purchase money, nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings in reference to the sale.

31. The proceeds of the sale shall be received by the Company and applied in payment of such part of the amount in respect of which the lien exists as is presently payable, and the residue shall (subject to a like lien for sums not presently payable as existed upon the shares prior to the sale) be paid to the person entitled to the shares at the date of the sale.

CALLS ON SHARES

32. Subject to the terms of allotment, the Directors may from time to time make calls upon the Members in respect of any money unpaid on their shares, and each Member shall (subject to receiving at least 14 calendar days notice specifying the time or times of

payment) pay to the Company at the time or times so specified the amount called on his shares. A call shall be deemed to have been made at the time when the resolution of the Directors authorising such call was passed.

33. The joint holders of a share shall be jointly and severally liable to pay calls in respect thereof.

34. If a sum called in respect of a share is not paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest upon the sum at the rate of eight percent per annum from the day appointed for the payment thereof to the time of the actual payment, but the Directors shall be at liberty to waive payment of that interest wholly or in part.

35. The provisions of these Articles as to the liability of joint holders and as to payment of interest shall apply in the case of non-payment of any sum which, by the terms of issue of a share, becomes payable at a fixed time, whether on account of the amount of the share, or by way of premium, as if the same had become payable by virtue of a call duly made and notified.

36. The Directors may make arrangements on the issue of shares for a difference between the Members, or the particular shares, in the amount of calls to be paid and in the times of payment.

37. The Directors may, if they think fit, receive from any Member willing to advance the same all or any part of the monies uncalled and unpaid upon any shares held by him, and upon all or any of the monies so advanced may (until the same would, but for such advance, become presently payable) pay interest at such rate (not exceeding without the sanction of an Ordinary Resolution, eight percent per annum) as may be agreed upon between the Member paying the sum in advance and the Directors. No such sum paid in advance of calls shall entitle the Member paying such sum to any portion of a dividend declared in respect of any period prior to the date upon which such sum would, but for such payment, become presently payable.

FORFEITURE OF SHARES

38. If a Member fails to pay any call or instalment of a call on the day appointed for payment thereof, the Directors may, at any time thereafter during such time as any part of such call or instalment remains unpaid, serve a notice on him requiring payment of such much of the call or instalment as is unpaid, together with any interest which may have accrued.

39. The notice shall name a further day (not earlier than the expiration of 14 calendar days from the date of the notice) on or before which the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time appointed the shares in respect of which the call was made will be liable to be forfeited.

40. If the requirements of any such notice as aforesaid are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by notice has been made, be forfeited by a resolution of the Directors to that effect.

41. A forfeited share may be sold or otherwise disposed of on such terms and in such manner as the Directors think fit, and at any time before a sale or disposition the forfeiture may be cancelled on such terms as the Directors think fit.

42. A person whose shares have been forfeited shall cease to be a Member in respect of the forfeited shares, but shall, notwithstanding, remain liable to pay to the Company all monies which at the date of forfeiture were payable by him to the Company in respect of the shares, but his liability shall cease if and when the Company receives payment in full of the fully paid up amount of the shares.

43. A certificate in writing under the hand of a Director of the Company, which certifies that a share has been forfeited on a date stated in the certificate, shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the share. The Company may receive the consideration, if any, given for the share or any sale or disposition thereof and may execute a transfer of the share in favour of the person to whom the share is sold or disposed of and he shall thereupon be registered as the holder of the share, and shall not be bound to see to the application of the purchase money, if any, nor shall his title to the share be affected by any irregularity or invalidity in the proceedings in reference to the forfeiture, sale or disposal of the share.

44. The provisions of these Articles as to forfeiture shall apply in the case of non-payment of any sum which by the terms of issue of a share becomes due and payable, whether on account of the amount of the share, or by way of premium, as if the same had been payable by virtue of a call duly made and notified.

REGISTRATION OF EMPOWERING INSTRUMENTS

45. The Company shall be entitled to charge a fee not exceeding one dollar (US$1.00) on the registration of every probate, letters of administration, certificate of death or marriage, power of attorney, notice in lieu of distringas, or other instrument.

TRANSMISSION OF SHARES

46. The legal personal representative of a deceased sole holder of a share shall be the only person recognised by the Company as having any title to the share. In the case of a share registered in the name of two or more holders, the survivors or survivor, or the legal personal representatives of the deceased survivor, shall be the only person recognised by the Company as having any title to the share.

47. Any person becoming entitled to a share in consequence of the death or bankruptcy of a Member shall upon such evidence being produced as may from time to time be properly required by the Directors, have the right either to be registered as a Member in respect of the share or, instead of being registered himself, to make such transfer of the share as the deceased or bankrupt person could have made. If the person so becoming entitled shall elect to be registered himself as holder he shall deliver or send to the Company a notice in writing signed by him stating that he so elects.

48. A person becoming entitled to a share by reason of the death or bankruptcy of the holder shall be entitled to the same dividends and other advantages to which he would be entitled if he were the registered holder of the share, except that he shall not, before being registered as a Member in respect of the share, be entitled in respect of it to

exercise any right conferred by membership in relation to meetings of the Company, provided however, that the Directors may at any time give notice requiring any such person to elect either to be registered himself or to transfer the share, and if the notice is not complied with within 90 calendar days, the Directors may thereafter withhold payment of all dividends, bonuses or other monies payable in respect of the share until the requirements of the notice have been complied with.

ALTERATION OF CAPITAL

49. The Company may by Ordinary Resolution:

(a) increase the share capital by such sum, to be divided into shares of such classes and amount, as the resolution shall prescribe;

(b) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;

(c) sub-divide its existing shares or any of them into shares of a smaller amount provided that in the subdivision the proportion between the amount paid and the amount, if any, unpaid on each reduced share shall be the same as it was in case of the share from which the reduced share is derived;

(d) cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled.

50. Subject to the provisions of the Statutes and these Articles as regards to the matters to be dealt with by Ordinary Resolution, the Company may by Special Resolution reduce its share capital and any capital redemption reserve in any manner authorized by law.

51. All new shares created hereunder shall be subject to the same provisions with reference to the payment of calls, liens, transfer, transmission, forfeiture and otherwise as the shares in the original share capital.

CLOSING REGISTER OF MEMBERS OR FIXING RECORD DATE

52. For the purpose of determining those Members that are entitled to receive notice of, attend or vote at any meeting of Members or any adjournment thereof, or those Members that are entitled to receive payment of any dividend, or in order to make a determination as to who is a Member for any other purpose, the Directors may provide that the Register of Members shall be closed for transfers for a stated period but not to exceed in any case 30 calendar days. If the Register of Members shall be so closed for the purpose of determining those Members that are entitled to receive notice of, attend or vote at a meeting of Members such register shall be so closed for at least 10 calendar days immediately preceding such meeting and the record date for such determination shall be the date of the closure of the Register of Members.

53. In lieu of or apart from closing the Register of Members, the Directors may fix in advance a date as the record date for any such determination of those Members that are entitled to receive notice of, attend or vote at a meeting of the Members and for the purpose of determining those Members that are entitled to receive payment of any dividend, the Directors may, at or within 90 calendar days prior to the date of declaration of such dividend fix a subsequent date as the record date of such determination.

54. If the Register of Members is not so closed and no record date is fixed for the determination of those Members entitled to receive notice of, attend or vote at a meeting of Members or those Members that are entitled to receive payment of a dividend, the date on which notice of the meeting is posted or the date on which the resolution of the Directors declaring such dividend is adopted, as the case may be, shall be the record date for such determination of Members. When a determination of those Members that are entitled to receive notice of, attend or vote at a meeting of Members has been made as provided in this section, such determination shall apply to any adjournment thereof.

GENERAL MEETINGS

55. All general meetings of the Company other than annual general meetings shall be called extraordinary general meetings.

56. (a) The Company may hold an annual general meeting and shall specify the meeting as such in the notices calling it. The annual general meeting shall be held at such time and place as the Directors shall determine.

(b) At these meetings the report of the Directors (if any) shall be presented.

57. (a) The Directors may call general meetings, and they shall on a Members requisition forthwith proceed to convene an extraordinary general meeting of the Company.

(b) A Members requisition is a requisition of Members of the Company holding at the date of deposit of the requisition not less than one-third of the share capital of the Company as at that date carries the right of voting at general meetings of the Company.

(c) The requisition must state the objects of the meeting and must be signed by the requisitionists and deposited at the principal place of business of the Company (with a copy forwarded to the registered office), and may consist of several documents in like form each signed by one or more requisitionists.

(d) If the Directors do not within 21 calendar days from the date of the deposit of the requisition duly proceed to convene a general meeting to be held within a further 21 calendar days, the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves convene a general meeting, but any meeting so convened shall not be held after the expiration of three months after the expiration of the second said 21 calendar days.

(e) A general meeting convened as aforesaid by requisitionists shall be convened in the same manner as nearly as possible as that in which general meetings are to be convened by Directors.

NOTICE OF GENERAL MEETINGS

58. At least seven calendar days' notice shall be given for any general meeting. Every notice shall be exclusive of the day on which it is given or deemed to be given and of the day for which it is given and shall specify the place, the day and the hour of the meeting and the general nature of the business and shall be given in the manner hereinafter mentioned or in such other manner if any as may be prescribed by the Company, provided that a general meeting of the Company shall, whether or not the notice specified in this regulation has been given and whether or not the provisions of these Articles regarding general meetings have been complied with, be deemed to have been duly convened if it is so agreed:

    (a) in the case of an annual general meeting by all the Members (or their proxies) entitled to attend and vote thereat; and

    (b) in the case of an extraordinary general meeting by a majority in number of the Members (or their proxies) having a right to attend and vote at the meeting, being a majority together holding not less than ninety five percent in par value of the shares giving that right.

59. The accidental omission to give notice of a meeting to or the non-receipt of a notice of a meeting by any Member shall not invalidate the proceedings at any meeting.

PROCEEDINGS AT GENERAL MEETINGS

60. No business shall be transacted at any general meeting unless a quorum of Members is present at the time when the meeting proceeds to business. One or more Members holding not less than an aggregate of one-third of all voting share capital of the Company in issue present in person or by proxy and entitled to vote shall be a quorum for all purposes.

61. If provided for by the Company, a person may participate at a general meeting by conference telephone or other communications equipment by means of which all the persons participating in the meeting can communicate with each other. Participation by a person in a general meeting in this manner is treated as presence in person at that meeting.

62. If within half an hour from the time appointed for the meeting a quorum is not present, the meeting, if convened upon the requisition of Members, shall be dissolved. In any other case it shall stand adjourned to the same day in the next week, at the same time and place, and if at the adjourned meeting a quorum is not present within half an hour from the time appointed for the meeting, the meeting shall be dissolved.

63. The Chairman of the Board of Directors shall preside as chairman at every general meeting of the Company.

64. If at any meeting the Chairman of the Board of Directors is not present within fifteen minutes after the time appointed for holding the meeting or is unwilling to act as chairman, the Directors present shall elect one of their members to be chairman of the meeting, or, if no Director is so elected and willing to be chairman of the meeting, the Members present shall choose a chairman of the meeting.

65. The chairman may with the consent of any meeting at which a quorum is present (and shall if so directed by the meeting) adjourn a meeting from time to time and from place to place, but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place. When a meeting is adjourned for 10 calendar days or more, not less than 7 Business Days' notice of the adjourned meeting shall be given as in the case of an original meeting. Save as aforesaid it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.

66. At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands, unless a poll is (before or on the declaration of the result of the show of hands) demanded by one or more Members present in person or by proxy entitled to vote and who together hold not less than 10 percent of the paid up voting share capital of the Company, and unless a poll is so demanded, a declaration by the chairman that a resolution has, on a show of hands, been carried, or carried unanimously, or by a particular majority, or lost, and an entry to that effect in the book of the proceedings of the Company, shall be conclusive evidence of the fact, without proof of the number or proportion of the votes recorded in favour of, or against, that resolution.

67. If a poll is duly demanded it shall be taken in such manner as the chairman directs, and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. The demand for a poll may be withdrawn.

68. In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting at which the show of hands takes place or at which the poll is demanded, shall be entitled to a second or casting vote.

69. A poll demanded on the election of a chairman or on a question of adjournment shall be taken forthwith. A poll demanded on any other question shall be taken at such time as the chairman of the meeting directs.

VOTES OF MEMBERS

70. Subject to any rights and restrictions for the time being attached to any class or classes of shares, every Member present in person and every person representing a Member by proxy at a general meeting of the Company shall have one vote for each share registered in his name in the Register of Members.

71. In the case of joint holders the vote of the senior who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the joint holders and for this purpose seniority shall be determined by the order in which the names stand in the Register of Members.

72. A Member of unsound mind, or in respect of whom an order has been made by any court having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll, by his committee, or other person in the nature of a committee appointed by that court, and any such committee or other person, may on a poll, vote by proxy.

73. No Member shall be entitled to vote at any general meeting unless all calls or other sums presently payable by him in respect of shares in the Company have been paid.

74. On a poll, votes may be given either personally or by proxy.

75. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorized in writing or, if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorized. A proxy need not be a Member of the Company.

76. An instrument appointing a proxy may be in any usual or common form or such other form as the Directors may approve. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.

77. The instrument appointing a proxy shall be deposited at the registered office or at such other place as is specified for that purpose in the notice convening the meeting, or in any instrument of proxy sent out by the Company:

(a) not less than 48 hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote; or

(b) in the case of a poll taken more than 48 hours after it is demanded, be deposited as aforesaid after the poll has been demanded and not less than 24 hours before the time appointed for the taking of the poll; or

(c) where the poll is not taken forthwith but is taken not more than 48 hours after it was demanded, be delivered at the meeting at which the poll was demanded to the chairman or to the secretary or to any Director;

provided that the Directors may in the notice convening the meeting, or in an instrument of proxy sent out by the Company, direct that the instrument appointing a proxy may be deposited (no later than the time for holding the meeting or adjourned meeting) at the registered office or at such other place as is specified for that purpose in the notice convening the meeting, or in any instrument of proxy sent out by the Company. The chairman may in any event at his discretion direct that an instrument of proxy shall be deemed to have been duly deposited. An instrument of proxy that is not deposited in the manner permitted shall be invalid.

78. Votes given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or insanity of the principal or revocation of the proxy or of the authority under which the proxy was executed, or the transfer of the share in respect of which the proxy is given unless notice in writing of such death, insanity, revocation or transfer was received by the Company before the commencement of the general meeting, or adjourned meeting at which it is sought to use the proxy.

CORPORATIONS ACTING BY REPRESENTATIVES AT MEETING

79. Any corporation which is a Member may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at any meeting of the Company or of any class of Members, and the person so authorized shall be entitled to exercise the same powers on behalf of the corporation which he represents as that corporation could exercise if it were an individual Member.

CLEARING HOUSES

80. If a clearing house (or its nominee) is a Member of the Company it may, by resolution of its directors or other governing body or by power of attorney, authorise such person or persons as it thinks fit to act as its representative or representatives at any general meeting of the Company or at any general meeting of any class of Members of the Company provided that, if more than one person is so authorized, the authorisation shall specify the number and class of shares in respect of which each such person is so authorized. A person so authorized pursuant to this provision shall be entitled to exercise the same powers on behalf of the clearing house (or its nominee) which he represents as that clearing house (or its nominee) could exercise if it were an individual Member of the Company holding the number and class of shares specified in such authorisation.

DIRECTORS

81. (a) Unless otherwise determined by the Company in general meeting, the number of Directors shall not be less than one or more than ten Directors. The Directors shall be elected or appointed in the first place by the subscribers to the Memorandum of Association or by a majority of them and thereafter by the Members at general meeting.

(b) Each Director shall hold office until the expiration of his term and until his successor shall have been elected and qualified.

(c) The Board of Directors shall have a Chairman (the "Chairman") elected and appointed by a majority of the Directors then in office. The Directors may also elect a Co-Chairman or a Vice-Chairman of the Board of Directors (the "Co-Chairman"). The Chairman shall preside as chairman at every meeting of the Board of Directors. To the extent the Chairman is not present at a meeting of the Board of Directors, the Co-Chairman, or in his absence, the attending Directors may choose one Director to be the chairman of the meeting. The Chairman's voting right as to the matters to be decided by the Board of Directors shall be the same as other Directors.

(d) The Company may by Ordinary Resolution elect any person to be a Director either to fill a casual vacancy on the Board or as an addition to the existing Board.

(e) The Directors by the affirmative vote of a simple majority of the remaining Directors present and voting at a Board meeting, or the sole remaining Director, shall have the power from time to time and at any time to appoint any person nominated by a unanimous decision of the nominating committee of the Board to serve as a Director to fill a casual vacancy on the Board or as an addition to the existing Board, subject to the Company's compliance with director nomination procedures required under applicable corporate governance rules of the Designated Stock Exchange, as long as the Company's securities are traded on the Designated Stock Exchange.

82. Subject to Article 81, a Director may be removed from office by Ordinary Resolution or by the Board at any time before the expiration of his term.

83. A vacancy on the Board created by the removal of a Director under the provisions of Article 82 above may be filled by the election or appointment by Ordinary Resolution at the meeting at which such Director is removed or by the affirmative vote of a simple majority of the remaining Directors present and voting at a Board meeting, provided that any such individual appointed to fill such vacancy has been nominated by a unanimous decision of the nominating committee of the Board.

84. The Board may, from time to time, and except as required by applicable law or the listing rules of the Designated Stock Exchange where the Company's securities are traded, adopt, institute, amend, modify or revoke the corporate governance policies or initiatives, which shall be intended to set forth the policies of the Company and the Board on various corporate governance related matters as the Board shall determine by resolution from time to time.

85. A Director shall not be required to hold any shares in the Company by way of qualification. A Director who is not a Member of the Company shall nevertheless be entitled to receive notice of and to attend and speak at general meetings of the Company and all classes of shares of the Company.

DIRECTORS' FEES AND EXPENSES

86. The Directors may receive such remuneration as the Board may from time to time determine. The Directors may be entitled to be repaid all travelling, hotel and incidental expenses reasonably incurred or expected to be incurred by him in attending meetings of the Board or committees of the Board or general meetings or separate meetings of any class of shares or of debentures of the Company or otherwise in connection with the discharge of his duties as a Director.

87. Any Director who, by request, goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine and such extra remuneration shall be in addition to or in substitution for any ordinary remuneration provided for by or pursuant to any other Article.

ALTERNATE DIRECTOR

88. Any Director may in writing appoint another person to be his alternate to act in his place at any meeting of the Directors at which he is unable to be present. Every such alternate shall be entitled to notice of meetings of the Directors and to attend and vote thereat as a Director when the person appointing him is not personally present and, where he is a Director, to have a separate vote on behalf of the Director he is representing in addition to his own vote. A Director may at any time in writing revoke the appointment of an alternate appointed by him. Such alternate shall be deemed for all purposes to be a Director and shall not be deemed to be the agent of the Director appointing him. An alternate Director shall cease to be an alternate Director if his appointor ceases to be a Director.

89. Any Director may appoint any person, whether or not a Director, to be the proxy of that Director to attend and vote on his behalf, in accordance with instructions given by that Director, or in the absence of such instructions at the discretion of the proxy, at a

meeting or meetings of the Directors which that Director is unable to attend personally. The instrument appointing the proxy shall be in writing under the hand of the appointing Director and shall be in any usual or common form or such other form as the Directors may approve, and must be lodged with the chairman of the meeting at which such proxy is to be used, or first used, prior to the commencement of the meeting.

POWERS AND DUTIES OF DIRECTORS

90. Subject to the provisions of the Companies Law, these Articles and to any resolutions made in a general meeting, the business of the Company shall be managed by the Directors, who may pay all expenses incurred in setting up and registering the Company and may exercise all powers of the Company. No resolution made by the Company in a general meeting shall invalidate any prior act of the Directors that would have been valid if that resolution had not been made.

91. Subject to these Articles, the Directors may from time to time appoint any person, whether or not a Director of the Company, to hold such office in the Company as the Directors may think necessary for the administration of the Company, including without prejudice to the foregoing generality, the office of the Chief Executive Officer, Chief Operating Officer, Chief Technology Officer, Chief Financial Officer, one or more Vice Presidents, Manager or Controller, and for such term and at such remuneration (whether by way of salary or commission or participation in profits or partly in one way and partly in another), and with such powers and duties as the Directors may think fit. The Directors may also appoint one or more of their body (but not an alternate Director) to the office of Managing Director upon like terms, but any such appointment shall ipso facto determine if any Managing Director ceases from any cause to be a Director, or if the Company by Ordinary Resolution resolves that his tenure of office be terminated.

92. The Directors may delegate any of their powers to committees consisting of such member or members of their body as they think fit; any committee so formed shall in the exercise of the powers so delegated conform to any regulations that may be imposed on it by the Directors.

93. The Directors may from time to time and at any time by power of attorney appoint any company, firm or person or body of persons, whether nominated directly or indirectly by the Directors, to be the attorney or attorneys of the Company for such purposes and with such powers, authorities and discretion (not exceeding those vested in or exercisable by the Directors under these Articles) and for such period and subject to such conditions as they may think fit, and any such power of attorney may contain such provisions for the protection and convenience of persons dealing with any such attorney as the Directors may think fit, and may also authorise any such attorney to delegate all or any of the powers, authorities and discretion vested in him.

94. The Directors may from time to time provide for the management of the affairs of the Company in such manner as they shall think fit and the provisions contained in the following paragraphs shall be without prejudice to the general powers conferred by this paragraph.

95. The Directors from time to time and at any time may establish any committees, local boards or agencies for managing any of the affairs of the Company and may appoint any persons to be members of such committees or local boards and may appoint any managers or agents of the Company and may fix the remuneration of any of the aforesaid.

96. The Directors from time to time and at any time may delegate to any such committee, local board, manager or agent any of the powers, authorities and discretions for the time being vested in the Directors and may authorise the members for the time being of any such local board, or any of them to fill up any vacancies therein and to act notwithstanding vacancies and any such appointment or delegation may be made on such terms and subject to such conditions as the Directors may think fit and the Directors may at any time remove any person so appointed and may annul or vary any such delegation, but no person dealing in good faith and without notice of any such annulment or variation shall be affected thereby.

97. Any such delegates as aforesaid may be authorised by the Directors to sub-delegate all or any of the powers, authorities, and discretions for the time being vested to them.

98. The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital or any part thereof, to issue debentures, debenture stock and other securities whenever money is borrowed or as security for any debt, liability or obligation of the Company or of any third party.

DISQUALIFICATION OF DIRECTORS

99. Notwithstanding anything in these Articles, the office of Director shall be vacated, if the Director:

(a) dies, becomes bankrupt or makes any arrangement or composition with his creditors;

(b) is found to be or becomes of unsound mind;

(c) resigns his office by notice in writing to the Company; or

(d) shall be removed from office pursuant to Articles 81 or 82 or the Statutes.

PROCEEDINGS OF DIRECTORS

100. The Directors may meet together (whether within or outside the Cayman Islands) for the dispatch of business, adjourn, and otherwise regulate their meetings and proceedings as they think fit.

101. A Board meeting may be called by a Director by giving notice in writing to the Board specifying a date, time and agenda for such meeting. The Board shall upon receipt of such notice give a copy of such notice of such meeting to all Directors and their respective alternates (if any).

102. (a) At least one (1) Business Day notice shall be given to all Directors and their respective alternates (if any) for a Board meeting, provided that such notice period may be reduced or waived with the consent of all the Directors or their respective alternates (if any).

(b) An agenda identifying in reasonable detail the issues to be considered by the Directors at any such meeting and copies (in printed or electronic form) of any relevant papers to be discussed at the meeting together with all relevant information shall be provided to and received by all Directors and their alternates (if any) at least one (1) Business Day prior to the date for such meeting. The agenda for each meeting shall include any matter submitted to the Company by any Director at least one (1) Business Day prior to the date for such meeting.

(c) Unless approved by all Directors (whether or not present or represented at such meeting), matters not set out in the agenda need not be considered at a Board meeting.

103. A Director or Directors may participate in any meeting of the Board of Directors, or of any committee appointed by the Board of Directors of which such Director or Directors are members, by means of conference telephone, video conference or similar communication equipment by way of which all persons participating in such meeting can hear each other and such participation shall be deemed to constitute presence in person at the meeting.

104. The quorum necessary for the transaction of the business of the Directors may be fixed by the Directors and unless so fixed shall be a majority of the Directors then in office, provided that a Director and his appointed alternate Director shall be considered only one person for this purpose**.**

105. If a quorum is not present at a Board meeting within thirty (30) minutes following the time appointed for such Board meeting, the relevant meeting shall be adjourned for a period of at least three (3) Business Days and the presence of any three (3) Directors shall constitute a quorum at such adjourned meeting. A meeting of the Directors at which a quorum is present when the meeting proceeds to business shall be competent to exercise all powers and discretions for the time being exercisable by the Directors.

106. Questions arising at any meeting of the Directors shall be decided by a majority of votes and each Director shall be entitled to one (1) vote in deciding matters deliberated at any meeting of the Directors.

107. A Director who is in any way, whether directly or indirectly, interested in a contract or proposed contract with the Company shall declare the nature of his interest at a meeting of the Directors. A general notice given to the Directors by any Director to the effect that he is a member of any specified company or firm and is to be regarded as interested in any contract which may thereafter be made with that company or firm shall be deemed a sufficient declaration of interest in regard to any contract so made. A Director may vote in respect of any contract or proposed contract or arrangement notwithstanding that he may be interested therein and if he does so his vote shall be counted and he may be counted in the quorum at any meeting of the Directors at which any such contract or proposed contract or arrangement shall come before the meeting for consideration.

108. A Director may hold any other office or place of profit under the Company (other than the office of auditor) in conjunction with his office of Director for such period and on such terms (as to remuneration and otherwise) as the Directors may determine and no Director or intending Director shall be disqualified by his office from contracting with the Company either with regard to his tenure of any such other office or place of profit or as

vendor, purchaser or otherwise, nor shall any such contract or arrangement entered into by or on behalf of the Company in which any Director is in any way interested, be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason of such Director holding that office or of the fiduciary relation thereby established. A Director, notwithstanding his interest, may be counted in the quorum present at any meeting whereat he or any other Director is appointed to hold any such office or place of profit under the Company or whereat the terms of any such appointment are arranged and he may vote on any such appointment or arrangement.

109. Any Director may act by himself or his firm in a professional capacity for the Company, and he or his firm shall be entitled to remuneration for professional services as if he were not a Director; provided that nothing herein contained shall authorise a Director or his firm to act as auditor to the Company.

110. The Directors shall cause minutes to be made in books or loose-leaf folders provided for the purpose of recording:

    (a) all appointments of officers made by the Directors;

    (b) the names of the Directors present at each meeting of the Directors and of any committee of the Directors; and

    (c) all resolutions and proceedings at all meetings of the Company, and of the Directors and of committees of Directors.

111. When the chairman of a meeting of the Directors signs the minutes of such meeting, the same shall be deemed to have been duly held notwithstanding that all the Directors have not actually come together or that there may have been a technical defect in the proceedings.

112. A resolution signed by all the Directors shall be as valid and effectual as if it had been passed at a meeting of the Directors duly called and constituted and when signed, a resolution may consist of several documents each signed by one or more of the Directors.

113. The continuing Directors may act, notwithstanding any vacancy in their body, but if their number is reduced below the number fixed pursuant to these Articles as the necessary quorum of Directors, then the continuing Directors may act only to increase the number or to summon a general meeting of the Company, but for no other purpose.

114. A committee appointed by the Directors may elect a chairman of its meetings. If no such chairman is elected, or if at any meeting the chairman is not present within five minutes after the time appointed for holding the same, the members present may choose one of their number to be chairman of the meeting.

115. A committee appointed by the Directors may meet and adjourn as it thinks proper. Questions arising at any meeting shall be determined by a majority of votes of the committee members present and in case of an equality of votes the chairman shall have a second or casting vote.

116. All acts done by any meeting of the Directors or of a committee of Directors, or by any person acting as a Director, shall notwithstanding that it be afterwards discovered that there was some defect in the appointment of any such Director or person acting as aforesaid, or that they or any of them were disqualified, be as valid as if every such person had been duly appointed and was qualified to be a Director.

PRESUMPTION OF ASSENT

117. A Director who is present at a meeting of the Board of Directors at which action on any Company matter is taken shall be presumed to have assented to the action taken unless his dissent shall be entered in the minutes of the meeting or unless he shall file his written dissent from such action with the person acting as the chairman or secretary of the meeting before the adjournment thereof or shall forward such dissent by registered post to such person immediately after the adjournment of the meeting. Such right to dissent shall not apply to a Director who voted in favour of such action.

DIVIDENDS, DISTRIBUTIONS AND RESERVE

118. Subject to any rights and restrictions for the time being attached to any class or classes of shares and these Articles, the Directors may from time to time declare dividends (including interim dividends) and other distributions on shares in issue and authorise payment of the same out of the funds of the Company lawfully available therefor.

119. Subject to any rights and restrictions for the time being attached to any class or classes of shares and these Articles, the Company by Ordinary Resolution may declare dividends, but no dividend shall exceed the amount recommended by the Directors.

120. The Directors may, before recommending or declaring any dividend, set aside out of the funds legally available for distribution such sums as they think proper as a reserve or reserves which shall, at the discretion of the Directors, be applicable for meeting contingencies, or for equalising dividends or for any other purpose to which those funds may be properly applied and pending such application may, at the like discretion, either be employed in the business of the Company or be invested in such investments (other than shares of the Company) as the Directors may from time to time think fit.

121. Any dividend may be paid by cheque or wire transfer to the registered address of the Member or person entitled thereto, or in the case of joint holders, to any one of such joint holders at his registered address or to such person and such address as the Member or person entitled, or such joint holders as the case may be, may direct. Every such cheque shall be made payable to the order of the person to whom it is sent or to the order of such other person as the Member or person entitled, or such joint holders as the case may be, may direct.

122. The Directors when paying dividends to the Members in accordance with the foregoing provisions may make such payment either in cash or in specie.

123. No dividend shall be paid otherwise than out of profits or, subject to the restrictions of the Companies Law, the share premium account.

124. Subject to the rights of persons, if any, entitled to shares with special rights as to dividends, all dividends shall be declared and paid according to the amounts paid or

credited as fully paid on the shares, but if and so long as nothing is paid up on any of the shares in the Company dividends may be declared and paid according to the amounts of the shares. No amount paid on a share in advance of calls shall, while carrying interest, be treated for the purposes of this Article as paid on the share.

125. If several persons are registered as joint holders of any share, any of them may give effectual receipts for any dividend or other monies payable on or in respect of the share.

126. Any dividend unclaimed after a period of six years from the date of declaration of such dividend may be forfeited by the Board of Directors and, if so forfeited, shall revert to the Company.

127. No dividend shall bear interest against the Company.

BOOK OF ACCOUNTS

128. The books of account relating to the Company's affairs shall be kept in such manner as may be determined from time to time by the Directors.

129. The books of account shall be kept at such place or places as the Directors think fit, and shall always be open to the inspection of the Directors.

130. The Directors shall from time to time determine whether and to what extent and at what times and places and under what conditions or regulations the accounts and books of the Company or any of them shall be open to the inspection of Members not being Directors, and no Member (not being a Director) shall have any right of inspecting any account or book or document of the Company except as conferred by law or authorized by the Directors or by the Company by Ordinary Resolution.

131. Subject to the requirements of applicable law and the listing rules of the Designated Stock Exchange, the accounts relating to the Company's affairs shall be audited in such manner and with such financial year end as may be determined from time to time by the Company by Ordinary Resolution or failing any such determination by the Directors or failing any determination as aforesaid shall not be audited.

ANNUAL RETURNS AND FILINGS

132. The Board shall make the requisite annual returns and any other requisite filings in accordance with the Companies Law.

AUDIT

133. The Directors may appoint an Auditor of the Company who shall hold office until removed from office by a resolution of the Directors and may fix his or their remuneration.

134. Every Auditor of the Company shall have a right of access at all times to the books and accounts and vouchers of the Company and shall be entitled to require from the Directors and officers of the Company such information and explanation as may be necessary for the performance of the duties of the auditors.

135. Auditors shall, if so required by the Directors, make a report on the accounts of the Company during their tenure of office at the next annual general meeting following their appointment in the case of a company which is registered with the Registrar of Companies as an ordinary company, and at the next special meeting following their appointment in the case of a company which is registered with the Registrar of Companies as an exempted company, and at any time during their term of office, upon request of the Directors at any general meeting of the Members.

THE SEAL

136. The Seal of the Company shall not be affixed to any instrument except by the authority of a resolution of the Board of Directors provided always that such authority may be given prior to or after the affixing of the Seal and if given after may be in general form confirming a number of affixings of the Seal. The Seal shall be affixed in the presence of any one or more persons as the Directors may appoint for the purpose and every person as aforesaid shall sign every instrument to which the Seal of the Company is so affixed in their presence.

137. The Company may maintain a facsimile of its Seal in such countries or places as the Directors may appoint and such facsimile Seal shall not be affixed to any instrument except by the authority of a resolution of the Board of Directors provided always that such authority may be given prior to or after the affixing of such facsimile Seal and if given after may be in general form confirming a number of affixings of such facsimile Seal. The facsimile Seal shall be affixed in the presence of such person or persons as the Directors shall for this purpose appoint, and such person or persons as aforesaid shall sign every instrument to which the facsimile Seal of the Company is so affixed in their presence.

138. Notwithstanding the foregoing, a Director shall have the authority to affix the Seal, or the facsimile Seal, to any instrument for the purposes of attesting authenticity of the matter contained therein but which does not create any obligation binding on the Company.

OFFICERS

139. Subject to Article 91, the Company may have Chief Executive Officer, Chief Operating Officer, Chief Technology Officer, Chief Financial Officer, Company Secretary one or more Vice Presidents, Manager or Controller, appointed by the Directors. The Directors may also from time to time appoint such other officers as they consider necessary, all for such terms, at such remuneration and to perform such duties, and subject to such provisions as to disqualification and removal as the Directors from time to time subscribe.

CAPITALISATION OF PROFITS

140. Subject to the Statutes and these Articles, the Board may, with the authority of an Ordinary Resolution:

    (a) resolve to capitalise an amount standing to the credit of reserves (including a share premium account, capital redemption reserve and profit and loss account), whether or not available for distribution;

(b) appropriate the sum resolved to be capitalised to the Members in proportion to the nominal amount of shares (whether or not fully paid) held by them respectively and apply that sum on their behalf in or towards:

(i) paying up the amounts (if any) for the time being unpaid on shares held by them respectively; or

(ii) paying up in full unissued shares or debentures of a nominal amount equal to that sum,

and allot the shares or debentures, credited as fully paid, to the Members (or as they may direct) in those proportions, or partly in one way and partly in the other, but the share premium account, the capital redemption reserve and profits which are not available for distribution may, for the purposes of this Article, only be applied in paying up unissued shares to be allotted to Members credited as fully paid;

(c) make any arrangements it thinks fit to resolve a difficulty arising in the distribution of a capitalised reserve and in particular, without limitation, where shares or debentures become distributable in fractions the Board may deal with the fractions as it thinks fit;

(d) authorise a person to enter (on behalf of all the Members concerned) an agreement with the Company providing for either:

(i) the allotment to the Members respectively, credited as fully paid, of shares or debentures to which they may be entitled on the capitalisation, or

(ii) the payment by the Company on behalf of the Members (by the application of their respective operations of the reserves resolved to be capitalised) of the amounts or part of the amounts remaining unpaid on their existing shares,

an agreement made under the authority being effective and binding on all those Members; and

(e) generally do all acts and things required to give effect to the resolution.

NOTICES

141. Except as otherwise provided in these Articles, any notice or document may be served by the Company or by the person entitled to give notice to any Member either personally, by facsimile or by sending it through the post in a prepaid letter or via a recognised courier service, fees prepaid, addressed to the Member at his address as appearing in the Register of Members or, to the extent permitted by all applicable laws and regulations, by electronic means by transmitting it to any electronic number or address or website supplied by the Member to the Company or by placing it on the Company's Website. In the case of joint holders of a share, all notices shall be given to that one of the joint holders whose name stands first in the Register of Members in respect of the joint holding, and notice so given shall be sufficient notice to all the joint holders.

142. Notices posted to addresses outside the Cayman Islands shall be forwarded by prepaid airmail.

143. Any Member present, either personally or by proxy, at any meeting of the Company shall for all purposes be deemed to have received due notice of such meeting and, where requisite, of the purposes for which such meeting was convened.

144. Any notice or other document, if served by:

(a) post, shall be deemed to have been served five calendar days after the time when the letter containing the same is posted (in proving such service it shall be sufficient to prove that the letter containing the notice or document was properly addressed and duly posted);

(b) facsimile, shall be deemed to have been served upon confirmation of receipt;

(c) recognised courier service, shall be deemed to have been served 48 hours after the time when the letter containing the same is delivered to the courier service and in proving such service it shall be sufficient to prove that the letter containing the notice or documents was properly addressed and duly delivered to the courier; or

(d) electronic means as provided herein shall be deemed to have been served and delivered on the day following that on which it is successfully transmitted or at such later time as may be prescribed by any applicable laws or regulations.

145. Any notice or document delivered or sent to any Member in accordance with the terms of these Articles shall notwithstanding that such Member be then dead or bankrupt, and whether or not the Company has notice of his death or bankruptcy, be deemed to have been duly served in respect of any share registered in the name of such Member as sole or joint holder, unless his name shall at the time of the service of the notice or document, have been removed from the Register of Members as the holder of the share, and such service shall for all purposes be deemed a sufficient service of such notice or document on all persons interested (whether jointly with or as claiming through or under him) in the share.

146. Notice of every general meeting shall be given to:

(a) all Members who have supplied to the Company an address for the giving of notices to them;

(b) every person entitled to a share in consequence of the death or bankruptcy of a Member, who but for his death or bankruptcy would be entitled to receive notice of the meeting; and

(c) each Director and Alternate Director.

No other person shall be entitled to receive notices of general meetings.

INFORMATION

147. No Member shall be entitled to require discovery of any information in respect of any detail of the Company's trading or any information which is or may be in the nature of a trade secret or secret process which may relate to the conduct of the business of the Company and which in the opinion of the Board would not be in the interests of the Members of the Company to communicate to the public.

148. The Board shall be entitled to release or disclose any information in its possession, custody or control regarding the Company or its affairs to any of its members including, without limitation, information contained in the Register of Members and transfer books of the Company.

INDEMNITY

149. Every Director (including for the purposes of this Article any Alternate Director appointed pursuant to the provisions of these Articles) and officer of the Company for the time being and from time to time shall be indemnified and secured harmless out of the assets and funds of the Company against all actions, proceedings, costs, charges, expenses, losses, damages or liabilities incurred or sustained by him in connection with the execution or discharge of his duties, powers, authorities or discretions as a Director or officer of the Company, including without prejudice to the generality of the foregoing, any costs, expenses, losses or liabilities incurred by him in defending (whether successfully or otherwise) any civil proceedings concerning the Company or its affairs in any court whether in the Cayman Islands or elsewhere.

150. No such Director or officer of the Company shall be liable to the Company for any loss or damage unless such liability arises through the willful neglect or default of such Director or officer.

FINANCIAL YEAR

151. Unless the Directors otherwise prescribe, the financial year of the Company shall end on December 31st in each year and shall begin on January 1st in each year.

WINDING UP

152. Subject to these Articles, if the Company shall be wound up the liquidator may, with the sanction of an Ordinary Resolution of the Company, divide amongst the Members in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may for such purpose set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the Members or different classes of Members. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the contributories as the liquidator, with the like sanction shall think fit, but so that no Member shall be compelled to accept any shares or other securities whereon there is any liability.

AMENDMENT OF MEMORANDUM AND ARTICLES OF ASSOCIATION AND NAME OF COMPANY

153. The Company may at any time and from time to time by Special Resolution alter or amend these Articles or the Memorandum of Association of the Company, in whole or in part, or change the name of the Company.

REGISTRATION BY WAY OF CONTINUATION

154. The Company may by Special Resolution resolve to be registered by way of continuation in a jurisdiction outside the Cayman Islands or such other jurisdiction in which it is for the time being incorporated, registered or existing. In furtherance of a resolution adopted pursuant to this Article, the Directors may cause an application to be made to the Registrar of Companies to deregister the Company in the Cayman Islands or such other jurisdiction in which it is for the time being incorporated, registered or existing and may cause all such further steps as they consider appropriate to be taken to effect the transfer by way of continuation of the Company.

THIRD AMENDED AND RESTATED SHAREHOLDERS AGREEMENT

THIS THIRD AMENDED AND RESTATED SHAREHOLDERS AGREEMENT (this "Agreement") is entered into on June 26, 2017 (the "Effective Date"), by and among

1. Zai Lab Limited, an exempted company organized under the laws of the Cayman Islands (the "Company");
2. Zai Lab (Hong Kong) Limited (再創醫藥(香港)有限公司), a company limited by shares incorporated under the laws of Hong Kong (the "Holdco Subsidiary");
3. 再鼎医药（上海）有限公司 (Zai Lab (Shanghai) Co., Ltd.), a foreign invested commercial enterprise incorporated under the Laws of the PRC (the "WFOE");
4. 再鼎医药（苏州）有限公司 (Zai Lab (Suzhou) Co., Ltd.), a wholly foreign owned enterprise incorporated under the Laws of the PRC Zai Suzhou (the "Suzhou Co");
5. Zai Lab (Aust) Pty Ltd, a company limited by shares incorporated under the Laws of Australia (the "Aus Co");
6. Zai Lab (US) LLC, a limited liability company incorporated under the laws of the State of Delaware (the "US Co");
7. ZLIP Holding Limited, a company organized under the laws of the Cayman Islands ("ZLIP");
8. ZL Capital Limited, a company limited by shares incorporated under the laws of British Virgin Islands ("ZLCL");
9. ZL China Holding Two Limited, a company limited by shares incorporated under the laws of Hong Kong ("ZL China");
10. each of the Persons listed on Schedule A-1 attached hereto (each such Person, a "Principal" and, collectively, the "Principals");
11. each of the Persons listed on Schedule A-2 attached hereto (each such Person, a "Key Holder" and, collectively, the "Key Holders");
12. each of the Persons named on Schedule A-3 hereto (each, a "Series A Investor");
13. each of the Persons named on Schedule A-4 hereto (each, a "Series B Investor");
14. each of the Persons named on Schedule A-5 hereto (each, a "Series C Investor" and, together with the Series A Investors and Series B Investors, collectively, the "Investors"); and
15. each of the Persons named on Schedule A-6 hereto (each, a "One Percent Holders").

Each of the parties to this Agreement is referred to herein individually as a "Party" and collectively as the "Parties". Capitalized terms used herein without definition shall have the meanings set forth in the Subscription Agreement (as defined below).

RECITALS

A The Company owns 100% of the equity of the Holdco Subsidiary, which holds an interest in 100% of the registered capital of the WFOE.

B The Group is engaged in the business of researching, developing and commercializing innovative medicine and other related pharmaceutical products and engaging in other activities ancillary thereto (the "Business"). The Company seeks expansion capital to grow the Business and, correspondingly, seeks to secure an investment from the Series C Investors, on the terms and conditions set forth in the Subscription Agreement (as defined below).

C The Series A Investors have subscribed for and purchased from the Company, and the Company has issued and sold to the Series A Investors, certain Series A Preferred Shares (as defined below) of the Company on the terms and conditions set forth in the Series A Preferred Share Subscription Agreement, dated July 21, 2014, by and among the Company, the Series A Investors (including the Additional Investors (as defined therein) who joined such agreement by executing a joinder agreement) and certain other parties thereto, as amended from time to time.

D The Series B Investors have subscribed for and purchased from the Company, and the Company has issued and sold to the Series B Investors, certain Series B Preferred Shares (as defined below) of the Company on the terms and conditions set forth in the Series B Preferred Share Subscription Agreement dated January 7, 2016 by and among the Company, the Series B Investors and certain other parties thereto.

E The Company, the Holdco Subsidiary, the WFOE, certain Principals, the Key Holders, the Series A Investors, the Series B Investors and certain other Person are parties to the Second Amended and Restated Shareholders Agreement dated January 20, 2016, as amended from time to time (the "Prior Shareholders Agreement").

F The Series C Investors have agreed to subscribe for and purchase from the Company, and the Company has agreed to issue and sell to the Series C Investors, certain Series C Preferred Shares (as defined below) of the Company on the terms and conditions set forth in the Series C Preferred Share Subscription Agreement dated June 26, 2017 by and among the Company, the Series C Investors and certain other parties thereto (the "Subscription Agreement"). A capitalization table of the Company's outstanding share capital at the time of the execution of this Agreement is set forth in Schedule B attached hereto.

G The Subscription Agreement provides that the execution and delivery of this Agreement shall be a condition precedent to the consummation of the Closing (as defined in the Subscription Agreement).

H The Parties desire to enter into this Agreement and make the respective representations, warranties, covenants and agreements set forth herein on the terms and conditions set forth herein.

WITNESSETH

NOW, THEREFORE, in consideration of the foregoing recitals, the mutual promises

hereinafter set forth, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties intending to be legally bound hereto hereby amend and restate the Prior Shareholders Agreement in its entirety as of the Effective Date as follows:

1. Definitions.

1.1 The following terms shall have the meanings ascribed to them below:

"Accounting Standards" means generally accepted accounting principles in the U.S., applied on a consistent basis.

"Affiliate" means, with respect to a Person, any other Person that, directly or indirectly, Controls, is Controlled by or is under common Control with such Person. In the case of an Investor, the term "Affiliate" also includes (x) any shareholder of the Investor, (y) any of such shareholder's or Investor's general partners or limited partners and (z) the fund manager managing such shareholder or Investor (and general partners, limited partners and officers thereof) and other funds managed by such fund manager.

Notwithstanding the foregoing, the Parties acknowledge and agree that (a) the names of Sequoia and/or its Affiliates (including "Sequoia Capital") are commonly used to describe a variety of entities affiliated with Sequoia (collectively, the "Sequoia Entities") and are affiliated by ownership or operational relationship and engaged in a broad range of activities related to investing and securities trading and (b) notwithstanding any other provision of this Agreement to the contrary, this Agreement shall not be binding on, or restrict the activities of, any Sequoia Entity outside of the Sequoia China Sector Group or Sequoia Entity primarily engaged in investment and trading in the secondary securities market. For purposes of the foregoing, the "Sequoia China Sector Group" means all Sequoia Entities (whether currently existing or formed in the future) that are principally focused on companies located in, or with connections to, the PRC. For the avoidance of doubt, Sequoia is (x) within the meaning of the Sequoia China Sector Group and (y) not primarily engaged in investment and trading in the secondary securities market.

"Applicable Securities Laws" means (i) with respect to any offering of securities in the United States, or any other act or omission within that jurisdiction, the securities laws of the United States, including the Exchange Act and the Securities Act, and any applicable Law of any state of the United States, and (ii) with respect to any offering of securities in any jurisdiction other than the United States, or any related act or omission in that jurisdiction, the applicable Laws of that jurisdiction.

"Associate" means, with respect to any Person, (1) a corporation or organization (other than the Group Companies) of which such Person is a director, officer or partner or is, directly or indirectly, the record or beneficial owner of ten percent (10%) or more of any class of Equity Securities of such corporation or organization, (2) any trust or other estate in which such Person has a substantial beneficial interest or as to which such Person serves as trustee or in a similar capacity, or (3) any parent, sibling, child or spouse of such Person.

"Auditor" means the Person for the time being performing the duties of auditor of the Company (if any), who shall be one of the "Big Four" international accounting firms or such other reputable auditor as approved by the Board (including the affirmative vote of the Qiming Director).

"Board" or "Board of Directors" means the board of directors of the Company.

"Business Day" means any day that is not a Saturday, Sunday, legal holiday or other day on which commercial banks are required or authorized by law to be closed in the PRC or the Cayman Islands.

"CFC" means a controlled foreign corporation as defined in the Code.

"Charter Documents" means, with respect to a particular legal entity, the articles or certificate of incorporation, formation or registration (including, if applicable, certificates of change of name), memorandum of association, articles of association, bylaws, articles of organization, limited liability company agreement, trust deed, trust instrument, operating agreement, joint venture agreement, business license, or similar or other constitutive, governing, or charter documents, or equivalent documents, of such entity.

"Code" means the United States Internal Revenue Code of 1986, as amended.

"Commission" means (i) with respect to any offering of securities in the United States, the Securities and Exchange Commission of the United States or any other federal agency at the time administering the Securities Act, and (ii) with respect to any offering of securities in a jurisdiction other than the United States, the regulatory body of the jurisdiction with authority to supervise and regulate the offering or sale of securities in that jurisdiction.

"Consent" means any consent, approval, authorization, waiver, permit, grant, franchise, concession, agreement, license, exemption or order of, registration, certificate, declaration or filing with, or report or notice to, any Person, including any Governmental Authority.

"Contract" means a contract, agreement, indenture, note, bond, loan, instrument, lease, mortgage, franchise, license, commitment, purchase order, and other legally binding arrangement, whether written or oral.

"Control" of a given Person means the power or authority, whether exercised or not, to direct the business, management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by Contract or otherwise; provided, that such power or authority shall conclusively be presumed to exist upon possession of beneficial ownership or power to direct the vote of more than fifty percent (50%) of the votes entitled to be cast at a meeting of the members or shareholders of such Person or power to control the composition of a majority of the board of directors of such Person. The terms "Controlled" and "Controlling" have meanings correlative to the foregoing.

"Covered Person" has the meaning set forth in the Memorandum and Articles.

"Deemed Liquidation Event" means any of the following events: (i) any consolidation, amalgamation, scheme of arrangement or merger of the Company with or into any other Person or other reorganization in which the shareholders of the Company immediately prior to such consolidation, amalgamation, merger, scheme of arrangement or reorganization own less than fifty percent (50%) of the Company's voting power in the aggregate immediately after such consolidation, merger, amalgamation, scheme of arrangement or reorganization, or any transaction or series of related transactions in which in excess of fifty percent (50%) of the Company's voting power is transferred; (ii) a sale, transfer, lease or other disposition of all or substantially all of the assets of the Group Companies, taken as a whole (or any series of related

transactions resulting in such sale, transfer, lease or other disposition of all or substantially all of the assets of the Group Companies, taken as a whole); or (iii) the exclusive licensing of all or substantially all of the Group Companies' Intellectual Property, taken as a whole, to a third party.

"Director" means a director serving on the Board.

"Equity Securities" means, with respect to any Person that is a legal entity, any and all shares of capital stock, membership interests, units, profits interests, ownership interests, equity interests, registered capital, and other equity securities of such Person, and any right, warrant, option, call, commitment, conversion privilege, preemptive right or other right to acquire any of the foregoing, or security convertible into, exchangeable or exercisable for any of the foregoing.

"Exchange Act" means the United States Securities Exchange Act of 1934, as amended.

"Form F-3" means Form F-3 promulgated by the Commission under the Securities Act or any successor form or substantially similar form then in effect.

"Form S-3" means Form S-3 promulgated by the Commission under the Securities Act or any successor form or substantially similar form then in effect.

"Governmental Authority" means any government of any nation or any federation, province or state or any other political subdivision thereof, any entity, authority or body exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, including any governmental authority, agency, department, board, commission or instrumentality of the PRC or any other country, or any political subdivision thereof, any court, tribunal or arbitrator, and any self-regulatory organization.

"Governmental Order" means any applicable order, ruling, decision, verdict, decree, writ, subpoena, mandate, precept, command, directive, consent, approval, award, judgment, injunction or other similar determination or finding by, before or under the supervision of any Governmental Authority.

"Group Company" means each of the Company, Holdco Subsidiary, the WFOE, the Suzhou Co, the Aus Co, the US Co, ZLIP, ZLCL and ZL China, together with each direct and indirect Subsidiary of the Company, and "Group" refers to all of Group Companies collectively.

"Holders" means the holders of Registrable Securities who are parties to this Agreement from time to time, and their permitted transferees that become parties to this Agreement from time to time.

"Hong Kong" means the Hong Kong Special Administrative Region of the People's Republic of China.

"Indebtedness" of any Person means, without duplication, each of the following of such Person: (i) all indebtedness for borrowed money, (ii) all obligations issued, undertaken or assumed as the deferred purchase price of property or services (other than trade payables entered into in the ordinary course of business), (iii) all reimbursement or payment obligations

with respect to letters of credit, surety bonds and other similar instruments, (iv) all obligations evidenced by notes, bonds, debentures or similar instruments, including obligations so evidenced that are incurred in connection with the acquisition of properties, assets or businesses, (v) all indebtedness created or arising under any conditional sale or other title retention agreement, or incurred as financing, in either case with respect to any property or assets acquired with the proceeds of such indebtedness, (vi) all obligations that are capitalized, (vii) all obligations to purchase, redeem, retire, defease or otherwise acquire for value any Equity Securities of such Person, (viii) all obligations in respect of any interest rate swap, hedge or cap agreement, and (ix) all guarantees issued in respect of any Indebtedness of another Person where such Indebtedness is of the nature described in clauses (i) through (ix) above, but only to the extent of the Indebtedness guaranteed.

"Initiating Holders" means, with respect to a request duly made under Section 2.1 or Section 2.2 to Register any Registrable Securities, the Holders initiating such request.

"Intellectual Property" means any and all (i) patents, patent rights and applications therefor and reissues, reexaminations, continuations, continuations-in-part, divisions, and patent term extensions thereof, (ii) inventions (whether patentable or not), discoveries, improvements, concepts, innovations and industrial models, (iii) registered and unregistered copyrights, copyright registrations and applications, mask works and registrations and applications therefor, author's rights and works of authorship (including software, computer programs, source code, object code and executable code, firmware, development tools, files, records and data, and related documentation), (iv) technical information, know-how, trade secrets, drawings, designs, design protocols, specifications, proprietary data, customer lists, databases, proprietary processes, technology, formulae, and algorithms and other intellectual property, (v) trade names, trade dress, trademarks, domain names, service marks, logos, business names, and registrations and applications therefor, and (vi) the goodwill symbolized or represented by the foregoing.

"IPO" means the first firm underwritten registered public offering by the Company of its Ordinary Shares pursuant to a Registration Statement that is filed with and declared effective by either the Commission under the Securities Act or another Governmental Authority for a public offering in a jurisdiction other than the United States.

"Key Employees" means the Persons listed on Schedule I to the Subscription Agreement and such other officers, directors, employees, advisors and consultants of the Group Companies that are deemed to be Key Employees by the Board from time to time.

"KPCB" means KPCB China Fund II, L.P. or any of its assigns and transferees.

"Law" or "Laws" means any and all provisions of any applicable constitution, treaty, statute, law, regulation, ordinance, code, rule, or rule of common law, any governmental approval, concession, grant, franchise, license, agreement, directive, requirement, or other governmental restriction or any similar form of decision of, or determination by, or any interpretation or administration of any of the foregoing by, any Governmental Authority, in each case as amended, and any and all applicable Governmental Orders.

"Lien" means any claim, charge, easement, encumbrance, lease, covenant, security interest, lien, option, pledge, rights of others, or restriction (whether on voting, sale, transfer, disposition or otherwise), whether imposed by Contract, law or equity.

"Major Subsidiary" means any Subsidiary of the Company whose revenues, expenses or profits exceed twenty percent (20%) of the revenues, expenses or profits of the Group for the immediate preceding fiscal year of the Company.

"Maxway" means Maxway Investment Limited or any of its assigns and transferees.

"Memorandum and Articles" means the Third Amended and Restated Memorandum of Association of the Company and the Third Amended and Restated Articles of Association of the Company, as each may be amended and/or restated from time to time.

"OrbiMed" means each of OrbiMed Asia Partners II, L.P., and OrbiMed Global Healthcare Master Fund, L.P. or any of their respective assigns and transferees.

"Ordinary Share Equivalents" means any Equity Security which is by its terms convertible into or exchangeable or exercisable for Ordinary Shares or other share capital of the Company, including without limitation, the Preferred Shares.

"Ordinary Shares" means the Company's ordinary shares, par value US$0.00001 per share.

"Person" means any individual, corporation, partnership, limited partnership, proprietorship, association, limited liability company, firm, trust, estate or other enterprise or entity.

"PFIC" means passive foreign investment company as defined in the Code.

"PRC" means the People's Republic of China, but solely for the purposes of this Agreement, excluding Hong Kong, the Macau Special Administrative Region and the islands of Taiwan.

"Preferred Directors" means the Qiming Director and the Series B Director, each a "Preferred Director".

"Preferred Shares" means the Series A Preferred Shares, Series B Preferred Shares and Series C Preferred Shares.

"Public Official" means any executive, official, or employee of a Governmental Authority, political party or member of a political party, political candidate; executive, employee or officer of a public international organization; or director, officer or employee or agent of a wholly owned or partially state-owned or controlled enterprise, including a PRC state-owned or controlled enterprise.

"Qiming" means QM 11 Limited or any of its assigns and transferees.

"Qualified IPO" means a firm underwritten public offering of the Ordinary Shares (or depositary receipts or depositary shares thereof) of the Company in the United States on the New York Stock Exchange or the Nasdaq Global Market pursuant to an effective registration statement under the United States Securities Act of 1933, as amended, that results in net proceeds to the Company of at least US$75 million (net of underwriting discounts and selling commissions) through the sale of the Ordinary Shares (or depositary receipts or depositary shares thereof) in an IPO or a secondary offering of such securities.

"Registrable Securities" means (i) the Ordinary Shares issued or issuable upon conversion of the Preferred Shares (ii) any other Ordinary Share Equivalents acquired by an Investor after the date hereof and (iii) any Ordinary Shares issued or issuable as a dividend or other distribution with respect to, in exchange for, or in replacement of, the shares referenced in clause (i) or (ii) herein; excluding in all cases, however, any of the foregoing sold by a Person in a transaction other than an assignment pursuant to Section 12.3 and any Registrable Securities which are sold in a registered public offering under the Securities Act or analogous statute of another jurisdiction, or sold pursuant to Rule 144 promulgated under the Securities Act or analogous rule of another jurisdiction.

"Registration" means a registration effected by preparing and filing a Registration Statement and the declaration or ordering of the effectiveness of that Registration Statement; and the terms "Register" and "Registered" have meanings concomitant with the foregoing.

"Registration Statement" means a registration statement prepared on Form F-1, F-3, S-1, or S-3 under the Securities Act, or on any comparable form in connection with registration in a jurisdiction other than the United States.

"Requisite Ordinary Holders" means the holders of at least two-thirds (2/3rds) of the voting power of the then outstanding Ordinary Shares.

"Requisite Preferred Holders" means the holders of at least fifty one percent (51%) of the voting power of the then outstanding Preferred Shares and Ordinary Shares converted therefrom (voting together as a single class and calculated on an as-converted basis).

"Requisite Series A Holders" means the holders of at least fifty-one percent (51%) of the voting power of the then outstanding Series A Preferred Shares and Ordinary Shares converted therefrom (voting together as a single class and calculated on an as-converted basis), which shall include Qiming.

"Requisite Series B Holders" means the holders of at least fifty-one percent (51%) of the voting power of the then outstanding Series B Preferred Shares and Ordinary Shares converted therefrom (voting together as a single class and calculated on an as-converted basis).

"Requisite Series C Holders" means the holders of at least fifty-one percent (51%) of the voting power of the then outstanding Series C Preferred Shares and Ordinary Shares converted therefrom (voting together as a single class and calculated on an as-converted basis).

"Restricted Shares" has the same meaning as defined under the Right of First Refusal & Co-Sale Agreement.

"Right of First Refusal & Co-Sale Agreement" means the Right of First Refusal and Co-Sale Agreement, as defined in the Subscription Agreement and as amended from time to time.

"Rock Springs" means Rock Springs Capital Master Fund LP or any of its assigns and transferees.

"Securities Act" means the United States Securities Act of 1933, as amended.

"Sequoia" means Sequoia Capital CV IV Holdco, Ltd., SCC Growth I Holdco A, Ltd., or any of their assigns and transferees.

"Series A Preferred Shares" means the Series A-1 Preferred Shares and/or the Series A-2 Preferred Shares.

"Series A-1 Preferred Shares" means the Series A-1 Preferred Shares of the Company, par value US$0.00001 per share, with the rights and privileges as set forth in the Memorandum and Articles.

"Series A-2 Preferred Shares" means the Series A-2 Preferred Shares of the Company, par value US$0.00001 per share, with the rights and privileges as set forth in the Memorandum and Articles.

"Series B Preferred Shares" means the Series B-1 Preferred Shares and/or the Series B-2 Preferred Shares.

"Series B-1 Preferred Shares" means the Series B-1 Preferred Shares of the Company, par value US$0.00001 per share, with the rights and privileges as set forth in the Memorandum and Articles.

"Series B-2 Preferred Shares" means the Series B-2 Preferred Shares of the Company, par value US$0.00001 per share, with the rights and privileges as set forth in the Memorandum and Articles.

"Series C Preferred Shares" means the Series C Preferred Shares of the Company, par value US$0.00001 per share, with the rights and privileges as set forth in the Memorandum and Articles.

"Shareholder" means a holder of any Shares.

"Shares" means the Ordinary Shares and the Preferred Shares.

"Subject IPO" means the proposed underwritten public offering of the Ordinary Shares (or depositary receipts or depositary shares thereof) of the Company in the United States on the New York Stock Exchange or the Nasdaq Global Market, as contemplated by the Company on the date hereof and reflected in that certain registration statement on Form F-1 filed by the Company with the United States Securities and Exchange Commission (the "SEC") on May 30, 2017 for confidential review by the SEC relating to the sale of American depositary shares by the Company in such offering, with the understanding that such offering will be consummated no later than March 31, 2018.

"Subsidiary" means, with respect to any given Person, any other Person that is Controlled directly or indirectly by such given Person.

"Transaction Documents" has the meaning set forth in the Subscription Agreement.

"Transfer" has the same meaning as defined under the Right of First Refusal & Co-Sale Agreement.

"United States Person" means United States person as defined in Section 7701(a)(30) of the Code.

"US" or "U.S." means the United States of America.

"US Investor" means (i) any Investor that is a United States Person and (ii) any Investor, one or more of the owner of which are, or controlled by, United States Persons.

"Vivo" means collectively, Vivo Capital Fund VIII, L.P., and Vivo Capital Surplus Fund VIII, L.P. or any of its permitted assigns and transferees.

1.2 Other Defined Terms. The following terms shall have the meanings defined for such terms in the Sections set forth below:

Additional Number	Section 7.4 (ii)
Agreement	Preamble
Approved Sale	Section 11.13(i)
Arbitration Notice	Section 12.5 (i)
Business	Recitals
Company	Preamble
Company Industry Segment	Section 12.24
Confidential Information	Section 11.11(i)
Deed of Adherence	Section 12.3
Dispute	Section 12.5(i)
Drag Holders	Section 11.13(i)
Drag Notice	Section 11.13(i)
Effective Date	Preamble
ESOP	Section 7.3(ii)
Exempt Registrations	Section 3.4
First Participation Notice	Section 7.4(i)
First Participation Period	Section 7.4(i)
HKIAC	Section 12.5(ii)
Holdco Subsidiary	Preamble
ICC Rules	Section 12.5(ii)
Information Rights	Section 8.1(viii)
Inspection Rights	Section 8.2
Investors	Preamble
Key Holders	Preamble
Major Holder	Section 8.1
MFN Notice	Section 11.12
New Securities	Section 7.3
Offeror	Section 11.13(i)
Oversubscription Participants	Section 7.4(ii)
Participating Rights Holders	Section 7.4(i)
Party	Preamble
Preemptive Right	Section 7.1
Principal	Preamble
Prior Shareholders Agreement	Recitals
Qiming Director	Section 9.1(i)
Pro Rata Share	Section 7.2
Restricted Business	Section 11.7
Rights Holder	Section 7.1
Second Participation Notice	Section 7.4(ii)
Second Participation Period	Section 7.4(ii)
Series A Director	Section 9.1(i)

Series A Investor	Preamble
Series B Director	Section 9.1(i)
Series B Investor	Preamble
Series C Investor	Preamble
Subject Investor	Section 11.12
Subscription Agreement	Recitals
Subsidiary Board	Section 9.1(ii)
Violation	Section 5.1(i)
WFOE	Preamble

1.3 Interpretation. For all purposes of this Agreement, except as otherwise expressly herein provided, (i) the terms defined in this Section 1 shall have the meanings assigned to them in this Section 1 and include the plural as well as the singular, (ii) all accounting terms not otherwise defined herein have the meanings assigned under the Accounting Standards, (iii) all references in this Agreement to designated "Sections" and other subdivisions are to the designated Sections and other subdivisions of the body of this Agreement, (iv) pronouns of either gender or neuter shall include, as appropriate, the other pronoun forms, (v) the words "herein," "hereof" and "hereunder" and other words of similar import refer to this Agreement as a whole and not to any particular Section or other subdivision, (vi) all references in this Agreement to designated Schedules, Exhibits and Appendices are to the Schedules, Exhibits and Appendices attached to this Agreement, (vii) references to this Agreement, any other Transaction Documents and any other document shall be construed as references to such document as the same may be amended, supplemented or novated from time to time, (viii) the term "or" is not exclusive, (ix) the terms "shall," "will," and "agrees" are mandatory, and the term "may" is permissive, (x) the phrase "directly or indirectly" means directly, or indirectly through one or more intermediate Persons or through contractual or other arrangements, and "direct or indirect" has the correlative meaning, (xi) the term "voting power" refers to the number of votes attributable to the Shares (on an as-converted basis) in accordance with the terms of the Memorandum and Articles, (xii) the headings used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement, (xiii) references to laws include any such law modifying, re-enacting, extending or made pursuant to the same or which is modified, re-enacted, or extended by the same or pursuant to which the same is made, and (xiv) all references to dollars or to "US$" are to currency of the United States of America and all references to RMB are to currency of the PRC (and each shall be deemed to include reference to the equivalent amount in other currencies).

2. Demand Registration.

2.1 Registration Other Than on Form F-3 or Form S-3. Subject to the terms of this Agreement, at any time or from time to time after the earlier of (i) the sixth (6th) anniversary of the Effective Date or (ii) the date that is six (6) months after the consummation of an IPO (other than, in the case of Holders under clauses (a) and (b) below, the Subject IPO), Holders holding ten percent (10%) or more of the voting power of (a) the then outstanding Registrable Securities held by all Holders, or (b) the then outstanding Series B Preferred Shares and Ordinary Shares converted therefrom (voting together as a single class and calculated on an as-converted basis) or (c) the then outstanding Series C preferred Shares and Ordinary Shares converted therefrom (voting together as a single class and calculate on an as-converted basis) may request in writing that the Company effect a Registration on any internationally recognized exchange of Registrable Securities having an anticipated aggregate offering price

of US$10,000,000. Upon receipt of such a request, the Company shall (x) promptly give written notice of the proposed Registration to all other Holders and (y) as soon as practicable, use its commercially reasonable efforts to cause the Registrable Securities specified in the request, together with any Registrable Securities of any Holder who requests in writing to join such Registration within fifteen (15) days after the Company's delivery of written notice, to be Registered and/or qualified for sale and distribution in such jurisdiction as the Initiating Holders may request. The Company shall be obligated to consummate no more than three (3) Registrations pursuant to this Section 2.1 that have been declared and ordered effective.

2.2 Registration on Form F-3 or Form S-3. The Company shall use its best efforts to qualify for registration on Form F-3 or Form S-3. Subject to the terms of this Agreement, if the Company qualifies for registration on Form F-3 or Form S-3 (or any comparable form for Registration in a jurisdiction other than the United States), any Holder may request the Company to file, in any jurisdiction in which the Company has had a registered underwritten public offering, a Registration Statement on Form F-3 or Form S-3 (or any comparable form for Registration in a jurisdiction other than the United States), including without limitation any registration statement filed under the Securities Act providing for the registration of, and the sale on a continuous or a delayed basis by the Holders of, all of the Registrable Securities pursuant to Rule 415 under the Securities Act and/or any similar rule that may be adopted by the Commission. Upon receipt of such a request, the Company shall (i) promptly give written notice of the proposed Registration to all other Holders and (ii) as soon as practicable, use its reasonable best efforts to cause the Registrable Securities specified in the request, together with any Registrable Securities of any Holder who requests in writing to join such Registration within fifteen (15) days after the Company's delivery of written notice, to be Registered and qualified for sale and distribution in such jurisdiction. The Company shall be obligated to consummate no more than two (2) Registrations that have been declared and ordered effective within any twelve (12)-month period pursuant to this Section 2.2.

2.3 Right of Deferral.

(i) The Company shall not be obligated to Register or qualify Registrable Securities pursuant to this Section 2:

(1) if, within ten (10) days of the receipt of any request of the Holders to Register any Registrable Securities under Section 2.1 or Section 2.2, the Company gives notice to the Initiating Holders of its bona fide intention to effect the filing for its own account of a Registration Statement of Ordinary Shares within sixty (60) days of receipt of that request; provided, that the Company is actively employing in good faith its reasonable best efforts to cause that Registration Statement to become effective within sixty (60) days of receipt of that request; provided, further, that the Holders are entitled to join such Registration in accordance with Section 3 (other than an Exempt Registration);

(2) during the period starting with the date of filing by the Company of, and ending six (6) months following the effective date of any Registration Statement pertaining to Ordinary Shares of the Company other than an Exempt Registration; provided, that the Holders are entitled to join such Registration in accordance with Section 3;

(3) with respect to the registration on Form F-3 or Form S-3 (or any comparable form for Registration in a jurisdiction other than the United States), if such form is not available for such offering by the Holders, or if the Holders, together with the holders of

any other securities of the Company entitled to inclusion in such registration, propose to sell Registrable Securities and such other securities (if any) at an aggregate price to the public of less than US$2,000,000; or

(4) in any jurisdiction in which the Company would be required to be qualified to do business or execute a general consent to service of process in effecting such Registration or qualification, unless the Company is already subject to service of process in such jurisdiction.

(ii) If, after receiving a request from Holders pursuant to Section 2.1 or Section 2.2 hereof, the Company furnishes to the Holders a certificate signed by the chief executive officer of the Company stating that, in the good faith judgment of the Board, it would be materially detrimental to the Company or its members for a Registration Statement to be filed in the near future, then the Company shall have the right to defer such filing for a period during which such filing would be materially detrimental, provided, that the Company may not utilize this right for more than ninety (90) days on any one occasion or more than once during any twelve (12) month period; provided, further, that the Company may not Register any other Equity Securities during such period (except for Exempt Registrations).

2.4 Underwritten Offerings. If, in connection with a request to Register Registrable Securities under Section 2.1 or Section 2.2, the Initiating Holders seek to distribute such Registrable Securities in an underwritten offering, they shall so advise the Company as a part of the request, and the Company shall include such information in the written notice to the other Holders described in Section 2.1 and Section 2.2. In such event, the right of any Holder to include its Registrable Securities in such Registration shall be conditioned upon such Holder's participation in such underwritten offering and the inclusion of such Holder's Registrable Securities in the underwritten offering (unless otherwise mutually agreed by the Initiating Holders and such Holder) to the extent provided in this Section 2.4. All Holders proposing to distribute their Registrable Securities through such underwritten offering shall enter into an underwriting agreement in customary form with the underwriter or underwriters of internationally recognized standing selected for such underwritten offering by the Company and reasonably acceptable to the holders of at least two-thirds (2/3rds) of the voting power of all Registrable Securities proposed to be included in such Registration. Notwithstanding any other provision of this Agreement, if the managing underwriter advises the Company that marketing factors (including without limitation the aggregate number of securities requested to be Registered, the general condition of the market, and the status of the Persons proposing to sell securities pursuant to the Registration) require a limitation of the number of Registrable Securities to be underwritten in a Registration pursuant to Section 2.1 or Section 2.2, the underwriters may exclude up to seventy-five percent (75%) of the Registrable Securities requested to be Registered but only after first excluding all other Equity Securities from the Registration and underwritten offering and so long as the number of shares to be included in the Registration on behalf of the Holders is allocated among all participating Holders in proportion, as nearly as practicable, to the respective amounts of Registrable Securities requested by such participating Holders to be included; provided that Initiating Holders representing a majority in voting power of Registrable Securities requested to be registered by all the Initiating Holders shall have the right to withdraw their request for Registration from the underwriting by written notice to the Company and the underwriters delivered at least ten (10) days prior to the effective date of the Registration Statement, and such withdrawal request for Registration shall not be deemed to constitute one of the Registration rights granted pursuant to Section 2.1 or Section 2.2, as the case may be; provided further that if any Holder disapproves

the terms of any underwriting, the Holder may also elect to withdraw therefrom by written notice to the Company and the underwriters delivered at least ten (10) days prior to the effective date of the Registration Statement. Any Registrable Securities excluded or withdrawn from such underwritten offering shall be withdrawn from the Registration. To facilitate the allocation of shares in accordance with the above provisions, the Company or the underwriters may round the number of shares allocated to a Holder to the nearest one hundred (100) shares.

3. Piggyback Registrations.

3.1 Registration of the Company's Securities. Subject to the terms of this Agreement, if the Company proposes to Register for its own account any of its Equity Securities, or for the account of any holder of Equity Securities any of such holder's Equity Securities, in connection with the public offering of such securities (except for Exempt Registrations or the Subject IPO), the Company shall promptly give each Holder written notice of such Registration and, upon the written request of any Holder given within fifteen (15) days after delivery of such notice, the Company shall use its reasonable best efforts to include in such Registration any Registrable Securities thereby requested to be Registered by such Holder. If a Holder decides not to include all or any of its Registrable Securities in such Registration by the Company, such Holder shall nevertheless continue to have the right to include any Registrable Securities in any subsequent Registration Statement or Registration Statements as may be filed by the Company, all upon the terms and conditions set forth herein.

3.2 Right to Terminate Registration. The Company shall have the right to terminate or withdraw any Registration initiated by it under Section 3.1 prior to the effectiveness of such Registration, whether or not any Holder has elected to participate therein. The expenses of such withdrawn Registration shall be borne by the Company in accordance with Section 4.3.

3.3 Underwriting Requirements.

(i) In connection with any offering involving an underwriting of the Company's Equity Securities, the Company shall not be required to Register the Registrable Securities of a Holder under this Section 3 unless such Holder's Registrable Securities are included in the underwritten offering and such Holder enters into an underwriting agreement in customary form with the underwriter or underwriters of internationally recognized standing selected by the Company and setting forth such terms for the underwritten offering as have been agreed upon between the Company and the underwriters. In the event the underwriters advise Holders seeking Registration of Registrable Securities pursuant to this Section 3 in writing that market factors (including the aggregate number of Registrable Securities requested to be Registered, the general condition of the market, and the status of the Persons proposing to sell securities pursuant to the Registration) require a limitation of the number of Registrable Securities to be underwritten, the underwriters may exclude up to seventy-five percent (75%) of the Registrable Securities requested to be Registered, but in any case only after first excluding all other Equity Securities (except for securities sold for the account of the Company) from the Registration and underwriting and so long as the Registrable Securities to be included in such Registration on behalf of any participating Holders are allocated among all participating Holders in proportion, as nearly as practicable, to the respective amounts of Registrable Securities requested by such Holders to be included. To facilitate the allocation of shares in accordance with the above provisions, the Company or the underwriters may round the number of shares allocated to a Holder to the nearest one hundred (100) shares.

(ii) If any Holder disapproves the terms of any underwriting, the Holder may elect to withdraw therefrom by written notice to the Company and the underwriters delivered at least ten (10) days prior to the effective date of the Registration Statement. Any Registrable Securities excluded or withdrawn from the underwritten offering shall be withdrawn from the Registration.

3.4 Exempt Registrations. The Company shall have no obligation to Register any Registrable Securities under this Section 3 in connection with a Registration by the Company (i) relating solely to the sale of securities to participants in a Company share plan or (ii) relating to a corporate reorganization or other transaction under Rule 145 of the Securities Act (or comparable provision under the Laws of another jurisdiction, as applicable) (collectively, "Exempt Registrations").

4. Registration Procedures.

4.1 Registration Procedures and Obligations. Whenever required under this Agreement to effect the Registration of any Registrable Securities held by the Holders, the Company shall, as expeditiously as reasonably possible:

(i) Prepare and file with the Commission a Registration Statement with respect to those Registrable Securities and use its reasonable best efforts to cause that Registration Statement to become effective, and to keep the Registration Statement effective for the period ending on the earlier of the date which is one hundred and eighty (180) days from the effective date of the Registration Statement or until the distribution thereunder has been completed;

(ii) Prepare and file with the Commission amendments and supplements to that Registration Statement and the prospectus used in connection with the Registration Statement as may be necessary to keep such Registration Statement effective for the period specified in Section 4.1(i) above and to comply with the provisions of Applicable Securities Laws with respect to the disposition of all Registrable Securities covered by the Registration Statement;

(iii) Furnish to the selling Holders the number of copies of a prospectus, including a preliminary prospectus, required by Applicable Securities Laws, and any other documents as they may reasonably request in order to facilitate the disposition of Registrable Securities covered by the Registration Statement;

(iv) Use its reasonable best efforts to Register and qualify the securities covered by the Registration Statement under the securities Laws of any jurisdiction, as reasonably requested by the Holders, provided, that the Company shall not be required to qualify to do business that it would not otherwise be required to qualify or file a general consent to service of process in any such jurisdictions;

(v) In the event of any underwritten public offering, enter into and perform its obligations under an underwriting agreement, in customary form, with the managing underwriter(s) of the offering;

(vi) Promptly notify each selling Holder under the Registration Statement at any time when a prospectus relating thereto is required to be delivered under Applicable Securities Laws of (a) the issuance of any stop order by the Commission, or (b) the happening

of any event or the existence of any condition as a result of which any prospectus included in the Registration Statement, as then in effect, includes an untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances under which they were made, or if in the opinion of counsel for the Company it is necessary to supplement or amend such prospectus to comply with Law, and at the request of any such selling Holder, promptly prepare and furnish to such selling Holder a reasonable number of copies of a supplement to or an amendment of such prospectus as may be necessary so that, as thereafter delivered to the purchasers of such securities, such prospectus shall not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances under which they were made, and such prospectus, as supplemented or amended, shall comply with Law;

(vii) Furnish, at the request of any selling Holder, on the date that such Registrable Securities are delivered for sale in connection with a Registration pursuant to this Agreement, (A) an opinion, dated the date of the sale, of the external counsel of reputable standing, representing the Company for the purposes of the Registration, in form and substance as is customarily given to underwriters in an underwritten public offering; and (B) comfort letters dated as of (x) the effective date of the registration statement covering such Registrable Securities, and (y) the date of the sale as contemplated in Rule 159 under the Securities Act, from the independent certified public accountants of the Company, in form and substance as is customarily given by independent certified public accountants to underwriters in an underwritten public offering;

(viii) Otherwise comply with all applicable Law and rules and regulations of the Commission to the extent applicable to the Registration Statement and use its reasonable best efforts to make generally available to its security holders (or otherwise provide in accordance with Section 11(a) of the Securities Act) an earnings statement satisfying the provisions of Section 11(a) of the Act, no later than forty-five (45) days after the end of a twelve (12) month period (or ninety (90) days, if such period is a fiscal year) beginning with the first month of the Company's first fiscal quarter commencing after the effective date of such registration statement, which statement shall cover such twelve (12) month period, subject to any proper and necessary extensions;

(ix) Not, without the written consent of the holders of at least two-thirds (2/3rds) of voting power of the Registrable Securities covered by the Registration Statement, make any offer relating to the Equity Securities that would constitute a "free writing prospectus," as defined in Rule 405 promulgated under the Act;

(x) Provide a transfer agent and registrar for all Registrable Securities Registered pursuant to the Registration Statement and, where applicable, a number assigned by the Committee on Uniform Securities Identification Procedures for all those Registrable Securities, in each case not later than the effective date of the Registration Statement; and

(xi) Take all reasonable actions necessary to list the Registrable Securities on the primary exchange on which the Company's securities are or will be listed or traded.

4.2 Information from Holder. It shall be a condition precedent to the obligations of the Company to take any action pursuant to this Agreement with respect to the Registrable Securities of any selling Holder that such selling Holder shall furnish to the Company such information regarding itself, the Registrable Securities held by it, and the intended method of disposition of such securities as shall be required to effect the Registration of such Holder's Registrable Securities.

4.3 Expenses of Registration. All expenses, other than the underwriting discounts and selling commissions applicable to the sale of Registrable Securities pursuant to this Agreement (which shall be borne by the Holders requesting Registration on a pro rata basis in proportion to their respective numbers of Registrable Securities sold in such Registration), incurred in connection with Registrations, filings or qualifications pursuant to this Agreement, including (without limitation) all Registration, filing and qualification fees, printers' and accounting fees, fees and disbursements of counsel for the Company and reasonable fees and disbursement of one counsel for all selling Holders, shall be borne by the Company. The Company shall not, however, be required to pay for any expenses of any Registration proceeding begun pursuant to Section 2.1 or Section 2.2 of this Agreement if the Registration request is subsequently withdrawn at the request of Initiating Holders holding at least a majority of the voting power of the Registrable Securities requested to be Registered by all Initiating Holders in such Registration for any reason not due to the fault of the Company or any material adverse change to the financial, economic or political condition of the industry or industries in which the Company operates (in which case all participating Holders shall bear such expenses pro rata based upon the number of Registrable Securities that were to be thereby Registered in the withdrawn Registration) unless the Holders of at least a majority of the voting power of the Registrable Securities then outstanding agree that such registration constitutes the use by the Holders of one (1) demand registration pursuant to Section 2.1 or Section 2.2 (in which case such registration shall also constitute the use by all Holders of Registrable Securities of one (1) such demand registration).

5. Registration-Related Indemnification.

5.1 Company Indemnity.

(i) In the event of a Registration under this Agreement, to the maximum extent permitted by Law, the Company will indemnify and hold harmless each selling Holder, such Holder's partners, officers, employees, directors, shareholders, members, and legal counsel, any underwriter (as defined in the Securities Act) and each Person, if any, who controls (as defined in the Securities Act) such Holder or underwriter, against any losses, claims, damages or liabilities (joint or several) to which such Person may become subject, insofar as such losses, claims, damages, or liabilities (or actions in respect thereof) arise out of or are based upon any of the following statements, omissions or violations (each a "Violation"): (a) any untrue statement or alleged untrue statement of a material fact contained in such Registration Statement, on the effective date thereof (including any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto), (b) the omission or alleged omission to state in the Registration Statement, on the effective date thereof (including any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto), a material fact required to be stated therein or necessary to make the statements therein not misleading, or (c) any violation or alleged violation by the Company of Applicable Securities Laws, or any rule or regulation promulgated under Applicable Securities Laws; provided that the Company will not be liable in any such case if and to the extent any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission so made in conformity with information furnished by such Person in writing specifically for use in such Registration Statement (including any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto). The Company will reimburse, as incurred, each such Person for any legal or other expenses reasonably incurred by such Person in connection with investigating or defending any such loss, claim, damage, liability or action.

(ii) The indemnity agreement contained in this Section 5.1 shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the Company (which consent shall not be unreasonably withheld or delayed), nor shall the Company be liable in any such case for any such loss, claim, damage, liability or action to the extent that it arises solely out of or is solely based upon a Violation that occurs in reliance upon and in conformity with written information furnished for use in connection with such Registration by any such Holder, such Holder's partners, officers, directors, and legal counsel, any underwriter (as defined in the Securities Act) and each Person, if any, who controls (as defined in the Securities Act) such Holder or underwriter.

5.2 Holder Indemnity.

(i) In the event of a Registration under this Agreement, to the maximum extent permitted by Law, each selling Holder that has included Registrable Securities in a Registration will, severally and not jointly, indemnify and hold harmless the Company, its directors and officers, legal counsel, any underwriter, any other Holder selling securities in connection with such Registration and each Person, if any, who controls (within the meaning of the Securities Act) the Company, such underwriter or other Holder, against any losses, claims, damages or liabilities (joint or several) to which any such Person may become subject, under Applicable Securities Laws or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereto) arise out of or are based upon any Violation, in each case to the extent (and only to the extent) that such Violation occurs solely in reliance upon and in conformity with information furnished by such Holder in writing specifically for use in such Registration Statement (including any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto); and each such Holder will reimburse, as incurred, any Person intended to be indemnified pursuant to this Section 5.2, for any legal or other expenses reasonably incurred by such Person in connection with investigating or defending any such loss, claim, damage, liability or action. No selling Holder's liability under this Section 5.2 (when combined with any amounts paid by such Holder pursuant to Section 5.4) shall exceed the net proceeds received by such Holder from the offering of securities made in connection with that Registration.

(ii) The indemnity contained in this Section 5.2 shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the Holder (which consent shall not be unreasonably withheld or delayed).

5.3 Notice of Indemnification Claim. Promptly after receipt by an indemnified party under Section 5.1 or Section 5.2 of notice of the commencement of any action (including any governmental action), such indemnified party will, if a claim in respect thereof is to be made against any indemnifying party under Section 5.1 or Section 5.2, deliver to the indemnifying party a written notice of the commencement thereof and the indemnifying party shall have the right to participate in, and, to the extent the indemnifying party so desires, jointly with any other indemnifying party similarly noticed, to assume the defense thereof with counsel mutually satisfactory to the indemnifying parties. An indemnified party (together with all other indemnified parties that may be represented without conflict by one counsel) shall have the right to retain one separate counsel, with the reasonably incurred fees and expenses to

be paid by the indemnifying party, if representation of such indemnified party by the counsel retained by the indemnifying party would be inappropriate due to actual or potential differing interests between such indemnified party and any other party represented by such counsel in such proceeding. The failure to deliver written notice to the indemnifying party will not relieve it of any liability that it may have to any indemnified party otherwise than under this Section 5 except to the extent such failure is materially prejudicial to the indemnifying party's ability to defend such actions. No indemnifying party, in the defense of any such claim or litigation, shall, except with the consent of each indemnified party, consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or the plaintiff to such indemnified party of a release from all liability in respect to such claim or litigation.

5.4 Contribution. If any indemnification provided for in Section 5.1 or Section 5.2 is held by a court of competent jurisdiction to be unavailable to an indemnified party with respect to any loss, liability, claim, damage or expense referred to herein, the indemnifying party, in lieu of indemnifying such indemnified party hereunder, shall contribute to the amount paid or payable by such indemnified party as a result of such loss, liability, claim, damage or expense in such proportion as is appropriate to reflect the relative fault of the indemnifying party, on the one hand, and of the indemnified party, on the other, in connection with the statements or omissions that resulted in such loss, liability, claim, damage or expense, as well as any other relevant equitable considerations. The relative fault of the indemnifying party and of the indemnified party shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission to state a material fact relates to information supplied by the indemnifying party or by the indemnified party and the parties' relative intent, knowledge, access to information, and opportunity to correct or prevent such statement or omission; provided, however, that, in any such case: (A) no Holder will be required to contribute any amount (after combined with any amounts paid by such Holder pursuant to Section 5.2) in excess of the net proceeds to such Holder from the sale of all such Registrable Securities offered and sold by such Holder pursuant to the applicable Registration Statement; and (B) no person or entity guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) will be entitled to contribution from any person or entity who was not guilty of such fraudulent misrepresentation.

5.5 Underwriting Agreement. To the extent that the provisions on indemnification and contribution contained in the underwriting agreement entered into in connection with the underwritten public offering are in conflict with the foregoing provisions, the provisions in the underwriting agreement shall control.

5.6 Survival. The obligations of the Company and Holders under this Section 5 shall survive the completion of any offering of Registrable Securities in a Registration Statement under this Agreement, regardless of the expiration of any statutes of limitation or extensions of such statutes.

6. Additional Registration-Related Undertakings.

6.1 Reports under the Exchange Act. With a view to making available to the Holders the benefits of Rule 144 promulgated under the Securities Act and any comparable provision of any Applicable Securities Laws that may at any time permit a Holder to sell securities of the Company to the public without Registration or pursuant to a Registration on Form F-3 or Form S-3 (or any comparable form in a jurisdiction other than the United States), the Company agrees to:

(i) make and keep public information available, as those terms are understood and defined in Rule 144 (or comparable provision, if any, under Applicable Securities Laws in any jurisdiction where the Company's securities are listed), at all times following ninety (90) days after the effective date of the first Registration under the Securities Act filed by the Company for an offering of its securities to the general public;

(ii) file with the Commission in a timely manner all reports and other documents required of the Company under all Applicable Securities Laws; and

(iii) at any time following ninety (90) days after the effective date of the first Registration under the Securities Act filed by the Company for an offering of its securities to the general public by the Company, promptly furnish to any Holder holding Registrable Securities, upon request (a) a written statement by the Company that it has complied with the reporting requirements of all Applicable Securities Laws at any time after it has become subject to such reporting requirements or, at any time after so qualified, that it qualifies as a registrant whose securities may be resold pursuant to Form F-3 or Form S-3 (or any form comparable thereto under Applicable Securities Laws of any jurisdiction where the Company's securities are listed), (b) a copy of the most recent annual or quarterly report of the Company and such other reports and documents as filed by the Company with the Commission, and (c) such other information as may be reasonably requested in availing any Holder of any rule or regulation of the Commission, that permits the selling of any such securities without Registration or pursuant to Form F-3 or Form S-3 (or any form comparable thereto under Applicable Securities Laws of any jurisdiction where the Company's securities are listed).

6.2 Limitations on Subsequent Registration Rights. From and after the date of this Agreement, the Company shall not, without the written consent of holders of at least two-thirds (2/3rds) of the voting power of the then outstanding Registrable Securities held by all Holders (calculated on an as-converted to Ordinary Share basis), enter into any agreement with any holder or prospective holder of any Equity Securities of the Company that would allow such holder or prospective holder (i) to include such Equity Securities in any Registration filed under Section 2 or Section 3, unless under the terms of such agreement such holder or prospective holder may include such Equity Securities in any such Registration only to the extent that the inclusion of such Equity Securities will not reduce the amount of the Registrable Securities of the Holders that are included, (ii) to demand Registration of their Equity Securities, or (iii) to cause the Company to include such Equity Securities in any Registration filed under Section 2 or Section 3 hereof on a basis pari passu with or more favorable to such holder or prospective holder than is provided to the Holders of Registrable Securities.

6.3 "**Market Stand-Off**" **Agreement.** Each holder of Registrable Securities and each One Percent Holder agrees, if so required by the managing underwriter(s), that it will not during the period commencing on the date of the final prospectus relating to the Company's IPO and ending on the date specified by the Company and the managing underwriter (such period not to exceed one hundred eighty (180) days from the date of such final prospectus) (i) lend, offer, pledge, hypothecate, hedge, sell, make any short sale of, loan, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of, directly or indirectly, any Equity Securities of the Company owned immediately prior to the date of the final prospectus relating to the IPO (other than those included in such offering), or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such Equity Securities, whether any such transaction described

in clause (i) or (ii) above is to be settled by delivery of Equity Securities of the Company or such other securities, in cash or otherwise; provided, that (a) the forgoing provisions of this Section shall not apply to the sale of any securities of the Company to an underwriter pursuant to any underwriting agreement, and shall not be applicable to any Holder unless all directors, officers and all other holders of at least one percent (1%) of the outstanding share capital of the Company (calculated on an as-converted to Ordinary Share basis) must be bound by restrictions at least as restrictive as those applicable to any such Holder pursuant to this Section, (y) this Section shall not apply to a Holder to the extent that any other Person subject to substantially similar restrictions is released in whole or in part, and (z) the lockup agreements shall permit a Holder to transfer their Registrable Securities to their respective Affiliates so long as the transferees enter into the same lockup agreement. The Investors agree to execute and deliver to the underwriters a lock-up agreement containing substantially similar terms and conditions as those contained herein.

6.4 Termination of Registration Rights. The registration rights set forth in Section 2 and Section 3 of this Agreement shall terminate with respect to any Holder upon the earlier of: (i) the date of the completion of a Deemed Liquidation Event, (ii) the date that is five (5) years following the consummation of the Subject IPO or an alternative Qualified IPO approved by the Board with the affirmative vote of the Preferred Directors , and (iii) the date as such Holder may sell all its Registrable Securities under Rule 144 of the Securities Act in any ninety (90)-day period.

6.5 Exercise of Ordinary Share Equivalents. Notwithstanding anything to the contrary provided in this Agreement, the Company shall have no obligation to Register Registrable Securities which, if constituting Ordinary Share Equivalents, have not been exercised, converted or exchanged, as applicable, for Ordinary Shares as of the effective date of the applicable Registration Statement, but the Company shall cooperate and facilitate any such exercise, conversion or exchange as requested by the applicable Holder.

6.6 Intent. The terms of Sections 2 through 6 are drafted primarily in contemplation of an offering of securities in the United States of America. The parties recognize, however, the possibility that securities may be qualified or registered for offering to the public in a jurisdiction other than the United States of America where registration rights have significance or that the Company might effect an offering in the United States of America in the form of American Depositary Receipts or American Depositary Shares. Accordingly:

(i) it is their intention that, whenever this Agreement refers to a Law, form, process or institution of the United States of America but the parties wish to effectuate qualification or registration in a different jurisdiction where registration rights have significance, reference in this Agreement to the Laws or institutions of the United States shall be read as referring, mutatis mutandis, to the comparable Laws or institutions of the jurisdiction in question; and

(ii) it is agreed that the Company will not undertake any listing of American Depositary Receipts, American Depositary Shares or any other security derivative of the Ordinary Shares unless arrangements have been made reasonably satisfactory to the Requisite Preferred Holders to ensure that the spirit and intent of this Agreement will be realized and that the Company is committed to take such actions as are necessary such that the Holders will enjoy rights corresponding to the rights hereunder to sell their Registrable Securities in a public offering in the United States of America as if the Company had listed Ordinary Shares in lieu of such derivative securities.

7. Preemptive Right.

7.1 General. The Company hereby grants to each holder of Preferred Shares (a "Rights Holder") the right of first refusal to purchase such Rights Holder's Pro Rata Share (as defined below) (and any oversubscription, as provided below) of all (or any part) of any New Securities (as defined below) that the Company may from time to time issue after the date of this Agreement (the "Preemptive Right").

7.2 Pro Rata Share. A Rights Holder's "Pro Rata Share" for purposes of the Preemptive Rights is the ratio of (a) the number of Ordinary Shares (including Preferred Shares on a fully diluted, as-converted basis) held by such Rights Holder, to (b) the total number of Ordinary Shares (including Preferred Shares on a fully diluted, as-converted basis) then outstanding immediately prior to the issuance of New Securities giving rise to the Preemptive Rights.

7.3 New Securities. For purposes hereof, "New Securities" shall mean any Equity Securities of the Company issued after the date hereof, except for:

(i) any Equity Securities issued upon conversion or exercise of options, warrants or convertible securities existing as of the Effective Date;

(ii) any Ordinary Shares and/or options or warrants therefor issued to employees, officers, directors, contractors, advisors or consultants of the Group Companies pursuant to the Company's equity incentive, purchase or participation plan, employee share option plan or similar plan duly approved by the Board (including the affirmative vote of the Preferred Directors) and approved in accordance with Section 10 (each such plan, an "ESOP");

(iii) any Equity Securities of the Company issued in connection with any share split, share dividend, reclassification or other similar event as approved by the Board;

(iv) any Equity Securities of the Company issued pursuant to a registered public offering approved by the Board (including the affirmative vote of the Preferred Directors) and approved in accordance with Section 10;

(v) any Equity Securities of the Company issued pursuant to the acquisition of another corporation or entity by the Company by consolidation, merger, purchase of assets, or other reorganization in which the Company acquires, in a single transaction or series of related transactions, all or substantially all assets of such other corporation or entity, or fifty percent (50%) or more of the equity ownership or voting power of such other corporation or entity, or in connection with a bank financing, equipment leasing, licensing or strategic alliance arrangement, in any case, duly approved by the Board (including the affirmative vote of the Preferred Directors) and approved in accordance with Section 10;

(vi) any Ordinary Shares issued upon the conversion of the Preferred Shares;

(vii) any Series C Preferred Shares issued to any Person pursuant to the Subscription Agreement; and

(viii) any Equity Securities that are otherwise excluded by written consent of the Requisite Series A Holders, the Requisite Series B Holders and the Requisite Series C Holders.

7.4 Procedures.

(i) First Participation Notice. In the event that the Company proposes to undertake an issuance of New Securities (in a single transaction or a series of related transactions), it shall give to each Rights Holder written notice of its intention to issue New Securities (the "First Participation Notice"), describing the amount and type of New Securities and the price and the general terms upon which the Company proposes to issue such New Securities. Each Rights Holder shall have ten (10) Business Days from the date of receipt of any such First Participation Notice (the "First Participation Period") to agree in writing to purchase up to such Rights Holder's Pro Rata Share of such New Securities for the price and upon the terms and conditions specified in the First Participation Notice by giving written notice to the Company and stating therein the quantity of New Securities to be purchased (not to exceed such Rights Holder's Pro Rata Share) (the "Participating Rights Holders"). If any Rights Holder fails to so respond in writing within such ten (10) Business Day period, then such Rights Holder shall forfeit the right hereunder to purchase its Pro Rata Share of such New Securities, but shall not be deemed to forfeit any right with respect to any other issuance of New Securities.

(ii) Second Participation Notice; Oversubscription. If any Rights Holder fails or declines to exercise its Preemptive Rights in accordance with subsection (i) above, the Company shall promptly give written notice (the "Second Participation Notice") to Participating Rights Holders who exercised in full their Preemptive Rights (the "Oversubscription Participants") in accordance with subsection (i) above. Each Oversubscription Participant shall have five (5) Business Days from the date of receipt of the Second Participation Notice (the "Second Participation Period") to notify the Company of its desire to purchase more than its Pro Rata Share of the New Securities, stating the number of the additional New Securities it proposes to buy (the "Additional Number"). Such notice may be made by telephone if confirmed by notice in writing within two (2) Business Days thereafter. If the oversubscription by Oversubscription Participants exceeds the total number of the remaining New Securities available for purchase, each Oversubscription Participant will be cut back by the Company with respect to its oversubscription to such number of remaining New Securities equal to the lesser of (x) the Additional Number and (y) the product obtained by multiplying (i) the number of the remaining New Securities available for subscription by (ii) a fraction, the numerator of which is the number of Ordinary Shares (including Preferred Shares on an as-converted basis) held by such Oversubscription Participant and the denominator of which is the total number of Ordinary Shares (including Preferred Shares on an as-converted basis) held by all the Oversubscription Participants.

(iii) The closing of the issuance of New Securities to the Participating Rights Holders shall take place on such Business Day as specified by the Company in writing by not less than ten (10) Business Days' written notice delivered following the expiration of the First Participation Period, or if applicable, the Second Participation Period.

7.5 Failure to Exercise. Upon the expiration of the First Participation Period, or if applicable, Second Participation Period, the Company shall have one hundred twenty (120) days thereafter to complete the sale of the New Securities described in the First Participation Notice with respect to which the Preemptive Rights hereunder were not exercised at the same or higher price, and upon non-price terms not more favorable to the purchasers thereof, than specified in the First Participation Notice. In the event that the Company has not issued and sold all such New Securities within such one hundred twenty (120) day period, then the Company shall not thereafter issue or sell the unissued and unsold New Securities without again first offering such New Securities to the Rights Holders pursuant to this Section 7.

7.6 Termination. The Preemptive Right shall terminate upon the earlier of: (i) immediately prior to the completion of the Subject IPO or an alternative Qualified IPO approved by the Board with the affirmative vote of the Preferred Directors or (ii) upon a Deemed Liquidation Event.

8. Information and Inspection Rights.

8.1 Delivery of Financial Statements. The Company shall deliver to (a) each Rights Holder holding more than ten percent (10%) of the Company's Ordinary Shares (calculated on a fully diluted and as-converted basis) (each, a "Major Holder"), (b) Maxway (so long as Maxway shall continue to hold at least 66% of the Series B Preferred Shares, together with any Ordinary Shares issued upon the conversion of any Series B Preferred Shares, initially acquired by Maxway) and (c) OrbiMed (so long as OrbiMed shall continue to hold at least 66% of the Series C Preferred Shares, together with any Ordinary Shares issued upon the conversion of any Series C Preferred Shares, initially acquired by OrbiMed) the following documents or reports:

(i) within one hundred and twenty (120) days after the end of each fiscal year of the Company, a consolidated income statement and statement of cash flows for the Company for such fiscal year and a consolidated balance sheet for the Company as of the end of the fiscal year, audited and certified by an Auditor, all prepared in English and in accordance with the Accounting Standards consistently applied throughout the period, provided that the financial statements delivered to Maxway shall be prepared in accordance with International Financial Reporting Standards and shall be accompanied by the auditors' report and copies of the audited financial statements for each Major Subsidiary prepared in accordance with the accounting standards applicable to such Major Subsidiary in the jurisdiction of its formation;

(ii) within forty-five (45) days of the end of each fiscal year, a consolidated unaudited income statement and statement of cash flows for such fiscal year and a consolidated balance sheet for the Company as of the end of such fiscal year, all prepared in English and in accordance with the Accounting Standards consistently applied throughout the period (except for customary year-end adjustments and except for the absence of notes), provided that the financial statements delivered to Maxway shall be prepared in accordance with International Financial Reporting Standards and shall be accompanied by copies of the unaudited financial statements for each Major Subsidiary prepared in accordance with the accounting standards applicable to such Major Subsidiary in the jurisdiction of its formation;

(iii) within thirty (30) days of the end of each fiscal quarter, a consolidated unaudited income statement and statement of cash flows for such quarter and a consolidated balance sheet for the Company as of the end of such quarter, all prepared in English and in accordance with the Accounting Standards consistently applied throughout the period (except for customary year-end adjustments and except for the absence of notes), provided that the financial statements delivered to Maxway shall be prepared in accordance with International Financial Reporting Standards and shall be accompanied by (x) copies of the unaudited financial statements for each Major Subsidiary prepared in accordance with the accounting standards applicable to such Major Subsidiary in the jurisdiction of its formation and (y) a quarterly progress report (as prepared for the Board) identifying the Company's expansion program to date, capital expenditures, and any deviation from plans outlined in the annual budget of the Company;

(iv) an annual consolidated budget for the Group Companies within thirty (30) days prior to the beginning of each fiscal year, setting forth: the projected balance sheets, income statements and statements of cash flows for each quarter of such fiscal year of the Group Companies on a consolidated basis and all other material matters relating to the operation, development and business of the Group Companies which are reasonably necessary to be included in such budget, including an annual operations review (in a pre-agreed form) describing major activities and changes affecting the Company and the Group, capital investments, achievement against operational targets, and market conditions; with the understanding that the annual budget and business plans shall have been prepared by the Company and approved by the Board;

(v) copies of all documents or other information sent to all other shareholders and any reports publicly filed by the Company with any relevant securities exchange, regulatory authority or governmental agency, no later than five (5) days after such documents or information are filed by the Company;

(vi) minutes of all shareholder and board meetings for any Group Company, provided that the Company shall not be required to deliver such minutes if the Board reasonably determines that the content of such minutes consists of any trade secret of the Company or is protected under attorney-client privilege;

(vii) immediately following any change to the capitalization of any Group Company, an updated capitalization table of such Group Company certified by the chief executive officer of the Company;

(viii) within thirty (30) days of the end of each fiscal quarter, a certification issued by the Company's chief executive officer and chief financial officer (or finance director) certifying that all transactions between the Company and any of its Affiliates (other than any of the Group Companies) were arm's length in nature, with all on-going transactions with the Company' Affiliates (other than any of the Group Companies) and their basis of calculation disclosed in the certification;

(ix) as soon as practicable, and in any event within seven (7) Business Days after receiving such request, any other information reasonably requested by any Major Holder or Maxway (so long as Maxway shall continue to hold at least 50% of the Series B Preferred Shares, together with any Ordinary Shares issued upon the conversion of any Series B Preferred Shares, acquired by Maxway pursuant to the Subscription Agreement), including, but not limited to, information on the financial, legal, business operation, business strategy and corporate governance aspects of the Group;

provided, however, that the Company shall not be obligated under this Section 8.1 to provide information (i) that the Company reasonably determines in good faith to be a trade secret or confidential information (unless covered by a confidentiality agreement, in a form reasonably acceptable to the Company) or (ii) the disclosure of which would adversely affect the attorney-client privilege between a Group Company and its counsel (the above rights, the "Information Rights").

8.2 Inspection Rights. The Group Companies and the Key Holders covenant and agree that each Major Holder and Maxway (so long as Maxway shall continue to hold at least 50% of the Series B Preferred Shares, together with any Ordinary Shares issued upon the conversion of any Series B Preferred Shares, initially acquired by Maxway) shall have the right, at its own expense, to reasonably inspect facilities, properties, records and books of each Group Company at any time during regular working hours on reasonable prior notice to such Group Company and the right to discuss the business, operation, conditions and prospects of a Group Company with any Group Company's directors, officers and employees, accountants, auditors, legal counsels and investment bankers (the "Inspection Rights"); provided, however, that a Major Holder and/or Maxway may only exercise such Inspection Rights if it has executed and delivered to the Company a confidentiality agreement, in form and substance reasonably acceptable to the Company; provided further that the Company shall have no obligation to provide any (i) information or material that contains any proprietary information of any Group Company, the disclosure of which to a Major Holder that is a competitor or a commercial partner of any Group Company would, in the reasonable judgment of the Board, be materially detrimental to the strategic interests of such Group Company or (ii) information or material the disclosure of which would adversely affect the attorney-client privilege between a Group Company and its counsel.

8.3 Meeting with Maxway. If requested by Maxway, the Company will meet with Maxway for quarterly or annual business reviews of the Company within sixty (60) days following the conclusion of the applicable period. The rights of Maxway under this Section 8.3 shall terminate when the Information Rights and Inspection Rights of Maxway terminate.

8.4 Reserved.

8.5 Termination. The Information Rights and Inspection Rights shall terminate upon the earlier to occur of: (i) the consummation of the initial public offering of the securities of the Company, (ii) when the Company first becomes subject to the periodic reporting requirements of Sections 12(g) or 15(d) of the Exchange Act or (iii) upon a Deemed Liquidation Event.

9. Election of Directors.

9.1 Board of Directors.

(i) The Company shall have, and the Parties hereto agree to cause the Company to have, a Board consisting of five (5) directors, with the composition of the Board determined as follows: (a) Ying Du shall have right to designate, appoint, remove, replace and reappoint two (2) directors on the Board, initially to be Marietta Hui Wu and Ying Du, (b) Qiming shall have right to designate, appoint, remove, replace and reappoint one (1) director (the "Qiming Director" or "Series A Director") on the Board, initially to be Nisa Leung, (c) the holders of a majority in voting power of the Series B Preferred Shares shall have right to designate, appoint, remove, replace and reappoint one (1) director (the "Series B Director") on the Board, initially to be Jianming Yu, and (d) Ying Du, Qiming and the holders of a majority in voting power of the Series B Preferred Shares, voting together, have the right to designate, appoint, remove, replace and reappoint one (1) director (the "Independent Director") on the Board, initially to be Peter Karl Wirth. The chairperson of the Board shall be Ying Du, so long as Ying Du continues to serve as a member of the Board.

(ii) Unless otherwise agreed by at least two-thirds (2/3) of the members of the Board, each Group Company wholly-owned by the Company shall, and the Parties hereto shall cause (i) each such Group Company to have a board of directors or similar governing body (the "Subsidiary Board"), (ii) the authorized size of each Subsidiary Board at all times be the same authorized size as the Board, (iii) the composition of each Subsidiary Board to at all times consist of the same persons as directors as those then on the Board, and (iv) to the extent necessary and subject to applicable Laws, amend its Charter Documents for the purpose of effecting the sub-clauses (i) to (iii) above.

9.2 Voting Agreements.

(i) With respect to each election of directors of the Board, each holder of voting securities of the Company shall vote at each meeting of shareholders of the Company, or in lieu of any such meeting shall give such holder's written consent with respect to, as the case may be, all of such holder's voting securities of the Company as may be necessary (i) to keep the authorized size of the Board at five (5) directors, (ii) to cause the election or re-election as members of the Board, and during such period to continue in office, each of the individuals designated pursuant to Section 9.1, and (iii) against any nominees not designated pursuant to Section 9.1.

(ii) Any Director designated pursuant to Section 9.1 may be removed from the Board, either for or without cause, only upon the vote or written consent of the Person or class of Persons then entitled to designate such Director pursuant to Section 9.1, and the Parties agree not to seek, vote for or otherwise effect the removal of any such Director without such vote or written consent. Any Person or class of Persons then entitled to designate any individual to be elected as a Director on the Board shall have the exclusive right at any time or from time to time to remove any such Director occupying such position and to fill any vacancy caused by the death, disability, retirement, resignation or removal of any Director occupying such position or any other vacancy therein, and each other Party agrees to cooperate with such Person or class of Persons in connection with the exercise of such right. Each holder of voting securities of the Company agrees to always vote such holder's respective voting securities of the Company at a meeting of the members of the Company (and given written consents in lieu thereof) in support of the foregoing.

(iii) The Company agrees to take such action, and each other Party hereto agrees to take such action, as is necessary to cause the election or appointment to each Subsidiary Board of each director designated to serve on the Board pursuant to Section 9.1. Upon a removal or replacement of such director from the Board in accordance with Section 9.2(ii), the Company agrees to take such action, and each other Party hereto agrees to take such action, as is necessary to cause the removal of such director from each Subsidiary Board.

9.3 Procedure. Subject to the Memorandum and Articles and applicable Laws, the business of the Company and its Subsidiaries shall be managed by or under the direction of the Board. The Board shall hold no less than one (1) board meeting during each fiscal quarter. A meeting of the Board and each Subsidiary Board shall only proceed where there are present (whether in person or by means of a conference telephone or any other equipment which allows all participants in the meeting to speak to and hear each other simultaneously) a majority of all directors of the Board or Subsidiary Board then in office, provided that such majority includes at least one (1) Preferred Director, and the Parties shall cause the foregoing to be the quorum requirements for the Board and each Subsidiary Board. Notwithstanding the foregoing, if notice of the board meeting has been duly delivered to all directors of the Board or the

applicable Subsidiary Board seven (7) days prior to the scheduled meeting in accordance with the notice procedures under the Charter Documents of the applicable Group Company, and the number of directors required to be present under this Section 9.3 for a quorum to be constituted is not present within one half hour from the time appointed for the meeting solely because of the absence of a Preferred Director, each holder of voting securities of the Company, or the applicable Group Company, as the case may be, shall procure that the directors present at the meeting shall adjourn the meeting to the third (3rd) following Business Day, at the same time and place (or to such other time or such other place as the directors may determine), with notice delivered to all directors two (2) days prior to the adjourned meeting in accordance with the notice procedures under the Charter Documents of the applicable Group Company, and at such adjourned meeting, the presence of a majority of the number of the directors then in office shall be necessary and sufficient to constitute a quorum for the transaction of business at such adjourned meeting.

9.4 Expenses. The Company will promptly pay or reimburse each non-employee Board member and each non-employee Subsidiary Board member for all reasonable out-of-pocket expenses incurred in connection with attending board or committee meetings and otherwise performing their duties as directors and committee members.

9.5 Alternates. Subject to applicable Law, each Director shall be entitled to appoint an alternate to serve at any Board meeting, and such alternate shall be permitted to attend all Board meetings and vote on behalf of the director for whom she or he is serving as an alternate.

9.6 D&O Insurance. If requested by the Board, the Company shall purchase and maintain directors' and officers' insurance on commercially reasonable and customary terms approved by the Board, in relation to any person who is or was a Director or an officer of the Company or any Group Company, or who at the request of the Company or any Group Company is or was serving as a director or an officer of, or in any other capacity is or was acting for, another company or a partnership, joint venture, trust or other enterprise, against any liability asserted against the person and incurred by the person in that capacity. To the maximum extent permitted by the Law of the jurisdiction in which the Company is organized, the Company shall indemnify and hold harmless each of its directors and enter into an indemnification agreement with such director in customary form.

10. Protective Provisions.

10.1 Acts of the Group Companies Requiring Approval of Requisite Series A Holders. Notwithstanding anything else contained herein, no Group Company shall, prior to the earlier of the consummation of the Subject IPO or an alternative Qualified IPO approved by the Board with the affirmative vote of the Preferred Directors , take, permit to occur, approve, authorize, or agree or commit to do any of the following, and each Party shall procure such Group Company not to, and the shareholders of the Company shall procure the Company not to, take, permit to occur, approve, authorize, or agree or commit to do any of the following, whether in a single transaction or a series of related transactions, whether directly or indirectly, and whether or not by amendment, merger, consolidation, scheme of arrangement, amalgamation, or otherwise, unless approved in accordance with applicable Law and in writing by the (a) Requisite Series A Holders, with respect to items (iii), (iv), (xii) and (xiii) and (to the extent relating to the foregoing items in this Section 10.1(a)) item (xvi) and (b) Requisite Series A Holders and Requisite Ordinary Holders (voting as separate classes), with respect to items (i), (ii), (v)-(xi), (xiv), and (xv) and (to the extent relating to the foregoing items in this Section 10.1(b)) item (xvi), in each case (a) and (b) in advance:

(i) any amendment or change of the rights, preferences, privileges or powers of, or the restrictions provided for the benefit of, the Shares, or any action that could adversely affect the rights of the holders of Shares (other than in connection with the Subject IPO or an alternative Qualified IPO approved by the Board with the affirmative vote of the Preferred Directors);

(ii) increase, reduce or cancel the authorized or issued share capital of any such Group Company, issue, allot, purchase or redeem any shares or securities convertible into or carrying a right of subscription in respect of shares or any share warrants, grant, issue or reserve for issuance any options, warrants or rights which may require the issue of shares in the future, or do any other act which has the effect of diluting or reducing the effective shareholding of any Shareholder in any such Group Companies (other than (x) in connection with the Subject IPO or an alternative Qualified IPO approved by the Board with the affirmative vote of the Preferred Directors, and (y) options, warrants or other convertible securities issued to strategic partners, vendors or advisors in connection with initiatives by the Company which are not fund-raising in nature);

(iii) any action that authorizes, creates or issues shares (or reclassifies any outstanding shares into shares) having rights, preferences, privileges or powers senior to or on a parity with the Preferred Shares, whether as to liquidation, conversion, dividend, voting, redemption or otherwise;

(iv) any purchase, repurchase, redemption or retirement of any Equity Security of any such Group Company other than the purchase, repurchase or redemption of the Preferred Shares pursuant to the Memorandum and Articles (including in connection with the conversion of such Preferred Shares into Ordinary Shares);

(v) any amendment or modification to or waiver under any of the Charter Documents of any such Group Company (other than in connection with the Subject IPO or an alternative Qualified IPO approved by the Board with the affirmative vote of the Preferred Directors);

(vi) any declaration, set aside or payment of a dividend or other distribution by any such Group Company except for any distribution or dividend with respect to which the sole recipient of any proceeds therefrom is the Company or any wholly-owned subsidiary of the Company, or the adoption of, or any change to, the dividend policy of any such Group Company;

(vii) any sale, transfer, or other disposal of, or the incurrence of any Lien on, any substantial part of any assets (tangible or intangible), including without limitation any trademarks, patents or other Intellectual Property, of any such Group Company;

(viii) the commencement of or consent to any proceeding seeking (i) to adjudicate it as bankrupt or insolvent, (ii) liquidation, winding up, dissolution, reorganization (other than in connection with the Subject IPO or an alternative Qualified IPO approved by the Board with the affirmative vote of the Preferred Directors), or arrangement of any such Group Companies under any Law relating to bankruptcy, insolvency or reorganization or relief of debtors, or (iii) the entry of an order for relief or the appointment of a receiver, trustee, or other similar official for it or for any substantial part of its property;

(ix) any material change to the business scope, or nature of business of any such Group Company or cessation of any business line of any such Group Company;

(x) any change of the size or composition of the board of directors of any such Group Company other than changes pursuant to and in compliance with Section 9 hereof;

(xi) any investment in, or divestiture, sale or reduction by any such Group Company of an interest in a Subsidiary;

(xii) the appointment or removal of the auditors for any such Group Company, or the change of the term of the fiscal year for any such Group Company;

(xiii) any adoption of or change to, a significant tax or accounting practice or policy or any internal financial controls and authorization policies, or the making of any significant tax or accounting election (other than any such tax election in connection with a restructuring or reorganization of the Group Companies in preparation for a Qualified IPO or the Subject IPO);

(xiv) any public offering of any Equity Securities of any such Group Company (other than the Subject IPO or an alternative Qualified IPO approved by the Board with the affirmative vote of the Preferred Directors);

(xv) any Deemed Liquidation Event or any merger, amalgamation, petition or application in any jurisdiction to adopt a scheme of arrangement, consolidation, reorganization, reclassification, split-off, spin-off, conversion, business combination or other transaction of similar nature involving any such Group Company with any Person, or the purchase or other acquisition by any such Group Company of all or substantially all of the assets, equity or business of another Person (other than in connection with a restructuring or reorganization of the Group Companies in preparation for the Subject IPO or an alternative Qualified IPO approved by the Board with the affirmative vote of the Preferred Directors); or

(xvi) any action by any such Group Company to authorize, approve or enter into any agreement or obligation with respect to any action listed above.

Notwithstanding anything to the contrary contained herein, where any act listed in (i) to (xvi) above requires the approval of the shareholders of the Company in accordance with applicable Laws, and if the shareholders vote in favor of such act but the approval of the Requisite Series A Holders and/or Requisite Ordinary Holders (as the case may be) has not yet been obtained, such Requisite Series A Holders and/or Requisite Ordinary Holders (as the case may be) shall have, in such vote, the voting rights equal to the aggregate voting power of all the shareholders of the Company who voted in favor of the resolution plus one.

10.2 Acts of the Group Companies Requiring Approval of the Requisite Series B Holders. Notwithstanding anything else contained herein, no Group Company shall, prior to the earlier of the consummation of the Subject IPO or an alternative Qualified IPO approved by the Board with the affirmative vote of the Preferred Directors , take, permit to occur, approve, authorize, or agree to commit to do any of the following, and each Party shall procure such Group Company not to, and the shareholders of the Company shall procure the Company not

to, take, permit to occur, approve, authorize, or agree or commit to do any of the following, whether in a single transaction or a series of related transactions, whether directly or indirectly, and whether or not by amendment, merger, consolidation, scheme of arrangement, amalgamation, or otherwise, unless approved in accordance with applicable Law and in advance in writing by the Requisite Series B Holders (which approval will not be unreasonably withheld, delayed or conditioned by any holder of Series B Preferred Shares):

(i) any amendment or change of the rights, preferences, privileges or powers of, or the restrictions provided for the benefit of, the Series B Preferred Shares issued by the Company, or any action that could adversely affect the rights of the holders of Series B Preferred Shares (other than as necessary in consummation of the Subject IPO or an alternative Qualified IPO approved by the Board with the affirmative vote of the Preferred Directors and as would not have a material adverse impact on the Series B Preferred Shares);

(ii) increase, reduce or cancel the authorized or issued share capital of any such Group Company, issue, allot, purchase or redeem any shares or securities convertible into or carrying a right of subscription in respect of shares or any share warrants, grant, issue or reserve for issuance any options, warrants or rights which may require the issue of shares in the future, or do any other act which has the effect of diluting or reducing the effective shareholding of any Shareholder in any such Group Companies (other than (x) as necessary in consummation of the Subject IPO or an alternative Qualified IPO approved by the Board with the affirmative vote of the Preferred Directors and as would not have a material adverse impact on the Series B Preferred Shares, and (y) options, warrants or other convertible securities the aggregate number of which does not exceed two percent (2%) of the outstanding share capital of the Company (calculated on an as-converted to Ordinary Share basis) issued to strategic partners, vendors or advisors in connection with initiatives by the Company which are not fund-raising in nature);

(iii) any action that authorizes, creates or issues shares (or reclassifies any outstanding shares into shares) having rights, preferences, privileges or powers senior to or on a parity with the Series B Preferred Shares, whether as to liquidation, conversion, dividend, voting, redemption or otherwise;

(iv) any purchase, repurchase, redemption or retirement of any Equity Security of any such Group Company other than the purchase, repurchase or redemption of the Preferred Shares pursuant to the Memorandum and Articles (including in connection with the conversion of such Preferred Shares into Ordinary Shares);

(v) any amendment or modification to or waiver under any of the Charter Documents of any such Group Company (other than as necessary in consummation of the Subject IPO or an alternative Qualified IPO approved by the Board with the affirmative vote of the Preferred Directors and as would not have a material adverse impact on the Series B Preferred Shares);

(vi) any declaration, set aside or payment of a dividend or other distribution by any such Group Company except for any distribution or dividend with respect to which the sole recipient of any proceeds therefrom is the Company or any wholly-owned subsidiary of the Company, or the adoption of, or any change to, the dividend policy of any such Group Company;

(vii) any sale, transfer, or other disposal of, or the incurrence of any Lien on, any substantial part of any assets (tangible or intangible), including without limitation any trademarks, patents or other Intellectual Property, of any such Group Company, but excluding any licensing of Intellectual Property by any Group Company;

(viii) the commencement of or consent to any proceeding seeking (i) to adjudicate it as bankrupt or insolvent, (ii) liquidation, winding up, dissolution, reorganization (other than reorganization as necessary in the consummation of the Subject IPO or an alternative Qualified IPO approved by the Board with the affirmative vote of the Preferred Directors and as would not have a material adverse impact on the Series B Preferred Shares), or arrangement of any such Group Companies under any Law relating to bankruptcy, insolvency or reorganization or relief of debtors, or (iii) the entry of an order for relief or the appointment of a receiver, trustee, or other similar official for it or for any substantial part of its property;

(ix) any material change to the business scope, or nature of business of any such Group Company (including the acquisition or the entry into any new business or formation of any joint venture or any Subsidiary representing, in each instance, an aggregate investment or expenditure by the Group of an amount exceeding US$2,500,000 in value) or cessation of any business line of any such Group Company;

(x) any change of the size or composition of the board of directors of any such Group Company other than changes pursuant to and in compliance with Section 9 hereof;

(xi) any divestiture, sale or reduction by any such Group Company of an interest in a Subsidiary; any investment by any such Group Company in another Person other than a Group Company;

(xii) the appointment or removal of the auditors for any such Group Company, or the change of the term of the fiscal year for any such Group Company;

(xiii) any public offering of any Equity Securities of any such Group Company (other than the Subject IPO or an alternative Qualified IPO approved by the Board with the affirmative vote of the Preferred Directors);

(xiv) any Deemed Liquidation Event or any merger, amalgamation, petition or application in any jurisdiction to adopt a scheme of arrangement, consolidation, reorganization, reclassification, split-off, spin-off, conversion, business combination or other transaction of similar nature involving any such Group Company with any Person, or the purchase or other acquisition by any such Group Company of all or substantially all of the assets, equity or business of another Person (other than in connection with restructuring or reorganization of the Group Companies as necessary in consummation of with the Subject IPO or an alternative Qualified IPO approved by the Board with the affirmative vote of the Preferred Directors and as would not have a material adverse impact on the Series B Preferred Shares);

(xv) issue, allot, or sell any bonds, debentures or other debt securities, together with any other bonds, debentures or debt securities issued, allotted or sold in the same fiscal year, that would exceed US$2,000,000;

(xvi) capital expenditures by the Group in any transaction where the contract value exceeds US$2,000,000;

(xvii) creation, incurrence or assumption by any such Group Company of Indebtedness of more than US$2,000,000;

(xviii) the adoption, amendment or termination of any ESOP or any other share option, equity incentive, purchase or participation plan of any of the Group Companies; or

(xix) any action by any such Group Company to authorize, approve or enter into any agreement or obligation with respect to any action listed above.

Notwithstanding anything to the contrary contained herein, where any act listed in (i) to (xiv) or (xix) above requires the approval of the shareholders of the Company in accordance with applicable Laws, and if the shareholders vote in favor of such act but the approval of the Requisite Series B Holders has not yet been obtained, such Requisite Series B Holders shall have, in such vote, the voting rights equal to the aggregate voting power of all the shareholders of the Company who voted in favor of the resolution plus one.

10.3 Acts of the Group Companies Requiring Approval of the Requisite Series C Holders. Notwithstanding anything else contained herein, no Group Company shall, prior to the earlier of the consummation of the Subject IPO or an alternative Qualified IPO approved by the Board with the affirmative vote of the Preferred Directors, take, permit to occur, approve, authorize, or agree to commit to do any of the following, and each Party shall procure such Group Company not to, and the shareholders of the Company shall procure the Company not to, take, permit to occur, approve, authorize, or agree or commit to do any of the following, whether in a single transaction or a series of related transactions, whether directly or indirectly, and whether or not by amendment, merger, consolidation, scheme of arrangement, amalgamation, or otherwise, unless approved in accordance with applicable Law and in advance in writing by the Requisite Series C Holders (which approval will not be unreasonably withheld, delayed or conditioned by any holder of Series C Preferred Shares):

(i) any amendment or change of the rights, preferences, privileges or powers of, or the restrictions provided for the benefit of, the Series C Preferred Shares issued by the Company, or any action that could adversely affect the rights of the holders of Series C Preferred Shares (other than as necessary in consummation of the Subject IPO or an alternative Qualified IPO approved by the Board with the affirmative vote of the Preferred Directors and as would not have a material adverse impact on the Series C Preferred Shares);

(ii) increase, reduce or cancel the authorized or issued share capital of any such Group Company, issue, allot, purchase or redeem any shares or securities convertible into or carrying a right of subscription in respect of shares or any share warrants, grant, issue or reserve for issuance any options, warrants or rights which may require the issue of shares in the future, or do any other act which has the effect of diluting or reducing the effective shareholding of any Shareholder in any such Group Companies (other than (x) as necessary in consummation of the Subject IPO or an alternative Qualified IPO approved by the Board with the affirmative vote of the Preferred Directors and as would not have a material adverse impact on the Series C Preferred Shares, and (y) options, warrants or other convertible securities the aggregate number of which does not exceed two percent (2%) of the outstanding share capital of the Company (calculated on an as-converted to Ordinary Share basis) issued to strategic partners, vendors or advisors in connection with initiatives by the Company which are not fund-raising in nature);

(iii) any action that authorizes, creates or issues shares (or reclassifies any outstanding shares into shares) having rights, preferences, privileges or powers senior to or on a parity with the Series C Preferred Shares, whether as to liquidation, conversion, dividend, voting, redemption or otherwise;

(iv) any purchase, repurchase, redemption or retirement of any Equity Security of any such Group Company other than the purchase, repurchase or redemption of the Preferred Shares pursuant to the Memorandum and Articles (including in connection with the conversion of such Preferred Shares into Ordinary Shares);

(v) any amendment or modification to or waiver under any of the Charter Documents of any such Group Company (other than as necessary in consummation of the Subject IPO or an alternative Qualified IPO approved by the Board with the affirmative vote of the Preferred Directors and as would not have a material adverse impact on the Series C Preferred Shares);

(vi) any declaration, set aside or payment of a dividend or other distribution by any such Group Company except for any distribution or dividend with respect to which the sole recipient of any proceeds therefrom is the Company or any wholly-owned subsidiary of the Company, or the adoption of, or any change to, the dividend policy of any such Group Company;

(vii) any sale, transfer, or other disposal of, or the incurrence of any Lien on, any substantial part of any assets (tangible or intangible), including without limitation any trademarks, patents or other Intellectual Property, of any such Group Company, but excluding any licensing of Intellectual Property by any Group Company;

(viii) the commencement of or consent to any proceeding seeking (i) to adjudicate it as bankrupt or insolvent, (ii) liquidation, winding up, dissolution, reorganization (other than reorganization as necessary in the consummation of the Subject IPO or an alternative Qualified IPO approved by the Board with the affirmative vote of the Preferred Directors and as would not have a material adverse impact on the Series C Preferred Shares), or arrangement of any such Group Companies under any Law relating to bankruptcy, insolvency or reorganization or relief of debtors, or (iii) the entry of an order for relief or the appointment of a receiver, trustee, or other similar official for it or for any substantial part of its property;

(ix) any material change to the business scope, or nature of business of any such Group Company (including the acquisition or the entry into any new business or formation of any joint venture or any Subsidiary representing, in each instance, an aggregate investment or expenditure by the Group of an amount exceeding US$2,500,000 in value) or cessation of any business line of any such Group Company;

(x) any change of the size or composition of the board of directors of any such Group Company other than changes pursuant to and in compliance with Section 9 hereof;

(xi) any divestiture, sale or reduction by any such Group Company of an interest in a Subsidiary; any investment by an such Group Company in another Person other than a Group Company;

(xii) the appointment or removal of the auditors for any such Group Company, or the change of the term of the fiscal year for any such Group Company;

(xiii) any public offering of any Equity Securities of any such Group Company (other than the Subject IPO or an alternative Qualified IPO approved by the Board with the affirmative vote of the Preferred Directors);

(xiv) any Deemed Liquidation Event or any merger, amalgamation, petition or application in any jurisdiction to adopt a scheme of arrangement, consolidation, reorganization, reclassification, split-off, spin-off, conversion, business combination or other transaction of similar nature involving any such Group Company with any Person, or the purchase or other acquisition by any such Group Company of all or substantially all of the assets, equity or business of another Person (other than in connection with restructuring or reorganization of the Group Companies as necessary in consummation of with the Subject IPO or an alternative Qualified IPO approved by the Board with the affirmative vote of the Preferred Directors and as would not have a material adverse impact on the Series C Preferred Shares);

(xv) issue, allot, or sell any bonds, debentures or other debt securities, together with any other bonds, debentures or debt securities issued, allotted or sold in the same fiscal year, that would exceed US$2,000,000;

(xvi) capital expenditures by the Group in any transaction where the contract value exceeds US$2,000,000;

(xvii) creation, incurrence or assumption by any such Group Company of Indebtedness of more than US$2,000,000;

(xviii) the adoption, amendment or termination of any ESOP or any other share option, equity incentive, purchase or participation plan of any of the Group Companies; or

(xix) any action by any such Group Company to authorize, approve or enter into any agreement or obligation with respect to any action listed above.

Notwithstanding anything to the contrary contained herein, where any act listed in (i) to (xiv) or (xix) above requires the approval of the shareholders of the Company in accordance with applicable Laws, and if the shareholders vote in favor of such act but the approval of the Requisite Series C Holders has not yet been obtained, such Requisite Series C Holders shall have, in such vote, the voting rights equal to the aggregate voting power of all the shareholders of the Company who voted in favor of the resolution plus one.

10.4 Acts of the Group Companies Requiring Approval of Series C Super-Majority. Notwithstanding anything else contained herein, the Company may not issue any New Securities that are senior to, or pari passu with, the Series C Preferred Shares (as to liquidation preference or distribution rights) unless such issuance of New Securities is approved in advance in writing by the holders of at least two-thirds (2/3) of the Series C Preferred Shares (which approval will not be unreasonably withheld, delayed or conditioned by any holder of Series C Preferred Shares).

10.5 Acts of the Group Companies Requiring Supermajority Board Approval. Notwithstanding anything else contained herein, except for the sole purpose of making indemnity payments by the Company pursuant to Section 11 of the Subscription Agreement, no Group Company shall take, permit to occur, approve, authorize, or agree or commit to do any of the following, and no Party shall permit any such Group Company to, and the

shareholders of the Company shall not permit the Company to, take, permit to occur, approve, authorize, or agree or commit to do any of the following, whether in a single transaction or a series of related transactions, whether directly or indirectly, and whether or not by amendment, merger, consolidation, scheme of arrangement, amalgamation, or otherwise, unless approved by at least two-thirds (2/3) of the members of the Board:

(i) the appointment or removal of, or approval of the remuneration package for, any member of the senior management of any such Group Company, including the chief executive officer, the chief operating officer, the chief financial officer, and any other management member at or above the level of vice president or comparable position;

(ii) the adoption, amendment or termination of ESOP or any other equity incentive, purchase or participation plan for the benefit of any employees, officers, directors, contractors, advisors or consultants of any of such Group Companies;

(iii) incurrence of any capital expenditure or other commitment in excess of US$1,000,000 (or its equivalent in other currency or currencies) individually or US$2,500,000 (or its equivalent in other currency or currencies) in the aggregate during any financial year, excluding contracts providing services to customers;

(iv) creation, incurrence or assumption by any such Group Company of indebtedness for borrowed money or guarantees of such indebtedness except for trade facilities obtained from banks or other financial institutions in the ordinary course of business;

(v) incurrence of any Lien on all or any of the undertaking, assets or rights of any such Group Company except for the purpose of securing borrowings from banks or other financial institutions in the ordinary course of business not exceeding US$1,000,000 (or its equivalent in other currency or currencies) individually or US$2,500,000 (or its equivalent in other currency or currencies) in the aggregate during any financial year;

(vi) entering into, approving or making adjustments or modifications to terms of any transaction with a transaction amount in excess of US$100,000 (or its equivalent in other currency or currencies) involving the interest of any director, shareholder or officer of any such Group Company, including but not limited to the making of any loans or advances, whether directly or indirectly, or the provision of any guarantee, indemnity or security for or in connection with any indebtedness or liabilities of any director, shareholder or officer of any such Group Company;

(vii) any transfer of cash or other assets in excess of US$5,000,000 (or its equivalent in other currency or currencies) between any such Group Companies and/or their Affiliates;

(viii) any material equity or asset acquisition with a transaction amount in excess of US$2,500,000 (or its equivalent in other currency or currencies);

(ix) selection of the listing exchange or the underwriters in connection with a public offering (other than the Subject IPO or an alternative Qualified IPO approved by the Board with the affirmative vote of the Preferred Directors), or approval of the valuation or other terms and conditions for a public offering (other than the Subject IPO or an alternative Qualified IPO approved by the Board with the affirmative vote of the Preferred Directors);

(x) any exclusive out-licensing or incurrence of any Lien on any trademarks, patents or other Intellectual Property owned by any such Group Company other than in the ordinary course of business;

(xi) the approval of, or any deviation from or amendment of, the annual budget and business plan of any such Group Company;

(xii) any adoption of or change to, a significant tax or accounting practice or policy or any internal financial controls and authorization policies, or the making of any significant tax or accounting election (other than any such tax election in connection with a restructuring or reorganization of the Group Companies in preparation for a Qualified IPO or the Subject IPO);

(xiii) any other actions or transaction out of the ordinary course of business of the Company; or

(xiv) any action by any such Group Company to authorize, approve or enter into any agreement or obligation with respect to any action listed above.

10.6 Termination. The provisions of this Section 10 shall terminate upon the earlier to occur of (i) the consummation of the Subject IPO or an alternative Qualified IPO approved by the Board with the affirmative vote of the Preferred Directors or (ii) a Deemed Liquidation Event.

11. Additional Covenants.

11.1 Business of the Group Companies. The business of the Group Companies shall be restricted to the Business, except with the approval of the Board and any required approvals under Section 10.

11.2 Compliance with Laws; Registrations.

(i) The Group Companies shall, and each Key Holder shall cause the Group Companies to, conduct their respective business in compliance with all applicable Laws, including but not limited to Laws regarding foreign investments, corporate registration and filing, import and export, customs administration, foreign exchange, intellectual property rights, labor and social welfare, and taxation, and obtain, make and maintain in effect, all Consents from the relevant Governmental Authority or other Person required in respect of the due and proper establishment and operations of each Group Company as now conducted in accordance with applicable Laws. Without limiting the generality of the foregoing, none of the Group Companies shall, and the Parties (other than the Investors) shall cause each Group Company not to, and its Affiliates and its respective officers, directors, and representatives not to, directly or indirectly, (a) offer or give anything of value to any Public Official with the intent of obtaining any improper advantage, affecting or influencing any act or decision of any such Person, assisting any Group Company in obtaining or retaining business for, or with, or directing business to, any Person, or constituting a bribe, kickback or illegal or improper payment to assist any Group in obtaining or retaining business, (b) take any other action, in each case, in violation of the Foreign Corrupt Practices Act of the United States of America ("FCPA"), as amended (or that would be in violation of the FCPA if taken by a "US Person" as defined by the FCPA), or in violation of any other applicable similar anti-corruption, recordkeeping and internal controls Laws, or (c) establish or maintain any fund or assets in which any Group Company has proprietary rights that have not been recorded in its books and records of Group Company.

(ii) Without limiting the generality of the foregoing, each Key Holder and each Group Company shall ensure that all filings and registrations with the PRC Governmental Authorities so required by them shall be duly completed in accordance with the relevant rules and regulations, including without limitation any such filings and registrations with the Ministry of Commerce, the State Administration of Industry and Commerce, the State Administration for Foreign Exchange, tax bureau, customs authorities, product registration authorities, health regulatory authorities, and the local counterpart of each of the aforementioned governmental authorities, in each case, as applicable.

(iii) Without limiting the generality of the foregoing, the Company covenants that it shall not, and shall not permit any of its Subsidiaries or Affiliates or any of its or their respective directors, officers, managers, employees, independent contractors, representatives or agents to, promise, authorize or make any payment to, or otherwise contribute anything of value, directly or indirectly, to any third party, including any non-U.S. Public Official, in each case, in violation of the FCPA, the U.K. Bribery Act, or any other applicable anti-bribery or anti-corruption Law. The Company further covenants that it shall, and shall cause each of its Subsidiaries and Affiliates to, cease all of its or their respective activities, as well as remediate any actions taken by the Company, its Subsidiaries or Affiliates, or any of their respective directors, officers, managers, employees, independent contractors, representatives or agents in violation of the FCPA, the U.K. Bribery Act, or any other applicable anti-bribery or anti-corruption Law. The Company further covenants that it shall, and shall cause each of its Subsidiaries and Affiliates to, maintain systems of internal controls (including, but not limited to, accounting systems, purchasing systems and billing systems) to ensure compliance with the FCPA, the U.K. Bribery Act, or any other applicable anti-bribery or anti-corruption Law.

11.3 Share Option Plan. No issuances or grants will be made under any ESOP unless such ESOP contains terms and conditions approved by the Board and approved in accordance with Section 10 hereof.

11.4 Insurance. If requested by at least two-thirds (2/3) of the members of the Board, the Group Companies shall promptly purchase and maintain in effect, worker's injury compensation insurance, key man insurance, and other insurance, in any case with respect to the Group's properties, employees, products, operations, and/or business, each in the amounts not less than that are customarily obtained by companies of similar size, in a similar line of business, and with operations in the PRC.

11.5 Intellectual Property Protection. Except with the written consent of at least two-thirds (2/3) of the members of the Board, the Group Companies shall take all commercially reasonable steps to protect their respective Intellectual Property rights, including without limitation (a) registering their material respective trademarks, brand names, domain names and copyrights, and (b) requiring each Key Employee to enter into an employment agreement in form and substance reasonably acceptable to at least two-thirds (2/3) of the members of the Board, a confidential information and intellectual property assignment agreement and a non-competition and non-solicitation agreement requiring such persons to protect and keep confidential such Group Company's confidential information, intellectual property and trade secrets, prohibiting such persons from competing with such Group Company for a reasonable time after their termination of employment with any Group

Company, and requiring such persons to assign all ownership rights in their work product to such Group Company, in each case in form and substance reasonably acceptable to at least two-thirds (2/3) of the members of the Board.

11.6 Internal Control System. The Group Companies shall maintain their books and records in accordance with sound business practices and implement and maintain an adequate system of procedures and controls with respect to finance, management, and accounting that meets international standards of good practice, including using commercially reasonable efforts to ensure, with respect to each Group Company, that (i) transactions by it are executed in accordance with management's general or specific authorization, (ii) transactions by it are recorded as necessary to permit preparation of financial statements in conformity with the Accounting Standards and to maintain asset accountability, (iii) duties are segregated for cash deposits, cash reconciliation, cash payment, and a proper approval process is established in respect thereof, and (iv) no personal assets or bank accounts of the employees, directors, officers are mingled with the corporate assets or corporate bank account, and no Group Company uses any personal bank accounts of any employees, directors, officers thereof during the operation of the business, in each case (i)-(iv), in all material respects.

11.7 Non-compete. Unless the Requisite Preferred Holders otherwise consent in writing, each Principal (a) so long as such Principal is a director, officer or employee of a Group Company, shall devote no less than ninety percent (90%) of his/her time and attention during regular business hours to the business of the Group Companies, use his/her commercially reasonable efforts in furtherance of the business and interests of the Group Companies, and refrain from being employed by any Person other than a Group Company except with respect to any position being held by such Principal as of the Effective Date that has been disclosed to the Investors prior to such date, and (b) so long as such Principal is a director, officer, or employee of a Group Company and for two (2) years after such Principal is no longer a director, officer, or employee of a Group Company, shall not, and shall use reasonable best efforts to cause his/her Affiliates, and use commercially reasonable efforts to cause his/her Associates, in each case, not to, directly or indirectly, (i) own, manage, engage in, operate, control, work for, consult with, render services for, maintain any interest in (proprietary, financial or otherwise), any business, whether in corporate, proprietorship or partnership form or otherwise, that is substantially similar to, or otherwise competes with, the Business of the Group Companies (a "Restricted Business"), provided, however, that the restrictions contained in this clause (i) shall not restrict the acquisition by such Principal, directly or indirectly, of less than 0.5% of the outstanding share capital of any publicly traded company engaged in a Restricted Business, (ii) solicit any Person who is a current customer of the Group for the purpose of offering to such customer goods or services similar to or competing with those offered by any Group Company, or solicit any Person who is a current supplier or licensor or customer of any Group Company for the purpose of inducing any such Person to terminate its business relationship with such Group Company, or (iii) solicit or entice away or endeavour to solicit or entice away any current director, officer, consultant or employee of any Group Company. Each of the Principals expressly agrees that the limitations set forth in this Section 11.7 are reasonably tailored and reasonably necessary in light of the circumstances. Furthermore, if any provision of this Section is more restrictive than permitted by the Laws of any jurisdiction in which a Party seeks enforcement thereof, then this Section will be enforced to the greatest extent permitted by Law. Each of the undertakings contained in this Section shall be enforceable by each Group Company and each Investor separately and independently of the right of the other Group Companies and the other Investors. Notwithstanding any limitation in this Section 11.7, Ying Du shall not be restricted from

serving on the board of directors or advisory panel of any company for which she is serving as a director or advisor as of the Effective Date that has been disclosed to the Investors prior to such date.

11.8 No Avoidance. The Company will not, by any voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be performed hereunder by the Company, and the Company will at all times in good faith assist and take action as appropriate in the carrying out of all of the provisions of this Agreement.

11.9 Tax Matters for the United States and Other Jurisdictions.

(i) At the request of a Shareholder (or Shareholders) for whom it is relevant, the Company shall use reasonable efforts to (a) determine, on an annual basis, whether the Company (or any of its subsidiaries) is a PFIC and (b) provide such information (or access to such information) as is reasonably available to the Company and necessary for such Shareholder to comply with such Shareholder's US federal income tax or other tax filing or reporting obligations, including with respect to the acquisition, ownership, or disposition of, and income attributable to, any shares held by such Shareholder.

(ii) At the request of a Shareholder (or Shareholders) for whom it is relevant, the Company shall use reasonable efforts to provide such information (or access to such information) in the Company's possession in order to permit such Shareholder to (a) determine whether the Company is or may become a CFC, (b) determine the consequences to it or any of its direct or indirect investors of such status, and (c) comply with such Shareholder's US federal income tax or other tax filing or reporting obligations.

(iii) The Company shall comply and shall cause each of its Subsidiaries to comply with all material record-keeping, reporting, and other requirements that the Investors inform the Company are necessary to enable such Investor or any of its Affiliates to comply with any applicable US and non-US tax rules. The Company shall also provide the Investors with any information in the Company's possession reasonably requested by such Investor or any of its Affiliates to enable such person to file any tax return, make any tax election, claim any refund, credit, deduction, treaty, benefit or any other tax benefit, or otherwise comply with any applicable US and non-US tax rules, including information relating to the transfer of shares or other interests in the Company or any Group Company and the issuance or redemption by the Company or any Group Company of any shares or other interests therein. The Investors agree that if the Company incurs expenses and fees over US$5,000 in any year in connection with the compliance with any non-US tax rules, the Investor requesting the Company to comply with such non-US tax rules shall reimburse the Company for such expenses and fees over US$5,000 each year.

11.10 Other Tax Matters.

(i) The Company shall use, and shall cause each of its Subsidiaries to use, its reasonable efforts to arrange its management and business activities in such a way that the Company and each of its Subsidiaries are not treated as residents for tax purposes, or is otherwise subject to income tax in, a jurisdiction other than the jurisdiction in which they have been organized.

(ii) (ii) The Company shall (and shall cause any Group Company to) (i) meet all payment, withholding, and other tax compliance obligations (including with respect to

transfer pricing and evidentiary requirements for transfer pricing) as required under the laws of the jurisdictions where the Group Company operates; (ii) at all times deal at arm's length with any other Group Company, (iii) retain an accounting firm of recognized standing with respect to tax matters in any jurisdiction where the Group Company operates to handle all of its tax compliance matters in such jurisdiction, and (iv) refrain from entering into tax sharing agreements or otherwise guarantee another Person's liability with respect to taxes.

11.11 Confidentiality.

(i) The terms and conditions of the Transaction Documents (collectively, the "Confidential Information"), including their existence, shall be considered confidential information and shall not be disclosed by any of the Parties to any other Person except that (i) each Party, as appropriate, may disclose any of the Confidential Information to its current or bona fide prospective investors, prospective permitted transferees, employees, investment bankers, lenders, accountants and attorneys, in each case only where such Persons are under appropriate nondisclosure obligations; (ii) each Investor may disclose any of the Confidential Information to its fund manager or any other Affiliate and the employees thereof so long as such Persons are under appropriate nondisclosure obligations; (iii) any Party may disclose any of the Confidential Information as reasonably necessary in connection with any legal proceeding or arbitration to enforce the terms of any Transaction Document; and (iv) if any Party is requested or becomes legally compelled (including without limitation, pursuant to securities Laws) to disclose the existence or content of any of the Confidential Information in contravention of the provisions of this Section, such Party shall promptly provide the other Parties with written notice of that fact so that such other Parties may seek a protective order, confidential treatment or other appropriate remedy and in any event shall furnish only that portion of the information that is legally required and shall exercise reasonable efforts to obtain reliable assurance that confidential treatment will be accorded such information.

(ii) The provisions of this Section shall terminate and supersede the provisions of any separate nondisclosure agreement executed by any of the Parties hereto with respect to the transactions contemplated hereby, including without limitation, any term sheet, letter of intent, memorandum of understanding or other similar agreement (but not the Charter Documents) entered into by the Company and the Investors in respect of the transactions contemplated hereby, except for the confidentiality provision in the Subscription Agreement, which shall remain in full force and effect.

11.12 Terms Protection. If at any time after the Closing and prior to a Qualified IPO, should the Company propose to issue any New Securities to a third party (a "Subject Investor"), then so long as Maxway continues to hold at least 50% of the Series B Preferred Shares acquired by Maxway at the Closing, the Company will provide to Maxway a written summary of the terms for the sale and issuance of such New Securities to such Subject Investor (the "MFN Notice"), with the understanding that Maxway will be offered the opportunity to receive any of the rights and benefits proposed to be granted by the Company to such Subject Investor in connection with such Subject Investor's investment in the Company which are reasonably applicable to Maxway, provided that (a) Maxway notifies the Company in writing within ten (10) calendar days of the date it receives a copy of the MFN Notice of such desire, (b) the Subject Investor consummates its investment in the New Securities, and (c) Maxway will not be entitled to receive any rights or benefits (x) established in favor of the Subject Investor solely to address any laws, rules, regulations or internal policies to which Maxway is not also subject (unless it is subject to laws, rules, regulations or internal policies of substantially similar effect) or (y) which are personal to such Subject Investor based solely on

the place of organization or headquarters, organizational form of, or other particular restrictions applicable to, such Subject Investor, to which Maxway is not also subject. Maxway acknowledges and agrees that the Company may in its sole discretion redact any confidential information regarding the Subject Investor which the Company is not otherwise obligated to disclose to Maxway pursuant to the terms of this Agreement.

11.13 Drag Along Rights.

(i) At any time after the fifth (5th) anniversary of the Effective Date and prior to the consummation of a Qualified IPO, the holders of at least 66.7% in voting power of all issued and outstanding Shares of the Company voting as a single class on a fully diluted and as-converted basis (the "Drag Holders") may approve a consolidation, amalgamation, scheme of arrangement or merger of the Company with or into any other Person (the "Offeror") or other reorganization in which the shareholders of the Company immediately prior to such consolidation, amalgamation, merger, scheme of arrangement or reorganization own less than fifty percent (50%) of the Company's voting power in the aggregate immediately after such consolidation, merger, amalgamation, scheme of arrangement or reorganization, any transaction or series of related transactions in which in excess of fifty percent (50%) of the Company's voting power is transferred to the Offeror, or sale, transfer, lease or other disposition of all or substantially all of the assets of the Group Companies to the Offeror (an "Approved Sale") that would qualify as a Deemed Liquidation Event pursuant to Article 8.2(B) of the Third Restated and Amended Articles of Association of the Company), where (i) the Company is valued at not less than US$1,000,000,000 in such transaction and (ii) the same terms and conditions shall apply in respect of the sale of any Share by a Shareholder in the Approved Sale as apply to the sale of Shares by the Drag Holders; provided, however, that such terms and conditions, including with respect to price paid or received per Share of the Company, may differ as between different classes of Shares of the Company in accordance with their relative liquidation preferences as set forth in the Memorandum and Articles and provided further that some Shareholders may be given the right or opportunity to exchange or roll a portion of their Shares of the Company for equity securities of the acquirer or an Affiliate thereof in the Approved Sale but in such event there shall, subject to applicable law, be no obligation to afford such right or opportunity to all of the Shareholders. In the case of a proposed Approved Sale, at the request of the Drag Holders, the Company shall promptly deliver a written notice (the "Drag Notice") to notify each of the other Shareholders of the approval thereof and the material terms and conditions of such proposed Approved Sale, whereupon each such Shareholder shall, in accordance with instructions received from the Company at the direction of the Drag Holders, take all necessary actions in connection with the consummation of such Approved Sale as reasonably requested by the Drag Holders, including, but not limited to:

(1) Execute and deliver any share transfer or other agreements prepared in connection with such Approved Sale, and the delivery, at the closing of such Approved Sale involving a sale of shares, of all certificates representing shares held or controlled by such Shareholder, accompanied by a duly executed share transfer form, or affidavits and indemnity undertakings with respect to lost certificates.

(2) Sell, at the same time as the Drag Holders sell to the Offeror, in the Approved Sale, all of its Shares of the Company or the same percentage of its Shares of the Company as the Drag Holders sell;

(3) Vote all of its Shares of the Company (a) in favor of such Approved Sale, (b) against any other consolidation, recapitalization, amalgamation, merger, sale of securities, sale of assets, business combination, or transaction that would interfere with, delay, restrict, or otherwise adversely affect such Approved Sale, and (c) against any action or agreement that would result in a breach of any covenant, representation or warranty or any other obligation or agreement of the Company under the definitive agreement(s) related to such Approved Sale or that could result in any of the conditions to the closing obligations under such agreement(s) not being fulfilled, and, in connection therewith, to be present (in person or by proxy) at all relevant meetings of the shareholders of the Company (or adjournments thereof) or to approve and execute all relevant written consents in lieu of a meeting.

(4) Not exercise any dissenters' or appraisal rights under applicable law with respect to such Approved Sale.

(ii) In the event that any Shareholder fails for any reason to take any of the foregoing actions under this Section 11.13 following the Drag Notice, such Shareholder hereby grants an irrevocable power of attorney and proxy to the Drag Holders approving the Approved Sale to take all necessary actions and execute and deliver all documents deemed by such Drag Holders to be reasonably necessary to effectuate the terms hereof.

11.14 Termination. The provisions of Section 11 shall terminate upon the earlier to occur of (i) the consummation of the Subject IPO or an alternative Qualified IPO approved by the Board with the affirmative vote of the Preferred Directors or (ii) a Deemed Liquidation Event.

12. Miscellaneous.

12.1 Termination. This Agreement shall terminate upon mutual consent of the Parties hereto; provided that this Agreement shall terminate with respect to each Investor once such Investor ceases to be a shareholder of the Company. If any Party breaches this Agreement before the termination of this Agreement, it shall not be released from its obligations arising from such breach on termination; provided that each Investor shall cease to have any obligations or liabilities once such Investor ceases to be a shareholder of the Company.

12.2 Further Assurances. Upon the terms and subject to the conditions herein, each of the Parties hereto agrees to use its reasonable best efforts to take or cause to be taken all action, to do or cause to be done, to execute such further instruments, and to assist and cooperate with the other Parties hereto in doing, all things necessary, proper or advisable under applicable Laws or otherwise to consummate and make effective, in the most expeditious manner practicable, the transactions contemplated by this Agreement. Each Key Holder irrevocably agrees to cause his/her respective holding company (if any) to perform and comply with all of its respective covenants and obligations under this Agreement.

12.3 Assignments and Transfers; No Third Party Beneficiaries. Except as otherwise provided herein, this Agreement and the rights and obligations of the Parties hereunder shall inure to the benefit of, and be binding upon, their respective successors, permitted assigns, but shall not otherwise be for the benefit of any third party. Subject to the terms and conditions of this Agreement and the Right of First Refusal & Co-Sale Agreement, each Shareholder may transfer all or part of the Equity Securities of the Company held by such Shareholder to any third party and assign any of its respective rights, interests, or obligations hereunder together with the transfer of such Equity Securities. Each transferee or assignee of

such Equity Securities shall continue to be subject to the terms hereof, and, as a condition to the Company's recognizing such transfer or assignment, each transferee or assignee shall agree in writing to be subject to each of the terms of this Agreement by executing and delivering a Deed of Adherence substantially in the form attached hereto as Exhibit A (a "Deed of Adherence"). Upon the execution and delivery of a Deed of Adherence by any transferee or assignee, such transferee or assignee shall be deemed to be a party hereto as if such transferee's or assignee's signature appeared on the signature page of this Agreement. The Company shall not permit the transfer or assignment of any Equity Securities of the Company subject to this Agreement on its books or issue a new certificate or instrument representing any of the Company's Equity Securities unless and until the transferee or assignee shall have complied with the terms of this Section 12.3. Except as provided in the preceding sentence and in Section 12.9, this Agreement and the rights and obligations of each other Party hereunder shall not otherwise be assigned without the mutual written consent of the Company, the Requisite Ordinary Holders and the Requisite Preferred Holders except as expressly provided herein. Ying Du shall be jointly and severally liable for any breach by The Z Trust of any provision under this Agreement, the Right of First Refusal & Co-Sale Agreement and/or any Other Restriction Agreements (as defined under the Right of First Refusal & Co-Sale Agreement).

12.4 Governing Law. This Agreement shall be governed by and construed under the Laws of the State of New York.

12.5 Dispute Resolution.

(i) Any dispute, controversy or claim (each, a "Dispute") arising out of or relating to this Agreement, or the interpretation, breach, termination, validity or invalidity thereof, shall be referred to and conclusively determined by arbitration upon the demand of either party to the dispute with notice (the "Arbitration Notice") to the other.

(ii) The Dispute shall be settled by arbitration in Hong Kong by the Hong Kong International Arbitration Centre (the "HKIAC") in accordance with the Rules of Arbitration of the International Chamber of Commerce (the "ICC Rules") in force when the Arbitration Notice is submitted in accordance with the ICC Rules. There shall be one (1) arbitrator. The disputing Parties may jointly select one (1) arbitrator, or agree that the HKIAC Council shall select the arbitrator. In the absence of such agreement, there shall be three (3) arbitrators, of whom one (1) arbitrator shall be appointed by the mutual agreement of the claimants to the Dispute, one (1) arbitrator shall be appointed by the mutual agreement of the respondents to the Dispute, and the third arbitrator shall be appointed by the arbitrators respectively designated by the claimants and respondents. If any arbitrator has not been appointed within thirty (30) days after the date of the Arbitration Notice, such arbitrator shall be appointed by the HKIAC Council.

(iii) The arbitral proceedings shall be conducted in English. To the extent that the ICC Rules are in conflict with the provisions of this Section, including the provisions concerning the appointment of the arbitrators, the provisions of this Section shall prevail.

(iv) Each party to the arbitration shall cooperate with each other party to the arbitration in making full disclosure of and providing complete access to all information and documents requested by such other party in connection with such arbitral proceedings, subject only to any confidentiality obligations binding on such party.

(v) The award of the arbitral tribunal shall be final and binding upon the parties thereto, and the prevailing party may apply to a court of competent jurisdiction for enforcement of such award.

(vi) The arbitral tribunal shall decide any Dispute submitted by the parties to the arbitration strictly in accordance with the substantive Law of the State of New York (without regard to principles of conflict of Laws thereunder) and shall not apply any other substantive Law.

(vii) Any party to the Dispute shall be entitled to seek preliminary injunctive relief, if possible, from any court of competent jurisdiction pending the constitution of the arbitral tribunal.

(viii) During the course of the arbitral tribunal's adjudication of the Dispute, this Agreement shall continue to be performed except with respect to the part in dispute and under adjudication.

12.6 Notices. Any notice required or permitted pursuant to this Agreement shall be given in writing and shall be given either personally or by sending it by next-day or second-day courier service, fax, electronic mail or similar means to the address of the relevant Party as shown on Schedule C (or at such other address as such Party may designate by fifteen (15) days' advance written notice to the other Parties to this Agreement given in accordance with this Section). Where a notice is sent by next-day or second-day courier service, service of the notice shall be deemed to be effected by properly addressing, pre-paying and sending by next-day or second-day service through an internationally-recognized courier a letter containing the notice, with a written confirmation of delivery, and to have been effected at the earlier of (i) delivery (or when delivery is refused) and (ii) expiration of two (2) Business Days after the letter containing the same is sent as aforesaid. Where a notice is sent by fax or electronic mail, service of the notice shall be deemed to be effected by properly addressing, and sending such notice through a transmitting organization, with a written confirmation of delivery, and to have been effected on the day the same is sent as aforesaid, if such day is a Business Day and if sent during normal business hours of the recipient, otherwise the next Business Day. Notwithstanding the foregoing, to the extent a "with a copy to" address is designated, notice must also be given to such address in the manner above for such notice, request, consent or other communication hereunder to be effective.

12.7 Expenses. If any action at law or in equity is necessary to enforce or interpret the terms of this Agreement, the prevailing Party shall be entitled to reasonable attorneys' fees, costs and necessary disbursements in addition to any other relief to which such Party may be entitled.

12.8 Rights Cumulative; Specific Performance. Each and all of the various rights, powers and remedies of a Party hereto will be considered to be cumulative with and in addition to any other rights, powers and remedies which such Party may have at Law or in equity in the event of the breach of any of the terms of this Agreement. The exercise or partial exercise of any right, power or remedy will neither constitute the exclusive election thereof nor the waiver of any other right, power or remedy available to such Party. Without limiting the foregoing, the Parties hereto acknowledge and agree irreparable harm may occur for which money damages would not be an adequate remedy in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the Parties shall be entitled to injunction to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement.

12.9 Successor Indemnification. If the Company or any of its successors or assignees consolidates with or merges into any other Person and is not the continuing or surviving corporation or entity of such consolidation or merger, then to the extent necessary, and permitted by applicable Law, proper provision shall be made so that the successors and assignees of the Company assume the obligations of the Company with respect to indemnification of members of the Board of Directors as in effect immediately before such transaction, whether such obligations are contained in the Memorandum and Articles, or elsewhere, as the case may be.

12.10 Severability. In case any provision of the Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby. If, however, any provision of this Agreement shall be invalid, illegal, or unenforceable under any such applicable Law in any jurisdiction, it shall, as to such jurisdiction, be deemed modified to conform to the minimum requirements of such Law, or, if for any reason it is not deemed so modified, it shall be invalid, illegal, or unenforceable only to the extent of such invalidity, illegality, or limitation on enforceability without affecting the remaining provisions of this Agreement, or the validity, legality, or enforceability of such provision in any other jurisdiction.

12.11 Amendments and Waivers. Any provision in this Agreement may be amended or waived, only by the written consent of (i) the Company, (ii) the Requisite Series A Holders, (iii) the Requisite Series B Holders, (iv) the Requisite Series C Holders, and (v) the Requisite Ordinary Holders; provided, however, that (1) no amendment or waiver shall be effective or enforceable in respect of a holder of any class or series of any shares of the Company if such amendment or waiver affects such holder materially and adversely differently from the other holders of the same class or series of shares, unless such Persons consent in writing to such amendment or waiver, and (2) any provision that specifically and expressly gives a right to an Investor or a holder of Preferred Shares shall not be amended or waived without the prior written consent of such Investor or holder. Notwithstanding the foregoing, any Party hereunder may waive any of its/his rights hereunder without obtaining the consent of any parties. Any amendment or waiver effected in accordance with this Section shall be binding upon all the Parties hereto.

12.12 No Waiver. Failure to insist upon strict compliance with any of the terms, covenants, or conditions hereof will not be deemed a waiver of such term, covenant, or condition, nor will any waiver or relinquishment of, or failure to insist upon strict compliance with, any right, power or remedy hereunder at any one or more times be deemed a waiver or relinquishment of such right, power or remedy at any other time or times.

12.13 Delays or Omissions. No delay or omission to exercise any right, power or remedy accruing to any Party under this Agreement, upon any breach or default of any other Party under this Agreement, shall impair any such right, power or remedy of such non-breaching or non-defaulting Party nor shall it be construed to be a waiver of any such breach or default, or an acquiescence therein, or of or in any similar breach or default thereafter occurring; nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default theretofore or thereafter occurring. Any waiver, permit, consent or approval of any kind or character on the part of any Party of any breach or default under this Agreement, or any waiver on the part of any Party of any provisions or conditions of this Agreement, must be in writing and shall be effective only to the extent specifically set forth in such writing.

12.14 No Presumption. The Parties acknowledge that any applicable Law that would require interpretation of any claimed ambiguities in this Agreement against the Party that drafted it has no application and is expressly waived. If any claim is made by a Party relating to any conflict, omission or ambiguity in the provisions of this Agreement, no presumption or burden of proof or persuasion will be implied because this Agreement was prepared by or at the request of any Party or its counsel.

12.15 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Facsimile and e-mailed copies of signatures shall be deemed to be originals for purposes of the effectiveness of this Agreement.

12.16 Entire Agreement. This Agreement (including the Exhibits hereto) together with the other agreements and instruments referenced herein constitutes the full and entire understanding and agreement among the Parties with regard to the subject matters hereof, and supersedes all prior agreements and understandings between or among any of the Parties with respect to the subject matters hereof. The Parties hereby agree that the Prior Shareholders Agreement shall be amended, restated and superseded by this Agreement in its entirety and terminate effective as of the Effective Date.

12.17 Control. In the event of any conflict or inconsistency between any of the terms of this Agreement and any of the terms of any of the Charter Documents for any of the Group Companies, or in the event of any dispute related to any such Charter Document, the terms of this Agreement shall prevail in all respects as between the shareholders of the Company only, the Parties (other than the Company) shall give full effect to and act in accordance with the provisions of this Agreement over the provisions of the Charter Documents, and the Parties hereto (other than the Company) shall exercise all voting and other rights and powers (including to procure any required alteration to such Charter Documents to resolve such conflict or inconsistency) to make the provisions of this Agreement effective, and not to take any actions that impair any provisions in this Agreement.

12.18 Aggregation of Shares. All Shares held or acquired by any Affiliates of an Investor shall be aggregated together for the purpose of determining the availability of any rights of such Investor under this Agreement.

12.19 Adjustments for Share Splits, Etc. Wherever in this Agreement there is a reference to a specific number of Shares of the Company, then, upon the occurrence of any subdivision, combination or share dividend of the relevant class or series of the Shares, the specific number of shares so referenced in this Agreement shall automatically be proportionally adjusted, as appropriate, to reflect the effect on the outstanding shares of such class or series of Shares by such subdivision, combination or share dividend.

12.20 Grant of Proxy. Upon the failure of any Key Holder to vote the Equity Securities of the Company held thereby, to implement the provisions of and to achieve the purposes of this Agreement, such Key Holder hereby grants to a Person designated by the Company a proxy coupled with an interest in all Equity Securities of the Company held by such Key Holder, which proxy shall be irrevocable until this Agreement terminates pursuant to its terms or this Section is amended to remove such grant of proxy in accordance with Section 12.11 hereof, to vote all such Equity Securities to implement the provisions of and to achieve the purposes of this Agreement.

12.21 Future Significant Holders. The Company and the Key Holders shall cause any future holders of Shares representing more than one percent (1%) of the Company's issued and outstanding share capital (on a fully diluted and as-converted basis) to enter into this Agreement and become subject to the terms and conditions hereof as a Shareholder. The Parties hereto hereby agree that such future holders shall become parties to this Agreement by executing a joinder agreement in form and substance satisfactory to the Requisite Preferred Holders, without any amendment of this Agreement, or any consent or approval of any other party.

12.22 Independent Nature of Investors' Obligations and Rights. The obligations of each Investor under this Agreement are several and not joint, and no Investor is responsible in any way for the performance or conduct of any other Investor in connection with the transactions contemplated hereby. Nothing contained herein and no action taken by any Investor pursuant hereto, shall be or shall be deemed to constitute a partnership, association, joint venture, or joint group with respect to the Investors. Each Investor agrees that no other Investor has acted as an agent for such Investor in connection with the transactions contemplated hereby.

12.23 Use of English Language. This Agreement has been executed and delivered in the English language. Any translation of this Agreement into another language shall have no interpretive effect. All documents or notices to be delivered pursuant to or in connection with this Agreement shall be in the English language or, if any such document or notice is not in the English language, accompanied by an English translation thereof, and the English language version of any such document or notice shall control for purposes thereof.

12.24 Obligations of Investors. The Company acknowledges that the Investors and their Affiliates, members, equity holders, director representatives, partners, employees, agents and other related persons are engaged in the business of investing in private and public companies in a wide range of industries, including the industry segment in which the Company operates (the "Company Industry Segment"). Accordingly, the Company and the Investors hereby acknowledge and agree that a Covered Person (subject to any obligations under Section 12.26) shall:

(i) have no obligation or duty (contractual or otherwise) to the Company to refrain from participating as a director, investor or otherwise with respect to any company or other person or entity that is engaged in the Company Industry Segment or is otherwise competitive with the Company; and

(ii) in connection with making investment decisions, to the fullest extent permitted by Law, have no obligation or duty (contractual or otherwise) to the Company, except as otherwise expressly agreed upon by the Company and such Covered Person, to refrain from using any information, including, but not limited to, market trend and market data, which comes into such Covered Person's possession, whether as a director or investor in, the Company or otherwise.

12.25 Restriction on the Use of Certain Investor Terms and Confidentiality.

(i) Without the written consent of Qiming, each of the Group Companies, their shareholders (excluding Qiming), the Principals and the Key Holders shall not use the name or brand of Qiming or its Affiliates, claim itself as a partner of Qiming or its Affiliates or make any similar representations. Without the written approval of Qiming, the Group Companies, their shareholders (excluding Qiming), the Principals and the Key Holders, shall not make or cause to be made, any press release, public announcement or other disclosure to any third party in respect of this Agreement or any other Transaction Document or Qiming's subscription of any share interest of the Company (except as required by applicable laws and regulations in connection with a Qualified IPO approved by the Board).

(ii) Without the written consent of Sequoia, each of the Group Companies, their shareholders (excluding Sequoia), the Principals and the Key Holders shall not use the name or brand of Sequoia or its Affiliates, claim itself as a partner of Sequoia or its Affiliates, or make any similar representations. Without the written approval of Sequoia, each of the Group Companies, their shareholders (excluding Sequoia), the Principals and the Key Holders shall not make or cause to be made, any press release, public announcement or other disclosure to any third party in respect of this Agreement or any other Transaction Document or Sequoia's subscription of any share interest of the Company (except as required by applicable laws and regulations in connection with a Qualified IPO approved by the Board).

(iii) Without the written consent of Maxway, each of the Group Companies, their shareholders (excluding Maxway), the Principals and the Key Holders shall not use the name or brand of Maxway or its Affiliates, claim itself as a partner of Maxway or its Affiliates, or make any similar representations. Without the written approval of Maxway, each of the Group Companies, their shareholders (excluding Maxway), the Principals and the Key Holders shall not make or cause to be made, any press release, public announcement or other disclosure to any third party in respect of this Agreement or any other Transaction Document or Maxway's subscription of any share interest of the Company (except as required by applicable laws and regulations in connection with a Qualified IPO approved by the Board).

(iv) Without the written consent of OrbiMed, each of the Group Companies, their shareholders excluding OrbiMed), the Principals and the Key Holders shall not use the name or brand of OrbiMed or its Affiliates, claim itself as a partner of OrbiMed or its Affiliates, or make any similar representations. Without the written approval of OrbiMed, each of the Group Companies, their shareholders (excluding OrbiMed), the Principals and the Key Holders shall not make or cause to be made, any press release, public announcement or other disclosure to any third party in respect of this Agreement or any other Transaction Document or OrbiMed's subscription of any share interest of the Company (except as required by applicable laws and regulations in connection with a Qualified IPO approved by the Board).

(v) Without the written consent of Vivo, each of the Group Companies, their shareholders excluding Vivo), the Principals and the Key Holders shall not use the name or brand of Vivo or its Affiliates, claim itself as a partner of Vivo or its Affiliates, or make any similar representations. Without the written approval of Vivo, each of the Group Companies, their shareholders (excluding Vivo), the Principals and the Key Holders shall not make or cause to be made, any press release, public announcement or other disclosure to any third party in respect of this Agreement or any other Transaction Document or Vivo's subscription of any share interest of the Company (except as required by applicable laws and regulations in connection with a Qualified IPO approved by the Board).

(vi) Without the written consent of Rock Springs, each of the Group Companies, their shareholders excluding Rock Springs), the Principals and the Key Holders shall not use the name or brand of Rock Springs or its Affiliates, claim itself as a partner of Rock Springs or its Affiliates, or make any similar representations. Without the written approval of Rock Springs, each of the Group Companies, their shareholders (excluding Rock Springs), the Principals and the Key Holders shall not make or cause to be made, any press release, public announcement or other disclosure to any third party in respect of this Agreement or any other Transaction Document or Rock Springs' subscription of any share interest of the Company (except as required by applicable laws and regulations in connection with a Qualified IPO approved by the Board).

12.26 KPCB Commitment. KPCB covenants to the Company that, so long as KPCB holds any Equity Securities of the Company, it shall use commercially reasonable efforts to provide all necessary support requested by the Group in building the Group's Business and product portfolio and any ancillary undertakings reasonably related thereto.

[*The remainder of this page has been intentionally left blank.*]

IN WITNESS WHEREOF, the parties hereto have caused their respective duly authorized representatives to execute this Agreement as a Deed on the date and year first above written.

GROUP COMPANIES:

Zai Lab Limited)
and SIGNED and DELIVERED by)

/s/ Ying Du)
)
Director)
in the presence of: /s/ Mandy Li)

Zai Lab (Hong Kong) Limited (再創醫藥（香港）有限公司))
and SIGNED and DELIVERED by)
)
/s/ Ying Du)
)
Director)
in the presence of: /s/ Mandy Li)
)
/s/ Ying Du)
)
Director)
in the presence of: /s/ Mandy Li)

再鼎医药（上海）有限公司 (Zai Lab (Shanghai) Co., Ltd.))
and SIGNED and DELIVERED by)
)
/s/ Ying Du)
)
Director)
in the presence of: /s/ Mandy Li)

CHOP:

再鼎医药（苏州）有限公司 (Zai Lab (Suzhou) Co., Ltd.))
and SIGNED and DELIVERED by)
)
/s/ Ying Du)
)
Director)
in the presence of: /s/ Mandy Li)

CHOP:

Zai Lab (Aust) Pty Ltd)
and SIGNED and DELIVERED by)
)

/s/ Ying Du)
)
Director)
in the presence of: /s/ Mandy Li)

IN WITNESS WHEREOF, the parties hereto have caused their respective duly authorized representatives to execute this Agreement as a Deed on the date and year first above written.

GROUP COMPANIES:

Zai Lab (US) LLC)
and SIGNED and DELIVERED by)
)
/s/ Ying Du)
)
Director)
in the presence of: /s/ Mandy Li)

ZLIP Holding Limited)
and SIGNED and DELIVERED by)
)
/s/ Ying Du)
)
Director)
in the presence of: /s/ Mandy Li)

ZL Capital Limited)
and SIGNED and DELIVERED by)
)
/s/ Ying Du)
)
Director)
in the presence of: /s/ Mandy Li)

ZL China Holding Two Limited)
and SIGNED and DELIVERED by)
)
/s/ Ying Du)
)
Director)
in the presence of: /s/ Mandy Li)

IN WITNESS WHEREOF, the parties hereto have caused their respective duly authorized representatives to execute this Agreement as a Deed on the date and year first above written.

PRINCIPAL AND KEY HOLDER:

/s/ Ying Du	)
_____	)
SIGNED and DELIVERED by: **Ying Du**	)
in the presence of: /s/ Mandy Li	)
	)

IN WITNESS WHEREOF, the parties hereto have caused their respective duly authorized representatives to execute this Agreement as a Deed on the date and year first above written.

PRINCIPALS:

/s/ Qi Liu	)
SIGNED and DELIVERED by: **Qi Liu**	)
in the presence of: /s/ Mandy Li	)
	)
/s/ Ning Xu	)
SIGNED and DELIVERED by: **Ning Xu**	)
in the presence of: /s/ Mandy Li	)
	)
/s/ James Shuizhong Yan	)
SIGNED and DELIVERED by: **James Shuizhong Yan**	)
in the presence of: /s/ Mandy Li	)
	)
/s/ Bo Zhang	)
SIGNED and DELIVERED by: **Bo Zhang**	)
in the presence of: /s/ Mandy Li	)

IN WITNESS WHEREOF, the parties hereto have caused their respective duly authorized representatives to execute this Agreement as a Deed on the date and year first above written.

KEY HOLDER AND INVESTOR:

The Z Trust	)
SIGNED and DELIVERED by	)
	)
/s/ [Illegible]	)
	)
Director	)
in the presence of: /s/ Vivian Tao	)

IN WITNESS WHEREOF, the parties hereto have caused their respective duly authorized representatives to execute this Agreement as a Deed on the date and year first above written.

ONE PERCENT HOLDERS:

/s/ Marietta Hui Wu
SIGNED and DELIVERED by: **Marietta Hui Wu**
in the presence of: /s/ Mandy Li

/s/ Maggie Yuan Ma
SIGNED and DELIVERED by: **Maggie Yuan Ma**
in the presence of: /s/ Mandy Li

/s/ Yuzhen Cheng
SIGNED and DELIVERED by: **Yuzhen Cheng**
in the presence of: /s/ Mandy Li

/s/ Hongtao Lu
SIGNED and DELIVERED by: **Hongtao Lu**
in the presence of: /s/ Mandy Li

IN WITNESS WHEREOF, the parties hereto have caused their respective duly authorized representatives to execute this Agreement as a Deed on the date and year first above written.

INVESTOR:

QM 11 Limited	)
SIGNED and DELIVERED by	)
	)
/s/ [Illegible]	)
	)
Title: Authorized Signatory	)
in the presence of: /s/ [Illegible]	)

[Signature Page to Shareholders Agreement]

IN WITNESS WHEREOF, the parties hereto have caused their respective duly authorized representatives to execute this Agreement as a Deed on the date and year first above written.

INVESTOR:

Sequoia Capital CV IV Holdco, Ltd.	)
SIGNED and DELIVERED by	)
	)
/s/ [Illegible]	)
	)
Title: Authorized Signatory	)
in the presence of: /s/ [Illegible]	)

IN WITNESS WHEREOF, the parties hereto have caused their respective duly authorized representatives to execute this Agreement as a Deed on the date and year first above written.

INVESTOR:

KPCB China Fund II, L.P.	)
SIGNED and DELIVERED by KPCB China Associates II, L.P.,	)
its General Partner	)
SIGNED and DELIVERED by KPCB China Holdings II, Ltd.,	)
its General Partner	)
SIGNED and DELIVERED by	)
	)
/s/ Ava Hahn	)
	)
Title: General Counsel	)
in the presence of: /s/ Katy Fisk	)

IN WITNESS WHEREOF, the parties hereto have caused their respective duly authorized representatives to execute this Agreement as a Deed on the date and year first above written.

INVESTOR:

Sprouts International Holdings Limited	)
SIGNED and DELIVERED by	)
	)
/s/ [Illegible]	)
	)
Title: Director	)
in the presence of: /s/ [Illegible]	)

IN WITNESS WHEREOF, the parties hereto have caused their respective duly authorized representatives to execute this Agreement as a Deed on the date and year first above written.

INVESTOR:

Maxway Investment Limited	)
SIGNED and DELIVERED by	)
	)
/s/ [Illegible]	)
	)
Title: Director	)
in the presence of: /s/ [Illegible]	)

IN WITNESS WHEREOF, the parties hereto have caused their respective duly authorized representatives to execute this Agreement as a Deed on the date and year first above written.

INVESTOR:

OrbiMed Asia Partners II, L.P.		)
SIGNED and DELIVERED by:	OrbiMed Asia GP II, L.P.	)
	its General Partner	)
		)
SIGNED and DELIVERED by:	OrbiMed Advisors II Limited	)
	its General Partner	)
		)
	SIGNED and DELIVERED by:	)
		)
	/s/ Jonathan Wang	)
	_____	)
	Name: Jonathan Wang	)
	Title: Director	)
in the presence of:	/s/ Yifu Liu	)

IN WITNESS WHEREOF, the parties hereto have caused their respective duly authorized representatives to execute this Agreement as a Deed on the date and year first above written.

INVESTOR:

SCC Growth I Holdco A, Ltd.	)
SIGNED and DELIVERED by	)
	)
/s/ [Illegible]	)
	)
Title: Authorized Signatory	)
in the presence of: /s/ [Illegible]	)

IN WITNESS WHEREOF, the parties hereto have caused their respective duly authorized representatives to execute this Agreement as a Deed on the date and year first above written.

INVESTOR:

OrbiMed Global Healthcare Master Fund, L.P.		)
SIGNED and DELIVERED by:	OrbiMed Advisors LLC,	)
	solely in its capacity as Investment	)
	Manager	)
		)
	SIGNED and DELIVERED by:	)
		)
	/s/ Carl Gordon	)
	Name: Carl Gordon	)
	Title: Member	)
in the presence of:	/s/ Andrew So	)

IN WITNESS WHEREOF, the parties hereto have caused their respective duly authorized representatives to execute this Agreement as a Deed on the date and year first above written.

INVESTOR:

Vivo Capital Fund, VIII, L.P.)
SIGNED and DELIVERED by: Vivo Capital VIII, LLC,)
Its: General Partner)
)
SIGNED and DELIVERED by:)
)
/s/ Chen Yu)
Name: Chen Yu)
Title: Managing Member)
in the presence of: /s/ Brittanie Montoya)

Vivo Capital Surplus Fund, VIII, L.P.)
SIGNED and DELIVERED by: Vivo Capital VIII, LLC,)
Its: General Partner)
)
SIGNED and DELIVERED by:)
)
/s/ Chen Yu)
Name: Chen Yu)
Title: Managing Member)
in the presence of: /s/ Brittanie Montoya)

IN WITNESS WHEREOF, the parties hereto have caused their respective duly authorized representatives to execute this Agreement as a Deed on the date and year first above written.

INVESTOR:

ROCK SPRINGS CAPITAL MASTER FUND LP	)
SIGNED and DELIVERED by Rock Springs General Partner LLC	)
SIGNED and DELIVERED by	)
	)
/s/ [Illegible]	)
	)
Title: Managing Member	)
in the presence of: /s/ Jill R. Seidman	)

IN WITNESS WHEREOF, the parties hereto have caused their respective duly authorized representatives to execute this Agreement as a Deed on the date and year first above written.

INVESTOR:

Cormorant Private Healthcare Fund I, LP)
SIGNED and DELIVERED by)
)
/s/ [Illegible])
)
Title: Managing Member of the GP)
in the presence of: /s/ [Illegible])

Cormorant Global Healthcare Master Fund, LP)
SIGNED and DELIVERED by)
)
/s/ [Illegible])
)
Title: Managing Member of the GP)
in the presence of: /s/ [Illegible])

CRMA SPV, L.P.)
SIGNED and DELIVERED by Cormorant Asset Management, LLC)
its Attorney-in-Fact)
SIGNED and DELIVERED by)
)
/s/ [Illegible])
)
Title: CEO/CIO)
in the presence of: /s/ [Illegible])

SCHEDULE A-1

LIST OF PRINCIPALS

- Ying Du, a U.S. citizen whose U.S. passport number is #########.
- Qi Liu, a U.S. citizen whose U.S. passport number is #########.
- Ning Xu, a PRC citizen whose PRC passport number is #########.
- James Shuizhong Yan, a U.S. citizen whose U.S. passport number is #########.
- Bo Zhang, a U.S. citizen whose U.S. passport number is #########.

SCHEDULE A-2

LIST OF KEY HOLDERS

- Ying Du
- The Z Trust

SCHEDULE A-3

LIST OF SERIES A INVESTORS

- QM 11 Limited
- Sequoia Capital CV IV Holdco, Ltd.
- KPCB China Fund II, L.P.
- Sprouts International Holdings Limited

SCHEDULE A-4

LIST OF SERIES B INVESTORS

- Maxway Investment Limited
- QM 11 Limited
- SCC Growth I Holdco A, Ltd.
- OrbiMed Asia Partners II, L.P.
- Sprouts International Holdings Limited

SCHEDULE A-5

LIST OF SERIES C INVESTORS

- OrbiMed Global Healthcare Master Fund, L.P.
- OrbiMed Asia Partners II, L.P.
- Vivo Capital Fund VIII, L.P.
- Vivo Capital Surplus Fund VIII, L.P.
- Rock Springs Capital Master Fund LP
- Cormorant Private Healthcare Fund I, LP
- Cormorant Global Healthcare Master Fund, LP
- CRMA SPV, L.P.
- QM 11 Limited
- The Z Trust

SCHEDULE A-6

LIST OF ONE PERCENT HOLDERS

- Yuzhen Cheng, a Canadian citizen whose Canadian passport number is ########.
- Marietta Hui Wu, a U.S. citizen whose U.S. passport number is #########.
- Maggie Yuan Ma, a U.S. citizen whose U.S. passport number is #########.
- Hongtao Lu, a U.S. citizen whose U.S. passport number is #########.

SCHEDULE B

CAPITALIZATION TABLE

Name of Shareholders	Issued Ordinary Shares	Issued Series A Preferred Shares	Reserved Ordinary Shares	Reserved Series A Preferred Shares under Warrant	Issued Series B Preferred Shares	Issued Series C Preferred Shares
Ying Du	8,060,000	—	—	—	—	—
The Z Trust	24,940,000	—	—	—	—	—
Peter Karl Wirth	1,800,000	—	—	—	—	—
Hongtao Lu	3,465,000	—	—	—	—	—
Yuzhen Cheng	11,546,667	—	—	—	—	—
Marietta Hui Wu	3,200,000	—	—	—	—	—
Bo Zhang	4,900,000	—	—	—	—	—
Maggie Yuan MA	3,500,000	—	—	—	—	—
Jonathan Chong Wang	400,000	—	—	—	—	—
Wei Liu	910,000	—	—	—	—	—
Biao Hai	1,365,000	—	—	—	—	—
Yajun Xu	350,000	—	—	—	—	—
Thomas Hideo Yamamoto	300,000	—	—	—	—	—
Debra Yu	10,000	—	—	—	—	—
Joseph Sylvanus D'Elia	10,000	—	—	—	—	—
Yiping James Li	675,000	—	—	—	—	—
James Shuizhong Yan	490,000	—	—	—	—	—
Brian Hongdi Gu	933,333	—	—	—	—	—
Yanni Xiao	500,000	—	—	—	—	—

Name of Shareholders	Issued Ordinary Shares	Issued Series A Preferred Shares	Reserved Ordinary Shares	Reserved Series A Preferred Shares under Warrant	Issued Series B Preferred Shares	Issued Series C Preferred Shares
Ann Tomoko Yamamoto	50,000	—	—	—	—	—
The WY Trust	1,000,000	—	—	—	—	—
ESOP	—	—	42,813,603	—	—	—
QM 11 Limited	1,400,000	53,753,033	—	—	7,272,790	—
Sequoia Capital CV IV Holdco, Ltd.	—	17,917,677	—	—	—	—
SCC Growth I Holdco A, Ltd.	—	—	—	—	5,387,251	—
KPCB China Fund II, L.P.	—	22,723,873	—	—	—	—
Sprouts International Holdings Limited	—	7,058,757	—	—	377,107	—
Maxway Investment Limited	—	—	—	—	40,404,387	—
Harbor Front Investment Limited	2,600,000	—	—	—	—	—
OrbiMed Asia Partners II, L.P.	—	—	—	2,770,851	3,771,076	1,199,376
OrbiMed Global Healthcare Master Fund, L.P.	—	—	—	—	—	1,998,961
Vivo Capital Fund VIII, L.P.	—	—	—	—	—	3,512,840
Vivo Capital Surplus Fund VIII, L.P.	—	—	—	—	—	485,081
Rock Springs Capital Master Fund LP	—	—	—	—	—	1,599,168
Cormorant Private Healthcare Fund I, LP	—	—	—	—	—	1,593,571
Cormorant Global Healthcare Master Fund, LP	—	—	—	—	—	337,225
CRMA SPV, L.P.	—	—	—	—	—	68,165
QM 11 Limited	—	—	—	—	—	399,792
The Z Trust	—	—	—	—	—	799,584
Total	**72,405,000**	**101,453,340**	**42,813,603**	**2,770,851**	**57,212,611**	**11,993,763**

SCHEDULE C

ADDRESS FOR NOTICES

If to any Key Holder, Principal and/or Group Company:

Address: 4F, Building 1, Jinchuang Plaza,
4560 Jin Ke Road, Pudong New Area
Shanghai, China
Tel: +86 21 6163 2579
Fax: +86 21 6163 2570
Attention: Samantha Du

If to Qiming:

Address: Unit 11, Level 3, Three Pacific Place, 1 Queen's Road East, Hong Kong
Tel: +852 2855 6848
Fax: +852 2855 6800
Attention: Nisa Leung

If to Sequoia Capital CV IV Holdco, Ltd.:

Address: Suite 2215, Two Pacific Place, 88 Queensway Road, Hong Kong
Tel: +852 2501 8989
Fax: +852 2501 5249
Attention: KOK Wai Yee

If to KPCB China Fund II, L.P.:

Address: No.6, Lane 1350, Middle Fuxing Road, Xuhui District, Shanghai 200031, China
Tel: +86 21 6025 2116
Fax: +86 21 6025 2110
Attention: James Huang

If to Sprouts International Holdings Limited:

Address: Room 612, Building B, 2305 Zuchongzhi Road, Zhangjiang Hi-tech Park, Shanghai, China
Tel: +86 21 6163 0107
Fax: +86 21 6163 0172
Attention: Ming Li

If to Maxway Investment Limited:

c/o Advantech Capital Advisors (HK) Limited
Address: Suites 1702-03, 17/F, One Exchange Square, 8 Connaught Place, Central, Hong Kong
Tel: +852 2801-6988
Fax: +852 2801 4882
Attention: Director

If to OrbiMed Asia Partners II, L.P.:

Address: Unit 4706, Raffles City Shanghai Office Tower, 268 Xizang Middle Road, Shanghai 200001, P.R.China
Tel: +86 21 6335 1709
Fax: +86 21 6335 1711
Attention: Jonathan Wang

If to SCC Growth I Holdco A, Ltd.:

Address: Suite 3613, 36/F, Two Pacific Place, 88 Queensway Road, Hong Kong
Tel: +852 2501 8989
Fax: +852 2501 5249
Attention: KOK Wai Yee

If to OrbiMed Asia Partners II, L.P.:

Address: Unit 4706, Raffles City Shanghai Office Tower, 268 Xizang Middle Road, Shanghai 200001, P.R.China
Tel: +86 21 6335 1709
Fax: +86 21 6335 1711
Attention: Jonathan Wang

If to OrbiMed Global Healthcare Master Fund, L.P.:

Address: c/o OrbiMed Advisors LLC
601 Lexington Avenue, 54th Floor
New York, NY 10022
Tel: 212-739-6400
Fax: 212-739-6444
Email: Legal@OrbiMed.com
Attention: Andrew So

If to Vivo:

Address: 505 Hamilton Avenue, Suite 207, Palo Alto, CA 94301
Tel: 650-688-0818
Fax: 650-688-0815
Attention: Chen Yu

If to Rock Springs Capital Master Fund LP:

Address: 650 South Exeter Street, Suite 1070, Baltimore, Maryland 21201
Tel: 410-220-0130
Fax: 410-220-0144
Attn: General Counsel

If to Cormorant Private Healthcare Fund I, LP, Cormorant Global Healthcare Master Fund, LP, and/or CRMA SPV, L.P.:

Address: 200 Clarendon Street 52nd Floor, Boston, MA 02116
Tel: 857 702 0388
Fax: 617 507 5905
Attention: Jay Scollins

EXHIBIT A

FORM OF DEED OF ADHERENCE

THIS DEED OF ADHERENCE is made day of , 201

BETWEEN

(1) Zai Lab Limited, an exempted company organized under the laws of the Cayman Islands (the "**Company**"); and

(2) [●] (the "**New Shareholder**").

The Company and the New Shareholder shall be hereinafter collectively referred to as the "**Parties**".

WHEREAS:

(A) As of [●], the Company and certain other parties identified therein entered into a Third Amended and Restated Shareholders Agreement (the "**Shareholders Agreement**"), attached hereto as Exhibit A.

(B) The New Shareholder wishes to acquire an aggregate of [INSERT NUMBER and TYPE/CLASS OF SECURITIES] in the capital of the Company from [INSERT NAME OF SELLER] (the "**Transferor**") and in accordance with the terms and conditions of the Shareholders Agreement has agreed to enter into this Deed of Adherence (the "**Deed**").

(C) The Company is entering into this Deed on behalf of itself and as agent and trustee for all the existing Shareholders of the Company.

NOW, THEREFORE, the Parties hereby agree as follows:

1. Interpretation. In this Deed, except as the context may otherwise require, capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in the Shareholders Agreement.

2. Covenant. The New Shareholder hereby covenants to the Company as agent and trustee for all other persons who are at present or who may hereafter become bound by the Shareholders Agreement, and to the Company itself, to adhere to and be bound by all the duties, burdens and obligations of the Transferor imposed pursuant to the provisions of the Shareholders Agreement and all documents expressed in writing to be supplemental or ancillary thereto as if the New Shareholder had been an original party to the Shareholders Agreement since the date thereof.

3. Enforceability. Each existing Shareholder and the Company shall be entitled to enforce the Shareholders Agreement against the New Shareholder, and the New Shareholder shall be entitled to all rights and benefits of the Transferor under the Shareholders Agreement in each case as if such New Shareholder had been an original party to the Shareholders Agreement since the date thereof.

4. Governing Law. This Deed shall be governed by and construed exclusively in accordance with the laws of Hong Kong without giving effect to any choice of law rule that would cause the application of the laws of any jurisdiction other than the laws of Hong Kong to the rights and duties of the parties hereunder.

5. Counterparts. This Deed may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Facsimile and e-mailed copies of signatures (including PDF) shall be deemed to be originals for purposes of the effectiveness of this Deed.

6. Further Assurance. Each Party agrees to take all such further action as may be reasonably necessary to give full effect to this Deed on its terms and conditions.

7. Headings. The headings used in this Deed are used for convenience only and are not to be considered in construing or interpreting this Agreement.

[REMINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS whereof the Parties have executed and delivered this Deed as a deed on the day and year first hereinbefore mentioned.

COMPANY:

Signed as a deed on behalf of
Zai Lab Limited,
an exempted company organized under the laws of the Cayman Islands
by the signatory specified below, being a person who in accordance with the laws of that territory is acting under the authority of the Company

By: _____
Name:
Title:

Address:
Fax:

NEW SHAREHOLDER:

signed as a deed on behalf of
[●]
[a [●] organized under the laws of [●]]
by the signatory specified below, being a person who in accordance with the laws of that territory is acting under the authority of the New Shareholder

By: _____
Name:
Title:

Address:
Fax:

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 406 of the Securities Act of 1933, as amended.

Exhibit 10.2

COLLABORATION, DEVELOPMENT AND LICENSE AGREEMENT

THIS COLLABORATION, DEVELOPMENT AND LICENSE AGREEMENT (the "**Agreement**") is made and entered into as of September 28, 2016 (the "**Effective Date**"), by and between **TESARO, Inc.**, a Delaware corporation with a place of business at 1000 Winter Street, Suite 3300, Waltham, Massachusetts, United States of America, 02451 ("**TESARO Inc.**"), TESARO Development Ltd., a Bermuda corporation with a place of business at Clarendon House, 2 Church Street, Hamilton HM 11 Bermuda ("**TSRO Ltd.**", and together with "**TESARO Inc.**", "**TESARO**") and **Zai Lab (Shanghai) Co., Ltd.** having its principal office at 1043 Halei Road, Building 8, Suite 502, Pudong, Shanghai, P.R. China, 201203 ("**ZAI**"). TESARO and ZAI are sometimes referred to herein individually as a "**Party**" and collectively as the "**Parties.**"

RECITALS

WHEREAS, TESARO is developing a proprietary PARP inhibitor, Niraparib, and owns or controls certain patents, know-how and other intellectual property rights with respect to such compound; and

WHEREAS, ZAI is a company focusing on the development of innovative drug candidates, including immuno-oncology-focused drug-candidates, primarily in China; and

WHEREAS, ZAI desires to obtain an exclusive license from TESARO to develop and commercialize niraparib in China, and TESARO is willing to grant such a license to ZAI, all on the terms and conditions set forth herein;

WHEREAS, the parties desire to potentially co-market niraparib in China and to provide TESARO the right to exercise such co-marketing rights on the terms and conditions set forth herein; and

WHEREAS, TESARO desires to obtain an option to obtain an exclusive license from ZAI to research, develop, manufacture, and commercialize certain immune-oncology assets being developed by ZAI outside of China, and ZAI is willing to grant such an option on TESARO, all on the terms and conditions set forth herein.

NOW, THEREFORE in consideration of the foregoing and the mutual agreements set forth below, the Parties agree as follows.

1. DEFINITIONS

The terms in this Agreement with initial letters capitalized, whether used in the singular or the plural, shall have the meaning set forth below or, if not listed below, the meaning designated in places throughout this Agreement.

1.1 "**Affiliate**" of a Person means any other Person which (directly or indirectly) is controlled by, controls or is under common control with such Person, for so long as such control exists. For the purposes of this definition, the term "control" (including, with correlative meanings, the terms "controlled by" and "under common control with") as used with respect to a Person means (a) direct or indirect ownership of voting securities entitled to cast more than fifty percent (50%) (or, if less than 50%, the maximum ownership interest permitted by Applicable Law) of the votes in the election of directors of such entity, or (b) the possession, directly or indirectly, of the power to direct the management and policies of such entity, whether through ownership of voting securities, by contract or otherwise.

1.2 "**Applicable Law**" means all applicable laws, statutes, rules, regulations, ordinances and other pronouncements having the effect of law of any federal, national, multinational, state, provincial, county, city or other political subdivision, agency or other body, domestic or foreign.

1.3 "**AZ Agreements**" means the following agreements between TESARO and AstraZeneca UK Limited ("**AZ**"): the Patent License Agreement dated October 4, 2012, between AZ (the Institute of Cancer Research) and TESARO; and the Patent License Agreement dated October 4, 2012, between AZ (University of Sheffield) and TESARO.

1.4 "**Business Day**" or "**business day**" means a day other than Saturday, Sunday or any day on which commercial banks located in Shanghai, China or New York City, New York, U.S. (as applicable) are authorized or obligated by Applicable Law to close.

1.5 "**Calendar Quarter**" means the respective periods of three (3) consecutive calendar months ending on March 31, June 30, September 30 and December 31.

1.6 "**Calendar Year**" means each successive period of twelve (12) months commencing on January 1 and ending on December 31.

1.7 "**CDE**" means the Chinese Center for Drug Evaluation.

1.8 "**CFDA**" means the China Food and Drug Administration, or any successor agency with a similar scope of responsibility regarding the regulation of human pharmaceutical products in China.

1.9 "**China**" means mainland China, Hong Kong and Macau.

1.10 "**Commercialization**" or "**Commercialize**" means all activities directed to marketing, distributing, detailing or selling a Licensed Product (as well as importing and exporting activities in connection therewith), including all activities directed to obtaining pricing approvals.

1.11 "**Commercially Reasonable Efforts**" means the performance of obligations or tasks in a manner consistent with the reasonable practices of companies in the biopharmaceutical industry having similar financial resources for the Development or Commercialization (as applicable) of a product having similar technical and regulatory factors and similar market potential, profit potential and strategic value, and that is at a similar stage in its Development or product life cycle as the Licensed Product, in each case based on conditions then prevailing and without regard to any competitive internal program of Licensee. Commercially Reasonable Efforts requires that the Party (a) promptly assign responsibility for such obligations to specific employees who are held accountable for progress and monitoring such progress on an ongoing basis, (b) set and consistently seek to achieve specific and meaningful objectives for carrying out such obligations, and (c) consistently make and implement decisions and allocate adequate resources designed to advance progress with respect to such obligations.

1.12 "**Confidential Information**" means all information, including trade secrets, processes, formulae, Data, know-how, improvements, inventions, chemical or biological materials, assays, techniques, marketing plans, strategies, customer lists, or other information that has been disclosed by or on behalf of one Party to the other Party under this Agreement, regardless of whether any of the foregoing are marked "confidential" or "proprietary" or communicated in oral, written, graphic, or electronic form, or by visual inspection.

1.13 "**Controlled**" or "**Controls**", when used in reference to any particular subject matter including Patents, know-how, tangible materials or other intellectual property rights, means the legal authority or right of a Party to grant a license or sublicense to such subject matter to another Party, or to otherwise provide such other Party the right to access and use such subject matter, whether arising by ownership, license, or other authorization, without breaching the terms of any written agreement with a Third Party under which such Party first acquired rights to such subject matter, or misappropriating the proprietary or trade secret information of a Third Party.

1.14 "**Cover,**" "**Covered**" or "**Covering**" means, with respect to a Patent, that, but for rights granted to a Person under such Patent, the practice by such Person of an invention claimed in such Patent would infringe a Valid Claim included in such Patent, or in the case of a Patent that is a patent application, would infringe a Valid Claim in such patent application if such claim were to issue in a patent as then prosecuted.

1.15 "**Data**" means pre-clinical, clinical, chemical, manufacturing and analytical data and any other data and information generated or resulted from the Development or Commercialization of the Licensed Compounds or Licensed Products.

1.16 "**Development**" means, with respect to a Licensed Product, all processes and activities that are reasonably required to obtain Regulatory Approval of such Licensed Product, including, without limitation, toxicology, pharmacology and other pre-clinical efforts, test method development and stability testing, statistical analysis, clinical studies and regulatory activities. When used as a verb, "**Develop**" means to engage in Development.

1.17 "**Dollar(s)**" or "**$**" means the lawful currency of the United States.

1.18 "**Executive Officer**" means, (a) in the case of TESARO, TESARO's Chief Executive Officer; and (b) in the case of ZAI, ZAI's Chief Executive Officer.

1.19 "**FDA**" means the U.S. Food and Drug Administration, or any successor agency of the U.S. government with a similar scope of responsibility regarding the regulation of human pharmaceutical products.

1.20 "**Field**" means the treatment, diagnosis and prevention of any diseases or conditions in humans, other than the treatment, diagnosis and prevention of prostate cancer.

1.21 "**First Commercial Sale**" means, with respect to any Licensed Product, the first sale of such Licensed Product by ZAI or its Affiliates or sublicensees to an unrelated Third Party in the ZAI Territory after Regulatory Approval of such Licensed Product has been granted in the ZAI Territory. For clarity, First Commercial Sale does not include the supply or transfer of Licensed Product to an Affiliate or sublicensee or for clinical trials, compassionate use or sales made on a named-patient basis.

1.22 "**Follow-on Compound**" means a Licensed Compound other than Niraparib.

1.23 "**GCP**" means the Good Clinical Practice for Drugs (i.e. 药物临床试验质量管理规范) promulgated by CFDA effective as of September 1, 2003, together with any guidelines and/or implementation rules issued by CFDA in connection thereto, in each case as amended from time to time.

1.24 "**Government Official**" means: (a) any officer or employee of a government or any department, agency or instrument of a government; (b) any person acting in an official capacity for or on behalf of a government or any department, agency, or instrument of a government; (c) any officer or employee of a company or business owned in whole or part by a government; (d) any officer or employee of a public international organization such as the World Bank or United Nations; (e) any officer or employee of a political party or any person acting in an official capacity on behalf of a political party; and/or (f) any candidate for political office; who, when such Government Official is acting in an official capacity, or in an official decision-making role, has responsibility for performing regulatory inspections, government authorizations or licenses, or otherwise has the capacity to make decisions with the potential to affect the business of either of the Parties.

1.25 "**Indication**" means, with respect to a Licensed Compound or Licensed Product, the use of that Licensed Compound or Licensed Product for the treatment, prevention, mitigation or cure of any cancer with a particular organ of origin. Indications will be deemed the same for purposes of this Agreement if the subject cancers have the same organ of origin even if

they are, for example, of a different histologic or genetic subtype or line of therapy (e.g., breast cancer, 1st line and 2nd line therapies for ovarian cancer), and will be deemed different if the subject cancers have different organs of origin (e.g., breast cancer and ovarian cancer). Among non-solid tumor cancers, Indications for leukemia, lymphoma and multiple myeloma, but not their subtypes or lines of therapy, shall be considered different Indications.

1.26 "**Invention**" means any and all inventions and improvements, whether or not patentable, that are conceived or reduced to practice or otherwise made or discovered by or on behalf of a Party (and/or its Affiliates) (whether alone or jointly) in the performance of its obligations, or the exercise of its rights, under this Agreement, including but not limited to, processes, methods, compositions of matter, formula, formulations, articles of manufacture, discoveries or findings, compounds, products, biological materials, cell lines, samples of assay components, media, designs, ideas, programs, software models, algorithms, developments, experimental works, compilations of data, in each case relating to Licensed Compound and Licensed Products.

1.27 "**Joint Invention**" means any Invention invented, made or discovered jointly by both Parties.

1.28 "**Licensed Compound**" means TESARO's proprietary PARP inhibitor known as Niraparib, having chemical structure set forth in **Exhibit A**, and any pharmaceutically acceptable salt, polymorph, crystal form, prodrug or solvate thereof.

1.29 "**Licensed Product**" means any pharmaceutical product containing the Licensed Compound, in all forms, presentations, formulations and dosage forms, for use in the Field.

1.30 "**Merck Agreement**" means that certain License Agreement between TESARO and Merck, Sharp & Dohme Corp. ("**Merck**"), dated May 22, 2012, as amended from time to time.

1.31 "**NDA**" means a new drug application or marketing authorization application filed with the applicable Regulatory Authority in a country or jurisdiction, which application is required for marketing approval for a Licensed Product in the Field in such country or jurisdiction.

1.32 "**Net Sales**" means, with respect to any Licensed Product, the amount invoiced by ZAI, its Affiliates or sublicensees for the sales of such Licensed Product to a Third Party in the ZAI Territory less:

(a) trade and quantity discounts other than early payment cash discounts;

(b) returns, rebates, chargebacks and other allowances;

(c) retroactive price reductions that are actually allowed or granted;

(d) sales commissions paid to Third Party distributors and/or selling agents;

(e) deductions to gross invoice price of Product imposed by Regulatory Authorities or other governmental entities;

(f) a fixed amount equal to three percent (3%) of the amount invoiced to cover bad debt, early payment cash discounts, transportation and insurance and custom duties; and

(g) the standard inventory cost of devices or delivery systems used for dispensing or administering Product.

If a Licensed Product is sold as part of a combination that (i) contains the Licensed Compound and at least one additional therapeutically active ingredient that is not a Licensed Compound; or (ii) is product consisting of one or more separate drugs, devices, tests, kits or biological products and sold together with a Licensed Product in a single package or as a unit (a "**Combination Product**"), the Net Sales of such Licensed Product for the purpose of calculating royalties owed under this Agreement for sales of such Licensed Product, shall be determined as follows: first, determine the actual Net Sales of such Combination Product (using the above provisions) and then such amount shall be multiplied by the fraction A/(A+B), where A is the average gross selling price in the applicable country of the Licensed Compound sold separately, if sold separately, in the same formulation and dosage, and B is the sum of the average gross selling prices in the applicable country of each other active ingredient, drug, device, test, kit or biological product in the Combination Product sold separately, if sold separately, in the same formulation, dosage or unit quantity. If any active ingredient, drug, device, test, kit or biological product in the Combination Product is not sold separately in the relevant formulation, dosage or unit quantity, Net Sales shall be calculated by multiplying actual Net Sales of such Combination Product by the fraction A/C where A is the average gross selling price in the applicable country of such Licensed Compound sold separately in the same formulation and dosage and C is the average gross selling price in the applicable country of such Combination Product. If neither the Licensed Compound nor any other active ingredient, drug, device, test, kit or biological product in the Combination Product is sold separately in the relevant formulation, dosage or unit quantity, the adjustment to Net Sales shall be determined by the Parties in good faith to reasonably reflect the fair market value of the contribution of the Licensed Compound in the Combination Product to the total fair market value of such Combination Product.

1.33 "**Patents**" means all of the following, whether existing as of the Effective Date or during the Term, anywhere in the world: (a) patents and patent applications, (b) all priority applications, provisionals, divisionals, continuations, and continuations-in-part of any of the foregoing, and (c) all patents issuing on any of the foregoing patent applications, together with all inventor's certificates, substitutions, validations, registrations, reissues, renewals, reexaminations, confirmations, supplementary protection certificates, and extensions of any of (a), (b) or (c).

1.34 "**Person**" means any individual, firm, corporation, partnership, limited liability company, trust, business trust, joint venture company, governmental authority, association or other entity.

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 406 of the Securities Act of 1933, as amended.

1.35 "**Phase 3 Clinical Trial**" means a clinical trial of a Licensed Product in human patients with a defined dose or a set of defined doses designed to ascertain efficacy and safety of such Licensed Product for the purpose of enabling the preparation and submission of NDA to the competent Regulatory Authorities, as further defined in 21 C.F.R. 312.21(c), as amended from time to time, or the corresponding foreign regulations.

1.36 "**Regulatory Approval**" means all approvals, including if required by Applicable Law, pricing approvals, necessary for the manufacture, marketing, importation, exportation and sale of a Licensed Product in the ZAI Territory, which may include, without limitation, satisfaction of all applicable regulatory and notification requirements.

1.37 "**Regulatory Authority**" means any federal, national, supranational, state, provincial or local regulatory agency, department, bureau or other governmental authority, including, without limitation, the CDE and the CFDA, that has authority over the manufacture, Development, Commercialization or other use or exploitation (including the granting of Regulatory Approval) of any Licensed Product in any applicable regulatory jurisdiction.

1.38 "**Regulatory Materials**" means materials developed or compiled in preparation for Regulatory Authority meetings, regulatory applications, submissions, dossiers, notifications, registrations, Regulatory Approvals and/or other filings made to or with, or other approvals granted by, a Regulatory Authority that are necessary or reasonably desirable for the Development, manufacture, market, sale, or Commercialization of a Licensed Product in a particular regulatory jurisdiction.

1.39 "**Sole Invention**" means any Invention invented or discovered solely by or on behalf of a Party following the Effective Date, including by its employees, contractors and/or agents.

1.40 "**Subcontractor**" means a Third Party engaged by ZAI for the purpose of conducting clinical Development for Licensed Products, contract manufacturing, toxicology testing and other related Development Activities, solely at the direction, and on behalf of, ZAI.

1.41 "**TESARO IP**" means TESARO Know-How and TESARO Patents.

1.42 "**TESARO Know-How**" means all technical information, data and know- how Controlled by TESARO or its Affiliates as of the Effective Date or during the Term (including, without limitation, all biological, chemical, pharmacological, toxicological or clinical know-how, Data and trade secrets) that are reasonably necessary for the Development, manufacture or Commercialization of the Licensed Compound or Licensed Product in the ZAI Territory. TESARO Know-How shall also include the (a) intangible knowledge and information conveyed to ZAI as set forth in Section 4.1 and (b) TESARO's right and interest in and to any Joint Inventions. TESARO Know-How does not include TESARO Patents.

1.43 "**TESARO Patents**" means all Patents Controlled by TESARO or its Affiliates as of the Effective Date or during the Term that relate to the ZAI Territory and that Covers (a) the compositions of matter of the Licensed Compound or Licensed Product; (b) methods or processes directed to the manufacture of the Licensed Compound or Licensed Product; or (c) methods of use, administration or formulation of the Licensed Compound or Licensed Product, including without limitation, the Patents that are listed in **Exhibit B** hereto. TESARO Patents shall also include TESARO's rights and interest in and to any Joint Patents.

1.44 "**TESARO Territory**" means all countries and territories in the world other than those countries and territories included in the ZAI Territory.

1.45 "**Territory**" means (a) with respect to TESARO, the TESARO Territory and (b) with respect to ZAI, the ZAI Territory.

1.46 "**Third Party**" means any Person other than: ZAI, TESARO, and their respective Affiliates.

1.47 "**United States**" or "**U.S.**" means the United States of America and its territories and possessions (including, without limitation, Puerto Rico).

1.48 "**Upstream Agreements**" means the AZ Agreements and the Merck Agreement.

1.49 "**Upstream Licensors**" means Astra Zeneca and Merck.

1.50 "**Valid Claim**" means a claim of (a) an issued and unexpired patent, which claim has not been held invalid or unenforceable by a court or other government agency of competent jurisdiction from which no appeal can be or has been taken and has not been held or admitted to be invalid or unenforceable through re-examination or disclaimer, opposition procedure, nullity suit or otherwise, or (b) a pending patent application; *provided, however*, that if a claim of a pending patent application shall not have issued within seven (7) years after the earliest filing date from which such claim takes priority, such claim shall no longer constitute a Valid Claim for the purposes of this Agreement unless and until a patent issues with such claim.

1.51 "**ZAI Territory**" means China.

1.52 Additional Definitions. The following table identifies the location of definitions set forth in various Sections of the Agreement:

Defined Terms	Section
Alliance Managers	3.7
Claim	12.1
Development Plan	5.2
Disclosing Party	11.1
Excluded Claim	14.3
Force Majeure	15.3
ICC	14.2
Infringement	10.3(a)
Joint Patents	10.1(a)
Joint Steering Committee or JSC	3.1

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 406 of the Securities Act of 1933, as amended.

Pharmacovigilance Agreement	5.7
Prior CDA	11.6
Receiving Party	11.1
Remedial Action	5.8
Royalty Term	8.3(b)
Term	13.1
Working Team	3.7

2. LICENSE GRANT

2.1 License to ZAI. TESARO hereby grants to ZAI an exclusive (but subject to TESARO's retained right under Section 2.2 below), royalty bearing and sublicenseable (in accordance with Section 2.3 below) license under the TESARO IP to Develop, make, have made, use, offer for sale, sell, have sold, import and otherwise Commercialize the Licensed Compound and Licensed Products in the Field in the ZAI Territory.

2.2 Retained Rights. Subject to the terms and conditions of this Agreement, TESARO retains: (a) the right to practice the TESARO IP within the scope of the license granted to ZAI under Section 2.1 to perform TESARO's obligations under this Agreement; (b) the right to practice and license the TESARO IP outside the scope of the license granted to ZAI under Section 2.1.

2.3 Sublicense. ZAI shall have the right to grant sublicenses, under the license granted by TESARO to ZAI under Section 2.1 to its Affiliates, subcontractors and other Third Parties; provided, that TESARO provides its prior written consent to such sublicense granted to any Third Parties, such consent not to be unreasonably withheld, conditioned or delayed; and provided further, that a sublicense to an Affiliate shall not require TESARO's consent only for so long as such Affiliate remains an Affiliate of ZAI. Each sublicense agreement shall be consistent with, and shall be subject to, the terms and conditions of this Agreement, and ZAI shall remain responsible for the performance of its obligations under this Agreement, regardless of whether ZAI may have delegated those obligations to its sublicensees. ZAI shall, within thirty (30) days after granting any sublicense, notify TESARO of the grant of such sublicense and provide TESARO with a copy of such sublicense, which may be redacted to remove any sensitive information not necessary for TESARO to verify its compliance with the terms of this Agreement.

2.4 No Implied Licenses, Negative Covenant. Except as expressly set forth herein, neither Party shall acquire any license or other right or interest, by implication or otherwise, under any know-how, patents, trademarks, copyrights, or any other intellectual property of the other Party. ZAI covenants that it will not, and it will not permit any of its Affiliates or sublicensees to, use or practice any TESARO IP outside the scope of the license granted to it under Section 2.1 above.

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 406 of the Securities Act of 1933, as amended.

2.5 Subcontracting. Notwithstanding Section 2.3, ZAI shall have the right to engage Subcontractors to perform Development and manufacturing activities hereunder, without the prior written consent of TESARO, subject to the provisions of this Section 2.5. ZAI shall enter into an appropriate written agreement with any subcontractor such that (i) such contractor shall be bound by provisions that are consistent with all applicable provisions of this Agreement to the same extent as ZAI, (ii) any such contractor to whom ZAI discloses Confidential Information of TESARO shall enter into an appropriate written agreement obligating such contractor to be bound by obligations of confidentiality and restrictions on use of such TESARO Confidential Information that are no less restrictive than the obligations in this Agreement, and (iii) such contractor agrees to assign or license (with the right to grant sublicenses) to ZAI any inventions related to the Licensed Compound or Licensed Product(s) (and any Patent covering such inventions) made by such contractor in performing such Development or manufacturing work for ZAI. ZAI shall not use as a Subcontractor any Third Party identified by TESARO to ZAI in writing, as a prohibited Subcontractor, provided that if ZAI obtains TESARO's written approval to engage any particular Subcontractor(s), then TESARO shall not have the right to subsequently designate such Subcontractor(s) as prohibited Subcontractor(s).

2.6 Right of First Negotiation. On the condition that ZAI is in compliance with the terms and conditions of this Agreement, TESARO hereby grants ZAI the right of first negotiation to obtain a license to Develop and Commercialize in the Field in the ZAI Territory any Follow-on Compound; provided, that TESARO is also Developing such follow-on compound and TESARO has dosed the first patient in a Phase 1 Clinical Trial with such Follow-on Compound. With respect to each Follow-on Compound, TESARO shall provide written notice to ZAI before filing any IND for such compound, which notice shall include a reasonably detailed summary of the pre-clinical data generated during the research and development of such compound. If ZAI notifies TESARO within thirty (30) days after the receipt of such notice that it is interested in obtaining a license to develop and commercialize such compound in the Field in the Territory, then TESARO shall negotiate in good faith and exclusively with ZAI for a period of sixty (60) days the terms and conditions of such license. If the parties fail to reach agreement on the terms and conditions of such a license within such ninety (90) days, TESARO may enter into discussion with and grant such a license to any Third Party and/or develop and commercialize such compound in the Field in the Territory by itself.

2.7 PARP Inhibitor Exclusivity. As partial consideration for TESARO granting to ZAI the license set forth in Section 2.1, during the Term, ZAI shall not, and shall cause its Affiliates to not, itself or in cooperation with or through others, discover, research, develop, manufacture or commercialize any PARP Inhibitor other than the Licensed Compounds and Licensed Product hereunder. In the event ZAI wishes to obtain the right (by licensing, merger or acquisition or otherwise) to discover, research, develop, manufacture or commercialize any PARP Inhibitor other than the Licensed Compounds and Licensed Products, ZAI shall notify TESARO in writing, and TESARO may determine, in its sole discretion, [*].

2.8 Co-Marketing Right. (a) Notwithstanding anything in this Agreement to the contrary, TESARO shall have an exclusive right to co-promote each Licensed Product in the Field in the ZAI Territory (the "**Co-Promote Right**") on the terms set forth in this Section 2.8. TESARO shall provide written notice to ZAI of its intent to exercise the foregoing Co-Promote Right with respect to a Licensed Product no later than twelve months prior to the First Commercial Sale of such Licensed Product in the ZAI Territory (the "**Co-Promote Notice**"). The Co-Promote Notice shall include TESARO's written commitment to the following [*].

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 406 of the Securities Act of 1933, as amended.

(b) For a period of ninety (90) days following ZAI's receipt of a Co-Promote Notice, TESARO and ZAI will negotiate in good faith commercially reasonable terms [*] upon which the parties would co-promote the applicable Licensed Product in the ZAI Territory. If TESARO does not deliver a Co-Promote Notice for a Licensed Product to ZAI within the applicable twelve-month period prior to First Commercial Sale of such Licensed Product, then TESARO shall be deemed to have waived its rights under this Section 2.8 solely with respect to the applicable Licensed Product. If TESARO and ZAI do not mutually agree on the terms upon which the parties would co-promote the applicable Licensed Product in the ZAI Territory within the ninety (90) day negotiation period described above, then the matter shall be referred to the Parties' Executive Officers, who shall meet promptly (either in person or via teleconference) and negotiate in good faith in an attempt to come to an agreement. If the Executive Officers cannot come to an agreement within fifteen (15) days, then the final terms of the co-promote shall be determined in accordance with the binding arbitration procedure set forth in Section 14.2, except that the arbitrator's decision will be limited to selecting either the terms proposed by TESARO or the terms proposed by ZAI, and such determination shall be final and binding on, and non-appealable by, the Parties.

3. GOVERNANCE

3.1 Establishment of JSC. The Parties will establish a joint steering committee to review and oversee the Development and Commercialization of the Licensed Compounds and Licensed Products and to coordinate the Parties' activities under this Agreement (the "**Joint Steering Committee**" or "**JSC**"). Within thirty (30) days after the Effective Date, each Party shall appoint two (2) representatives to the JSC, each of which shall have sufficient seniority and relevant expertise to make decisions within the scope of the JSC's responsibilities. The JSC may change its size from time to time by mutual consent of the Parties; provided, that the JSC will consist at all times of an equal number of representatives of each of ZAI and TESARO. Each Party may at any time replace its JSC representatives upon written notice to the other Party.

3.2 Co-Chairpersons of JSC. Each of ZAI and TESARO will select from their representatives a co-chairperson for the JSC, and each Party may change its designated co- chairperson from time to time upon written notice to the other Party. The co-chairpersons of the JSC will be responsible for calling meetings, preparing and circulating an agenda and relevant materials (including drafts of, updates to, or any proposed changes to a Development Plan) to the other Party at least ten (10) business days in advance of each meeting, and preparing and issuing minutes of each meeting within ten (10) business days thereafter.

3.3 JSC Responsibilities. The JSC shall be responsible for:

(a) coordinating the activities of the Parties under this Agreement and providing a forum for and facilitate communications between the Parties under this Agreement;

(b) reviewing, discussing and approving changes to the Development Plan, overseeing the implementation of the Development Plan, and reviewing and discussing the data and results of the Development activities under the Development Plan, in each case, subject to the provisions of Section 3.5, below,

(c) reviewing and discussing the Commercialization Plan and Commercialization of the Licensed Products in the ZAI Territory;

(d) reviewing, discussing and coordinating scientific presentations and publication plans with respect to the Licensed Compound, Licensed Product and any results arising therefrom during the course of the Development Plan in the ZAI Territory, and

(e) performing such other functions as appropriate to further the purposes of this Agreement, as expressly set forth in this Agreement or allocated to it by the Parties in writing by mutual agreement.

3.4 JSC Meetings. The JSC will hold meetings (either in-person or by teleconference or videoconference) at such times and places as the co-chairpersons may reasonably determine, *provided* that, unless the Parties agree otherwise, the JSC will meet quarterly and only by teleconference, videoconference or some other electronic means. Each Party will bear its own costs associated with attending meetings. Each Party may from time to time invite a reasonable number of participants, in addition to its representatives, to attend the JSC meetings in a non-voting capacity. Each individual attending any JSC meeting hereunder (whether as a JSC member or invitee) shall be bound by written non-use, non-disclosure terms and conditions at least as restrictive as those set forth in this Agreement with respect to the Confidential Information of the other Party (for clarity, this may be through employment agreements with such individuals).

3.5 JSC Authority; Limitations. Day-to-day operational level decisions concerning the Development, manufacture and Commercialization of the Licensed Compounds and Licensed Products in the ZAI Territory shall be made by ZAI. Material updates or changes to the Development Plan, including (for clarity) any new clinical protocols or material changes to an approved clinical protocol or material changes to strategy with respect to regulatory activities in the ZAI Territory, shall require approval of the JSC. The members of each Party on the JSC shall collectively have one vote. Except as otherwise provided in this Section 3.5, decisions of the JSC shall be made by unanimous vote, *provided* that at least one (1) representative from each Party participates in such vote. If the JSC does not reach unanimity with respect to a particular matter, and the JSC is unable to resolve the dispute after endeavoring for fifteen (15) business days to do so, then either Party may, by written notice to the other, have such matter referred to the Parties' Executive Officers, who shall meet promptly (either in person or via teleconference) and negotiate in good faith to resolve the dispute. If the Executive Officers cannot resolve on such dispute within fifteen (15) days, then ZAI shall have the final decision making authority on such matter to the extent the matter that is the subject of the dispute relates solely to the Development, manufacture or Commercialization of the Licensed Compounds or the Licensed Products in the ZAI Territory and does not impact the Development, manufacture or Commercialization of the Licensed Compounds or the Licensed Products in the TESARO Territory.

3.6 Limitations on authority of JSC. The JSC will have sole authority with respect to the responsibilities assigned to such committees in Section 3.3 and elsewhere in this Agreement. The JSC shall not have any authority to amend, modify or waive compliance with this Agreement. For clarity, neither TESARO nor ZAI will have any right to unilaterally modify, amend or waive its own compliance with the terms of this Agreement.

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 406 of the Securities Act of 1933, as amended.

3.7 Alliance Managers. Each Party shall appoint a single individual to act as the primary point of contact between the Parties in connection with the Development and Commercialization of the Licensed Compound and Licensed Product(s) (the "**Alliance Managers**"). Each Party may at any time appoint a different Alliance Manager by written notice to the other Party and may elect, upon mutual agreement by the Parties, to eliminate the responsibilities of the Alliance Managers. The Alliance Managers will (i) use good faith efforts to attend all meetings of the JSC, any may also serve as voting members of the JSC, and (ii) be the first point of referral for all matters of conflict resolution, and bring disputes to the attention of the JSC in a timely manner.

4. TECHNOLOGY TRANSFER

4.1 Know-How. Promptly after the Effective Date, TESARO shall, to the extent not already delivered to ZAI, deliver to ZAI an electronic copy (either a CD-ROM or access to a secured electronic database) of all material TESARO Know-How relating the Licensed Compound or Licensed Products in the ZAI Territory existing as of the Effective Date. If any additional material TESARO Know-How relating the Licensed Compound or Licensed Products in the ZAI Territory comes into TESARO's Control during the Term of this Agreement (including any Data resulting from the Development of the Licensed Compounds and Licensed Products in TESARO Territory), TESARO shall promptly notify ZAI and deliver an electronic copy thereof to ZAI. In addition, if at any time during the Term of this Agreement, ZAI identifies particular documents, data or information that are within the TESARO Know-How, but were not previously delivered to ZAI, including without limitation materials requested in connection with an audit or other inquiry by a Regulatory Authority relating to the Development, manufacture and/or Commercialization of the Licensed Compounds and Licensed Products, TESARO shall use reasonable efforts to promptly provide such material to ZAI upon request.

4.2 Materials. As soon as practicable after the Effective Date but in no event later than the applicable deadline set forth in **Exhibit C**, TESARO shall provide to ZAI [*] the quantities of Licensed Compounds, Licensed Products and other materials as listed in **Exhibit C** to this Agreement. **Exhibit C** shall also set forth the cost to be paid by ZAI for the materials provided by TESARO. In connection with the supply of such Licensed Compounds, Licensed Products and materials, TESARO shall also provide ZAI with relevant documents, including batch records, certificate of analysis and certificate of compliance. All such materials provided by TESARO hereunder shall not be used by ZAI for any purpose other than Development, manufacture or Commercialization of the Licensed Compound and Licensed Product(s) in the ZAI Territory in accordance with this Agreement.

4.3 Technical Assistance. For a period of six (6) months after the Effective Date, TESARO shall provide ZAI with reasonable technical assistance to help ZAI to understand and use the TESARO Know-How to Develop and manufacture the Licensed Compounds and Licensed Products. Such technical assistance shall include reasonable access, by teleconference or in-person at TESARO's facilities (subject to TESARO's customary rules and restrictions with respect to site visits by non-TESARO personnel), to TESARO personnel familiar with research, development and manufacture of the Licensed Compounds and Licensed Products, including CMC expertise in connection with the manufacture of the Licensed Compounds and Licensed Products.

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 406 of the Securities Act of 1933, as amended.

4.4 Costs. [*].

5. DEVELOPMENT

5.1 General. ZAI shall be solely responsible for the Development of the Licensed Products in the Field throughout the Territory, at its own cost and expense. ZAI shall use Commercially Reasonable Efforts to Develop the Licensed Products to obtain Regulatory Approval in the ZAI Territory, including but not limited to, using Commercially Reasonable Efforts to carry out Development (including regulatory activities as set forth in Section 5.5) of the Licensed Products in accordance with the Development Plan and in compliance with Applicable Law, including GCP.

5.2 Development Plan. The Development of the Licensed Product(s) in the ZAI Territory shall be conducted by ZAI pursuant to a Development plan that will include a description of the Development activities to be performed in support of the Regulatory Approval of the Licensed Product(s) in the ZAI Territory, including projected timelines for completion of such activities (the "**Development Plan**"). The initial Development Plan agreed to by the Parties is attached hereto as **Exhibit D**. Any material changes to the Development Plan shall be drafted by ZAI and shared with TESARO, including the addition of any clinical trial protocols or any material changes thereto, and shall require the approval of TESARO (such approval not to be unreasonably withheld). In the event of any proposed change to the Development Plan as a result of any interaction with any Regulatory Authority, the JSC shall meet as promptly as practicable to review and discuss any such proposed changes and determine an appropriate revision (if any) to the Development Plan.

5.3 Development Records and Reporting.

(a) Records. ZAI shall maintain complete and accurate records of all work conducted by or on behalf of ZAI in furtherance of the Development of Licensed Product(s) and all material results, Data and developments made in conducting such activities. Such records shall be maintained in sufficient detail and in good scientific manner appropriate for patent and regulatory purposes and in accordance with Applicable Law.

(b) Reporting. ZAI will provide to TESARO, a written report at least once each calendar quarter, in English, describing in reasonable detail ZAI's activities and progress related to the Development of the Licensed Products in the ZAI Territory pursuant to the Development Plan. ZAI shall promptly respond to TESARO's reasonable questions or requests for additional information relating to such Development activities.

5.4 Data Sharing and Use.

(a) Data Sharing. In addition to the adverse event and safety report reporting obligations under Section 5.7 below, each Party shall promptly provide the other Party with copies of all material Data and results generated from its (including its Affiliates', licensees' and sublicensees') Development of the Licensed Compounds and Licensed Products in its Territory to the extent necessary for the Development of the Licensed Compounds and Licensed Products in the other Party's Territory.

(b) Use by ZAI. ZAI shall have the right to use and reference any material Data (including related Regulatory Materials) generated from the Development of the Licensed Compounds and Licensed Products in the TESARO Territory (which shall be automatically included in TESARO IP) in support of obtaining Regulatory Approvals for the Licensed Product(s) in the ZAI Territory. ZAI may use and reference all such material Data to Develop, manufacture and Commercialize the Licensed Compounds and Licensed Products in the ZAI Territory, without additional payment or compensation to TESARO.

(c) Use by TESARO. ZAI shall, as part of the license to TESARO under ZAI Inventions pursuant to Section 10.1(b), provide the right for TESARO to use and reference the material Data generated from the Development of the Licensed Compounds and Licensed Products in the ZAI Territory in support of obtaining Regulatory Approvals for the Licensed Product(s) in the TESARO Territory.

5.5 Regulatory Activities. ZAI shall apply for (and maintain), at ZAI's cost and expense, all Regulatory Approvals of Licensed Products in the ZAI Territory. ZAI shall be responsible for the preparation of all Regulatory Materials and all communications and interactions with Regulatory Authorities with respect to the Licensed Products in the ZAI Territory, both prior to and subsequent to Regulatory Approval. ZAI shall file all required regulatory dossiers to obtain (and maintain) Regulatory Approvals of the Licensed Products in the ZAI Territory, and will be the holder of such Regulatory Approvals.

5.6 Regulatory Materials and Meetings. ZAI shall promptly provide TESARO with an electronic copy of all Regulatory Materials and correspondence with Regulatory Authorities by ZAI with respect to the Development of the Licensed Products in the ZAI Territory. During the time period that ZAI is conducting the Development Plan, to the extent legally permissible and practicable, ZAI shall provide TESARO prior notice with respect to all meetings, conferences and discussions with Regulatory Authorities (including advisory committee meetings and any other meeting of experts convened by a Regulatory Authority) regarding the Licensed Product(s), provided however, ZAI is not obligated to provide TESARO prior notice for meetings, conferences or discussions with Regulatory Authorities that are informal or not previously scheduled. ZAI shall provide such notice within five (5) Business Days after ZAI receives notice of the scheduling of such meeting, conference, or discussion. TESARO shall be entitled to be present at (but not to participate in, unless requested by ZAI or the Regulatory Authority) all such meetings, conferences or discussions with Regulatory Authorities to the extent permitted under Applicable Laws, *provided, however*, in the event that, in ZAI's reasonable judgment, TESARO's presence in any such meeting, conference or discussion will negatively affect the outcome of such meeting, conference or discussion, TESARO shall defer to ZAI's reasonable judgment.

5.7 Pharmacovigilance. Within ninety (90) days after the Effective Date, the Parties shall define and finalize the actions that the Parties shall employ with respect to the Licensed Compounds and Licensed Products to protect patients and promote their well-being in a written pharmacovigilance agreement (the "**Pharmacovigilance Agreement**"). These responsibilities shall include mutually acceptable guidelines and procedures for the receipt, investigation, recordation, communication, and exchange (as between the Parties) of adverse event reports, pregnancy reports, and any other information concerning the safety of any Licensed Product. Such guidelines and procedures shall be in accordance with, and enable the Parties to fulfill, local and national regulatory reporting obligations under Applicable Laws. Furthermore, such agreed procedure shall be consistent with relevant ICH guidelines, except where said guidelines may conflict with existing local regulatory reporting safety reporting requirements, in which case local reporting requirement shall prevail. Each Party shall be responsible for reporting quality complaints, adverse events and safety data related to a Licensed Product to applicable Regulatory Authorities in its Territory, as well as responding to safety issues and to all requests of Regulatory Authorities relating to a Licensed Product in its Territory. The Pharmacovigilance Agreement shall also provide for a worldwide safety database to be maintained by TESARO at its cost. Each Party hereby agrees to comply with its respective obligations under such Pharmacovigilance Agreement and to cause its Affiliates and permitted sublicensees to comply with such obligations.

5.8 Remedial Actions. Each Party will notify the other Parties immediately, and promptly confirm such notice in writing, if it obtains information indicating that any Licensed Product may be subject to any recall, corrective action or other regulatory action with respect to such product taken by virtue of Applicable Law (a "**Remedial Action**"). The Parties will assist each other in gathering and evaluating such information as is necessary to determine the necessity of conducting a Remedial Action. Each Party shall, and shall ensure that its Affiliates and sublicensees will, maintain adequate records to permit the Parties to trace the manufacture, distribution and use (to the extent possible) of the Licensed Products. As between the Parties, ZAI shall have sole discretion with respect to any matters relating to any Remedial Action for the Licensed Product in the ZAI Territory and TESARO shall have sole discretion with respect to any matters relating to any Remedial Action for the Licensed Product in the TESARO Territory. In the event that a Party determines that any Remedial Action with respect to the Licensed Product in its Territory should be commenced, or if Remedial Action is required by any Regulatory Authority having jurisdiction over the matter in its Territory, such Party will control and coordinate all efforts necessary to conduct such Remedial Action and shall be responsible for all cost and expense of such Remedial Action in its territory.

6. COMMERCIALIZATION

6.1 General. ZAI shall have the sole right to and responsibility for the Commercialization of Licensed Products in the ZAI Territory, including manufacturing, selling, distributing and invoicing Licensed Products and would book one hundred percent (100%) of the sales, in the ZAI Territory. ZAI shall use Commercially Reasonable Efforts to Commercialize the Licensed Products in the ZAI Territory after Regulatory Approval has been obtained, and shall conduct its Commercialization activities with respect to the Licensed Products in accordance with Applicable Law.

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 406 of the Securities Act of 1933, as amended.

6.2 Coordination of Commercialization Activities.

(a) General. The Parties recognize that they may benefit from the coordination of certain activities in support of the Commercialization of the Licensed Products in the ZAI Territory. As such, the Parties will coordinate such activities where appropriate and as such coordination may be mutually agreed by the Parties. ZAI shall update TESARO in writing on a quarterly basis, through the JSC, of the expected timing of the commercial launch and First Commercial Sale of each Licensed Product in the ZAI Territory.

(b) Pricing. Each Party shall have the right to determine the price of the Licensed Product sold in its Territory and no Party shall have the right to direct, control or approve the pricing of the Licensed Product in the other Party's Territory.

(c) Global Brand Elements. The Parties, through their respective Alliance Managers, may endeavor to develop and adopt the key distinctive colors, logos, images, symbols, and trademarks to be used in both Territories in connection with the Commercialization of the Licensed Products. Each Party shall own the rights in such global brand elements in its Territory and shall Commercialize the Licensed Products in its Territory in a manner consistent with the applicable global brand elements.

(d) Market Research and Materials. At each regularly scheduled JSC meeting, each Party shall update the other Party regarding the material market research that it is performing with respect to the Licensed Products, and shall provide the other Party with a copy of such research upon request if such material market research is necessary for the other Party to commercialize the Licensed Products in its Territory. The Parties shall also share copies of all marketing and promotional materials with respect to the Commercialization of the Licensed Products with each other.

6.3 Diversion. Each Party hereby covenants and agrees that it and its Affiliates shall not, and it shall contractually obligate (and use Commercially Reasonable Efforts to enforce such contractual obligation) its licensees and sublicensees not to, directly or indirectly, actively promote, market, distribute, import, sell or have sold any Licensed Product, including via the Internet or mail order, to any Third Party or to any address or Internet Protocol address or the like in the other Party's Territory. Neither Party shall engage, nor permit its Affiliates and sublicensees to engage, in any advertising or promotional activities relating to any Licensed Product for use directed primarily to customers or other buyers or users of such product located in any country or jurisdiction in the other Party's Territory, or solicit orders from any prospective purchaser located in any country or jurisdiction in the other Party's Territory. If a Party or its Affiliates or sublicensees receives any order for a Licensed Product for use from a prospective purchaser located in a country or jurisdiction in the other Party's Territory, such Party shall immediately refer that order to such other Party and shall not accept any such orders. Neither Party shall deliver or tender (or cause to be delivered or tendered), nor permit its Affiliates and sublicensees to, deliver or tender (or cause to be delivered or tendered) any Licensed Product for use in the other Party's Territory.

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 406 of the Securities Act of 1933, as amended.

6.4 Trademark. Subject to Section 6.2(c), ZAI shall have the right to brand the Licensed Products in the ZAI Territory using ZAI related trademarks and any other trademarks and trade names it determines appropriate for the Licensed Products, which may vary by country or within a country. ZAI shall own all rights in such trademarks and register and maintain such trademarks in the countries and regions within the ZAI territory, where it determines appropriate.

7. MANUFACTURE AND SUPPLY

7.1 Product Manufacture and Supply. Except for the initial supply set forth in Section 4.2 above, ZAI shall be solely responsible for, either by itself or through its Affiliates or Third Party contact manufactures, the manufacture and supply of all necessary clinical and commercial supply of the Licensed Compounds and Licensed Products, in conformance with the applicable specifications thereof and all Applicable Laws, for both Development and Commercialization of the Licensed Compounds and Licensed Products in the ZAI Territory. To the extent necessary for the Development of the Licensed Compounds and Licensed Products in the ZAI Territory in accordance with this Agreement, ZAI shall obtain all other clinical supplies, and acknowledges and agrees that (a) such clinical supplies shall be manufactured and supplied in accordance with the Good Manufacturing Practice for Drugs (药品生产质量管理规范) promulgated by CFDA, and (b) ZAI shall be responsible for labeling of such supplies and distribution to clinical sites. Notwithstanding the foregoing, ZAI shall not use any contract manufacturer or materials supplier listed on Schedule 7.1, for the purposes of manufacturing Licensed Compounds or Licensed Products, without the prior written consent of TESARO.

7.2 Manufacturing Technology Transfer. Without limiting Article 4, upon ZAI's reasonable request, TESARO shall transfer to ZAI or its designated Third Party contract manufacturer all material TESARO Know-How necessary to manufacture the Licensed Compound and Licensed Product. In connection with such technology transfer, TESARO shall provide reasonable technical assistance, at ZAI's cost, to enable ZAI or its designated Third Party contract manufacturer to manufacture the Licensed Compound and Licensed Product.

7.3 Supply by TESARO. At any time during the Term, upon ZAI's written request, TESARO and ZAI may negotiate in good faith terms and conditions of a separate supply agreement, pursuant to which TESARO would manufacture and supply Licensed Compound and/or Licensed Product to ZAI; provided, neither party is obligated to enter into any such supply agreement. Notwithstanding the foregoing, in the event ZAI is required by the CFDA to Commercialize the Licensed Product as an imported product, and the Parties have not entered into the supply agreement referred to above, then (a) TESARO will use Commercially Reasonable Efforts to manufacture and supply the Licensed Compound and/or Licensed Product to ZAI for such Commercialization purposes pursuant to the terms of a supply agreement to be negotiated in good faith between the parties, which terms shall include [*].

8. FINANCIAL TERMS

8.1 License Fee Consideration.

(a) Upfront Payment. As partial consideration to TESARO for the rights and licenses granted to ZAI hereunder, ZAI shall pay to TESARO fifteen million Dollars ($15,000,000) non-refundable, non-creditable upfront payment, due thirty (30) business days after the Effective Date.

(b) Right of First Refusal. As partial consideration to TESARO for the rights and licenses granted to ZAI hereunder, ZAI hereby grants TESARO the right to enter into a license described in this Section 8.1(b) with respect to each of the first two Immuno-oncology assets [*] (each, an "**Immuno-Oncology Asset**") developed by ZAI during the Term. If, at any time during the Term, ZAI develops and intends to advance any such Immuno-Oncology Asset into human clinical trials in the ZAI Territory, then at least six months prior to the initiation of any human clinical trial of such Immuno-Oncology Asset in the ZAI Territory, ZAI will notify TESARO in writing of such intent and provide TESARO with a confidential written summary of the Immuno-Oncology Asset, including all material clinical, pre-clinical and other relevant data that TESARO may reasonably request which would be necessary for TESARO to determine whether to exercise its right to license such Immuno-Oncology Asset under this Section 8.1(b) (a "**Transaction Notice**"), which Transaction Notice shall be deemed to be Confidential Information of ZAI under this Agreement. TESARO will notify ZAI within [*] of its receipt of the Transaction Notice whether TESARO would like to exercise its right under this Section 8.1(b) to obtain an exclusive, worldwide (excluding China), sub-licensable, royalty- bearing license to research, develop, manufacture and commercialize the applicable Immuno- Oncology Asset for all uses (an "**Option Notice**"). For a period of [*] following ZAI's receipt of an Option Notice, TESARO and ZAI will negotiate in good faith commercially reasonable terms for the foregoing license of the applicable Immuno-Oncology Asset to TESARO. If TESARO does not deliver an Option Notice to ZAI within the applicable [*] period, or declines in writing its option to take a license to the applicable Immuno-Oncology Asset after review of the Transaction Notice, then TESARO shall be deemed to have waived its rights under this Section 8.1(b) solely with respect to the applicable Immuno-Oncology Asset, and ZAI will be free to enter into a license for such Immuno-Oncology Asset with any Third Party thereafter. If TESARO exercises its option by providing the Option Notice with respect to the applicable Immuno-Oncology Asset, but TESARO and ZAI do not mutually agree on the terms of a license to TESARO within the [*] negotiation period described above, ZAI may not enter into any license transaction for such Immuno-Oncology Asset outside of the ZAI Territory with any Third Party for a period of [*] following the end of such [*] negotiation period (the "**Restricted Period**"). After the end of the Restricted Period, ZAI is permitted to negotiate a license for the applicable Immuno-Oncology Asset with a Third Party; *provided, however*, that ZAI may not enter into a license for the applicable Immuno-Oncology Asset with a Third Party on financial terms that are materially less favorable, in the aggregate, to ZAI than those offered by TESARO (collectively, the "**Third Party Terms**"). [*] For the sake of clarity, nothing in this Section 8.1(b) shall be deemed to restrict ZAI's ability to grant of a license to a service provider or to a Third Party distributor selling finished Immuno-Oncology Product purchased from ZAI.

8.2 Milestone Payments.

(a) Development Milestone. ZAI shall pay to TESARO the following one-time milestone payments within [*] following the first achievement of the corresponding milestone events set forth below by ZAI, its Affiliates or sublicensees for any Licensed Compound or Licensed Product. For purposes of clarity, the milestone payment set forth below shall be payable only upon the first achievement of such milestone, and shall not be payable more than once, regardless of whether more than one Licensed Compound or Licensed Product achieves such milestone.

Development Milestone Event	Milestone Payment
[*]	$ [*]

Notwithstanding the foregoing, if ZAI's Development activities cause TESARO to owe Merck a milestone payment under the "**Development Milestone**" section of Section 7.02 of the Merck Agreement and TESARO has not received from ZAI a corresponding milestone payment under this Section 8.2(a), then ZAI shall pay to TESARO, in accordance with the terms of this Agreement the amount of the milestone payment owed by TESARO to Merck.

(b) Sales-Based Milestones. ZAI shall pay to TESARO the following one time milestone payments upon reaching the following specific Net Sales milestones for the Licensed Product(s) within [*] following the end of the Calendar Year during which the Net Sales milestone set forth below is first reached:

Annual Net Sale of all Licensed Products in the Territory		Milestone Payments
Equal or exceed	$[*]	$ [*]
Equal or exceed	$[*]	$ [*]
Equal or exceed	$[*]	$ [*]

8.3 Royalties.

(a) Generally. Subject to the remainder of this Section 8.3, ZAI shall pay to TESARO a running royalty on Net Sales of each Licensed Product sold by ZAI, its Affiliates and Sublicensees in the Field in the ZAI Territory, as calculated by multiplying the applicable royalty rate set forth below by the corresponding amount of incremental, aggregated annual Net Sales of the Licensed Product sold in the Territory in the applicable Calendar Year:

Portion of Annual Net Sales of the Licensed Product in the Territory		Royalty Rate
Less than or equal to	$[*]	[*]%
Greater than	$[*]	
but less than or equal to	$[*]	[*]%
Greater than	$[*]	[*]%

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 406 of the Securities Act of 1933, as amended.

(b) Royalty Term. Subject to subsection (d) below, royalties shall be payable on a country-by-country and Licensed Product-by-Licensed Product basis from the First Commercial Sale of a Licensed Product in a country until the last to occur of: (i) expiration of the last to expire TESARO Patents that contains a Valid Claim Covering such Licensed Product in such country or administrative region; (ii) expiration of any market or data exclusivity for the sale of such Licensed Product in such country or administrative region; or (iii) ten (10) years from the First Commercial Sale of such Licensed Product in such country or administrative region (the "**Royalty Term**").

(c) Royalty Reductions.

(i) If a Licensed Product is generating Net Sales in a country or administrative region during the Royalty Term in such country at a time when there is no TESARO Patent that contains a Valid Claim Covering the composition of matter of such Licensed Product in such country or administrative region, then the royalty rate for such Licensed Product in such country or administrative region shall be reduced by [*].

(ii) If it is necessary for ZAI to obtain a license from a Third Party under any Patents in order to manufacture, import or sell the Licensed Product in a country or administrative region in the ZAI Territory and ZAI obtains such a license, then ZAI shall have the right to deduct, from the royalty payment that would otherwise have been due pursuant to this Section 8.3 with respect to Net Sales of such Licensed Product in such country or administrative region, an amount equal to [*] of the amount paid by ZAI to such Third Party pursuant to such patent license on account of the sale of such Licensed Product in such country during such Calendar Quarter; provided however, that in no event shall the royalties paid to TESARO with respect to such Net Sales by operation of this Section 8.3(c)(ii) be reduced to less than [*] of the amount that would otherwise due with respect to such Net Sales.

(d) Minimum Royalties. Notwithstanding the foregoing, the royalties due from ZAI to TESARO under this Agreement with respect to the Net Sales of the Licensed Product in the Territory in a particular Calendar Quarter shall be no less than the royalties owed by TESARO to Upstream Licensors under the Upstream Agreements with respect to such Net Sales plus [*] of such Net Sales.

(e) Upstream Royalties. TESARO shall be solely responsible for the payment of royalties and other payments owed by TESARO to Upstream Licensors and any other Third Parties on account of the Development and Commercialization of the Licensed Product by ZAI in the Territory.

(f) Royalty Conditions. The royalties under Section 8.3 shall be subject to the following conditions:

(i) only one (1) royalty shall be due with respect to each unit of Licensed Product, without regard to whether there is more than one Valid Claim Covering such Licensed Product;

(ii) no royalties shall be due upon the sale or other transfer of the Licensed Products among ZAI, its Affiliates and sublicensees, but in such cases the royalty shall be due and calculated upon ZAI's or its Affiliate's or sublicensee's Net Sales of Licensed Product to the first independent Third Party; and

(iii) no royalties shall accrue on the disposition of Licensed Product in reasonable quantities by ZAI, its Affiliates or sublicensees as part of an expanded access program, for use in clinical trials, as free samples, or as donations to non-profit institutions or government agencies for non-commercial purposes, provided, in each case, that neither ZAI, its Affiliate nor sublicensees receive any payment (in excess of its actual costs) for such Licensed Product.

8.4 Manner of Payment. All payments to be made by ZAI hereunder shall be made in U.S. Dollars by wire transfer of immediately available funds to such bank account as shall be designated by TESARO. Except as otherwise provided in this Agreement, all payments to be made by ZAI under this Agreement shall be due within [*] of the date of invoice. Late payments shall bear interest at the rate provided in Section 8.10.

8.5 Sales Reports and Royalty Payments. Any royalty payments due under this Agreement will be calculated and reported for each Calendar Quarter, and will be paid within [*] of the end of each Calendar Quarter in which the applicable Net Sales were recorded. Each royalty payment will be accompanied by a report stating on a Licensed Product- by-Licensed Product: (a) Net Sales of the Licensed Product in the applicable Calendar Quarter, (b) a calculation of the amount of the royalty payment due on such Net Sales during the applicable Calendar Quarter, and (c) the amount of withholding taxes, if any, required by Applicable Law to be deducted with respect to such royalties.

8.6 Financial Records. ZAI will maintain records as are required to determine, in accordance with this Agreement, Net Sales and royalties due under this Agreement. ZAI will maintain such records until the later of (a) three (3) years after the end of the period to which such records pertain, (b) the expiration of the applicable tax statute of limitations (or any extensions thereof), or (c) such longer period as may be required by Applicable Law.

8.7 Financial Audit. On thirty (30) days prior written notice, TESARO will have the right to have an independent certified public accountant inspect the financial records of ZAI and its Affiliates and their Sublicensees relating to the sale of the Licensed Products in the ZAI Territory, no more than once per Calendar Year, during usual business hours, at a time and a place mutually agreed to, for the sole purpose of verifying the completeness and accuracy of Net Sales and royalties due under this Agreement for the period of time three (3) years preceding the date of the notice. The notice must identify the period of time subject to inspection. Records from a period of time already subject to an inspection pursuant to this Section 8.7 may not be inspected again. Such accountant must have agreed in writing to maintain the confidentiality of all information learned in confidence, except as necessary to disclose any discrepancy to TESARO. TESARO shall pay for such inspections, unless such inspection and audit discloses for the period examined that there is an underpayment to TESARO of greater than [*] of the amounts actually due in any given year, in which case ZAI will be responsible for the payment of the reasonable cost of such inspection and audit. TESARO and its independent accounting firm agree that all information concerning such payments and reports will be Confidential Information of ZAI as provided for in this Agreement. ZAI will pay to TESARO within sixty (60) days any underpayment identified pursuant to this Section 8.7.

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 406 of the Securities Act of 1933, as amended.

8.8 Currency Exchange. With respect to Net Sales invoiced in a currency other than Dollars, the Net Sales shall be expressed in the domestic currency of the entity making the sale, together with the Dollar equivalent (as applicable), calculated using the rate of exchange to be used in computing the amount of currency equivalent in Dollars by ZAI for its own financial reporting purposes in connection with its other products.

8.9 Taxes. (a) In the event that Applicable Law requires ZAI to deduct or withhold taxes with respect to any payment to be made by ZAI pursuant to this Agreement, ZAI will notify TESARO of such requirement prior to making the payment to TESARO and provide such assistance to TESARO, including the provision of such documentation as may be required by a tax authority, as may be reasonably necessary in TESARO's efforts to claim an exemption from or reduction of such taxes. ZAI will, in accordance with Applicable Law, deduct or withhold taxes from the amount due, remit such taxes to the appropriate tax authority when due, and furnish TESARO with proof of payment of such taxes within thirty (30) days following the payment. If taxes are paid to a tax authority, ZAI shall provide reasonable assistance to TESARO to obtain a refund of taxes withheld, or obtain a credit with respect to taxes paid. To the extent such amounts are paid to the appropriate tax authority, such amounts shall be treated for all purposes of this Agreement as having been paid to TESARO.

(b) All payments due to TESARO from ZAI pursuant to this Agreement shall be paid net of any value-added tax or other tax ("**VAT**") required to be paid by ZAI to tax authorities in the Territory (which, if applicable, shall be payable by ZAI upon receipt of a valid VAT invoice); provided, that ZAI shall use commercially reasonable efforts to assist TESARO to minimize and obtain all available exemptions from such VAT or other taxes. If ZAI is required to withhold and/or TESARO is required to report any such tax, ZAI shall promptly provide TESARO with applicable receipts evidencing payment of such tax and other documentation reasonably requested by TESARO.

8.10 Interest on Late Payment. Interest shall be payable on any payments that are not paid on or before the date thirty (30) days after the date such payments are due under this Agreement at the per-annum rate of prime (as reported in The Wall Street Journal (U.S., Eastern Edition)) plus two percentage points or the maximum rate allowable by applicable Law, whichever is less.

9. REPRESENTATIONS AND WARRANTIES; COVENANTS

9.1 Mutual Representations and Warranties. Each Party represents and warrants to the other Party that:

(a) It is duly organized, validly existing and in good standing under the laws of the jurisdiction in which it is incorporated;

(b) It has all requisite corporate power and authority to enter into this Agreement and to perform its obligations under this Agreement;

(c) The execution of this Agreement and the performance by such Party of its obligations hereunder have been duly authorized;

(d) This Agreement is legally binding and enforceable on such Party in accordance with its terms; and

(e) The performance of this Agreement by it does not create a material breach or material default under any other agreement to which it is a Party.

9.2 Representations and Warranties of TESARO. TESARO represents and warrants that as of the Effective Date:

(a) TESARO is the sole owner or exclusive licensee of the TESARO IP, free and clear of all liens, and has the right to grant to ZAI the rights and licenses as purported to be granted hereunder;

(b) there is no pending or, to its knowledge, threatened, litigation or arbitration which alleges, or any written communication alleging, that TESARO's activities with respect to the TESARO IP or the Licensed Compounds have infringed or misappropriated any of the intellectual property rights of any Third Party;

(c) there is no pending or, to its knowledge, threatened re- examination, opposition, interference or litigation, or any written communication alleging that any TESARO Patent is invalid or unenforceable anywhere in the world;

(d) subject to the terms and conditions of the Upstream Agreements, to its knowledge, the manufacture, Development or Commercialization of the Licensed Compounds and Licensed Products does not and will not infringe with any Patent rights of any Third Party in the ZAI Territory;

(e) it is not aware of any infringement or misappropriation of any TESARO IP by any Third Party;

(f) it (and, to its knowledge, any Third Party acting under its authority) has complied in all material respects with all Applicable Laws in connection with its development of the Licensed Compounds (including information and data provided to Regulatory Authorities), and has not used any employee, consultant or contractor who has been debarred by any Regulatory Authority, or to its knowledge, is the subject of a debarment proceeding by any Regulatory Authority;

(g) it has not granted any rights in the TESARO IP that are inconsistent with the rights granted to ZAI under this Agreement;

(h) other than the Patents set forth in **Exhibit B**, TESARO does not Control any Patent that is reasonably necessary for the Development, manufacture or Commercialization of the Licensed Compound or Licensed Product or that Covers (i) the composition of matter of the Licensed Compound or Licensed Product, or (ii) a method of

manufacture or use of the Licensed Compound or Licensed Product. If TESARO identifies any Patent that it Controls after the Effective Date which is reasonably necessary for the Development, manufacture or Commercialization of the Licensed Compound or Licensed Product in the ZAI Territory or that Covers (A) the composition of matter of the Licensed Compound or Licensed Product, or (B) a method of manufacture or use of the Licensed Compound or Licensed Product, then such Patent shall automatically be added to the list of TESARO Patents;

(i) the Licensed Compounds and Licensed Products provided by TESARO as part of the technology transfer under Section 4.2 have been manufactured, handled and stored in accordance with all Applicable Laws, including the current Good Manufacturing Practice set forth in 21 C.F.R. Parts 11, 210 and 211; and

(j) TESARO has disclosed to ZAI and made available to ZAI for review, to the extent in TESARO's possession and control, all material non-clinical and clinical data for the Licensed Compound and Licensed Product, and all other material information (including relevant correspondence with Regulatory Authorities) relating to the Licensed Compound and Licensed Product, in each case that would be material to TESARO to assess the safety and efficacy of the Licensed Compound and Licensed Product.

9.3 Upstream Agreements. TESARO represents, warrants and covenants (as applicable) to ZAI that:

(a) as of the Effective Date, except for the Upstream Agreements, there is no agreement between TESARO or its Affiliates with any Third Party pursuant to which TESARO or its Affiliates has in-licensed any TESARO IP;

(b) as of the Effective Date, it has provided ZAI with a true and complete copy of each Upstream Agreement, and each Upstream Agreement is in full force and effect, and the (sub)licenses it obtained under the AZ Agreements encompass the right to make, use and sell the Licensed Compound and Licensed Product in the Field in the ZAI Territory in accordance with the terms of the AZ Agreements, and during the Term, TESARO shall not modify or terminate either of the AZ Agreements in a manner that would diminish the right of ZAI under this Agreement to make, use and sell the Licensed Compound and Licensed Product in the Field in the ZAI Territory;

(c) as of the Effective Date, no written notice of default or termination has been received or given under any Upstream Agreement, and to its knowledge, there is no act or omission by TESARO that would provide a right to terminate any Upstream Agreement;

(d) during the Term of this Agreement, it shall maintain each Upstream Agreement in full force and effect and shall not terminate, amend, waive or otherwise modify (or consent to any of the foregoing) its rights under any Upstream Agreement in any manner that materially diminishes the rights or licenses granted to ZAI hereunder or increase or generate any new payment obligation under any Upstream Agreement that would apply to ZAI (such as any milestone payment under Section 7.02 of the Merck Agreement that would apply to ZAI's Development activities), without ZAI's express written consent; and

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 406 of the Securities Act of 1933, as amended.

(e) in the event of any notice of breach of any Upstream Agreement by TESARO, TESARO shall promptly notify ZAI in writing, and if TESARO fails to cure such breach, ZAI shall have the right, but not the obligation, to cure such breach on behalf of TESARO and to offset any reasonable amounts incurred or paid by ZAI in connection with the cure of such breach against any amounts otherwise payable by to TESARO under this Agreement. In the event of any notice of breach of any Upstream Agreement by the applicable Upstream Licensor in a manner that will or is likely to materially adversely affect ZAI's rights or obligations under this Agreement, TESARO shall immediately notify ZAI in writing, and TESARO shall take such actions as reasonably requested by ZAI to enforce such Upstream Agreement.

9.4 ZAI Compliance with Upstream Agreements. ZAI acknowledges and agrees that the rights and licenses granted by TESARO to ZAI under this Agreement are subject to the terms of the Upstream Agreements. ZAI agrees to take any action (or omission, to the extent applicable to ZAI) reasonably requested by TESARO that is necessary or advisable to maintain compliance with the terms and conditions of the Upstream Agreements.

9.5 Anti-Corruption.

(a) In performing their respective obligations hereunder, the Parties acknowledge that the corporate policies of TESARO and ZAI and their respective Affiliates require that each Party's business be conducted within the letter and spirit of the law. By signing this Agreement, each Party agrees to conduct the business contemplated herein in a manner which is consistent with all Applicable Law, including the U.S. Foreign Corrupt Practices Act, good business ethics, and its ethics and other corporate policies, and to abide by the spirit of the other Party's applicable ethics and compliance guidelines which may be provided by such other Party from time to time. Specifically, each Party agrees that it has not, and covenants that it, its Affiliates, and its and its Affiliates' directors, employees, officers, and anyone acting on its behalf, will not, in connection with the performance of this Agreement, directly or indirectly, make, promise, authorize, ratify or offer to make, or take any action in furtherance of, any payment or transfer of anything of value for the purpose or intent of influencing, inducing or rewarding any act, omission or decision to secure an improper advantage; or improperly assisting it in obtaining or retaining business for it or the other Party, or in any way with the purpose or effect of public or commercial bribery.

(b) Each Party shall not contact, or otherwise knowingly meet with, any Government Official for the purpose of discussing activities arising out of or in connection with this Agreement, without the prior written approval of the other Party, except where such meeting is consistent with the purpose and terms of this Agreement and in compliance with Applicable Law, it being agreed and acknowledged that ZAI has the right under this Agreement to meet with any Government Official with respect to the lawful conduct of any clinical study for the Licensed Product.

9.6 Disclaimer. EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT, NEITHER PARTY MAKES ANY REPRESENTATIONS OR WARRANTIES OF ANY KIND, EITHER EXPRESS OR IMPLIED, INCLUDING ANY EXPRESS OR IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE WITH RESPECT TO ANY PATENTS, CONFIDENTIAL INFORMATION OR KNOW-HOW OF SUCH PARTY OR ANY LICENSE GRANTED BY SUCH PARTY HEREUNDER, OR WITH RESPECT TO ANY COMPOUNDS, INCLUDING BUT NOT LIMITED TO THE TRANSFERRED MATERIALS. FURTHERMORE, EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT, NEITHER PARTY MAKES ANY REPRESENTATIONS OR WARRANTIES THAT ANY PATENT, PATENT APPLICATION, OR OTHER PROPRIETARY RIGHTS INCLUDED IN PATENTS, CONFIDENTIAL INFORMATION OR KNOW-HOW LICENSED BY SUCH PARTY TO THE OTHER PARTY HEREUNDER ARE VALID OR ENFORCEABLE OR THAT USE OF SUCH PATENTS, CONFIDENTIAL INFORMATION OR KNOW-HOW CONTEMPLATED HEREUNDER DOES NOT INFRINGE ANY PATENTS OR OTHER INTELLECTUAL PROPERTY RIGHTS OF ANY THIRD PARTY.

9.7 Limitation of Liability. NOTWITHSTANDING ANYTHING IN THIS AGREEMENT OR OTHERWISE, NEITHER PARTY SHALL BE LIABLE TO THE OTHER WITH RESPECT TO ANY SUBJECT MATTER OF THIS AGREEMENT, WHETHER UNDER ANY CONTRACT, NEGLIGENCE, STRICT LIABILITY OR OTHER LEGAL OR EQUITABLE THEORY, FOR ANY INCIDENTAL, INDIRECT, SPECIAL, EXEMPLARY, PUNITIVE, MULTIPLE, OR CONSEQUENTIAL DAMAGES *PROVIDED, HOWEVER*, THAT THE FOREGOING SHALL NOT APPLY TO OR LIMIT (I) DAMAGES AVAILABLE FOR ANY BREACH BY EITHER PARTY OF THE CONFIDENTIALITY OBLIGATIONS SET FORTH IN ARTICLE 11; (B) A PARTY'S INDEMNIFICATION OBLIGATIONS SET FORTH IN ARTICLE 12.

10. INTELLECTUAL PROPERTY

10.1 Inventions.

(a) Ownership of Inventions. The inventorship of all Inventions shall be determined under the U.S. patent laws. Each Party shall solely own its Sole Inventions and the Parties shall jointly own all Joint Inventions. All Patents Covering patentable Joint Inventions shall be referred to herein as "**Joint Patents.**" Except to the extent restricted by the licenses granted to other Party under this Agreement or any other agreement between the Parties, each joint owner shall be entitled to practice, license, assign and otherwise exploit the Joint Inventions and Joint Patents without the duty of accounting or seeking consent from the other owners

(b) License of Inventions. TESARO's Sole Inventions and TESARO's right and interest in and to any Joint Inventions shall be included in TESARO IP and automatically licensed to ZAI under this Agreement. Further, ZAI hereby grants to TESARO an exclusive, perpetual and freely sublicensable license under ZAI's Sole Inventions and ZAI's right and interest in and to any Joint Inventions, including the Data generated by ZAI from the Development of the Licensed Compounds and Licensed Products in the ZAI Territory, for use by TESARO to Develop, manufacture and Commercialize the Licensed Compounds and Licensed Products in the TESARO Territory.

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 406 of the Securities Act of 1933, as amended.

(c) Disclosure of Inventions. Each Party shall promptly disclose to the other Party all Sole Inventions of such Party and also Joint Invention, including any invention disclosures, or other similar documents, submitted to it by its employees, agents or independent contractors describing such Inventions, and shall promptly respond to reasonable request from the other Parties for additional information relating to such Inventions.

10.2 Patent Prosecution.

(a) TESARO Patents. As between the Parties, TESARO shall have the first right to file, prosecute and maintain, at its own cost and expense, all TESARO Patents that are not Joint Patents. TESARO shall consult with ZAI and keep ZAI reasonably informed of the status of such TESARO Patents in the ZAI Territory and shall promptly provide ZAI with all material correspondence received from any patent authority in connection therewith. In addition, TESARO shall promptly provide ZAI with drafts of all proposed material filings and correspondence to any patent authority with respect to such TESARO Patents in the ZAI Territory for review and comment prior to the submission of such proposed filings and correspondences. TESARO shall confer with ZAI and consider in good faith ZAI's comments prior to submitting such filings and correspondences. TESARO shall notify ZAI of any decision to cease prosecution and/or maintenance of any such TESARO Patents in the ZAI Territory at least thirty (30) days prior to any filing deadline or payment due date. In such event, TESARO shall permit ZAI, at its discretion and at its sole expense, to continue prosecution or maintenance of such TESARO Patent.

(b) Joint Patents. Each Party shall have the first right to file, prosecute and maintain, at its own cost and expense, all Joint Patents in its Territory. Each Party shall consult with the other Party and keep the other Party reasonably informed of the status of the Joint Patents in its Territory and shall promptly provide the other Party with all material correspondence received from any patent authority in connection therewith. In addition, each Party shall promptly provide the other Party with drafts of all proposed material filings and correspondence to any patent authority with respect to the Joint Patents in its Territory for review and comment prior to the submission of such proposed filings and correspondences. Each Party shall confer with the other Party and consider in good faith the other Party's comments prior to submitting such filings and correspondences. Each Party shall notify the other Party of any decision to cease prosecution and/or maintenance of any Joint Patents in its Territory at least thirty (30) days prior to any filing deadline or payment due date. In such event, such Party shall permit the other Party, at its discretion and at its sole expense, to continue prosecution or maintenance of such Joint Patent.

(c) ZAI Patents. Unless otherwise agreed by the Parties in a separate license agreement pursuant to Section 10.1(b), as between the Parties, ZAI shall have the sole right to file, prosecute and maintain, at its own cost and expense, all Patents Covering its Sole Inventions.

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(d) Cooperation. Each Party shall provide the other Party all reasonable coordination, assistance and cooperation in the patent prosecution efforts under this Agreement, including providing any necessary powers of attorney and executing any other required documents or instruments for such prosecution.

10.3 Patent Enforcement.

(a) Notice and Enforcement by ZAI. In the event that either Party becomes aware of a suspected infringement by a Third Party of any TESARO Patents in the Field within the ZAI Territory, or any declaratory judgment, opposition, or similar action alleging the invalidity, unenforceability or non-infringement of any of TESARO Patents in the ZAI Territory (collectively, "**Infringement**"), such Party shall notify the other Party promptly. ZAI shall have the first right, but not the obligation, to bring and control any legal action in connection with any Infringement of TESARO Patents in the ZAI Territory at its own expense and as it reasonably determines appropriate. TESARO shall have the right to be represented in any such action by counsel of its choice at its own expense.

(b) Enforcement by TESARO. If ZAI does not to bring a legal action or otherwise take reasonable measure to stop the Infringement of TESARO Patents in ZAI Territory within ninety (90) days after the notice provided pursuant to Section 10.3(a), TESARO shall have the right to bring and control any legal action in connection with such Infringement in the ZAI Territory at its own expense as it reasonably determines appropriate after consultation with ZAI.

(c) Cooperation. At the request and expense of the Party bringing the action under Section 10.3(a) or (b) above, the other Party shall provide reasonable assistance in connection therewith, including by executing reasonably appropriate documents, cooperating in discovery and joining as a party to the action if required. In connection with any such proceeding, the enforcing Party shall keep the other Party reasonably informed on the status of such action and shall not enter into any settlement admitting the invalidity of, or otherwise impairing the other Party's rights in, the relevant TESARO Patents without the prior written consent of the other Party.

(d) Cost and Recovery. The enforcing Party under Section 10.3(a) or (b) shall be responsible for the cost and expense incurred with the enforcement action. Any recoveries resulting from such enforcement action shall be first applied to reimburse each Party's cost and expenses in connection therewith. Any such recoveries in excess of such cost and expense shall be retained by the enforcing Party; provided that if ZAI is the enforcing Party, then such recovery shall be deemed Net Sales and subject to royalty payment to TESARO under Section 8.3.

10.4 Defense of Third Party Claims. Subject to Article 12, if a claim is brought by a Third Party alleging infringement of a Patent of such Third Party by the Development, manufacture or Commercialization of the Licensed Compounds and Licensed Products in the ZAI Territory, the Party first having notice of the claim or assertion shall promptly notify the other Parties, the Parties shall agree on and enter into an "**common interest agreement**" wherein

such Parties agree to their shared, mutual interest in the outcome of such potential dispute, and thereafter, the Parties shall promptly meet to consider the claim or assertion and the appropriate course of action. Each Party shall be entitled to represent itself in any litigation to which it is a party, at its own expense, unless otherwise agreed upon by the Parties or as otherwise set forth in this Agreement.

10.5 Bankruptcy Protection. All licenses granted by a Party to the other Party under this Agreement are and shall otherwise be deemed to be for purposes of Section 365(n) of Title 11, United States Code or foreign equivalent laws (the "**Bankruptcy Code**") licenses of rights to "**intellectual property**" as defined in Section 101(56) of the Bankruptcy Code. The Parties shall retain and may fully exercise all of their respective rights and elections under the Bankruptcy Code. Upon the bankruptcy of a Party, the non-bankrupt Party shall further be entitled to a complete duplicate of, or complete access to, any such intellectual property, and such, if not already in its possession, shall be promptly delivered to the non-bankrupt Party, unless the bankrupt Party elects to continue, and continues, to perform all of its obligations under this Agreement. Nothing in this Section 10.5 shall be interpreted as giving any Party greater rights to the other Party's intellectual property after the bankruptcy of the other Party than such Party had prior to such bankruptcy.

11. CONFIDENTIALITY

11.1 Nondisclosure and Non-Use. Each Party agrees that, for so long as this Agreement is in effect and for a period of [*] years thereafter, a Party (the "**Receiving Party**") receiving or possessing Confidential Information of the other Party (the "**Disclosing Party**") shall, and shall cause its employees, representatives, Affiliates, consultants, contractors, agents and Sublicensees to, (a) maintain in confidence such Confidential Information using not less than the efforts such Receiving Party uses to maintain in confidence its own proprietary industrial information of similar kind and value (but no less than reasonable care), (b) not disclose such Confidential Information to any Third Party without the prior written consent of the Disclosing Party, except for disclosures expressly permitted below, and (c) not use such Confidential Information for any purpose except those permitted by this Agreement, including in connection with exercising its rights or fulfilling its obligations under this Agreement (it being understood that this clause (c) shall not create or imply any rights or licenses not expressly granted under Article 2 hereof). Each Receiving Party shall be responsible for any breach of these obligations by any of its employees, representatives, Affiliates, consultants, contractors, agents and Sublicensees to which it discloses or provides access to any Confidential Information of the Disclosing Party. Each Receiving Party shall take all reasonable action under Applicable Law to enforce the confidentiality obligations hereunder against any employees, representatives, Affiliates, consultants, contractors, agents and Sublicensees to which it discloses or provides access to any Confidential Information of the Disclosing Party.

11.2 Confidentiality of TESARO Know-How. During such time as the license to ZAI under the TESARO Know-How granted under Section 2.1 is in effect, solely for disclosure purposes to Third Parties, the TESARO Know-How shall be deemed to be Confidential Information of both TESARO and ZAI under Article 11, both TESARO and ZAI shall be deemed to be a Disclosing Party of the TESARO Know-How under Article 11, and TESARO and its Affiliates shall be deemed not to have known such TESARO Know-How prior to disclosure for the purposes of Section 11.3(a).

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11.3 Exceptions. The obligations in Section 11.1 shall not apply with respect to any portion of the Confidential Information that the Receiving Party can show by competent proof:

(a) was known to the Receiving Party or any of its Affiliates, without any obligation to keep it confidential or any restriction on its use, prior to disclosure by the Disclosing Party; or

(b) was generally available to the public or otherwise part of the public domain at the time of its disclosure to the Receiving Party;

(c) became generally available to the public or otherwise part of the public domain after its disclosure and other than through any act or omission of the Receiving Party in breach of this Agreement; or

(d) is subsequently disclosed to the Receiving Party or any of its Affiliates by a Third Party lawfully in possession thereof and without any obligation to keep it confidential or any restriction on its use; or

(e) has been independently developed by employees or contractors of the Receiving Party or any of its Affiliates without the aid, application or use of Confidential Information of the Disclosing Party as demonstrated by documented evidence prepared contemporaneously with such independent development.

11.4 Authorized Disclosure. The Receiving Party may disclose Confidential Information belonging to the Disclosing Party to the extent (and only to the extent) such disclosure is reasonably necessary in the following instances:

(a) preparing, filing or prosecuting Patents; preparing, filing or prosecuting Regulatory Materials with respect to obtaining and maintaining Regulatory Approval of the Licensed Products; and prosecuting or defending litigation;

(b) subject to Section 11.7, complying with Applicable Law (including, without limitation, the rules and regulations of any national securities exchange, regulations of the State Administration of Foreign Exchange of the People's Republic of China, and the State Intellectual Property Office of the People's Republic of China) and with judicial process, if in the reasonable opinion of the Receiving Party's counsel, such disclosure is necessary for such compliance, *provided* that the Receiving Party shall promptly notify the other Party of such required disclosure so that the Disclosing Party can seek a protective order or other appropriate remedies and, at the Disclosing Party's request and expense, reasonably assist the Disclosing Party in seeking such protective order or other reasonable remedies; and

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(c) disclosure (i) in connection with the performance of this Agreement and solely on a "need to know basis", to Affiliates, potential or actual collaborators (including potential Sublicensees), or employees, contractors, or agents; or (ii) solely on a "need to know basis" to potential or actual investment bankers, consultants, advisors, investors, partners, collaborators, lenders, or acquirers; each of whom in the case of clause (i) or (ii) prior to disclosure must be bound by written obligations of confidentiality and non-use no less restrictive than the obligations set forth in this Article 11.

11.5 Terms of this Agreement. The Parties acknowledge that the terms of this Agreement shall be treated as Confidential Information of both Parties.

11.6 Prior CDA. This Agreement supersedes the Mutual Confidentiality and Non-Use Agreement between the Parties dated October 12, 2015 (the "**Prior CDA**") with respect to information disclosed thereunder. All information exchanged between the Parties under the Prior CDA shall be deemed Confidential Information of the disclosing Party and shall be subject to the terms of this Article 11.

11.7 Securities Filings. In the event either Party proposes to file with the Securities and Exchange Commission or the securities regulators of any state, country, province or other jurisdiction a registration statement or any other disclosure document which describes or refers to this Agreement under the Securities Act of 1933, as amended, the Securities Exchange Act, of 1934, as amended, or any other Applicable Law, such Party shall notify the other Party of such intention and shall provide such other Party with a copy of relevant portions of the proposed filing not less than five (5) business days prior to such filing (and any revisions to such portions of the proposed filing a reasonable time prior to the filing thereof), including any exhibits thereto relating to this Agreement, and shall use reasonable efforts to obtain confidential treatment of any information concerning this Agreement that such other Party requests be kept confidential, and shall only disclose Confidential Information of the Disclosing Party which it is advised by counsel is legally required to be disclosed. No such notice shall be required under this Section 11.7 if the substance of the description of or reference to this Agreement contained in the proposed filing has been included in any previous filing made by the other Party hereunder or otherwise approved by the other Party.

11.8 Technical Publication. No Party may publish peer reviewed manuscripts, or give other forms of public disclosure such as abstracts and presentations, of results of studies carried out under this Agreement, without the opportunity for prior review by the other Parties, except to the extent required by Applicable Laws. A Party seeking publication of results of studies carried out under this Agreement shall provide the other Party the opportunity to review and comment on any proposed publication which relates to the Licensed Product at least thirty (30) days prior to its intended submission for publication. The other Party shall provide the Party seeking publication with its comments in writing, if any, within twenty (20) days after receipt of such proposed publication. The Party seeking publication shall consider in good faith any comments thereto provided by the other Party and shall comply with the other Party's request to remove any and all of such other Party's Confidential Information from the proposed publication. In addition, the Party seeking publication shall delay the submission for a period up to sixty (60) days in the event that the other Party can demonstrate reasonable need for such delay, including without limitation, the preparation and filing of a patent application. If the other Party fail to provide its comments to the Party seeking publication within such twenty (20) day

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period, such other Party shall be deemed to not have any comments, and the Party seeking publication shall be free to publish in accordance with this Section 11.8 after the thirty (30) day period has elapsed. The Party seeking publication shall provide the other Party a copy of the manuscript at the time of the submission. Each Party agrees to acknowledge the contributions of the other Party and its employees in all publications as scientifically appropriate.

11.9 Equitable Relief. Each Receiving Party acknowledges and agrees that a breach of this Article 11 cannot reasonably or adequately be compensated in damages in an action at law and that such a breach shall cause the Disclosing Party irreparable injury and damage. By reason thereof, the Parties agree that each Party shall be entitled, in addition to any other remedies it may have under this Agreement or otherwise, to preliminary and permanent injunctive and other equitable relief to prevent or curtail any breach of the obligations relating to Confidential Information set forth herein.

12. INDEMNITY AND INSURANCE

12.1 Indemnification by ZAI. ZAI hereby agrees to defend, hold harmless and indemnify TESARO, its Affiliates, directors, officers, employees and agents from and against any and all Third Party claims, suites, proceedings, damages, expenses, liabilities, and/or losses, including without limitation reasonable legal expenses and attorneys' fees (collectively "**Claims**") to the extent resulting from or arising out of: (a) the negligence, willful misconduct or breach of this Agreement by ZAI; (b) ZAI's Development, manufacture and Commercialization of the Licensed Compounds and Licensed Products in ZAI Territory; (c) any action or omission of ZAI that causes a breach of or results in non-compliance the Upstream Agreements, except in each case to the extent such Claims result from or arise out of any activities set forth in Section 12.2 for which TESARO is obligated to indemnify ZAI.

12.2 Indemnification by TESARO. TESARO hereby agrees to defend, hold harmless and indemnify ZAI, its Affiliates, directors, officers, employees and agents from and against any and all Third Party Claims to the extent resulting from or arising out of: (a) the negligence, willful misconduct or breach of this Agreement by TESARO; (b) TESARO's Development, manufacture and Commercialization of the Licensed Compounds and Licensed Products in TESARO Territory; and (c) TESARO's Development, manufacture and Commercialization of the Licensed Compounds and Licensed Products prior to the Effective Date; except in each case to the extent such Claims result from or arise out of any activities set forth in Section 12.1 for which ZAI is obligated to indemnify TESARO.

12.3 Indemnification Procedure. The indemnified Party shall provide the indemnifying Party with prompt notice of the claim giving rise to the indemnification obligation pursuant to this Article 12 and the exclusive ability to defend (with the reasonable cooperation of the indemnified Party) or settle any such claim; *provided, however*, that the indemnifying Party shall not enter into any settlement for damages other than monetary damages without the indemnified Party's written consent, such consent not to be unreasonably withheld. The indemnified Party shall have the right to participate, at its own expense and with counsel of its choice, in the defense of any claim or suit that has been assumed by the indemnifying Party. If the Parties cannot agree as to the application of Sections 12.1 and 12.2 to any particular Claim,

the Parties may conduct separate defenses of such claim and reserve the right to claim indemnity from the other in accordance with Sections 12.1 and 12.2 above upon resolution of the underlying claim, notwithstanding the provisions of this Section 12.3 requiring the indemnified Party to tender to the indemnifying Party the exclusive ability to defend such claim or suit.

12.4 Mitigation of Loss. Each indemnified Party shall take and shall procure that its Affiliates, agents, directors, officers and employees take all such reasonable steps and action as are reasonably necessary or as the indemnifying Party may reasonably require in order to mitigate any Claims (or potential losses or damages) under this Article 12. Nothing in this Agreement shall or shall be deemed to relieve any Party of any common law or other duty to mitigate any losses incurred by it.

12.5 Insurance. Each Party shall procure and maintain insurance, including product liability insurance, adequate to cover its obligations hereunder and which are consistent with normal business practices of prudent companies similarly situated at all times during which any Licensed Product is being clinically tested in human subjects or commercially distributed or sold by such Party. It is understood that such insurance shall not be construed to create a limit of either Party's liability with respect to its indemnification obligations under this Article 12. Each Party shall provide the other Party with written evidence of such insurance upon request. Each Party shall provide the other Party with written notice at least thirty (30) days prior to the cancellation, non-renewal or material change in such insurance which materially adversely affects the rights of the other Party hereunder.

13. TERM AND TERMINATION

13.1 Term. This Agreement shall commence as of the Effective Date and, unless sooner terminated in accordance with the terms hereof or by mutual written consent, shall continue, on a country-by-country and Licensed Product-by-Licensed Product basis, until the expiration of the Royalty Term for such Licensed Product in such country (the "**Term**"). After the expiration (but not early termination) of the Term, the licenses granted by TESARO to ZAI hereunder shall become full paid, royalty free, perpetual and irrevocable.

13.2 Termination.

(a) Termination for convenience. At any time, ZAI may terminate this Agreement by providing written notice of termination to TESARO, which notice includes an effective date of termination at least [*] after the date of the notice.

(b) Termination for Material Breach. Each Party shall have the right to terminate this Agreement in its entirety immediately upon written notice to the other Party if the other Party materially breaches its material obligations under this Agreement and, after receiving written notice identifying such material breach in reasonable detail, fails to cure such material breach within [*] from the date of such notice, provided that, if such other Party dispute such alleged breach in good faith, such termination shall not become effective unless and until such dispute has been resolved in favor of the Party providing notice of such termination and such other Party has not cured such material breach within [*] after such resolution.

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(c) Termination for Insolvency. Each Party shall have the right to terminate this Agreement in its entirety immediately upon written notice to the other Party if (i) such other Party files in any court or agency pursuant to any statute or regulation of any jurisdiction a petition in bankruptcy or insolvency or for reorganization or similar arrangement for the benefit of creditors or for the appointment of a receiver or trustee of such other Party or its assets, (ii) such other Party is served with an involuntary petition against it in any insolvency proceeding, and upon the [*] after such service, such involuntary petition has not been stayed or dismissed, or (iii) such other Party makes an assignment of substantially all of its assets for the benefit of its creditors.

(d) Termination by Mutual Agreement. The Parties may also terminate this Agreement by mutual agreement.

13.3 Effect of Termination. Upon the early termination of this Agreement pursuant to Section 13.2:

(a) License to ZAI. All licenses and other rights granted by TESARO to ZAI shall terminate, and all rights of ZAI under the TESARO Patents and TESARO Know- How shall revert to TESARO.

(b) License to TESARO. ZAI shall grant to TESARO (with the right to grant sublicenses through multiple tiers) an exclusive license under ZAI's Sole Inventions and ZAI's right and interest in and to any Joint Inventions, including the Data generated by ZAI from the Development of the Licensed Compounds and Licensed Products under this Agreement, for use by TESARO (or its sublicensees) to Develop, manufacture and Commercialize the Licensed Compounds and Licensed Products in the TESARO Territory. The terms and conditions of such a license may include, at TESARO's request, the transfer of Regulatory Materials, inventories, and/or ongoing clinical trials to TESARO, as well as reasonable transition assistance. The foregoing license and transfer shall be royalty-free and without payment from TESARO other than (i) the payment by TESARO of the reasonable cost of any transition assistance (such costs to be consistent with industry custom, and (ii) if: (A) ZAI terminates this Agreement under 13.2(b), he license shall be royalty-bearing (such royalties to be consistent with other royalty- bearing royalties for similar intellectual property rights) and otherwise on commercially reasonable terms.

13.4 Transfer of Data and Regulatory Materials; Wind-down of Clinical Activities. Without limiting the obligations of the Parties under Section 13.3 above, upon the effective date of the termination of this Agreement, ZAI shall transfer to TESARO, at TESARO's business premises, all Data and Regulatory Materials related to the Licensed Compounds or Licensed Products. Additionally, with respect to any ongoing clinical trials of Licensed Products each Party shall cooperate with the other Party to facilitate the orderly transfer to TESARO of the conduct of such clinical trials as soon as reasonably practicable, (ii) until such time as the conduct of such clinical trials has been successfully transferred to TESARO, ZAI

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shall continue such clinical trials, (iii) between the effective date of termination and the date on which the conduct of such clinical trials has been successfully transferred to TESARO, ZAI shall be responsible for all costs and expenses reasonably incurred by ZAI in the conduct of such clinical trials, and (iv) following the date on which the conduct of such clinical trials has been successfully transferred to TESARO, TESARO shall be solely responsible for all costs and expenses of such ongoing clinical trials.

13.5 Survival. Termination or expiration of this Agreement shall not relieve the Parties of any liability or obligation which accrued hereunder prior to the effective date of such termination or expiration nor preclude either Party from pursuing all rights and remedies it may have hereunder or at law or in equity, subject to Section 14.2, with respect to any breach of this Agreement nor prejudice either Party's right to obtain performance of any obligation. The following provisions shall survive termination or expiration of this Agreement, as well as any other provision which by its terms or by the context thereof, is intended to survive such termination: Articles 1, 10, 11, and 15, and Sections 9.6, 9.7, 13.3, 13.4 and 13.5..

14. DISPUTE RESOLUTION

14.1 Internal Resolution. Other than disputes subject to the final resolution by the JSC or Executives pursuant to Section 3.5 or determinations made by certified accountants as provided in Section 8.7, in the event of any dispute between the Parties relating to or arising out of this Agreement, the formation, construction, breach or termination hereof, or the rights, duties or liabilities of either Party hereunder, the Parties shall first attempt in good faith to resolve such dispute by negotiation and consultation between themselves, utilizing the Alliance Managers. In the event that such dispute is not resolved on an informal basis within thirty (30) days, either Party may, by written notice to the other Party, refer the dispute to the Executive Officers for attempted resolution by good faith negotiation within thirty (30) days after such notice is received.

14.2 Binding Arbitration. If the Executive Officers are not able to resolve such disputed matter within thirty (30) days and any Party wishes to pursue the matter, each such dispute, controversy or claim that is not an Excluded Claim (defined in Section 14.3 below) shall be finally resolved by binding arbitration administered by the International Chamber of Commerce ("**ICC**") pursuant its arbitration rules, and judgment on the arbitration award may be entered in any court having jurisdiction thereof. The Parties agree that:

(a) The arbitration shall be conducted by a single arbitrator appointed by the ICC, who shall be experienced in the pharmaceutical business in the relevant country. The place of arbitration shall be New York, New York, and all proceedings and communications shall be in English, unless otherwise agreed by all Parties involved in such dispute.

(b) Any Party may apply to the arbitrators for interim injunctive relief until the arbitration award is rendered or the controversy is otherwise resolved. Any Party also may, without waiving any remedy under this Agreement, seek from any court having jurisdiction any injunctive or provisional relief necessary to protect the rights or property of that Party pending the arbitration award.

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(c) The arbitrator shall have no authority to award punitive or any other type of damages not measured by a Party's compensatory damage. Each Party shall bear its own costs and expenses and attorneys' fees and an equal share of the arbitrator's fees and any administrative fees of arbitration regardless of the outcome of such arbitration.

(d) Except to the extent necessary to confirm an award or as may be required by law, neither a Party nor the arbitrator may disclose the existence, content, or results of an arbitration without the prior written consent of all Parties. In no event shall an arbitration be initiated after the date when commencement of a legal or equitable proceeding, based on the dispute, controversy or claim, would have been barred by the applicable statute of limitations.

14.3 Excluded Claim. As used in Section 14.2, the term "**Excluded Claim**" shall mean a dispute, controversy or claim that concerns the scope, validity, enforceability, inventorship or infringement of a patent, patent application, trademark or copyright. Any Excluded Claim shall be submitted to a court of competent jurisdiction.

15. MISCELLANEOUS

15.1 Severability. If any one or more of the provisions of this Agreement is held to be invalid or unenforceable, the provision shall be considered severed from this Agreement and shall not serve to invalidate any remaining provisions hereof. The Parties shall make a good faith effort to replace any invalid or unenforceable provision with a valid and enforceable one such that the objectives contemplated by the Parties when entering this Agreement may be realized.

15.2 Notices. Any notice required or permitted to be given by this Agreement shall be in writing and shall be delivered by hand or overnight courier with tracking capabilities or mailed postage prepaid by first class, registered or certified mail addressed as set forth below unless changed by notice so given:

If to ZAI:

Zai Lab (Shanghai) Co., Ltd.
1043 Halei Road, Building 8, Suite 502, Pudong, Shanghai, P.R.
China, 201203
[*]

With a copy to:

Lila Hope, Ph.D. Cooley LLP
3175 Hanover Street
Palo Alto, CA 94304-1130
[*]

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If to TESARO:

TESARO Inc.
1000 Winter Street, Suite 3300
Waltham, MA 02451
Attention: Joseph Farmer, SVP and General Counsel
[*]

With a copy to:

Asher Rubin
Hogan Lovells US LLP
100 International Drive, Suite 2000
Baltimore, MD 21201
[*]

Any such notice shall be deemed given on the date received. A Party may add, delete, or change the person or address to whom notices should be sent at any time upon written notice delivered to the Party's notices in accordance with this Section 15.2.

15.3 Force Majeure. Neither Party shall be liable for delay or failure in the performance of any of its obligations hereunder if such delay or failure is due to causes beyond its reasonable control, including, without limitation, acts of God, fires, earthquakes, strikes and labor disputes, acts of war, terrorism, civil unrest or intervention of any governmental authority ("**Force Majeure**"); *provided, however*, that the affected Party promptly notifies the other Party and further *provided* that the affected Party shall use its commercially reasonable efforts to avoid or remove such causes of non-performance and to mitigate the effect of such occurrence, and shall continue performance with the utmost dispatch whenever such causes are removed. When such circumstances arise, the Parties shall negotiate in good faith any modifications of the terms of this Agreement that may be necessary or appropriate in order to arrive at an equitable solution.

15.4 Assignment. Neither Party may assign this Agreement to a Third Party without the other Party's prior written consent (such consent not to be unreasonably withheld); except that TESARO may make such an assignment without ZAI's consent to a successor to substantially all of the business of such Party to which this Agreement relates (whether by merger, sale of stock, sale of assets or other transaction) and either Party may assign this Agreement to an Affiliate without the other Party's consent. This Agreement shall inure to the benefit of and be binding on the Parties' successors and permitted assigns. Any assignment or transfer in violation of this Section 15.4 shall be null and void and wholly invalid, the assignee or transferee in any such assignment or transfer shall acquire no rights whatsoever, and the non- assigning non-transferring Party shall not recognize, nor shall it be required to recognize, such assignment or transfer.

15.5 Further Assurances. Each Party agrees to do and perform all such further acts and things and shall execute and deliver such other agreements, certificates, instruments and documents necessary or that the other Party may deem advisable in order to carry out the intent and accomplish the purposes of this Agreement and to evidence, perfect or otherwise confirm its rights hereunder.

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15.6 Waivers and Modifications. The failure of any Party to insist on the performance of any obligation hereunder shall not be deemed to be a waiver of such obligation. Waiver of any breach of any provision hereof shall not be deemed to be a waiver of any other breach of such provision or any other provision on such occasion or any succeeding occasion. No waiver, modification, release or amendment of any obligation under or provision of this Agreement shall be valid or effective unless in writing and signed by all Parties hereto.

15.7 Choice of Law. This Agreement shall be governed by, enforced, and shall be construed in accordance with the laws of the State of New York, U.S. without regard to its conflicts of law provisions.

15.8 Publicity. Neither Party shall issue any press release or public statement disclosing the existence of this Agreement or any other information relating to this Agreement, the other Party, or the transactions contemplated hereby without the prior written consent of the other Party, *provided, however*, that any disclosure which is required by Applicable Law or the rules of a securities exchange, as reasonably advised by the disclosing Party's counsel, may be made subject to the following. The Parties agree that any such required disclosure will not contain confidential business or technical information and, if disclosure of confidential business or technical information is required by Applicable Law, the Parties will use appropriate diligent efforts to minimize such disclosure and obtain confidential treatment for any such information which is disclosed to a governmental agency. Each Party agrees to provide to the other Party a copy of any public announcement regarding this Agreement or the subject matter thereof as soon as reasonably practicable under the circumstances prior to its scheduled release. Except under extraordinary circumstances, or as otherwise required under Applicable Law or the rules of a securities exchange, each Party shall provide the other with an advance copy of any such announcement at least five (5) business days prior to its scheduled release. Each Party shall have the right to expeditiously review and recommend changes to any such announcement and, except as otherwise required by Applicable Law or the rules of a securities exchange, the Party whose announcement has been reviewed shall remove any Confidential Information of the reviewing Party that the reviewing Party reasonably deems to be inappropriate for disclosure. The contents of any announcement or similar publicity which has been reviewed and approved by the reviewing Party can be re-released by either Party without a requirement for re-approval. Nothing in this Section 15.8 shall be construed to prohibit ZAI or its Affiliates or Sublicensees from making a public announcement or disclosure regarding the stage of development of Licensed Product(s) in ZAI's (or its Affiliates' or Sublicensees') product pipeline or disclosing clinical trial results regarding such Licensed Product(s), as may be required by Applicable Law or the rules of a securities exchange, as reasonably advised by ZAI's (or its Affiliates' or Sublicensees') counsel.

15.9 Relationship of the Parties. Each Party is an independent contractor under this Agreement. Nothing contained herein is intended or is to be construed so as to constitute TESARO and ZAI as partners, agents or joint venturers. Neither Party shall have any express or implied right or authority to assume or create any obligations on behalf of or in the name of the other Party or to bind the other Party to any contract, agreement or undertaking with any Third Party.

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15.10 Headings. Headings and captions are for convenience only and are not be used in the interpretation of this Agreement.

15.11 Entire Agreement. This Agreement (including all Exhibits attached hereto, which are incorporated herein by reference) (a) sets forth all of the covenants, promises, agreements, warranties, representations, conditions and understandings between the Parties hereto with respect to the subject matter hereof, (b) constitutes and contains the complete, final and exclusive understanding and agreement of the Parties with respect to the subject matter hereof, and (c) cancels, supersedes and terminates all prior agreements (including the Prior CDA) and understanding between the Parties with respect to the subject matter hereof. There are no covenants, promises, agreements, warranties, representations, conditions or understandings with respect to the subject hereof, whether oral or written, between the Parties other than as set forth herein. No subsequent alteration, amendment, change or addition to this Agreement shall be binding upon the Parties hereto unless reduced to writing and signed by the respective authorized officers of the Parties.

15.12 Counterparts. This Agreement may be executed in counter-parts with the same effect as if both Parties had signed the same document. All such counterparts shall be deemed an original, shall be construed together and shall constitute one and the same instrument.

15.13 Registration. If required by Applicable Law, ZAI shall be responsible for the registration of this Agreement with all applicable Regulatory Authorities in the ZAI Territory. TESARO shall reasonably cooperate with ZAI in obtaining any such registrations, including providing relevant documents required by the applicable Regulatory Authorities in the ZAI Territory. Upon successful registration of this Agreement with each applicable Regulatory Authority in the ZAI Territory, ZAI shall promptly forward to TESARO copies of any registration certificates as well as any other documentation received by ZAI.

15.14 Interpretation.

(a) Each of the Parties acknowledges and agrees that this Agreement has been diligently reviewed by and negotiated by and between them, that in such negotiations each of them has been represented by competent counsel and that the final agreement contained herein, including the language whereby it has been expressed, represents the joint efforts of the Parties hereto and their counsel. Accordingly, in interpreting this Agreement or any provision hereof, no presumption shall apply against any Party hereto as being responsible for the wording or drafting of this Agreement or any such provision, and ambiguities, if any, in this Agreement shall not be construed against any Party, irrespective of which Party may be deemed to have authored the ambiguous provision. The English language version of this Agreement shall control any interpretations of the provisions of this Agreement.

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(b) The definitions of the terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words “include”, “includes” and “including” shall be deemed to be followed by the phrase “without limitation” whether or not such phrase is included. The word “will” shall be construed to have the same meaning and effect as the word “shall”. The word “any” shall mean “any and all” unless otherwise clearly indicated by context. The words “day”, “quarter” or “year” means a calendar day, quarter or year, as applicable, unless otherwise specified.

(c) Unless the context requires otherwise, (i) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein or therein), (ii) any reference to any Applicable Law herein shall be construed as referring to such Applicable Law as from time to time enacted, repealed or amended, (iii) any reference herein to any person shall be construed to include the person’s successors and assigns, (iv) the words “herein”, “hereof” and “hereunder”, and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, and (v) all references herein to Articles, Sections or Exhibits, unless otherwise specifically provided, shall be construed to refer to Articles, Sections and Exhibits of this Agreement.

{Signature Page Follows}

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IN WITNESS WHEREOF, the Parties have caused this License Agreement to be executed by their respective duly authorized officers.

Zai Lab (Shanghai) Co., Ltd.

By: /s/ Samantha Du
Name: Samantha Du
Title: CEO

TESARO, Inc.

By: /s/ Leon O. Moulder Jr.
Name: Leon O. Moulder Jr.
Title: CEO

TESARO DEVELOPMENT Ltd.

By: /s/ Joseph Farmer
Name: Joseph Farmer
Title: Director

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Exhibit A

[*]

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Exhibit B

[*]

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Exhibit C: Transferred Materials

[*] (two pages omitted)

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Exhibit D: Development Plan—Niraparib Clinical development plan in China

[*] (two pages omitted)

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Exhibit 10.3

LICENSE AGREEMENT

between

BRISTOL-MYERS SQUIBB COMPANY

and

ZAI LAB (HONG KONG) LIMITED

LICENSE AGREEMENT

THIS LICENSE AGREEMENT is made and entered into as of March 9, 2015 (the "**Effective Date**"), by and between **Bristol-Myers Squibb Company**, a State of Delaware, USA corporation with a place of business at Route 206 & Province Line Road, Princeton, NJ 08543-4000 USA ("**BMS**"), and **ZAI Lab (Hong Kong) Limited,** , a corporation organized and existing under the laws of Hong Kong, having a registration number of 1899671 and having its principal office at 1000 Zhangheng Road, Bldg. 65, Zhangjiang Hi-tech Park, Pudong New Area, Shanghai, China 201203 ("**ZAI**"). BMS and ZAI are sometimes referred to herein individually as a "**Party**" and collectively as the "**Parties**."

RECITALS

WHEREAS, BMS Controls (as defined below) certain patent rights and know-how rights with respect to the Licensed Compound (as defined below); and

WHEREAS, BMS desires to grant a license to ZAI to develop and commercialize the Licensed Compound in the Field and in the Partner Territory (as defined below) as set forth herein, with BMS having an option to co-commercialize the Licensed Compound in the Field and in the Partner Territory, all on the terms and conditions set forth in this Agreement.

NOW, THEREFORE in consideration of the foregoing and the mutual agreements set forth below, the Parties agree as follows.

1. DEFINITIONS

The terms in this Agreement with initial letters capitalized, whether used in the singular or the plural, shall have the meaning set forth below or, if not listed below, the meaning designated in places throughout this Agreement.

1.1 "**Affiliate**" of a Person means any other Person which (directly or indirectly) is controlled by, controls or is under common control with such Person, for so long as such control exists. For the purposes of this definition, the term "control" (including, with correlative meanings, the terms "controlled by" and "under common control with") as used with respect to a Person means (i) direct or indirect ownership of voting securities entitled to cast more than fifty percent (50%) (or, if less than 50%, the maximum ownership interest permitted by Applicable Law) of the votes in the election of directors of such entity or (ii) the possession, directly or indirectly, of the power to direct the management and policies of such entity, whether through ownership of voting securities, by contract or otherwise.

1.2 "**Agreement**" means this License Agreement, together with all Appendices and Schedules attached hereto, as the same may be amended or supplemented from time to time.

1.3 "**Allowable Expenses**" means those expenses that are incurred by a Party (or one of its Affiliates) and are specifically attributable to the Commercialization of a Licensed Product

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in the Partner Territory and that consist of: [*]. For clarity and the avoidance of doubt, "**Allowable Expenses**" shall *exclude* [*] except to the extent that [*]. In addition, any particular cost or expense meeting any of the criteria set forth above to be included in "**Allowable Expenses**" shall be counted only once in calculating total Allowable Expenses for a particular period, notwithstanding that such cost or expense meets or falls within more than one of such criteria.

1.4 "**Applicable Law**" means all applicable laws, statutes, rules, regulations, ordinances and other pronouncements having the effect of law of any federal, national, multinational, state, provincial, county, city or other political subdivision, agency or other body, domestic or foreign.

1.5 "**Approved Contractors**" shall have the meaning set forth in Section 5.9.

1.6 "**BMS Know-How**" means all technical information, data and know-how known to and Controlled by BMS as of the Effective Date or during the Term (including, without limitation, all biological, chemical, pharmacological, toxicological or clinical know-how and trade secrets) that is reasonably necessary or useful for the Development of the Licensed Compound or Licensed Product in the Partner Territory. BMS Know-How shall also include the (i) intangible knowledge and information conveyed to ZAI as set forth in Section 4.3 and (ii) [*] BMS' rights and interest in and to any Patents that claim any Joint Inventions and/or Sole Inventions of BMS. BMS Know-How does not include BMS Patent Rights.

1.7 "**BMS Patent Rights**" means all Patents Controlled by BMS as of the Effective Date or during the Term that relate to the Partner Territory and that claim (i) compositions of matter of the Licensed Compound or Licensed Product; (ii) methods or processes directed to the manufacture of the Licensed Compound or Licensed Product; or (iii) methods of use, administration or formulation of the Licensed Compound or Licensed Product, including without limitation, the Patents that are listed in Schedule 1.7 hereto as BMS Patent Rights. BMS Patent Rights shall also include [*] BMS' rights and interest in and to any Patents that claim any Joint Inventions and/or Sole Inventions of BMS.

1.8 "**BMS Territory**" means all countries and territories in the world other than those countries and territories included in the Partner Territory.

1.9 "**Business Day**" or "**business day**" means a day other than Saturday, Sunday or any day on which commercial banks located in Shanghai, China or New York, New York, U.S. (as applicable) are authorized or obligated by Applicable Law to close.

1.10 "**Calendar Quarter**" means the respective periods of three (3) consecutive calendar months ending on March 31, June 30, September 30 and December 31.

1.11 "**Calendar Year**" means each successive period of twelve (12) months commencing on January 1 and ending on December 31.

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1.12 "**CDE**" means the Chinese Center for Drug Evaluation.

1.13 "**CFDA**" means the China Food and Drug Administration, or any successor agency with a similar scope of responsibility regarding the regulation of human pharmaceutical products in China.

1.14 "**Change of Control**" means any transaction in which a Party: (a) sells, conveys or otherwise disposes of all or substantially all of its property or business; or (b)(i) merges, consolidates with, or is acquired by any other Person (other than an Affiliate of such Party, who was an Affiliate of such Party *prior* to such merger, consolidation or acquisition); or (ii) effects any other transaction or series of related transactions; in each case of subsection (i) or (ii), such that the stockholders of such Party immediately prior thereto, in the aggregate, no longer own, directly or indirectly, beneficially or legally, at least fifty percent (50%) of the outstanding voting securities or capital stock of the surviving Person following the closing of such merger, consolidation, other transaction or series of related transactions. As used in this Section 1.14, **"Person"** means any corporation, firm, partnership or other legal entity.

1.15 "**Combination Product**" is defined in Section 1.47.

1.16 "**Commercialization**" or "**Commercialize**" means activities directed to conducting Market Access Activities, marketing, Promoting, distributing, importing or selling a pharmaceutical product (including a Licensed Product).

1.17 "**Commercialization Costs**" means the direct costs incurred in accordance with the China Commercialization Plan that are specifically identifiable and attributable to the Commercialization of any Licensed Product in the Partner Territory, including: [*]. Commercialization Costs shall include costs of such activities that are undertaken at any time during the term of this Agreement (including prior to the initial Regulatory Approval of such Licensed Product). For clarity and the avoidance of doubt, "**Commercialization Costs**" shall exclude [*].

1.18 "**Commercially Reasonable Efforts**" means with respect to the Licensed Compound and Licensed Product(s), the carrying out of Development or Commercialization activities in a diligent manner using those efforts that a company within the pharmaceutical or biotechnology industry would reasonably devote to a compound or product of similar market potential at a similar stage in its product life, taking into account technical, regulatory, and other relevant factors, target product profiles, product labeling, the regulatory environment, and competitive market conditions in the therapeutic are, based on conditions then prevailing. Without limiting the foregoing, Commercially Reasonable Efforts requires that a Party: (i) timely assign responsibility for such Development and Commercialization activities to specific employees, contractors, agents, Affiliates or Sublicensees, as applicable, who are held accountable for progress with respect to such activities, (ii) monitor such progress on an on-going basis, (iii) set and seek to achieve objectives and timelines for carrying out such Development and Commercialization activities, and (iv) allocate resources designed to advance progress with respect to such objectives and timelines.

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1.19 "**Competitive Product**" means a compound or product (other than the Licensed Compound or Licensed Product) that (1) [*], or (2) [*].

1.20 "**Confidential Information**" means all information, including trade secrets, processes, formulae, Data, know-how, improvements, inventions, chemical or biological materials, assays, techniques, marketing plans, strategies, customer lists, or other information that has been disclosed by or on behalf of one Party to the other Party under this Agreement, regardless of whether any of the foregoing are marked "confidential" or "proprietary" or communicated to the Receiving Party by the Disclosing Party in oral, written, graphic, or electronic form, or by visual inspection.

1.21 "**Controlled**" or "**Controls**", when used in reference to any particular subject matter including Patents, know-how, tangible materials or other intellectual property rights, means the legal authority or right of a Party to grant a license or sublicense to such subject matter to another Party, or to otherwise provide such other Party the right to access and use such subject matter, whether arising by ownership, license, or other authorization, without breaching the terms of any written agreement with a Third Party under which the first party first acquired rights to such subject matter, or misappropriating the proprietary or trade secret information of a Third Party.

1.22 "**Cover**," "**Covered**" or "**Covering**" means, with respect to a Patent, that, but for rights granted to a Person under such Patent, the practice by such Person of an invention claimed in such Patent would infringe a Valid Claim included in such Patent, or in the case of a Patent that is a patent application, would infringe a Valid Claim in such patent application if such claim were to issue in a patent as then prosecuted.

1.23 "**Data**" means pre-clinical, clinical, chemical, manufacturing and analytical data and any other data and information Controlled by a Party during the Term which is related to the Development or Commercialization of the Licensed Compound.

1.24 "**Detail**" means a face-to-face meeting (including a group presentation if in accordance with an approved China Commercialization Plan), including any such meeting conducted in a hospital or office setting (i) with one or more physicians and other persons included in other medical professional categories identified in the China Commercialization Plan (where, in the case of group presentations, the group presentation shall be counted as a single Detail), who are permitted under Applicable Law to prescribe the applicable Licensed Product, and (ii) in which key attributes of Licensed Product are orally or visually presented consistent with the terms of this Agreement, but shall not include merely a reminder or other promotional material drop, in each case as measured by each Party's internal recording of such activity in accordance with Section 6.2. "**Detail**" when used as a verb, and "**Detailing**" shall have correlative meanings.

1.25 "**Detail FTE Requirements**" means the total number of FTEs, calculated on a weighted basis, attributable to Sales and Medical Representatives required by each Party for the Promotion of Licensed Product as set forth in the China Commercialization Plan. For purposes of determining the weight of an FTE for an individual Sales and Medical Representative that is attributable towards a Party's Detail FTE Requirement, each Sales and Medical Representative FTE

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shall be multiplied by the following percentage based upon the number of products such Sales and Medical Representative promotes in the Partner Territory as follows: (a) one hundred percent (100%) when a Sales and Medical Representative promotes only a Licensed Product; (b)(i) [*] when a Sales and Medical Representative promotes a Licensed Product (and such Licensed Product is the first item presented in the meeting and comprises [*] or more of the time of such meeting) if one additional product is promoted by such Sales and Medical Representative, and (b)(ii) [*] when a Sales and Medical Representative promotes a Licensed Product (and such Licensed Product is the second item presented in the meeting and comprises [*] or more of the time of such meeting) if one additional product is promoted by such Sales and Medical Representative; such weighted calculation shall be used to determine the total number of FTEs actually utilized by a Party for the Promotion of Licensed Product in determining whether such Party has met the requirement for such Party for Sales and Medical Representatives as set forth in the China Commercialization Plan.

1.26 "**Detailing Costs**" means the FTE Rate for Sales and Medical Representatives multiplied by the Detail FTE Requirements. The Detailing Costs shall be (a) [*], (b) defined in the China Commercialization Plan, and (c) based on the FTE Rate determined pursuant to Section 1.37. In the event a Party elects to provide a greater number of FTEs than are contemplated by the China Commercialization Plan, except as otherwise provided in Section 6.2(g), the costs attributable to such additional FTEs shall [*].

1.27 "**Development**" means, with respect to a Licensed Product, all processes and activities that are reasonably required to obtain Regulatory Approval of such Licensed Product, including, without limitation, toxicology, pharmacology and other pre-clinical efforts, test method development and stability testing, statistical analysis, pre-approval clinical studies and Regulatory Activities (including, without limitation, pre-approval studies and Regulatory Activities to obtain pricing and reimbursement approvals); in each case prior to the receipt of the applicable Regulatory Approval for such Licensed Product. When used as a verb, "**Develop**" means to engage in Development.

1.28 "**Development and Regulatory Costs**" means the costs incurred by ZAI or for its account, during the term of and pursuant to this Agreement, that are reasonably allocable to the Development of a Licensed Product and that are directed to achieving Regulatory Approval of such Licensed Product in the Partner Territory. The Development and Regulatory Costs shall include amounts that ZAI pays to Third Parties involved in the Development of a Licensed Product for the Partner Territory, and all internal costs incurred by ZAI in connection with the Development of such Licensed Product. Development and Regulatory Costs include the following: [*]; in each case incurred prior to the receipt of the applicable Regulatory Approval for a Licensed Product. For clarity, Development and Regulatory Costs do not include the costs of [*].

1.29 "**Development Territory**" means the Partner Territory plus [*].

1.30 "**Dollar(s)**" or "**$**" means the lawful currency of the United States.

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 406 of the Securities Act of 1933, as amended.

1.31 "**Effective Date**" means the date specified in the initial paragraph of this Agreement.

1.32 "**Executive Officer**" means, (a) in the case of BMS, BMS' General Manager or its Head of R&D for the Partner Territory; and (b) in the case of ZAI, ZAI's Chief Executive Officer.

1.33 "**FDA**" means the U.S. Food and Drug Administration, or any successor agency of the U.S. government with a similar scope of responsibility regarding the regulation of human pharmaceutical products.

1.34 "**Field**" means the diagnosis, prevention, treatment or control of oncology indications.

1.35 "**First Commercial Sale**" means, with respect to any Licensed Product, the first sale by ZAI to a Third Party of such Licensed Product in the Partner Territory after Regulatory Approval of such Licensed Product has been granted in the Partner Territory, or such marketing and sale is otherwise permitted, by the Regulatory Authority in the Partner Territory; *provided* that First Commercial Sale does not include the supply of Licensed Product to an Affiliate or Sublicensee or for clinical trials, compassionate use or sales made on a named-patient basis.

1.36 "**FTE**" means the equivalent of the work of one (1) employee full time for one (1) year consisting of a total of [*] hours per year (or such other number as may be agreed to by the Parties) directly related to the activities conducted by Sales and Medical Representatives with respect to any Licensed Product, Commercialization of any Licensed Product, or Market Access Activities, in each case in the Partner Territory. Any individual who devotes less than [*] hours per year (or such other number as may be mutually agreed by the Parties) to such activities shall be treated as an FTE on a pro-rata basis upon the actual number of hours worked divided by [*] hours (or such other number as may be agreed by the Parties). Any individual who actually works more than [*] hours (or such other number as may be mutually agreed by the Parties) to such activities shall be considered as greater than one FTE (in proportion to the number of extra hours actually worked) for purposes of determining whether Detail FTE Requirements have been met. The [*] hours figure (or such other number as may be agreed by the Parties) shall be used without regard to the Parties' own internal definition of the number of hours that comprises a full time employee. With respect to Sales and Medical Representatives, Commercialization or Market Access Activities, the number of FTEs shall be included in the Allowable Expenses on the basis of the budgeted FTEs provided for in the applicable China Commercialization Plan in accordance with Section 6.2.

1.37 "**FTE Rate**" means the rate, determined and adjusted by the JCC, to be used by both Parties in determining the annual cost of a full-time employee in the applicable functional area and for Sales and Medical Representatives on a geographic basis.

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1.38 "**GAAP**" means, (i) with respect to BMS, the Generally Accepted Accounting Principles in the U.S. and (ii) with respect to ZAI, the Generally Accepted Accounting Principles in the P.R.C.; in each case as consistently applied by the applicable Party.

1.39 "**GCP**" means the Good Clinical Practice for Drugs (i.e. 药物临床试验质量管理规范) promulgated by CFDA effective as of September 1, 2003, together with any guidelines and/or implementation rules issued by CFDA in connection thereto, in each case as amended from time to time.

1.40 "**Indication**" means, with respect to a Licensed Compound or Licensed Product, the use of that Licensed Compound or Licensed Product for the treatment, prevention, mitigation or cure of any [*]. Indications will be deemed the same for purposes of this Agreement if the [*] even if they are, for example, [*] or [*] (e.g., [*]), and will be deemed different if the subject cancers [*] (e.g., [*]). Among [*], Indications for [*], but not [*], shall be considered different Indications.

1.41 "**Invention**" means any and all inventions and improvements, whether or not patentable, that are conceived or reduced to practice or otherwise made or discovered by or on behalf of a Party (and/or its Affiliates) (whether alone or jointly) in the performance of its obligations, or the exercise of its rights, under this Agreement, including but not limited to, processes, methods, compositions of matter, formula, formulations, articles of manufacture, discoveries or findings, compounds, products, biological materials, cell lines, samples of assay components, media, designs, ideas, programs, software models, algorithms, developments, experimental works, compilations of data, in each case relating to Licensed Compound and Licensed Products.

1.42 "**Joint Invention**" means any Invention invented, made or discovered jointly by both Parties.

1.43 "**Licensed Compound**" means BMS' proprietary multitargeted kinase inhibitor known as brivanib or BMS-582664.

1.44 "**Licensed Product**" means any pharmaceutical product containing the Licensed Compound, in all forms, presentations, formulations and dosage forms, for use in the Field.

1.45 "**Manufacturing Costs**" means, with respect to a Licensed Product, the costs calculated in accordance with GAAP, whether such Licensed Product is (a) supplied by a Third Party; or (b) manufactured directly by ZAI or an Affiliate of ZAI, determined as follows:

In the case of clause (a) above, Manufacturing Costs means (i) those amounts that are payable to a Third Party and actually incurred by ZAI [*] in consideration for the supply of a Licensed Product from such Third Party, which may include [*]. In addition, such Third Party costs may include expenses related to [*], each to the extent actually incurred by ZAI, plus (ii) [*] in connection with the manufacture, including [*], of such Licensed Product.

In the case of clause (b) above, Manufacturing Costs means ZAI's or its Affiliates' actual cost of goods sold as determined in accordance with GAAP. Actual costs of goods sold include [*]. In addition to actual cost of goods sold, Manufacturing Costs will include [*]. All components of Manufacturing Costs shall be allocated on a basis consistent with ZAI's customary cost accounting practices consistently applied by it to the other products it produces (and so long as the same are consistent with GAAP and are applied on a fully utilized capacity basis). Costs [*], such as [*], and [*], shall not be included in the determination of Manufacturing Costs.

1.46 "**Market Access Activities**" means activities set forth in the China Commercialization Plan and that are undertaken to make available a Licensed Product for sale in the Partner Territory, including without limitation, obtaining and maintaining the price and reimbursement for such Licensed Product, hospital listing, and tendering and/or entering into bidding for a Licensed Product in a given locality in the Partner Territory. For clarity, Market Access Activities shall not include manufacture or Detailing.

1.47 "**Net Sales**" means, with respect to any Licensed Product, the amount received by a Party, an Affiliate of a Party, or their respective permitted Sublicensee for sales of such Licensed Product to a Third Party in the Partner Territory or BMS Territory (as applicable) less:

(a) discounts (including, without limitation, cash discounts and quantity discounts), retroactive price reductions, inventory management fees, charge-back payments and rebates granted to managed health care organizations or to federal, state and local governments, their agencies, and purchasers and reimbursers or to trade customers (a "**Discount**"); *provided however*, that where any such Discount is based on sales of a bundled set of products in which such Licensed Product is included, the Discount may be deducted under Section 1.47 only to the extent allocated to such Licensed Product on a pro rata basis based on the [*] (i.e., [*]) of the Licensed Product relative to the [*] contributed by the other constituent products in the bundled set, with respect to such sale;

(b) credits or allowances actually granted upon claims, damaged goods, rejections or returns of such Licensed Product, including such Licensed Product returned in connection with recalls or withdrawals;

(c) freight out, postage, shipping and insurance charges for delivery of such Licensed Product;

(d) all taxes (including excise taxes and value-added taxes, but specifically excluding taxes based on the net incomes of the seller), duties or other governmental charges, fees or rebates (or rebate equivalents) levied on, absorbed, allocable to, based on, or otherwise incurred as a result of the sale of such Licensed Product (or otherwise measured by the invoiced or billed amount) including value-added Chinese surcharge tax to the extent directly linked to sales of a Product, but not including any such tax assessed against the income derived from such sale; and

(e) [*].

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If a Licensed Product is sold as part of a combination that (i) contains at least one Licensed Product and at least one additional therapeutically active ingredient that is not a Licensed Product; or (ii) is product consisting of one or more separate drugs, devices, tests, kits or biological products and sold together with a Licensed Product in a single package or as a unit (a "**Combination Product**"), the Net Sales of such Licensed Product for the purpose of calculating royalties owed under this Agreement for sales of such Licensed Product, shall be determined as follows: first, determine the actual Net Sales of such Combination Product (using the above provisions) and then such amount shall be multiplied by the fraction A/(A+B), where A is the average gross selling price in the applicable country of such Licensed Product sold separately, if sold separately, in the same formulation and dosage, and B is the sum of the average gross selling prices in the applicable country of each other active ingredient, drug, device, test, kit or biological product in the Combination Product sold separately, if sold separately, in the same formulation, dosage or unit quantity. If any active ingredient, drug, device, test, kit or biological product in the Combination Product is not sold separately in the relevant formulation, dosage or unit quantity, Net Sales shall be calculated by multiplying actual Net Sales of such Combination Product by the fraction A/C where A is the average gross selling price in the applicable country of such Licensed Product sold separately in the same formulation and dosage and C is the average gross selling price in the applicable country of such Combination Product. If neither the Licensed Product nor any other active ingredient, drug, device, test, kit or biological product in the Combination Product is sold separately in the relevant formulation, dosage or unit quantity, the adjustment to Net Sales shall be determined by the Parties in good faith to reasonably reflect the fair market value of the contribution of such Licensed Product in the Combination Product to the total fair market value of such Combination Product.

1.48 "**Operating Profit (or Loss)**" means Net Sales of Licensed Product(s) in the Partner Territory less Allowable Expenses in the Partner Territory. For sake of clarity, Operating Profit (or Loss) shall be determined prior to application of any income taxes, and if such terms are used individually, "**Operating Profit**" shall mean a positive Operating Profit (or Loss), and "**Operating Loss**" shall mean a negative Operating Profit (or Loss).

1.49 "**Partner Territory**" means the People's Republic of China, including Hong Kong and Macau (but excluding Taiwan which is included in the BMS Territory), which shall be subject to expansion pursuant to Section 5.7(b).

1.50 "**Patents**" means all of the following, whether existing as of the Effective Date or during the Term, anywhere in the world: (a) patents and patent applications, (b) all priority applications, provisionals, divisionals, continuations, and continuations-in-part of any of the foregoing, and (c) all patents issuing on any of the foregoing patent applications, together with all inventor's certificates, substitutions, validations, registrations, reissues, renewals, reexaminations, confirmations, supplementary protection certificates, and extensions of any of (a), (b) or (c).

1.51 "**Person**" means any individual, firm, corporation, partnership, limited liability company, trust, business trust, joint venture company, governmental authority, association or other entity.

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1.52 "**Phase IV Clinical Trial**" means a product support human clinical trial, or other test or study, of a Product for an indication that is either (i) commenced after receipt of the initial Regulatory Approval for such Product for such indication and that is conducted within the parameters of the Regulatory Approval for the Product for such indication (and which may include investigator sponsored clinical trials), but shall not include any Required Post-Approval Study. Phase IV Clinical Trials may include trials or studies conducted in support of pricing/reimbursement, epidemiological studies, modeling and pharmacoeconomic studies, voluntary post-marketing surveillance studies, and health economics studies.

1.53 "[*] **Invention**" means any and all Inventions that are [*] (and [*]) that are invented or discovered by or on behalf of [*] (and/or its Affiliates).

1.54 "**Product Trademarks**" means any trademark, trade name, service mark, service name, brand, domain name, trade dress, logo, slogan or other indicia of origin or ownership, including registrations and applications therefor owned or controlled by ZAI that exclusively relate to any Licensed Compound or Licensed Product or otherwise included in any labeling for the Licensed Product for the Partner Territory or promotional materials approved by the JCC for the Product under this Agreement and the goodwill associated with each of the foregoing.

1.55 "**Promote**" means to promote, market, or provide product support for a Licensed Product, including by way of example: (a) Detailing, (b) marketing for a Licensed Product, and (c) other promotional activities in support of a Licensed Product. For clarity, "**Promoting**", "**Promotion**" and "**Promotional**" have a correlative meaning, and Promotional activities do not include manufacturing, selling, distributing or Market Access Activities.

1.56 "**Regulatory Activities**" shall mean any regulatory activities directed towards compiling, filing and obtaining any Regulatory Approval for a Licensed Product in the Partner Territory including completion of any sample testing required by Regulatory Authorities for a Licensed Product in the Partner Territory.

1.57 "**Regulatory Approval**" means all approvals necessary for the manufacture, marketing, importation, exportation and sale of a Licensed Product in the Partner Territory which may include, without limitation, satisfaction of all applicable regulatory and notification requirements.

1.58 "**Regulatory Authority(ies)**" means any federal, national, supranational, state, provincial or local regulatory agency, department, bureau or other governmental authority, including, without limitation, the CDE and the CFDA, that has authority over the manufacture, Development, Commercialization or other use or exploitation (including the granting of Regulatory Approval) of any Licensed Product in any applicable regulatory jurisdiction.

1.59 "**Regulatory Materials**" means materials developed or compiled in preparation for Regulatory Authority meetings, regulatory applications, submissions, dossiers, notifications, registrations, Regulatory Approvals and/or other filings made to or with, or other approvals granted by, a Regulatory Authority that are necessary or reasonably desirable for the Development, manufacture, market, sale, or Commercialization of a Licensed Product in a particular regulatory jurisdiction.

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1.60 "**Required Post-Approval Study**" means a human clinical trial of a Product that (i) is required, requested or advised by a Regulatory Authority as a condition of, or in connection with, obtaining or maintaining a Regulatory Approval and is conducted after receipt of such Regulatory Approval (whether the trial is commenced prior to or after receipt of such Regulatory Approval).

1.61 "**Safety Reasons**" means it is a Party's reasonable belief, that there is an unacceptable risk for harm in humans based upon: (i) pre-clinical safety data, including data from animal toxicology studies; or (ii) the observation of serious adverse effects in humans after a Licensed Product has been administered to or taken by humans, such as during a clinical trial or after the First Commercial Sale of such Licensed Product.

1.62 "**Sales and Medical Representatives**" means employees of a Party who are responsible for performing Detailing activities or medical education activities in connection with the Promotion of a Licensed Product.

1.63 "**Sole Invention**" means any Invention invented or discovered solely by or on behalf of a Party following the Effective Date, including by its employees, contractors and/or agents.

1.64 "**Stopping Criteria**" means the safety criteria for ceasing Development of the Licensed Compound as mutually agreed to by the Parties' representatives at the JDC and set forth in the Partner Development Plan.

1.65 "**Sublicense**" means any agreement (i) by which ZAI or an Affiliate of ZAI grants a sublicense to a Third Party under the rights licensed to ZAI under this Agreement with respect to the Licensed Compound or Licensed Product, including without limitation any license, sublicense, co-development, joint venture, Development and Commercialization collaboration or similar transaction involving the grant of a sublicense, and including any further sublicense of such rights by such Third Party to any other Third Party, but excluding subcontracts with Approved Contractors to conduct certain development, manufacture and/or commercialization activities by or on behalf of ZAI, even though a limited license may be granted in order for such Approved Contractor to conduct such activities; or (ii) by which BMS or an Affiliate of BMS grants a license to a Third Party or such Third Party grants a sublicense thereunder to another Third Party, in each case with respect to one or more Licensed Compound(s) and Licensed Product(s) for Commercialization in the Partner Territory.

1.66 "**Sublicensee**" means any Third Party granted a Sublicense by ZAI or an Affiliate of ZAI with respect to the Licensed Compound or any Licensed Product, or any Third Party granted a Sublicense by BMS or an Affiliate of BMS, and in each case shall also include any Third Party to whom such rights are transferred through further sublicense by a Sublicensee. For clarity, Sublicensee shall exclude Third-Party contractors, including without limitation, contract manufacturers, service providers, distributors, contract sales organizations and resellers.

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1.67 "**Territory**" means (a) with respect to BMS, the BMS Territory and (b) with respect to ZAI, the Partner Territory.

1.68 "**Third Party**" means any Person other than: ZAI, BMS, and their respective Affiliates.

1.69 "**Third Party License Payments**" means the following payments to the extent due and payable after the Effective Date: (a) [*], (b) [*] and (c) [*], in each case payable by a Party to a Third Party under agreements entered into, subject to the terms of this Agreement, after the Effective Date in consideration of any rights necessary or useful for the manufacture, importation, or distribution of a Licensed Product in each case ((a)-(c)), in or for the Partner Territory.

1.70 "**United States**" or "**U.S.**" means the United States of America and its territories and possessions (including, without limitation, Puerto Rico).

1.71 "**Valid Claim**" means a claim of (i) an issued and unexpired patent or a supplementary protection certificate, which claim has not been held invalid or unenforceable by a court or other government agency of competent jurisdiction from which no appeal can be or has been taken and has not been held or admitted to be invalid or unenforceable through re-examination or disclaimer, opposition procedure, nullity suit or otherwise, or (ii) a pending patent application; *provided, however*, that if a claim of a pending patent application shall not have issued within [*] after the earliest filing date from which such claim takes priority, such claim shall not constitute a Valid Claim for the purposes of this Agreement unless and until a patent issues with such claim.

Additional Definitions. Each of the following terms shall have the meaning described in the corresponding section of this Agreement indicated below:

TERM	SECTION DEFINED
Adverse Impact	3.6
Agreement	Introduction
Alliance Managers	3.14
BMS	Introduction
China Commercialization Plan	6.2(b)(ii)
CMC	4.1
Compliance Committee	6.4

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Competing Activities	2.5(a)
Consented Sublicensee	2.2
Co-Promoted Product	6.2(a)
Co-Promotion Notice	6.2(a)
Cure Period	13.2(b)(i)
Disclosing Party	11.1
Discount	1.47(a)
District Court	15.8
Election Period	6.2(a)
Effective Date	Introduction
Force Majeure	15.3
Indemnification Claim	12.3
Indemnitee	12.3
Indemnitor	12.3
Joint Commercialization Committee/JCC	3.7
Joint Development Committee / JDC	3.1
Losses and Claims	12.1
Partner Development Plan	5.3
Party	Introduction
Party Vote	3.5
Pharmacovigilance Agreement	5.10
Post-Execution Affiliate	2.5(a)
Prior CDA	11.4

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Receiving Party	11.1
Regulatory Filing Notice	6.2(a)
Royalty Term	9.4
ZAI	Introduction
ZAI Commercialization Opt-Out Date	6.3
ZAI Exclusivity Period	2.5(a)
Subject Transaction	2.5(a)
Term	13.1
Working Team	3.13

2. LICENSE GRANTS

2.1 Licenses.

(a) BMS Patent Rights and BMS Know-How. Subject to the terms and conditions set forth in this Agreement (including, without limitation, the reservation of rights in Section 2.4), BMS hereby grants to ZAI (i) an exclusive (subject to BMS right to co-promote Licensed Product as set forth in Section 6.2 and ZAI's right to opt-out of commercialization of Licensed Product as set forth in Section 6.3) license under the BMS Patent Rights and BMS Know-How to make, have made, use, offer for sale, sell, import and otherwise Commercialize Licensed Products solely in the Partner Territory and in the Field; and (ii) an exclusive license under the BMS Patent Rights and BMS Know-How to conduct Development activities in the Development Territory for the purpose of obtaining Regulatory Approval of the Licensed Product in the Partner Territory in the Field, solely in accordance with Section 5.1. The foregoing licenses are non-transferable (except in accordance with Section 15.4), and sublicensable solely in accordance with Section 2.2.

(b) Co-Exclusivity. Neither Party shall grant any Third Party the right to Commercialize the Licensed Product in the Partner Territory in the Field other than (i) subject to Section 2.2, to one Sublicensee that exercises such right on behalf of such Party, or (ii) one or more contract sales organizations ("**CSO**s") in accordance with Section 6.2(h).

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2.2 Sublicenses.

(a) Subject to Sections 2.2(b) and 2.2(c) and 5.9 below, neither Party shall grant any Sublicense to any Third Party without the prior written consent of the other Party. For clarity, each Party shall have the right to perform any of its obligations or exercise any of its rights under this Agreement through one or more Affiliates of such Party without the other Party's prior consent ; provided that (a) any such performance or exercise shall not have any adverse tax or financial impact on the other Party and (b) such first Party shall be fully responsible for its Affiliates' performance hereunder.

(b) In the event that BMS does not exercise its option to co-Promote the Licensed Product pursuant to Section 6.2, ZAI shall have the right to sublicense Commercialization rights for the Licensed Product, [*].

(c) In the event ZAI elects ZAI Commercialization Opt Out pursuant to Section 6.3, BMS shall have the right to grant Sublicenses without the prior written consent of ZAI.

(d) In the event that a Party grants a Sublicense to a Third Party, the following terms and conditions shall apply:

(i) such Sublicense shall be consistent with the terms and conditions of this Agreement (including the geographic limitations), and shall not impair (A) the sublicensing Party's ability to perform its obligations under this Agreement or (B) the non-sublicensing Party's rights under this Agreement;

(ii) promptly after the execution of such Sublicense, the sublicensing Party shall provide a copy of such Sublicense to the non-sublicensing Party with financial and other confidential or proprietary commercial terms redacted (to the extent that such other commercial terms are not reasonably necessary for the non-sublicensing Party to determine the sublicensing Party's compliance with and payment obligations under this Agreement);

(iii) The sublicensing Party shall remain responsible for the performance of this Agreement, the payment of all payments due, and making reports and keeping books and records, and shall use commercially reasonable efforts to monitor such Sublicensee's compliance with the terms of such Sublicense; and

(iv) any rights granted by ZAI in a Sublicense (to the extent such sublicensed rights are granted to ZAI in this Agreement) shall [*]; provided that each such Sublicensee shall [*].

(e) It shall be a material breach of this Agreement for either Party to enter into any Sublicense hereunder not in material compliance with this Section 2.2

2.3 No Implied Licenses. Except as expressly set forth herein, no license or other right is or shall be created or granted hereunder by implication, estoppel or otherwise for any purpose. All such licenses and rights are or shall be granted only as expressly provided in this Agreement.

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2.4 Retained Rights. Subject to the terms and conditions of this Agreement including Section 2.5, as between the Parties, all rights with respect to BMS Patent Rights and BMS Know-How not expressly granted under Sections 2.1 and 2.2 (including rights to products incorporating Licensed Compound for use outside the Field) are reserved by BMS and may be used or practiced by BMS for any purpose. Without limiting the foregoing and subject to the provisions of this Agreement, BMS retains any and all rights under the BMS Patent Rights and BMS Know-How to make, have made, use, sell, have sold, offer to sell, export or import the Licensed Compound and Licensed Product(s) for use in the BMS Territory for any purpose, including the right to conduct Development activities in the BMS Territory [*] to support Development and/or Commercialization of the Licensed Compound and Licensed Product(s) in the BMS Territory. Subject to the terms and conditions of this Agreement, including Section 2.5, BMS also expressly reserves and retains, under the BMS Patent Rights and BMS Know-How, the worldwide (i) right to make, have made and use the Licensed Compound for any internal research purposes (including but not limited to for purposes of screening in support of BMS' internal research programs), (ii) right to support the filing and prosecution of patent applications, and (iii) exclusive right to make, have made and use the Licensed Compound for use as an intermediate or starting material in the manufacture of any compound which is not the Licensed Compound. In the event that BMS develops or commercializes a Licensed Product in the Partner Territory outside of the Field, the Parties will negotiate in good faith with respect to an agreement to address operational issues relating to pharmacovigilance, measurement of Net Sales of Licensed Product in the Field (as opposed to outside of the Field), the co-promotion by BMS of Licensed Product in the Field (including allocation of BMS' promotional efforts for purposes of determining Allowable Expenses hereunder) and other similar issues that may arise as a result of such development or commercialization.

2.5 Exclusivity.

(a) ZAI

(i) Generally. ZAI agrees, on behalf of itself and its Affiliates, to not work independently of this Agreement for itself or any Third Party to (A) [*] with respect to a Competitive Product in the Partner Territory, for a period starting on the Effective Date and ending on the date which is the earlier of (x) [*] or (y) [*] or (B) [*] a Competitive Product in the Partner Territory, for a period starting on the Effective Date and ending on the date which is the earlier of (I) [*] or (II) [*] (such period, the "**ZAI Exclusivity Period**").

(ii) No Development or Commercialization Outside the Territory or the Field. ZAI agrees, on behalf of itself and its Affiliates, that it shall not work independently of this Agreement for itself or any Third Party to (1) conduct any clinical development of a Licensed Product outside of the Development Territory, (2) conduct any commercialization or manufacture of a Licensed Product outside of the Partner Territory, or (3) conduct any clinical development or manufacture or commercialization of a Licensed Product outside of the Field anywhere in the world.

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(iii) Acquisition of a Competitive Product. In the event that ZAI (or any of its Affiliates) enters into a transaction in which ZAI (or any of its Affiliates) merges, consolidates with, is otherwise acquired by or acquires a Third Party (including through a Change of Control transaction) and such Third Party is engaged in activities that would be prohibited under Section 2.5(a) or (b) if conducted by ZAI (the "**Competing Activities**") (such transaction hereinafter referred to as a "**Subject Transaction**"), then the Third Party in the Subject Transaction shall be deemed an Affiliate of ZAI after the effective date of the Subject Transaction (such Affiliate, a "**Post-Execution Affiliate**"). ZAI shall provide notice to BMS, within [*] Business Days after the closing of the Subject Transaction, specifying the identity of the Post-Execution Affiliate and describing in reasonable detail, to the extent permitted by Applicable Law and without disclosing any proprietary information, the Competing Activities. At BMS's request, ZAI shall (i) enter into a definitive agreement with a Third Party to Divest such Competing Product (other than as part of any Hold Separate Transaction) within [*] after the closing of such Subject Transaction, or, if such Divestiture is subject to the terms of a Hold Separate Transaction, within [*] after the closing of the Subject Transaction; (ii) discontinue sales of the Competing Product no later than [*] after the closing of such Subject Transaction; or (iii) terminate this Agreement with all rights granted to ZAI hereunder reverting to BMS. "**Hold Separate Transaction**" means any "hold separate" transaction (whether through the establishment of a trust or otherwise) involving the proposed sale of a Competing Product pursuant to an agreement with any governmental authority responsible for antitrust laws. "**Divest**" or "**Divestiture**" means, with respect to any Competing Product, (A) the sale, exclusive license or other transfer of all of the right, title and interest in and to such Competing Product, including all technology, intellectual property and other assets relating solely thereto, to an independent Third Party, without the retention or reservation of any rights, license or interest (other than solely an economic interest and customary residual rights in the event of a termination) in such Competing Product, or (B) the complete shutdown of the Competing Product such that no technology, intellectual property or other asset relating thereto is used by ZAI or its Affiliates and delivery of written confirmation from ZAI to BMS that ZAI and its Affiliates covenant not to use any technology, intellectual property and assets solely relating to such Competing Product during the ZAI Exclusivity Period (as applicable, with respect to development or commercialization).

(b) BMS. BMS agrees, on behalf of itself and its Affiliates, to not work independently of this Agreement for itself or any Third Party to [*] a Competitive Product [*], in each case in the Partner Territory, for a period starting on the Effective Date and ending on the date which is [*].

3. GOVERNANCE

3.1 Establishment of JDC. The Parties will establish a joint development committee to review and oversee the Development activities of the Parties in accordance with the Partner Development Plan and to coordinate the Development activities of the Parties and Third Parties acting under their authority (the "**Joint Development Committee**" or "**JDC**"). The names of the initial members of the JDC (to the extent known as of the Execution Date) are set forth on Schedule 3.1. The JDC will initially consist of one (1) representative from each Party. The JDC may change its size from time to time by mutual consent of the Parties, *provided* that the JDC will consist at all times of an equal number of representatives of each of ZAI and BMS. Each Party may at any time appoint different JDC representatives with appropriate expertise by written notice to the other Party.

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3.2 Chairpersons of JDC**.** Each of ZAI and BMS will select from their representatives (in the event that the JDC consists of more than one representative from each Party) a co-chairperson for the JDC, and each Party may change its designated co-chairperson from time to time upon written notice to the other Party. The co-chairpersons of the JDC will be responsible for calling meetings, preparing and circulating an agenda and relevant materials (including drafts of, updates to, or any proposed changes to a Partner Development Plan) to the other Party at least ten (10) business days in advance of each meeting, and preparing and issuing minutes of each meeting within ten (10) business days thereafter.

3.3 JDC Responsibilities. The JDC shall be responsible for overseeing and coordinating the Development of the Licensed Compound in the Partner Territory and in the Field, including (i) reviewing and approving changes to the Partner Development Plan, (ii) reviewing the Parties' Development activities and progress against the Partner Development Plan, (iii) evaluating the Partner Development Plan outcomes against the Stopping Criteria, and (iv) reviewing, discussing and coordinating scientific presentations and publication plans with respect to the Licensed Compound, Licensed Product and any results arising therefrom during the course of the Partner Development Plan.

3.4 JDC Meetings. The JDC will hold meetings (either in person or by teleconference) at such times and places as the co-chairpersons may reasonably determine at any time or from time-to-time. Each Party will bear its own costs associated with attending meetings. Each individual attending any JDC meeting hereunder (whether as a JDC member or invitee) shall be bound by written non-use, non-disclosure terms and conditions at least as restrictive as those set forth in this Agreement with respect to the Confidential Information of the other Party (for clarity, this may be through employment agreements with such individuals).

3.5 Decision-Making at the JDC. [*] concerning the Development of the Licensed Compound pursuant to the Partner Development Plan in the Partner Territory, if applicable, shall [*]. [*], including (for clarity) any [*] or [*], shall require unanimous consent of the JDC; provided that with respect to [*], and subject to Sections [*], [*] shall not unreasonably withhold its consent so long as [*]. The members of each Party on the JDC shall collectively have one vote (the "**Party Vote**"). Except as otherwise provided above or in Section 3.6 below, decisions of the JDC shall be made by unanimity of the Party Votes, *provided* that at least one (1) representative from each Party participates in such vote. In the event that the JDC does not reach unanimity with respect to a particular matter, and the JDC is unable to resolve the dispute after endeavoring for fifteen (15) business days to do so, then either Party may, by written notice to the other, have such matter referred to the Parties' Executive Officers, who shall meet promptly (either in person or via teleconference) and negotiate in good faith to resolve the dispute.

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3.6 Term of the JDC. The JDC shall have no further responsibility and shall be dissolved upon the cessation of all Development activities with respect to Licensed Products or upon mutual agreement of the Parties.

3.7 Establishment of JCC. In the event that any Licensed Product becomes a Co-Promoted Product, as soon as practicable after such designation, the Parties shall establish a joint committee that will oversee and facilitate communications between the Parties with respect to the Commercialization of the Licensed Product(s) (such committee, the "**Joint Commercialization Committee**" or "**JCC**"). Each Party will initially appoint three (3) representatives with appropriate expertise to the JCC. Each Party will also appoint a finance representative to the JCC to coordinate financial flows, financial reporting and other financial related matters as applicable. The JCC may change its size from time to time by mutual consent of the Parties, *provided* that the JCC will consist at all times of an equal number of representatives of each of ZAI and BMS. Each Party may at any time appoint different JCC representatives with appropriate expertise by written notice to the other Party.

3.8 Chairpersons of JCC. Each of ZAI and BMS will select from their representatives a co-chairperson for the JCC, and each Party may change its designated co-chairperson from time to time upon written notice to the other Party. The co-chairpersons of the JCC will be responsible for calling meetings, preparing and circulating an agenda in advance of each meeting, and preparing and issuing minutes of each meeting within thirty (30) days thereafter.

3.9 JCC Responsibilities. The JCC will oversee the Commercialization strategy of the Licensed Product(s) in the Partner Territory, review and approve the China Commercialization Plan and any amendment thereof, and oversee the implementation of the China Commercialization Plan, in addition to performing other responsibilities explicitly assigned to it in this Agreement, including establishing FTE Rate.

3.10 JCC Meetings. The JCC will hold meetings (either in person or by teleconference) at such times and places as the co-chairpersons may reasonably determine, *provided* that, unless the Parties agree otherwise, the JCC will meet quarterly. Each Party will bear its own costs associated with attending meetings. Each individual attending any JCC meeting hereunder (whether as a JCC member or invitee) shall be bound by written non-use, non-disclosure terms and conditions at least as restrictive as those set forth in this Agreement with respect to the Confidential Information of the other Party (for clarity, this may be through employment agreements with such individuals).

3.11 Decision-Making at the JCC. Decisions of the JCC shall be made by consensus of the members present (either in person or via teleconference) at any JCC meeting, with at least one (1) representative from each Party participating in such vote. In the event that the JCC cannot reach unanimity with respect to a particular matter within its authority, and the JCC is unable to resolve the dispute after endeavoring for fifteen (15) business days to do so, then either Party may, by written notice to the other, have such matter referred to the Parties' Executive Officers, who shall meet promptly (either in person or via teleconference) and negotiate in good faith to resolve the

dispute. In the event the Parties' Executive Officers cannot resolve such dispute within fifteen (15) business days after such matter is referred to them, [*] shall have the final decision-making authority, subject to the following limitations: (a) all decisions shall be made in good faith, with due regard for the impact of such decisions on the Licensed Products [*], (b) no decision by [*] shall violate or breach any term or condition of this Agreement, and (c) [*] shall not have the final decision making authority on matters that require consensus of the Parties, as expressly set forth in this Agreement. Notwithstanding anything to the contrary, (i) [*], shall require unanimous consent of the JCC, (ii) in the event that the Parties fail to agree with respect to [*], then the matter shall be subject to dispute resolution and arbitration pursuant to Article 14; (iii) in the event of any disagreement of the Parties with respect to [*], [*] shall remain in effect unless and until the Parties reach agreement [*]; *provided* that if both Parties [*] that [*] then [*]; and *provided further* that if both Parties [*] then [*], and (iv) any dispute regarding whether [*] shall be finally resolved by arbitration in accordance with Section 14.2. For clarity, [*] shall have final-decision-making authority with respect to [*], in each case in accordance with [*] as mutually agreed by the Parties.

3.12 Limitations on authority of JDC and JCC. The JDC and JCC will have sole authority with respect to the responsibilities assigned to such committees in Section 3.4 and Section 3.9, respectively, and elsewhere in this Agreement. Neither the JDC nor the JCC will have any authority to amend, modify or waive compliance with this Agreement. For clarity, neither BMS nor ZAI will have any right to unilaterally modify, amend or waive its own compliance with the terms of this Agreement.

3.13 Working Teams. From time to time, the JDC or JCC may establish and delegate duties to other committees, sub committees or directed teams (each, a "**Working Team**") on an "as needed" basis to oversee particular projects or activities, which delegations shall be reflected in the minutes of the meetings of the applicable committee. Such Working Teams may be established on an ad hoc basis for purposes of a specific project or on such other basis as the JDC or JCC, as the case may be, may determine, and shall be constituted and shall operate as the establishing committee may determine; *provided* that each Working Team shall have substantive representation from each Party and decision making shall be by consensus, with each Party's representatives on the applicable Working Team collectively having one vote on all matters brought before the Working Team. Each Working Team and its activities shall be subject to the oversight, review and approval of, and shall report to, the committee that established such Working Team. In no event shall the authority of the Working Team exceed that specified for the relevant Committee in this Article 3.

3.14 Alliance Managers. Each Party shall appoint a single individual to act as the primary point of contact between the Parties in connection with the Development and Commercialization of the Licensed Compound and Licensed Product(s) (the "**Alliance Managers**"). Each Party may at any time appoint a different Alliance Manager by written notice to the other Party and may elect, upon mutual agreement by the Parties, to eliminate the responsibilities of the Alliance Managers. The Alliance Managers will (i) use good faith efforts to attend all meetings of the JDC and (if applicable) the JCC, but shall be non-voting members at such meetings, and (ii) be the first point of referral for all matters of conflict resolution, and bring disputes to the attention of the JDC or JCC in a timely manner. From time to time, the Parties may establish additional committees and/or subcommittees as needed to coordinate and oversee the collaboration under this Agreement.

4. TRANSFER OF KNOW-HOW AND MATERIALS

4.1 Documentation. ZAI hereby acknowledges that BMS has provided to ZAI, prior to the Effective Date, the scientific, regulatory, and chemistry, manufacturing and controls ("**CMC**") documents. All such documentation previously provided by BMS is and shall remain the sole property of BMS and is Confidential Information of BMS (subject to Section 11.1(b), whether or not marked as such) and shall not be used by ZAI for any purpose other than Development or Commercialization of the Licensed Compound and Licensed Product(s) in the Partner Territory in accordance with this Agreement and to conduct manufacturing activities in accordance with this Agreement (including engaging Third Party contract manufacturer to conduct such manufacturing activities). Without limiting the foregoing, the CMC documentation provided by BMS and described in this Section 4.1 shall be used by ZAI solely for purposes of developing and submitting applications for, and obtaining, Regulatory Approvals in accordance with this Agreement. ZAI shall not make copies of such CMC documentation other than a reasonable number of paper and electronic copies as necessary purposes of developing and submitting applications for, and obtaining, such Regulatory Approvals. ZAI shall use reasonable efforts to prevent access to such CMC documentation by any person or entity other than employees of ZAI and Regulatory Authorities in the Partner Territory.

Notwithstanding the foregoing, if at any time during the Term of this Agreement ZAI identifies particular documents, data or information that are within the BMS Know-How, but were not previously delivered to ZAI, and that are reasonably necessary for the continued manufacture, Development or Commercialization of the Licensed Compound or Licensed Product (including without limitation materials requested in connection with an audit or other inquiry by a Regulatory Authority), BMS shall promptly provide such material to ZAI upon request to the extent that such items are in BMS' possession and are reasonably available without undue searching.

4.2 Materials. As soon as practicable after the Effective Date, BMS shall provide to ZAI, in a manner to be agreed by the Parties, the quantities of Licensed Compound and other materials encompassed in the BMS Know-How. Such Licensed Compound and materials shall be provided [*]; provided that [*] such Licensed Compound and materials. In connection with the supply of such Licensed Compound and materials, BMS shall also provide ZAI with relevant batch records, certificate of analysis and certificate of compliance. All materials provided by BMS hereunder shall not be used by ZAI for any purpose other than Development or Commercialization of the Licensed Compound and Licensed Product(s) in the Partner Territory in accordance with this Agreement. ZAI acknowledges that suitability of Licensed Compound (and related materials) for GMP use will be established only upon completion of the re-testing of these materials for such purposes. The requalification of these materials will be done on batch-by-batch basis, as necessary. BMS may elect, but shall have no obligation, to provide additional materials in its possession which may be useful, but not necessary, for the Development or Commercialization of Licensed Product(s), and any such materials shall be treated in accordance with this Section 4.2.

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4.3 Technical Assistance. For a period of six (6) months subsequent to the Effective Date, BMS shall provide ZAI or its Permitted Contractor(s) with reasonable access to BMS personnel (but not BMS manufacturing facilities) reasonably knowledgeable in the research and Development of the Licensed Compound for consulting advice with respect to the Licensed Compound, *provided* that (i) such access shall be requested and coordinated through the Alliance Managers, (ii) such access shall not be used, and is not intended, to supplement or replace ZAI's Development or Regulatory Activity responsibilities pursuant to Article 5 hereof, (iii) any costs of such support shall be borne by ZAI, and (iv) BMS makes no warranty, express or implied, that ZAI shall be able to successfully implement and use the BMS Know-How.

5. DEVELOPMENT

5.1 Development of Licensed Product(s). ZAI shall use Commercially Reasonable Efforts to Develop the Licensed Product(s) to obtain Regulatory Approval in the Partner Territory, including but not limited to, using Commercially Reasonable Efforts to carry out Development (including Regulatory Activities as set forth in Section 5.4) of the Licensed Product(s) in accordance with the Partner Development Plan. ZAI shall have sole responsibility for resourcing and funding, and shall bear one hundred percent (100%) of the Development and Regulatory Costs with respect to the Development of the Licensed Product(s) for the Partner Territory. For clarity, ZAI shall have the right to conduct Development activities of the Licensed Product throughout the Development Territory for the purpose of obtaining Regulatory Approval of the Licensed Product in the Partner Territory, and ZAI shall bear the cost of such Development activities.

5.2 Conduct. ZAI shall conduct all of its Development activities (including any Required Post-Approval Study) in accordance with the Partner Development Plan and shall conduct any Phase IV Clinical Trial and other post-approval study plans in accordance with the China Commercialization Plan, and (in each case) in compliance with Applicable Law, including GCP, to achieve its objectives consistent with the use of Commercially Reasonable Efforts. ZAI shall establish, and share with the JDC, internal procedures (including, without limitation, internal firewalls) to reasonably ensure such compliance and [*] and [*] with respect thereto. At BMS' request, ZAI shall provide BMS with its internal procedures to [*] and to allow BMS to tour or audit ZAI's (or any of its Permitted Contractor's) research facility as needed to understand how such procedures are implemented; provided that (i) such tour or audit shall be conducted at BMS' cost, at a frequency of no more than [*], and upon reasonable advance notice at mutually agreed upon times during normal business hours and (ii) any information obtained by BMS during such tour shall be ZAI's Confidential Information and each BMS personnel visiting ZAI's facilities shall be bound by reasonable and customary confidentiality obligations in writing.

5.3 Partner Development Plan. The Development of the Licensed Product(s) shall be conducted by ZAI pursuant to a Development plan that will include a description of the activities to be performed in support of the Development of the Licensed Product(s) in the Partner Territory, projected timelines for completion of such activities and Stopping Criteria with respect to the Development of the Licensed Product(s) in the Partner Territory (the "**Partner Development Plan**"). The initial Partner Development Plan agreed to by the Parties is attached hereto as Appendix 1. Any

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material changes to the Partner Development Plan shall be drafted by ZAI and shared with BMS, including the addition of any clinical trial protocols or any changes thereto, and [*]. In the event of any proposed change to the Partner Development Plan as a result of any interaction with any Regulatory Authority, the JDC shall meet as promptly as practicable to review and discuss any such proposed changes and determine an appropriate revision (if any) to the Partner Development Plan.

5.4 Regulatory Activities. ZAI will apply for (and maintain) Regulatory Approval of Licensed Products. ZAI will have the lead role with respect to preparation of all Regulatory Materials and all communications and interactions with Regulatory Authorities, both prior to and subsequent to Regulatory Approval. BMS will have a participatory consulting role in all material Regulatory Activities, including development of regulatory strategy, and review of filings and meetings. ZAI will file all required regulatory dossiers to obtain (and maintain) Regulatory Approvals, and will be the holder of such Regulatory Approvals.

5.5 Regulatory Materials and Meetings. ZAI shall promptly provide BMS with an electronic copy of all Regulatory Materials and correspondence with Regulatory Authorities by ZAI with respect to the Development of the Licensed Product(s), including an accompanying good-faith English language translation to the extent practicable. During the time period that ZAI is conducting the Partner Development Plan, to the extent legally permissible and practicable, ZAI shall provide BMS prior notice with respect to all meetings, conferences and discussions with Regulatory Authorities (including advisory committee meetings and any other meeting of experts convened by a Regulatory Authority concerning any topic relevant to the Licensed Product(s)), *provided however*, ZAI is not obligated to provide BMS prior notice for meetings, conferences or discussions with Regulatory Authorities that are informal or not previously scheduled. ZAI shall provide such notice within five (5) Business Days after ZAI receives notice of the scheduling of such meeting, conference, or discussion (or within such shorter period as may be necessary in order to give BMS a reasonable opportunity to participate in such meetings, conferences and discussions). BMS will be entitled to be present at, and to participate in, all such meetings, conferences or discussions with Regulatory Authorities to the extent permitted under Applicable Laws, *provided*, *however*, in the event that, in ZAI's reasonable judgment, BMS' attendance of any meeting, conference or discussion with any Regulatory Authority in the Partner Territory will negatively affect the outcome of such meeting, conference or discussion, BMS shall defer to ZAI's reasonable judgment.

5.6 Records, Payments and Reporting.

(a) Records. ZAI shall maintain complete and accurate records of all work conducted by or on behalf of ZAI in furtherance of the Development of Licensed Product(s) and all material results, Data and developments made in conducting such activities. Such records shall be maintained in sufficient detail and in good scientific manner appropriate for patent and regulatory purposes and in accordance with Applicable Law. If BMS believes in good faith that ZAI may not be complying with its obligations under this Section 5.6, BMS shall provide written notice thereof to ZAI identifying the basis for BMS' good faith belief, and ZAI shall allow an internal BMS audit team or an independent Third Party selected by BMS and reasonably acceptable to ZAI to review such records on behalf of BMS to verify that ZAI is complying with this Section 5.6,

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provided that any information obtained by BMS during such review shall be deemed Confidential Information of ZAI and further provided that any such independent Third Party shall be bound by reasonable and customary confidentiality obligations in writing. Such review shall be conducted at a frequency no more than [*], at BMS' cost, and upon reasonable advance notice at mutually agreed upon times during normal ZAI business hours.

(b) Periodic Reporting. ZAI will provide to BMS, [*] per Calendar Year (such dates to be determined by the JDC), a report, in English, describing in reasonable detail ZAI's activities and progress related to the Development of the Licensed Product(s) pursuant to the Partner Development Plan. The form of this report will be discussed and agreed to by BMS and ZAI.

(c) Regulatory Filings. ZAI shall provide electronic copies of the entire regulatory filing for the Licensed Product in the Partner Territory to BMS promptly after such regulatory filings are updated with Regulatory Authorities.

5.7 Sharing of Regulatory Data; Rights of Reference.

(a) Generally. Subject to Section 5.7(b) below, the Parties intend that the Data generated by ZAI in connection with the Development of the Licensed Product(s) by ZAI may be used by BMS in support of obtaining Regulatory Approvals for the Licensed Product(s) in the BMS Territory. Accordingly, ZAI shall perform and shall cause its Affiliates and Approved Contractors to perform Development activities (including, without limitation, the manufacture of clinical supplies) in accordance with CFDA standards, except as otherwise approved by the JDC and reflected in the written minutes of the JDC. All Data generated by or on behalf of ZAI shall be provided to BMS in Chinese or the original language in which such Data was recorded), including an accompanying good-faith English language translation to the extent practicable, *provided* that ZAI has no obligation to provide an English translation of any case report forms or other raw data or a certified English translation of any such documents. Each Party may use in support of any Regulatory Material with a Regulatory Authority in connection with the Development of the Licensed Product(s) in its respective Territory (a) any Data generated by or on behalf of either Party in the Development of the Licensed Product(s), and (b) any filing or correspondence that either Party makes with a Regulatory Authority in a country in its respective Territory in connection with the Licensed Product(s). Each Party will have the right to cross-reference, file or incorporate by reference any Regulatory Materials (including Regulatory Approvals) in connection with exercising its rights and performing its obligations under this Agreement in its respective Territory, and the other Party shall promptly make any such filing with Regulatory Authorities as necessary to grant such right of reference upon request by the first Party.

(b) BMS' Option Use of Regulatory Data for Development in the Field and in the BMS Territory. Without limiting the foregoing Section 5.7(a), within three (3) business days after the filing for Regulatory Approval of a Licensed Product in China, ZAI will provide BMS with a full clinical package existing as of such date (the "**Data Disclosure Date**"). Within [*] of receiving the complete clinical package, BMS will make a decision on whether it will develop the Licensed Compound and/or Licensed Product in the Field and in the BMS Territory (the "**BMS**

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Option Period"). If BMS decides to pursue the development of the Licensed Compound and/or Licensed Product in the Field and in the BMS Territory, BMS shall make the payments set forth in Section 8.4. In the event that BMS declines to develop the Licensed Product in Taiwan or Korea subsequent to the BMS Option Period, then the Partner Territory shall be expanded to include Taiwan and Korea on the same terms and conditions hereunder.

(c) BMS Data. Promptly after the Effective Date, BMS shall provide ZAI with copies of all Data that is reasonably necessary or reasonably useful for obtaining Regulatory Approval in the Partner Territory existing as of the Effective Date and which has not been transferred to ZAI prior to the Effective Date. In the event that BMS conducts any Development of the Licensed Product(s) anywhere in the world, BMS shall provide ZAI with all Data generated by or on behalf of BMS that is reasonably necessary or reasonably useful for obtaining Regulatory Approval in the Partner Territory. Such Data will be provided to ZAI as promptly as reasonably practicable but in any case subsequent to such Data being analyzed and summarized for purposes of decision-making by BMS. ZAI shall have the right to use and reference such Data in support of any Regulatory Materials for the Licensed Product in the Partner Territory as provided by Section 5.7(a). Without limiting the foregoing, BMS will provide ZAI, with respect to the [*], [*].

5.8 Regulatory Responsibilities and Costs. ZAI shall have sole responsibility for, and shall bear one hundred percent (100%) of all Development and Regulatory Costs related to the preparation of all Regulatory Materials and related submissions with respect to the Licensed Product(s) in the Partner Territory, and for meeting the requirements of all pre-approval inspections required by any Regulatory Authorities in the Partner Territory with respect to the Licensed Product, other than inspections of BMS' facilities (if applicable), after the Effective Date and prior to the receipt of the applicable Regulatory Approval for the Licensed Product.

5.9 Subcontracting. ZAI shall have the right to select subcontractors to perform Development activities hereunder, subject to BMS' prior written approval, not to be unreasonably conditioned, withheld or delayed. Any such subcontractor that is approved by BMS in writing shall be deemed an "**Approved Contractor**" hereunder. As of the Effective Date, BMS has approved the subcontractors listed on Schedule 5.9 attached hereto. ZAI shall enter into an appropriate written agreement with any Approved Contractor such that (i) the Approved Contractor shall be bound by provisions that are consistent with all applicable provisions of this Agreement to the same extent as ZAI, (ii) BMS' rights under this Agreement are not adversely effected, (iii) any such Approved Contractor to whom ZAI discloses Confidential Information of BMS shall enter into an appropriate written agreement obligating such Approved Contractor to be bound by obligations of confidentiality and restrictions on use of such BMS Confidential Information that are no less restrictive than the obligations in this Agreement, and (iv) such Approved Contractor agrees to assign or license (with the right to grant sublicenses) to ZAI any inventions related to the Licensed Compound or Licensed Product(s) (and any Patent covering such inventions) made by such Approved Contractor in performing such services for ZAI. ZAI shall have the right to grant a limited sublicense to such Approved Contractor under the license granted by BMS to ZAI under Section 2.1(a) solely for the Approved Contractor to perform the Development activities subcontracted to such Approved Contractor. Notwithstanding the foregoing, ZAI shall at all times be responsible for the performance of such Approved Contractor with respect to the Development activities subcontracted hereunder.

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5.10 Pharmacovigilance. Subject to the terms of this Agreement, as needed, within three (3) months after the Execution Date, or notification to the Pharmacovigilance Departments of the execution date, the Parties (under the guidance of their respective Pharmacovigilance Departments, or equivalent thereof) shall define and finalize the responsibilities the Parties shall employ to protect patients and promote their well-being in connection with the use of the Licensed Compound or Licensed Product. These responsibilities shall include mutually acceptable guidelines and procedures for the receipt, investigation, recordation, communication, and exchange (as between the Parties) of Adverse Event reports, pregnancy reports, and any other information concerning the safety of any Licensed Compound or Licensed Product. Such guidelines and procedures shall be in accordance with, and enable the Parties and their Affiliates to fulfill, local and international regulatory reporting obligations to government authorities. Furthermore, such agreed procedures shall be consistent with relevant International Council for Harmonization (ICH) guidelines, except where said guidelines may conflict with existing local regulatory safety reporting requirements, in which case local reporting requirements shall prevail. Until such guidelines and procedures are set forth in a written agreement between the Parties (hereafter referred to as the "**Pharmacovigilance Agreement**"), the party responsible for Pharmacovigilance prior to execution of this Agreement shall have sole Pharmacovigilance responsibility for the Licensed Compound or Licensed Product subject to all applicable regulations and guidelines. In the event that this Agreement is terminated, the Parties agree to implement the necessary procedures and practices to ensure that any outstanding pharmacovigilance reporting obligations are fulfilled. Any regulatory commitments relating to BMS' prior development activities regarding the Licensed program in the Partner Territory prior to the Effective Date will remain the responsibility of BMS, and promptly after the Effective Date, BMS shall provide ZAI with pharmacovigilance data that is set forth in the Pharmacovigilance Agreement for the Licensed Product(s) obtained prior to the Effective Date.

6. COMMERCIALIZATION

6.1 Commercialization of Licensed Product(s). Subject to Sections 6.2 and 6.3 below, ZAI shall have the sole right to and responsibility for the Commercialization of Licensed Products in the Partner Territory, including manufacturing, selling, distributing and invoicing Licensed Products and would book one hundred percent (100%) of the sales, in the Partner Territory. ZAI shall conduct its Commercialization activities with respect to the Licensed Product in accordance with Applicable Law.

6.2 BMS Election to Co-Promote; Co-Commercialization.

(a) BMS Opt-In. BMS shall have a right, in BMS's sole discretion, to co-promote any Licensed Product in the Partner Territory, as so elected by BMS and in the manner described below. ZAI shall notify BMS in writing (the **"Regulatory Filing Notice")** within [*] after the filing for Regulatory Approval of a Licensed Product in China. Within [*] following delivery by ZAI of such Regulatory Filing Notice, as well as all information reasonably necessary for BMS to

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make a decision with respect to the option described herein (i.e. all development and regulatory information and any commercial information developed by ZAI) (such [*] period, the **"Election Period"**), in the event BMS desires to co-promote any such Licensed Product (a **"Co-Promoted Product"**), BMS shall, prior to the expiration of the Election Period, notify ZAI thereof in writing of its election to co-promote the Co-Promoted Product (a **"Co-Promotion Notice"**). Should BMS provide such Co-Promotion Notice to ZAI with respect to a Co-Promoted Product in relation to co-promotion rights for the Partner Territory, then, unless BMS has revoked its Co-Promotion Notice in writing prior to the end of the Co-Promotion Negotiation Period (as defined below), the Parties shall co-promote such Co-Promoted Product in the Partner Territory on the terms set forth herein, and BMS will make an option exercise fee of [*]. In the event of such exercise by BMS, there shall be no further payments due by BMS to ZAI pursuant to Section 8.1 (including, for clarity, any milestone payable upon Regulatory Approval of a Licensed Product).

(b) In General.

(i) *Cost-Sharing*. With respect to each Co-Promoted Product in the Partner Territory, BMS shall bear [*] of Commercialization Costs and ZAI shall bear [*] of Commercialization Costs. All Commercialization Costs incurred by the Parties in connection with the Commercialization of each Co-Promoted Product in the Partner Territory shall be included in the calculation of Operating Profit (or Losses) for such Co-Promoted Product, and shall be allocated between the Parties on a [*] basis in accordance with Section 8.2, with specific financial flow to be agreed by the Parties.

(ii) *Plans and Budgets*. The Parties shall prepare a Long-Term Commercialization Plan (which shall be non-binding), and an Annual Commercial Plan and Budget (which shall be binding) for the Co-Promoted Product in the Partner Territory (collectively, **"China Commercialization Plan"**) taking into consideration the market conditions and the competitive landscape regarding Licensed Products in China. The China Commercialization Plan shall be approved by the Parties through the JCC and shall:

(1) include all key strategic commercial decisions (messaging, branding, marketing, advertising, sales force, medical affairs, pricing, reimbursement, etc), key tactics for implementing those strategies, the relative responsibilities of the Parties in the execution of such tactics, and a detailed and specific commercialization budget, including both pre-launch and post-launch activities,

(2) include an equitable allocation of responsibilities and budget between the Parties, including their respective Detail FTE Requirements, Company Target Lists, and budgeted FTEs and Allowable Expenses,

(3) include pricing and reimbursement strategies, and allocation of responsibility for implementation of pricing and reimbursement related activities under the strategy as approved by the JCC, unless otherwise agreed by the JCC,

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(4) include plans for Phase IV Clinical Trials and other post-marketing approval studies with respect to Co-Promoted Product, and each Parties' responsibilities with respect to such studies, if desirable,

(5) include other information as mutually agreed by the Parties,

(6) be updated on an annual basis by the JCC, with [*] responsible for providing the first draft for [*] JCC consideration.

(iii) *Decision-Making*. All aspects of the China Commercialization Plan will be determined by consensus of the Parties through the JCC in accordance with (and except as set forth in) Section 3.11.

(iv) *Creation of Plans*. The initial China Commercialization Plan shall be generated by [*] as soon as practicable upon the establishment of the JCC, and in any event no later than [*] prior to the anticipated date of the First Commercial Sale of a given Co-Promoted Product in the Partner Territory for review and comment by [*]. Thereafter, [*] shall submit on an annual basis a China Commercialization Plan for such year to the JCC for review, comment and approval. Each such submission shall be no later than [*] of the Calendar Year immediately preceding the year covered by such China Commercialization Plan, with a goal of having the China Commercialization Plan reviewed and approved by [*] of such immediately preceding Calendar Year. Each updated China Commercialization Plan, once approved by the JCC, shall become effective and supersede the previous China Commercialization Plan as of the date of such approval or at such other time decided by the JCC. The JCC shall not approve a China Commercialization Plan that is inconsistent with or contradicts the terms of this Agreement without the written consent of the Parties, and in the event of any inconsistency between the China Commercialization Plan, on the one hand, and this Agreement, on the other hand, the terms of this Agreement shall prevail, unless otherwise expressly agreed by the Parties in writing.

(c) Market Access Activities. The JCC shall determine the Parties' strategy with respect to Market Access Activities as part of the China Commercialization Plan, and the Parties' responsibilities with respect to the implementation of such strategy subject to this Section 6.2(c).

(d) Diligence Regarding Commercialization. BMS and ZAI each shall use Commercially Reasonable Efforts (a) to develop and agree on the China Commercialization Plan in accordance with Section 3.11, and (b) to Commercialize and otherwise perform the Commercialization activities and Market Access Activities assigned to it in respect of the Co-Promoted Products in the Partner Territory in accordance with the then-current China Commercialization Plan. Once a China Commercialization Plan has been adopted, each Party shall independently be responsible for day-to-day implementation of the responsibilities allocated to it thereunder, including tactical and operational execution of its responsibilities and shall independently make and implement decisions and allocate resources designed to advance progress

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with respect to the objectives set forth in, and designed to ensure that it meets its obligations with respect to, such China Commercialization Plan; provided that such implementation is not inconsistent with the terms of this Agreement or the decision of the JCC within the scope of its authority and each Party shall keep the other Party informed as to the progress of its activities as reasonably requested by the other Party.

(e) Determination of Commercialization Costs. As part of the process of producing each China Commercialization Plan in accordance with Section 6.2(b)(ii), the Parties shall use Commercially Reasonable Efforts to determine the internal personnel and other resources and out-of-pocket costs required for the Commercialization of Co-Promoted Products in the Partner Territory for such year and for each calendar quarter within such year and establish, as part of the China Commercialization Plan, a budget for the Commercialization of the Co-Promoted Product in the Partner Territory for the applicable year. All such internal personnel and resources, with the exception of Detailing Costs, will be expressed in terms of FTEs and the budgeted cost calculated using the relevant FTE Rates.

(f) Overruns with Respect to Commercialization Costs. If the total costs incurred by a Party (the **"Over-Budget Party"**) in performing its responsibilities for a specifically identifiable activity or project (over the life of such activity or project) under a China Commercialization Plan (as amended in accordance with Section 6.2(b)) in the Partner Territory exceed those set forth in the budget allocable to such Party's responsibilities for such activity or project, then each Party shall continue to bear its share of the Allowable Expenses attributable to such activity or project in excess of such budget **("Excess Costs")**, except that, to the extent such Excess Costs exceeds [*] of the budgeted amount for such activity or project, the Party incurring such Excess Costs shall present a summary of such costs to the JCC for purposes of addressing such overrun and shall bear such Excess Costs (i.e., those Excess Costs that exceed [*] of the budgeted amount), unless the sharing of such Excess Costs is approved by mutual agreement of the JCC. The Parties shall use Commercially Reasonable Efforts, as appropriate, to mitigate any cost overrun.

(g) Sales Efforts and Sales and Medical Representative Deployment.

(i) Percentage Effort and Penalties.

a. Except as set forth in Section 6.2(g)(iv) or Section 6.2(n) or otherwise agreed by the Parties by consensus at the JCC, BMS shall provide [*] of the total Detail FTE Requirements to healthcare providers on its Company Target List in the Partner Territory in each year, and ZAI shall provide [*] of the total Detail FTE Requirements to healthcare providers on its Company Target List in the Partner Territory in each year. For clarity, the JCC shall have the ability to mutually agree by consensus upon different sales force responsibilities (or allocations) for each Party and to modify the Parties' respective Detail FTE Requirements.

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b. If there is a material negative deviation in actual sales by a Party from the forecast set forth in China Commercialization Plan, and where such deviation is otherwise unexplained by then-prevailing commercial or regulatory circumstances relevant to the Co-Promoted Product in the Partner Territory (e.g. failure to achieve tendering success in a given province), then the other Party shall be entitled to audit such Party in accordance with Section 6.2(g)(ii) to determine whether such Party has met its Detail FTE Requirements.

c. If a Party believes that it (together with its Affiliates) will provide less than the aggregate number of Detail FTE Requirements to be provided by it for a year pursuant to the China Commercialization Plan, it shall promptly notify the other Party. Subject to the other terms and conditions of this Section 6.2(g) (including Sections 6.2(g)(ii), and 6.2(g)(iv)), if in any year a Party notifies the other Party that it will provide less than the aggregate number of Detail FTE Requirements required to be provided by it for such year pursuant to the terms of the applicable China Commercialization Plan, then such other Party shall be entitled (but shall not be obligated), to provide such additional Detail FTE Requirements as may be necessary to make up some or all of such shortfall.

d. In the event an audit conducted pursuant to Section 6.2(g)(i)(b) above reveals that a Party failed to satisfy its Detail FTE Requirements or a Party provides notice pursuant to subsection (c) above, such Party shall, to the extent that it fails to provide the requisite number of Detail FTE Requirements, (x) reimburse the other Party for the cost of such other Party's replacing the unprovided Detail FTE Requirements (to the extent actually replaced by or on behalf of such other Party) at the same per Detail cost (i.e., not including any costs for hiring and training new sales representatives), or (y) to the extent such Details are not replaced, adjust the Net Profit/Net Loss split, such that the shortfall Party's percentage of Net Profit for such year shall be decreased, and its share of Net Loss shall be increased, by a percentage equal to [*] of the percentage shortfall (starting at a [*] shortfall). Any amounts paid or payable pursuant to this Section 6.2(g)(i)(d) from one Party to the other Party shall not be included in Detailing Costs, Promotional Costs or Allowable Expenses.

e. For any year subsequent to a year in which a shortfall described in clauses (d) or (e) above exists, a Party's Detail FTE Requirements for such subsequent year shall be reset in accordance with the China Commercialization Plan for such subsequent year. For clarity, the intent of this Section 6.2(g)(i)(e) is that any adjustment made for a Party's shortfall pursuant to Section 6.2(g)(i)(d) shall be for the calendar year in which such adjustment is made, but shall not be carried over to the subsequent year's China Commercialization Plan unless the Parties otherwise mutually agree.

f. Subject to clause (g) below, and without limiting a Party's rights under Article 13, the Parties agree that this Section 6.2(g)(i) is a Party's sole and exclusive monetary remedy, and represents full and complete liquidated damages for, the other Party's failure to achieve its Detail FTE Requirements in a year.

g. Without limiting a Party's rights under Article 13, in the event that a Party has a shortfall in excess of [*] in fulfilling the Detail FTE Requirements allocated to such Party in the China Commercialization Plan for such years, then the other Party shall have the right to reduce the Detail FTE Requirements allocated to the first Party in the China Commercialization Plan in the subsequent calendar year(s) [*] by giving written notice to the other Party to such effect.

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(ii) Allocation of Effort. Each China Commercialization Plan shall set forth a target provider list for each Party (each a "**Company Target List**") for such year as agreed by the JCC by consensus. At least [*] of each Party's Detail FTE Requirement for the applicable year shall be delivered to prescribers included on such Party's Company Target List. Details by a Party's Sales and Medical Representatives to prescribers who are not included on the Party's Company Target List in excess of [*] of such Party's Detail FTE Requirement for such year would not count towards such Party's Details for purposes of Section 6.2(g)(i)

(iii) Recording**.**

(1) [*] shall provide to [*] [*] detailed sales reports setting forth the sales of the Co-Promoted Product in the Partner Territory for the previous [*] within [*] days of the end of each [*] during the Term. The general managers of each Party (or their directly reporting designees) in the Partner Territory shall have a telephone call each [*] to discuss such [*] report and review each Party's performance.

(2) Each Party shall record the number of Detail FTE Requirements allocable to its Sales and Medical Representatives in the aggregate during each calendar month for the Co-Promoted Product in the Partner Territory, and promotional resources used, in each case in accordance with its normal practices in the Partner Territory. Such records shall be maintained for at least [*] years.

(3) Within [*] after the end of each [*], each Party shall report to the JCC the information set forth in clause (2) above with respect to such [*] in accordance with such instructions and procedures as may be specified by the JCC from time to time. Unless otherwise specified by the JCC, such reporting shall be consistent with applicable internal self-reporting procedures customarily employed by such Party for other similarly detailed and similarly reported pharmaceutical products to the target physician audience, consistently applied, and shall be supplemented by appropriate external reporting (e.g., IMS data) in such Party's possession or control. Any other reports required by the JCC relating to a Party's sales activities under this Agreement shall apply to both Parties equally and shall be provided within [*] (or within such other period as may be required by the JCC after the end of the applicable reporting period). At the request (and expense) of either Party, the other Party shall permit an independent Third Party auditor appointed by such Party and reasonably acceptable to the other Party, at reasonable times and upon reasonable prior notice, to have access to the other Party's internal sales call reporting system for the purpose of verifying such other Party's determination of its satisfaction of its Detail FTE Requirements based on the Sales and Medical Representatives actually provided for the Co-Promoted Product for the Partner Territory by such Party, and the accuracy of any promotion data reports for the [*] period prior to the date of such audit, in order to confirm the accuracy of such reports; provided, that such audit right may not be exercised (1) unless there is a shortfall of sales by a Party and (2) no more than [*]; unless, the auditing Party has discovered a material error, in which

case it shall be entitled to conduct such audits every [*] thereafter until the audited Party has taken reasonable steps designed to cure the problem relating to the inaccurate reporting. Any dispute between the Parties as to whether the Detail FTE Requirements have been met by a Party shall be finally resolved by arbitration in accordance with Section 14.2. The cost of any such independent Third Party auditor shall be [*]. In the event that the independent Third Party auditor determines a shortfall of a Party's Detail FTE Requirements, then Section 6.2(g)(i) shall apply for such audited period for the shortfall amount determined by the independent Third Party auditor.

(iv) Quarterly Allocation. Each China Commercialization Plan shall set forth how each Party's annual Detail FTE Requirements shall be allocated on a quarterly basis (the **"Quarterly Detail Amount"**) and, in the event a Party delivers in excess of [*] of such Party's budgeted Quarterly Detail Amount for a particular quarter, then the number of such Party's Detail FTE Requirements in excess of such [*] threshold shall be excluded from the calculation in determining if a Party's obligations have been met with respect to such Party's Detail FTE Requirements for such year under this Agreement, including the obligations set forth in Sections 6.2(g)(i), 6.2(g)(ii), 6.2(g)(iii) and this Section 6.2(g)(iv). Subject to its annual commitments, each Party shall provide not less than [*] of its quarterly aggregate budgeted Detail FTE Requirements in any given quarter, provided that in no event shall a Party provide less than [*] of its aggregate Detail FTE Requirements included in the China Commercialization Plan for such Party in a given year except pursuant to the rest of this subsection 6.2(g)(i).

(v) No More than [*] Products. A Party's Sales and Medical Representatives that are Promoting a Co-Promoted Product shall not conduct promotional activities for more than [*] other than such Co-Promoted Product.

(vi) Costs of Sales and Medical Representatives. The costs of each Party's Sales and Medical Representatives for the Partner Territory that are actually incurred and attributable to a Co-Promoted Product shall be taken into account for the determination of Commercialization Costs and Allowable Expenses in respect of such Co-Promoted Product for a period of up to [*] prior to the anticipated date of First Commercial Sale of such Co-Promoted Product.

(h) Sales and Medical Representatives. The following provisions shall apply to each Party's Sales and Medical Representatives in the Partner Territory:

(i) Except as otherwise provided in this Section 6.2(h), Section 6.2(g)(i)a, Section 6.2(g)(i)d or Section 6.2(n), each Party's Sales and Medical Representatives shall be full time employees of such Party or its Affiliates. Each Party will treat its Sales and Medical Representatives employed by it and its Affiliates as its (or its Affiliate's) own employees for all purposes, including country, provincial and local tax and employment laws.

(ii) Other than the use of a CSO that is approved by the JCC by consensus in order to expand the reach (to geographies, tiered cities or other) of targeted hospitals or prescribers of a Co-Promoted Product, either Party's use of a CSO or similar body to provide Details shall be subject to the mutual agreement of the Parties.

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(iii) Each Party will use Commercially Reasonable Efforts to provide full training (both general and Co-Promoted Product-specific training) to its Sales and Medical Representatives consistent with Section 6.2(h), to deploy such number of Sales and Medical Representatives as may be necessary to fulfill its duties under each China Commercialization Plan as required thereunder and, consistent with its normal business practices, to minimize turnover of its Sales and Medical Representatives Detailing Co-Promoted Products and to cause its Sales and Medical Representatives to adhere to the sales call plan included in the China Commercialization Plan. The JCC shall establish reasonable qualifications and experience levels (measured in years of education as well as experience selling or promoting ethical pharmaceutical Co-Promoted Products to health care professionals with actual prescribing authority) for Sales and Medical Representatives, taking into account the Parties' existing personnel, and the Parties shall use Commercially Reasonable Efforts to provide Sales and Medical Representatives that meet such qualifications and experience levels. Unless the JCC establishes a different time (and in any event such timelines shall apply equally to both Parties), within [*] after the end of each year, each of the Parties shall provide the other Party with a report with respect to the number of its Sales and Marketing Representatives assigned to the promotion of the Co-Promoted Products and the length of time each such Sales and Medical Representatives has been assigned to the promotion of the Co-Promoted Products. Such report may be consolidated with the report provided pursuant to Section 6.2(g)(i)(3) for the fourth quarter of each year.

(iv) Each Party will comply with all Applicable Law with respect to the hiring, employment, and discharge of its Sales and Medical Representatives and its employees involved in the activities contemplated by this Agreement. Each Party represents to the other that such Party is an equal opportunity employer and does not discriminate against any person because of race, color, creed, age, sex, or national origin.

(v) Each Party shall cause its Sales and Medical Representatives to execute, if not previously executed, an agreement with such Party, that includes, among other terms, terms requiring that the individual:

a. agrees to perform his or her obligations as a Sales and Medical Representative as required by Applicable Law and this Agreement; and

b. agrees to perform his or her duties as a Sales and Medical Representative in accordance with such Party's internal policies, a copy of which is provided or made available by such Party to all its Sales and Medical Representatives.

(vi) Each Party acknowledges and agrees that the other Party does not and will not maintain or procure any worker's compensation insurance for or on behalf of such Party or its Sales and Medical Representatives, all of which shall be such Party's sole responsibility to the extent required by Applicable Laws.

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(vii) Each Party acknowledges and agrees that all of its Sales and Medical Representatives are not, and are not intended to be or be treated as, employees of the other Party or any of its Affiliates, and that such individuals are not, and are not intended to be, eligible to participate in any benefits programs that are sponsored by the other Party or any of its Affiliates or that are offered from time to time by the other Party or its Affiliates to their own employees (the **"Benefit Plans"**). All matters of compensation, benefits and other terms of employment for a Party's personnel shall be a matter solely between such Party and its Sales and Medical Representatives. Each Party shall be solely responsible and liable for the payment of all compensation and benefits under any such Benefit Plan to its Sales and Medical Representatives. A Party shall not be responsible to the other Party (the **"Hiring Party"**) or to any Sales and Medical Representatives used by the Hiring Party to promote or sell the Co-Promoted Products for any compensation, expense reimbursements or benefits (including vacation and holiday remuneration, healthcare coverage or insurance, life insurance, pension or profit-sharing benefits and disability benefits), payroll related taxes or withholdings, or any governmental charges or benefits (including unemployment and disability insurance contributions or benefits and workmen's compensation contributions or benefits) that may be imposed upon or be related to the performance by the Hiring Party and its Sales and Medical Representatives of its obligations under this Agreement, all of which shall be the sole responsibility of the Hiring Party, even if it is subsequently determined by any court, or any other governmental authority that such individual may be deemed a common law employee of the non Hiring Party or any of its Affiliates.

(viii) Each Party shall be responsible to the other Party for any failure of its Sales and Medical Representatives or employees to comply with the terms of this Agreement.

(ix) Each Hiring Party will reimburse the non hiring Party (the **"NHP"**) the following expenses to the extent required to be made by the NHP:

a. costs, damages and losses that the NHP or its Affiliates may incur resulting from any third party claims for benefits that any of the Hiring Party's Sales and Medical Representatives may make under or with respect to any NHP Benefit Plan;

b. any required payment or obligation to make a payment to any Hiring Party Sales and Medical Representatives relating in any way to any compensation, benefits of any type under any Benefit Plan, and any other bonus, stock option, stock purchase, incentive, deferred compensation, supplemental retirement, severance and other similar fringe or employee benefit plans, programs or arrangements that may be sponsored at any time by either Party or any of its Affiliates, even if it is subsequently determined by any court, the IRS or any other governmental authority that any of the Hiring Party's Sales and Medical Representatives may be deemed a common law employee of the NHP or any of its Affiliates;

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c. the required payment or withholding of any contributions, payroll taxes, or any other payroll related item by or on behalf of the Hiring Party or any of its Sales and Medical Representatives with respect to which the Hiring Party or any of its Sales and Medical Representatives may be responsible hereunder or pursuant to Applicable Law to pay, make, collect, withhold or contribute, even if it is subsequently determined by any court, the IRS or by any other governmental authority that any of such Hiring Party's Sales and Medical Representatives may be deemed a common law employee of the NHP or any of its Affiliates; and

d. any payment required to be made by NHP to the extent caused by the failure of the Hiring Party to withhold or pay required taxes or failure to file required forms with Governmental Authorities with regard to compensation and benefits incurred or extended by a Hiring Party to its Sales and Medical Representatives.

(x) Notwithstanding anything to the contrary in this Section 6.2(h), a Hiring Party shall have no liability to any NHP Indemnitee to the extent attributable to any discriminatory, harassing or retaliatory acts of the NHP, or any tortious acts (including acts constituting assault, battery or defamation) by the NHP, with respect to any Sales and Medical Representatives of the Hiring Party, or any breach by the NHP of this Agreement. Nothing contained in this Section 6.2(h) is intended to affect or limit any compensation payable by a Party to the other for the services rendered by a Party pursuant to this Agreement.

(xi) Each Party shall be solely responsible and liable for all probationary and termination actions taken by it with respect to its Sales and Medical Representatives, as well as for the formulation, content, and for the dissemination (including content) of all employment policies and rules (including written probationary and termination policies) applicable to its Sales and Medical Representatives.

(i) Incentive Plans for Sales and Medical Representatives. Each Party shall establish and implement a target bonus or sales incentive program whereunder such Party's Sales and Medical Representatives are compensated for their efforts with respect to Co-Promoted Products in a manner consistent with such Party's other programs for similar Co-Promoted Products and, to the extent reasonably practicable and subject to the remainder of this Section 6.2(i), consistent with the sales incentive programs for the other Party's Sales and Medical Representatives. If any Sales and Medical Representatives promote any other products in addition to the Co-Promoted Products, a Party's target bonus or sales incentive program shall be balanced and support the agreed upon efforts by Sales and Medical Representatives for promoting the Co-Promoted Products in addition to any other products such Sales and Medical Representatives are promoting; provided that such program shall be consistent with such Party's Detail FTE Requirements. All such programs shall be in compliance with all Applicable Law. No more than [*], either Party shall have the right to have a Third Party consultant review the bonus and sales incentive programs implemented by the other Party for its Sales and Medical Representatives for compliance with the foregoing and to make recommendations to improve the alignment of such programs (with the foregoing and ensure that each Party's Sales and Medical Representatives are appropriately incentivized); *provided*, that such consultant does not disclose to such Party the types or levels of bonuses or sales incentives applicable to the other Party's Sales and Medical Representatives; and at the request of such Party the JCC will discuss the issue at its next meeting and shall resolve any such issues, provided that [*]. Subject to the foregoing, each Party shall retain final decision making authority over all decisions

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relating to compensation and bonus incentives for its Sales and Medical Representatives. The JCC shall agree by consensus upon a method (or data provider) to determine the actual performance of each Party's Sales and Medical Representatives for purposes of establishing compensation and bonuses.

(j) Sales Training.

(i) [*], with input from [*] through the JCC, will determine the content of the Co-Promoted Product-specific training materials, and shall develop a sales training plan and sales training materials for the Co-Promoted Product for applicable indications. Each Party may implement such sales training for its Sales and Medical Representatives in respect of the Co-Promoted Product in a manner consistent with its customary procedures. [*] shall be responsible for developing all training relating specifically to the Co-Promoted Product. At or prior to the initial training session for Sales and Medical Representatives, [*] will provide [*] reasonable quantities of training materials to enable the training of [*] Sales and Medical Representatives. The JCC shall review the Co-Promoted Product related training materials from time to time and make recommendations for any revisions and updates thereto as it may deem appropriate, with the goal of ensuring that each Party is providing substantially the same quality and level of Co-Promoted Product-specific training to its Sales and Medical Representatives. The JCC shall be responsible for ensuring that the Parties' medical, regulatory and legal teams have reviewed such materials prior to use by either Party.

(ii) The Parties shall coordinate with respect to providing Co-Promoted Product-specific training to Sales and Medical Representatives. The Parties will schedule their training for their respective Sales and Medical Representatives in sufficient time to ensure that the necessary Sales and Medical Representatives are fully trained. The Parties shall coordinate through the JCC with respect to any Co-Promoted Product-specific training that either Party plans to provide to its Sales and Medical Representatives, so that the Sales and Medical Representatives of the other Party may participate in such training. [*] shall provide initial Co-Promoted Product-specific and disease area training programs for the Co-Promoted Product to Sales and Medical Representatives of [*]. Each Party shall provide training to Sales and Medical Representatives of such Party for general skills and compliance. Such Sales and Medical Representative training provided by either Party shall be consistent with the China Commercialization Plan, and with the Co-Promoted Product-specific training materials and program developed as further described in Section 6.2(j). Such training also shall include training on the proper handling and reporting of adverse events encountered for the Co-Promoted Product, on timely reporting to [*] of inquiries for additional information relating to the Co-Promoted Product and on promotional compliance.

(iii) Each of BMS and ZAI shall comply with any training plan for a Co-Promoted Product contained in the applicable China Commercialization Plan.

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(iv) If a Party organizes Promotion related meetings of its employees (such as periodic briefings of its Sales and Medical Representatives) for the Co-Promoted Products, it will make reasonable efforts to keep the Co-Promoted Product related portions of such meetings independent from other matters and to give the other Party advance written notice of such meetings. If requested by the other Party and agreed to by the organizing Party, the Party organizing such meeting will permit a reasonable number Sales and Medical Representatives and their direct supervisors of the other Party to attend and participate in such meetings or such portions thereof that relate to the Promotion of the Co-Promoted Product (at such other Party's sole expense).

(v) The costs and expense for Co-Promoted Product-specific sales training of each Party's Sales and Medical Representatives for the Partner Territory (but not general sales training) shall be included in Allowable Expenses.

(k) Advertising and Promotional Materials and Promotional Policies.

(i) The Parties, through the JCC, shall allocate responsibility for promotional activities (other than Detailing and Market Access Activities), advertising, market research and medical education activities in accordance with the China Commercialization Plan. It is the Parties' intent that duplication of such efforts be avoided and that such activities are carried out in the most efficient manner but consideration shall be given to [*].

(ii) The Parties shall utilize only those Partner Territory-wide promotional, advertising, communication and educational tools and materials relating to a Co-Promoted Product in the Partner Territory, and shall conduct only those Promotional activities for such Co-Promoted Product, that, in each case, have been included in the approved China Commercialization Plan for such Co-Promoted Product or are otherwise approved by the JCC. Such materials and activities shall seek, to the extent possible, to align with BMS' global strategy and messaging for the commercialization of the Co-Promoted Product. The JCC shall oversee development of all core advertising and promotional tools and materials relating to the Co-Promoted Products in the Partner Territory which shall be consistent with the applicable China Commercialization Plan, with Applicable Law, and with the Co-Promoted Product labeling approved by Regulatory Authorities in the Partner Territory as applicable. The JCC shall be responsible for ensuring that the Parties' medical, regulatory and legal teams have reviewed such materials prior to the use by either Party; *provided*, that the content of such tools and materials, once approved by the JCC, need not be re submitted for approval again unless the Co-Promoted Product labeling applicable to such tools and materials has been changed since such prior approval date or there has been a change in circumstances since the prior approval date that causes the tools or materials to be inaccurate or misleading.

(iii) Both Parties will be identified and described as co-promoting the Co-Promoted Products in the Partner Territory, and all materials and other Promotion activities, including the primary and secondary packaging of the Co-Promoted Product, including the label, package insert and exterior carton, oral presentations, patient information materials and patient benefit programs, that identify a Party, shall identify both Parties (or their respective Affiliates) as jointly promoting the Co-Promoted Product and shall display the BMS and ZAI names and logos with equal prominence, in each case to the extent permitted by Applicable Law. In the event of a shortfall in the quantity of materials, the available materials shall be allocated between the Parties' respective sales forces in proportion to the number of Details to be provided by each Party with respect to such Co-Promoted Product.

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(iv) If BMS is developing or commercializing the Licensed Product in the Partner Territory and outside the Field, in the event that ZAI receives any inquiries relating to the use of pharmaceutical products containing Licensed Compound outside of the Field, it shall refer such inquiries to BMS. In the event that BMS receives any inquiries relating to the use of pharmaceutical products containing Licensed Compound in the Field in the Territory, it shall refer such inquiries to Zai.

(l) Title to Co-Promoted Product; Invoicing. ZAI shall hold title to Co-Promoted Product inventories until sale to customers and shall effect all sales of Co-Promoted Product and shall be responsible for invoicing all sales of such Co-Promoted Products and shall book all sales of such Co-Promoted Products for its own account. BMS may not accept orders for Co-Promoted Products or make sales for its own account or for the account of ZAI. If BMS receives any orders for Co-Promoted Products, it shall refer such orders to ZAI for acceptance or rejection.

(m) Sales and Distribution. ZAI shall be responsible for warehousing and distributing such Co-Promoted Product in the Partner Territory and shall perform related Distribution activities. ZAI shall also be solely responsible for handling all returns, recalls (in accordance with Section 6.2(o)), order processing, invoicing and collection, distribution and inventory and receivables with respect to the Co-Promoted Product. Subject to each China Commercialization Plan approved by the JCC and the terms of this Agreement, ZAI shall have the right to establish and modify the terms and conditions with respect to the sale of such Co-Promoted Product in the Partner Territory, including (a) trade discounts available to purchasers, (b) any discount attributable to payments on receivables, and (c) credits, price adjustments, or other discounts and allowances to be granted or refused; provided that any such credits, price adjustments, or other discounts shall be consistent with ZAI' normal practices in the Partner Territory.

(n) Co-Promoted Product Claims**.** Neither BMS nor ZAI (nor any of their respective Affiliates) shall make any medical or promotional claim for any Co-Promoted Product that is inconsistent with the relevant Regulatory Approvals then in effect for the Co-Promoted Product; *provided*, that both BMS and ZAI may, subject to Section 11.6, distribute any other information concerning a Co-Promoted Product or its use, including scientific articles, reference publications and healthcare economic information, in accordance with Applicable Law and the approved China Commercialization Plan and subject to the oversight of the JCC.

(o) Recalls and Withdrawals. Any decision to initiate a recall or withdrawal of a Licensed Compound or Co-Promoted Product in the Partner Territory (whether during Development or during Commercialization) shall be made by ZAI, after consultation (to the extent practicable) with BMS; *provided*, that if, as a result of patient safety concerns, there is not sufficient time for the Parties to meet, ZAI shall determine the strategy for and implement such withdrawal or recall and shall notify and brief BMS with respect to such strategy and implementation. ZAI shall have final decision-making authority with respect to any such recall or

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withdrawal without regard or recourse to the dispute resolution mechanism provided for in Article 14; provided that BMS shall have final-decision making ability with respect to any recall or withdrawal due to Safety Reasons. The costs of any recall or withdrawal shall be an Allowable Expense (if applicable), except to the extent that the recall or withdrawal is attributable to the negligence, willful misconduct or breach of this Agreement by a Party in which event (i) such Party shall bear such costs for which it is responsible and (ii) such costs shall not be included in Allowable Expenses, as the case may be. In the event of any recall or withdrawal, ZAI shall implement any necessary action, with assistance from BMS as reasonably requested by ZAI. In the event that BMS requests in writing that ZAI conduct a recall of a Co-Promoted Product in the Partner Territory due to Safety Reasons and ZAI has not initiated the recall or withdrawal of such Co-Promoted Product within three (3) Business Days after such written request (such date, "**Recall Deadline**"), ZAI shall indemnify BMS for all Losses arising from ZAI's failure to timely initiate such recall or withdrawal in accordance with the procedures set forth in Section 12.3.

(p) All written, electronic and visual communications provided by a Party to its Sales and Medical Representatives Detailing the Co-Promoted Products regarding Co-Promoted Product strategy, positioning or selling messages for use by such personnel in Detailing the Co-Promoted Products will be subject to prior review and approval by the JCC; *provided*, that a message, once approved, need not be resubmitted for approval again prior to its reuse unless the Co-Promoted Product labeling applicable to such message has been changed since such prior approval date or there has been a change in circumstances since the prior approval date that causes the message to be inaccurate or misleading.

(q) Each Party shall share with the other Party primary and secondary (audited and non audited) market research data for the Co-Promoted Products reasonably promptly if and after the same are made available to such Party and so long as such Party has the lawful right to provide same; *provided*, that the other Party shall hold such information as Confidential Information of the providing Party, and shall have executed such confidentiality agreement as may be requested by any Third Party provider of such information with respect to such disclosure of such information.

6.3 ZAI Opt-Out. At any time (I) [*] or (II) [*], ZAI shall have the right to opt-out of Commercialization of Licensed Products in the Partner Territory (the "**ZAI Commercialization Opt Out**") upon written notice to BMS. The ZAI Commercialization Opt Out shall become effective [*] after receipt of such notice by BMS (the "**ZAI Commercialization Opt Out Date**"). Commencing on the ZAI Commercialization Opt Out Date, (A) ZAI shall have no further right or obligation to participate in the Commercialization of the Licensed Products in the Partner Territory or to share in any Operating Profits (or any obligation to share Operating Losses) with respect thereto, (B) ZAI shall have no further responsibility for conducting or funding Commercialization activities with respect to the Licensed Products in the Partner Territory, (C) the JCC shall be dissolved, and (D) BMS shall conduct all further Commercialization of Licensed Products in the Partner Territory in its sole discretion. In such event, BMS shall pay ZAI a royalty on Net Sales of Licensed Product in the Partner Territory as set forth in Section 8.3.

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6.4 Compliance.

(a) In the event that information comes to a Party's attention that provides it a reasonable basis for such Party to believe that Sales and Medical Representatives or other personnel of the other Party used in the Partner Territory under this Agreement may have (i) violated any Applicable Law, or (ii) failed to comply with this Agreement, such Party shall have the right to request that the other Party immediately assess the performance of such individual, and to exercise any other rights or remedies available to such Party under this Agreement, at law or in equity. The other Party shall promptly use Commercially Reasonable Efforts to evaluate and resolve such issue in accordance with its policies or as it may otherwise deem appropriate, shall (to the extent permitted by Applicable Law) keep the reporting Party informed of the progress of, and information learned during, its evaluation, and within fifteen (15) Business Days after the reporting Party first brought such information to the other Party's attention shall provide the reporting Party, to the extent possible in compliance with Applicable Law, with a reasonably detailed written report summarizing any steps taken toward resolution of the matter.

(b) Each Party agrees that:

(i) it will instruct its Sales and Medical Representatives to use, and will use Commercially Reasonable Efforts to train and monitor its Sales and Medical Representatives to ensure that such Sales and Medical Representatives use only promotional materials and literature that have been approved for use, by individuals having sufficient knowledge, experience and competence from both a medical perspective and a regulatory perspective, for the Commercialization of the Licensed Products in the Partner Territory;

(ii) subsequent to review as described in clause (i) above, any promotional material or promotional literature used by it shall not be misbranded, changed, altered or adulterated by it or any of its Affiliates or agents in any way prior to their distribution or use by such Party or its Sales and Medical Representatives; and

(iii) it will instruct its Sales and Medical Representatives to do, and will use Commercially Reasonable Efforts to train its Sales and Medical Representatives to do, and will establish appropriate internal systems, policies and procedures for the monitoring of its Sales and Medical Representatives with the goal of ensuring that such personnel do, and will certify to the other Party on an annual basis on or before January 31 of each calendar year in the form agreed to by the Compliance Committee that it discloses in all material respects, the following:

(1) limit claims of efficacy and safety for the Licensed Products to those that are (A) consistent with approved promotional claims in, and not add, delete or modify claims of efficacy and safety in the promotion of the Licensed Products in any respect from those claims of efficacy and safety that are contained in, the then effective China Commercialization Plan, (B) consistent with Applicable Law, and (C) consistent with the Licensed Product labeling approved by the applicable Regulatory Authorities;

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(2) use Promotional materials and literature within the Partner Territory only in a manner that is consistent with (i) the then effective China Commercialization Plan (if applicable), (ii) Applicable Law and (iii) the Licensed Product labeling approved by the applicable Regulatory Authorities;

(3) Promote the Licensed Products in compliance with applicable legal and professional standards that are generally accepted by the pharmaceutical industry in the applicable market, the U.S. Foreign Corrupt Practices Act (and foreign equivalents), and, to the extent not inconsistent with the foregoing, such Party's policies communicated in writing to its Sales and Medical Representatives; and

(4) not to, directly or indirectly, pay, promise to pay, or authorize the payment of any money, or give, promise to give, or authorize the giving of anything of value to any official or employee of any government, or of any agency or instrumentality of any government, or to any political party, or official thereof, or to any candidate for political office (including any party, official, or candidate) for the purpose of promoting the sale or improper use of a Licensed Product.

(c) No later than one (1) year prior to the anticipated date of First Commercial Sale of a Licensed Product, the Parties shall establish a compliance working group (the **"Compliance Committee"**) made up of two representatives from each Party (i.e. one legal/compliance representative and one commercial representative). The Compliance Committee shall meet semi-annually to discuss each Party's compliance with this Section 6.4, as well as each Party's existing policies and procedures to ensure such compliance, and shall report to the JCC (or the JDC with respect to a Licensed Product that is not a Co-Promoted Product). In addition, should either Party become aware of any allegation of or actual breach of this Section 6.4, it shall promptly inform all members of the Compliance Committee of: (a) the nature and scope of the allegation and/or breach, and (b) any remedial and/or other action taken in response to the allegation and/or breach. For any allegation or breach that is isolated and/or immaterial, the provision of such information shall be the sole remedy available to the non-disclosing Party.

(d) In the first instance in which a Party identifies a systemic breach of this Section 6.4, the remedy available to the non-breaching Party shall include: (a) with respect to a Licensed Product, the non-breaching Party shall have the right to [*] until such breach is cured if such breach is curable (for which [*] shall apply), (b) the non-breaching Party shall have the right to [*] resulting from such breach, including any [*], and (c) the non-breaching Party shall have the right to [*], and [*]. In the event that any Party engages in a second systemic breach of this Section 6.4 [*], the remedies will include those set forth in clauses (a) and (b) above, as well as the right of the non-breaching Party to seek other remedies at law or in equity, including [*].

(e) Prior to commencement of Commercialization of a Licensed Product by ZAI (or an Affiliate or sublicensee of ZAI), BMS shall have the right to audit (and otherwise conduct due diligence with respect to) ZAI (and/or its sublicensee or Affiliate) with respect to ZAI's policies and procedures to ensure compliance, as well as its history of compliance, with Applicable

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Law and this Section 6.4. In the event that BMS is not satisfied with the results of such audit or diligence, the Parties shall meet to address the issue; provided that (I) [*] unless and until [*], and (II) in the event of any dispute as to whether and how to address such issue that lasts in excess of [*] after written notice from ZAI as to the nature of such a dispute, its position regarding such dispute and its rationale therefor, [*] until the resolution of such dispute.

(f) Without limiting the foregoing, BMS shall have the right to monitor ZAI's (or its Affiliate's or sublicensee's) activities with respect to interactions with health care providers regarding the Development or Commercialization of a Licensed Product, including having representatives of BMS's business control function review records relating to any payments to, or interactions with, health care providers regarding the use of a Licensed Product. In connection with such review, ZAI will make any such records (and personnel having knowledge of such records or payments or interactions) available to BMS from time to time upon reasonable notice (but no more often than [*]).

7. MANUFACTURE AND SUPPLY

7.1 Product Manufacture and Supply. Except as set forth in Section 4.2 above, ZAI shall be responsible for providing, either by itself or through its Affiliates or Third Part contact manufactures, all necessary clinical and commercial supply of the Licensed Product and placebo in conformance with specifications therefor and all Applicable Laws for both Development and Commercialization of the Licensed Product (including fulfilling purchase orders for Licensed Products and placebo) in the Partner Territory. To the extent necessary for the Development of the Licensed Product for the Partner Territory in accordance with this Agreement, ZAI shall obtain all other clinical supplies, and acknowledges and agrees that (i) such clinical supplies shall be manufactured and supplied in accordance with the Good Manufacturing Practice for Drugs (药品生产质量管理规范) promulgated by CFDA, and (ii) ZAI shall be responsible for labeling of such supplies and distribution to clinical sites.

7.2 Costs of Supply. Costs relating to the supply of Licensed Product and placebo that is reasonably necessary to support the Development of the Licensed Product in the Partner Territory shall be borne by ZAI; provided that Manufacturing Costs for the commercial supply of Co-Promoted Products shall be included in Allowable Expenses.

8. FINANCIAL TERMS

8.1 For Licensed Products that are not Co-Promoted Products.

(a) Development Milestones. ZAI shall pay to BMS the following amounts within [*] days following the first occurrence of each of the events set forth in the table below with respect to a Licensed Compound or Licensed Product that has not become a Co-Promoted Product. For purposes of clarity, the milestone payments set forth below shall be payable only upon the first achievement of such milestone, and shall not be payable more than once, regardless of whether more than one Licensed Compound or Licensed Product achieves such milestone.

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US $ [*]	[*]
US $ [*]	[*]
US$[*]	[*]

(b) Sales-Based Milestones. ZAI shall pay to BMS the following amounts within [*] days following the first occurrence of each of the events set forth in the table below with respect to a Licensed Product that has not become a Co-Promoted Product.

US$[*]	Upon reaching US$[*] in total cumulative net sales in the Partner Territory, if such sales threshold is achieved during the first [*] calendar years subsequent to initial commercial launch of the Licensed Product.
US$[*]	Upon reaching US$[*] in net annual sales in the Partner Territory for the first time in any one calendar year.
US$[*]	Upon reaching US$[*] in net annual sales in the Partner Territory for the first time in any one calendar year.
US$[*]	Upon reaching US$[*] in total cumulative net sales in the Partner Territory, if such sales threshold is achieved during the first [*] calendar years subsequent to initial commercial launch of the Licensed Product.

(c) Royalties. ZAI shall pay to BMS a royalty on Net Sales of each Licensed Product (that has not become a Co-Promoted Product) by ZAI, its Affiliates and Sublicensees in the Field in the Partner Territory equal to the following portions of Net Sales multiplied by the applicable royalty rate for such portion:

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Portion of Annual Net Sales	Royalty Rate
Up to but less than US$[*]	[*]%
Equal to or greater than US$[*] and less than or equal to US$[*]	[*]%
Equal to or greater than US$[*]	[*]%

8.2 Profit-Sharing Relating to Co-Promoted Products in the Partner Territory. Unless and until ZAI exercises the ZAI Commercialization Opt-Out pursuant to Section 6.3, the terms and conditions of this Section 8.2 shall govern each Party's rights and obligations with respect to Operating Profits (or Losses) related to Co-Promoted Product(s) in the Partner Territory.

(a) Basic Concepts. ZAI shall book sales of the Licensed Product(s) in the Partner Territory. BMS shall receive [*] of all Operating Profits and bear [*] Operating Losses (as applicable) for the Licensed Product(s) in the Partner Territory; and ZAI shall receive [*] of all Operating Profits and bear [*] of Operating Losses (as applicable) for the Licensed Product(s) in the Partner Territory; provided that specific financial flows shall be agreed by the Parties to effect such overall economic intent. Specifically, the Net Sales of such Licensed Product(s) in the Partner Territory shall be allocated first to reimburse each Party for its Allowable Expenses incurred in accordance with the China Commercialization Plan and Section 6.2(g) for the Licensed Product(s) in the Partner Territory, and any remaining sums, shall be Operating Profit or Operating Loss (as applicable), which shall be shared [*] in accordance with this Section 8.2.

(b) Reports and Payments in General. With respect to the Licensed Product(s) in the Partner Territory, each Party shall report to the other Party, within [*] days after the end of each quarter, Net Sales (in the case of ZAI) and Allowable Expenses incurred by such Party (including any Allowable Expenses incurred by a Party prior to Regulatory Approval of such Product) as set forth in Section 6.2(g) for such Licensed Product(s) during such quarter in the Partner Territory. Each such report shall specify in reasonable detail all deductions allowed in the calculation of such Net Sales and all expenses included in Allowable Expenses, and, if requested by a Party, any invoices or other supporting documentation for any payments to a Third Party that individually exceed [*] or collectively exceed [*] (or such other amount approved by the JCC) shall be promptly provided. Within [*] days after the end of each quarter (or for the last quarter in a year, [*] days after the end of such quarter), ZAI shall reconcile all Net Sales and Allowable Expenses to ascertain whether there is an Operating Profit or an Operating Loss and payments shall be made, and shall provide a report to BMS setting forth in reasonable detail such calculation of Operating Profit or Operating Loss, and make payment or provide invoice to BMS for any reconciling payment as set forth in paragraphs (i) and (ii) below, as applicable.

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(i) If there is an Operating Profit for such quarter, then ZAI shall reimburse BMS for Allowable Expenses incurred by BMS in such quarter and shall pay to BMS an amount equal to [*] the Operating Profit for such quarter, and ZAI shall retain an amount equal to [*] the Operating Profit for such quarter; or

(ii) If there is an Operating Loss for such quarter, then the Party that has borne less than its share of the Operating Loss in such quarter shall make a reconciling payment to the other Party to assure that each Party bears its share of such Operating Loss during such quarter. Specifically:

(1) In the event that BMS has borne Allowable Expenses in excess of [*] of the Operating Loss for such quarter, then ZAI shall make a reconciling payment to BMS in the amount equal to such Allowable Expenses incurred by BMS less BMS's share of the Operating Loss during such quarter, or

(2) In the event that BMS has borne Allowable Expenses less than its share of the Operating Loss for such quarter, then ZAI shall invoice BMS for, and BMS shall pay to ZAI, a reconciling payment owed to ZAI within [*] days subsequent to such invoice, in the amount equal to BMS's share of the Operating Loss less the amount of Allowable Expenses incurred by BMS during such quarter, or

(3) In the event that BMS has borne Allowable Expenses equal to its share of the Operating Loss for such quarter, no reconciling payment will be paid by either Party.

(c) Last Calendar Quarter**.** No separate payment shall be made for the last quarter in any year. Instead, at the end of each such year, a final reconciliation shall be conducted by comparing the share of Operating Profit (or Loss) to which a Party is otherwise entitled for such year pursuant to clause (a) of this Section 8.1 against the sum of all amounts (if any) previously paid or retained by such Party for prior quarters during such year, and the Parties shall make reconciling payments to one another no later than [*] days after the end of such quarter, if and as necessary to ensure that each Party receives for such year its share of Operating Profits and bears its share of Operating Losses in accordance with this Section 8.1.

8.3 In Event of ZAI Opt-Out; Royalty Payments from BMS to ZAI. Following ZAI's exercise of the ZAI Commercialization Opt-Out pursuant to Section 6.3 (if applicable), BMS shall pay to ZAI a royalty on Net Sales of each Licensed Product (that has not become a Co-Promoted Product) by BMS its Affiliates and Sublicensees in the Field in the Partner Territory equal to the following portions of Net Sales multiplied by the applicable royalty rate for such portion:

Portion of Annual Net Sales	**Royalty Rate**
Up to but less than US$[*]	[*]%

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Portion of Annual Net Sales	Royalty Rate
Equal to or greater than US$[*] and less than or equal to US$[*]	[*]%
Equal to or greater than US$[*]	[*]%

8.4 In Event of BMS Exercise of Option to Use Regulatory Data for Development in the Field and in the BMS Territory. In the event that BMS decides to pursue the development of the Licensed Product in the Field and in the BMS Territory pursuant to Section 5.7(b), BMS will make the payments to ZAI as set forth in this Section 8.4.

(a) Upfront Fee. If BMS does not exercise its option to co-Promote a Licensed Product in the Partner Territory pursuant to Section 6.1, BMS shall make a one-time upfront payment of [*] within [*] days of exercising its option pursuant to Section 5.7.

(b) Milestones. BMS shall pay to ZAI the following amounts within [*] days following the first occurrence of each of the events set forth in the table below with respect to a Licensed Compound or Licensed Product. For purposes of clarity, the milestone payments set forth below shall be payable only upon the first achievement of such milestone, and shall not be payable more than once, regardless of whether more than one Licensed Compound or Licensed Product achieves such milestone.

US $ [*]	[*]
US $ [*]	[*]

(c) Royalties. BMs shall pay to ZAI a royalty of [*] of Net Sales of Licensed Products in the Field and in the BMS Territory.

8.5 Royalty Term; Royalty Step Down After Patent Expiration. Royalties payable by either Party shall be payable on a country-by-country basis on Net Sales of Licensed Product from the First Commercial Sale of a Licensed Product in a country until the last to occur of: (i) expiration of the last to expire BMS Patent Rights that contains a Valid Claim covering the Licensed Product; (ii) expiration of any market or data exclusivity for the sale of Licensed Product; or (iii) twelve (12) years from the first commercial sale of the Licensed Product in a country or administrative region (the "**Royalty Term**").

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8.6 Third Party Royalty Payments. In the event that a Party, or its Affiliate or Sublicensee, after the Effective Date and in its reasonable judgment, is required to obtain a license from any Third Party under any patent covering the Licensed Compound in order to import, manufacture, use or sell any Licensed Product in or for the Partner Territory, and if a Party (or its Affiliate or Sublicensee) is required to pay to such Third Party under such license a royalty calculated on sales of the Licensed Product, and the infringement of such patent cannot, in such Party's reasonable belief, be avoided by such Party (or its Affiliate or Sublicensee), or if a Party (or its Affiliate or Sublicensee) is required by a court of competent jurisdiction to pay such a royalty to such a Third Party (and the infringement of such patent cannot, in such Party's reasonable belief, be avoided by such Party or its Affiliate or Sublicensee), then the amount of such Party's royalty obligations under Sections 8.1, 8.3 and/or 8.4 shall be reduced by [*] of the amount of such royalty paid to such Third Party; *provided however*, that the royalties payable under Sections 8.1, 8.3 and/or 8.4 hereof shall not be reduced in any such event below [*] of the amounts set forth in Sections 8.1, 8.3 and/or 8.4, as applicable. Prior to a Party or its Affiliate or Sublicensee exercising its reasonable judgment under this Section 8.6, such Party shall provide the other Party with written notice of a potential need to obtain any license from Third Parties. The Parties shall discuss the best course of action to resolve such potential license requirement(s), *provided* that such discussions shall not limit or delay such Party's or its Affiliate's or Sublicensee's right to exercise its reasonable judgment. For clarity, Third Party royalty payments shall be treated as an Allowable Expense in the event that the Parties are sharing Operating Profit and Losses pursuant to Section 8.2.

Except as set forth above, each Party shall be responsible for paying any and all royalties or other payments that may be payable to any Third Party as a result of such Party's manufacture, use or sale of the Licensed Compound or Licensed Product in or for the Partner Territory (or, with respect to BMS, the BMS Territory).

8.7 Royalty Conditions. The royalties under Sections 8.1, 8.3 and/or 8.4 shall be subject to the following conditions:

(a) only one (1) royalty shall be due with respect to each unit of Licensed Product without regard to whether there is more than one Valid Claim Covering such Licensed Product;

(b) no royalties shall be due upon the sale or other transfer among ZAI (or BMS, as applicable), its Affiliates, or Sublicensees, but in such cases the royalty shall be due and calculated upon ZAI's (or BMS', as applicable) or its Affiliate's or Sublicensee's Net Sales of Licensed Product to the first independent Third Party; and

(c) no royalties shall accrue on the disposition of Licensed Product in reasonable quantities by ZAI (or BMS, as applicable), its Affiliates or Sublicensees as part of an expanded access program, that are used in clinical trials, or as donations to non-profit institutions or government agencies for non-commercial purposes, *provided*, in each case, that neither ZAI (or BMS, as applicable), its Affiliate or Sublicensees receives any payment (in excess of its actual costs) for such Licensed Product.

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8.8 Manner of Payment. All payments to be made by a Party hereunder shall be made in U.S. Dollars by wire transfer of immediately available funds to such bank account as shall be designated by the receiving Party. Except as otherwise provided in this Agreement, all payments to be made by a Party under this Agreement shall be due within [*] days of the date of invoice. Late payments shall bear interest at the rate provided in Section 8.13.

8.9 Sales Reports and Royalty Payments.

(a) Any royalty payments due under this Agreement will be calculated and reported for each calendar quarter, and will be paid within [*] days of the end of each calendar quarter in which the applicable Net Sales were recorded.

(b) Each royalty payment will be accompanied by a report stating on a Licensed Product-by-Licensed Product: (i) Net Sales of the Licensed Product in the applicable calendar quarter, (ii) a calculation of the amount of the royalty payment due in Dollars (as applicable per Section 8.8) on such Net Sales during the applicable quarter, and (iii) the amount of withholding taxes, if any, required by Applicable Law to be deducted with respect to such royalties. The report will express the value of all sales in Dollars. The Party making the royalty payment under Sections 8.1, 8.3 and/or 8.4 will convert any non-Dollar currencies into Dollars with the exchange rate it uses in preparing its financial statements for the applicable reporting period.

(c) Each Party will maintain records as are required to determine, in accordance with this Agreement, Net Sales and the sums or credits due under this Agreement. Each Party will maintain such records until the later of (a) [*] years after the end of the period to which such records pertain and (b) the expiration of the applicable tax statute of limitations (or any extensions thereof), or for such longer period as may be required by Applicable Law.

(d) If no royalty or payment is due for any royalty period hereunder, the royalty report shall so report.

8.10 Financial Record Audit. On [*] days prior written notice, a Party will have the right to have an independent certified public accountant inspect the financial records of the other Party and its Affiliates and their Sublicensees relating to the sale or manufacturing activities in connection with the Commercialization of Licensed Product in the Partner Territory (or BMS Territory if BMS is obligated to pay ZAI under Section 8.4), no more than [*], during usual business hours, at a time and a place mutually agreed to, for the sole purpose of verifying the completeness and accuracy of Net Sales, Allowable Expenses, Operating Profit (or Loss), and payments that are made under this Agreement (including, as applicable, royalty payments and any payments under Section 8.1) during the period of time [*] years preceding the date of the notice. The notice must identify the period of time subject to inspection; records from a period of time already subject to an inspection pursuant to this section may not be inspected again. Such accountant must have agreed in writing to maintain the confidentiality of all information learned in confidence, except as necessary to disclose to a Party such compliance or noncompliance by the other Party. The auditing Party shall pay for such inspections, unless such inspection and audit discloses for any period examined that

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there is a discrepancy of greater than [*] in the auditing Party's favor between the amounts that the audited Party reported and the amounts it actually paid in any given year, in which case the audited Party will be responsible for the payment of the reasonable cost of such inspection and audit. Each Party and its independent accounting firm agree that all information concerning such payments and reports will be Confidential Information as provided for in this Agreement. The audited Party will pay to the auditing Party within [*] days any underpayment identified pursuant to this Section 8.10.

8.11 Currency Exchange. With respect to Net Sales invoiced in a currency other than Dollars, the Net Sales shall be expressed in the domestic currency of the entity making the sale, together with the Dollar equivalent (as applicable), calculated using the rate of exchange to be used in computing the amount of currency equivalent in Dollars payable by the reporting Party for its own financial reporting purposes in connection with its other products.

8.12 Taxes. The Party receiving payments shall pay any and all taxes required by law that are levied on the payments it receives under this Agreement. If laws or regulations require that taxes be withheld, the paying Party shall (a) deduct those taxes from the remittable payment, (b) pay the taxes to the proper taxing authority and (c) send evidence of the obligation together with proof of payment to the other Party within [*] days following that payment. Each Party agrees to cooperate with the other Party in claiming exemption from such deductions or withholdings under any relevant agreement or treaty which is in effect and, to the extent permitted by Applicable Laws, minimizing the amount of tax payable with respect to payments received under this Agreement. In addition, the Parties shall cooperate in accordance with Applicable Law to minimize indirect taxes (such as value added tax, sales tax, consumption tax and other similar taxes) in connection with this Agreement. Notwithstanding the foregoing, in the event that payments are made by ZAI other than from the U.S. or Hong Kong, then ZAI shall, in addition to complying with the foregoing, pay an amount to BMS such that when any taxes that are required to be withheld have been deducted, BMS receives that amount that it would have received had the payment been made from the U.S. or Hong Kong. BMS shall make claims in respect of the resulting tax credits and, if BMS is able to use such tax credits, BMS shall notify ZAI of its use of the resulting tax credit. BMS shall reimburse ZAI for any tax withholding made as provided above to the extent BMS is able to use the resulting tax credits attributable to such withholding taxes

8.13 Interest Due. Without limiting any other rights or remedies available to a Party hereunder, interest shall be payable on any payments that are not paid on or before the date [*] days after the date such payments are due under this Agreement at an annual rate (calculated on a monthly basis) of [*] above the one (1) month London Interbank Offered Rate (LIBOR) of the month during which such payments are overdue, or the maximum applicable legal rate, if less, calculated on the total number of days payment is delinquent.

9. REPRESENTATIONS AND WARRANTIES; DISCLAIMER; LIMITATION OF LIABILITY

9.1 Mutual Representations and Warranties. Each Party represents and warrants to the other Party that:

(a) It is duly organized, validly existing and in good standing under the laws of the jurisdiction in which it is incorporated;

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(b) It has all requisite corporate power and authority to enter into this Agreement and to perform its obligations under this Agreement;

(c) The execution of this Agreement and the performance by such Party of its obligations hereunder have been duly authorized;

(d) This Agreement is legally binding and enforceable on such Party in accordance with its terms; and

(e) The performance of this Agreement by it does not create a material breach or material default under any other agreement to which it is a Party.

9.2 Representations and Warranties of BMS. BMS represents and warrants that as of the Effective Date:

(a) BMS is the sole owner of the BMS Patent Rights, clear of all liens, and has the right to grant to ZAI the rights and licenses granted hereunder;

(b) To BMS' knowledge, (i) there is no pending or threatened litigation or arbitration which alleges, or any written communication alleging, that BMS' activities with respect to the BMS Patent Rights or the Licensed Compound have infringed or misappropriated any of the intellectual property rights of any Third Party with respect to the Partner Territory, and (ii) there is no pending or threatened re-examination, opposition, interference or litigation, or any written communication alleging that any BMS Patent is invalid or unenforceable anywhere in the Partner Territory;

(c) To BMS' knowledge, the manufacture, Development or Commercialization of the Licensed Compound does not and will not infringe or otherwise conflict with any intellectual property rights or other rights of any Third Party in the Partner Territory;

(d) BMS is not aware of any infringement or misappropriation of any BMS Patent Rights or any BMS Know-How by any Third Party in the Partner Territory;

(e) BMS (and to its knowledge any Third Party acting under its authority) has complied with all Applicable Laws in connection with its development of the Licensed Compounds (including information and data provided to Regulatory Authorities);

(f) BMS has not granted, and will not grant during the Term, any rights in the BMS Patents and/or the BMS Know-How that are inconsistent with the rights granted to ZAI under this Agreement; and

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(g) To BMS's knowledge, other than the BMS Patent Rights, BMS does not Control any Patent that is reasonably necessary for the manufacture, Development or Commercialization of the Licensed Compound or Licensed Product in the Partner Territory or that Covers (i) the composition of matter of the Licensed Compound or Licensed Product, or (ii) a method of manufacture or use of the Licensed Compound or Licensed Product. If BMS identifies any Patent that it Controls after the Effective Date which is necessary for the Development or Commercialization of the Licensed Compound or Licensed Product in the Partner Territory or that Covers (A) the composition of matter of the Licensed Compound, or (B) a method of manufacture or use of the Licensed Compound or Licensed Product, then such Patent shall automatically be added to the list of BMS Patent Rights.

(h) All of its activities related to its use of the BMS Patent Rights and BMS Know-How, and the manufacture, Development and Commercialization of the Licensed Compounds and Licensed Product(s), pursuant to this Agreement shall comply with all Applicable Law.

9.3 Representations and Warranties of ZAI. ZAI represents, warrants and covenants that:

(a) It shall not knowingly engage in any activities that use the BMS Patent Rights and/or BMS Know-How in a manner that is outside the scope of the license rights granted to it hereunder;

(b) It has sufficient resources, including without limitation, qualified personnel and access to Approved Contractors with the requisite skill and expertise, to conduct the Development activities set forth in the Partner Development Plan;

(c) To ZAI's knowledge as of the Effective Date, it is in good standing with all Approved Contractors listed on Schedule 5.9;

(d) To ZAI's knowledge as of the Effective Date, [*];

(e) As of the Effective Date, there are no pending or threatened actions, suits or proceedings against ZAI that would limit or impair ZAI's ability to perform its obligations under this Agreement;

(f) As of the Effective Date, and without any obligation to investigate, ZAI is not aware of any intellectual property rights of a Third Party which would be infringed by the making, using or selling of the Licensed Product in the Partner Territory;

(g) Prior to any employees, agents and representatives of ZAI or ZAI's Affiliates, or any Third Parties being granted access by ZAI to the Licensed Compounds, Data or Confidential Information of BMS, ZAI shall have executed agreements with such Persons providing for intellectual property rights protection consistent with the terms of this Agreement and for protection of Confidential Information of BMS, and ZAI covenants to take all reasonable actions to enforce the terms of such agreements against such Persons;

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(h) As of the Effective Date, it has not received any written notice that any governmental authority has commenced, or, to its knowledge, threatened in writing to commence any action against ZAI based on ZAI's failure to comply with Applicable Law; and

(i) All of its activities related to its use of the BMS Patent Rights and BMS Know-How, and the Development and Commercialization of the Licensed Compounds and Licensed Product(s), pursuant to this Agreement shall comply with all Applicable Law.

9.4 Disclaimer. EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT, NEITHER PARTY MAKES ANY REPRESENTATIONS OR WARRANTIES OF ANY KIND, EITHER EXPRESS OR IMPLIED, INCLUDING ANY EXPRESS OR IMPLIED WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE WITH RESPECT TO ANY PATENT RIGHTS, CONFIDENTIAL INFORMATION OR KNOW-HOW OF SUCH PARTY OR ANY LICENSE GRANTED BY SUCH PARTY HEREUNDER, OR WITH RESPECT TO ANY COMPOUNDS, INCLUDING BUT NOT LIMITED TO THE TRANSFERRED MATERIALS. FURTHERMORE, EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT, NEITHER PARTY MAKES ANY REPRESENTATIONS OR WARRANTIES THAT ANY PATENT, PATENT APPLICATION, OR OTHER PROPRIETARY RIGHTS INCLUDED IN PATENT RIGHTS, CONFIDENTIAL INFORMATION OR KNOW-HOW LICENSED BY SUCH PARTY TO THE OTHER PARTY HEREUNDER ARE VALID OR ENFORCEABLE OR THAT USE OF SUCH PATENT RIGHTS, CONFIDENTIAL INFORMATION OR KNOW-HOW CONTEMPLATED HEREUNDER DOES NOT INFRINGE ANY PATENT RIGHTS OR OTHER INTELLECTUAL PROPERTY RIGHTS OF ANY THIRD PARTY.

9.5 Limitation of Liability. NOTWITHSTANDING ANYTHING IN THIS AGREEMENT OR OTHERWISE, NEITHER PARTY SHALL BE LIABLE TO THE OTHER WITH RESPECT TO ANY SUBJECT MATTER OF THIS AGREEMENT, WHETHER UNDER ANY CONTRACT, NEGLIGENCE, STRICT LIABILITY OR OTHER LEGAL OR EQUITABLE THEORY, FOR ANY INCIDENTAL, INDIRECT, SPECIAL, EXEMPLARY, PUNITIVE, MULTIPLE, OR CONSEQUENTIAL DAMAGES *PROVIDED, HOWEVER*, THAT THE FOREGOING SHALL NOT LIMIT (i) A PARTY'S INDEMNIFICATION OBLIGATIONS HEREUNDER AND (ii) SHALL NOT APPLY TO ANY BREACH BY EITHER PARTY OF SECTION 2.5 OR ARTICLE 11 HEREOF.

10. INTELLECTUAL PROPERTY

10.1 Ownership of Inventions.

(a) The inventorship of all Inventions shall be determined under the U.S. patent laws.

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 406 of the Securities Act of 1933, as amended.

(b) Each Party shall own any Sole Inventions, [*], that are invented by it hereunder, and shall have the sole right to prosecute maintain and enforce any such Patents.

(c) [*] shall own, and [*] hereby assigns to [*] at [*] sole costs and expenses, all right, title and interest in and to any [*] Inventions (and Patents covering such [*] Inventions) that are [*] Sole Inventions or Joint Inventions. [*] shall have the first right to prosecute, maintain and enforce any Patents covering such [*] Inventions subject to [*] and shall not (i) abandon, withdraw, invalidate or assign its right, title and interest in and to any [*] Inventions [*] that are assigned by [*] to [*] or (ii) otherwise cease to file, prosecute or maintain Patents claiming [*] Inventions [*] without [*] prior written consent (which shall not be unreasonably withheld). If a [*] Invention is assigned to [*] under the foregoing provision, then such [*] Invention and Patent claiming such [*] Invention shall be [*] of which [*] hereof without requiring [*].

(d) With respect to any Invention which is a Joint Invention and that is [*] BMS and ZAI shall jointly own such Invention and Patent claiming such Invention, and shall consult with each other and agree with respect to the prosecution, and maintenance and enforcement of any Patent(s) covering such Joint Inventions. Each of BMS and ZAI may use such Invention and Patent claiming such Invention without any consent of, or accounting to, the other.

(e) Notwithstanding Section 10.1(c), with respect to any Invention which is a [*] Sole Invention and that is [*], [*] shall own such Invention and Patent claiming such Invention and shall have the sole right to prosecute, maintain and enforce Patents covering such Inventions. [*].

(f) To facilitate the Parties' intent hereunder, the Parties shall use reasonable efforts to separate Inventions described in clauses (b) through (e) above into separate and distinct patent filings.

10.2 Disclosure. [*] shall submit a written report to the JDC no less frequently than within sixty (60) days of the end of each quarter describing any [*] Invention made by [*] arising during the prior quarter in the course of exercising the rights and/or abiding by the obligations hereunder which [*] is aware of and believes may be patentable or at such earlier time as may be necessary to preserve patentability of such [*] Invention. [*] shall, at [*] sole costs and expenses, provide to [*] such assistance and execute such documents as are reasonably necessary to (i) permit the filing and prosecution of such patent application to be filed on such [*] Invention, or the issuance, maintenance or extension of any resulting Patent, and/or (ii) effect the assignment of any right, title and interest in any such [*] Invention to [*].

10.3 Prosecution and Maintenance of BMS Patent Rights. BMS shall file, prosecute and maintain in the Partner Territory the BMS Patent Rights. Such filing, prosecution and maintenance of the BMS Patent Rights shall be at BMS' sole expense. BMS shall keep ZAI reasonably informed on the status of any BMS Patent Rights in the Partner Territory. Without limiting the generality of the foregoing, BMS shall provide ZAI with notice of any change to any status of any BMS Patent Rights (including by way of example filing, publication, issuance,

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divisions, continuations, continuations-in-part, reissues, renewals, extensions, supplementary protection certificates, withdrawal, cancellation, abandon, invalidation, revocation and the like) to the extent that such change is reasonably likely to have a material impact on the Commercialization of Licensed Products in the Partner Territory and shall provide ZAI with all drafts of all proposed material filings and correspondence to any patent authorizes in the Partner Territory relating to the BMS Patent Rights for ZAI's review and comment prior to submission. If BMS decides to cease the prosecution or maintenance of any BMS Patent Rights in the Partner Territory, it shall notify ZAI in writing sufficiently in advance. ZAI may, at its discretion, assume the rights to the prosecution or maintenance of such BMS Patent Rights in the Partner Territory, at ZAI's sole expense by informing BMS in writing within sixty (60) days after receiving such notification from BMS, in which event BMS shall assign to ZAI all rights and interests in and to such BMS Patent Rights in the Partner Territory.

10.4 Enforcement of BMS Patent Rights.

(a) In the event that either Party becomes aware of a suspected infringement or misappropriation in the Field within the Partner Territory by a Third Party of BMS Patent Rights, such Party shall notify the other Party promptly. Subject to Section 10.4(b), [*] shall have the first right, but not the obligation, to bring an enforcement action against any such Third Party or to defend any declaratory judgment proceedings in connection with such suspected infringement at its own expense, in its own name and entirely under its own direction and control, and, to the extent commercially reasonable, shall use diligent efforts to eliminate such infringement, regardless of which Party first becomes aware of any such infringement. In the event that [*] fails to take reasonable measures to stop such infringing activities and fails to bring an enforcement action against such Third Party within [*] days of a request by [*] to do so, [*] may, [*], bring an enforcement action against such Third Party at [*] expense.

(b) In the event [*], [*] shall have the first right, but not the obligation, and in any case upon the written consent of BMS which shall not be unreasonably withheld, to bring an enforcement action against any Third Party for any suspected infringement or misappropriation of the BMS Patent Rights in the Field within the Partner Territory or to defend any declaratory judgment proceedings in connection with such suspected infringement at its own expense, in its own name and entirely under its own direction and control, and, to the extent commercially reasonable, shall use diligent efforts to eliminate such infringement, regardless of which Party first becomes aware of any such infringement. In the event that [*] fails to take reasonable measures to stop such infringing activities and fails to bring an enforcement action against such Third Party within [*] days of a request by [*] to do so, [*] may bring an enforcement action against such Third Party at [*] expense.

(c) The enforcing Party shall keep the non-enforcing Party reasonably informed on the status of any enforcement actions or proceedings conducted hereunder. The non-enforcing Party shall reasonably assist the enforcing Party (at the enforcing Party's expense) in such actions or proceedings if so requested, and the enforcing Party shall reimburse the non-enforcing Party for all external expenses incurred in providing such assistance and shall hold the non-enforcing Party harmless from any liability incurred by the non-enforcing Party arising out of its participation or assistance in any such proceedings or actions at the enforcing Party's request. The non-enforcing Party shall have the right, but not the obligation, to participate and be represented in any such suit by its own counsel at its own expense.

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10.5 Defense of Third Party Claims. If a claim is brought by a Third Party against a Party (a "**Defendant Party**") in the Partner Territory that any activity related to work performed by such Party under this Agreement and in the Partner Territory infringes the intellectual property rights of any Third Party, the Defendant Party shall give prompt written notice to the other Party of such claim, and following such notification, [*] shall be responsible, at its sole discretion, for acquiring licenses under such Third Party patent(s) by settlement or for the defense against such enforcement actions brought by the Third Party so that the Parties are eligible to exercise any rights granted or perform any obligations hereunder, and shall hold [*] harmless from any liability, including without limitation any royalty payment to the Third Party incurred by [*] arising out of any such proceedings or actions. [*] shall keep [*] fully informed with respect to the settlement or defense of any such Third Party claim. If [*] is a Defendant Party, [*] shall have the right to participate and be represented in any such suit by its own counsel at its own expense. Notwithstanding anything to the contrary, any settlement of any Third Party claim or any Third Party license entered into by a Party pursuant to this Section 10.5 shall be subject to approval by both Parties.

11. NONDISCLOSURE OF CONFIDENTIAL INFORMATION

11.1 Nondisclosure. Each Party agrees that, for so long as this Agreement is in effect and for a period of [*] years thereafter, a Party (the "**Receiving Party**") receiving or possessing Confidential Information of the other Party (the "**Disclosing Party**") (or that has received any such Confidential Information from the other Party prior to the Effective Date) shall, and shall cause its employees, representatives, Affiliates, consultants, Approved Contractors, agents and Sublicensees to, (i) maintain in confidence such Confidential Information using not less than the efforts such Receiving Party uses to maintain in confidence its own proprietary industrial information of similar kind and value (but no less than reasonable care), (ii) not disclose such Confidential Information to any Third Party without the prior written consent of the Disclosing Party, except for disclosures expressly permitted below, and (iii) not use such Confidential Information for any purpose except those permitted by this Agreement, including in connection with exercising its rights or fulfilling its obligations under this Agreement (it being understood that this clause (iii) shall not create or imply any rights or licenses not expressly granted under Article 2 hereof). Each Receiving Party shall be responsible for any breach of these obligations by any of its employees, representatives, Affiliates, consultants, Approved Contractors, agents and Sublicensees to which it discloses or provides access to any Confidential Information of the Disclosing Party. Each Receiving Party shall take all reasonable action under Applicable Law to enforce the confidentiality obligations hereunder against any employees, representatives, Affiliates, consultants, Approved Contractors, agents and Sublicensees to which it discloses or provides access to any Confidential Information of the Disclosing Party.

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(a) Confidentiality of BMS Know-How for Disclosure Purposes. During such time as the license to the BMS Know-How granted under Section 2.1 is in effect, solely for disclosure purposes to Third Parties, the BMS Know-How shall be deemed to be Confidential Information of both BMS and ZAI under Article 11, both BMS and ZAI shall be deemed to be a Disclosing Party of the BMS Know-How under Article 11, and BMS and its Affiliates shall be deemed not to have known such BMS Know-How prior to disclosure for the purposes of Section 11.1(b)(ii). Other than for disclosure purposes to Third Parties, the BMS Know-How shall solely be the Confidential Information of BMS.

(b) Exceptions. The obligations in Section 11.1 shall not apply with respect to any portion of the Confidential Information that the Receiving Party can show by competent proof:

(i) is publicly disclosed by the Disclosing Party, either before or after it is disclosed to the Receiving Party hereunder; or

(ii) was known to the Receiving Party or any of its Affiliates, without any obligation to keep it confidential or any restriction on its use, prior to disclosure by the Disclosing Party; or

(iii) is subsequently disclosed to the Receiving Party or any of its Affiliates by a Third Party lawfully in possession thereof and without any obligation to keep it confidential or any restriction on its use; or

(iv) is published by a Third Party or otherwise becomes publicly available or enters the public domain other than through any act or omission of the Receiving Party in breach of this Agreement, either before or after it is disclosed to the Receiving Party; or

(v) has been independently developed by employees or contractors of the Receiving Party (excluding [*]) or any of its Affiliates without the aid, application or use of Confidential Information of the Disclosing Party as demonstrated by documented evidence prepared contemporaneously with such independent development.

Notwithstanding the definition of "Confidential Information" in Section 1.18, all Data generated in the performance of the Partner Development Plan shall be [*].

11.2 Authorized Disclosure. The Receiving Party may disclose Confidential Information belonging to the Disclosing Party to the extent (and only to the extent) such disclosure is reasonably necessary in the following instances:

(a) preparing, filing or prosecuting Patents;

(b) preparing, filing or prosecuting Regulatory Materials;

(c) prosecuting or defending litigation;

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(d) subject to Section 11.4, complying with Applicable Law (including, without limitation, the rules and regulations of any national securities exchange, regulations of the State Administration of Foreign Exchange of the People's Republic of China, and the State Intellectual Property Office of the People's Republic of China) and with judicial process, if in the reasonable opinion of the Receiving Party's counsel, such disclosure is necessary for such compliance, *provided* that the Receiving Party shall promptly notify the other Party of such required disclosure so that the Disclosing Party can seek a protective order or other appropriate remedies and, at the Disclosing Party's request and expense, reasonably assist the Disclosing Party in seeking such protective order or other reasonable remedies; and

(e) disclosure (i) in connection with the performance of this Agreement and solely on a "need to know basis", to Affiliates; potential or actual collaborators (including potential Sublicensees); or employees, contractors, or agents; or (ii) solely on a "need to know basis" to potential or actual investment bankers, consultants, advisors, investors, partners, collaborators, lenders, or acquirers; each of whom in the case of clause (i) or (ii) prior to disclosure must be bound by written obligations of confidentiality and non-use no less restrictive than the obligations set forth in this Article 11; *provided, however*, that the Receiving Party shall remain responsible for any failure by any Person to which it discloses or provides access to Confidential Information of the Disclosing Party pursuant to this Article 11 to treat such Confidential Information as required under this Article 11. Notwithstanding anything in this Agreement to the contrary, ZAI may, in its sole discretion, disclose [*] in connection with the performance of this Agreement in non-confidential corporate presentations.

If and whenever any Confidential Information is disclosed in accordance with this Section 11.2, such disclosure shall not cause any such information to cease to be Confidential Information except to the extent that such disclosure results in a public disclosure of such information (otherwise than by breach of this Agreement). Where reasonably possible and subject to Section 11.4, the Receiving Party shall notify the Disclosing Party of the Receiving Party's intent to make such disclosure pursuant to paragraphs (a) through (d) of this Section 11.2 sufficiently prior to making such disclosure so as to allow the Disclosing Party adequate time to take whatever action it may deem appropriate to protect the confidentiality of its Confidential Information subject to such disclosure.

11.3 Terms of this Agreement. The Parties acknowledge that the terms of this Agreement shall be treated as Confidential Information of both Parties.

11.4 Prior CDA. This Agreement supersedes the Confidentiality Agreement between the Parties effective [*] (the "**Prior CDA**") with respect to information disclosed thereunder. All information exchanged between the Parties under the Prior CDA shall be deemed Confidential Information of the disclosing Party and shall be subject to the terms of this Article 11.

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11.5 Securities Filings. In the event either Party proposes to file with the Securities and Exchange Commission or the securities regulators of any state, country, province or other jurisdiction a registration statement or any other disclosure document which describes or refers to this Agreement under the Securities Act of 1933, as amended, the Securities Exchange Act, of 1934, as amended, or any other Applicable Law, the Party shall notify the other Party of such intention and shall provide such other Party with a copy of relevant portions of the proposed filing not less than five (5) business days prior to such filing (and any revisions to such portions of the proposed filing a reasonable time prior to the filing thereof), including any exhibits thereto relating to this Agreement, and shall use reasonable efforts to obtain confidential treatment of any information concerning this Agreement that such other Party requests be kept confidential, and shall only disclose Confidential Information of the Disclosing Party which it is advised by counsel is legally required to be disclosed. No such notice shall be required under this Section 11.4 if the substance of the description of or reference to this Agreement contained in the proposed filing has been included in any previous filing made by the other Party hereunder or otherwise approved by the other Party.

11.6 Publication.

(a) Publication by BMS. BMS may publish or present data and/or results relating to the Licensed Compound or Licensed Product(s) and generated pursuant to this Agreement in scientific journals and/or at scientific conferences, subject to the prior review, comment and approval by ZAI, which approval shall not be unreasonably withheld. ZAI shall provide any comment or approval to BMS within [*] days of receiving the applicable proposed publication or presentation materials. In the event ZAI fails to provide comment or approval within such [*] day period, BMS may proceed with such proposed publication and approval without further notice to ZAI. For clarity, BMS may publish or present data generated pursuant to this Agreement [*] if [*]; provided that the Parties shall coordinate any such publication, taking into account any intention of ZAI to publish such data (as it relates to the Partner Territory) in accordance with clause (b) of this Section 11.6 below.

(b) Publication by ZAI. ZAI may, and may authorized clinical investigators engaged by ZAI in performing the Development activities hereunder to, publish or present data and/or results relating to a Licensed Compound or Licensed Product and generated pursuant to this Agreement in scientific journals and/or at scientific conferences, subject to the prior review, comment and approval by BMS, which approval shall not be unreasonably withheld. BMS shall provide any comment or approval to ZAI within [*] days of receiving the applicable proposed publication or presentation materials. In the event BMS fails to provide comment or approval within such [*] day period, ZAI may proceed with such proposed publication and approval without further notice to BMS.

12. INDEMNITY AND LIABILITY

12.1 ZAI Assumption of Liability. ZAI hereby assumes all liability for any claims, damages, losses, suits, proceedings, liabilities, costs (including, without limitation, reasonable legal expenses, costs of litigation and reasonable attorney's fees) or judgments, whether for money or equitable relief, of any kind, arising out of any claim, action, lawsuit or other proceeding brought by a Third Party ("**Losses**") arising out of its activities conducted in the Partner Territory pursuant to the rights granted to it by BMS pursuant to this Agreement *except for* Losses subject to Section 12.2 below or the supply agreement under Section 7.1(b). In particular, BMS shall have no liability relating to the conduct of clinical trials (or injuries arising therefrom); *except* for Losses subject to Section 12.2 below or the supply agreement under Section 7.1(b).

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 406 of the Securities Act of 1933, as amended.

12.2 Mutual Indemnification.

(a) Subject to Section 12.3, each Party hereby agrees to indemnify, defend and hold harmless the other Party, its Affiliates, and their respective directors, employees and agents from and against any and all Losses resulting from any: (a) breach of warranty by the indemnifying Party contained in the Agreement; (b) breach of the Agreement or applicable law by such indemnifying Party; (c) negligence or willful misconduct of the indemnifying Party, its Affiliates or (sub)licensees, or their respective directors, employees and agents in the performance of the Agreement; and/or (d) breach of a contractual or fiduciary obligation owed by it to a Third Party (including misappropriation of trade secrets).

(b) In the event that the Parties are co-promoting Licensed Products in the Partner Territory, any Losses resulting from the manufacture, use, handling, storage, sale or other disposition of Licensed Products for Commercialization in the Partner Territory by a Party or its Affiliates, agents or Sublicensees with respect to which neither Party owes an indemnification obligation under Section 12.2(a) shall be included as a Commercialization Cost, if incurred after Regulatory Approval of A Licensed Product to which such Loss relates.

12.3 Indemnification Procedure. A claim to which indemnification applies under Section 12.2 shall be referred to herein as an "**Indemnification Claim**". If any Person or Persons (collectively, the "**Indemnitee**") intends to claim indemnification under this Article 12, the Indemnitee shall notify the other Party (the "**Indemnitor**") in writing promptly upon becoming aware of any claim that may be an Indemnification Claim (it being understood and agreed, however, that the failure by an Indemnitee to give such notice shall not relieve the Indemnitor of its indemnification obligation under this Agreement except and only to the extent that the Indemnitor is actually prejudiced as a result of such failure to give notice). The Indemnitor shall have the right to assume and control the defense of the Indemnification Claim at its own expense with counsel selected by the Indemnitor and reasonably acceptable to the Indemnitee, *provided, however*, that an Indemnitee shall have the right to retain its own counsel, with the fees and expenses to be paid by the Indemnitee, if representation of such Indemnitee by the counsel retained by the Indemnitor would be inappropriate due to actual or potential differing interests between such Indemnitee and any other party represented by such counsel in such proceedings. If the Indemnitor does not assume the defense of the Indemnification Claim as aforesaid, the Indemnitee may defend the Indemnification Claim but shall have no obligation to do so. The Indemnitee shall not settle or compromise the Indemnification Claim without the prior written consent of the Indemnitor, and the Indemnitor shall not settle or compromise the Indemnification Claim in any manner which would have an adverse effect on the Indemnitee's interests (including without limitation any rights under this Agreement or the scope or enforceability of the BMS Patent Rights or BMS Know-How) and shall not admit liability or wrongdoing on the part of either Party or its Affiliates, without the prior written consent of the Indemnitee, which consent, in each case, shall not be unreasonably withheld or delayed. The Indemnitee shall reasonably cooperate with the Indemnitor at the Indemnitor's expense and shall make available to the Indemnitor all pertinent information under the control of the Indemnitee, which information shall be subject to Article 11.

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13. TERM AND TERMINATION

13.1 Term. This Agreement shall commence as of the Effective Date and, unless sooner terminated in accordance with the terms hereof or by mutual written consent, shall continue unless and until the earliest to occur of (1) termination pursuant to this Agreement, (2) there are no payments due hereunder for a period of twelve (12) consecutive months after first commercial sale of a Licensed Product or Co-Promoted in the Partner Territory, or (3) the Parties' mutual written consent.

13.2 Termination By BMS.

(a) Termination by BMS for Insolvency of ZAI. BMS shall have the right to terminate this Agreement with respect to any or all licenses granted to ZAI pursuant to Article 2 of this Agreement, at BMS' sole discretion, upon delivery of written notice to ZAI in the event that (i) ZAI files in any court or agency pursuant to any statute or regulation of any jurisdiction a petition in bankruptcy or insolvency or for reorganization or similar arrangement for the benefit of creditors or for the appointment of a receiver or trustee of ZAI or its assets, (ii) ZAI is served with an involuntary petition against it in any insolvency proceeding, and upon the [*] day after such service, such involuntary petition has not been stayed or dismissed, or (iii) ZAI makes an assignment of substantially all of its assets for the benefit of its creditors.

(b) Termination by BMS for Breach by ZAI.

(i) Breach of this Agreement. Subject to Section 13.2(b)(ii) below, BMS shall have the right to terminate this Agreement with respect to any or all licenses granted to ZAI pursuant to Article 2 of this Agreement, at BMS' sole discretion, upon delivery of written notice to ZAI in the event of any material breach by ZAI of any terms and conditions of this Agreement, *provided* that such breach has not been cured within [*] days after written notice thereof is given by BMS to ZAI (the "**Cure Period**") specifying the nature of the alleged breach, *provided, however*, that to the extent such material breach involves the failure to make a payment when due, such breach must be cured within [*] days after written notice thereof is given by BMS to ZAI. Notwithstanding the foregoing, in the event a material breach by ZAI (other than a breach that involves the failure to make a payment when due) cannot reasonably be cured within the [*] day period after written notice thereof is given by BMS to ZAI, this Agreement shall continue and shall not be terminated for a period reasonably required by ZAI to cure such breach, so long as ZAI is undertaking in good faith the steps and following the timelines specified in writing by BMS to reasonably cure said breach. If, however, at any time after the initial [*] day period ZAI ceases to use diligent efforts to take the agreed upon steps to cure the breach, BMS may terminate this Agreement immediately upon written notice to ZAI.

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(ii) Disputed Breach. If ZAI disputes in good faith the existence or materiality of a breach specified in a notice provided by BMS pursuant to Section 13.2(b)(i), and ZAI provides notice to BMS of such dispute within the applicable [*] day or [*] day period, BMS shall not have the right to terminate this Agreement unless and until the existence of such material breach or failure by ZAI has been determined in accordance with Section 14.2 and ZAI fails to cure such breach within [*] days following such determination (except to the extent such breach involves the failure to make a payment when due, which breach must be cured within [*] days following such determination). It is understood and acknowledged that during the pendency of such a dispute, all of the terms and conditions of this Agreement shall remain in effect and the Parties shall continue to perform all of their respective obligations hereunder. The Parties further agree that any payments that are made by one Party to the other Party pursuant to this Agreement pending resolution of the dispute shall be promptly refunded if an arbitrator or court determines pursuant to Section 14.2 that such payments are to be refunded by one Party to the other Party. In the case where the material breach (other than a breach that involves the failure to make a payment when due or arising from Section 6.4) cannot reasonably be cured within the [*] day period after written notice thereof is given by BMS to ZAI, the Agreement shall continue and shall not be terminated for a period reasonably required by ZAI to cure such breach, so long as ZAI is undertaking in good faith the steps and following the timelines specified in writing by BMS to reasonably cure said breach. If, however, at any time after the initial [*] day period BMS ceases to use diligent efforts to take the agreed upon steps to cure the breach, BMS may terminate this Agreement immediately upon written notice to ZAI.

13.3 Termination by ZAI.

(a) Termination by ZAI for Convenience. At any time subsequent to [*], ZAI may terminate this Agreement upon [*] written notice to BMS.

(b) Termination by ZAI For Breach by BMS. ZAI may terminate this Agreement in the event of material breach by BMS, *provided* that such breach has not been cured within [*] days after written notice thereof is given by ZAI to BMS, *provided, however*, that to the extent such material breach involves the failure to make a payment when due, such breach must be cured within [*] days after written notice thereof is given by ZAI to BMS. Notwithstanding the foregoing, if BMS disputes in good faith the existence or materiality of such breach and provides notice to ZAI of such dispute within such [*] day period, ZAI shall not have the right to terminate this Agreement in accordance with this Section 13.3 unless and until it has been determined in accordance with Section 14.2 that this Agreement was materially breached by BMS and BMS fails to cure such breach within [*] days following such determination (except to the extent such breach involves the failure to make a payment when due, which breach must be cured within [*] days following such determination). It is understood and acknowledged that during the pendency of such a dispute, all of the terms and conditions of this Agreement shall remain in effect and the Parties shall continue to perform all of their respective obligations hereunder. The Parties further agree that any payments that are made by one Party to the other Party pursuant to this Agreement pending resolution of the dispute shall be promptly refunded if an arbitrator or court determines pursuant to Section 14.2 that such payments are to be refunded by one Party to the other Party. In the case

where the material breach (other than a breach that involves the failure to make a payment when due or arising from Section 6.4) cannot reasonably be cured within the [*] day period after written notice thereof is given by ZAI to BMS, the Agreement shall continue and shall not be terminated for a period reasonably required by BMS to cure such breach, so long as BMS is undertaking in good faith the steps and following the timelines specified in writing by ZAI to reasonably cure said breach. If, however, at any time after the initial [*] day period BMS ceases to use diligent efforts to take the agreed upon steps to cure the breach, ZAI may terminate this Agreement immediately upon written notice to BMS.

13.4 Termination for Safety Reasons. Subject to the rest of this Section 13.4, either Party may terminate this Agreement upon written notice to the other Party based on Safety Reasons. Upon receiving such written notice, each Party shall immediately cease all the Development and/or Commercialization activities that give rise to such Safety Reasons. If either Party disputes the existence of such Safety Reasons, such dispute shall be referred to JDC prior to resorting to the procedures under Article 14 and the applicable Party's right to terminate this Agreement shall be stayed during the pendency of such dispute resolution process, *provided* that neither Party may engage in any Development and/or Commercialization activities that give rise to such Safety Reasons until such dispute is finally resolved in favor of the Party disputing such Safety Reasons. Upon such termination for Safety Reasons, each Party shall be responsible at its expense for the wind-down of any Development (including without limitation any clinical trials for the Licensed Product being conducted by or on behalf of each Party) and any Commercialization activities for the Licensed Product(s).

13.5 Termination for Program Failure. Either Party shall have the right to terminate this Agreement, upon [*] days written notice to the other Party, in the event that the Licensed Compound meets the Stopping Criteria during the Development of the Licensed Compound in accordance with the Partner Development Plan, *provided* that if either Party disputes whether the Stopping Criteria has been met, such dispute shall be referred to JDC prior to resorting to the procedures under Article 14 and the applicable Party's right to terminate this Agreement shall be stayed during the pendency of such dispute resolution process.

13.6 Effect of Termination. Upon termination of this Agreement or any right or license pursuant to this Article 13, the rights and obligations of the Parties shall be as set forth in this Section 13.6.

(a) Upon termination of this Agreement, the following shall apply:

(i) All rights and licenses granted to ZAI in Article 2 shall terminate, all rights of ZAI under the BMS Patent Rights and BMS Know-How shall revert to BMS, and ZAI shall cease all use of the BMS Patent Rights and BMS Know-How.

(ii) Upon termination under [*] including, without limitation, [*], and [*], and [*] and all [*].

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 406 of the Securities Act of 1933, as amended.

(iii) All amounts due or payable by a Party to the other Party prior to the effective date of termination shall remain due and payable, but (except as otherwise expressly provided herein) no additional amounts shall be payable.

(iv) Except in the event of a termination under Section 13.4, should ZAI have any inventory of the Licensed Compound allocated for use in clinical trials in the Partner Territory, ZAI shall return such inventory to BMS (or destroy such inventory) [*]. In the event of a termination (other than a termination under Section 13.4) after BMS fails to elect to co-promote the Licensed Product under Section 6.2, should ZAI have any inventory of the Licensed Product, ZAI, its Affiliates and Sublicensees shall have [*] thereafter to destroy or return (at BMS' election) such inventory (subject to the payment to BMS of any royalties due on the sale of such remaining inventory).

(v) Upon termination under [*], ZAI shall [*] and [*].

(vi) Neither Party shall be relieved of any obligation that accrued prior to the effective date of such termination or expiration.

(vii) Each Party shall have the right to retain all amounts previously paid to it by the other Party, subject to any applicable determination of an arbitrator or court pursuant to Section 14.2.

13.7 Scope of Termination. Except as otherwise expressly provided herein, termination of this Agreement shall be as to all countries in the Partner Territory and all Licensed Product(s).

13.8 Survival. The following provisions shall survive termination or expiration of this Agreement, as well as any other provision which by its terms or by the context thereof, is intended to survive such termination: Sections [*]. Termination or expiration of this Agreement shall not relieve the Parties of any liability or obligation which accrued hereunder prior to the effective date of such termination or expiration nor preclude either Party from pursuing all rights and remedies it may have hereunder or at law or in equity, subject to Section 14.2, with respect to any breach of this Agreement nor prejudice either Party's right to obtain performance of any obligation. All other obligations shall terminate upon expiration of this Agreement.

13.9 Bankruptcy. Subject to BMS' termination right under Section 13.2(a), the Parties intend that to the maximum extent permitted by Applicable Law, the licenses granted hereunder shall survive the bankruptcy or reorganization of the granting Party and any rights that have accrued to a Party prior to such bankruptcy or reorganization of the other Party shall continue to vest. Each licensee Party shall have the right to register any licenses and/or ownership interests with any relevant governmental authority to put others on notice of its rights hereunder.

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14. DISPUTE RESOLUTION; ARBITRATION

14.1 Resolution by Senior Executives. Other than (i) determinations made by certified accountants as provided in Section 8.10, and (ii) pursuit of provisional or interim measures as provided in Section 14.2(g), or (iii) disputes resolved by the JDC, JCC or Executives pursuant to Section 3.5 or 3.11, in the event of any dispute between the Parties relating to or arising out of this Agreement, the formation, construction, breach or termination hereof, or the rights, duties or liabilities of either Party hereunder, the Parties shall first attempt in good faith to resolve such dispute by negotiation and consultation between themselves, utilizing the Alliance Managers, the JDC and the JCC as set forth herein. In the event that such dispute is not resolved on an informal basis within thirty (30) Business Days, either Party may, by written notice to the other Party, refer the dispute to the Executive Officers for attempted resolution by good faith negotiation within thirty (30) days after such notice is received.

14.2 Arbitration. Other than (i) decisions of the JDC, which are subject to [*] final decision making authority as provided in Section 3.5, (ii) determinations made by certified accountants as provided in Section 8.10, (iii) decisions of the JCC that are subject to [*] final decision-making authority under Section 3.11, and (v) disputes regarding the validity, scope or enforceability of the intellectual property rights granted under Article 2 or the confidentiality obligations under Article 11, if any dispute between the Parties relating to or arising out of this Agreement, the formation, construction, breach or termination hereof, or the rights, duties or liabilities of either Party hereunder, cannot be resolved in accordance with Section 14.1, it shall be finally resolved through binding arbitration under the [*] of [*] (the "[*] **Rules**") applicable at the time of the notice of arbitration as set forth in this Section 14.2.

(a) A Party may submit such dispute to arbitration by notifying the other Party, in writing, of such dispute. Unless the Parties can agree to a single arbitrator, each such arbitration shall be conducted by a panel of three (3) neutral arbitrators, appointed as follows. One neutral arbitrator shall be chosen by BMS and one neutral arbitrator shall be chosen by ZAI within thirty (30) days after receipt of such notice. The third arbitrator shall be selected by the [*] office of [*] in accordance with the list system specified in the [*] Rules, or, if such office does not exist or is unable to make a selection, by the office of [*] nearest to [*]. The arbitrators shall be knowledgeable and experienced in the Applicable Law concerning the subject matter of the dispute. In any case none of the arbitrators shall be an Affiliate, employee, consultant, officer, director or stockholder of either Party, or otherwise have any current or previous relationship with either Party or their respective Affiliates. The seat of the arbitration shall be [*]. The language of the arbitration shall be English.

(b) Within thirty (30) days after the designation of the arbitrators, the arbitrators and the Parties shall meet, and each Party shall provide to the arbitrators a written summary of all disputed issues, such Party's position on such disputed issues and such Party's proposed ruling on the merits of each such issue.

(c) The arbitrators shall set a date for a hearing, which shall be no later than thirty (30) days after the submission of written proposals pursuant to Section 14.2(b), for the presentation of evidence and legal argument concerning each of the issues identified by the Parties. The Parties shall have the right to be represented by counsel. The Federal Rules of Evidence shall apply with regard to the admissibility of evidence in such hearing.

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(d) The arbitrators shall use their best efforts to rule on each disputed issue within thirty (30) days after completion of the hearing described in Section 14.2(c). The arbitration award shall be final and binding upon all Parties. All rulings of the arbitrators shall be in writing and shall be delivered to the Parties except to the extent that the [*] Rules provide otherwise. Nothing contained herein shall be construed to permit the arbitrator to award punitive, exemplary or any similar damages.

(e) The (i) attorneys' fees of the Parties in any arbitration, (ii) fees of the arbitrators and (iii) costs and expenses of the arbitration shall be borne by the Parties in a proportion determined by the arbitrator.

(f) Judgment upon any arbitration award may be entered in any [*] court.

(g) Nothing in this Article 14 shall prevent either Party from applying to a court that would otherwise have jurisdiction for provisional or interim measures that may be necessary to avoid irreparable harm, maintain the status quo or preserve the subject matter of the arbitration, including any breach or threatened breach of Sections 11.1 or 13.4.

15. MISCELLANEOUS

15.1 Severability. If any one or more of the provisions of this Agreement is held to be invalid or unenforceable, the provision shall be considered severed from this Agreement and shall not serve to invalidate any remaining provisions hereof. The Parties shall make a good faith effort to replace any invalid or unenforceable provision with a valid and enforceable one such that the objectives contemplated by the Parties when entering this Agreement may be realized.

15.2 Notices. Any notice required or permitted to be given by this Agreement shall be in writing and shall be delivered by hand or overnight courier with tracking capabilities or mailed postage prepaid by first class, registered or certified mail addressed as set forth below unless changed by notice so given:

If to ZAI:

Zai Lab (Hong Kong) Limited
1000 Zhangheng Road, Bldg.65
Zhangjiang Hi-tech Park, Pudong New Area
Shanghai, China 201203
Attention: Marietta Wu
Telephone: [*]
Facsimile: [*]

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With a copy to:

Lila Hope, Ph,D.
Cooley LLP
3175 Hanover Street
Palo Alto, CA 94304-1130
Telephone: [*]
Fax: [*]

If to BMS:

Bristol-Myers Squibb Company
P.O. Box 4000
Route 206 & Province Line Road
Princeton, New Jersey 08543-4000
USA
Attention: Vice President, Business Development
Telephone: [*]
Facsimile: [*]

With a copy to:

Bristol-Myers Squibb Company
P.O. Box 4000
Route 206 & Province Line Road
Princeton, New Jersey 08543-4000
USA
Attention: VP & Assistant General Counsel, Business Development
Telephone: [*]
Facsimile: [*]

Any such notice shall be deemed given on the date received. A Party may add, delete, or change the person or address to whom notices should be sent at any time upon written notice delivered to the Party's notices in accordance with this Section 15.2.

15.3 Force Majeure. Neither Party shall be liable for delay or failure in the performance of any of its obligations hereunder if such delay or failure is due to causes beyond its reasonable control, including, without limitation, acts of God, fires, earthquakes, strikes and labor disputes, acts of war, terrorism, civil unrest or intervention of any governmental authority ("**Force Majeure**"); *provided, however*, that the affected Party promptly notifies the other Party and further *provided* that the affected Party shall use its commercially reasonable efforts to avoid or remove such causes of non-performance and to mitigate the effect of such occurrence, and shall continue performance with the utmost dispatch whenever such causes are removed. When such circumstances arise, the Parties shall negotiate in good faith any modifications of the terms of this Agreement that may be necessary or appropriate in order to arrive at an equitable solution.

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15.4 Assignment. Neither Party may assign this Agreement to a Third Party without the other Party's prior written consent (which shall not be unreasonably withheld); provided that (1) a Party may make such an assignment without the other Party's consent to an Affiliate (other than an Affiliate [*], which shall require the consent of the other Party) or a successor to substantially all of the business of such Party to which this Agreement relates (whether by merger, sale of stock, sale of assets or other transaction); and (2) in any case, the assigning Party shall be responsible for any adverse tax or other financial impact on the other Party as a result of such assignment. This Agreement shall inure to the benefit of and be binding on the Parties' successors and permitted assigns. Any assignment or transfer in violation of this Section 15.4 shall be null and void and wholly invalid, the assignee or transferee in any such assignment or transfer shall acquire no rights whatsoever, and the non-assigning non-transferring Party shall not recognize, nor shall it be required to recognize, such assignment or transfer.

15.5 Further Assurances. Each Party agrees to do and perform all such further acts and things and shall execute and deliver such other agreements, certificates, instruments and documents necessary or that the other Party may deem advisable in order to carry out the intent and accomplish the purposes of this Agreement and to evidence, perfect or otherwise confirm its rights hereunder.

15.6 Waivers and Modifications. The failure of any Party to insist on the performance of any obligation hereunder shall not be deemed to be a waiver of such obligation. Waiver of any breach of any provision hereof shall not be deemed to be a waiver of any other breach of such provision or any other provision on such occasion or any succeeding occasion. No waiver, modification, release or amendment of any obligation under or provision of this Agreement shall be valid or effective unless in writing and signed by all Parties hereto.

15.7 Choice of Law. This Agreement shall be governed by, enforced, and shall be construed in accordance with the laws of the State of New York without regard to its conflicts of law provisions.

15.8 Jurisdiction. Unless the Parties otherwise agree in writing, each Party, for the purpose of enforcing an arbitration agreement or award under Section 14.2, (i) in the United States, hereby irrevocably submits to the exclusive jurisdiction of the United States District Court for the [*] (the "**District Court**") and (ii) elsewhere in the world, in any court of competent jurisdiction. Each Party further agrees that service of any process, summons, notice or document by personal delivery, by registered mail, or by a recognized international express delivery service to such Party's respective address set forth above shall be effective service of process for any action, suit or proceeding to which it has submitted to jurisdiction in this Section. Each Party irrevocably and unconditionally waives any objection to the laying of venue of any action, suit or proceeding arising out of this Agreement or the transactions contemplated hereby in the District Court, and hereby further irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such action, suit or proceeding brought in any such court has been brought in an inconvenient forum.

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15.9 Publicity. Neither Party shall issue any press release or public statement disclosing the existence of this Agreement or any other information relating to this Agreement, the other Party, or the transactions contemplated hereby without the prior written consent of the other Party, *provided, however*, that any disclosure which is required by Applicable Law or the rules of a securities exchange, as reasonably advised by the disclosing Party's counsel, may be made subject to the following. The Parties agree that any such required disclosure will not contain confidential business or technical information and, if disclosure of confidential business or technical information is required by Applicable Law, the Parties will use appropriate diligent efforts to minimize such disclosure and obtain confidential treatment for any such information which is disclosed to a governmental agency. Each Party agrees to provide to the other Party a copy of any public announcement regarding this Agreement or the subject matter thereof as soon as reasonably practicable under the circumstances prior to its scheduled release. Except under extraordinary circumstances, or as otherwise required under Applicable Law or the rules of a securities exchange, each Party shall provide the other with an advance copy of any such announcement at least five (5) business days prior to its scheduled release. Each Party shall have the right to expeditiously review and recommend changes to any such announcement and, except as otherwise required by Applicable Law or the rules of a securities exchange, the Party whose announcement has been reviewed shall remove any Confidential Information of the reviewing Party that the reviewing Party reasonably deems to be inappropriate for disclosure. The contents of any announcement or similar publicity which has been reviewed and approved by the reviewing Party can be re-released by either Party without a requirement for re-approval. Nothing in this Section 15.9 shall be construed to prohibit ZAI or its Affiliates or Sublicensees from making a public announcement or disclosure regarding the stage of development of Licensed Product(s) in ZAI's (or its Affiliates' or Sublicensees') product pipeline or disclosing clinical trial results regarding such Licensed Product(s), as may be required by Applicable Law or the rules of a securities exchange, as reasonably advised by ZAI's (or its Affiliates' or Sublicensees') counsel.

15.10 No Use of Debarred Person. Each Party hereby certifies to the other that it has not used, and will not use the services of any person debarred, or subject to debarment proceedings, under 21 U.S.C. § 335a, as amended (or any similar provision under other Applicable Law providing for debarment by a Regulatory Authority), in any capacity in connection with any of the services or work provided under any clinical trial conducted for or on behalf of such Party or any of its Affiliates and that this certification may be relied upon in any applications to the FDA or any other Regulatory Authority. It is understood and agreed that this certification imposes a continuing obligation upon each Party to notify the other promptly of any change in the truth of this certification. Upon request by a Party, the other Party agrees to provide a list of persons used to perform the services or work provided under any clinical trial conducted for or on behalf of such Party or any of its Affiliates pursuant to this Agreement who, within the five (5) years preceding the Effective Date of this Agreement, or subsequent to such Effective Date, were or are convicted of one of the criminal offenses required by 21 U.S.C. § 335a, as amended (or any similar provisions under other Applicable Law providing for debarment by a Regulatory Authority), to be listed in any application for approval of an abbreviated application for drug approval.

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15.11 Relationship of the Parties. Each Party is an independent contractor under this Agreement. Nothing contained herein is intended or is to be construed so as to constitute BMS and ZAI as partners, agents or joint venturers. Neither Party shall have any express or implied right or authority to assume or create any obligations on behalf of or in the name of the other Party or to bind the other Party to any contract, agreement or undertaking with any Third Party.

15.12 Headings. Headings and captions are for convenience only and are not be used in the interpretation of this Agreement.

15.13 Entire Agreement. This Agreement (including all Appendices attached hereto, which are incorporated herein by reference) (i) sets forth all of the covenants, promises, agreements, warranties, representations, conditions and understandings between the Parties hereto, (ii) constitutes and contains the complete, final and exclusive understanding and agreement of the Parties with respect to the subject matter herein and (iii) cancels, supersedes and terminates all prior agreements (including the Prior CDA) and understanding between the Parties with respect to the subject matter hereof. There are no covenants, promises, agreements, warranties, representations, conditions or understandings, whether oral or written, between the Parties other than as set forth herein. No subsequent alteration, amendment, change or addition to this Agreement shall be binding upon the Parties hereto unless reduced to writing and signed by the respective authorized officers of the Parties.

15.14 Counterparts. This Agreement may be executed in counter-parts with the same effect as if both Parties had signed the same document. All such counterparts shall be deemed an original, shall be construed together and shall constitute one and the same instrument.

15.15 Exports. ZAI agrees not to export or re-export, directly or indirectly, any information, technical data, any direct product of such data, any samples or equipment received or generated under this Agreement in violation of any applicable export control Applicable Law.

15.16 Registration. If required by Applicable Law, ZAI shall be responsible for the registration of this Agreement with all applicable Regulatory Authorities in the Partner Territory. BMS shall fully cooperate with ZAI in obtaining any such registrations, including providing relevant documents required by the applicable Regulatory Authorities in the Partner Territory. Upon successful registration of this Agreement with each applicable Regulatory Authority in the Partner Territory, ZAI shall promptly forward to BMS copies of any registration certificates as well as any other documentation received by ZAI.

15.17 Interpretation.

(a) Each of the Parties acknowledges and agrees that this Agreement has been diligently reviewed by and negotiated by and between them, that in such negotiations each of them has been represented by competent counsel and that the final agreement contained herein, including the language whereby it has been expressed, represents the joint efforts of the Parties hereto and their counsel. Accordingly, in interpreting this Agreement or any provision hereof, no

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presumption shall apply against any Party hereto as being responsible for the wording or drafting of this Agreement or any such provision, and ambiguities, if any, in this Agreement shall not be construed against any Party, irrespective of which Party may be deemed to have authored the ambiguous provision. The English language version of this Agreement shall control any interpretations of the provisions of this Agreement.

(b) The definitions of the terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation" whether or not such phrase is included. The word "will" shall be construed to have the same meaning and effect as the word "shall". The word "any" shall mean "any and all" unless otherwise clearly indicated by context. The words "day", "quarter" or "year" means a calendar day, quarter or year, as applicable, unless otherwise specified.

(c) Unless the context requires otherwise, (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein or therein), (b) any reference to any Applicable Law (including any European Community Directives) herein shall be construed as referring to such Applicable Law as from time to time enacted, repealed or amended, (c) any reference herein to any person shall be construed to include the person's successors and assigns, (d) the words "herein", "hereof" and "hereunder", and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, and (e) all references herein to Articles, Sections or Appendices, unless otherwise specifically provided, shall be construed to refer to Articles, Sections and Appendices of this Agreement.

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IN WITNESS WHEREOF, the Parties have caused this License Agreement to be executed by their respective duly authorized officers.

ZAI LAB (HONG KONG) LIMITED

By: /s/ Ying Du
Name: Ying Du
Title: CEO

BRISTOL-MYERS SQUIBB COMPANY

By: /s/ Graham R. Brazier
Name: Graham R. Brazier
Title: Vice President, Business Development

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Appendix 1

Initial Partner Development Plan

[*] (4 pages omitted)

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Schedule 1.7

BMS Patent Rights

Country	Docket No.	Filing No.	Filing Date	Grant No.	Grant Date	Patent Type
[*]	[*]	[*]	[*]	[*]	[*]	[*]

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Schedule 3.1

Initial JDC Members

Initial JDC Member from ZAI: [*]

Initial JDC Member from BMS: **[*]**

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Exhibit 10.4

LICENSE AND COLLABORATION AGREEMENT

This **License and Collaboration Agreement** (this "**Agreement**") is made as of April 21, 2017 (the "**Effective Date**"), by and between **Paratek Bermuda Ltd.** a corporation organized and existing under the laws of Bermuda, located at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda, ("**Paratek**"), and **Zai Lab (Shanghai) Co., Ltd.**, an exempted company organized and existing under the laws of P.R. of China, located at 1043 Halei Road, Building 8, Suite 502, Zhangjiang Hi-tech Park, Shanghai, PRC 201203 ("**Zai**"). Paratek and Zai are referred to in this Agreement individually as a "**Party**" and collectively as the "**Parties**."

RECITALS

WHEREAS, Paratek is a pharmaceutical company specializing in anti-infective drug development, and Paratek and its Affiliates own or control rights to the Compound and Licensed Product (as defined herein);

WHEREAS, Zai is a pharmaceutical company having experience in the development, manufacture and commercialization of pharmaceutical products in the Territory;

WHEREAS, Zai is prepared to develop and commercialize the Licensed Product in the Territory, providing it receives supporting materials such as clinical trial data, regulatory submissions, and starting materials that may allow for earlier market entry and market exclusivity of the Licensed Product compared to competitors;

WHEREAS, Paratek wishes to have Licensed Product developed and commercialized in the Territory, and is prepared to provide supporting materials such as clinical trial data, regulatory submissions, and starting materials to Zai, which may allow for earlier market entry and market exclusivity for the Licensed Product compared to competitors.

WHEREAS, Paratek wishes to grant to Zai, and Zai wishes to be granted, an exclusive license under Paratek's rights to Develop, Manufacture and Commercialize (each as defined herein) the Licensed Product in the Field in the Territory (each as defined herein) in accordance with the terms and conditions set forth below.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing premises and the mutual covenants contained herein, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

ARTICLE 1
DEFINITIONS

Unless specifically set forth to the contrary herein, the following terms, whether used in the singular or plural, will have the respective meanings set forth below:

1.1. "Activity Target" will have the meaning set forth in Section 5.3.

1.2. "Activity Target Deadline" will have the meaning set forth in Section 5.3.

1.3. "Adverse Event" means any unwanted or harmful medical occurrence in a patient or subject who is administered a Licensed Product, whether or not considered related to such Licensed Product, including any undesirable sign (including abnormal laboratory findings of clinical concern), symptom or disease temporally associated with the use of such Licensed Product.

1.4. "Affiliate" means, with respect to a Party, any entity that directly or indirectly controls, is controlled by or is under common control with such Party. As used in this Section 1.4, "Control" (and, with correlative meanings, the terms "controlled by" and "under common control with") means, in the case of a corporation, the ownership of 50% or more of the outstanding voting securities thereof or, in the case of any other type of entity, an interest that results in the ability to direct or cause the direction of the management and policies of such party or the power to appoint 50% or more of the members of the governing body of the party or, where ownership of 50% or more of such securities or interest is prohibited by law, ownership of the maximum amount legally permitted.

1.5. "Agreement" will have the meaning set forth in the introduction to this agreement.

1.6. "Alliance Manager" will have the meaning set forth in Section 3.1.

1.7. "Anti-Corruption Laws" will have the meaning set forth in Section 11.6(a)(i).

1.8. "Applicable Laws" means all statutes, ordinances, regulations, rules or orders of any kind whatsoever of any Governmental Authority that may be in effect from time to time and applicable to the activities contemplated by this Agreement.

1.9. "Biodefense" means a use related to the defense from Biothreat Agents.

1.10. "Biothreat Agent" means (a) pathogens that cause a high rate of illness in people exposed, result in a high rate of mortality, have a short incubation period, and have a limited number of persons with immunity, or (b) a bacterium, virus, protozoan, parasite, or fungus that can be used as a weapon in biological warfare.

1.11. "Business Day" means a day other than Saturday, Sunday or any day on which banks located in the United States or the PRC are authorized or obligated to close. Whenever this Agreement refers to a number of days, such number will refer to calendar days unless Business Days are specified.

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1.12. "Calendar Quarter" means the respective periods of three consecutive calendar months ending on March 31, June 30, September 30 and December 31.

1.13. "Calendar Year" means each 12 month period commencing on January 1.

1.14. "CFDA" means the China Food and Drug Administration, and local counterparts thereto, and any successor agency(ies) or authority thereto having substantially the same function.

1.15. "cGMP" means all applicable current Good Manufacturing Practices including, as applicable, (a) the principles detailed in the U.S. Current Good Manufacturing Practices, 21 C.F.R. Parts 4, 210, 211, 601, 610 and 820, (b) European Directive 2003/94/EC and Eudralex 4, (c) the principles detailed in the ICH Q7 guidelines, and (d) the equivalent Applicable Laws in any relevant country or region, each as may be amended and applicable from time to time.

1.16. "Clinical Trial" means any clinical testing of Licensed Product in human subjects.

1.17. "Clinical Trial Material" means Licensed Product and placebo for administration to humans in a Clinical Trial.

1.18. "CMC" means data, information, or procedures (as applicable) relating to the composition, Manufacture, or control of the Compound or Licensed Product, which may be requested or required by a Regulatory Authority for Regulatory Approval, including but not limited to data, information, and procedures relating to structure, Manufacturing process, validation, characterization, container closure systems, stability, quality, and purity.

1.19. "Combination Product" mean (a) any single product comprising both (i) a Compound and (ii) one or more other therapies or pharmaceutically active compounds or substances and do not require the use of any Paratek Technology; (b) any sale of a Licensed Product with another therapy(ies) or product(s) for a single invoice price; or (c) any sale of a Licensed Product as part of a bundle with other therapy(ies), product(s) or service(s) (i.e., where a Licensed Product and such other therapy(ies), product(s) or service(s) are sold for a single invoice price or where a discount, rebate or other amount that reduces the price of a Licensed Product is provided in exchange for (or otherwise conditioned upon) the purchase of such other therapy(ies), product(s) or services), to the extent not described in clause (a) or (b**)**. The Compound portion of any Combination Product shall be deemed the "**Licensed Component**" and the other portion of such Combination Product the "**Other Component**", and each Combination Product shall be deemed a Licensed Product hereunder.

1.20. "Commercialization" or "**Commercialize**" means all activities directed to marketing, distribution, detailing or selling of pharmaceutical products (including manufacturing, importing and exporting activities in connection therewith**)**.

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1.21. "Commercialization Plan" means the written plan for the Commercialization of the Licensed Product.

1.22. "Commercially Reasonable Efforts" means the use of diligent, good faith efforts and resources, in an active and ongoing program, as normally used by a similarly situated company for a product discovered or identified internally that is important to such company's overall strategy or objectives, which product is at a similar stage in its development or product life and is of similar market potential and intellectual property protection, [*]; and in no event will such efforts and resources be less than the applicable Party would apply to achieve its own high priority goals. Commercially Reasonable Efforts requires that a Party, at a minimum, assign responsibility for such obligations to qualified employees, set annual goals and objectives for carrying out such obligations, and allocate adequate resources designed to meet such goals and objectives, in each case, in order to develop the Licensed Product as an active and ongoing program, and obtain Regulatory Approval for the Licensed Product in the Territory in an expeditious manner. Additionally, Commercially Reasonable Efforts requires [*] such efforts and resources as described above [*] for the Licensed Product, which includes [*] for the Licensed Product [*].

1.23. "Compound" means (i) omadacycline having the chemical structure set forth in Schedule 1.23, (ii) a prodrug or metabolite of the compound specified in (i), and (iii) any salt or polymorph of the compound specified in (i**)**.

1.24. "Confidential Information" means all confidential information of the Disclosing Party or its Affiliates, regardless of its form or medium as provided to the Receiving Party or its Affiliates in connection with this Agreement; provided that, Confidential Information will not include any information that the Receiving Party can show by competent evidence: (a) is already known to the Receiving Party at the time it is disclosed to the Receiving Party by the Disclosing Party without an obligation of confidentiality and not through a prior disclosure by the Disclosing Party, (b) is or becomes generally known to the public through no act or omission of the Receiving Party in violation of the terms of this Agreement, (c) has been lawfully received by the Receiving Party from a Third Party without restriction on its disclosure and without, to the knowledge of the Receiving Party, a breach by such Third Party of an obligation of confidentiality to the Disclosing Party, or (d) has been independently developed by the Receiving Party without use of or reference to the Confidential Information of the Disclosing Party. The terms of this Agreement shall be the Confidential Information of both Parties.

1.25. "Continuing Technology Transfer" will have the meaning set forth in Section 4.1.

1.26. "Control" or "Controlled" means, with respect to any Know-How, Patents or other intellectual property rights, that a party has the legal authority or right (whether by ownership, license or otherwise) to grant a license, sublicense, access or right to use (as applicable) under such Know-How, Patents, or other intellectual property rights, on the terms and conditions set forth herein, in each case without breaching the terms of any agreement with a Third Party.

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1.27. "Develop" or "**Development**" or "**Developing**" means research, discovery, and preclinical and clinical drug or biological development activities, including test method development and stability testing, toxicology, formulation, quality assurance/quality control development, statistical analysis, preclinical and clinical studies and regulatory affairs, approval and registration.

1.28. "Development Plan" will have the meaning set forth in Section 5.2.

1.29. "Disclosing Party" will have the meaning set forth in Section 10.1(a).

1.30. "Dispute" will have the meaning set forth in Section 15.1.

1.31. "Effective Date" will have the meaning set forth in the introduction in this Agreement.

1.32. "Executive Officers" will have the meaning set forth in Section 3.2(f).

1.33. "Exploit" or "**Exploitation**" or "**Exploiting**" means to use, Develop and Commercialize, including to have Developed and have Commercialized, and to Manufacture and to have Manufactured to support the foregoing.

1.34. "Field" means, except for Biodefense, all human therapeutic and preventative uses.

1.35. "First Commercial Sale" means, with respect to any Licensed Product, the first arm's length sale of such Licensed Product to a Third Party in a region of the Territory by Zai, its Affiliate(s) or Sublicensee(s) for use or consumption in such region following Regulatory Approval. Sales prior to receipt of marketing and pricing approvals, such as so-called "treatment IND sales," "named patient sales" and "compassionate use sales" and any sales to any government, foreign or domestic, including purchases for immediate sale and/or stockpiling purposes, are not a First Commercial Sale in that region.

1.36. "FTE" means the equivalent of the work of a full-time individual for a 12 month period.

1.37. "FTE Rate" means a rate of [*] per FTE per year, to be pro-rated on a hourly basis of [*] per FTE per hour, assuming [*] hours per year for an FTE.

1.38. "GAAP" means United States generally accepted accounting principles, consistently applied.

1.39. "GCP" means all applicable Good Clinical Practice standards for the design, conduct, performance, monitoring, auditing, recording, analyses and reporting of clinical trials, including, as applicable (a) as set forth in the International Conference on Harmonization of Technical Requirements for Registration of Pharmaceuticals for Human Use Harmonized Tripartite Guideline for Good Clinical Practice (CPMP/ICH/135/95) and any other guidelines for good clinical practice for trials on medicinal products in the Territory, (b) the Declaration of

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Helsinki (2004) as last amended at the 52nd World Medical Association in October 2000 and any further amendments or clarifications thereto, (c) U.S. Code of Federal Regulations Title 21, Parts 50 (Protection of Human Subjects), 56 (Institutional Review Boards) and 312 (Investigational New Drug Application), as may be amended from time to time, and (d) the equivalent Applicable Laws in the region in the Territory, each as may be amended and applicable from time to time and in each case, that provide for, among other things, assurance that the clinical data and reported results are credible and accurate and protect the rights, integrity, and confidentiality of trial subjects.

1.40. "GLP" means all applicable Good Laboratory Practice standards, including, as applicable, as set forth in the then current good laboratory practice standards promulgated or endorsed by the U.S. Food and Drug Administration as defined in 21 C.F.R. Part 58, or the equivalent Applicable Laws in the region in the Territory, each as may be amended and applicable from time to time.

1.41. "Governmental Authority" means any court, commission, authority, department, ministry, official or other instrumentality of, or being vested with public authority under any law of, any country, region, state or local authority or any political subdivision thereof, or any association of countries.

1.42. "GSP" means all applicable Good Supply Practice standards, including, as applicable, as set forth in the then current good supply practice standards promulgated or endorsed by the CFDA as defined in Good Supply Practice for Pharmaceutical Products or the equivalent Applicable Laws in the region in the Territory, each as may be amended and applicable from time to time.

1.43. "[*]" will have the meaning set forth in Section [*].

1.44. "Imported Product Agreement" will have the meaning set forth in Section 7.1.

1.45. "IND" means an investigational new drug application or equivalent application filed with the applicable Regulatory Authority, which application is required to commence Clinical Trials in the applicable country.

1.46. "Indemnifying Party" will have the meaning set forth in Section 12.3.

1.47. "Indemnitee" will have the meaning set forth in Section 12.3.

1.48. "Initial Development Plan" will have the meaning set forth in Section 5.2.

1.49. "Initial Technology Transfer" will have the meaning set forth in Section 4.1.

1.50. "Invention" will mean any process, method, composition of matter, article of manufacture, discovery or finding, patentable or otherwise, that is invented as a result of a Party exercising its rights or carrying out its obligations under this Agreement, including all rights, title and interest in and to the intellectual property rights therein.

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1.51. "IP Transfer Agreement" means the Intellectual Property Transfer Agreement between Paratek Pharmaceuticals, Inc. and Paratek Bermuda Ltd. dated June 6, 2016, as amended by the First Amendment dated February 27, 2017 and as may be further amended from time to time.

1.52. "Joint Development Committee" or "JDC" will have the meaning set forth in Section 3.3(b)(i).

1.53. "Joint Inventions" will have the meaning set forth in Section 13.1(b).

1.54. "Joint Patents" will have the meaning set forth in Section 13.1(b).

1.55. "Joint Steering Committee" or "JSC" will have the meaning set forth in Section 3.2(a).

1.56. "Know-How" means any proprietary scientific or technical information, results and data of any type whatsoever, in any tangible or intangible form whatsoever, including databases, safety information, practices, methods, techniques, specifications, formulations, formulae, knowledge, know-how, skill, experience, test data including pharmacological, medicinal chemistry, biological, chemical, biochemical, toxicological and clinical test data, analytical and quality control data, stability data, studies and procedures, and manufacturing process and development information, results and data.

1.57. "Licensed Product" means any pharmaceutical product containing the Compound, either alone or in combination with other active ingredients.

1.58. "Losses" will have the meaning set forth in Section 12.1.

1.59. "Manufacture" or "**Manufacturing**" or "**Manufactured**" means all operations involved in the manufacturing, filling and finishing, quality control testing (including in-process, release and stability testing, if applicable), storage, releasing and packaging.

1.60. "Material Sublicense" means a sublicense granted, or desired to be granted, by Zai to (a) [*], but not [*], or (b) [*], and/or [*].

1.61. "Material Sublicensee" means a Third Party, or Affiliates granted, or for which Zai desires to grant, a Material Sublicense.

1.62. "Materials" means reference and starting materials including the active pharmaceutical ingredient (API) or other materials as may be defined by the Parties.

1.63. "Milestone Event" will have the meaning set forth in Section 9.3.

1.64. "Milestone Payment" will have the meaning set forth in Section 9.3.

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1.65. "Net Sales" means the gross price billed or invoiced on sales of the Licensed Product by Zai, its Affiliates, or Sublicensees for sale of the Licensed Product to a Third Party in the Territory, less:

(a) freight expense (actual), including insurance, to the extent it is not charged to or reimbursed by the customer, [*];

(b) cash, trade or quantity discounts actually granted and deducted solely on account of sales of the Licensed Product;

(c) rebates actually paid to individual or group purchasers of the Licensed Product that are solely on account of the purchase of such Licensed Product;

(d) credits issued for the Licensed Product recalled or not accepted by customers or other refunds, allowances and chargebacks related to the Licensed Product;

(e) Taxes (including, but not limited to sales, value added, consumption and similar taxes; but excluding income taxes) actually incurred, paid or collected and remitted to the relevant tax authority for the sale of the Licensed Product; and

(f) other similar or customary deductions taken in the ordinary course of business or in accordance with GAAP;

Each of the amounts set forth above will be determined from the books and records of Zai, its Affiliate or Sublicensee, maintained in accordance with GAAP or in the case of Sublicensees, such similar accounting principles, consistently applied.

The transfer of a Licensed Product to an Affiliate, Sublicensee, or other Third Party (w) in connection with the research, development or testing of a Licensed Product (including, without limitation, the conduct of clinical studies), (x) for purposes of distribution as promotional samples, (y) for indigent or similar public support or compassionate use programs, or (z) by and between Zai and its Affiliates or Sublicensees will not, in any case, be considered a Net Sale of a Licensed Product under this Agreement.

Net Sales will also include and be deemed to have been made with respect to any Licensed Products used by Zai or any Affiliate, for its own commercial purposes, or transferred to any Third Party for less than the transferee is then charging in normal arms-length sales transactions; and Net Sales in all such cases will be deemed to have been made at the prices therefor at which such Licensed Products are then being sold to the customers of such user or transferor (or of Zai, if an Affiliate is a user but not a seller) in arms-length sales transactions. For clarity, in the event the Product is sold in an arms-length transaction to a governmental agency, a group purchase entity and/or any other entity having the bargaining power to negotiate the purchase price below normal retail price in transactions of lesser volume, Net Sales shall be calculated based on the actual price negotiated and agreed to for such agency and/or entity and not be based on the price charged in other arms-length sales transactions.

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If Zai or any of its Affiliates, or Sublicensees, sells a Licensed Product as a Licensed Component of a Combination Product in the Territory in any Calendar Quarter, then Net Sales will be calculated by multiplying the Net Sales of the Combination Product during such Calendar Quarter by the fraction A/(A+B), where A is the average Net Sales per unit sold of the Licensed Component when sold separately in the Territory during such Calendar Year (calculated by determining the Net Sales of the Licensed Component during such Calendar Quarter in accordance with the definition of Net Sales set forth herein and dividing such Net Sales by the number of units of the Licensed Component during such Calendar Quarter) and B is the average Net Sales per unit sold of the Other Component(s) included in the Combination Product when sold separately during such Calendar Quarter (calculated by determining the Net Sales of such Other Component(s) sold during such Calendar Quarter by applying the definition of Net Sales set forth herein as if it applied to sales of such Other Component(s) and dividing such Net Sales by the number of units of such Other Component(s) sold during such Calendar Quarter).

For purposes of calculating the average Net Sales per unit sold of a Licensed Component and Other Component(s) of a Combination Product, any of the deductions described herein that apply to such Combination Product will be allocated among sales of the Licensed Component and sales of the Other Component(s) included in such Combination Product as follows: (1) deductions that are attributable solely to the Licensed Component or one of the Other Component(s) will be allocated solely to Net Sales of the Licensed Component or such Other Component, as applicable, and (2) all other deductions will be allocated among sales of the Licensed Component and sales of the Other Component(s) in proportion to Zai's and Paratek's mutual agreement of the fair market value of the Licensed Component and the Other Component(s).

In the event that no separate sales of the Licensed Component or any Other Component(s) included in a Combination Product are made by Zai or its Affiliates, or Sublicensees, during a Calendar Quarter in which such Combination Product is sold, the average Net Sales per unit sold in the above described equation will be replaced with Zai's and Paratek's mutual agreement of the fair market value of the Licensed Component and each of the Other Component(s) included in such Combination Product.

1.66. "Paratek" will have the meaning set forth in the introduction of this Agreement.

1.67. "Paratek Indemnitee(s)" will have the meaning set forth in Section 12.1.

1.68. "Paratek Know-How" means any and all Know-How Controlled by Paratek, as of the Effective Date or during the Term, that is reasonably necessary or useful in connection with the Exploitation of the Licensed Product in the Field in the Territory.

1.69. "Paratek Patents" means Patents in the Territory Controlled by Paratek as of the Effective Date or during the Term that contain one or more claims that cover the composition of matter or formulation of, or salt of or polymorph forms of, or the method of making or method of using, a Licensed Product, including all Patents which contain a Valid Claim that the Exploitation of a Licensed Product would infringe if unlicensed. The Paratek Patents as of the Effective Date are listed in Schedule 1.69, which shall be updated by the Parties from time to time during the Term.

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1.70. "Paratek Prosecution Patents" will have the meaning set forth in Section 13.3(a).

1.71. "Paratek Technology" means the Paratek Know-How, Paratek Patents, Paratek's interest in Joint Inventions, and Paratek's interest in Joint Patents.

1.72. "Party" or **"Parties"** will have the meaning set forth in the introduction to this Agreement.

1.73. "Patent Prosecution" means the responsibility and authority for (a) preparing, filing and prosecuting applications (of all types) for any Patent, (b) managing any interference, opposition, re-issue, reexamination, invalidation proceedings, revocation, nullification, or cancellation proceeding relating to the foregoing, (c) deciding to abandon Patent(s), (d) listing in regulatory publications (as applicable), (e) patent term extension, and (f) settling any interference, opposition, revocation, nullification or cancellation proceeding.

1.74. "Patents" means all national, regional and international patents and patent applications, including divisions, continuations, continuations-in-part, additions, re-issues, renewals, extensions, substitutions, re-examinations or restorations, registrations and revalidations, and supplementary protection certificates and equivalents to any of the foregoing.

1.75. "Phase III Clinical Study" means any pivotal Clinical Trial(s), which Clinical Trial(s) is(are) designed to (a) establish that the Licensed Product is safe and efficacious for its intended use; (b) define warnings, precautions and adverse reactions that are associated with the Licensed Product in the dosage range to be prescribed; (c) be a pivotal study for submission of an Regulatory Approval Application to obtain regulatory approval for such Licensed Product in any region or regulatory jurisdiction, as defined in 21 C.F.R. § 312.21(c), as may be amended from time to time, or any analogous clinical trial described or defined in Applicable Laws.

1.76. "PRC" means the People's Republic of China, which for the purposes of this Agreement will exclude Hong Kong, Macau, and Taiwan.

1.77. "Prime Rate" means for any day a per annum rate of interest equal to the "prime rate," as published in the "Money Rates" column of The Wall Street Journal, from time to time, or if for any reason such rate is no longer available, a rate equivalent to the base rate on corporate loans posted by at least 70% of the ten largest U.S. banks.

1.78. "Product Infringement" will have the meaning set forth in Section 13.5(a).

1.79. "Product Marks" will have the meaning set forth in Section 8.4.

1.80. "Product Specifications" means the acceptance criteria agreed by the Parties, including numerical limits, ranges or other criteria for the Licensed Product.

1.81. "Public Official" will have the meaning set forth in Section 11.6(d).

1.82. "Receiving Party" will have the meaning set forth in Section 10.1(a).

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1.83. "Regulatory Approval" means, with respect to a Licensed Product in a region in the Territory, all approvals from the necessary Governmental Authority or Regulatory Authority to manufacture, import, market and sell such Licensed Product in such region in the Territory (excluding pricing and reimbursement approvals**)**.

1.84. "Regulatory Approval Application" means a New Drug Approval Application or Biologics License Application (each, as defined in the U.S. Federal Food, Drug and Cosmetic Act (21 U.S.C. §301 et seq.), as amended from time to time) in the U.S., or any corresponding application for approval to market and/or sell a product in any country, region or jurisdiction in the Territory outside the U.S.

1.85. "Regulatory Authority" means any applicable Government Authority responsible for granting Regulatory Approvals for Licensed Products, including the CFDA, and any corresponding national or regional regulatory authorities.

1.86. "Regulatory Submissions" means any filing, application, or submission with any Regulatory Authority, including authorizations, approvals or clearances arising from the foregoing, including Regulatory Approvals, and all correspondence or communication with or from the relevant Regulatory Authority, as well as minutes of any material meetings, telephone conferences or discussions with the relevant Regulatory Authority, in each case, with respect to a Licensed Product.

1.87. "Remedial Action" will have the meaning set forth in Section 6.8.

1.88. "Retained Rights" will have the meaning set forth in Section 2.3.

1.89. "ROFN Compound" will have the meaning set forth in Section 2.2.

1.90. "ROFN Negotiation Period" will have the meaning set forth in Section 2.2.

1.91. "ROFN Notice Period" will have the meaning set forth in Section 2.2.

1.92. "ROFN Trigger Notice" will have the meaning set forth in Section 2.2.

1.93. "Royalty Payment" will have the meaning set forth in Section 9.4(a).

1.94. "Royalty Term" will have the meaning set forth in Section 9.4(c).

1.95. "Safety Agreement" will have the meaning set forth in Section 6.4(a).

1.96. "Sole Inventions" will have the meaning set forth in Section 13.1(b).

1.97. "Subcommittee" will have the meaning set forth in Section 3.2(b).

1.98. "Sublicensee" means a Third Party, or Zai's Affiliates granted a sublicense by Zai under the license granted in Section 2.1. For the avoidance of doubt, a Material Sublicensee is a type of Sublicensee.

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1.99. "Tax" or **"Taxes"** means any present or future taxes, levies, imposts, duties, charges, assessments or fees of any nature (including any interest thereon**)**. For the avoidance of doubt, Taxes includes VAT.

1.100. "Technology Transfer" will have the meaning set forth in Section 4.1.

1.101. "Technology Transfer Plan" will have the meaning set forth in Section 4.1.

1.102. "Term" will have the meaning set forth in Section 14.1.

1.103. "Territory" means the PRC, Hong Kong, Macau, and Taiwan (which for purposes of this Agreement will each be deemed a region**)**.

1.104. "Third Party" means an entity other than (a) Zai and its Affiliates or (b) Paratek and its Affiliates.

1.105. "Tufts Agreement" means the Tufts University License Agreement executed between Paratek Pharmaceuticals, Inc. and Tufts University dated February 1, 1997, as amended from time to time.

1.106. "U.S. Dollars" or "**$**" means United States dollars, the lawful currency of the United States.

1.107. "Upfront Payment" will have the meaning set forth in Section 9.2.

1.108. "Valid Claim" means (a) a claim of an issued and unexpired Patent included within the Paratek Patents with regard to the Licensed Product in the Territory that has not been permanently revoked or held unenforceable or invalid by a decision of a court or other governmental agency of competent jurisdiction, which decision is not appealable or is not appealed within the time allowed for appeal, and has not been abandoned, disclaimed or admitted to be invalid or unenforceable through reissue, disclaimer or otherwise or (b) a bona fide claim of a pending patent application included within the Paratek Patents in the Territory that has not been (i) cancelled, withdrawn or abandoned without being refiled in another application in the applicable jurisdiction or (ii) finally rejected by an administrative agency action from which no appeal can be taken or that has not been appealed within the time allowed for appeal.

1.109. "VAT" means value-added taxes or other similar taxes.

1.110. "Zai" will have the meaning set forth in the introduction of this Agreement.

1.111. "Zai Indemnitee(s)" will have the meaning set forth in Section 12.2.

1.112. "Zai Know-How" means any and all Know-How, to the extent controlled by Zai as of the Effective Date or during the Term, that is reasonably necessary or useful in connection with the Exploitation of a Licensed Product in the Field in the Territory.

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1.113. "Zai Patent" means Patents in the Territory controlled by Zai as of the Effective Date or during the Term that contain one or more claims that cover the composition of matter or formulation of, or salt of or polymorph forms of, or the method of making or method of using, a Licensed Product.

1.114. "Zai Prosecution Patents" will have the meaning set forth in Section 13.3(b).

1.115. "Zai Technology" means Zai Know-How and Zai Patents.

ARTICLE 2
LICENSES; NON-COMPETE

2.1. Exclusive License. Subject to the terms and conditions of this Agreement, Paratek hereby grants to Zai, during the Term, an exclusive (subject to the Retained Rights and Section 2.5(c)), royalty-bearing license under the Paratek Technology to Exploit the Licensed Product in the Field in the Territory, including the right to grant sublicenses (subject to Section 2.4). For the avoidance of doubt, the license granted pursuant to this Section 2.1 will extend only to the Paratek Technology Controlled by Paratek during the Term, and to the extent any Paratek Technology is no longer Controlled by Paratek, such Paratek Technology will no longer be licensed to Zai. For clarity, Zai has the right pursuant to this Section 2.1 and subject to Section 3.2(f) to Exploit the Licensed Product in the form of a Combination Product. For further clarity, Paratek will not grant a license after the Effective Date and during the Term that will diminish the Paratek Technology Controlled by Paratek that is exclusively licensed to Zai.

2.2. Right of First Negotiation. During the Term, if Paratek decides to seek a partner to Develop (with the right to Commercialize or the right to obtain or negotiate Commercialization rights) any derivative or modification of omadacycline (a "**ROFN Compound**") in the Territory, then Paratek will provide Zai with written notice of its decision to do so (the "**ROFN Trigger Notice**"). After Zai's receipt of the ROFN Trigger Notice, Zai will have [*] days (the "**ROFN Notice Period**") to provide written notice to Paratek of its desire to negotiate with Paratek regarding the partnership for such ROFN Compound. If Zai provides such written notice during the ROFN Notice Period, the Parties will negotiate exclusively for a period of [*] days following Paratek's receipt of such notice from Zai (the "**ROFN Negotiation Period**") regarding the terms of a definitive agreement. With respect to a ROFN Compound, if (a) Zai does not deliver written notice of its desire to negotiate with Paratek during the ROFN Notice Period or (b) the Parties are unable to reach terms of a definitive agreement during the ROFN Negotiation Period, then in either case (a) or (b), Paratek will have no further obligation to Zai with respect to such ROFN Compound in the Territory. For the avoidance of doubt, a ROFN Compound is a derivative or modification to omadacycline itself, and not other tetracyclines or derivatives or modifications to other tetracyclines.

2.3. Paratek Retained Rights. Notwithstanding anything to the contrary in this Agreement, Paratek hereby expressly retains, on behalf of itself (and its Affiliates, licensees, and sublicensees) the non-exclusive rights under the Paratek Technology to Manufacture the Compound and Licensed Product in the Territory in compliance with Applicable Laws and to support the Development and Commercialization of the Compound and Licensed Product

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outside of the Territory (the "**Retained Rights**"). Zai acknowledges and agrees that the Retained Rights includes the right for Paratek to grant licenses under the Retained Rights to its Affiliates and Third Parties in the Field in the Territory, provided that Paratek shall not, and shall obligate its Affiliates, licensees, and sublicensees to not, sell or offer for sale in the Territory any Licensed Product manufactured under the Retained Rights. In addition, Paratek shall obligate, and obligate that its Affiliates, licensees, and sublicensees obligate, any contract manufacturing organization in the Territory to comply with all Applicable Laws, including GMP, and ensure that any such contract manufacturing organization is not, and has not been, debarred or disqualified by any Regulatory Authority. For the avoidance of doubt, the Retained Rights exclude the right under the Paratek Technology to Develop or Commercialize the Compound or Licensed Product in the Territory, and Paratek will not undertake such Development or Commercialization without Zai's express prior written consent. Zai hereby grants to Paratek a non-exclusive, royalty-free, fully paid-up, sublicensable license under the Zai Technology, solely to exercise the rights set forth in the Retained Rights.

2.4. Right to Sublicense.

(a) **General.** Zai will have the right to grant sublicenses under the license granted in Section 2.1 to Sublicensees, solely for such Sublicensees to perform Zai's obligations under this Agreement; provided that if such sublicense is (i) a sublicense of [*] under this Agreement, [*] such sublicense [*], and (ii) a Material Sublicense, then the additional provisions of Section 2.4(b) will also apply. Zai will be liable for Sublicensee conduct that is prohibited under this Agreement, and Sublicensee conduct that would have constituted a breach of this Agreement will be deemed a breach of this Agreement as if it had been engaged in by Zai.

(b) **Material Sublicenses**. [*] Material Sublicenses to a Material Sublicensee [*]. Notwithstanding the foregoing, the Parties agree that the Material Sublicensees set forth in Schedule 2.4(b) [*].

(c) **Restrictions.** Zai will not grant a sublicense to any Sublicensee that has been debarred or disqualified by a Regulatory Authority. Zai will ensure that, prior to engaging any Sublicensee that such Sublicensee is subject to written agreements containing the following terms and conditions: (i) requiring each such Sublicensee to protect and keep confidential any Confidential Information of the Parties, including in accordance with ARTICLE 10; (ii) providing that Paratek will have the right to audit (either by itself or through Zai or Zai's designee) the books and records of each such Sublicensee in accordance with this Agreement (including pursuant to Sections 8.6, 9.6(d), and 11.6(a)(iv)); (iii) that does not impose any payment obligations or liability on Paratek; and (iv) that is otherwise consistent with the terms of this Agreement. Zai will provide a copy of the complete executed agreement with each Sublicensee to Paratek, [*]. Zai will remain directly responsible for all of its obligations under this Agreement that have been delegated or sublicensed to any Sublicensee.

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2.5. Tufts Agreement.

(a) Zai will, and will cause its Affiliates and Sublicensees to, be bound by and comply with all obligations that the Tufts Agreement states would apply to sublicenses or sublicensees of the Tufts Agreement, [*]. Zai's obligations in relation to the Tufts Agreement and the Sections of the Tufts Agreement stated above will be owed by Zai to Paratek and Tufts University and enforceable by both Paratek and Tufts University. Zai expressly permits Paratek to disclose to Tufts University (i) complete copies of agreements Zai enters into with Sublicensees and amendments thereto and (ii) any other information under this Agreement as needed to comply with the provisions of the Tufts Agreement.

(b) During the Term, Paratek will promptly furnish Zai with a copy of (i) the Tufts Agreement (with certain terms that do not apply to Zai redacted) and any relevant ancillary agreements, exhibits, schedules, or other documents which set forth and are sufficient to fully describe all the terms and conditions with which Zai must comply in relation to the Tufts Agreement, (ii) all amendments of the Tufts Agreement, and (iii) all correspondence (or in the case of oral discussions, a summary of such discussions) with or from and reports received from or provided to licensors under the Tufts Agreement to the extent material to Zai or the rights granted or to be granted to Zai under this Agreement. In addition, during the Term, Paratek will provide copies of all notices received by Paratek relating to any alleged breach or default by Paratek under the Tufts Agreement within five Business Days after Paratek's receipt thereof. Paratek will be solely responsible for all payment obligations set forth in the Tufts Agreement.

(c) Zai acknowledges and agrees that (i) Tufts University has the right to convert the License (as defined in the Tufts Agreement) from an exclusive license to a non-exclusive license and (ii) if Tufts University converts the License from an exclusive license to a non-exclusive license pursuant to Article VI of the Tufts Agreement, any rights with respect to the License sublicensed by Paratek to Zai (including any such rights sublicensed under Section 2.1) will become non-exclusive. For clarity, in such event the foregoing shall only affect Paratek Technology Controlled by Paratek pursuant to the Tufts Agreement, and the license granted by Paratek to Zai with respect to all other Paratek Technology shall in such an event remain exclusive.

2.6. No Implied Licenses; Negative Covenant. Except as set forth herein, neither Party will acquire any license or other intellectual property interest, by implication or otherwise, under any trademarks, patents or patent applications of the other Party. Each Party will not, and will not permit any of its Affiliates or sublicensees to, practice any Patent or Know-How licensed to it by the other Party outside the scope of the license granted to it under this Agreement.

2.7. Non-Compete. During the Term, Zai will not, and will cause its Affiliates and Sublicensees to not, engage in (independently or for or with any Third Party) any Commercialization in the Territory of (a) [*] or (b) [*]. Notwithstanding the foregoing clause (a), if [*], and [*], then the restriction set forth in clause (a) above shall not apply with respect to [*].

ARTICLE 3
GOVERNANCE

3.1. Alliance Managers. Within 30 days following the Effective Date, each Party will appoint (and notify the other Party of the identity of) a representative having the appropriate qualifications (including a general understanding of pharmaceutical Development,

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Manufacturing, and Commercialization issues) to act as its alliance manager under this Agreement ("**Alliance Manager**"). The Alliance Managers will serve as the primary contact points between the Parties regarding the activities contemplated by this Agreement. The Alliance Managers will facilitate the flow of information and otherwise promote communication, coordination and collaboration between the Parties, providing single point communication for seeking consensus both internally within each Party's respective organization, including facilitating review of external corporate communications, and raising cross-Party and/or cross-functional disputes in a timely manner. Each Party may replace its Alliance Manager by written notice to the other Party.

3.2. Joint Steering Committee.

(a) **Formation.** Within 30 days after the Effective Date, the Parties will establish a joint steering committee (the "**Joint Steering Committee**" or the "**JSC**") to oversee the Development, Manufacture, and Commercialization of the Licensed Products in the Field in the Territory under this Agreement. Each Party will appoint three representatives to the JSC, each of whom will be an officer or employee of the applicable Party having sufficient seniority within such Party to make decisions arising within the scope of the JSC's responsibilities. Each Party may replace its JSC representatives upon written notice to the other Party. Each Party will appoint one of its JSC representatives to act as a co-chairperson of the JSC.

(b) **Role.** The JSC will (i) provide a forum for the discussion of the Parties' activities under this Agreement; (ii) review, discuss and approve the overall strategy for the Development, Manufacture, and Commercialization of the Licensed Product in the Field in the Territory; (iii) review, discuss and approve the Development Plan and amendments thereto; (iv) review and discuss the Commercialization Plan and amendments thereto; (v) review, discuss and approve the Product Specifications; (vi) review and discuss Manufacturing activities, and approve such Manufacturing activities that could affect Paratek's global clinical and/or regulatory program outside the Territory and outside the Field; (vii) establish joint subcommittees (each, a "**Subcommittee**") as necessary or advisable to further the purpose of this Agreement; and (viii) perform such other functions as expressly set forth in this Agreement or allocated to it by the Parties' written agreement.

(c) **Limitation of Authority**. The JSC will only have the powers expressly assigned to it in this ARTICLE 3 and elsewhere in this Agreement and will not have the authority to: (i) modify or amend the terms and conditions of this Agreement; (ii) waive either Party's compliance with the terms and conditions of this Agreement; or (iii) determine any such issue in a manner that would conflict with the express terms and conditions of this Agreement.

(d) **Meetings**. The JSC will hold meetings at such times as it elects to do so, but in no event will such meetings be held less frequently than once every Calendar Quarter until the earlier of (i) three years after the Effective Date, or (ii) Zai's submission of a Regulatory Submission for Regulatory Approval for the Licensed Product in the Territory. Thereafter, the JSC will hold meeting no less frequently than once every six months. Each Party may call additional ad hoc JSC meetings as the needs arise with reasonable advance notice to the other Party. Meetings of the JSC may be held in person, by audio or video teleconference; provided

that at least one meeting per Calendar Year of the JSC will be held in person. In-person JSC meetings will be held at locations selected alternately by the Parties. The co-chairpersons of the JSC will jointly prepare the agenda and minutes for each JSC meeting. Each Party will be responsible for all of its own expenses of participating in the JSC meetings. No action taken at any JSC meeting will be effective unless at least one representative of each Party is participating in such JSC meeting.

(e) **Non-Member Attendance**. Each Party may from time to time invite a reasonable number of participants, in addition to its representatives, to attend the JSC meetings in a non-voting capacity; provided that if either Party intends to have any Third Party (including any consultant) attend such a meeting, such Party will provide prior written notice to the other Party. Such Party will also ensure that such Third Party is bound by confidentiality and non-use obligations consistent with the terms of this Agreement.

(f) **Decision-Making.** All decisions of the JSC will be made by unanimous vote, with each Party's representatives having one vote. If after reasonable discussion and good faith consideration of each Party's view on a particular matter before the JSC, the JSC cannot reach a decision as to such matter within 30 days after such matter was brought to the JSC for resolution, such matter will be referred to the President of Paratek and the Chief Executive Officer of Zai (the "**Executive Officers**") for resolution. If the Executive Officers cannot resolve such matter within 10 Business Days after such matter has been referred to them, then the Parties will be deemed to be deadlocked and [*] final decision making authority over [*]; provided that [*] final decision making authority over [*]; provided further that [*] such final decision making authority in a manner that [*]. If [*] that [*] did not have a good faith basis to conclude that such matter [*], then [*] may submit the matter to arbitration pursuant to Section 15.4; provided that the expedited procedure rules of the [*] will apply. For clarity, [*] would have the right to [*] with respect to the [*].

(g) **Exchange of Information**. The Parties will cooperate to exchange information with respect to Development activities conducted by Paratek outside the Territory that could affect Zai's activities in the Territory, and Development activities conducted by Zai that could affect Paratek's global clinical and regulatory program outside the Territory and outside the Field (such as new indications, dosing, and formulations).

3.3. Subcommittees.

(a) **General**. Pursuant to Section 3.2(b), the JSC will have the authority to establish Subcommittees. Each Subcommittee (including the Joint Development Committee) will be composed of an equal number of representatives from each Party. Each Party may replace its Subcommittee representatives upon written notice to the other Party. All decisions of a Subcommittee will be made by unanimous vote, with each Party's representatives having one vote. In the event the Parties are unable to reach a unanimous vote with respect to a matter, such matter will be referred to the JSC for resolution.

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(b) **Joint Development Committee**.

(i) **General**. Within 30 days of the Effective Date, the Parties will establish a joint development committee (the "**Joint Development Committee**" or the "**JDC**") to oversee (1) the day-to-day Development of the Licensed Product and the execution of the Development Plans, and (2) the progress of the Regulatory Approvals and Regulatory Submissions for the Licensed Product. Each Party will appoint three representatives to the JDC, each of whom will be an officer or employee of the applicable Party having sufficient knowledge regarding Development and Commercialization of the Licensed Product.

(ii) **Meetings.** While the Parties are developing and conducting Clinical Trials for Licensed Product in the Territory, the JDC will meet at least once per Calendar Quarter. The Parties will endeavor to schedule meetings of the JDC at least two months in advance.

ARTICLE 4
TECHNOLOGY TRANSFERS

4.1. Technology Transfer. Within 30 days of the Effective Date, the Parties will coordinate and agree to a technology transfer plan for Paratek to provide and transfer to Zai the Paratek Know-How that exists on the Effective Date and was not previously provided to Zai, and a timeline for such technology transfer, which may be updated or amended by the JSC from time to time as needed (such schedule and timeline, the "**Technology Transfer Plan**"). Paratek will transfer the Paratek Know-How to Zai in accordance with the Technology Transfer Plan, and Zai will cooperate to facilitate the receipt of such transfer of Paratek Know-How (the "**Initial Technology Transfer**"). Thereafter, upon Zai's reasonable request, Paratek will provide Zai with reasonable assistance in the Development and Manufacture of the Licensed Products in the Field in the Territory (the "**Continuing Technology Transfer**," and together with the Initial Technology Transfer, the "**Technology Transfer**"). The Continuing Technology Transfer will include the transfer of additional Paratek Know-How to Zai and reasonable access to Paratek personnel involved in the research and Development of the Compound and Licensed Products, either in-person at Paratek's facility or by teleconference, but will not include an obligation for Paratek personnel to travel.

4.2. Transfer of Materials. Paratek will provide a one-time transfer of reasonable quantities of Materials for Zai to conduct its Development activities under this Agreement; provided that the Parties discuss in good faith and enter into a separate materials transfer agreement containing reasonable and customary terms for such transfer of Materials. Zai will [*] provide assistance to Zai for the transfer of Materials pursuant this Section 4.2.

4.3. Technology Transfer Costs. [*]

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ARTICLE 5
DEVELOPMENT PROGRAM

5.1. Diligence and Responsibilities.

(a) Zai will be responsible for, and use Commercially Reasonable Efforts to Develop the Licensed Product in the Field in the Territory in accordance with the Development Plan, at its sole cost and expense.

(b) Zai will use Commercially Reasonable Efforts to conduct its tasks pursuant to the Development Plan and to attempt to achieve the objectives of the Development Plan. Zai will perform such obligations under the Development Plan in a professional manner, and in compliance in all material respects with the Development Plan and the requirements of Applicable Law, GCP and cGMP. Changes in the scope or direction of the Development work under this Agreement that would require a material deviation from the Development Plan must be approved by the JSC as set forth in Section 3.2(b).

5.2. Development Plan. The Parties will undertake the Development of the Licensed Product in a collaborative and efficient manner in accordance with this ARTICLE 5. The Development of the Licensed Product in the Territory under this Agreement will be governed by a written development plan (the **"Development Plan"**), as such Development Plan may be revised from time to time in accordance with this Section 5.2. The Development Plan will contain in reasonable detail the major Development activities and the timelines for achieving such activities. As of the Effective Date, the Parties have agreed to the initial Development Plan, which is attached hereto as Schedule 5.2 (the "**Initial Development Plan**"). From time to time, but at least every 12 months, Zai will propose updates or amendments, if any, to the Development Plan in consultation with Paratek and submit such proposed updated or amended plan to the JSC for review, discussion, and approval. In accordance with Section 3.2(b), the JSC will review and approve any updates or amendments to the Development Plan.

5.3. Activity Target. Prior to [*], Zai will file an IND with the CFDA for the Licensed Product (the "**Activity Target**," and the date, the "**Activity Target Deadline"**); provided that (a) if Zai is unable to achieve the Activity Target by the Activity Target Deadline and demonstrates to Paratek that Zai utilized Commercially Reasonable Efforts in Zai's attempt to satisfy the obligations of this Section 5.3, or (b) if Zai is unable to achieve the Activity Target by the Activity Target Deadline as a direct result of Paratek [*], the Activity Target Deadline will be extended [*]. For the avoidance of doubt, with respect to subsection (a) the Activity Target Deadline is [*], and with respect to subsection (b), the Activity Target Deadline is [*]. [*]

5.4. Development Reports. The status, progress and results of Zai's Development activities under this Agreement will be discussed at meetings of the JSC. At least five Business Days before each regularly scheduled JSC meeting, Zai will provide the JSC with a written report detailing its Development activities and the results thereof, covering subject matter at a level of detail reasonably required by Paratek and sufficient to enable Paratek to determine Zai's compliance with its diligence obligations pursuant to Section 5.1. In addition, Zai will make available to Paratek such additional information about its Development activities as may be reasonably requested by Paratek from time to time. All updates and reports generated pursuant to this Section 5.4 shall be the Confidential Information of Zai.

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5.5. Records. Zai will maintain appropriate records in either tangible or electronic form of (a) all significant Development, Manufacturing, and Commercialization events and activities conducted by it or on its behalf related to a Licensed Product; and (b) all significant information generated by it or on its behalf in connection with Development, Manufacturing, or Commercialization of a Licensed Product under this Agreement, in each case in accordance with Zai's usual documentation and cGMP record retention practices. Such records will be in sufficient detail to properly reflect, in a good scientific manner, all significant work done and the results of studies and trials undertaken and, further, will be at a level of detail appropriate for patent and regulatory purposes. Zai will document all non-clinical studies and Clinical Trials in formal written study reports according to Applicable Laws and national and international guidelines. Upon Paratek's request, Zai will, and will cause its Affiliates and Sublicensees, to provide to Paratek copies of such records (including access to relevant databases, if any) of Development, Manufacturing, and Commercialization activities to the extent necessary or useful for the Development, Manufacturing, and Commercialization of the Compound or Licensed Product outside the Territory, including for regulatory and patent purposes. All such records, reports, information and data provided will be subject to the confidentiality provisions of ARTICLE 10.

ARTICLE 6
REGULATORY

6.1. Zai's Responsibilities. Zai will be responsible for all regulatory activities leading up to and including the obtaining of the Regulatory Approvals for a Licensed Product from the Regulatory Authority on a region-by-region basis, at its sole cost and expense. Zai or its designee will own and hold all Regulatory Approvals for a Licensed Product in the Territory. Zai will keep Paratek informed of regulatory developments related to the Licensed Products in the Territory and will promptly notify Paratek in writing of any decision by any Regulatory Authority in the Territory regarding the Licensed Product. Zai will notify Paratek of any Regulatory Submissions submitted to or received from any Regulatory Authority in the Territory and will provide Paratek with copies thereof within five days after submission or receipt. If any material Regulatory Submission is not in the English language, Zai will also provide Paratek with a summary thereof in English as soon as practicable.

6.2. Paratek's Responsibilities. [*] Paratek will reasonably cooperate with Zai in obtaining any Regulatory Approvals for a Licensed Product in the Territory by providing, to the extent reasonably required by and reasonably useful to Zai, access to regulatory approvals, Regulatory Submissions, clinical data, and other data, information, and documentation for the Licensed Product outside of the Territory. In addition, upon Zai's reasonable request, Paratek will, and will cause its Affiliates and sublicensees (to the extent permitted in such sublicensees' agreement with Paratek), to provide to Zai copies of such records of Development, Manufacturing, and Commercialization activities to the extent necessary or reasonably useful to obtain Regulatory Approval of the Licensed Product in the Territory. [*] provide assistance to Zai for such cooperation.

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6.3. Right of Reference. Each Party hereby grants to the other Party the right of reference to all Regulatory Submissions pertaining to the Licensed Product in the Field submitted by or on behalf of such Party. Zai may use such right of reference to Paratek's Regulatory Submissions in the Field solely for the purpose of seeking, obtaining and maintaining Regulatory Approval of the Licensed Products in Field in the Territory. Paratek may use the right of reference to Zai's Regulatory Submissions in the Field solely for the purpose of seeking, obtaining and maintaining regulatory approval of the Licensed Products outside the Territory.

6.4. Adverse Events Reporting.

(a) Promptly following the Effective Date, but in no event later than 60 days thereafter, Zai and Paratek will develop and agree to the worldwide safety and pharmacovigilance procedures for the Parties with respect to the Licensed Products, such as safety data sharing and exchange, Adverse Events reporting and prescription events monitoring in a written agreement (the "**Safety Agreement**"). Such agreement will describe the coordination of collection, investigation, reporting, and exchange of information concerning Adverse Events or any other safety problem of any significance, and product quality and product complaints involving Adverse Events, sufficient to permit each Party, its Affiliates, licensees or sublicensees to comply with its legal obligations. The Safety Agreement will be promptly updated if required by changes in legal requirements. Each Party hereby agrees to comply with its respective obligations under the Safety Agreement and to cause its Affiliates, licensees and sublicensees to comply with such obligations. To the extent there is any disagreement between this Section 6.4, Section 6.5, or any related definitions and the Safety Agreement, the Safety Agreement shall control with respect to safety matters and this Agreement shall control with respect to all other matters.

(b) Zai will maintain an Adverse Event database for the Licensed Products in the Territory, at its sole cost and expense, and will be responsible for reporting quality complaints, Adverse Events and safety data related to the Licensed Products to the applicable Regulatory Authorities in the Territory, as well as responding to safety issues and to all requests of Regulatory Authorities related to the Licensed Products in the Territory. Zai will provide to Paratek access to, and the information contained in, Zai's Adverse Event database for the Territory, and Paratek will maintain a global Adverse Event database at its sole cost and expense.

(c) Zai will be responsible for complying with all Applicable Law governing Adverse Events in the Territory that occur after the Effective Date. Zai will notify Paratek on a timely basis of any Adverse Events occurring at or reported by any Clinical Trial location at which Zai is responsible for performing Clinical Trials. Zai will submit copies of reports of Adverse Events to Paratek simultaneously with submission to the applicable Regulatory Authorities. Each Party will notify the other in a timely manner and in any event within 24 hours of receiving any serious Adverse Event reports from Clinical Trials that each Party is monitoring, notice from a Regulatory Authority, independent review committee, data safety monitoring board or another similar clinical trial or post-marketing monitoring body alleging significant concern regarding a patient safety issue or other material information relevant to the safety or efficacy of Licensed Product.

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6.5. Safety and Regulatory Audits. Upon reasonable notification, and no more frequently than [*] (provided that the foregoing frequency limit shall not apply if Paratek has cause), Paratek will be entitled to conduct an audit of safety and regulatory systems, procedures and practices of Zai, including on-site evaluations to the extent permitting such on-site evaluations is in the control of Zai. Further details including notification, timing, response and scope of such audits will be included in the Safety Agreement.

6.6. No Harmful Actions. If Paratek believes that Zai is taking or intends to take any action with respect to the Licensed Product that could have a material adverse impact upon the regulatory status of the Licensed Product outside the Territory, Paratek will have the right to bring the matter to the attention of the JSC and the Parties will discuss in good faith to resolve such concern. Without limiting the foregoing, unless the Parties otherwise agree: (a) Zai will not communicate with any Regulatory Authority having jurisdiction outside the Territory, unless so ordered by such Regulatory Authority, in which case Zai will immediately notify Paratek of such order; and (b) Zai will not submit any Regulatory Submissions or seek regulatory approvals for the Licensed Product outside the Territory. To the extent practicable, Paratek will provide Zai with any information that reasonably could affect the Development or Commercialization of the Licensed Product in the Territory, prior to making such information public.

6.7. Notification of Threatened Action. Each Party will immediately notify the other Party of any information it receives regarding any threatened or pending action, inspection or communication by any Regulatory Authority, which may affect the safety or efficacy claims of any Licensed Product or the continued marketing of any Licensed Product. Upon receipt of such information, the Parties will consult with each other in an effort to arrive at a mutually acceptable procedure for taking appropriate action.

6.8. Remedial Actions. Each Party will notify the other immediately, and promptly confirm such notice in writing, if it obtains information indicating that any Licensed Product may be subject to any recall, corrective action or other regulatory action by any Governmental Authority or Regulatory Authority (a "**Remedial Action**"). The Parties will assist each other in gathering and evaluating such information as is necessary to determine the necessity of conducting a Remedial Action. Zai will have sole discretion with respect to any matters relating to any Remedial Action in the Territory, including the decision to commence such Remedial Action and the control over such Remedial Action. The cost and expenses of any Remedial Action in the Territory will be borne solely by Zai. Zai will, and will ensure that its Affiliates and Sublicensees will, maintain adequate records to permit the Parties to trace the manufacture, distribution and use of the Licensed Product in the Territory.

ARTICLE 7
MANUFACTURING

7.1. Manufacture and Supply. Zai will be responsible for, and use Commercially Reasonable Efforts to Manufacture, or have Manufactured (pursuant to Section 2.4), Licensed Products, sufficient and solely to meet the Development and Commercialization requirements of a Licensed Product in the Territory, at its sole cost and expense. Zai will undertake such Manufacturing activities of the Licensed Products in accordance with the Product Specifications.

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If [*], Paratek will permit Paratek's suppliers to provide such supply to Zai and shall reasonably assist Zai to obtain a supply of Licensed Products for the Development and Commercialization activities contemplated hereunder by introducing Zai to suppliers that Paratek utilizes at that time. Zai will ensure that any arrangement between Zai and such suppliers (a) will not alter or affect Paratek's supply related to the Licensed Product, and (b) Paratek will not have any liability or obligation related to such arrangements. If Zai is required by the CFDA to Commercialize the Licensed Product as an imported product, the Parties will negotiate in good faith the terms of an agreement to address this event (an "**Imported Product Agreement**"), and such agreement will include, but not be limited to, provisions whereby Zai will indemnify Paratek for any liability (including product liability) related to Paratek's involvement in the Development, Manufacture or Commercialization of the Licensed Product as an imported product, and Zai will maintain appropriate minimum liability insurance (to be determined in the Imported Product Agreement) levels. For the avoidance of doubt, (y) Paratek will be adequately protected from any liability based on Zai's activities in the Territory including Zai's sourcing of the Compound or Licensed Product, and (z) absent the Parties agreement to terms pursuant to an Imported Product Agreement, Paratek will not have any obligation to (i) accommodate the supply (directly or indirectly) of the Compound or Licensed Product to Zai, or (ii) be an applicant on a regulatory application or holder of a regulatory approval related to Zai's Exploitation of the Licensed Product as an imported product.

7.2. Transfer of Manufacturing Know-How. As part of the Initial Technology Transfer, in accordance with the Technology Transfer Plan, Paratek will make available to Zai the Paratek Know-How that constitutes the then-current process used by Paratek or its Third Party manufacturer in the manufacture of Licensed Products. In addition, as per the Continuing Technology Transfer, Paratek will provide reasonable technical assistance regarding such manufacturing related Paratek Know-How as requested by Zai in accordance with Section 4.1. Zai will be responsible for the costs and expenses incurred by Paratek in performing such part of the Technology Transfer in accordance with Section 4.3. After the completion of such part of the Initial Technology Transfer, each Party will promptly notify the other Party of any changes in its manufacturing process for the Licensed Products and upon such other Party's request, will provide reasonable assistance to enable such other Party to implement such changes, with each Party bearing its own costs.

7.3. Agreement with Contract Manufacturer. To the extent that Zai enters into an agreement with any contract manufacturing organization to manufacture Licensed Product for and on behalf of Zai, such agreement shall set forth the respective responsibilities of the parties with regards to quality assurance for the Licensed Product, and Zai shall obligate such contract manufacturing organization in the Territory to comply with all Applicable Laws, including GMP, and ensure that any such contract manufacturing organization is not, and has not been, debarred or disqualified by any Regulatory Authority.

ARTICLE 8
COMMERCIALIZATION

8.1. Commercialization Diligence. Zai will be responsible for, and use Commercially Reasonable Efforts to Commercialize the Licensed Products in the Field in the Territory in accordance with the Commercialization Plan, at its sole cost and expense. Upon Zai's reasonable request, Paratek will reasonably assist Zai in such Commercialization of the Licensed Product.

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8.2. Commercialization Plan. The Commercialization Plan will contain in reasonable detail the major Commercialization activities and the timelines for achieving such activities. Zai will deliver an initial Commercialization Plan to the JSC for review and discussion no later than 12 months prior to the anticipated date of the first filing of the first Regulatory Approval for a Licensed Product in the Territory. Thereafter, from time to time, but at least every 12 months, Zai will propose updates or amendments to the Commercialization Plan in consultation with Paratek to reflect changes in such plans, including those in response to changes in the marketplace, relative success of the Licensed Product, and other relevant factors influencing such plan and activities, and submit such proposed updated or amended plan to the JSC for review, discussion, and approval. In accordance with Section 3.2(b), the JSC will review and discuss any updates or amendments to the Commercialization Plan.

8.3. Commercialization Reports. Zai will update the JSC at each regularly scheduled JSC meeting regarding Zai's Commercialization activities with respect to the Licensed Products in the Territory. Each such update will be in a form to be agreed by the JSC and will summarize Zai's, its Affiliates' and Sublicensees' significant Commercialization activities with respect to the Licensed Products in the Territory, covering subject matter at a level of detail reasonably required by Paratek and sufficient to enable Paratek to determine Zai's compliance with its diligence obligations pursuant to Section 8.1. In addition, Zai will make available to Paratek such additional information about its Commercialization activities as may be reasonably requested by Paratek from time to time. For clarity, Zai will not be required to include information in its updates and reports under this Section 8.3 that it does not otherwise create for its own internal purposes. All updates and reports generated pursuant to this Section 8.3 shall be the Confidential Information of Zai.

8.4. Product Trademarks. Zai will have the right to brand the Licensed Products in the Territory using trademarks, logos, and trade names it determines appropriate for the Licensed Products, which may vary by region or within a region (the "**Product Marks**"). Zai will own all rights in the Product Marks in the Territory and will register and maintain the Product Marks in the Territory that it determines reasonably necessary, at Zai's cost and expense. Upon Zai's request, Paratek will reasonably assist Zai in the selection and design of the Product Marks. Zai will also have the right (pursuant to this Section 8.4) to use certain trademarks in the Territory as set forth in Schedule 8.4 (the "**Paratek Product Marks**"). If Zai elects to use the Paratek Product Marks in connection with the Commercialization of the Licensed Products in the Territory, Paratek will and hereby does grant to Zai, during the Term and subject to the terms and conditions of this Agreement, a royalty-free, exclusive license under Paratek's rights to use such Paratek Product Marks in connection with the Commercialization of the Licensed Products in the Field in the Territory in compliance with Applicable Laws. Zai will comply with Paratek's brand usage guidelines provided to Zai in its use of the Paratek Product Marks. For the avoidance of doubt, Paratek (a) has sole discretion regarding prosecution and maintenance of the Paratek Product Marks, provided that, after Zai has initiated launch efforts to Commercialize the

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Product under any particular Paratek Product Mark, Paratek shall notify Zai in writing of any decision to modify and/or discontinue the application or registration of such Paratek Product Mark in the Territory, and shall not carry out such modification or discontinuation without Zai's prior written consent (not to be unreasonably withheld), further provided that Paratek shall not be required to obtain Zai's consent if such modification and/or discontinuation is required by the applicable Regulatory Authority in the Territory or is necessary to avoid any potential infringement of the rights of any Third Party, and (b) has no obligation to ensure that, and provides no guarantee that, any applications included in the Paratek Products Marks issues to a registered trademark in the Territory.

8.5. Commercialization Assistance. Zai will reimburse Paratek's actual internal expenses and costs at the FTE Rate for FTEs engaged to, and out-of-pocket expenses and costs incurred by Paratek to, provide assistance to Zai Commercialization activities, including assistance pursuant to Sections 8.1 and 8.4.

8.6. Compliance. Zai will (a) comply, and will cause its Affiliates and Sublicensees to comply, with all Applicable Laws and all applicable cGMP, GCP, GLP and GSP (or similar standards) in their conduct of the Development, Manufacturing, and Commercialization activities under this Agreement and (b) ensure that its Affiliates and Sublicensees do not transfer or divert the Compound or Licensed Product to an entity other than Zai, or an entity approved by Zai, in each case in a manner that would cause the sale of such Compound or Licensed Product in the chain of distribution (from Zai or its Affiliates or Sublicensees to the end user) to be excluded (except as an exception provided in the Net Sales definition) in the calculation of Net Sales, provided that for each unit of the Compound and/or Licensed Product, the inclusion of such sales in the calculation of Net Sales shall occur only once. Upon reasonable notification, but no more than [*] (provided that the foregoing frequency limit shall not apply if Paratek has cause), Paratek will have the right to conduct audits of Zai, and Zai will procure such right for Paratek to audit Zai's Affiliates and Sublicensees (either directly or through Zai and its designee), to ensure (y) compliance with applicable cGMP, GCP, GLP, and GSP standards, including on-site evaluations (to the extent permitting such evaluations is under the control of the audited Party), and (z) compliance with Section 8.6(b).

ARTICLE 9
PAYMENTS AND MILESTONES

9.1. Tufts Agreement and IP Transfer Agreement Payments.

(a) Paratek will be responsible, at its costs, for all payments, royalties or milestones under the Tufts Agreement.

(b) Paratek will be responsible, at its costs, for all payments under the IP Transfer Agreement.

9.2. Upfront Payment. In partial consideration of the rights granted by Paratek to Zai hereunder, Zai will pay to Paratek US$7,500,000 (the "**Upfront Payment**") within [*] days of the Effective Date.

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 406 of the Securities Act of 1933, as amended.

9.3. Milestones Payments to Paratek.

(a) In partial consideration of the rights granted herein, Zai will pay to Paratek the following milestone payments (each such payment, a "**Milestone Payment"**) within [*] days of the achievement of the corresponding milestone events set forth below (each such event, a "**Milestone Event**"), or in the case of Net Sales Milestone Events, within [*] days after the end of the Calendar Quarter in which the Net Sales Milestone Event occurs.

Milestone Event	Milestone Payment
First regulatory approval for a Licensed Product in the U.S. for the CABP indication	US$5,000,000
[*]	US$[*]
[*]	US$[*]
First time that Net Sales of Licensed Products in a Calendar Year exceeds US$[*]	US$[*]
First time that Net Sales of Licensed Products in a Calendar Year exceeds US$[*]	US$[*]
First time that Net Sales of Licensed Products in a Calendar Year exceeds US$[*]	US$[*]

(b) For the avoidance of doubt (i) each Milestone Payment will be payable on the first occurrence of the corresponding Milestone Event, and (ii) none of the Milestone Payments will be payable more than once.

9.4. Royalties.

(a) **Royalty Payment**. During the Royalty Term, Zai will pay to Paratek tiered royalties based on annual Net Sales of Licensed Product in the Territory in a Calendar Year (a "**Royalty Payment**"). The royalty rates will be as set forth below (subject to Section 9.4(d)):

Tier	Royalty %
[3] US$[*] and £ US$[*]	[*]%
> US$[*] and £ US$[*]	[*]%
> US$[*] and £ US$[*]	[*]%
> US$[*]	[*]%

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(b) **Example**. By way of example, if the Net Sales in a Calendar Year of Licensed Product within the Territory equals $[*], the royalty amount owed by Zai to Paratek would be US$[*].

(c) **Royalty Term.** The Royalty Payments payable under this Section 9.4 will be payable on a region-by-region basis from the First Commercial Sale of the Licensed Product in such region until the later of: (i) the abandonment, expiry or final determination of invalidity of the last Valid Claim within the Paratek Patents that covers the Exploitation of the Licensed Products in the region in the Territory in the manner that Zai or its Affiliates or Sublicensees Exploit the Licensed Product or intend for the Licensed Product to be Exploited; or (ii) the close of business of the day that is exactly 11 years after the date of the First Commercial Sale of such Licensed Product in such region (the "**Royalty Term**").

(d) **Royalty Rate Reduction for Generic Product Market Effect**. If there is no longer a Valid Claim within the Paratek Patents covering a Licensed Product in a region in the Territory, then Zai may reduce the Royalty Payments for Net Sales in such region by (i) [*]% in any Calendar Quarter that Zai can demonstrate that one or more generic equivalent products are on the market in such region and sales of such generic equivalent product(s) in the region constitute [*]% or more of the total sales of such generic equivalent product(s) and Licensed Product in such region or (ii) [*]% in any Calendar Quarter that Zai can demonstrate that one or more generic equivalent products are on the market in such region and sales of such generic equivalent product(s) in the region constitute [*]% or more of the total sales of such generic equivalent product(s) and Licensed Product in such region.

(e) **Royalty Estimates and Royalty Reports**. Following the First Commercial Sale of any Licensed Product for which royalties are due pursuant to this Section 9.4, and continuing for so long as royalties are due hereunder:

(i) Zai will, within [*] days after the end of each Calendar Quarter, provide Paratek a good faith estimate of the royalties due for such Calendar Quarter; and

(ii) Zai will, within [*] days after the end of each Calendar Quarter, provide a royalty report showing, on a region-by-region basis:

(1) the Net Sales of each Licensed Product sold by Zai, its Affiliates and Sublicensees during such Calendar Quarter reporting period;

(2) the Royalty Payments in United States dollars which will have accrued hereunder with respect to such Net Sales, with supporting calculations showing the applicable royalty rate applied;

(3) the rate of exchange with supporting calculations, determined in accordance with Section 9.5(b), used by Zai in determining the amount of United States dollars payable hereunder.

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(f) **Royalty Payment.** Zai will pay to Paratek the royalties for each Calendar Quarter within [*] days after the end of such Calendar Quarter. If no royalty is due for any Calendar Quarter following commencement of the reporting obligation, Zai will so report.

9.5. Payment.

(a) **Mode of Payment.** All payments to be made under this Agreement will be made in U.S. Dollars and will be paid by electronic transfer in immediately available funds to such bank account in the United States as is designated in writing by a Party. All payments will be free and clear of any transfer fees or charges.

(b) **Currency Exchange Rate.** All payments under this Agreement will be payable in U.S. Dollars. All expense amounts will be calculated in the foreign currency for the country or region in which expenses are incurred, and will then be converted into U.S. Dollars by applying the rate of exchange used by a Party for its own financial reporting purposes in connection with its other products or accounts, consistently applied, which will be consistent with US GAAP. The rate of exchange to be used in computing the amount of currency equivalent in U.S. Dollars for calculating Net Sales in a Calendar Quarter (for purposes of both the royalty calculation and whether a Net Sales milestone has been achieved) shall be made at the exchange rate as published by the Wall Street Journal on the last Business Day of such Calendar Quarter, or such other source as the Parties may agree in writing.

9.6. Audits.

(a) Zai will keep, and will require its Affiliates and Sublicensees to keep (all in accordance with US GAAP, consistently applied), for a period not less than [*] complete and accurate records in sufficient detail to properly reflect Net Sales and to enable any Milestone Payment payable hereunder to be determined.

(b) Upon the written request of Paratek, Zai will permit, and will cause its Affiliates and Sublicensees to permit, an independent certified public accounting firm of nationally recognized standing selected by Paratek and reasonably acceptable to Zai, at Paratek's expense, to have access during normal business hours to such records of Zai and/or its Affiliates as may be reasonably necessary to verify the accuracy of the payments hereunder for any Calendar Year ending not more than [*] prior to the date of such request. These rights with respect to any Calendar Year will terminate [*] after the end of any such Calendar Year and shall be limited to (i) [*] and (ii) [*] with respect to records covering any specific period of time (provided that the foregoing frequency limits ((i) and (ii)) shall not apply if Paratek has cause). Paratek will provide Zai with a copy of the accounting firm's written report within [*] days of completion of such report. If such accounting firm correctly concludes that an underpayment was made, then Zai will pay the amount due within [*] days of the date Paratek delivers to Zai such accounting firm's written report so correctly concluding. Paratek will bear the full cost of such audit unless such audit correctly discloses that the additional payment payable by Zai for the audited period is more than [*]% of the amount otherwise paid for that audited period, in which case Zai will pay the reasonable fees and expenses charged by the accounting firm.

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(c) Paratek will treat all financial information, subject to review under this Section 9.6 in accordance with the confidentiality provisions of ARTICLE 10, and, prior to commencing such audit, will cause its accounting firm to enter into a confidentiality agreement with Zai obligating it to treat all such financial information in confidence pursuant to such confidentiality provisions. Such accounting firm shall not disclose Zai's Confidential Information to Paratek, except to the extent such disclosure is necessary to verify the accuracy of the financial reports furnished by Zai or the amount of payments to or by Zai under this Agreement.

(d) Zai will include in each relevant sublicense granted by it a provision requiring any Sublicensee to maintain records of sales of Licensed Products made pursuant to such sublicense, and to grant access to such records by an accounting firm to the same extent and under the same obligations as required of Zai under this Agreement. Paratek will advise Zai in advance of each audit of any such Sublicensee with respect to Licensed Product sales either by Paratek or its designated auditor under the terms of such Sublicensee agreement. Paratek will provide Zai with a summary of the results received from the audit and, if Zai so requests, a copy of the audit report. Paratek will pay the full costs charged by the accounting firm, unless the audit discloses that the additional payments payable to Paratek for the audited period is more than [*]% from the amounts otherwise paid for that audited period, in which case Zai will pay the reasonable fees and expenses charged by the accounting firm.

9.7. Interest. Each Party will pay interest on any amounts overdue under this Agreement at a per annum rate of [*] point above the Prime Rate assessed from the day payment was initially due; provided, however, that in no case will such interest rate exceed the highest rate permitted by Applicable Law. The payment of such interest will not foreclose a Party from exercising any other rights it may have because any payment is overdue.

9.8. Taxes.

(a) [*] any VAT required to be deducted or withheld by Zai under Applicable Law on payments payable by Zai under this Agreement, and will [*] the deduction or withholding for VAT. If Zai is required to deduct or withhold Taxes (including VAT) on any payments payable by Zai under this Agreement, Zai will (i) pay such Tax on behalf of Paratek to the appropriate Governmental Authority, (ii) furnish Paratek with proof of payment of such Tax, and (iii) [*] required to be deducted or withheld [*] as set forth in the Agreement. For example, if Paratek is due US[*] under this Agreement, and Zai is required by Applicable Law to withhold [*], [*] and [*].

(b) Zai and Paratek will cooperate with respect to all documentation required by any taxing authority or reasonably requested by Zai to secure a reduction in the rate of applicable Taxes.

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ARTICLE 10
CONFIDENTIALITY; PUBLICATION

10.1. Nondisclosure Obligation.

(a) For the Term of this Agreement and [*] thereafter, the Party receiving the Confidential Information of the other Party (such receiving Party, the "**Receiving Party**") will keep confidential and not publish, make available or otherwise disclose any Confidential Information to any Third Party, without the express prior written consent of the Party that disclosed such Confidential Information (the "**Disclosing Party**"); provided however, the Receiving Party may disclose the Confidential Information to those of its Affiliates, officers, directors, employees, agents, consultants and/or independent contractors (including sublicensees) of such Receiving Party who need to know the Confidential Information in connection with this Agreement and are bound by confidentiality obligations with respect to such Confidential Information. The Receiving Party will exercise at a minimum the same degree of care it would exercise to protect its own confidential information (and in no event less than a reasonable standard of care) to keep confidential the Confidential Information. The Receiving Party will use the Confidential Information solely in connection with the purposes of this Agreement.

(b) It will not be considered a breach of this Agreement if the Receiving Party discloses Confidential Information in order to comply with a lawfully issued court or governmental order or with a requirement of Applicable Law or the rules of any internationally recognized stock exchange; provided that: (i) the Receiving Party gives prompt written notice of such disclosure requirement to the Disclosing Party and cooperates with the Disclosing Party's efforts to oppose such disclosure or obtain a protective order for such Confidential Information, and (ii) if such disclosure requirement is not quashed or a protective order is not obtained, the Receiving Party will only disclose those portions of the Confidential Information that it is legally required to disclose and will make a reasonable effort to obtain confidential treatment for the disclosed Confidential Information. To the extent there is any conflict between this ARTICLE 10 and any other agreement related to Confidential Information entered into between the Parties, the terms of this ARTICLE 10 will control to the extent of such conflict.

10.2. Scientific Publication. The JDC will discuss the publication strategy for the publication of scientific papers, abstracts, meeting presentations and other disclosure of the results of the studies carried out under this Agreement, taking into consideration the Parties' interest in publishing the results of the Development work in order to obtain recognition within the scientific community and to advance the state of scientific knowledge, and the need to protect Confidential Information, intellectual property rights and other business interests of the Parties. Zai will provide Paratek with the opportunity to review and comment on any proposed publication that pertains to the Compound or Licensed Products at least [*] days prior to its intended submission for publication. Paratek will provide Zai with its comments, if any, within [*] days after the receipt of such proposed publication. Zai will consider in good faith the comments provided by Paratek and will comply with Paratek's request to: (a) remove any and all Confidential Information of Paratek from such proposed publication; and (b) delay the submission for a period up to [*] days as may be reasonably necessary to seek patent protection for the information disclosed in the proposed publication. Zai agrees to acknowledge the contribution of Paratek and Paratek's employees in all publication as scientifically appropriate.

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10.3. Publicity; Use of Names.

(a) Each of the Parties agrees not to disclose to any Third Party the terms and conditions of this Agreement without the prior approval of the other Party, except to (i) advisors (including consultants, financial advisors, attorneys and accountants), (ii) bona fide potential and existing investors and acquirers on a need to know basis, in each case under circumstances that reasonably protect the confidentiality thereof, (iii) to the extent necessary to comply with the terms of agreements with Third Parties, or (iv) to the extent required by Applicable Laws, including securities laws and regulations. Notwithstanding the foregoing, the Parties must agree upon the initial press release(s) to announce the execution of this Agreement; thereafter, Paratek and Zai may each disclose to Third Parties the information contained in such press release(s) without the need for further approval by the other.

(b) The Parties acknowledge the importance of supporting each other's efforts to publicly disclose results and significant developments regarding a Licensed Product for use in the Field in the Territory and other activities in connection with this Agreement, beyond what may be strictly required by Applicable Laws and the rules of a recognized stock exchange, and Zai may make such disclosures from time to time with respect to the Licensed Product with the approval of Paratek, which approval will not be unreasonably withheld, conditioned or delayed. Such disclosures may include achievement of significant events in the Development (including regulatory process) or Commercialization of a Licensed Product for use in the Field in the Territory. Unless otherwise requested by the applicable Party, each Party will indicate that Paratek is the licensor of a Licensed Product, Paratek Patents, and Paratek Know-How, as applicable, in each public disclosure issued by such Party regarding a Licensed Product. When Zai elects to make any public disclosure under this Section 10.3(b), it will give Paratek reasonable notice to review and comment on such statement, it being understood that (i) if Paratek does not notify Zai in writing within [*] days or such shorter period if required by Applicable Laws of any reasonable objections, as contemplated in this Section 10.3(b), such disclosure will be deemed approved, and (ii) if Paratek does notify Zai in writing within the time period set forth in clause (i) above, and reasonably determines that such public disclosure would entail the public disclosure of Paratek's Confidential Information or of patentable inventions upon which patent applications should be filed prior to such public disclosure, such public disclosure will be delayed for such period as may be reasonably necessary for deleting any such Confidential Information of Paratek, or the drafting and filing of a patent application covering such inventions, provided such additional period will not exceed [*] days from the proposed date of the public disclosure, and, in any event, Paratek will work diligently and reasonably to agree on the text of any proposed disclosure in an expeditious manner. The principles to be observed in such disclosures will be accuracy, compliance with Applicable Laws and regulatory guidance documents, and reasonable sensitivity to potential negative reactions of applicable Regulatory Authorities.

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(c) The Parties acknowledge the need to keep investors and others informed regarding such Party's business under this Agreement, including as required by the rules of a recognized stock exchange. To the extent a Party is publicly listed or becomes publicly listed, and subject to Sections 10.3(a) and 10.3(b), such Party may issue press releases or make disclosures to the SEC or other applicable agency as it determines, based on advice of counsel, as reasonably necessary to comply with laws or regulations or for appropriate market disclosure; provided that each Party shall provide the other Party with advance notice of legally required disclosures to the extent practicable. The Parties will consult with each other on the provisions of this Agreement to be redacted in any filings made by a Party with the SEC or as otherwise required by Applicable Laws; provided that each Party shall have the right to make any such filing as it reasonably determines necessary under Applicable Laws.

ARTICLE 11
REPRESENTATIONS, WARRANTIES, AND COVENANTS

11.1. Representations, Warranties, and Covenants of Each Party. Each Party represents and warrants, and covenants to the other Party as of the Effective Date that:

(a) it is a company or corporation duly organized, validly existing, and in good standing under the laws of the jurisdiction in which it is incorporated, and has full corporate power and authority and the legal right to own and operate its property and assets and to carry on its business as it is now being conducted and as contemplated in this Agreement, including, without limitation, the right to grant the licenses granted by it hereunder; and

(b) (i) it has the corporate power and authority and the legal right to enter into this Agreement and perform its obligations hereunder; (ii) it has taken all necessary corporate action on its part required to authorize the execution and delivery of the Agreement and the performance of its obligations hereunder; and (iii) the Agreement has been duly executed and delivered on behalf of such Party, and constitutes a legal, valid, and binding obligation of such Party that is enforceable against it in accordance with its terms;

(c) it is not a party to any agreement that would prevent it from granting the rights granted to the other Party under this Agreement or performing its obligations under the Agreement;

(d) in the course of performing its obligations or exercising its rights under this Agreement, it will comply with all Applicable Laws, including as applicable, cGMP, GCP, GLP, and GSP standards, and will not employ or engage any party who has been debarred by any Regulatory Authority, or, to such Party's knowledge, is the subject of debarment proceedings by a Regulatory Authority.

11.2. Additional Representations and Warranties of Paratek. Paratek represents and warrants to Zai that as of the Effective Date:

(a) it has the right under the Paratek Technology to grant the licenses to Zai as purported to be granted pursuant to this Agreement;

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(b) to Paratek's actual knowledge, the Manufacture, use or sale of the Licensed Product in the Territory for the purposes set forth in the Development Plan will not infringe any issued claim of an issued Patent of any Third Party (except Patents for which Paratek has a license);

(c) Schedule 1.69 lists all Patents in the Territory Controlled by Paratek that cover the composition of matter or formulation of, or salt of or polymorph forms of, or the method of making or method of using, a Licensed Product;

(d) it has not granted any liens or security interests on the Paratek Technology;

(e) Paratek has not as of the Effective Date, and will not during the Term, grant any right to any Third Party under the Paratek Technology that would conflict with the rights granted to Zai hereunder;

(f) Paratek and its Affiliates is not, and has not been, debarred or disqualified by any Regulatory Authority;

(g) no claim or action has been brought against Paratek or, to Paratek's knowledge, threatened in writing to Paratek, by any Third Party alleging that the Paratek Patents are invalid or unenforceable, and no interference, opposition, cancellation or other protest proceeding has been filed against a Paratek Patent owned by Paratek; and

(h) Paratek has made available to Zai, via the virtual data room, copies of all patient safety and efficacy data tables, in all material respects, that are in Paratek's possession as of the Effective Date, in connection with the global Phase III Clinical Study conducted by Paratek for acute bacterial skin and skin structure infections (ABSSSI) and community-acquired bacterial pneumonia (CABP).

11.3. Covenants of Paratek.

(a) Paratek will not modify, amend, or terminate the Tufts Agreement in a manner that is materially adverse to Zai without Zai's prior written consent.

(b) Paratek will not modify, amend, or terminate, or cause to modify, amend or terminate, the IP Transfer Agreement in a manner that is materially adverse to Zai without Zai's prior written consent.

11.4. Representations, Warranties, and Covenants of Zai. Zai represents, warrants, and covenants to Paratek that as of the Effective Date:

(a) there are no legal claims, judgments or settlements against or owed by Zai, or pending or, to Zai's actual knowledge, threatened, legal claims or litigation, in each case, relating to antitrust, anti-competition, anti-bribery or corruption violations;

(b) Zai and its Affiliates is not, and has not been, debarred or disqualified by any Regulatory Authority;

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(c) Zai has sufficient financial wherewithal to (i) perform all of its obligations pursuant to this Agreement, and (ii) meet all of its obligations that come due in the ordinary course of business;

(d) Zai has, or will obtain, sufficient technical, clinical, and regulatory expertise to perform all of its obligations pursuant to this Agreement, including its obligations relating to Development, Manufacturing, Commercialization, and obtaining Regulatory Approvals; and

(e) Zai will, and will cause its Affiliates and Sublicensees to, be bound by and comply with all obligations that the Tufts Agreement states would apply to sublicenses or sublicensees of the Tufts Agreement.

11.5. NO OTHER REPRESENTATIONS OR WARRANTIES. EXCEPT AS EXPRESSLY STATED IN THIS AGREEMENT, NO REPRESENTATIONS OR WARRANTIES WHATSOEVER, WHETHER EXPRESS OR IMPLIED, INCLUDING WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, NON-INFRINGEMENT, OR NON-MISAPPROPRIATION OF THIRD PARTY INTELLECTUAL PROPERTY RIGHTS, ARE MADE OR GIVEN BY OR ON BEHALF OF A PARTY. ALL SUCH REPRESENTATIONS AND WARRANTIES, WHETHER ARISING BY OPERATION OF LAW OR OTHERWISE, ARE HEREBY EXPRESSLY EXCLUDED.

11.6. Compliance with Anti-Corruption Laws.

(a) Notwithstanding anything to the contrary in the Agreement, Zai hereby agrees that:

(i) it will not, in the performance of this Agreement, perform any actions that are prohibited by local and other anti-corruption laws (including the provisions of the U.S. Foreign Corrupt Practices Act, collectively "**Anti-Corruption Laws**") that may be applicable to one or both Parties to the Agreement;

(ii) it will not, in the performance of this Agreement, directly or indirectly, make any payment, or offer or transfer anything of value, or agree or promise to make any payment or offer or transfer anything of value, to a government official or government employee, to any political party or any candidate for political office or to any other Third Party with the purpose of influencing decisions related to either Party and/or its business in a manner that would violate Anti-Corruption Laws;

(iii) it will, on an annual basis upon request by the other Party, verify in writing that to the best of such Party's knowledge, there have been no violations of Anti-Corruption Laws by such Party or persons employed by or subcontractors used by such Party in the performance of the Agreement, or will provide details of any exception to the foregoing; and

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(iv) it will maintain records (financial and otherwise) and supporting documentation related to the subject matter of the Agreement in order to document or verify compliance with the provisions of this Section 11.6, and upon request of the other Party, up to once per year and upon reasonable advance notice, will provide a Third Party auditor mutually acceptable to the Parties with access to such records for purposes of verifying compliance with the provisions of this Section 11.6. Acceptance of a proposed Third Party auditor may not be unreasonably withheld by either Party. It is expressly agreed that the costs related to the Third Party auditor will be fully paid by the Party requesting the audit, and that any auditing activities may not unduly interfere with the normal business operations of Party subject to such auditing activities. The audited Party may require the Third Party auditor to enter into a reasonable confidentiality agreement in connection with such an audit.

(b) To its knowledge as of the Effective Date, neither Zai nor any of its subsidiaries nor any of their Affiliates, directors, officers, employees, distributors, agents, representatives, sales intermediaries or other Third Parties acting on behalf of Zai or any of its subsidiaries or any of their Affiliates:

(i) has taken any action in violation of any applicable anticorruption law, including the U.S. Foreign Corrupt Practices Act (15 U.S.C. § 78 dd-1 et seq.); or

(ii) has corruptly, offered, paid, given, promised to pay or give, or authorized the payment or gift of anything of value, directly or indirectly, to any Public Official (as defined in Section 11.6(d) below), for the purposes of:

(iii) influencing any act or decision of any Public Official in his official capacity;

(iv) inducing such Public Official to do or omit to do any act in violation of his lawful duty;

(v) securing any improper advantage; or

(vi) inducing such Public Official to use his or her influence with a government, governmental entity, or commercial enterprise owned or controlled by any government (including state-owned or controlled veterinary or medical facilities) in obtaining or retaining any business whatsoever.

(c) As of the Effective Date, none of the officers, directors, employees, of Zai or of any of its Affiliates or agents acting on behalf of Zai or any of its Affiliates, in each case that are employed or reside outside the United States, are themselves Public Officials.

(d) For purposes of this Section 11.6, "**Public Official**" means (i) any officer, employee or representative of any regional, federal, state, provincial, county or municipal government or government department, agency or other division; (ii) any officer, employee or representative of any commercial enterprise that is owned or controlled by a government, including any state-owned or controlled veterinary or medical facility; (iii) any officer, employee or representative of any public international organization, such as the African Union, the International Monetary Fund, the United Nations or the World Bank; and (iv) any person acting in an official capacity for any government or government entity, enterprise or organization identified above.

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ARTICLE 12
INDEMNIFICATION

12.1. By Zai. Zai will indemnify and hold harmless Paratek, its Affiliates, and their directors, officers, employees and agents (individually and collectively, the "**Paratek Indemnitee(s)**") from and against all losses, liabilities, damages and expenses (including reasonable attorneys' fees and costs) incurred in connection with any claims, demands, actions or other proceedings by any Third Party (individually and collectively, "**Losses**") first arising after the Effective Date to the extent arising from (a) Manufacturing, Development, and Commercialization activities, including the promotion of a Licensed Product and product liability claims relating to the Licensed Product, by Zai or any of its Affiliates or Sublicensees, (b) the [*], illegal conduct or willful misconduct of Zai, or (c) Zai's breach of any of its representations or warranties made in or pursuant to this Agreement or any covenants or obligations set forth in or entered into pursuant to this Agreement, in each case of clauses (a) through (c) above except to the extent such Losses arise out of an Paratek Indemnitee's gross negligence, illegal conduct or willful misconduct, or breach of this Agreement.

12.2. By Paratek. Paratek will indemnify and hold harmless Zai, its Affiliates, and their directors, officers, employees and agents (individually and collectively, the "**Zai Indemnitee(s)**") from and against all Losses to the extent arising from (a) to the extent any of the following occur, Manufacturing, Development and Commercialization activities in the Territory, including the promotion of a Licensed Product and product liability claims relating to the Licensed Product in the Territory, by Paratek or any of its Affiliates or licensees (other than Zai), (b) the [*], illegal conduct or willful misconduct of Paratek, or (c) Paratek's breach of any of its representations or warranties made in or pursuant to this Agreement or any covenants or obligations set forth in or entered into pursuant to this Agreement, in each case of clauses (a) through (c) above, except to the extent such Losses arise out of any of a Zai Indemnitee's gross negligence, illegal conduct or willful misconduct, or breach of this Agreement.

12.3. Defined Indemnification Terms. Either of the Zai Indemnitee or the Paratek Indemnitee will be an "**Indemnitee**" for the purpose of this ARTICLE 12, and the Party that is obligated to indemnify the Indemnitee under Section 12.1 or Section 12.2 will be the "**Indemnifying Party**."

12.4. Defense. If any such claims or actions are made, the Indemnitee will be defended at the Indemnifying Party's sole expense by counsel selected by the Indemnifying Party and reasonably acceptable to the Indemnitee, provided that the Indemnitee may, at its own expense, also be represented by counsel of its own choosing. The Indemnifying Party will have the sole right to control the defense of any such claim or action, subject to the terms of this ARTICLE 12.

12.5. Settlement. The Indemnifying Party may settle any such claim, demand, action or other proceeding or otherwise consent to an adverse judgment (a) with prior written notice to the Indemnitee but without the consent of the Indemnitee where the only liability to the Indemnitee is the payment of money and the Indemnifying Party makes such payment, or (b) in all other cases, only with the prior written consent of the Indemnitee, such consent not to be unreasonably withheld or delayed.

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 406 of the Securities Act of 1933, as amended.

12.6. Notice. The Indemnitee will notify the Indemnifying Party promptly of any claim, demand, action or other proceeding under Sections 12.1 or 12.2 and will reasonably cooperate with all reasonable requests of the Indemnifying Party with respect thereto.

12.7. Permission by Indemnifying Party. The Indemnitee may not settle any such claim, demand, action or other proceeding or otherwise consent to an adverse judgment in any such action or other proceeding or make any admission as to liability or fault without the express written permission of the Indemnifying Party.

12.8. LIMITATION OF LIABILITY. SUBJECT TO AND WITHOUT LIMITING THE INDEMNIFICATION OBLIGATIONS OF EACH PARTY WITH RESPECT TO THIRD PARTY CLAIMS UNDER SECTIONS 12.1 OR 12.2 OR LIABILITY AS A RESULT OF A BREACH OF ARTICLE 10, NO PARTY OR ANY OF ITS AFFILIATES WILL BE LIABLE TO THE OTHER PARTY UNDER ANY CONTRACT, WARRANTY, NEGLIGENCE, TORT, STRICT LIABILITY OR OTHER LEGAL OR EQUITABLE THEORY FOR ANY SPECIAL, INDIRECT, INCIDENTAL, PUNITIVE, MULTIPLIED OR CONSEQUENTIAL DAMAGES OR FOR LOST PROFITS (EVEN IF DEEMED DIRECT DAMAGES) ARISING OUT OF OR IN CONNECTION WITH THIS AGREEMENT.

ARTICLE 13
INTELLECTUAL PROPERTY

13.1. Ownership of Intellectual Property.

(a) As between the Parties, (i) Paratek will remain the sole and exclusive owner of all Paratek Technology, and (ii) Zai will remain the sole and exclusive owner of all Zai Technology.

(b) Ownership of all Inventions will be assigned based on inventorship, as determined in accordance with the rules of inventorship under United States patent laws. Each Party will own all Inventions, that are made solely by its and its Affiliates' employees, agents, and independent contractors, that are made during the performance of activities under this Agreement ("**Sole Inventions**"). The Parties will jointly own all Inventions that are made jointly by the employees, agents, and independent contractors of one Party and its Affiliates together with the employees, agents, and independent contractors of the other Party and its Affiliates ("**Joint Inventions**"). Patents covering the Joint Inventions will be referred to as "**Joint Patents**." Each Party will own an undivided half interest in the Joint Inventions, without a duty of accounting or an obligation to seek consent from the other Party for the exploitation or license of the Joint Inventions (subject to the licenses granted to the other Party under this Agreement). Zai hereby grants to Paratek a non-exclusive, royalty-free, fully paid-up, sublicensable license under Zai's Sole Inventions, solely for Paratek to Develop, Manufacture, or Commercialize products outside of the Territory and Manufacture products in the Territory.

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 406 of the Securities Act of 1933, as amended.

13.2. Disclosure of Inventions. Each Party will promptly disclose to the other Party all Inventions, including all invention disclosure or other similar documents submitted to such party by its or its Affiliates' employees, agents, or independent contractors relating to such Inventions, and will also promptly respond to reasonable requests from the other Party for additional information relating to such Inventions.

13.3. Patent Prosecution.

(a) **Paratek Responsibilities**. Subject to Section 13.5(b), Paratek will have sole decision making authority, at its sole cost and expense, over Patent Prosecution and maintenance of applications and registrations covering (i) Paratek Know-How, Paratek Patents, and Paratek's Sole Inventions (such applications and registrations, the "**Paratek Prosecution Patents**") and (ii) Joint Inventions that are specific to the Licensed Products. Paratek will keep Zai reasonably informed of the status of all actions taken, and will consider in good faith Zai's recommendations with respect to the Paratek Prosecution Patents in the Territory and Joint Inventions that are specific to the Licensed Products worldwide.

(b) **Zai Responsibilities.** Zai will have sole decision making authority, at its sole cost and expense, over the Patent Prosecution and maintenance of patent applications and registrations covering (i) Zai Technology and (ii) Zai's Sole Inventions (such applications and registrations, the "**Zai Prosecution Patents**"). Zai will keep Paratek reasonably informed of the status of all actions taken, and will consider in good faith Paratek's recommendations with respect to the Zai Prosecution Patents and Joint Inventions prosecuted by Zai.

(c) The Parties will discuss the appropriate allocation of responsibility with respect to Joint Inventions that are not specific to the Licensed Products.

(d) **Abandonment**.

(i) **Paratek Responsibilities**. Paratek will notify Zai of any decision to cease Patent Prosecution or maintenance of any Paratek Prosecution Patents owned by Paratek in the Territory, or Joint Patents prosecuted by Paratek, and will provide such notice at least 60 days prior to any filing or payment due date, or any other due date that requires action, in connection with such Paratek Prosecution Patent in the Territory or such Joint Patent. In such event, Paratek will permit Zai, at its sole cost and expense, to continue Patent Prosecution or maintenance of such Paratek Prosecution Patent in the Territory or such Joint Patent. If Zai decides to take over Patent Prosecution or maintenance of such Paratek Prosecution Patent or such Joint Patent, then Paratek will promptly deliver to Zai copies of all necessary files related to such Paratek Prosecution Patent or such Joint Patent and will take all actions and execute all documents reasonably necessary for Zai to assume such responsibility. For the avoidance of doubt, Zai's maintenance or Patent Prosecution of such Paratek Prosecution Patent or such Joint Patent will not change the Parties' respective ownership rights with respect to such Paratek Prosecution Patent or such Joint Patent.

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 406 of the Securities Act of 1933, as amended.

(ii) **Zai Responsibilities**. Zai will notify Paratek of any decision to cease Patent Prosecution or maintenance of any Zai Prosecution Patents or Joint Patents prosecuted by Zai (if any), and will provide such notice at least 60 days prior to any filing or payment due date, or any other due date that requires action, in connection with such Zai Prosecution Patent (to the extent relating to the Licensed Product) or such Joint Patent. In such event, Zai will permit Paratek, at its sole cost and expense, to continue Patent Prosecution or maintenance of such Zai Prosecution Patent or such Joint Patent. If Paratek decides to take over Patent Prosecution or maintenance for a Zai Prosecution Patent or a Joint Patent, then Zai will promptly deliver to Paratek copies of all necessary files related to such Zai Prosecution Patent or such Joint Patent and will take all actions and execute all documents reasonably necessary for Paratek to assume such responsibility. For the avoidance of doubt, Paratek's maintenance or Patent Prosecution of such Zai Prosecution Patent or such Joint Patent will not change the Parties' respective ownership rights with respect to such Zai Prosecution Patent or such Joint Patent.

13.4. Patent and Trademark Prosecution Cooperation. With respect to all Patent Prosecution or trademark prosecution each Party will:

(a) execute any instruments to document their respective ownership consistent with this Agreement as reasonably requested by the other Party;

(b) make its employees, agents and consultants reasonably available to the other Party (or to the other Party's authorized attorneys, agents or representatives), to the extent reasonably necessary to enable the appropriate Party hereunder to undertake its Patent Prosecution responsibilities;

(c) cooperate, if necessary, with the other Party in gaining Patent term extensions; and

(d) act in good faith to coordinate its efforts under this Agreement with the other Party to minimize or avoid interference with the Patent Prosecution of the other Party's Patents to a Licensed Product or trademarks.

13.5. Enforcement.

(a) Each Party will notify the other within 30 Business Days of becoming aware of any alleged or threatened infringement by a Third Party of any of the Paratek Patents, Zai Patents, or Joint Patents which infringement adversely affects or is expected to adversely affect any Licensed Product, and any related declaratory judgment, opposition, or similar action alleging the invalidity, unenforceability or non-infringement of any of the Paratek Patents, Zai Patents, or Joint Patents (collectively "**Product Infringement**").

(b) Zai will have the first right to bring and control any legal action in connection with such Product Infringement in the Territory at its own expense as it reasonably determines appropriate. If Zai decides not to bring such legal action, it will so inform Paratek promptly and Paratek will have the right to bring and control any legal action in connection with such Product Infringement in the Territory at its own expense as it reasonably determines appropriate.

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(c) Paratek will have the exclusive right to bring and control any legal action in connection with Product Infringement outside the Territory at its own expense as it reasonably determines appropriate.

(d) Each Party will have the first right in its territory to enforce the Joint Patents for any infringement that is not a Product Infringement at its own expense as it reasonably determines appropriate. If such Party decides not to bring such legal action, it will so inform the other Party promptly and the other Party will have the right to bring and control any legal action in connection with such infringement at its own expense as it reasonably determines appropriate.

(e) At the request of the Party bringing an action related to Product Infringement, the other Party will provide reasonable assistance in connection therewith, including by executing reasonably appropriate documents, cooperating in discovery and joining as a party to the action if required by Applicable Law to pursue such action, at each such Party's sole cost and expense. In connection with an action related to Product Infringement, the Party bringing the action will not enter into any settlement admitting the invalidity or non-infringement of, or otherwise impairing the other Party's rights in the Paratek Patents, Zai Patents or Joint Patents (as applicable) without the prior written consent of the other Party.

(f) Any recoveries resulting from enforcement action relating to a claim of Product Infringement in the Territory will be first applied against payment of each Party's costs and expenses in connection therewith. Any such recoveries in excess of such costs and expenses will be split as follows: [*]

13.6. Defense.

(a) Each Party will notify the other in writing of any allegations it receives from a Third Party that the Exploitation of any Licensed Product or any embodiment of any technology or intellectual property licensed by a Party under this Agreement infringes the intellectual property rights of such Third Party. Such notice will be provided promptly, but in no event after more than 15 days following receipt of such allegations. Such written notice will include a copy of any summons or complaint (or the equivalent thereof) received regarding the foregoing. Each Party will assert and not waive the joint defense privilege with respect to all communications between the Parties.

(b) In such event, the Parties will agree how best to mitigate or control the defense of any such legal proceeding, agree whether to enter into a joint defense agreement to, among other reasons, preserve the confidentiality of communications or cooperation between the Parties in relation to such defense, and determine which Party is best suited to assume the primary responsibility for the conduct of the defense of any such claim at their expense. The other Party will have the right, but not the obligation, to participate and be separately represented in any such suit at its sole option and at its own expense. Each Party will reasonably cooperate with the Party conducting the defense of the claim. If a Party or any of its Affiliates have been individually named as a defendant in a legal proceeding relating to the alleged infringement of a Third Party's Patents or other intellectual property right as a result of the Exploitation of a Licensed Product, then that Party will conduct the defense and the other Party will be allowed to join in such action, at its own expense.

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 406 of the Securities Act of 1933, as amended.

(c) The Parties will keep each other informed of the status of and of their respective activities regarding any infringement litigation initiated by a Third Party concerning a Party's Exploitation of a Licensed Product or settlement thereof; provided, however, that no settlement or consent judgment or other voluntary final disposition of a suit under this Section 13.6 may be undertaken by a Party without the consent of the other Party which consent will not be unreasonably withheld or delayed.

ARTICLE 14
TERMS AND TERMINATION

14.1. Term. This Agreement will be effective as of the Effective Date, and will continue, on a region-by-region basis, in effect until the expiration of and payment by Zai of all Zai's payment obligations set forth in Section 9.4(c) applicable to such region (the "**Term**"). On a region-by-region basis, upon the natural expiration of this Agreement as contemplated in this Section 14.1, the licenses granted by Paratek to Zai under this Agreement in such region will become a fully paid-up, non-exclusive, perpetual, and irrevocable license.

14.2. Termination for Convenience. At any time prior to [*], Zai will have the right to terminate this Agreement in its entirety for any or no reason upon [*] written notice to Paratek. Following [*], Zai will have the right to terminate this Agreement in its entirety for any or no reason upon [*] written notice to Paratek. Zai shall terminate this Agreement if it determines that it will permanently discontinue all Development and Commercialization activities with respect to the Licensed Product under this Agreement.

14.3. Termination for Material Breach.

(a) This Agreement may be terminated in its entirety at any time during the Term upon written notice by either Party if the other Party materially breaches a material term of the Agreement and, if such breach is curable, such breach has not been cured within [*] ([*] if such breach is a material breach of any obligation under the Tufts Agreement) after notice requesting cure of such breach; provided that the applicable material breach cure period will not apply to [*], and [*] will have the right to terminate this Agreement, with immediate effect, upon written notice [*].

(b) For the avoidance of doubt, the Parties agree that [*] will be deemed material terms of the Agreement.

14.4. Termination for Patent Challenge. Except to the extent the following is unenforceable under the laws of a particular jurisdiction, Paratek may terminate this Agreement in its entirety, immediately if Zai or its Affiliates or Sublicensees, individually or in association with any other person or entity, commences a legal action challenging the validity, enforceability or scope of any Patents owned or Controlled by Paratek anywhere in the world Notwithstanding the foregoing, if Zai promptly terminates the sublicense agreement of any Sublicensee that commences a legal action challenging the validity, enforceability or scope of any Patents owned or Controlled by Paratek anywhere in the world, Paratek shall not have the right to terminate this Agreement under this Section 14.4.

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 406 of the Securities Act of 1933, as amended.

14.5. Termination for Insolvency. Each Party will have the right to terminate this Agreement upon delivery of written notice to the other Party in the event that (a) such other Party files in any court or agency pursuant to any statute or regulation of any jurisdiction a petition in bankruptcy or insolvency or for reorganization or similar arrangement for the benefit of creditors or for the appointment of a receiver or trustee of such other Party or its assets, (b) such other Party is served with an involuntary petition against it in any insolvency proceeding and such involuntary petition has not been stayed or dismissed within [*] of its filing, or (c) such other Party makes an assignment of substantially all of its assets for the benefit of its creditors.

14.6. Election to Terminate. If either Party has the right to terminate under Sections 14.2 through 14.5, it may at its sole option, elect either to (a) terminate this Agreement and pursue any legal or equitable remedy available to it or (b) maintain this Agreement in effect and pursue any legal or equitable remedy available to it.

14.7. Effect of Termination.

(a) Upon the termination of this Agreement for any reason, all rights and licenses (including the rights and licenses with respect to the Licensed Product) granted to a Party herein will immediately terminate, and all sublicenses of such rights and licenses will also terminate; provided that the licenses granted by Zai to Paratek pursuant to Sections 2.3 and 13.1(b) will become perpetual and irrevocable to Develop, Manufacture and Commercialize Licensed Products worldwide. Termination of this Agreement for any reason will not release either Party of any obligation or liability which, at the time of such termination, has already accrued to the other Party or which is attributable to a period prior to such termination. Notwithstanding anything herein to the contrary, termination of this Agreement by a Party will be without prejudice to other remedies such Party may have at law or equity.

(b) Upon termination of this Agreement for any reason (other than termination by Zai pursuant to Section 14.3), the following additional provisions will apply:

(i) **Reversion of Rights to Paratek**. Any rights and licenses with respect to the Licensed Product granted to Zai under this Agreement will immediately terminate, and all such rights will revert back to Paratek.

(ii) **Regulatory Materials; Data.** Zai will, and will cause its Affiliates and Sublicensees to, at no cost to Paratek, (1) assign all Regulatory Materials and Regulatory Approvals of Licensed Products to Paratek to the maximum extent permitted by Applicable Law at the time of any such termination, and (2) assign all data generated by or on behalf of Zai while conducting Development, Manufacturing, or Commercialization activities under the Agreement to Paratek, including non-clinical and clinical studies conducted by or on behalf of Zai on Licensed Products and all pharmacovigilance data (including all Adverse Event database information) on Licensed Products.

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 406 of the Securities Act of 1933, as amended.

(iii) **Trademarks.** Zai will, and will cause its Affiliates and Sublicensees, to promptly transfer and assign to Paratek, at no cost to Paratek, all Product Marks (excluding any such mark that include, in whole or in part, any corporate name or logos of Zai or its Affiliates).

(iv) **Transition Assistance**. Zai will, and will cause its Affiliates and Sublicensees, to provide assistance, [*], as may be reasonably necessary or useful for Paratek to commence or continue Developing, Manufacturing or Commercializing Licensed Products in the Territory, to the extent Zai is then performing or having performed such activities, including without limitation transferring or amending as appropriate, upon request of Paratek, any agreements or arrangements with Third Party to Develop, Manufacture, and Commercialize the Licensed Products in the Territory. To the extent that any such contract between Zai and a Third Party is not assignable to Paratek, then Zai will reasonably cooperate with Paratek to arrange to continue to and provide such services from such entity.

(v) **Ongoing Clinical Trial.** If at the time of such termination, any Clinical Trials for the Licensed Products are being conducted by or on behalf of Zai, then, at Paratek's election on a trial-by-trial basis: (1) Zai will, and will cause its Affiliates and Sublicensees to, fully cooperate with Paratek to transfer the conduct of all such Clinical Trials to Paratek and Paratek will assume any and all liability and costs for such Clinical Trials after the effective date of such termination; or (2) Zai will, and will cause its Affiliates and Sublicensees to, [*], orderly wind down the conduct of any such Clinical Trial which is not assumed by Paratek under clause (1).

(c) **Termination by Zai Due to Material Breach**. Upon termination of this Agreement by Zai pursuant to Section 14.3, [*] to the extent [*], including [*].

(d) **Royalty after Termination**. If (i) [*] terminates this Agreement pursuant to [*] or (ii) this Agreement is terminated [*], and if Paratek, itself or through an Affiliate or a Third Party, Commercializes any Licensed Product in the Territory, Paratek shall pay Zai a commercially reasonable royalty on the Net Sales of all such Licensed Products in the Territory at a royalty rate and duration to be determined by the Parties by good faith negotiations. If the Parties are unable to agree to terms within [*] of commencing such negotiations, the disputed terms will be resolved by arbitration as set forth in Section 15.4.

14.8. Survival. Termination or expiration of this Agreement shall not affect any rights or obligations of the Parties under this Agreement that have accrued prior to the date of termination or expiration. The following provisions will survive the termination or expiration of this Agreement for any reason: [*].

ARTICLE 15
DISPUTE RESOLUTION

15.1. General. The Parties recognize that a dispute may arise relating to this Agreement (a "**Dispute**"). Any Dispute, including Disputes that may involve the Affiliates of any Party, will be resolved in accordance with this ARTICLE 15.

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 406 of the Securities Act of 1933, as amended.

15.2. Continuance of Rights and Obligations During Pendency of Dispute Resolution. If there are any Disputes in connection with this Agreement, including Disputes related to termination of this Agreement under ARTICLE 14, all rights and obligations of the Parties will continue until such time as any Dispute has been resolved in accordance with the provisions of this ARTICLE 15.

15.3. Escalation. Any claim, Dispute, or controversy as to the breach, enforcement, interpretation or validity of this Agreement will be referred to the Executive Officers set forth in Section 3.2(f) for attempted resolution. In the event the Executive Officers are unable to resolve such Dispute within 30 days of such Dispute being referred to them, then, upon the written request of either Party to the other Party, the Dispute will be subject to arbitration in accordance with Section 15.4.

15.4. Arbitration.

(a) If the Parties fail to resolve the Dispute through escalation to the Executive Officers under Section 15.3, and a Party desires to pursue resolution of the Dispute, the Dispute will be submitted by either Party for resolution in arbitration under the [*].

(b) There will be three arbitrators, the chairperson of whom will be appointed by the two party arbitrators. If, however, the aggregate award sought by the Parties is less than [*] and equitable relief is not sought, a single arbitrator will be chosen in accordance with the [*].

(c) The seat of arbitration will be [*] and the language of the proceedings will be English.

(d) The Parties agree that any award or decision made by the arbitral tribunal will be final and binding upon them and may be enforced in the same manner as a judgment or order of a court of competent jurisdiction. The arbitral tribunal will render its final award within nine months from the date on which the Request for Arbitration by one of the Parties wishing to have recourse to arbitration is received by the [*]. The arbitral tribunal will determine the dispute by applying the provisions of this Agreement and the governing law set forth in Section 16.5.

(e) By agreeing to arbitration, the Parties do not intend to deprive any court of its jurisdiction to issue, at the request of a Party, a pre-arbitral injunction, pre-arbitral attachment or other order to avoid irreparable harm, maintain the status quo, preserve the subject matter of the Dispute, or aid the arbitration proceedings and the enforcement of any award. Without prejudice to such provisional or interim remedies in aid of arbitration as may be available under the jurisdiction of a competent court, the arbitral tribunal will have full authority to grant provisional or interim remedies and to award damages for the failure of any Party to the dispute to respect the arbitral tribunal's order to that effect.

(f) EACH PARTY HERETO WAIVES: (I) ITS RIGHT TO TRIAL OF ANY ISSUE BY JURY, AND (II) ANY CLAIM FOR ATTORNEY FEES, COSTS AND PREJUDGMENT INTEREST.

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(g) Each Party will bear its own attorney's fees, costs, and disbursements arising out of the arbitration, and will pay an equal share of the fees and costs of the administrator and the arbitrator; provided, however, that the arbitrator will be authorized to determine whether a Party is the prevailing party, and if so, to award to that prevailing party reimbursement for any or all of its reasonable attorneys' fees, costs and disbursements (including, for example, expert witness fees and expenses, photocopy charges, travel expenses, etc.), and/or the fees and costs of the administrator and the arbitrator.

(h) Notwithstanding anything in this Section 15.4, in the event of a Dispute with respect to the validity, scope, enforceability or ownership of any Patent or other intellectual property rights, and such Dispute is not resolved in accordance with Section 15.3, such Dispute will not be submitted to an arbitration proceeding in accordance with this Section 15.4, unless otherwise agreed by the Parties in writing, and instead, either Party may initiate litigation in a court of competent jurisdiction in any country in which such rights apply.

ARTICLE 16
MISCELLANEOUS

16.1. Force Majeure. Neither Party will be held liable to the other Party nor be deemed to have defaulted under or breached this Agreement for failure or delay in performing any obligation under this Agreement to the extent such failure or delay is caused by or results from causes beyond the reasonable control of the affected Party including embargoes, war, acts of war (whether war be declared or not), insurrections, riots, civil commotions, strikes, lockouts or other labor disturbances, fire, floods, or other acts of God or any other deity, or acts, omissions or delays in acting by any Governmental Authority. The affected Party will notify the other Party of such force majeure circumstances as soon as reasonably practical, and will promptly undertake all reasonable efforts necessary to cure such force majeure circumstances.

16.2. Assignment. Neither Party may assign this Agreement to a Third Party without the other Party's prior written consent (such consent not to be unreasonably withheld); except that (a) Paratek may make such an assignment without Zai's consent to a successor to substantially all of the business of Paratek to which this Agreement relates (whether by merger, sale of stock, sale of assets or other transaction), (b) Zai may make such an assignment without Paratek's consent to a successor to substantially all of the business of Zai (whether by merger, sale of stock, sale of assets or other transaction), and (c) either Party may assign this Agreement to an Affiliate without the other Party's consent. This Agreement will inure to the benefit of and be binding on the Parties' successors and permitted assigns. Any assignment or transfer in violation of this Section 16.2 will be null and void and wholly invalid, the assignee or transferee in any such assignment or transfer will acquire no rights whatsoever, and the non-assigning non-transferring Party will not recognize, nor will it be required to recognize, such assignment or transfer.

16.3. Severability. If any one or more of the provisions contained in this Agreement is held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein will not in any way be affected or impaired thereby, unless the absence of the invalidated provision(s) adversely affects the substantive rights of the Parties. The Parties will in such an instance use their best efforts to replace the invalid, illegal or unenforceable provision(s) with valid, legal and enforceable provision(s) which, insofar as practical, implement the purposes of this Agreement.

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16.4. Notices. All notices which are required or permitted hereunder will be in writing and sufficient if delivered personally, sent by facsimile (and promptly confirmed by personal delivery, registered or certified mail or overnight courier), sent by nationally-recognized overnight courier or sent by registered or certified mail, postage prepaid, return receipt requested, addressed as follows:

If to Paratek:

Paratek Bermuda Ltd.
C/O Paratek Pharmaceuticals, Inc.
Address: 75 Park Plaza, 4th Floor
Boston, MA 02116
[*]

with a copy to:

Ropes & Gray, LLP
Address: 36/F, Park Place, Nanjing Road West, Shanghai 200040, China
[*]

If to Zai:

Zai Lab (Shanghai) Co., Ltd.
Address: 1043 Halei Road, Building 8, Suite 502, Pudong, Shanghai, P.R. China, 201203
[*]

with a copy to:

Cooley LLP
Address: 3175 Hanover Street
Palo Alto, CA 94304 USA
[*]

or to such other address as the Party to whom notice is to be given may have furnished to the other Party in writing in accordance herewith**.** Any such notice will be deemed to have been given: (a) when delivered if personally delivered or sent by facsimile on a Business Day; (b) on the Business Day after dispatch if sent by nationally-recognized overnight courier; or (c) on the fifth Business Day following the date of mailing if sent by mail.

16.5. Governing Law. This Agreement will be governed by and construed in accordance with the laws of the State of New York, U.S. without reference to any rules of conflict of laws.

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 406 of the Securities Act of 1933, as amended.

16.6. Entire Agreement; Amendments. The Agreement contains the entire understanding of the Parties with respect to the subject matter hereof. All express or implied agreements and understandings, either oral or written, with regard to the subject matter hereof (including the licenses granted hereunder) are superseded by the terms of this Agreement. Neither Party is relying on any representation, promise, nor warranty not expressly set forth in this Agreement. This Agreement may be amended, or any term hereof modified, only by a written instrument duly executed by authorized representatives of both Parties hereto.

16.7. Headings. The captions to the several Sections hereof are not a part of this Agreement, but are merely for convenience to assist in locating and reading the Sections of this Agreement.

16.8. Independent Contractors. It is expressly agreed that Paratek and Zai will be independent contractors and that the relationship between the two Parties will not constitute a partnership, joint venture or agency. Neither Paratek nor Zai will have the authority to make any statements, representations or commitments of any kind, or to take any action, which will be binding on the other Party, without the prior written consent of the other Party.

16.9. Waiver. The waiver by either Party of any right hereunder, or the failure of the other Party to perform, or a breach by the other Party, will not be deemed a waiver of any other right hereunder or of any other breach or failure by such other Party whether of a similar nature or otherwise.

16.10. Waiver of Rule of Construction. Each Party has had the opportunity to consult with counsel in connection with the review, drafting and negotiation of this Agreement. Accordingly, the rule of construction that any ambiguity in this Agreement will be construed against the drafting Party will not apply.

16.11. Construction. Except where the context expressly requires otherwise, (a) the use of any gender herein will be deemed to encompass references to either or both genders, and the use of the singular will be deemed to include the plural (and vice versa), (b) the words “include”, “includes” and “including” will be deemed to be followed by the phrase “without limitation”, (c) the word “will” will be construed to have the same meaning and effect as the word “shall”, (d) any definition of or reference to any agreement, instrument or other document herein will be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (e) any reference herein to any person will be construed to include the person’s successors and assigns, (f) the words “herein”, “hereof” and “hereunder”, and words of similar import, will be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (g) all references herein to Sections, Schedules, or Exhibits will be construed to refer to Sections, Schedules or Exhibits of this Agreement, and references to this Agreement include all Schedules and Exhibits hereto, (h) the word “notice” means notice in writing (whether or not specifically stated) and will include notices, consents, approvals and other written communications contemplated under this Agreement, (i) provisions that require that a Party, the Parties or any committee hereunder “agree”, “consent” or “approve” or the like will require that such agreement, consent or approval

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be specific and in writing, whether by written agreement, letter, approved minutes or otherwise (but excluding e-mail and instant messaging), (j) references to any specific law, rule or regulation, or Section, section or other division thereof, will be deemed to include the then-current amendments thereto or any replacement or successor law, rule or regulation thereof, and (k) the term "or" will be interpreted in the inclusive sense commonly associated with the term "and/or" where applicable.

16.12. Counterparts. This Agreement may be executed in two or more counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument. Each Party will be entitled to rely on the delivery of executed facsimile copies of counterpart execution pages of this Agreement and such facsimile copies will be legally effective to create a valid and binding agreement among the Parties.

16.13. Language. This Agreement is in the English language only, which language will be controlling in all respects, and all versions hereof in any other language will be for accommodation only and will not be binding upon the Parties. All communications and notices to be made or given pursuant to this Agreement, and any dispute proceeding related to or arising hereunder, will be in the English language. If there is a discrepancy between any translation of this Agreement and this Agreement, this Agreement will prevail.

{Signature Page Follows}

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IN WITNESS WHEREOF, the Parties intending to be bound have caused this License and Collaboration Agreement to be executed by their duly authorized representatives as of the Effective Date.

Paratek Bermuda Ltd.

By: /s/ William M. Haskel
Name: William M. Haskel
Title: Director
Date: April 21, 2017

Zai Lab (Shanghai) Co., Ltd.

By: /s/ Samantha Du
Name: Samantha Du
Title: CEO
Date: April 21, 2017

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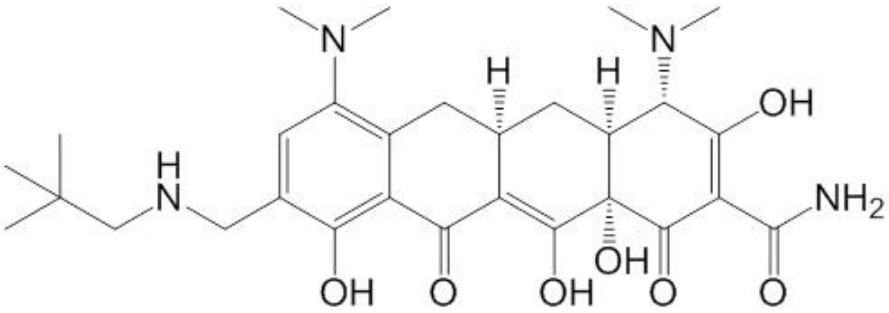
Schedule 1.23
Chemical Structure of the Compound

Omadacycline (OMC, PTK-796)

(4S,4aS,5aR,12aS)-4,7-bis(dimethylamino)-3,10,12,12a-tetrahydroxy-9-((neopentylamino)methyl)-1,11-dioxo-1,4,4a,5,5a,6,11,12a-octahydrotetracene-2-carboxamide



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Schedule 1.69
Paratek Patents as of the Effective Date

Country	M&E Ref.	Paratek Ref.	Type	Application No. Publication No.	Title	Filing Date	Patent No.	Issue Date	Expiration Date	Status
[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]	[*]

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Schedule 2.4(b)

Material Sublicensees [*]

[*]

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Schedule 5.2
Initial Development Plan

[*]

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Schedule 8.4
Paratek Product Marks

Cntry	Trademark	Status	App. No.	Reg. No.
[*]	[*]	[*]	[*]	[*]

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Exhibit 10.5

License and Transfer Agreement

by and between

GlaxoSmithKline (China) R&D Co., Ltd

and

Zai Lab (Shanghai) Co., Ltd.

October 18, 2016

License and Transfer Agreement

This License and Transfer Agreement (this "Agreement"), dated as of October 18, 2016 (the "Effective Date"), is made by and between GlaxoSmithKline (China) R&D Co., Ltd, a foreign invested enterprise duly established and validly existing under PRC law, whose registered office is at Building 3, 898 Halei Road, Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai, PRC ("GSK") and Zai Lab (Shanghai) Co., Ltd., a company duly organized and validly existing under PRC law, whose registered office is at 1043 Halei Road, Bldg 8, Suite 502, Zhangjiang Hi-Tech Park, Shanghai, PRC ("Zai Lab"). GSK and Zai Lab are each referred to herein individually as a "Party" and collectively as the "Parties."

WHEREAS, GSK owns, has in-licensed and/or otherwise controls certain intellectual property rights, including patent rights and know-how, with respect to certain proprietary compounds known as "FUGAN" and "GRAPE";

WHEREAS, Zai Lab is focused on the development of innovative drug candidates and is desirous of acquiring from GSK the right to develop and commercialize such proprietary compounds and funding all costs associated with all such activities.

NOW, THEREFORE, in consideration of the mutual covenants contained herein, and for other good and valuable consideration, the amount and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

1. Definitions.

The following capitalized terms as used in this Agreement, whether in the singular or plural, will have their respective meanings as set forth below:

1.1 "Affiliate" means with respect to a Party any entity which (directly or indirectly) is controlled by, controls, or is under common control with, such Party. For the purposes of this definition, the terms "control" and "controlled" mean the direct or indirect ownership of more than fifty percent (50%) of the outstanding voting securities of an entity, or such other relationship as results in actual control over the management, assets, business and affairs of such entity.

1.2 "C.F.R" means the Code of Federal Regulations of the United States, as amended from time to time.

1.3 "CFDA" means the China Food and Drug Administration and any successor agency thereto.

1.4 "Commercialize" or "Commercialization" means any and all activities related to the import, export, marketing, detailing, promotion, distribution and/or sale of a pharmaceutical product in a country or region in the Territory pursuant to and in accordance with the Marketing Authorizations for such product in such country or region.

1.5 "Commercially Reasonable Efforts" means that the level of efforts to be expended by a Party under this Agreement with respect to the research, discovery, Development, Manufacture and/or Commercialization of Compounds and Products will be consistent with the level of reasonable, diligent, good faith efforts and resources that would normally be used by such Party (whether acting alone or through its Affiliates) for a pharmaceutical product of similar commercial potential at a similar stage in its lifecycle, and taking into account issues of safety and efficacy, product profile, market and profit potential, the patent and other proprietary position of the product, the then current competitive environment for such product, the likely timing of such product's entry into the market, the regulatory environment, and other relevant scientific,

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technical and commercial factors. Commercially Reasonable Efforts shall be determined on a market-by-market and indication-by-indication basis for a particular Product, and it is acknowledged and understood that the level of efforts will be different for different markets and will change over time.

1.6 "Compound" means FUGAN and/or GRAPE.

1.7 "Confidential Information" means any and all proprietary and/or confidential data, information or Know-How, of whatever kind and in whatever form or medium, that is disclosed by or on behalf of a Party to the other Party during the Term and in connection with this Agreement, including, without limitation, the Transferred Know-How and Development Know-How.

1.8 "Control" or "Controlled" means, with respect to any Know-How, Materials, Patent Rights, or other intellectual property, the possession (whether by ownership or license, other than by a license granted pursuant to this Agreement) by a Party of the ability to grant (and/or to ensure that its Affiliates grant) to the other Party the licenses, sublicenses, and/or rights to access and use, such Know-How, Materials, Patent Rights, or other intellectual property, as provided for herein without violating the terms of any agreement or other arrangement with any Third Party in existence as of the time such Party or its Affiliates would be required hereunder to grant such license, sublicense, and/or rights of access and use.

1.9 "Covers" means, with reference to Patent Rights, that the performance of one or more activities related to the Development, Manufacture or Commercialization of a Compound or Product (or the use of any Materials in connection therewith) would infringe at least one claim of such Patent Right in the country(ies) in which such activities occur.

1.10 "Develop" or "Development" means to engage in research and development activities intended to research, discover or develop Compounds and/or to support INDs, NDAs or other Regulatory Approvals for Products, including, without limitation, (i) development of the applicable active drug substance(s), (ii) toxicology, pre-clinical and clinical drug development activities, (iii) clinical trials (except for Phase IV Studies), (iv) assay/test method development, validation and stability testing, (v) formulation development, (vi) manufacture of pre-clinical, clinical and commercial supplies, and manufacturing process development, scale-up and validation, (vii) quality assurance/quality control, statistical analysis, and regulatory affairs (including without limitation the preparation, submission and maintenance of all INDs and NDAs for the Products), and (viii) to have any of the activities described in (i)-(vii) performed.

1.11 "Development Costs" means any and all internal and out-of-pocket costs and expenses incurred by or on behalf of Zai Lab, its Affiliates licensees, and/or sublicensees in connection with the Development of the Products in the Territory pursuant to this Agreement. For clarity, Development Costs shall include, without limitation, the costs of manufacturing, any pre-clinical studies, Phase I Studies, Phase II Studies, Phase III Studies, Phase IV Studies, and any post-approval studies that are required by Regulatory Authorities as a condition to receiving Regulatory Approval for the Product.

1.12 "Development IP" means Development Know-How and Development Patents.

1.13 "Development Plan" means the development plan for the Compounds and Products attached hereto as Exhibit A.

1.14 "Development Program" means the program of Development activities to be undertaken by and on behalf of Zai Lab, its Affiliates, licensee and/or sublicensees to obtain and maintain Regulatory Approvals for one or more Products in the Territory, all as more fully described in the Development Plan. For clarity, all Development activities related to Compounds and Products undertaken by or on behalf of Zai Lab or any of its Affiliates, licensee or sublicensees will be considered as part of a Development Program.

1.15 "Development Know-How" means any and all Know-How generated as a result of activities performed pursuant to the Development Program.

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1.16 "Development Patents" means any and all Patent Rights filed by or on behalf of Zai Lab to Cover any Development Know-How.

1.17 "EMA" means the European Medicines Agency and any successor agency thereto.

1.18 "EU" means the organization of member states of the European Union, including as it may be constituted from time to time.

1.19 "FDA" means the United States Food and Drug Administration and any successor agency thereto.

1.20 "Field" means the treatment, prevention and diagnosis of any and all diseases in humans.

1.21 "First Commercial Sale" means the first sale for use or consumption of any Product in a country or region in the Territory after a Regulatory Approval, Marketing Authorization and/or Expanded Access/Compassionate Use authorization (as defined by 21 C.F.R. part 312 subpart 1 or any analogous laws or regulations in other countries in the Territory) for the Product has been obtained in such country or region.

1.22 "Generic Product" means, with respect to a particular Product being Commercialized in a country or region in the Territory, a pharmaceutical product that (i) contains the same active ingredient(s) as the Product; and (ii) is being sold in such country or region by a Third Party; provided that such product is not being sold pursuant to a license or sublicense granted by Zai Lab or any of its Affiliates for such country or region, and/or was not manufactured and supplied to such Third Party by or on behalf of Zai Lab or its Affiliates for resale in such country or region.

1.23 "GRAPE" means the formulation with the profile set forth in Exhibit B.

1.24 "FUGAN" means the formulation with the profile set forth in Exhibit B.

1.25 "IND" means an Investigational New Drug application, Clinical Study Application, Clinical Trial Exemption, or similar application or submission for approval to conduct human clinical investigations filed with or submitted to a Regulatory Authority in conformance with the requirements of such Regulatory Authority.

1.26 "Inventory" means all inventory of the Compounds and Products, including active pharmaceutical ingredient, finished product (if applicable), work in progress, raw materials, intermediates, retention samples, stability samples, that are in the possession of GSK or any of its Affiliates or being held on GSK's or any of its Affiliates' behalf as of the Effective Date.

1.27 "Know-How" means any and all proprietary commercial, technical, scientific and other data, information, materials, trade secrets, knowledge, technology, methods, processes, formulae, instructions, techniques, designs, drawings and specifications (including biological, chemical, pharmacological, toxicological, pharmaceutical, physical and analytical, pre-clinical, clinical, safety, manufacturing and quality control data and know-how, including study designs and protocols).

1.28 "License Agreements" means that certain License and Assignment Agreement between GSK and Chengdu Bater Pharmaceutical Co., Ltd ("Bater"), dated July 15, 2013 and that certain Development and License Agreement between GSK and Traditional Chinese Medical Hospital, Xinjiang Medical University, dated September 25, 2014 ("Xinjiang", together with Bater the "Licensors").

1.29 "Licensed Patents" means those Patent Rights listed in Exhibit D, which are the Patent Rights licensed by GSK under the License Agreement, registrations, supplementary protection certificates and renewals of such Patent Rights, together with foreign equivalents of any of the foregoing).

1.30 "Manufacture" or "Manufacturing" means any and all activities related to the manufacture, formulation and packaging of Compounds and/or Products, including, without limitation, related quality control and quality assurance activities. For clarity, the Manufacture of pre-clinical, clinical and commercial supplies and Manufacturing activities related to process development and scale up work will also be considered part of Manufacturing.

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1.31 "Marketing Authorization" means, with respect to a country or region in the Territory, all Regulatory Approvals and Pricing Approvals necessary to import, distribute, market and sell a pharmaceutical product in such country or region.

1.32 "NDA" means a New Drug Application or Supplemental New Drug Application filed with the FDA (including amendments and supplements thereto) to obtain Regulatory Approval in the U.S., or any corresponding applications or submissions filed with the relevant Regulatory Authorities to obtain Regulatory Approvals in any other country or region in the Territory.

1.33 "Net Sales" means the gross amount received for Product that is sold by Zai Lab or its Affiliates, licensees or sublicensees to the first Third Party (other than a licensee or sublicensee) after deducting, if not previously deducted, from such amount the following accrual basis deductions as applicable to such Products:

[*]

No deductions shall be made for commissions to any person on Zai Lab's or any of its Affiliate, licensee or sublicensee's payroll or for the cost of collection.

1.34 "Patent Rights" means any and all patents and patent applications in the Territory (which for purposes of this Agreement shall include certificates of invention and applications for such certificates), including, without limitation, any divisionals, continuations, continuations-in-part, substitutions, reissues, re-examinations, revalidations, extensions (including, without limitation, U.S. pediatric exclusivity patent extensions), registrations, supplementary protection certificates and renewals of any such patents or patent applications, together with foreign equivalents of any of the foregoing including the right to claim priority.

1.35 "Phase I Study" means a human clinical trial in any country or region that would satisfy the requirements of 21 C.F.R. 312.21(a) or the counterpart in such country or region, but which is not a Phase II Study, Phase III Study or Phase IV Study.

1.36 "Phase II Study" means a human clinical trial in any country or region that would satisfy the requirements of 21 C.F.R. 312.21(b) or the counterpart of it in such country or region, but which is not a Phase III Study or Phase IV Study.

1.37 "Phase III Study" means a large scale human clinical trial in any country or region that would satisfy the requirements of 21 C.F.R. 312.21(c) or the counterpart of it in such country or region, but which is not a Phase IV Study.

1.38 "Phase IV Study" means a clinical study or data collection effort for a Product that is initiated in one or more countries after the receipt of Regulatory Approval in such country(ies) and is principally intended to support the Commercialization of such Product in such country/countries and not to support or maintain the same or any additional Regulatory Approvals or otherwise obtain any labeling change. Phase IV Studies shall include, without limitation, clinical experience trials, but shall exclude post-approval studies that are required by a Regulatory Authority as a condition to receiving Regulatory Approval.

1.39 "Pricing Approvals" means in those countries in the Territory where Regulatory Authorities approve or determine pricing or pricing reimbursement for pharmaceutical products, such approval or determination.

1.40 "Product" means any pharmaceutical composition or preparation containing, as an active pharmaceutical ingredient, a Compound.

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1.41 "Prosecute" or "Prosecution" means in relation to any Patent Rights, (a) to prepare and file patent applications, including, without limitation, re-examinations or re-issues thereof, and represent applicant(s) or assignee(s) before relevant patent offices or other relevant governmental authorities during examination, re-examination and re-issue thereof, in appeal processes and interferences, or any equivalent proceedings, (b) to defend all such applications against Third Party oppositions, (c) to secure the grant of any Patent Rights arising from such patent application, (d) to maintain in force any issued Patent Right (including, without limitation, through payment of any relevant maintenance fees and/or any patent term extension), and (e) to make all decisions with regard to any of the foregoing activities.

1.42 "Regulatory Approval" means, with respect to a country or region in the Territory, any and all approvals, licenses, registrations or authorizations from the relevant Regulatory Authority necessary in order to import, distribute, market and sell a pharmaceutical product in such country or region, but not including Pricing Approvals.

1.43 "Regulatory Authority" means the CFDA, FDA, the EMA, and any other analogous government regulatory authority or agency involved in granting approvals (including any required pricing and/or reimbursement approvals) for the Manufacture and/or Commercialization of pharmaceutical products in the Territory.

1.44 "Regulatory Exclusivity Period" means any period of data, market or other regulatory exclusivity (as distinct from and excluding any exclusivity arising under Patent Rights) for a Product in a country or region in the Territory under applicable laws, rules and regulations in such country or region which prevents any unlicensed Third Party from marketing, promoting or selling a Generic Product in such country or region, including, without limitation, any such exclusivity provided in countries in the EU under national laws and regulations implementation Section 10.1(a)(iii) of Directive 2001/EC/83 or any analogous laws or regulations in other countries in the Territory.

1.45 "Regulatory Materials" means the China, U.S. and foreign regulatory applications, submissions and approvals (including all INDs, NDAs, Regulatory Approval and all foreign counterparts thereof) for any Compound or Product, correspondence with the FDA and other Regulatory Authorities relating to any Compound or Product or any of the foregoing regulatory applications, submissions and approvals, in each case owned by GSK or any of its Affiliates or held on GSK's or any of its Affiliates' behalf as of the Effective Date.

1.46 "Renminbi" or "RMB" means the lawful currency of People's Republic of China.

1.47 "Technology Transfer" means (i) delivery to Zai Lab of [*] either by direct shipment or by written transfer of ownership of samples located at a CRO and (ii) GSK's granting access to its data room containing [*]. For avoidance of doubt, GSK may retain copies of all GSK documentation delivered to Zai Lab in its archives after the completion of Technology Transfer for archival, compliance and contract monitoring purposes.

1.48 "Territory" means worldwide.

1.49 "Third Party" means any person or entity other than GSK, Zai Lab and their respective Affiliates.

1.50 "Transferred Know-How" means the Know-How listed on Exhibit C Part II.

1.51 "United States" or "U.S." means the United States of America, including its territories and possessions, and the District of Columbia.

1.52 "Valid Claim" means a composition-of-matter claim Covering a Compound or Product, and/or a method-of-use claim Covering the use of a Compound or Product for one or more indications at least one of which is the subject of a Regulatory Approval, of an issued and unexpired Licensed Patent which has not been revoked or held invalid or unenforceable by a final decision of a court or other governmental agency of competent jurisdiction with no further possibility of appeal.

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2. Assignment.

2.1 Assignment. GSK hereby transfers, assigns and sells to Zai Lab all of its right, title and interest in and to the Licensed Patents, Transferred Know-How, Inventory, and Regulatory Materials to research, develop, make, have made, manufacture, use and commercialize the Compounds and Products in any indications in the Field, and such transfer, assignment and sale of all GSK's right, title and interest in and to the License Patents, Transferred Know-how, Inventory and Regulatory Materials shall be effective upon GSK's receipt of the upfront fee under Section 4.1.

2.2 Assignment and Assumption Agreement. As of the Effective Date, GSK and Zai Lab shall execute the assignment and assumption agreement substantially in the form attached hereto as Exhibit F, under which GSK will assign the License Agreements to Zai Lab. GSK will cause each of Bater and Xinjiang to execute the assignment and assumption agreement applicable to their respective License Agreements with GSK no later than [*] days after the Effective Date. Each such assignment and assumption agreement shall become effective upon [*].

2.3 Transfer of Third Party Services. Within [*] days following the Effective Date [*].

2.4 Licensing/Sublicensing by Zai Lab. To the extent that Zai Lab licenses or sublicenses to its Affiliates or to any Third Party under any Transferred Know-How and Licensed Patents, Zai Lab shall remain responsible for ensuring (and liable to GSK with respect to) the performance of and compliance by such Affiliates and/or Third Parties under the terms and conditions of this Agreement. Zai Lab shall ensure that any such license or sublicense agreement is consistent with the terms and conditions of this Agreement (in the case of a sublicense under the Licensed Patents, also consistent with the terms and conditions of the License Agreement) and complies with applicable laws, rules and regulations, including, without limitation, import and export control regulations.

2.5 Technology Transfer. [*].

2.6 No Implied Licenses. Nothing herein shall be construed as creating, granting or otherwise conveying to either Party any license or other right (whether by implication, estoppel or otherwise) other than those expressly provided for in this Agreement.

3. Development and Commercialization.

3.1 Product Development Program. After the Effective Date, Zai Lab will, either by itself or through its Affiliates, licensees and/or sublicensees, be solely responsible for designing and performing all aspects of the Development Program in accordance with the Development Plan, provided that Zai Lab may undertake changes to its development plans from time to time as long as it continues to satisfy its diligence obligations under this Agreement. Zai Lab will have sole responsibility and control for the managing and the financing of the Development Plan and all Development Costs. The primary focus of the Development Program will be to Develop and obtain Regulatory Approvals for one or m`ore Products.

3.2 Regulatory, Manufacturing and Commercialization. After the Effective Date, (i) Zai Lab will be solely responsible for and control (at its own expense) all regulatory matters related to the Development and Commercialization of Compounds and/or Products in the Territory, including, without limitation, taking full responsibility for preparing and filing the relevant applications with the Regulatory Authorities for pre-clinical and clinical studies and for Regulatory Approval; and (ii) Zai Lab will be solely responsible for and control (at its own expense) all aspects of Commercialization of Products and the Manufacturing and supply of Products (including, without limitation, the Manufacture and supply of related Compounds being Developed by Zai Lab) in the Territory and will have sole responsibility for all costs arising therefrom.

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3.3 Diligence. During the Term of this Agreement, Zai Lab shall use Commercially Reasonable Efforts to implement the Development Plan to Develop at least one (1) Product. Without limiting the generality of the foregoing, Zai Lab will use, and will cause its Affiliates, licensees and/or sublicensees to use Commercially Reasonable Efforts to Develop, Manufacture, seek Regulatory Approval and Marketing Authorization for, and following Regulatory Approval or Marketing Authorization to Commercialize FUGAN in China. Zai Lab will also use, and will cause its Affiliates, licensees and/or sublicensees to use, Commercially Reasonable Efforts to assess the feasibility to Develop, Manufacture, seek Regulatory Approval or Marketing Authorization for, and following Regulatory Approval or Marketing Authorization, to Commercialize GRAPE in the Territory and FUGAN in countries and regions other than China, provided that the foregoing shall not be construed as requiring ZAI to conduct any Development program with respect to GRAPE. [*].

3.4 Record Keeping and Reports. Zai Lab will prepare and maintain, and will cause each of its Affiliates and any licensees or sublicensees to prepare and maintain, appropriate records (in accordance with its standard policies and procedures) regarding the Development and Commercialization of Compounds and/or Products. During the Term hereof, Zai Lab will provide GSK with annual reports setting forth (i) a summary of updated development progress and achievements of such Development and Commercialization tasks as set forth in the Development Plan and a listing of any Regulatory Approvals achieved for Products in the Territory, (ii), information relating to any Zai Lab's sublicensing under or assignment of this Agreement. Upon GSK's request at any time during the Term hereof, Zai Lab shall provide to GSK a complete list of its licensees and sublicensees of Transferred Know-How and Licensed Patents, as well as a true and complete copy of each license agreement and sublicense agreement (as the case may be) and each amendments thereto within three (3) days after the notification. Any and all such reports (and all data and information set forth therein), lists and agreements shall be considered Zai Lab's Confidential Information and shall be subject to the confidentiality and use restrictions under this Agreement.

3.5 Compliance.

(a) *Debarment*. Each Party hereby certifies (on behalf of itself and its Affiliates) that it will not and has not employed or otherwise used in any capacity the services of any person debarred under Title 21 United States Code Section 335a in performing any activities under this Agreement. Each Party shall immediately notify the other Party in writing if any such debarment occurs or comes to its attention, and shall, with respect to any person or entity so debarred, promptly remove such person or entity from performing any activities related to or in connection with the Development Plan or this Agreement.

(b) *FCPA Compliance*. Each Party shall, and shall ensure that its Affiliates and any Third Party contractors shall, comply with the United Stated Foreign Corrupt Practices Act (including as it may be amended) (the "FCPA"), and any analogous laws or regulations existing in any other country or region in the Territory, in connection with its *performance* under this Agreement. Neither Party will make any payment, either directly or indirectly, of money or other assets, including but not limited to compensation derived from this Agreement, to government or political party officials, officials of international public organizations, candidates for public office, or representatives of other businesses or persons acting on behalf of any of the foregoing, that would constitute violation of any law, rule or regulation.

(c) *Export Control*. This Agreement and the obligations of the Parties hereunder are made subject to, and limited by, all applicable restrictions concerning the export of products or technical information from the United States of America which may be imposed upon or related to Zai Lab or GSK from time to time by the government of the United States of America. Furthermore, each Party agrees that it will not export, directly or indirectly, any technical information acquired from the other Party under this Agreement or any Products using such technical information to any country for which the United States government or any agency thereof at the time of export requires an export license or other governmental approval, without first obtaining the written consent to do so from the Department of Commerce or other agency of the United States government when required by an applicable statute or regulation.

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(d) *Export and Other Restrictions*. This Agreement and obligations of the Parties hereunder are made subject to, and limited by, all applicable restrictions concerning the export of products, resources, materials or technologies from the People's Republic of China ("PRC" or "China", for the purpose of this Agreement excluding Hong Kong, Macau and Taiwan) which may be imposed upon or related to Zai Lab or GSK from time to time by the government of PRC. Zai Lab acknowledges and agrees that the Transferred Know-How, Licensed Patents and/or Inventory contains traditional Chinese medicine substance and technologies which have been disclosed to Zai Lab prior to the Effective Date, and GSK will deliver all such Inventory and conduct Technology Transfer to the extent within the territory of PRC to Zai Lab. Zai Lab shall be solely responsible for the risk of export restrictions (if any) to any Compounds, Products, Inventory, Transferred Know-How and Licensed Patents, as well as the application and/or registration in respect of export of such products, resources, materials or technologies.

4. Payments and Royalties.

4.1 Up-Front Payment. Within [*] days after the Effective Date, Zai Lab will pay to GSK a one-time non-refundable, non-creditable up-front payment of four million five hundred thousand RMB (4,500,000 RMB).

4.2 Milestone Payments. In addition to the above, Zai Lab will pay to GSK each of the applicable milestone payments provided for in this Section 4.2 upon the occurrence of the indicated milestone event. Each such milestone payment will be due in RMB and payable only once to GSK within [*] days Zai Lab receives the applicable invoice from GSK, and Zai Lab shall notify GSK within [*] days after the achievement of the specified milestone event so that GSK may issue such invoice. Each such milestone payment shall be payable only once under this Agreement for each Compound (i.e., no more than twice under this Agreement, once for each Compound), and will be non-refundable, non-creditable and not subject to set-off. Following such payment, the subsequent repeated occurrence of the same milestone event by the same Compound or Product will not under any circumstances trigger any additional milestone payment as a result of such event.

Milestone Event	***Milestone Payment (RMB)***
For Product(s) containing FUGAN:	
[*]	[*]
For Product(s) containing GRAPE	
[*]	[*]

4.3 Royalties. Zai Lab will pay to GSK in RMB, on a Product-by-Product basis, running royalties on Net Sales of Products in the Territory at the applicable royalty rates, as set forth in the following table:

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Aggregate Annual Net Sales of a Product in the Territory	***Royalty Rate***
[*]	[*]%
[*]	[*]%
[*]	[*]%

(a) *Duration of Royalty Obligations*. Zai Lab's obligation to pay royalties under Section 4.3 will be in effect during the "Royalty Period" which begins on the date of First Commercial Sale of a Product in the Territory and shall expire on a Product-by-Product and country-by-country basis upon the later of:

(i) the expiration of the last-to-expire Licensed Patent in China having a Valid Claim that Covers such Product;

(ii) the expiration of all Regulatory Exclusivity Periods that apply to such Product in such country; or

(iii) [*] after the First Commercial Sale of such Product in such country.

(b) *Additional Provisions Regarding Royalties*. For purposes of determining Zai Lab's royalty payment obligations under Section 4.3, all Products [*] will be treated as the same Product. Royalties when owed or paid hereunder will be non-refundable and non-creditable and not subject to set-off. Notwithstanding the definition of Product, in the event that Zai Lab or its Affiliates sells Product [*] to a Third Party, the royalty obligations of this Section 4.3 shall be applicable to such sales of [*] Product in the Territory.

(c) *Reports and Timing of Royalty Payments*. Starting on the date of First Commercial Sale of a Product in the Territory, Zai Lab will furnish to GSK a quarterly written report for each subsequent calendar quarter showing the Net Sales of all Products sold by Zai Lab, its Affiliates, licensees and sublicensees for which royalties are payable hereunder, and the royalties due to GSK on such sales. Each such royalty report shall be due within [*] days after the end of the relevant calendar quarter. The royalty payments due under Section 4.3 for each calendar quarter will be due and payable to GSK on the same date that the royalty report for the calendar quarter is due. Each royalty report shall describe in reasonable detail (based upon the data then available to Zai Lab) the Net Sales of each Product (including, without limitation, the *deductions* specified in clauses (i) through (iii) of the Net Sales definition) and the calculation of royalty payments due for the relevant calendar quarter. The information contained in each report under this Section 4.3(c) shall be considered Confidential Information of Zai Lab. For clarity, GSK's rights under this Section 4.3(c) is for monitoring purposes only. GSK's exercise of any rights under this Section 4.3(c) or any other terms hereunder shall not be construed as GSK's involvement in any Development, Manufacture, Commercialization, marketing, pricing, interactions with any healthcare professionals and/or governmental officials, or any other activities under the Development Plan and/or Development Program, and Zai Lab shall be solely responsible for all the activities as described under those reports.

4.4 Future Payment under the License Agreements. Zai Lab shall be solely responsible for any milestone payment due under the License Agreements for milestone events achieved after the Effective Date, including the milestone payment for [*].

4.5 Sublicense Revenue. If Zai Lab grants a sublicense, sells or otherwise divests the Licensed Patents and Transferred Know-How (other than a sublicense to its Affiliates and contractors) before [*] (provided that [*] sublicense, sale or divestment of the Licensed Patents and Transferred Know-how shall be

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[*] and shall [*]), then Zai Lab shall pay to GSK [*] of all consideration received by it and its Affiliates from and attributed to the sublicense, sale or divesture of the Licensed Patents and Transferred Know-How, but excluding any payments [*]. Such payments shall be made to GSK within [*] days after receipt by Zai Lab and/or its Affiliates. If the contemplated transactions are on product-by-product basis, [*] shall [*] relating to the sublicensing, selling or divesting Product.

4.6 Payment Terms. This Section 4.6 will apply to all payments to be made by Zai Lab to GSK hereunder.

(a) *Manner of Payment*. All payments to be made by one Party to the other Party under this Agreement shall be made in RMB and by bank wire transfer set forth in Exhibit E in immediately available funds to such bank account as may be designated in writing by such Party from time to time. In the case of royalties due on sales of Product outside the China, the rate of exchange to be used in computing on a monthly basis the applicable royalty due GSK in RMB shall be made at the rate of exchange published by the People's Bank of China, prevailing on to the last business day of the month preceding the month in which such sales are recorded.

(b) *Records and Audits*. Zai Lab will maintain (and will cause its Affiliates, licensees and/or sublicensees to maintain) accurate books and records of accounting to document the sales of Products and the calculation of royalties payable to GSK in the Territory. For a period of [*] following the end of the relevant calendar year, the relevant books and records will, upon written request by GSK, be made reasonably available for inspection by an internationally recognized firm of independent certified public accountants (to be selected by GSK and reasonably acceptable to Zai Lab) as reasonably necessary to verify the accuracy of royalty reports for the relevant period. Access to such books and records shall be during normal business hours and upon reasonable prior no*tice; provided tha*t in no event will any such audits or inspections be conducted more frequently than [*]. The auditors will, upon request, enter into a confidentiality agreement as reasonably requested by Zai Lab. The auditors will be permitted to disclose to GSK whether the royalty reports are correct or incorrect, the details and amounts of any discrepancies, and the books and records as well as associated documentations that illustrate the discrepancies. The auditors will also provide to Zai Lab, upon request, a copy of any audit reports and findings that are provided to GSK as a result of such inspection. If the auditors correctly identify any underpayments or overpayments, the amount of any underpayments will be paid to GSK by Zai Lab within [*] days of notification of the results of such inspection, and any overpayments will be fully creditable against amounts payable to GSK in subsequent periods. GSK will be solely responsible for the costs and expenses of any such audit inspections, except that in the event of an underpayment of aggregate royalties due and payable to GSK for a calendar year of more than [*] of the total amount properly due, Zai Lab will reimburse GSK for all the reasonable and documented audit fees expenses charged by the auditors for such audit inspection within [*] days after receipt of auditor's report, and pay to GSK within [*] days after receipt of such report the deficiency not previously paid plus the interests calculated based on Section 4.6(d).

(c) *Taxes*. GSK shall be liable for any applicable taxes under the PRC tax regulations, upon any payments made by Zai Lab to GSK pursuant to this Agreement. [*], Zai Lab agrees to [*] and GSK will [*] Furthermore, Zai Lab shall, upon request, provide GSK with reasonable assistance in order to assist GSK in seeking the benefit of any present or future tax exemptions which may apply to any payments due GSK under this Agreement.

(d) *Interest Due*. If any uncontested amount properly due and payable to a Party under this Agreement is overdue, then the paying Party will also pay interest on the unpaid amount accrued at the annual rate of RMB SHIBOR (Shanghai Interbank Offered Rate) 3 months plus [*] from the date of payment was due, prevailing on to the last business day of the month preceding the month in which such sales are recorded.

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5. Ownership of Patents and Know-How/Technology Transfer.

5.1 Ownership of Development IP. Zai Lab shall own all rights, title and interests in or to any Development Patents and Development Know-How.

5.2 Trademarks. Zai Lab and/or its Affiliates shall be responsible (at its/their own expense) for and control the selection, registration, maintenance, enforcement and defense of any and all trademarks for the Products in the Territory. Zai Lab and/or its Affiliates shall own all rights, title and interest in and to any such trademarks and any related domain names associated with the Products or which contain the trademarks.

6. Patent Provisions.

6.1 Prosecution of Patent Rights. After the Effective Date, Zai Lab shall be solely responsible (at its own expense) for and shall control the Prosecution of the Development Patents and the Licensed Patents in the Territory, including any patent term extension.

6.2 Enforcement and Defense of Patent Rights.

(a) *Notice*. During the Term, each Party will promptly notify the other Party in writing upon learning of (1) any actual or suspected infringement by a Third Party of any Licensed Patents or Development Patents that Cover the Compounds, Products and/or the manufacture or use thereof, (2) any claim of invalidity, unenforceability of any such Patent Rights, and/or (3) any misappropriation or unauthorized use by a Third Party of the Transferred Know-How or Development Know-How. Any such notice shall identify the Third Party in question and contain a brief description (based upon available information) of the relevant actions that are believed to constitute such infringement, misappropriation or unauthorized use or upon which such claims of invalidity or unenforceability are based.

(b) *Enforcement*.

(i) *Right to Enforce*. Zai Lab shall have the sole right, but not obligation, to enforce and defend worldwide under its control, at its own expense, the Licensed Patents (subject to the terms and conditions of the License Agreement) and any Development Patents with respect to such infringement. Zai Lab shall have the sole right, but not obligation, to undertake and control any legal proceedings or other actions to so enforce and/or defend such Patent Rights worldwide. Zai Lab will do so at its own expense, and may undertake such proceedings and actions in the name of Zai Lab, as appropriate.

(ii) *Cooperation.* With respect to any legal proceedings or actions initiated under this Section 6.2(b):

(A) GSK shall have the right to consult with Zai Lab to participate in decisions regarding the appropriate course of conduct for such action, and the additional right to join and participate in such action at its own cost and expense (GSK shall join such action at Zai Lab's request if necessary for standing purposes); and

(B) GSK shall have the right to be represented by legal counsel of its own choice and at its own cost and expense in connection with any legal proceedings or other actions undertaken pursuant to this Section 6.2 to defend or enforce the Licensed Patents and Development Patents.

(C) Zai Lab shall keep GSK informed of any developments in the action.

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(c) *Settlement*. Zai Lab shall have the right to settle the relevant claim or actions; provided, however, that Zai Lab shall not, without the prior written consent of GSK, enter into any settlement, consent judgment or other voluntary final disposition of any claim or action that would: (i) subject GSK or its Affiliates to an injunction or otherwise adversely impact any of GSK or GSK Affiliates' rights under this Agreement; (ii) impose any financial obligation upon GSK or its Affiliates; and/or (iii) constitute an admission of guilt or wrongdoing by GSK or its Affiliates.

6.3 Patent Marking. Zai Lab will comply, and will cause its Affiliates, licensees and sublicensees to comply with applicable laws, rules and regulations in governing the marking of pharmaceutical products in the Territory to identify the relevant issued patents.

7. Confidentiality.

7.1 Confidentiality.

(a) *Confidentiality Obligations*. One Party (the "Disclosing Party") may disclose or otherwise make available to the other Party (the "Receiving Party") certain of the Disclosing Party's Confidential Information for use in connection with this Agreement. For clarity, all Transferred Know-How, Licensed Patents (to the extent unpublished) and Development IP shall, upon the effective date of the transfer or assignment of each such intellectual property to Zai Lab, be deemed Confidential Information of Zai Lab. During the Term and for [*] years thereafter, the Receiving Party will keep confidential, will not disclose to any Third Party, and shall not use for any purpose other than as expressly permitted hereunder, any Confidential Information of the Disclosing Party. The foregoing obligations shall not apply to the extent that such information:

(i) was known to Receiving Party or any of its Affiliates prior to the time of disclosure (and such prior knowledge can be properly documented);

(ii) is or becomes public knowledge through no fault or omission of Receiving Party or any of its Affiliates;

(iii) is obtained by the Receiving Party (or its Affiliates) without restrictions of confidentiality from a Third Party under no obligation of confidentiality to the Disclosing Party or its Affiliates;

(iv) is independently developed by employees or agents of Receiving Party (or its Affiliates) without the aid, application or use of the Disclosing Party's Confidential Information (and such independent development can be properly documented); or

(v) is required by applicable law, rule, regulation, act or order of a governmental authority or agency, or a court of competent jurisdiction; provided, that the Receiving Party (1) promptly provides written notice of such requirement to the Disclosing Party so that the Disclosing Party can seek a protective order or other appropriate remedy to preserve the confidentiality of such information, (2) upon request, reasonably cooperates with the Disclosing Party in connection with such efforts, and (3) only discloses the minimum Confidential Information required to be disclosed in order to comply.

Any combination of features or disclosures shall not be deemed to fall within the foregoing exclusions merely because individual features are published or available to the general public or in the rightful possession of the Receiving Party unless the combination itself and principle of operation are published or available to the general public or in the rightful possession of the Receiving Party. In addition, to the extent that any Confidential Information is disclosed pursuant to legal requirement in accordance with Section 7.1(a)(v), it shall remain otherwise subject to the confidentiality and non-use provisions of this Section 7.1.

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(b) *Other Permitted Disclosures*. Each Party shall have the limited right to disclose the other Party's Confidential Information if and solely to the extent reasonably necessary (as reasonably determined based upon the advice of such Party's legal counsel) to be disclosed (1) to Third Parties and their respective legal counsel with whom such Party is negotiating a permitted assignment under Section 12.10, (2) to potential and actual licensees/sublicensees and other collaborators (and their legal counsel) of the Compounds or Products, and/or (3) to accredited investors, qualified institutional buyers, and qualified purchasers and their legal counsel (as such terms are defined in the U.S. Securities Act of 1933 and/or the U.S. Securities Exchange Act of 1934, as amended). Prior to making any such disclosure under this Section 7.1(b), such Party shall *ensure* that the recipient is subject to written obligations of confidentiality and non-use that are no less restrictive than those set forth in this Agreement, and such Party will limit the content and timing of any such disclosure as much as reasonably possible. Such Party shall remain responsible for and liable hereunder with respect to any breach caused by any of the foregoing.

7.2 Publications. Zai Lab shall have the sole right to make a publication (including without limitation abstracts, papers, or verbal public presentations) related to the discovery, Development, Manufacture or Commercialization of Compounds and/or Products. In the event such publication may disclose any GSK's Confidential Information, Zai Lab shall first deliver to GSK a copy of the proposed publication (or an outline in the case of a planned verbal presentation) at least [*] days prior to submission for publication or presentation. GSK shall have the rights (1) to request modifications to the publication or presentation for patent reasons, trade secret reasons or business reasons and/or (2) to request a reasonable delay in publication or presentation in order to protect patentable information. If GSK requests modifications to the publication or presentation, Zai Lab shall edit such publication to prevent disclosure of trade secret or proprietary business information identified by GSK prior to submission of the proposed publication or presentation. If GSK requests a delay, Zai Lab shall delay submission or presentation for a period of [*] days to enable patent applications protecting GSK's rights in such information.

7.3 Disclosure of Agreement Terms. Promptly after the Effective Date, Zai Lab may issue a press release in the form attached hereto as Exhibit G. No other public disclosure of the non-public terms and conditions of this Agreement may be made by either Party, without the prior written consent of the other Party. However, each Party shall have the limited right to disclose the non-public terms and conditions of this Agreement to its Affiliates and/or if and solely to the extent reasonably necessary (as reasonably determined based upon the advice of such Party's legal counsel) to be disclosed (1) to Third Parties and their respective legal counsel with whom such Party is negotiating a permitted assignment under Section 12.10, (2) to potential and actual licensees/sublicensees and other collaborators (and their legal counsel) of the Compounds or Products, and/or (3) to accredited investors, qualified institutional buyers, and qualified purchasers and their legal counsel (as such terms are defined in the U.S. Securities Act of 1933 and/or the U.S. Securities Exchange Act of 1934, as amended). Prior to making any such disclosure under this Section 7.3, such Party shall ensure that the recipient is subject to written obligations of confidentiality and non-use that are no less restrictive than those set forth in this Agreement, and such Party will limit the content and timing of any such disclosure as much as reasonably possible to avoid and/or minimize the disclosure of competitively sensitive information. However, nothing in this Section 7.3 shall prohibit a Party from making such disclosures if and to the extent reasonably required to comply with applicable federal or state securities laws or any rule or regulation of any nationally recognized securities exchange; provided that in such event, the disclosing Party shall notify and consult with the other Party prior to such required disclosure and shall diligently seek confidential treatment to the fullest extent available.

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8. Warranties; Limitations of Liability; Indemnification.

8.1 Representations and Warranties. Each Party hereby represents and warrants to the other Party as of the Effective Date that: (i) it is a limited liability company duly organized, validly existing, and in good standing under applicable laws; (ii) it has obtained all necessary consents, approvals and authorizations of all governmental authorities and other persons or entities required to be obtained by it in connection with this Agreement; (iii) the execution, delivery and performance of this Agreement have been duly authorized by all necessary corporate action on its part; and (iv) it has the legal right and power to enter into this Agreement, to extend the rights and licenses granted or to be granted to the other in this Agreement, and to fully perform its obligations hereunder.

8.2 Additional Representations and Warranties of GSK. GSK hereby represents and warrants to Zai Lab as of the Effective Date that, except as otherwise disclosed in writing by GSK on or before the Effective Date:

[*]

8.3 Disclaimers. Without limiting the respective rights and obligations of the Parties expressly set forth herein, each Party specifically disclaims any guarantee that any Products will be successful, in whole or in part. EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN THIS AGREEMENT, GSK MAKES NO REPRESENTATIONS AND EXTEND NO WARRANTY OF ANY KIND, EITHER EXPRESS OR IMPLIED, WITH RESPECT TO ANY TRANSFERRED KNOW-HOW, LICENSED PATENTS, DEVELOPMENT IP, COMPOUNDS, PRODUCTS, PATENT RIGHTS OR KNOW-HOW, INCLUDING WARRANTIES OF VALIDITY OR ENFORCEABILITY OF ANY RIGHTS, TITLE, QUALITY, MERCHANTABILITY, FITNESS FOR A PARTICULAR USE OR PURPOSE, PERFORMANCE, AND NONINFRINGEMENT OF ANY THIRD PARTY PATENTS OR OTHER INTELLECTUAL PROPERTY RIGHTS.

8.4 No Consequential Damages. IN NO EVENT WILL EITHER PARTY HAVE ANY CLAIMS AGAINST OR LIABILITY TO THE OTHER PARTY WITH RESPECT TO ANY INDIRECT, PUNITIVE, SPECIAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES (INCLUDING ANY CLAIMS FOR LOST PROFITS OR REVENUES) ARISING UNDER OR IN CONNECTION WITH THIS AGREEMENT UNDER ANY THEORY OF LIABILITY, EVEN IF SUCH PARTY HAS BEEN INFORMED OR SHOULD HAVE KNOWN OF THE POSSIBILITY OF SUCH DAMAGES; PROVIDED THAT THE FOREGOING LIMITATION SHALL NOT APPLY WITH RESPECT TO INDEMNITY FOR THIRD PARTY CLAIMS AS PROVIDED IN SECTION 8.5

8.5 Indemnification.

(a) *Indemnification by Zai Lab*. Zai Lab will indemnify, defend and hold harmless GSK, its Affiliates, and their respective directors, officers, employees and agents (collectively, "GSK Indemnitees") from and against any and all claims, demands, judgments, losses, damages, liabilities, costs and expenses (including reasonable attorneys' fees and expenses) (collectively, "Liabilities") arising out of or in connection with any and all Third Party claims relating to: (i) any gross negligence, willful misconduct or breach of this Agreement (including its representations and warranties made under this Agreement) by Zai Lab or any of its Affiliates or sublicensees; or (ii) the Development, Manufacture or Commercialization by Zai Lab or any of its Affiliates, licensees or sublicensees of any Compounds or Products, except to the extent such Liabilities are subject to indemnification by GSK under Section 8.5(b) below.

(b) *Indemnification by GSK*. GSK will indemnify, defend and hold harmless Zai Lab, its Affiliates, and their respective directors, officers, employees and agents (collectively, "Zai Lab Indemnitees") from and against any and all Liabilities arising out of or in connection with any and all

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Third Party claims relating to any gross negligence, willful misconduct or any breach of this Agreement (including its representations and warranties in material aspects made under this Agreement) by GSK or any of its Affiliates, except to the extent such Liabilities are subject to indemnification by Zai Lab under Section 8.5(a) above. For the avoidance of doubt: (i) except as expressly set forth in Section 8.2, GSK makes no representation or warranty of any kind with respect to non-infringement of any Third Party patent rights; and (ii) GSK has no obligation to indemnify, defend or hold harmless Zai Lab Indemnitees, Zai Lab's licensees or sublicensees against any allegation that the Development, Manufacture, use, sale, offer for sale or import of any Compounds or Products infringes Third Party intellectual property rights, except in the case of GSK' breach of the representations and warranties expressly set forth in Section 8.2.

(c) *Procedures*. In the event that any Party intends to claim indemnification under this Section 8.5 with respect to a Liability, it shall promptly notify the other Party in writing of any such alleged Liability. The indemnifying Party shall have the right to control the defense thereof with counsel of its choice; provided, however, that the indemnified Party shall have the right to retain its own counsel, (with the fees and expenses to be paid by the indemnifying Party), if representation by the counsel retained by the indemnifying Party would be inappropriate due to actual or potential differing interests between the Parties in such proceeding. The affected Indemnitees shall, upon request, cooperate reasonably with the indemnifying Party and its legal representatives in the investigation and defense of any action, claim or liability covered by this Section 8.5. Neither Party may settle any claim or action related to a Liability without the consent of the other Party, if such settlement would (i) impose any monetary obligation on the other Party (unless the indemnifying Party agreed to be solely responsible for such monetary obligation), (ii) constitute an admission of guilt or wrong-doing by the other Party, or (iii) require the other Party to submit to an injunction or otherwise limit the other Party's rights under this Agreement. Any payment made by the indemnified Party to settle any such claim or action without the indemnifying Party's consent shall be at indemnified Party's own cost and expense.

8.6 Insurance. Zai Lab will maintain at its sole cost and expense, an adequate liability insurance or self-insurance program (including product liability insurance) to protect against potential liabilities and risk arising out of activities to be performed under this Agreement and any agreement related hereto and upon such terms (including coverages, deductible limits and self-insured retentions) as are customary in the U.S. pharmaceutical industry for the activities to be conducted by such Party under this Agreement. The coverage limits set forth herein will not create any limitation on a Party's liability to the other under this Agreement.

9. Term and Termination.

9.1 Term. This Agreement will commence as of the Effective Date and, unless sooner terminated in accordance with the terms hereof, will continue in effect until the expiration of Zai Lab's royalty obligations to GSK under Section 4.3 in all countries in the Territory (the "Term"). However, effective upon the expiration of Zai Lab's royalty obligations to GSK with respect to a given Product in a given country or in the Territory, Zai Lab and its Affiliates, licensee and sublicensees shall have the right to continue to Commercialize the relevant Product in such country without further obligation to GSK.

9.2 Termination for Causes.

(a) *Termination by GSK*. GSK shall have the unilateral right to terminate this Agreement on [*] day's prior written notice if Zai Lab: (i) fails to reach the milestones scheduled in the Development Plan unless for reasons beyond the reasonable control of Zai Lab such as the requirements of competent Regulatory Authority, (ii) fails to make any payment owed to GSK for more than [*] days, or (iii) fails to use Commercially Reasonable Efforts in the Development and Commercialization of Products as provided for in this Agreement and does not cure such failure within [*] days after GSK's notification of such failure. In the event of a good faith dispute with respect to the basis of any termination under Section 9.2(a)(iii), the cure period shall be tolled until such time as the dispute is resolved pursuant to Section 12.1 and GSK shall only have the right to terminate this Agreement if the dispute is resolved in its favor.

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(b) *Termination by Zai Lab*. Zai Lab may not terminate this Agreement before the completion of [*] unless for causes beyond the reasonable control of Zai Lab. Subject to the completion of [*], Zai Lab shall have the right to terminate this Agreement on [*] day's prior written consent.

9.3 Termination for Uncured Material Breach. In addition to the separate termination rights set forth in Sections 9.2(a) and 9.2(b), each Party shall have the unilateral right to terminate this Agreement at any time during its Term by providing written notice to that effect if the other Party is in material breach of one or more of its obligations hereunder and has not cured such breach within [*] days after the date of such notice. In the event of a good faith dispute with respect to the existence of a material breach covered by this section, the cure period shall be tolled until such time as the dispute is resolved pursuant to Section 12.1 and the Party seeking to terminate shall only have the right to do so if the dispute is resolved in such Party's favor.

9.4 Effects of Termination. The rights and obligations of the Parties upon termination of this Agreement shall be governed by the terms and conditions set forth in this Section 9.4 and in Section 9.5.

(a) *Termination by GSK for Zai Lab's Breach or Termination for Causes.* In the event of termination of this Agreement by GSK under Section 9.2(a) or Section 9.3 or termination of this Agreement by Zai Lab under Section 9.2(b):

(i) Except as may otherwise be agreed in writing by the Parties, Zai Lab will be responsible at its own expense for an orderly wind-down, in accordance with accepted pharmaceutical industry norms and ethical practices, of any then on-going clinical studies of the Products for which it has responsibility.

(ii) Zai Lab shall, upon GSK's request, [*] and/or [*] and, if requested by GSK, [*] and/or [*] and [*] and/or [*]. Zai Lab shall also [*].

(iii) [*] the Compounds and/or Products that are [*] and [*] or [*].

(iv) Zai Lab will [*] or [*].

(v) Should Zai Lab or any of its Affiliates have any remaining inventory of Compound and/or Product, Zai Lab shall [*].

(vi) If the agreement is terminated by Zai Lab under Section 9.2 (b) and at the time if such termination notice Zai Lab has completed [*], and if [*], then [*] Zai Lab [*], it being understood that [*], and [*].

(b) *Termination by Zai Lab for GSK's Material Breach*. In the event of termination of this Agreement by Zai Lab under Section 9.3:

(i) Zai Lab's further payment obligation under Sections 4.2 and 4.3 shall continue in full force and effect but [*], provided however that in the event of a dispute between the Parties as to whether grounds for termination pursuant to Section 9.3 have arisen, [*] unless and until the dispute is resolved [*] in accordance with Section 12.1, following which [*] (and GSK shall [*]).

9.5 Survival. Except as otherwise set forth in Section 9.4, the following provisions (as well as any other provision which by its terms is clearly intended to survive termination or expiration of this Agreement) will survive termination or expiration of this Agreement: Sections [*]. Termination or expiration of this Agreement will not relieve the Parties of any liability or obligation which accrued hereunder prior to the effective date of such termination or expiration nor preclude either Party from pursuing all rights and remedies it may have hereunder or at law or in equity with respect to any breach of this Agreement nor prejudice either Party's right to obtain performance of any obligation. All other rights and obligations will terminate upon termination or expiration of this Agreement.

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10. Prevention of Corruption

(a) Zai Lab acknowledges that it has received and read the 'Prevention of Corruption – Third Party Guidelines' (either in hard copy in Appendix or at http://www.gsk.com/policies/Prevention-of-Corruption-Third-Party-Guidelines.pdf) and agrees to perform its obligations under the Agreement in accordance with the principles set out therein.

(b) Zai Lab shall comply fully at all time with all applicable laws and regulations, including but not limited to applicable anti-corruption laws, of the territory in which Supplier conducts business with GSK.

(c) Zai Lab agrees that it has not, and covenants that it will not, in connection with the performance of the Agreement, directly or indirectly, make, promise, authorise, ratify or offer to make, or take any act in furtherance of any payment or transfer of anything of value for the purpose of influencing, inducing or rewarding any act, omission or decision to secure an improper advantage; or improperly assisting it or GSK in obtaining or retaining business, or in any way with the purpose or effect of public or commercial bribery.

(d) Zai Lab shall not contact, or otherwise meet knowingly meet with any Government Official for the purpose of discussing activities arising out of or in connection with the Agreement, without the prior written approval of GSK and, when requested by GSK, only in the presence of a GSK designated representative.

(e) For the purpose of the Agreement, "Government Official" means: (a) any officer or employee of a government or any department, agency or instrument of a government; (b) any person acting in an official capacity for or on behalf of a government or any department, agency, or instrument of a government; (c) any officer or employee of a company or business owned in whole or part by a government; (d) any officer or employee of a public international organisation such as the World Bank or United Nations; (e) any officer or employee of a political party or any person acting in an official capacity on behalf of a political party; and/or (f) any candidate for political office; who, when such Government Official is acting in an official capacity, or in an official decision making role, has responsibility for performing regulatory inspections, government authorisations or licenses, or otherwise has the capacity to take decisions with the potential to affect GSK business.

(f) Zai Lab represents that except as disclosed to GSK in writing prior to the commencement of the Agreement, it has not been convicted of or pleaded guilty to a criminal offence, including one involving fraud or corruption, that it is not now, to the best of its knowledge, the subject of any government investigation for such offenses, and that it is not now listed by any government agency as debarred, suspended, proposed for suspension or debarment, or otherwise ineligible for government programs.

(g) Zai Lab represents and warrants that except as disclosed to GSK in writing prior to the commencement of the Agreement: (1) it does not have any interest which directly or indirectly conflicts with its proper and ethical performance of the Agreement; and (2) it shall maintain arms length relations with all third parties with which it deals for or on behalf of GSK in performance of the Agreement.

(h) GSK shall have the right during the terms of this Agreement to conduct an investigation and audit of Zai Lab, its Affiliates licensees and sublicensee's activities under this Agreement to monitor compliance with the terms of this Section 10. Zai Lab shall cooperate fully with such investigation or

audit, the scope, method, nature and duration of which shall be at the sole reasonable discretion of GSK but shall be during normal business hours and with two (2) week advance written notice, and shall not adversely affect Zai Lab or its Affiliates licensees and sublicensee's normal business operation.

(i) Zai Lab shall ensure that all transactions under the Agreement are properly and accurately recorded in all material respects on its books and records and each document upon which entries such books and records are based is complete and accurate in all material respects. Supplier must maintain a system of internal accounting controls reasonably designed to ensure that it maintains no off-the-books accounts.

(j) Zai Lab agrees that in the event that GSK believes that there has been a possible violation of the terms of the Agreement, GSK may make full disclosure of such belief and related information at any time and for any reason to any competent government bodies and its agencies, and to whomsoever GSK determines in good faith has a legitimate need to know.

(k) GSK shall be entitled to terminate this Agreement immediately on written notice to Zai Lab, if Zai Lab fails to perform its obligations in accordance with this Section 10. Zai Lab shall have no claim against GSK for compensation for any loss of whatever nature by virtue of the termination of this Agreement in accordance with Section 9.2 and this Section 10. To the extent (and only to the extent) that the laws of the territory provide for any such compensation to be paid to Zai Lab upon the termination of this Agreement, Zai Lab hereby expressly agrees to waive (to the extent possible under the laws of the territory) or to repay to GSK any such compensation or indemnity resulting from termination of this Agreement under Section 9.2 and this Section 10.

11. Human Rights

(a) Zai Lab represents that, with respect to employment and conducting the activities under this Agreement, Institution will:

(i) not use child labor in circumstances that could cause physical or emotional impairment to the child;

(ii) not use forced labor (prison, indentured, bonded or otherwise);

(iii) provide a safe and healthy workplace; safe housing (if housing is provided by Zai Lab to its employees); and access to clean water, food, and emergency healthcare in the event of accidents in the workplace;

(iv) not discriminate against employees on any grounds (including race, religion, disability or gender);

(v) not use corporal punishment or cruel or abusive disciplinary practices;

(vi) pay at least the minimum wage and provide any legally mandated benefits;

(vii) comply with laws on working hours and employment rights;

(viii) respect employees' right to join and form independent trade unions;

(ix) encourage subcontractors under this Master Agreement to comply with these standards;

(x) maintain a complaints process to address any breach of these standards.

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 406 of the Securities Act of 1933, as amended.

12. General Provisions.

12.1 Dispute Resolution. The Parties shall negotiate in good faith and use reasonable efforts to resolve or settle any dispute, controversy or claim arising from or related to this Agreement or the breach thereof. In the event that such dispute, controversy or claim is not resolved on an informal basis within twenty (20) days, any Party may, by written notice to the other, have such dispute referred to senior executives having decision-making authority on behalf of such Party, who shall attempt in good faith to resolve such dispute for a thirty (30) day period following receipt of such written notice. If the Parties do not fully settle by the foregoing process, and a Party then wishes to pursue the matter, each such dispute, controversy or claim that is not an Excluded Claim (as defined below) shall be finally resolved by binding arbitration administered by [*] in accordance with its arbitration rules and the procedures set forth in Exhibit H, attached hereto. Judgment on the arbitration award may be entered in any court having jurisdiction thereof. As used in this Section 12.1, the term "Excluded Claim" means a dispute, controversy or claim that concerns (i) the validity or infringement of a patent, trademark or copyright; or (ii) any antitrust, anti-monopoly or competition law or regulation, whether or not statutory.

12.2 Relationship of Parties. The relationship of the Parties hereto is that of independent contractors. Nothing in this Agreement is intended or will be deemed to constitute a partnership, agency, employer-employee or joint venture relationship between the Parties. No Party will incur any debts or make any commitments for the other, except to the extent, if at all, specifically provided therein. There are no express or implied third party beneficiaries hereunder.

12.3 Compliance with Law. Each Party will perform or cause to be performed any and all of its obligations or the exercise of any and all of its rights hereunder in good scientific manner and in compliance with all applicable law.

12.4 Governing Law. This Agreement and any dispute regarding the performance or breach hereof will be governed, interpreted and construed in accordance with the laws of [*], without respect to its conflict of laws rules.

12.5 Counterparts; Facsimiles. This Agreement may be executed in two or more counterparts, each of which will be deemed an original, and all of which together will be deemed to be one and the same instrument.

12.6 Headings. All headings in this Agreement are for convenience only and will not affect the meaning of any provision hereof.

12.7 Waiver of Rule of Construction. Each Party has had the opportunity to consult with counsel in connection with the review, drafting and negotiation of this Agreement. Accordingly, the rule of construction that any ambiguity in this Agreement will be construed against the drafting party will not apply.

12.8 Interpretation. "Herein," "hereby," "hereunder," "hereof" and other equivalent words refer to this Agreement as an entirety and not solely to the particular portion of this Agreement in which any such word is used. References to any Articles or Sections include Articles, Sections and subsections that are part of the related Article or Section (*e.g.*, a section numbered "Section 2.1" would be part of "Article 2", and references to "Section 2.1" would also refer to material contained in the subsection described as "Section 2.1(a)").

12.9 Binding Effect. This Agreement will inure to the benefit of and be binding upon the Parties and their respective lawful successors and assigns.

12.10 Assignment. This Agreement may not be assigned by either Party, except as expressly permitted hereunder or otherwise without the prior written consent of the other Party, which consent will not be unreasonably withheld, delayed or conditioned; provided that, without any requirement for consent, (i) Zai Lab may assign this Agreement to an Affiliate or to its successor in connection with the merger,

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consolidation, or sale of all or substantially all of its stock or assets, and (ii) GSK may assign this Agreement to an Affiliate or to its successor in connection with the merger, consolidation, or sale of all or substantially all of its stock or assets to which this Agreement relates.

12.11 Notices. All notices, requests, demands and other communications required or permitted to be given pursuant to this Agreement will be in writing and will be deemed to have been duly given upon the date of receipt if delivered by hand, recognized international overnight courier, confirmed facsimile transmission, or registered or certified mail, return receipt requested, postage prepaid to the following addresses or facsimile numbers:

If to GSK: GlaxoSmithKline (China) R&D Company Limited
Building 3, 898 Halei Road, Zhangjiang High-Tech Park, Shanghai 201203, China
Attention: Director, Business Development

With a copy to: GSK House
980 Great West Road
Brentford, Middlesex, United Kingdom
Attention: BDTT Legal

If to Zai Lab: Zai Lab (Shanghai) Co., Ltd.
1043 Halei Road, Bldg 8, Suite 502, Zhangjiang High-Tech Park, Shanghai 201203, China
Attention: Samantha Du, CEO

Either Party may change its designated address and facsimile number by notice to the other Party in the manner provided in this Section 12.11.

12.12 Amendment and Waiver. This Agreement may be amended or modified only by means of a written instrument signed by both Parties. The waiver by either Party hereto of any right hereunder, or of any failure of the other Party to perform, or of any breach by the other Party, shall only be effective if expressly made in writing. Any waiver of any rights or failure to act in a specific instance will relate only to such instance and will not be construed as an agreement to waive any rights or fail to act in any other instance, whether or not similar.

12.13 Severability. In the event that any provision of this Agreement will, for any reason, be held to be invalid or unenforceable in any respect, such invalidity or unenforceability will not affect any other provision hereof, and the Parties will negotiate in good faith to modify this Agreement to preserve (to the extent possible) their original intent.

12.14 Entire Agreement. This Agreement is the sole agreement with respect to the subject matter and supersedes all other agreements and understandings between the Parties with respect to the same subject matter. The Exhibits to this Agreement are expressly incorporated herein by reference and shall be deemed a part of this Agreement.

12.15 Force Majeure. Failure of any Party to perform its obligations under this Agreement (except the obligation to make payments when properly due) shall not subject such Party to any liability or place them in breach of any term or condition of this Agreement to the other Party to the extent (and only to the extent) that such failure is due to fire, explosion, flood, drought, war, terrorism, riot, sabotage, embargo, strikes or other labor trouble, failure of suppliers, a national health emergency, compliance with any order or regulation of any government entity acting with color of right, or any other cause beyond the reasonable control of such non-performing Party and which is not caused by the negligence, intentional conduct or misconduct of the non-performing Party (each such event or cause referred to as "force majeure"). The Party affected shall

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promptly notify the other Party of the condition constituting force majeure as defined herein and shall exert reasonable diligent efforts to eliminate, cure or overcome any such event of force majeure and to resume performance of its obligations with all possible speed. If a condition constituting force majeure as defined herein exists for more than ninety (90) consecutive days, the Parties shall meet to negotiate a mutually satisfactory resolution to the problem, if practicable. The foregoing notwithstanding, nothing herein shall require any Party to settle on terms unsatisfactory to such Party any strike, lock-out or other labor difficulty, any investigation or proceeding by any public authority or any litigation by any Third Party.

12.16 Further Actions. Each Party hereby agrees to execute, acknowledge and deliver such further instruments, and to do all other acts, as may be necessary or appropriate in order to carry out the purposes and intent of this Agreement including, without limitation, any filings with any government antitrust agency which may be required.

{Remainder of this Page Intentionally Left Blank}

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 406 of the Securities Act of 1933, as amended.

IN WITNESS WHEREOF, the Parties have caused this License and Transfer Agreement to be executed by their respective duly authorized officers as of the Effective Date.

GlaxoSmithKline (China) R&D Co., Ltd

By: /s/ Min Li
(Signature)
Name: Min Li
Title: SVP, Global Head of Neuroscience TAU and GM of R&D China
Date: October 18, 2016

Zai Lab (Shanghai) Co., Ltd.

By: /s/ Ying Du
(Signature)
Name: Ying Du
Title: CEO
Date: Oct 18, 2016

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 406 of the Securities Act of 1933, as amended.

Exhibit A

Development Plan

Task	Estimated Start Date	Estimated End Date
FUGAN:		
[*]	**[*]**	**[*]**
GRAPE:		
[*]	**[*]**	**[*]**

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 406 of the Securities Act of 1933, as amended.

Exhibit B

Structure of Compounds:

FUGAN:

The formulation comprising extracts from two traditional Chinese herbs, [*]

GRAPE:

the formulation comprising extracts from two traditional Chinese herbs, [*]

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 406 of the Securities Act of 1933, as amended.

Exhibit C

Transferred Material, Data, Files and Documents

[*] (2 pages omitted)

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 406 of the Securities Act of 1933, as amended.

Exhibit D

Licensed Patents

Patent Number	Patent title	Filing Date	Grant Date	Country
[*]	[*]	[*]	[*]	[*]

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 406 of the Securities Act of 1933, as amended.

Exhibit E

Manner of the Payment

GSK will provide Zai Lab an invoice for each Payment and Royalty. The Payments and Royalties will be paid by wire transfer to GSK's account provided herein.

Wire transfer from Chinese external party:

[*]

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 406 of the Securities Act of 1933, as amended.

Exhibit F

Form of Assignment and Assumption Agreement

ASSIGNMENT AND ASSUMPTION AGREEMENT

转让及承继协议

THIS ASSIGNMENT AND ASSUMPTION AGREEMENT ("Assignment Agreement") is made and entered into as of [date], 2016 by and among GlaxoSmithKline (China) R&D Co., Ltd, whose registered office is at Building 3, 898 Halei Road, Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai, PRC ("Former Licensee"), and [Chengdu Bater Pharmaceutical Co., Ltd./ Traditional Chinese Medical Hospital, Xinjiang Medical University], which has its registered office at [ ] ("Licensor"), and Zai Lab (Shanghai) Co., Ltd., whose registered office is at 1043 Halei Road, Bldg 8, Suite 502, Zhangjiang High-Tech Park, Pudong New Area, Shanghai 201203, PRC ("New Licensee").

本转让与承继协议（"转让协议"）由以下各方于2016年【 】月【 】日签署：葛兰素史克（上海）医药研发有限公司，注册地址位于中国上海浦东新区张江高科技园区哈雷路898号3幢（"原被许可方"）；【成都拜特尔药业有限公司/新疆医科大学附属中医医院】，注册地址位于【】（"许可方"）；以及【再鼎医药（上海）有限公司】，注册地址位于中国上海市浦东新区张江高科技园区哈雷路1043弄8号502室（"新被许可方"）。

RECITALS

前言

WHEREAS, Former Licensee and Licensor are the parties to the [License and Assignment Agreement/Development and License Agreement] attached hereto as Exhibit I, which dated [July 15, 2013/ September 25, 2014] ("Existing Agreement"),

鉴于，原被许可方与许可方为作为本协议附件1的签署于【2013年7月15日/2014年9月25日】的【许可及转让协议/开发及许可协议】的缔约方（"当前协议"）。

WHEREAS, Former Licensee wishes to assign and transfer, and New Licensee wishes to accept and assume, all of Former Licensee's rights and obligations, respectively, under the Existing Agreement,

鉴于，原被许可方希望转让与让与，新被许可方希望接受并承继，原被许可方在当前协议下分别享有及承担的全部权利与义务。

WHEREAS, Former Licensee and New Licensee have executed the License and Transfer Agreement ("License and Transfer Agreement") on the same date hereof.

鉴于，原被许可方与新被许可方间于本协议同日签署了许可和转让协议（"许可转让协议"）。

WHEREAS, Licensor has agreed to consent to the assignment according to the terms set forth herein,

鉴于，许可方同意根据本转让协议条款进行上述转让。

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 406 of the Securities Act of 1933, as amended.

NOW THEREFORE, in consideration of the foregoing and the mutual covenants and agreements herein contained, and intending to be legally bound hereby, the parties hereby agree as follows,

现，因此，基于上述背景及各方的共同承诺及协商，各方现达成以下约定，以资遵守。

1. **Assignment**. Former Licensee hereby conveys, assigns and transfers to New Licensee all its rights, title, interest and any and all liabilities and obligations in and to the Existing Agreement, and New Licensee hereby accepts and assumes the assignment of Former Licensee's right, title, interest, and any and all liabilities and obligations of Former Licensee under the Existing Agreements, and shall be bound by all of the terms of the Existing Agreements in Former Licensee's place and stead in every way as if New Licensee were a party to the Existing Agreements in lieu of Former Licensee ("Assignment").

转让. 原被许可方特此向新被许可方转让、授予及让与其在当前协议项下的全部权利、权限、利益及任何及所有责任及义务；新被许可方特此接受并承继原被许可方对其在当前协议项下全部权利、权限、利益及任何及所有责任及义务的转让，并代替原被许可方在任何方面接受当前协议全部条款的约束，如同新被许可方为当前协议的缔约方一样（"转让"）。

2. **Consent of Licensor.** Licensor hereby consents to the Assignment, and, with effect from the Effective Date, Licensor also undertakes to perform the Existing Agreement and to be bound by its terms in every way as if New Licensee were a party to the Existing Agreement in lieu of Former Licensee.

许可方的同意. 许可方特此同意上述转让，同时许可方承诺，自本转让协议生效日起，应履行当前协议，并在任何方面接受当前协议条款的约束，如同新被许可方自始代替原被许可方作为当前协议的缔约方一样。

3. Change of Obligations and Notice.

义务的变更及通知

3.1 Licensor hereby agrees and acknowledges that:

许可方特此同意并确认：

(i) as of the date hereof, Former Licensee has made the following payments to Licensor under the Existing Agreement in an aggregate amount of [*], including the settled payments as listed below, and any other payables by Former Licensee under the Existing Agreement shall be paid by New Licensee upon the Effective Date;

截至本转让协议签署之日，原被许可方已向许可方支付了当前协议下的下列款项共计[*],包括以下列示明细的已支付款项，同时，任何其他应由原被许可方向许可方支付的当前协议下的款项，应在本转让协议生效日起由新被许可方予以支付。

[Settled Payments to Licensor for FUGAN]

【关于FUGAN已向许可方支付款项】

[*]

[Outstanding payments to be made upon achievement of milestone events for FUGAN:]

【关于FUGAN根据阶段性事件的达成而待付款项包括：】

[*]

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 406 of the Securities Act of 1933, as amended.

[Settled Payments to Licensor for GRAPE]
【关于GRAPE已向许可方支付款项】

[*]

(ii) as of the date hereof, Former Licensee is in compliance with all of the terms and conditions under the Existing Agreement and no default by Former Licensee under the Existing Agreement has occurred or is continuing;
截至本转让协议签署之日，原被许可方完全遵守当前协议下全部条款与条件，原被许可方在当前协议下没有已经发生或正在进行的违约行为。

(iii) unless otherwise provided herein, all the terms and conditions of the Existing Agreement and any exhibits or schedules thereof are in full force and effect and is enforceable in accordance with its terms.
除非本转让协议另行规定，当前协议的全部条款与条件及其任何附件或附表均根据当前协议的约定完全有效并具有执行力。

3.2 Licensor hereby releases, acquits and forever discharges Former Licensee from and of each covenant and condition of, and each liability or other obligation arising under, the Existing Agreement to be observed or performed by Former Licensee pursuant to the terms thereof and Former Licensee shall no longer be bound by, or have any obligation or liability in respect of, the Existing Agreement. [*][*]
许可方特此豁免、放弃要求并永久免除原被许可方履行原被许可方根据当前协议的约定，需要遵守或履行的各项承诺或条件，以及与之有关的各项责任或其他义务，同时原被许可方将不再受当前协议约束，不再需就当前协议履行任何义务或责任。[*][*]

3.3 Any notice or other communication between New Licensee and Licensor required or permitted hereunder under the Existing Agreement or any other documents in connection herewith shall be directed as follows:
新被许可方与许可方基于本转让协议、当前协议或任何其他相关文件的要求或许可所做出的任何通知或其他沟通，均应根据以下要求送达：

If to New Licensee:
若至新被许可方

Attn: Samantha Du, CEO
接收人：杜莹，首席执行官
Address: 1043 Halei Road, Bldg 8, Suite 502, Zhangjiang High-Tech Park, Shanghai 201203, China
地址：中国上海市张江高科技园哈雷路1043弄8号502室， 邮编201203

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 406 of the Securities Act of 1933, as amended.

If to Licensor:
若至许可方：

Attn:
接收人：

Address:
地址：

4. **Continued Effectiveness.** This Assignment Agreement shall take effect from the date that New Licensee fulfils its payment obligations as per section 2.2 of the License and Transfer Agreement ("Effective Date"). Except as otherwise provided herein, all terms and conditions of the Existing Agreements shall remain in effect and unchanged.
持续有效. 本转让协议于新被许可方完成其在许可转让协议第2.2条中的付款义务之日（"生效日"）起生效。除非本转让协议另有规定，当前协议的全部条款与条件仍然持续有效且未有变更。

5. **Governing Law.** This Assignment Agreement shall be governed by and construed in accordance with the laws of the People's Republic of China.
适用法律. 本转让协议及其解释受中华人民共和国法律管辖。

6. **Dispute Resolution.** Any claim, controversy or dispute among the parties hereto arising out of, relating to, or in connection with this Assignment Agreement, including the interpretation, validity, termination or breach hereof, that cannot be settled amicably, shall be resolved in accordance with the dispute resolution provisions set forth in the Existing Agreement.
争议解决. 本转让协议各方之间，因本转让协议而产生或与本转让协议有关的任何主张、矛盾或争议，包括转让协议的解释、有效性、终止或违约行为，若无法经友好协商解决，将根据当前协议约定的争议解决条款予以解决。

7. **Counterparts.** This Assignment Agreement may be executed in [three/five] counterparts each of which shall be deemed an original and all of which shall be deemed one and the same instrument.
副本. 本转让协议由各方签署一式【三/五】份，每一份均被视为原件，全部【三/五】份副本构成且应被视为一份完整协议。

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 406 of the Securities Act of 1933, as amended.

IN WITNESS WHEREOF, the parties have caused this Assignment Agreement to be duly executed under seal on the date first written above.
各方已于文首标示的日期适当签署本转让协议，**以资遵守**。

GlaxoSmithKline (China) R&D Co., Ltd
葛兰素史克（上海）医药研发有限公司

By/ 签字 : _____

(Signature)

Name/ 姓名 : _____

Title/ 职位 : _____

Date/日期 : _____

Zai Lab (Shanghai) Co., Ltd.
再鼎医药（上海）有限公司

By/ 签字 : _____

(Signature)

Name/ 姓名 : _____

Title/ 职位 : _____

Date/日期 : _____

[LICENSOR NAME]
[许可方名称]

By/ 签字 : _____

(Signature)

Name/ 姓名 : _____

Title/ 职位 : _____

Date/日期 : _____

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 406 of the Securities Act of 1933, as amended.

Exhibit G

Press Release

ZAI Lab announces a global agreement with GlaxoSmithKline in two anti-inflammatory assets

Shanghai, China – 18 October 2016 – Zai Lab Ltd. announces today a global agreement with GlaxoSmithKline (GSK) to develop and commercialize one phase 2 clinical and one pre-clinical anti-inflammatory assets. Both assets are products targeting multiple anti-inflammatory indications.

Specific details have not been released, but this agreement gives Zai Lab's veteran team exclusive rights to lead future development of the products through clinical development, regulatory activities, and commercialization globally.

About Zai Lab

ZAI Lab is a leading biotech company based in China focused on discovering and developing innovative medicines for unmet medical needs globally. The company is building a strong portfolio of therapeutic programs aimed at transforming patients' lives. Zai Lab has a world class leadership team with deep experience at global pharmaceutical and biotech organizations. The team has a strong track record of success – successfully taken five novel drug candidates into clinical trials in China, pioneered new regulatory channels, secured regulatory approvals in record times, conducted multiple IND trials in the US, and brought the first China discovered drug into Global Phase III trials. Zai Lab is committed to build a globally leading drug research and development powerhouse with a culture of excellence and teamwork and a strong focus on fostering innovation and creativity. For more information, please visit www.zailaboratory.com

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 406 of the Securities Act of 1933, as amended.

Exhibit H

Arbitration Proceedings

1. The arbitration shall be conducted by a panel of three (3) persons experienced in the pharmaceutical business. Within thirty (30) days after initiation of an arbitration, each Party shall select one person to act as arbitrator and the two Party-selected arbitrators shall select a third arbitrator within thirty (30) days of their appointment. If the arbitrators selected by the Parties are unable or fail to agree upon the third arbitrator, the third arbitrator shall be appointed by the [*]. The place of arbitration shall be [*], and all proceedings and communications shall be in English.

2. Either Party may apply to the arbitrators for interim injunctive relief until the arbitration award is rendered or the controversy is otherwise resolved. Either Party also may, without waiving any remedy under this Agreement, seek from any court having jurisdiction any injunctive or provisional relief necessary to protect the rights or property of that Party pending the arbitration award. The arbitrators shall have no authority to award any damages excluded by Section 8.4. Each Party shall bear its own costs and expenses and attorneys' fees and an equal share of the arbitrators' fees and any administrative fees of arbitration.

3. Except to the extent necessary to confirm an award or as may be required by law, neither a Party nor an arbitrator may disclose the existence, content, or results of an arbitration without the prior written consent of both Parties. In no event shall an arbitration be initiated after the date when commencement of a legal or equitable proceeding based on the dispute, controversy or claim would be barred by the applicable [*] statute of limitations.

4. The Parties agree that, in the event of a good faith dispute over the nature or quality of performance under this Agreement, neither Party may unilaterally terminate this Agreement until final resolution of the dispute through arbitration or other judicial determination. The Parties further agree that any payments made pursuant to this Agreement pending resolution of the dispute shall be refunded if an arbitrator or court determines that such payments are not due.

5. During the pendency of any arbitration the Parties shall continue to perform their respective obligations under this Agreement. To the extent that such performance involves any matter which is the subject of the dispute, claim or controversy being arbitrated, the Parties shall continue performance of such matter under this Agreement in such a manner as to the fullest extent possible maintain the status quo of the Parties with respect to the disputed matter.

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Exhibit I

Prevention of Corruption – Third Party Guidelines

The GSK Anti-Bribery and Corruption Policy (POL-GSK-007) requires compliance with the highest ethical standards and all anti-corruption laws applicable in the countries in which GSK (whether through a third party or otherwise) conducts business. POL-GSK-007 requires all GSK employees and any third party acting for or on behalf of GSK to ensure that all dealings with third parties, both in the private and government sectors, are carried out in compliance with all relevant laws and regulations and with the standards of integrity required for all GSK business. GSK values integrity and transparency and has zero tolerance for corrupt activities of any kind, whether committed by GSK employees, officers, or third-parties acting for or on behalf of the GSK.

Corrupt Payments – GSK employees and any third party acting for or on behalf of GSK, shall not, directly or indirectly, promise, authorise, ratify or offer to make or make any "payments" of "anything of value" (as defined in the glossary section) to any individual (or at the request of any individual) including a "government official" (as defined in the glossary section) for the improper purpose of influencing or inducing or as a reward for any act, omission or decision to secure an improper advantage or to improperly assist the company in obtaining or retaining business.

Government Officials – Although GSK´s policy prohibits payments by GSK or third parties acting for or on its behalf to any individual, private or public, as a "quid pro quo" for business, due to the existence of specific anticorruption laws in the countries where we operate, this policy is particularly applicable to "payments" of "anything of value" (as defined in the glossary section), or at the request of, "government officials" (as defined in the glossary section).

Facilitating Payments – For the avoidance of doubt, facilitating payments (otherwise known as "greasing payments" and defined as payments to an individual to secure or expedite the performance of a routine government action by government officials) are no exception to the general rule and therefore prohibited.

GLOSSARY

The terms defined herein should be construed broadly to give effect to the letter and spirit of the ABAC Policy. GSK is committed to the highest ethical standards of business dealings and any acts that create the appearance of promising, offering, giving or authorising payments prohibited by this policy will not be tolerated.

Anything of Value: this term includes cash or cash equivalents, gifts, services, employment offers, loans, travel expenses, entertainment, political contributions, charitable donations, subsidies, per diem payments, sponsorships, honoraria or provision of any other asset, even if nominal in value.

Payments: this term refers to and includes any direct or indirect offers to pay, promises to pay, authorisations of or payments of anything of value.

Government Official shall mean:

- Any officer or employee of a government or any department, agency or instrument of a government;
- Any person acting in an official capacity for or on behalf of a government or any department, agency, or
- instrument of a government;
- Any officer or employee of a company or business owned in whole or part by a government;
- Any officer or employee of a public international organisation such as the World Bank or United Nations;
- Any officer or employee of a political party or any person acting in an official capacity on behalf of a
- political party; and/or
- Any candidate for political office

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Exhibit 10.6

ASSIGNMENT AND ASSUMPTION AGREEMENT

THIS ASSIGNMENT AND ASSUMPTION AGREEMENT ("Assignment Agreement") is made and entered into as of October 13, 2016 by and among GlaxoSmithKline (China) R&D Co., Ltd, whose registered office is at Building 3, 898 Halei Road, Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai, PRC ("Former Licensee"), and Chengdu Bater Pharmaceutical Co., Ltd, which has its registered office at No. 52, Baihua East St., Wuhou District, Chengdu, Sichuan, China ("Licensor"), and Zai Lab (Shanghai) Co., Ltd. whose registered office is at 1043 Halei Road, Bldg 8, Suite 502, Zhangjiang High-Tech Park, Pudong New Area, Shanghai, China ("New Licensee").

RECITALS

WHEREAS, Former Licensee and Licensor are the parties to the License and Assignment Agreement attached hereto as Exhibit I, which dated July 15, 2013 ("Existing Agreement"),

WHEREAS, Former Licensee wishes to assign and transfer, and New Licensee wishes to accept and assume, all of Former Licensee's rights and obligations, respectively, under the Existing Agreement,

WHEREAS, Former Licensee and New Licensee have executed the License and Transfer Agreement ("License and Transfer Agreement") on the same date hereof.

WHEREAS, Licensor has agreed to consent to the assignment according to the terms set forth herein.

NOW THEREFORE, in consideration of the foregoing and the mutual covenants arid agreements herein contained, and intending to be legally bound hereby, the parties hereby agree as follows,

1. **Assignment**. Former Licensee hereby conveys, assigns and transfers to New Licensee all its rights, title, interest and any arid all liabilities and obligations in and to the Existing Agreement, and New Licensee hereby accepts and assumes the assignment of Former Licensee's right, title, interest, and any and all liabilities and obligations of Former Licensee under the Existing Agreements, and shall be bound by all of the terms of the Existing Agreements in Former Licensee's place and stead in every way as if New Licensee were a party to the Existing Agreements in lieu of Former Licensee ("Assignment").

2. **Consent of Licensor**. Licensor hereby consents to the Assignment, and, with effect from the Effective Date, Licensor also undertakes to perform the Existing Agreement and to be bound by its terms in every way as if New Licensee were a party to the Existing Agreement in lieu of Former Licensee.

3. **Change of Obligations and Notice**.

3.1 Licensor hereby agrees and acknowledges that:

(i) as of the date hereof, Former Licensee has made the following payments to Licensor under the Existing Agreement in an aggregate amount of [*], including the settled payments as listed below, and any other payables by Former Licensee under the Existing Agreement shall be paid by New Licensee upon the Effective Date;

(1) Settled Payments include:

[*]

(2) Outstanding payments to be made upon achievement of milestone events under the Existing Agreement include:

[*]

(ii) as of the date hereof, Former Licensee is in compliance with all of the terms and conditions under the Existing Agreement and no default by Former Licensee under the Existing Agreement has occurred or is continuing;

(iii) unless otherwise provided herein, all the terms and conditions of the Existing Agreement and any exhibits or schedules thereof are in full force and effect and is enforceable in accordance with its terms.

3.2 Licensor hereby releases, acquits and forever discharges Former Licensee from and of each covenant and condition of, and each liability or other obligation arising under, the Existing Agreement to be observed or performed by Former Licensee pursuant to the terms thereof and Former Licensee shall no longer be bound by, or have any obligation or liability in respect of, the Existing Agreement. [*]

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3.3 Any notice or other communication between New Licensee and Licensor required or permitted hereunder under the Existing Agreement or any other documents in connection herewith shall be directed as follows:

If to New Licensee:

Attn: Samantha Du, CEO
Address: 1043 Halei Road, Bldg 8, Suite 502, Zhangjiang High-Tech Park, Pudong New Area, Shanghai, China

If to Licensor:

Attn: Jingmin Zhao
Address: No. 52, Baihua East St., Wuhou District, Chengdu, Sichuan, China

4. **Continued Effectiveness**. This Assignment Agreement shall take effect from the date that New Licensee fulfils its payment obligations as per section 2.2 of the License and Transfer Agreement ("Effective Date"). Except as otherwise provided herein, all terms and conditions of the Existing Agreements shall remain in effect and unchanged.

5. **Governing Law**. This Assignment Agreement shall be governed by and construed in accordance with the laws of the People's Republic of China.

6. **Dispute Resolution**. Any claim, controversy or dispute among the parties hereto arising out of, relating to, or in connection with this Assignment Agreement, including the interpretation, validity, termination or breach hereof, that cannot be settled amicably, shall be resolved in accordance with the dispute resolution provisions set forth in the Existing Agreement.

7. **Counterparts**. This Assignment Agreement may be executed in three counterparts each of which shall be deemed an original and all of which shall be deemed one and the same instrument.

[The remainder of this page intentionally left blank; the signature page follows]

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IN WITNESS WHEREOF, the parties have caused this Assignment Agreement to be duly executed under seal on the date first written above.

GlaxoSmithKline (China) R&D Co., Ltd

By: /s/ Min Li
(Signature)

Name: Min Li

Title: SVP, Global Head of Neuroscience TAU and GM of R&D China

Date: 2016.10.21

Zai Lab (Shanghai) Co., Ltd.

By: /s/ Ying Du
(Signature)

Name: Ying Du

Title: CEO

Date: 2016.10.24

Chengdu Bater Pharmaceutical Co., Ltd

By /s/ [ILLEGIBLE]
(Signature)

Name [ILLEGIBLE]

Title [ILLEGIBLE]

Date: 2016.10.13

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Exhibit I

License and Assignment Agreement

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LICENSE AND ASSIGNMENT AGREEMENT

Between

Chengdu Bater Pharmaceutical Co., Ltd

and

GlaxoSmithKline (China) R&D Co., Ltd

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THIS LICENSE AND ASSIGNMENT AGREEMENT ("**Agreement**") is made on July 15, 2013 ("**Effective Date**")

BETWEEN:

(1) **Chengdu Bater Pharmaceutical Co., Ltd,** a limited liability company duly established and validly existing under the law of the People's Republic of China ("**PRC**"), whose registered address is at No. 52, Baihua East St., Wuhou District, Chengdu, Sichuan, China 610041 ("**CBP**"); and

(2) **GlaxoSmithKline (China) R&D Co., Ltd,** a foreign invested enterprise duly established and validly existing under PRC law, whose registered office is at Building 3, 898 Halei Road, Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai, PRC ("**GSK**").

BACKGROUND:

1. CBP is currently engaging in developing a Traditional Chinese Medicine incorporating Fugan for the treatment of diseases in dermatology ("**Fugan Program**") and has completed early stage researches;

2. GSK wishes to, by obtaining a license to and subsequent assignment of certain IPs and Know-how from CBP, participating in developing the Product worldwide (including China) with the ultimate purpose of manufacturing and commercializing the Product; and

3. CBP agrees to grant such a license and subsequently assign to GSK.

NOW IT IS HEREBY AGREED AS FOLLOWS:

1 DEFINITIONS

The following capitalized terms shall have the meanings given in this Section when used in this Agreement:

Affiliate(s)	with respect to any specified person (including without limitation any corporation or other business entity), any person that is directly or indirectly controlling, controlled by, or under common control with such first person for so long as such control exists. For the purposes of this definition, (a) "control" shall mean (i) the direct or indirect ownership of at least 50% of the outstanding shares or voting interest in such person; or (ii) the ability to direct the affairs of such

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	person through the power to appoint a majority of the directors or similar governing body of such person, an investment relationship, or contractual or other arrangements; and (b) "person" means any individual, corporation, partnership, proprietorship, association, limited liability company, firm, trust, estate or other enterprise or institution having recognition as a legal person or entity.
Agreement	this document, including its Schedules, as amended from time to time in accordance with Section 15.10;
Arising IP	all data, result, information, documents, Know-how, IPs, clinical trial materials, manufacturing technologies and protocols, supply information, regulatory dossier and packages for the Development, registration, manufacture and Commercialization of the Product generated during the Term of the Agreement and after Fugan Program Transfer;
Background IP	information, data, results, techniques, methods, processes, Know-how, Intellectual Property, software and materials (regardless of the form or medium in which they are disclosed or stored) that are granted by CBP or its Affiliates to GSK or its Affiliates for use under this Agreement and that are: (i) existing prior to the Effective Date; or (ii) independently discovered and developed during the Term by CBP or its Affiliates other than in performance of its obligations under this Agreement and without use of the Intellectual Property, Know-how or Confidential Information of GSK or its Affiliates;
Business Day	Monday to Friday (inclusive) except public holidays in the PRC;
CFDA	the China Food and Drug Administration or its predecessor;

CNY	Chinese Yuan, legal currency of the PRC;
Commercialization	with respect to a Product, the manufacture, marketing and sale of such Product. Commercialize and Commercializing shall be construed accordingly.
Confidential Information	any information (including without limitation any Know-how, results, and regulatory submissions) disclosed by one Party to other Party for use under this Agreement which a reasonable business person would determine to be secret or confidential or which is identified as confidential before or at the time of disclosure or other information which is identified as confidential before or at the time of disclosure (or, if orally, electronically or visually disclosed without being identified as confidential before or at the time of disclosure, that the disclosing Party, describes and references the place and date of such oral, electronic or visual disclosure and the names of the person(s) to whom such disclosure was made in a written document or documents delivered to the receiving Party within ten (10) days after such disclosure);
CTA	the approval issued by CFDA for conducting clinical trial on human subjects for drug products in China;
Development	all discovery, research and development work necessary to enable the manufacture of Products for Commercialization. Develop and Developing shall be construed accordingly;
Evaluation	studies conducted by GSK as specified in Schedule 2 to evaluate preclinical pharmacology, safety, manufacturing and supply processes for Fugan to support its future clinical development;

Fugan	the materials from two herbs, [*];
Fugan Program Transfer	Delivery of all documents, non-clinical and clinical data, regulatory dossier and any other information under Fugan Program that is in possession of CBP as of the Effective Date concerning the Development of the Fugan, with details specified in Schedule 1;
GSK Criteria GSK	criteria specified in Schedule 2;
Intellectual Property or IP	Patents and other like forms of protection, copyrights, rights in databases, trade names, trade or service marks (whether registered or unregistered), trade secrets, domain names, design rights (whether registered or unregistered), including all applications for registration for the foregoing and all other similar proprietary rights as may exist anywhere in the world;
Know-how	all non-patentable information including, without limitation, information relating to data, results, technology, inventions, discoveries, concepts, methodologies, models, research, development and testing procedures, source and supply, manufacturing processes, techniques and specifications, quality control data, analyses and reports, regulatory dossier and packages;
Marketing Authorization	in relation to a Product, those authorizations necessary from one or more regulatory authorities in the relevant country for the manufacture, marketing, distribution or sale of a medicinal product;
New Drug Certificate	a certificate issued by CFDA for any new drug product developed in China;
Party or Parties	Party means GSK and its Affiliates or CBP and its Affiliates, Parties means both GSK and CBP and their Affiliates;

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Patents	Patents and patent applications and all substitutions, divisions, continuations, continuations-in-part, any patent issued with respect to any such patent applications, any reissue, reexamination, utility models or designs, renewal or extension (including any supplementary protection certificate) of any such patent, and any confirmation patent or registration patent or patent of addition based on any such patent, and all counterparts thereof in any country;
Phase II Clinical Trial	preliminary evaluation of therapeutic effectiveness of a drug, for the purpose of preliminarily evaluating the therapeutic effectiveness and safety of the drug for patients with target indication(s), and provide evidence for design of Phase III Clinical Trial and settlement of administrative dose regimen;
Phase III Clinical Trial	confirmation of therapeutic effectiveness of a drug, for the purpose of further verifying drug therapeutic effectiveness and safety on eligible patients with target indication(s), evaluating overall benefit-risk relationships of the drug, and ultimately providing sufficient evidence for the review of drug registration application;
Product	a Traditional Chinese Medicine incorporating the Fugan in any formulation,;
TCM Approvals:	the approval(s) by PRC traditional Chinese medicine regulatory authorities with respect to the transfer, license, or technology exchange of traditional Chinese medicine research results or the collaboration with foreign entities or foreign invested entities in the research, development or other activities with respect to traditional Chinese medicine under the PRC Regulations on Traditional Chinese Medicine and the Provisional Measures regarding Foreign-related Administration of Traditional Chinese Medicine;
Term:	the term of this Agreement as specified in Section 11.1

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2 FUGAN PROGRAM TRANSFER AND DEVELOPMENT OF PRODUCT

2.1. CBP acknowledges that as of the Effective Date, it has completed the non-clinical study and certain clinical researches of the Fugan at its own costs and has duly obtained the CTA for conducting Phase II and Phase III Clinical Trial for the Products in China.

2.2. CBP shall complete the Fugan Program Transfer within thirty (30) days upon the Effective Date, and shall have a continuous obligation thereafter to provide any further materials, documents, information produced, completed, and available to CBP or any other assistance reasonably required by GSK throughout the Term of this Agreement, for the purpose of Developing, manufacturing and Commercializing the Product.

2.3. Upon completion of the Fugan Program Transfer, GSK will conduct the Evaluation. To the extent the Fugan Program meets GSK Criteria upon such Evaluation, GSK may decide to continue the subsequent Development of the Product, including but not limited to performing and funding Phase II and Phase III Clinical Trial in China subject to the terms and conditions of this Agreement.

2.4. CBP acknowledges that GSK's Evaluation and Development of the Product as contemplated in Section 2.3 above shall be made at its sole discretion and may be conducted by GSK or a third party designated by GSK ("**GSK Designated Party**").

2.5. CBP acknowledges and agrees that, GSK shall be solely responsible for the Development of the Product. In particular, GSK will exercise full control and take decisions in respect of the Developing activities for the Product, including but not limited to:

(i) Designing and finalizing the detailed implementation plans of the clinical trial protocol, informed consent form ("ICF") and any amendments thereto;

(ii) Evaluation and selection of trial sites and principal investigators;

(iii) Negotiating and entering into clinical trial agreements on behalf of CBP by using GSK approved templates;

(iv) Monitoring the clinical trials and remain as key contact with the sites for the clinical trials;

(v) Reviewing, handling and settling any adverse event claims arising from the Development of Product performed by GSK; and

(vi) Participating in the communication with any regulatory authorities in relation to the Development of the Product.

2.6. CBP, as the holder of CTA and the sponsor of the Phase II and Phase III Clinical Trials for the Product, shall provide necessary assistance and execute such document and/or enter into separate agreements with GSK or GSK Designated Party as reasonably required by GSK to complete Development, including but not limited to Phase II and Phase III Clinical Trials.

2.7. CBP shall maintain a valid CTA in the course of clinical trials under this Agreement. In case any changes need to be made in the clinical trial protocol in the course of such trials, CBP shall be responsible for obtaining appropriate approvals for such changed protocol, including but not limited to an approval by the ethics committee or a revised CTA from CFDA. Any actions to be taken by CBP or any written communication to be provided to the ethics committee or CFDA for the purpose of obtaining appropriate approvals for such changed protocol shall be subject to the prior written approval by GSK. In addition, GSK is entitled to participate in any discussion CBP may have with the ethics committee or CFDA with respect to the changed protocol.

2.8. Upon successful completion of Phase III Clinical Trial, at the sole discretion of GSK, CBP shall provide necessary assistance as reasonably required by GSK to complete: (i) a joint application by CBP and GSK or GSK Designated Party for the New Drug Certificate and/or Marketing Authorization of the Product, under which GSK or GSK Designated Party shall be identified as the manufacturer of the Product; or (ii) an application by CBP itself for the New Drug Certificate of the Product, and a subsequent supplemental application with CFDA when requested by GSK for technology transfer from CBP to GSK or GSK Designated Party so that GSK or GSK Designated Party can obtain the Marketing Authorization of the Product.

2.9. Subject to Section 2.8, GSK or GSK Designated Party shall be the sole holder of the Marketing Authorization of the Product in China.

2.10. [*]

3 LICENSE GRANT. OWNERSHIP AND ASSIGNMNT OF INTELLECTUAL PROPERTY

3.1. Subject to the terms and conditions of this Agreement and in furtherance of the Fugan Program Transfer, CBP will grant GSK and its Affiliates on the Effective Date a worldwide, royalty-free, exclusive license (even as to CBP), with rights to sublicense, to all of CBP's right, title, and interest (including worldwide rights and

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in all therapeutic areas and indications whether known or are subsequently discovered) in any and all Fugan Program, Fugan, and their related Background IP, including but not limited to IP, Know-how, data, clinical trial materials, manufacturing technologies and protocols, supply information, regulatory dossier and packages for the Development, registration, manufacture and Commercialization of the Product, to enable GSK to Develop, manufacture, and Commercialize such Product.

3.2. All Arising IP shall be owned solely by GSK.

3.3. During the Term of this Agreement, upon GSK's request, CBP shall assign and convey to GSK all of CBP's right, title and interest in and to the Background IP without any further payment from GSK.

3.4. CBP shall provide necessary assistance as reasonably required by GSK to complete the registration of such license and assignment with relevant authorities.

4 MANUFACTURING & COMMERCIALIZATION

4.1. GSK shall be solely responsible for, take all decisions in respect of and pay all costs of the manufacturing and Commercialization of the Products. CBP acknowledges that all decisions relating to the foregoing activities shall be taken by GSK in its sole discretion and that GSK shall be entitled to have GSK Designated Party participate in the manufacture and Commercialization of Products as GSK may consider appropriate.

5 PAYMENT

5.1. consideration of CBP's obligations under this Agreement, GSK agrees to make certain payments to CBP as set out in Sections 5.2 and 5.3.

5.2. GSK will make an upfront cash payment in a total amount of CNY [*] (the "**Upfront Payment**") to CBP within sixty (60) days upon signing of this Agreement and receipt by GSK of an invoice issued by CBP.

5.3. GSK shall make milestone payments to CBP up to a maximum total amount of [*] ([*], "**Milestone Payments**"). Each Milestone Payment to CBP will be paid within [*] upon receipt by GSK of an invoice issued by CBP upon achievement of each of the corresponding milestone events as follows;

Milestone Events	Amount (CNY)
[*]	[*]

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For the avoidance of doubt, each of the above Milestone Payments shall be one-off payment payable by GSK with respect to the corresponding milestone event as set out above, regardless of whether such event would happen again for any other Product either in China or elsewhere in the world.

5.4. CBP will provide GSK a complete, accurate and audit-worthy invoice for Upfront Payment and each Milestone Payment. The Upfront Payment and the Milestone Payments will be paid by wire transfer to CBP's account provided herein. The bank account of CBP as designated herein shall be the sole and permanent bank account confirmed by CBP, and shall not be changed except for Force Majeure reasons.

CBP's bank information:

Bank name: [*]

Account name: [*]

Account number: [*]

5.5. All amounts payable to CBP (including the Upfront Payment and Milestone Payments) are inclusive of any applicable tax (including any withhold tax) to which payments made by GSK are subject to, at the rate from time to time prescribed by applicable law. CBP alone shall be responsible for paying any and all taxes levied on account of, or measured in whole or in part by reference to, any payment received by CBP.

6 EXCLUSIVITY

6.1. During the Term, except for performance of its obligations hereunder, CBP shall not, by itself or through any Affiliate or third party, engage in any research and development activities directed towards the discovery, Development, manufacture, or Commercialization of any Product or any pharmaceutical product incorporating Fugan.

7 MANAGEMENT OF IP AND KNOW HOW

7.1. In furtherance of Section 3.3, GSK shall have the exclusive right to prepare, file, prosecute and/or maintain any protection for Arising IP at its own cost and expense. CBP agrees to and hereby does assign to GSK its right to file for patents for Arising IP in any country or region, including in the PRC. CBP will cooperate in the filing and prosecution of patent applications for Arising IP. At GSK's request, CBP will execute all necessary documents to effectuate the filing of patent applications related to Arising IP. At GSK's request and expense, CBP will assist GSK in its efforts to establish, perfect, and defend all IP rights relating to Arising IP, and execute any documents necessary to do the same (including

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assignments of rights, transfers, releases, affidavits, and declarations). CBP hereby designates GSK as its agent for, and grants to GSK a power of attorney with full power of substitution, which power of attorney will be deemed coupled with an interest, for the purpose of effecting the foregoing provisions.

7.2. Since the Effective Date, GSK shall be responsible for and shall undertake, and shall bear all costs and expenses in connection with, the filing, prosecution, maintenance and defense of the Background IP, provided however that CBP shall provide necessary assistance as reasonably required by GSK before the date of assignment and conveyance of the Background IP to GSK in accordance with Section 3.2.

7.3. Before ceasing to prosecute or maintain further in whole or in part any Background IP, GSK shall give at least [*] notice ("**Abandonment Notice**") of its intention to CBP and shall offer CBP the right to assume responsibility for the prosecution and maintenance of the IP in question.

7.4. Each Party shall give the other Party immediate notice of any infringement of any Background IP by a third party which, subject to any obligation of confidentiality owed to a third party, comes to that Party's attention during the Term of this Agreement.

7.5. If during the Term of this Agreement, any Party receives any notice, claim or proceedings from any third party alleging infringement of that third party's intellectual property by reason of any Party's activities in relation to this Agreement or the use and exploitation of any Background IP, then the Party receiving that notice shall forthwith notify the other Party of the notice, claim or proceeding and shall be entitled to defend and settle such claim or proceeding to the extent affecting the receiving Party, but shall not make any admission of liability on behalf of the other Party without that Party's consent.

7.6. GSK shall have the first right, but not the obligation, at its own cost to commence proceedings for infringement or misappropriation of any of the Background IP by a third party.

8 CONFIDENTIALITY

8.1. Subject to the terms of this Section 8, neither Party shall, during the Term and for a period of [*] years thereafter, disclose the other Party's Confidential Information to any third party, nor use the other Party's Confidential Information for any purpose other than for the purpose of performance of this Agreement.

8.2. No Party will be in breach of any obligation under Section 8.1 in disclosing the Confidential Information to the extent that the Confidential Information:

(i) is known to the Party making the disclosure before its receipt from the other Party, and not already subject to any obligation of confidentiality to the other Party;

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(ii) is or becomes publicly known without any breach of this Agreement or any other undertaking to keep it confidential;

(iii) has been obtained by the Party making the disclosure from a third party in circumstances where the Party making the disclosure has no reason to believe that there has been a breach of an obligation of confidentiality owed to the other Party;

(iv) has been independently developed by the Party making the disclosure;

(v) is disclosed pursuant to, and solely to the extent required to be disclosed to comply with, the requirement of any law or regulation or applicable listing rules or the order of any court of competent jurisdiction or any relevant governmental or stock exchange authority, provided the Party required to make the disclosure provides the other Party with prior written notice of such requirement and the information required to be disclosed, takes reasonable actions to avoid or minimize the extent of such disclosure, and, to the extent reasonably practicable, seeks protective and confidential treatment of the information to be disclosed;

(vi) is disclosed on a confidential and need-to-know basis (on terms at least as protective as those set forth herein) to the investigators, directors, officers, employees, Affiliates, permitted subcontractors, financial advisors, and attorneys of a Party; or

(vii) is approved for release in writing by an authorized representative of the other Party.

8.3. The Parties understand and acknowledge that CBP may possess certain information that are classified as state secrets of the PRC. CBP hereby covenants that it may not and shall not disclose to GSK any Confidential Information in violation of the PRC laws and rules on the protection of state secrets. CBP shall indemnify GSK for any losses or penalties suffered due to CBP's breach of the foregoing sentence.

8.4. Neither CBP nor GSK will use the name, trade-name, or logo of the other Party or its Affiliates in any press release, publication, or product advertising, or for any other promotional purpose, nor disclose the existence or terms of this Agreement without first obtaining the written consent of that Party.

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 406 of the Securities Act of 1933, as amended.

9 LIMITATION OF LIABILITY

9.1. CBP warrants that, to the best of its knowledge and belief (having made reasonable inquiries with its employees involved in the Fugan Program or likely to have relevant knowledge, but not having made any search of any public register), any advice or information given by it or any of its employees or any other persons engaged by CBP who work on the Fugan Program, or the content or use of any Background IP, Arising IP, or materials, works or information provided in connection with the Fugan Program, will not constitute or result in any infringement of any third party rights.

9.2. Except under the limited warranty in Section 9.1 and subject to Section 9.4, no Party accepts any responsibility for any use which may be made by the other Party of any Background IP or Arising IP, nor for any reliance which may be placed by the other Party on any Background IP or Arising IP, nor for advice or information given in connection with any Background IP or Arising IP.

9.3. Subject to Section 9.4, the liability of one Party to the other Party for any breach of this Agreement, any negligence of the other Party, or arising in any other way out of the subject matter of this Agreement, the Background IP, the Arising IP will not extend to any indirect or consequential damages or losses, or any loss of profits, loss of revenue, loss of data, loss of contracts or opportunity, whether direct or indirect, even if the Party bringing the claim has advised the other Party of the possibility of those losses, or if they were within the other Party's contemplation.

9.4. Nothing in this Agreement limits or excludes either Party's liability for:

(i) death or personal injury;

(ii) any fraud, corruption or for any sort of liability that, by law, cannot be limited or excluded; or

(iii) any loss or damage caused by a deliberate breach of this Agreement or a breach of Sections 3, 7 and 13.

9.5. The only undertakings and warranties given by the Parties in this Agreement are those expressly contained in this Agreement. All other warranties, conditions, terms, undertakings and obligations, whether implied by statute, principle of civil law, custom, trade usage, course of dealing or in any other way are hereby disclaimed by the Parties to the fullest extent permitted by law.

10 FORCE MAJEURE

10.1. If the performance by one Party of any of its obligations under this Agreement is delayed or prevented by circumstances that are reasonably unforeseeable and

are beyond its reasonable control ("**Force Majeure**"), that Party will not be in breach of this Agreement because of that delay in performance provided, provided that the Party affected by the Force Majeure shall, within ten (10) days after its occurrence, give notice to the other Party stating the nature of the circumstances, its anticipated duration and any action being taken to avoid or minimize its effect. The suspension of performance shall be of no greater scope and no longer duration than is reasonably required and the Party affected by the Force Majeure shall use its reasonable efforts to remedy its inability to perform.

11 TERM AND TERMINATION

11.1. This Agreement begins on the Effective Date. Unless early terminated in accordance with Sections 2.8, 11 or 13, this Agreement shall continue in effect till each Party fulfils its rights and obligations hereunder.

11.2. GSK can terminate this Agreement at any time by [*] prior written notice to CBP after completion of the Evaluation.

11.3. The Parties acknowledge and agree that (i) CBP's obtaining of the TCM Approvals in accordance with Section 2.10, and (ii) the maintenance of the validity of CTA for Phase II and Phase III Clinical Trials of the Product by CBP, are of vital importance to GSK in entering into this Agreement. In the event that (i) such TCM Approvals are not procured in accordance with Section 2.10, or (ii) the CTA for Phase II or Phase III Clinical Trials are held invalid by any regulatory authorities, CBP shall promptly notify GSK in writing and GSK may terminate this Agreement by written notice to CBP within [*] after receiving the notice by CBP.

11.4. Either Party may terminate this Agreement with immediate effect by written notice to the other Party if:

(i) the other Party is in breach of any provision of this Agreement and (if it is capable of remedy) the breach has not been remedied within [*] after receipt of written notice specifying the breach and requiring its remedy; or

(ii) the other Party becomes insolvent, or if an order is made or a resolution is passed for its winding up (except mergers or reorganizations as part of a voluntary dissolution), or if an administrator, administrative receiver or receiver is appointed over the whole or any part of that Party's assets, or if that Party makes any arrangement with its creditors, or anything happens which is analogous to any of these matters.

(iii) If there is a change in the legal or beneficial ownership of CBP or of its majority shareholders from the state existing at the Effective Date which GSK considers in its sole discretion to be significant, then GSK may terminate this Agreement immediately by written notice. CBP agrees to give GSK notice in writing of any such change within [*] of it becoming effective.

11.5. Sections 1, 3, 6, 7, 8, 9, 11, 12, 13, 14 and 15, and other Sections required by their nature or terms to survive, will survive the expiration of the Term or the termination of this Agreement for any reason and will continue indefinitely (unless the terms thereof expressly provide for a shorter survival period).

11.6. Termination of this Agreement for whatever reason shall not affect the accrued rights of the Parties arising in any way out of this Agreement as at the date of termination or expiry and in particular but without limitation the right to recover damages and interest.

12 WARRANTIES

12.1. CBP warrants to GSK that:

(i) its Background Knowledge and Licensed IP are free from all charges and encumbrances (including without limitation rights of any third party);

(ii) it has conducted non-clinical studies and certain clinical researches in accordance with the applicable laws and regulations;

(iii) it has obtained the CTA for Phase II and Phase III Clinical Trial of the Product in accordance with applicable laws and regulations, no misrepresentation or untrue, inaccurate or misleading statement or information is made or provided in such application;

(iv) all data, documents, materials and dossier provided by CBP hereunder, including but not limited to the data of laboratory study of the Product, are true, accurate, complete and legally obtained;

(v) it will act with all due care and skill in implementing this Agreement, and that the CBP personnel involved in the Fugan Program have the requisite skills and experience to undertake the Fugan Program; and

(vi) it has complied and will comply with all applicable PRC laws and regulations in entering into and performing this Agreement (including without limitation the PRC Regulations on Traditional Chinese Medicine and the Provisional Measures regarding Foreign-related Administration of Traditional Chinese Medicine and the execution, delivery and performance of this Agreement and the ancillary agreements referred to herein does not violate any applicable laws, regulations or orders of the CBP's regulatory authority, or violate or contravene any agreements or documents binding upon it.

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 406 of the Securities Act of 1933, as amended.

12.2. CBP warrants to GSK that CBP is a company of legal person status duly organized and existing under PRC law, and has full power and authority under relevant laws and its constitutional documents, and has taken all necessary actions and obtained all authorizations, licenses, consents and approvals on or prior to the Effective Date, to allow it to enter into this Agreement and to perform its obligations under this Agreement, and will maintain the validity of all such authorizations, licenses, consents and approvals during the Term of this Agreement.

12.3. Unless otherwise required or prohibited by law, the Parties warrant to each other, to the best of their knowledge, that in relation to the performance of this Agreement, they:

(i) do not employ, engage or otherwise use any child labor in circumstances such that the tasks performed by any such child labor could reasonably be foreseen to cause either physical or emotional impairment to the development of such child;

(ii) do not use forced labor in any form (prison, indentured, bonded or otherwise) and its employees are not required to deposit papers or cash deposits before starting work;

(iii) provide their employees a safe and healthy workplace, presenting no immediate hazards, housing that is safe for habitation, and access to clean water, food, and emergency healthcare in the event of accidents or incidents in the workplace;

(iv) do not discriminate against any employees on any ground (including race, religion, disability or gender).

(v) do not engage in or support the use of corporal punishment, mental, physical, sexual or verbal abuse and do not use cruel or abusive disciplinary practices in the workplace;

(vi) pay each employee at least the minimum wage, or a fair representation of the prevailing industry wage, (whichever is higher) and provide each employee with all legally mandated benefits;

(vii) comply with the laws on working hours and employment rights in the countries in which they operate; and

(viii) are respectful of their employees' right to join and form independent trade unions and freedom of association.

12.4. The Parties agree that they are responsible for controlling their own supply chain and that they shall encourage compliance with ethical standards and human rights by any subsequent supply of goods and services that are used by the Parties when performing their obligations under this Agreement.

12.5. The Parties will ensure that they have ethical and human rights policies and an appropriate complaints procedure to deal with any breaches of such policies.

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 406 of the Securities Act of 1933, as amended.

13 ANTI-CORRUPTION

13.1. CBP acknowledges receipt of the "Prevention of Corruption - Third Party Guidelines" (set out in Schedule 3, the "**Guidelines**") and agrees to perform its obligations under this Agreement, and to cause the CBP personnel to perform this Agreement, all in accordance with the Guidelines (as amended from time to time and provided to CBP by GSK).

13.2. CBP shall comply and shall cause the CBP personnel involved in performance of this Agreement to comply fully at all time with all applicable laws and regulations, including but not limited to applicable anti-corruption laws, of the territory in which CBP conducts business with GSK.

13.3. CBP agrees that it has not, and covenants that it will not, in connection with the performance of this Agreement, promise, authorise, ratify or offer to make, or take any act in furtherance of any payment or transfer of anything of value, directly or indirectly: (i) to any individual including Government Officials (as defined below); or (ii) to an intermediary for payment to any individual including Government Officials; or (iii) to any political party. It is the intent of Parties that no payments or transfers of value will be made, promised, authorised, ratified or offered with the purpose or effect of public or commercial bribery, acceptance of or acquiescence in extortion, kickbacks or other unlawful or improper means of securing an improper advantage or obtaining or retaining business.

For the purpose of this section "Government Official" means: (a) any officer or employee of a government or any department, agency or instrument of a government; (b) any person acting in an official capacity for or on behalf of a government or any department, agency, or instrument of a government; (c) any officer or employee of a company or business owned in whole or part by a government; (d) any officer or employee of a public international organization such as the World Bank or United Nations; (e) any officer or employee of a political party or any person acting in an official capacity on behalf of a political party; and/or (f) any candidate for political office.

13.4. CBP will not contact, or otherwise meet with any Government Official with respect to any transactions required under this Agreement, without the prior written approval of GSK and, when requested by GSK, only in the presence of a GSK designated representative.

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 406 of the Securities Act of 1933, as amended.

13.5. CBP represents that it has not been convicted of or pleaded guilty to a criminal offence, including one involving fraud, corruption, or moral turpitude, that it is not now, to the best of their knowledge, the subject of any government investigation for such offenses, and that it is not now listed by any government agency as debarred, suspended, proposed for suspension or debarment, or otherwise ineligible for government programs.

13.6. CBP represents and warrants that except as disclosed in writing: (1) it does not have any interest which directly or indirectly conflicts with their proper and ethical performance of this Agreement; and (2) it will maintain arms length relations with all third parties (including government officials) with which they deal for or on behalf of GSK or in performance of this Agreement.

13.7. GSK will have the right during the term of this Agreement to conduct an investigation and audit of CBP to monitor compliance with the terms of this Section 13. CBP will cooperate fully with such investigation or audit, the scope, method, nature and duration of which will be at the sole reasonable discretion of GSK.

13.8. CBP will ensure that all transactions under this Agreement are properly and accurately recorded in all material respects on its books and records and each document upon which entries such books and records are based is complete and accurate in all material respects. CBP must maintain a system of internal accounting controls reasonably designed to ensure that it maintains no off-the-books accounts.

13.9. CBP agrees that GSK may make full disclosure of information relating to a possible violation of the terms of this Agreement at any time and for any reason to any competent government bodies and its agencies, and to whomsoever GSK determines in good faith has a legitimate need to know.

13.10. GSK shall be entitled to terminate this Agreement immediately on written notice to CBP, if CBP fails to perform its obligations in accordance with this Section 13. CBP shall have no claim against GSK for compensation for any loss of whatever nature by virtue of the termination of this Agreement in accordance with this Section 13. To the extent (and only to the extent) that the laws of the PRC provide for any such compensation to be paid to CBP upon the termination of this Agreement, CBP hereby expressly agrees to waive (to the extent possible under laws of the PRC) or to repay to GSK any such compensation or indemnity.

14 INDEMNIFICATION

14.1. CBP shall indemnify, defend and hold harmless GSK, its Affiliates, and its and their respective, directors, officers, employees and agents (collectively the "**GSK Indemnified Party**") against any and all claims, liabilities, losses, damages, costs or expenses, including reasonable attorneys' fees, (collectively, "**Losses**") incurred or suffered by the GSK Indemnified Party by reason of a claim brought by a third party to the extent arising out of or caused by:

(i) any warranty provided by CBP herein is or becomes untrue or inaccurate;

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 406 of the Securities Act of 1933, as amended.

(ii) the negligence, recklessness or misconduct of CBP or its Affiliates or any employees, officers, consultants or agents of either of the foregoing in connection with the Development of any Product and/or the Background Knowledge or the Licensed IP; or

(iii) the Development, distribution, marketing, promotion or sale of Products or the use of the Background Knowledge or the Licensed IP by GSK Indemnified Party.

14.2. In the event that any GSK Indemnified Party intends to seek indemnification for any claim under Section 14.1, it shall inform CBP of the claim promptly after receiving notice of the claim and shall permit CBP to direct and control the defense of the claim and shall provide such reasonable assistance as is reasonably requested by CBP (at CBP's cost) in the defense of the claim provided that nothing in this Section 14.2 shall permit CBP to make any admission on behalf of any GSK Indemnified Party, or to settle any claim or litigation which would impose any financial obligations on GSK or an GSK Indemnified Party without the prior written consent of GSK, such consent not to be unreasonably withheld or delayed.

14.3. GSK shall indemnify, defend and hold harmless CBP, its Affiliates, and its and their respective, directors, officers, employees and agents (collectively the "**CBP Indemnified Party**") against any and all Losses incurred or suffered by the CBP Indemnified Party by reason of a claim brought by a third party to the extent arising out of or caused by:

(i) any warranty provided by GSK herein is or becomes untrue or inaccurate; or

(ii) the willful misconduct of GSK or its Affiliates or any employees, officers, consultants or agents of either of the foregoing in connection with undertaking Phase II or Phase III Clinical Trial.

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 406 of the Securities Act of 1933, as amended.

15 GENERAL

15.1. **Notices:** Any notice to be given under this Agreement must be in writing, may be delivered by one Party to the other Party by any of the methods set out in the left hand column below, and will be deemed to be received on the corresponding day set out in the right hand column:

Method of service	**Deemed day of receipt**
By hand	the day of delivery
By courier	the second Business Day after posting
By recorded delivery post	the third Business Day after posting
By fax (provided the sender's fax machine confirms complete and error-free transmission of that notice to the correct fax number)	the next Business Day after sending or, if sent before 16:00 (sender's local time), on the day it was sent

The Parties' respective representatives for the receipt of notices are, until changed by written notice given in accordance with this Section, as follows:

For CBP:	**For GSK:**
Name: Address: 610041	Name: [*] Address: Building 3, 898 Halei Road, Zhangjiang Hi-Tech Park, Pudong, Shanghai 201203, China
Email: [*]	Email: [*]

15.2. **Headings:** The headings in this Agreement are for ease of reference only; they do not affect the construction or interpretation of this Agreement.

15.3. **Subcontracting:** It is recognized that each Party may engage or use any third party subcontractors (including contract research organizations) to perform any of its obligations under this Agreement. Any third party subcontractor engaged to perform obligations of a Party (the "**Subcontracting Party**") in this Agreement shall have sufficient expertise to meet the qualifications typically required by such Subcontracting Party for the performance of work similar in scope and complexity to the subcontracted activity. The Subcontracting Party shall remain liable for, and obligated to, perform all of its obligations under this Agreement and shall be liable for the performance of, and any acts, omissions or breaches by, each of its subcontractors. A Subcontracting Party shall be responsible for ensuring compliance by its third party subcontractors, if any, with all the terms of this Agreement, including without limitation obligations of confidentiality. Further, the

Subcontracting Party shall ensure in any subcontracting arrangement that GSK obtains sole ownership of all inventions, data and related Intellectual Property rights made or developed by such third party subcontractor relating to the Products.

15.4. **Assignment:**

(i) CBP agrees that it will not assign the whole or any part of this Agreement without GSK's prior consent in writing.

(ii) GSK shall subject to its issuing a written notice to the CBP to assign its rights and obligations hereunder to any Affiliate of it or to any successor in title to the whole or any part of its business.

15.5. **Illegal/unenforceable Sections:** If the whole or any part of any Section of this Agreement is void or unenforceable in any jurisdiction, the other Sections of this Agreement, and the rest of the void or unenforceable Section, will continue in force in that jurisdiction, and the validity and enforceability of that Section in any other jurisdiction will not be affected.

15.6. **Waiver of rights:** If one Party fails to enforce, or delays in enforcing, an obligation of the other Party, or fails to exercise, or delays in exercising, a right under this Agreement, that failure or delay will not affect its right to enforce that obligation or constitute a waiver of that right. Any waiver of any Section of this Agreement will not, unless expressly stated to the contrary, constitute a waiver of that Section on a future occasion.

15.7. **No agency:** Nothing in this Agreement creates, implies or evidences any partnership or joint venture between the Parties, or the relationship between them of principal and agent. Neither Party has any authority to make any representation or commitment, or to incur any liability, on behalf of the other Party.

15.8. **Entire agreement:** This Agreement constitutes the entire agreement between the Parties relating to its subject matter. Each Party acknowledges that it has not entered into this Agreement on the basis of any warranty, representation, statement, agreement or undertaking except those expressly set out in this Agreement. Each Party waives any claim for breach of this Agreement, or any right to rescind this Agreement in respect of, any representation which is not an express Section of this Agreement. However, this Section does not exclude any liability which either Party may have to the other Party (or any right which any Party may have to rescind this Agreement) in respect of any fraudulent misrepresentation or fraudulent concealment before signing this Agreement.

15.9. **Formalities:** Each Party will take any action and execute any document reasonably required by the other Party to give effect to any of its rights under this Agreement, or to enable their registration in any relevant territory provided the requesting Party pays the other Party's reasonable expenses.

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15.10. **Amendments:** No variation or amendment of this Agreement will be effective unless it is made in writing and signed by each Party's representative.

15.11. **Language:** This Agreement shall be written in both English and Chinese. Both language versions shall have equal validity and effect. In the event of any discrepancy between the two language versions, the English version shall prevail.

15.12. **Governing law:** This Agreement is governed by, and is to be interpreted in accordance with the laws of the PRC without regard to its principles of conflicts of law.

15.13. **Dispute resolution:**

(i) Any dispute, controversy or claim arising from or in connection with this Agreement, including any question regarding its existence, validity or termination ("**Dispute**"), must be resolved in the first instance through consultation between senior officers of CBP and GSK (or their respective nominees). If, within thirty (30) days following the date of the first written notification of the existence of a Dispute by one Party to the other Party, the Dispute cannot be resolved, the Dispute must be submitted to arbitration in accordance with the remaining Sections of this Section 15.13.

(ii) Any Dispute not resolved must be submitted to the China International Economic and Trade Arbitration Commission ("CIETAC") for arbitration which must be conducted in accordance with CIETAC's arbitration rules in force as at the date of applying for arbitration. The seat of the arbitration will be Shanghai.

(iii) There will be three arbitrators. Each of GSK and CBP must appoint one arbitrator. The third arbitrator must be appointed by the other two appointed arbitrators. If a Party does not appoint an arbitrator who has consented to act within thirty (30) days after the notice of arbitration or if a third arbitrator has not been appointed who has consented to act within forty five (45) days after the notice of arbitration, then the relevant appointment must be made by the Secretary General of CIETAC.

(iv) The arbitration proceedings will be conducted in Chinese.

(v) The award of the arbitration tribunal will be final and binding upon the Parties. By agreeing to arbitration under this Section 15.13, the Parties irrevocably waive their right to any form of appeal, review or recourse to any state or court or other judicial authority, insofar as this waiver can be validly given. Any award may be enforced by any court of competent

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jurisdiction. Each Party expressly waives all rights to object to any proceedings related to arbitration, the enforcement of arbitration or any other arbitral or judicial proceedings including any defense of sovereign immunity and any other defense based on the fact or allegation that it is an agency or instrumentality of a sovereign state or any department thereof or an entity affiliated to a sovereign state or any department thereof.

(vi) Without prejudice to the Parties' agreement to arbitrate as set forth in this Section 15.13, any Party has the right to seek preservation of property, preservation of evidence, interim injunctive relief, provisional rulings or other interim relief or procedural assistance from a court of competent jurisdiction, both before and after the arbitral tribunal has been appointed, at anytime up until the arbitral tribunal has made its final award.

(vii) The costs of arbitration must be borne by the losing Party, unless otherwise decided by the arbitration award.

15.14. **Execution:** This Agreement is made in four (4) copies. CBP shall keep three (3) copy and GSK shall keep one (1) copy.

[The remainder of this page intentionally left blank; the signature page follows.]

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 406 of the Securities Act of 1933, as amended.

SIGNED for and on behalf of CBP:		SIGNED for and on behalf of GSK:	
Signature:	/s/ [ILLEGIBLE]	Signature:	/s/ Patrick Vallance
Name:	[ILLEGIBLE]	Name:	Patrick Vallance
Position:	[ILLEGIBLE]	Position:	President Pharmaceuticals R&D 3rd July 2013
Seal		Seal	

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 406 of the Securities Act of 1933, as amended.

Schedule 1

Fugan Program Transfer

I. CBP will deliver Fugan Program Transfer within [*] on Effective Date.

II. Following the Fugan Program Transfer, GSK will perform the following tests to verify Fugan and its property to complete the Fugan Program Transfer:

- [*]

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 406 of the Securities Act of 1933, as amended.

Schedule 2

GSK Evaluation and Criteria

- [*]

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 406 of the Securities Act of 1933, as amended.

Schedule 3

PREVENTION OF CORRUPTION - THIRD PARTY GUIDELINES

- The GSK Corporate Policy 007 on Preventing Corrupt Practice and Maintaining Standards of Documentation ("**GSK Policy 007**") requires compliance with the highest ethical standards and all anti-corruption laws applicable in the countries in which GSK (whether through a third party or otherwise) conducts business. GSK Policy 007 requires all GSK employees and any third party acting for or on behalf of GSK to ensure that all dealings with third parties, both in the private and government sectors, are carried out in compliance with all relevant laws and regulations and with the standards of integrity required for all GSK business. GSK values integrity and transparency and has zero tolerance for corrupt activities of any kind, whether committed by GSK employees, officers, or third-parties acting for or on behalf of the GSK.
- **Corrupt Payments -** GSK employees and any third party acting for or on behalf of GSK, shall not, directly or indirectly, promise, authorize, ratify or offer to make or make any "payments" of "anything of value" (as defined in the glossary section) to any individual (or at the request of any individual) including a "government official" (as defined in the glossary section) for the improper purpose of influencing or inducing or as a reward for any act, omission or decision to secure an improper advantage or to improperly assist the company in obtaining or retaining business.
- **Government Officials** - Although GSK's policy prohibits payments by GSK or third parties acting for or on its behalf to any individual, private or public, as a "quid pro quo" for business, due to the existence of specific anticorruption laws in the countries where we operate, this policy is particularly applicable to "payments" of "anything of value" (as defined in the glossary section), or at the request of, "government officials" (as defined in the glossary section).
- **Facilitating Payments** - For the avoidance of doubt, facilitating payments (otherwise known as "greasing payments" and defined as payments to an individual to secure or expedite the performance of a routine government action by government officials) are no exception to the general rule and therefore prohibited.

GLOSSARY

The terms defined herein should be construed broadly to give effect to the letter and spirit of the GSK Policy 007. GSK is committed to the highest ethical standards of business dealings and any acts that create the appearance of promising, offering, giving or authorizing payments prohibited by this policy will not be tolerated.

Anything of Value: this term includes cash or cash equivalents, gifts, services, employment offers, loans, travel expenses, entertainment, political contributions, charitable donations, subsidies, per diem payments, sponsorships, honoraria or Section of any other asset, even if nominal in value.

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Payments: this term refers to and includes any direct or indirect offers to pay, promises to pay, authorizations of or payments of anything of value.

Government Official shall mean:

- Any officer or employee of a government or any department, agency or instrument of a government;
- Any person acting in an official capacity for or on behalf of a government or any department, agency, or instrument of a government;
- Any officer or employee of a company or business owned in whole or part by a government;
- Any officer or employee of a public international organization such as the World Bank or United Nations;
- Any officer or employee of a political party or any person acting in an official capacity on behalf of a political party;
- Any candidate for political office; and/or
- In many countries in which GSK conducts business, doctors and other healthcare providers may qualify as government officials because it is either (i) employed by a government-owned or funded hospital, clinic, university or other entity and/or (ii) receive funding, professional service fees or other remuneration from a government-owned or funded hospital, clinic, university or other entity.

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 406 of the Securities Act of 1933, as amended.

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Exhibit 10.7

ASSIGNMENT AND ASSUMPTION AGREEMENT

THIS ASSIGNMENT AND ASSUMPTION AGREEMENT ("Assignment Agreement") is made and entered into as of October 14, 2016 by and among GlaxoSmithKline (China) R&D Co., Ltd, whose registered office is at Building 3, 898 Halei Road, Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai, PRC ("Former Licensee"), and Traditional Chinese Medical Hospital, Xinjiang Medical University, which has its registered office at 116 Huanghe Road, Urumqi, Xinjiang, PRC ("Licensor"), and Zai Lab (Shanghai) Co., Ltd. whose registered office is at 1043 Halei Road, Bldg 8, Suite 502, Zhangjiang High-Tech Park, Pudong New Area, Shanghai, China ("New Licensee").

RECITALS

WHEREAS, Former Licensee and Licensor are the parties to the Development and License Agreement attached hereto as Exhibit I, which dated September 25, 2014 ("Existing Agreement"),

WHEREAS, Former Licensee wishes to assign and transfer, and New Licensee wishes to accept and assume, all of Former Licensee's rights and obligations, respectively, under the Existing Agreement,

WHEREAS, Former Licensee and New Licensee have executed the License and Transfer Agreement ("License and Transfer Agreement") on the same date hereof.

WHEREAS, Licensor has agreed to consent to the assignment according to the terms set forth herein,

NOW THEREFORE, in consideration of the foregoing and the mutual covenants and agreements herein contained, and intending to be legally bound hereby, the parties hereby agree as follows,

2. **Assignment**. Former Licensee hereby conveys, assigns and transfers to New Licensee all its rights, title, interest and any and all liabilities and obligations in and to the Existing Agreement, and New Licensee hereby accepts and assumes the assignment of Former Licensee's right, title, interest, and any and all liabilities and obligations of Former Licensee under the Existing Agreements, and shall be bound by all of the terms of the Existing Agreements in Former Licensee's place and stead in every way as if New Licensee were a party to the Existing Agreements in lieu of Former Licensee ("Assignment").

3. **Consent of Licensor**. Licensor hereby consents to the Assignment, and, with effect from the Effective Date, Licensor also undertakes to perform the Existing Agreement and to be bound by its terms in every way as if New Licensee were a party to the Existing Agreement in lieu of Former Licensee.

4. **Change of Obligations and Notice**.

4.1 Licensor hereby agrees and acknowledges that:

(i) as of the date hereof, Former Licensee has made the following payments to Licensor under the Existing Agreement in an aggregate amount of [*], including the settled payments as listed below, and any other payables by Former Licensee under the Existing Agreement shall be paid by New Licensee upon the Effective Date;

[*]

(ii) as of the date hereof, Former Licensee is in compliance with all of the terms and conditions under the Existing Agreement and no default by Former Licensee under the Existing Agreement has occurred or is continuing;

(iii) unless otherwise provided herein, all the terms and conditions of the Existing Agreement and any exhibits or schedules thereof are in full force and effect and is enforceable in accordance with its terms.

4.2 Licensor hereby releases, acquits and forever discharges Former Licensee from and of each covenant and condition of, and each liability or other obligation arising under, the Existing Agreement to be observed or performed by Former Licensee pursuant to the terms thereof and Former Licensee shall no longer be bound by, or have any obligation or liability in respect of, the Existing Agreement. [*]

4.3 Any notice or other communication between New Licensee and Licensor required or permitted hereunder under the Existing Agreement or any other documents in connection herewith shall be directed as follows:

If to New Licensee:

Attn: Samantha Du, CEO
Address: 1043 Halei Road, Bldg 8, Suite 502, Zhangjiang High-Tech Park, Pudong New Area, Shanghai, China

If to Licensor:

Attn: Jihong Nie
Address: No. 116, Huanghe Road, Urumqi, Xijiang, China

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5. **Continued Effectiveness**. This Assignment Agreement shall take effect from the date that New Licensee fulfils its payment obligations as per section 2.2 of the License and Transfer Agreement ("Effective Date"). Except as otherwise provided herein, all terms and conditions of the Existing Agreements shall remain in effect and unchanged.

6. **Governing Law**. This Assignment Agreement shall be governed by and construed in accordance with the laws of the People's Republic of China.

7. **Dispute Resolution**. Any claim, controversy or dispute among the parties hereto arising out of, relating to, or in connection with this Assignment Agreement, including the interpretation, validity, termination or breach hereof, that cannot be settled amicably, shall be resolved in accordance with the dispute resolution provisions set forth in the Existing Agreement.

8. **Counterparts**. This Assignment Agreement may be executed in five counterparts each of which shall be deemed an original and all of which shall be deemed one and the same instrument.

[The remainder of this page intentionally left blank; the signature page follows]

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IN WITNESS WHEREOF, the parties have caused this Assignment Agreement to be duly executed under seal on the date first written above.

GlaxoSmithKline (China) R&D Co., Ltd

By: /s/ Min Li
(Signature)

Name: Min Li

Title: SVP, Global Head of Neuroscience TAU and GM of R&D China

Date: 14 Oct. 2016

Zai Lab (Shanghai) Co., Ltd.

By: /s/ Ying Du
(Signature)

Name: Ying Du

Title: CEO

Date: 14 Oct. 2016

Traditional Chinese Medical Hospital, Xinjiang Medical University

By /s/ [ILLEGIBLE]
(Signature)

Name [ILLEGIBLE]

Title [ILLEGIBLE]

Date; 18 Oct. 2016

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Exhibit I

Development and License Agreement

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DEVELOPMENT AND LICENSE AGREEMENT

Between

TRADITIONAL CHINESE MEDICAL HOSPITAL, XINJIANG MEDICAL UNIVERSITY

and

GlaxoSmithKline (China) R&D Co., Ltd

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THIS DEVELOPMENT AND LICENSE AGREEMENT ("**Agreement**") is made on September 25, 2014 ("**Effective Date**")

BETWEEN:

(1) **Traditional Chinese Medical Hospital, Xinjiang Medical University**, a People's Republic of China ("**PRC**") hospital duly established and validly existing under PRC law, whose registered address is at 116 Huanghe Road, Urumqi, Xinjiang, PRC ("**Institution**"), and

(2) **GlaxoSmithKline (China) R&D Co., Ltd**, a foreign invested enterprise duly established and validly existing under PRC law, whose registered office is at Building 3, 898 Halei Road, Zhangjiang Hi-Tech Park, Pudong New Area, Shanghai, PRC ("**GSK**")

BACKGROUND:

1 Institution has a discovery program on Shuang Huang Detoxifying Cream ("**SHDC**") for the treatment of diseases in dermatology ("**SHDC Program**") and has completed early stage researches,

2 Institution had previously obtained the [*] ("**Previous CTA Materials**") which can facilitate the process of CTA filing, Phase II and Phase III Clinical Trial for the Products to be conducted under this Agreement,

3 GSK wishes to, by obtaining a license to Previous CTA Materials, certain IPs and Know-how from Institution, develop, manufacturing and commercializing the Product, and

4 Institution agrees to grant such a license to GSK.

NOW IT IS HEREBY AGREED AS FOLLOWS:

1 DEFINITIONS

The following capitalized terms shall have the meanings given in this Section when used in this Agreement:

Affiliate(s)	with respect to any specified person (including without limitation any corporation or other business entity), any person that is directly or indirectly controlling, controlled by, or under common control with such first person for so long as such control exists For the purposes of this definition, (a) "control" shall mean (i) the direct or indirect ownership of at least 50% of the outstanding shares or voting interest in such person, or (ii) the ability to direct the affairs of such person through the power to appoint a majority of the directors or similar governing

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	body of such person, an investment relationship, or contractual or other arrangements, and (b) "person" means any individual, corporation, partnership, proprietorship, association, limited liability company, firm, trust, estate or other enterprise or institution having recognition as a legal person or entity
Agreement	this document, including its Schedules, as amended from time to time in accordance with Section 15 10,
Arising IP	all data, result, information, documents, Know-how, IPs, clinical trial materials, manufacturing technologies and protocols, supply information, regulatory dossier and packages for the Development, registration, manufacture and Commercialization of the Product generated during the Term of the Agreement,
Background IP	Previous CTA Materials, information, data, results, techniques, methods, processes, Know-how, Intellectual Property, software and materials (regardless of the form or medium in which they are disclosed or stored) that are (i) existing prior to the Effective Date, or (ii) independently discovered and developed during the Term by Institution or its Affiliates other than in performance of its obligations under this Agreement and without use of the Intellectual Property, Know-how or Confidential Information of GSK or its Affiliates,
Business Day	Monday to Friday (inclusive) except public holidays in the PRC,
CFDA	the China Food and Drug Administration or its predecessor,
CNY	Chinese Yuan, legal currency of the PRC,
Commercialization	with respect to a Product, the manufacture, marketing and sale of such Product Commercialize and Commercializing shall be construed accordingly
Confidential Information	any information (including without limitation any Know-how, results, and regulatory submissions) disclosed by one Party to other Party for use under this Agreement which a reasonable business person would determine to be secret or confidential or which is identified as confidential before or at the time of disclosure or other

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	information which is identified as confidential before or at the time of disclosure (or, if orally, electronically or visually disclosed without being identified as confidential before or at the time of disclosure, that the disclosing Party, describes and references the place and date of such oral, electronic or visual disclosure and the names of the person(s) to whom such disclosure was made in a written document or documents delivered to the receiving Party within ten (10) days after such disclosure),
CTA	the approval issued by CFDA for conducting clinical trial on human subjects for drug products in China,
Development	All discovery, research and development work necessary to enable the manufacture of Products for Commercialization Develop and Developing shall be construed accordingly,
Shuang Huang Detoxifying Cream or SHDC	the formulation comprising extracts from traditional Chinese herbs, [*],
SHDC Program Transfer	Upon receipt of the Upfront Payment as set froth in Section 5 2, delivery of all Background IP, documents, non-clinical and clinical data, regulatory dossier, and any other information under SHDC Program that is in possession of the Institution in any medium as of the Effective Date and during the Term concerning the Development of the SHDC as well as Pulian Ointment, with details specified in Schedule 1,
Intellectual Property or IP	patents and other like forms of protection, copyrights, rights in databases, trade names, trade or service marks (whether registered or unregistered), trade secrets, domain names, design rights (whether registered or unregistered), including all applications for registration for the foregoing and all other similar proprietary rights as may exist anywhere in the world,
Know-how	all non-patentable information including, without limitation, information relating to data, results, technology, inventions, discoveries, concepts, methodologies, models, research, development and testing procedures, source and supply, manufacturing processes, techniques and specifications, quality control data, analyses and reports, regulatory dossier and packages,

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Marketing Authorization	in relation to a Product, those authorizations necessary from one or more regulatory authorities in the relevant country for the manufacture, marketing, distribution or sale of a medicinal product,
New Drug Certificate	a certificate issued by CFDA for any new drug product developed in China,
Party or Parties	Party means GSK and its Affiliates or Institution and its Affiliates, Parties means both GSK and Institution and their Affiliates,
Patents	patents and patent applications and all substitutions, divisions, continuations, continuations-in-part, any patent issued with respect to any such patent applications, any reissue, reexamination, utility models or designs, renewal or extension (including any supplementary protection certificate) of any such patent, and any confirmation patent or registration patent or patent of addition based on any such patent, and all counterparts thereof in any country,
Phase II Clinical Trial	preliminary evaluation of therapeutic effectiveness of a drug, for the purpose of preliminarily evaluating the therapeutic effectiveness and safety of the drug for patients with target indication(s), and provide evidence for design of Phase III Clinical Trial and settlement of administrative dose regimen,
Phase III Clinical Trial	confirmation of therapeutic effectiveness of a drug, for the purpose of further verifying drug therapeutic effectiveness and safety on eligible patients with target indication(s), evaluating overall benefit-risk relationships of the drug, and ultimately providing sufficient evidence for the review of drug registration application,
Product	any Traditional Chinese Medicine incorporating the SHDC in any formulation,
TCM Approvals	the approval(s) by PRC traditional Chinese medicine regulatory authorities with respect to the transfer, license, or technology exchange of traditional Chinese medicine research results or the collaboration with foreign entities or foreign invested entities in the research, development

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	or other activities with respect to traditional Chinese medicine under the PRC Regulations on Traditional Chinese Medicine and the Provisional Measures regarding Foreign-related Administration of Traditional Chinese Medicine
Term	the term of this Agreement as specified in Section 11 1

2 SHDC PROGRAM TRANSFER AND DEVELOPMENT OF PRODUCT

2 1 Institution acknowledges that as of the Effective Date, it has completed the non-clinical study and certain clinical researches of the SFIDC at its own costs and has obtained Previous CTA Materials which can facilitate process of the CTA filing, Phase II and Phase III Clinical Trail for the Products to be conducted under this Agreement

2 2 Institution shall complete the SHDC Program Transfer within five (5) days upon receipt of the Upfront Payment as set forth in Section 5 2, and shall have a continuous obligation thereafter to provide any further materials, documents, information produced, completed, and available to Institution or any other assistance reasonably required by GSK including but not limited to the activities as set forth in Schedule 1 throughout the Term of this Agreement, for the purpose of Developing, manufacturing and Commercializing the Product

2 3 Institution acknowledges and agrees that, GSK shall be solely responsible for leading the Development of the Product In particular, GSK will exercise full control and take decisions in respect of the Developing activities for the Product, including but not limited to

(i) Application for the CTA required for conducting Phase II and Phase III Clinical Trial for the Products in China, which application shall be jointly submitted by GSK and Institution,

(ii) Designing and finalizing the detailed implementation plans of the clinical trial protocol, informed consent form ("**ICF**") and any amendments thereto,

(iii) Evaluation and selection of trial sites and principal investigators,

(iv) Negotiating and entering into clinical trial agreements by using GSK approved templates,

(v) Monitoring the clinical trials and remain as key contact with the sites for the clinical trials,

(vi) Reviewing, handling and settling any adverse event claims arising from the Development of Product performed by GSK, and

(vii) Communicating with any regulatory authorities in relation to the Development of the Product

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2 4 Institution, as the joint holder of CTA, shall provide necessary assistance and execute such document and/or enter into separate agreements as reasonably required by GSK to complete the Development, including but not limited to support for applying for CTA and conducting Phase II and Phase III Clinical Trials

2 5 Institution shall cooperate with GSK to maintain a valid CTA in the course of clinical trials under this Agreement In case any changes, in GSK's sole discretion, need to be made in the clinical trial protocol in the course of such trials, Institution shall cooperate with GSK to obtain appropriate approvals for such changed protocol, including but not limited to an approval by the ethics committee or a revised CTA from CFDA GSK is entitled to lead in any discussion Institution may have with the ethics committee or CFDA with respect to the changed protocol Any actions to be taken by Institution or any written communication to be provided to the ethics committee or CFDA for the purpose of obtaining appropriate approvals for such changed protocol shall be subject to the prior written approval by GSK

2 6 Upon successful completion of Phase III Clinical Trial, GSK is entitled to apply or designate a third party at its sole discretion ("**GSK Designated Party**") to apply for the New Drug Certificate and/or Marketing Authorization of the Product GSK or GSK Designated Party shall be the sole holder of the New Drug Certificate and Marketing Authorization of the Product in China

2 7 For the purpose of Section 2 6, Institution shall provide necessary assistance and execute such document as reasonably required by GSK Institution covenants that it shall not and will never apply by itself or through a third party, or cause a third party to apply for the New Drug Certificate and/or Marketing Authorization of the Product in China

3 LICENSE GRANT AND OWNERSHIP OF INTELLECTUAL PROPERTY

3 1 Subject to the terms and conditions of this Agreement and in furtherance of the SHDC Program Transfer, Institution will grant GSK and its Affiliates on the Effective Date a worldwide, royalty-free, exclusive license (even as to Institution), with rights to sublicense, to all of Institution's right, title, and interest (including worldwide rights and in all therapeutic areas and indications whether known or are subsequently discovered) in any and all SHDC Program, SHDC, Pulian Ointment, and their related Background IP, including but not limited to Previous CTA Materials, IP, Know-how, data, clinical trial materials, manufacturing technologies and protocols (but excluding the manufacturing technologies and protocols for Pulian Ointment), supply information, regulatory dossier and packages for the Development, registration, manufacture and Commercialization of the Product, to enable GSK to Develop, manufacture, and Commercialize such Product

3 2 All Arising IP shall be owned solely by GSK and its nominees

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3 3 Institution shall provide necessary assistance as reasonably required by GSK to complete the registration of any license during the Term with relevant authorities

3 4 GSK acknowledges that, as of the Effective Date, Institution is in the process of application for the approval to produce SHDC as a hospital-produced medicinal product Notwithstanding Section 3 1, GSK agrees that Institution may, upon its receipt of the approval, produce SHDC solely for the purpose of prescribing SHDC by healthcare professionals employed by Institution, provided that, after the SHDC Product of GSK is launched in China and within five (5) Business Day upon the date when the SHDC Product is filed with Institution for the hospital formulary listing, Institution shall cease producing or prescribing its SHDC as a hospital-produced medicinal product In addition, upon expiry of the approval to produce SHDC as a hospital-produced medicinal product then in effect, Institution shall not apply with local counterparts of CFDA for renewal of the approval or for issuance of a new approval

3 5 GSK acknowledges that, as of the Effective Date, Institution holds an approval to produce Pulian Ointment as a hospital-produced medicinal product Notwithstanding Section 3 1, GSK agrees that Institution may continue to produce Pulian Ointment solely for the purpose of prescribing Pulian Ointment by healthcare professionals employed by Institution, provided that, after the SHDC Product of GSK is launched in China and upon the date when the SHDC Product is filed with Institution for the hospital formulary listing, Institution may, during the remaining term of the approval then in effect, continue to produce Pulian Ointment solely for the purpose of prescribing Pulian Ointment by healthcare professionals employed by Institution, and upon expiry of such approval Institution shall immediately cease producing or prescribing Pulian Ointment, and shall not apply with local counterparts of CFDA for renewal of the approval or for issuance of a new approval

3 6 Institution warrants that, after the SHDC Product of GSK is launched in China, Institution shall complete the procedure for filing the SHDC Product with Institution for hospital formulatry listing as soon as possible In case that Institution has not completed such procedure after the SHDC Product is filed with any other medical institution in Xinjiang Autonomous Region for the hospital formulary listing, Institution shall provide GSK with a reason for failure to complete the procedure If Institution cannot provide a reason to the satisfactory to GSK, GSK is entitled to require Institution cease producing or prescribing SHDC and/or Pulian Ointment immediately Institution further agrees that GSK is entitled to, upon a prior written notice, conduct inspection against Institution to ensure its compliance with Section 3 4, Section 3 5 or Section 3 6, and may request Institution to remedy any breach of Section 3 4, Section 3 5 or Section 3 6 immediately

4 MANUFACTURING & COMMERCIALIZATION

4 1 GSK shall be solely responsible for, take all decisions in respect of and pay all costs of the manufacturing and Commercialization of the Products Institution acknowledges that all decisions relating to the foregoing activities shall be taken by GSK in its sole discretion and that GSK shall be entitled to have GSK Designated Party participate in the manufacture and Commercialization of Products as GSK may consider appropriate

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5 PAYMENT

5 1 In consideration of Institution's obligations under this Agreement, GSK agrees to make certain payments to Institution as set out in Sections 5 2 and 5 3

5 2 GSK will make an upfront cash payment in a total amount of [*] (the "**Upfront Payment**") to Institution within sixty (60) days upon signing of this Agreement

5 3 GSK shall make milestone payments to Institution up to a maximum total amount of [*] ([*] "**Milestone Payments**") Each Milestone Payment to Institution will be paid within [*] upon achievement of each of the corresponding milestone events as follows

Milestone Events	Amount (CNY)
[*]	[*]

For the avoidance of doubt, each of the above Milestone Payments shall be one-off payment payable by GSK with respect to the corresponding milestone event as set out above, regardless of whether such event would happen again for any other Product either in China or elsewhere in the world

5 4 Institution agrees that GSK or its Affiliates may make public the Payment provided by GSK in this Agreement and may identify the Institution and principal investigators as part of this disclosure Further, the Institution represents that it has obtained the principal investigators' consent to this disclosure

5 5 The Upfront Payment and the Milestone Payments will be paid by wire transfer to Institution's account provided herein and Institution will provide GSK a complete, accurate and audit-worthy invoice within [*] upon receipt of the Payment

Institution's bank information: [*]

Bank name: [*]

Account name: [*]

Account number: [*]

5 6 All amounts payable to Institution (including the Upfront Payment and Milestone Payments) are inclusive of any applicable tax (including any withhold tax) to which payments made by GSK are subject to, at the rate from time to time prescribed by

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applicable law Institution alone shall be responsible for paying any and all taxes levied on account of, or measured in whole or in part by reference to, any payment received by Institution

6 EXCLUSIVITY

6 1 During the Term, except for performance of its obligations hereunder, Institution shall not, by itself or through any Affiliate or third party, engage in any research and development activities directed towards the discovery, Development, manufacture, or Commercialization of any Product or any medicinal product incorporating SHDC

7 MANAGEMENT OF IP AND KNOW HOW

7 1 GSK shall have the exclusive right to prepare, file, prosecute and/or maintain any protection for Arising IP at its own cost and expense To the extent necessary, Institution agrees to and hereby does assign to GSK its right to file for patents for Arising IP in any country or region, including in the PRC Institution will cooperate in the filing and prosecution of patent applications for Arising IP At GSK's request, Institution will execute all necessary documents to effectuate the filing of patent applications related to Arising IP At GSK's request and expense, Institution will assist GSK in its efforts to establish, perfect, and defend all IP rights relating to Arising IP, and execute any documents necessary to do the same (including assignments of rights, transfers, releases, affidavits, and declarations) Institution hereby designates GSK as its agent for, and grants to GSK a power of attorney with full power of substitution, which power of attorney will be deemed coupled with an interest, for the purpose of effecting the foregoing provisions

7 2 Throughout the Term of this Agreement, Institution shall be responsible for and shall undertake, and shall bear all costs and expenses in connection with, the filing, prosecution, maintenance and defense of the Background IP, including but not limited to timely payment of the annual renewal fees for any patent under the Background IP Upon request of GSK, Institution shall provide GSK with supporting documents related to maintenance of the Background IP, e g , photocopy of the receipt of patent annual renewal fees issued by the competent government authority Notwithstanding the foregoing, upon transfer of any patent for SHDC from Institution to GSK, GSK may, at its sole discretion, undertake the filing, prosecution, maintenance and defense of the patent for SHDC at its own costs and expenses In case GSK decides not to continue the maintenance of any patent for SHDC, GSK shall notify Institution, and Institution is entitled to undertake filing, prosecution, maintenance and defense of such patent at its own costs and expenses

7 3 Each Party shall give the other Party immediate notice of any infringement of any Background IP by a third party which, subject to any obligation of confidentiality owed to a third party, comes to that Party's attention during the Term of this Agreement

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7 4 If during the Term of this Agreement, any Party receives any notice, claim or proceedings from any third party alleging infringement of that third party's intellectual property by reason of any Party's activities in relation to this Agreement or the use and exploitation of any Background IP, then the Party receiving that notice shall forthwith notify the other Party of the notice, claim or proceeding and shall be entitled to defend and settle such claim or proceeding to the extent affecting the receiving Party, but shall not make any admission of liability on behalf of the other Party without that Party's consent

7 5 GSK shall have the first right, but not the obligation, at its own cost to commence proceedings for infringement or misappropriation of any of the Background IP by a third party

8 CONFIDENTIALITY

8 1 Subject to the terms of this Section 8, neither Party shall, during the Term and for a period of [*] years thereafter, disclose the other Party's Confidential Information to any third party, nor use the other Party's Confidential Information for any purpose other than for the purpose of performance of this Agreement

8 2 No Party will be in breach of any obligation under Section 8 1 in disclosing the Confidential Information to the extent that the Confidential Information

(i) is known to the Party making the disclosure before its receipt from the other Party, and not already subject to any obligation of confidentiality to the other Party,

(ii) is or becomes publicly known without any breach of this Agreement or any other undertaking to keep it confidential,

(iii) has been obtained by the Party making the disclosure from a third party in circumstances where the Party making the disclosure has no reason to believe that there has been a breach of an obligation of confidentiality owed to the other Party,

(iv) has been independently developed by the Party making the disclosure,

(v) is disclosed pursuant to, and solely to the extent required to be disclosed to comply with, the requirement of any law or regulation or applicable listing rules or the order of any court of competent jurisdiction or any relevant governmental or stock exchange authority, provided the Party required to make the disclosure provides the other Party with prior written notice of such requirement and the information required to be disclosed, takes reasonable actions to avoid or minimize the extent of such disclosure, and, to the extent reasonably practicable, seeks protective and confidential treatment of the information to be disclosed,

(vi) is disclosed on a confidential and need-to-know basis (on terms at least as protective as those set forth herein) to the investigators, directors, officers, employees, Affiliates, permitted subcontractors, financial advisors, and attorneys of a Party, or

(vii) is approved for release in writing by an authorized representative of the other Party

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8 3 The Parties understand and acknowledge that Institution may possess certain information that are classified as state secrets of the PRC Institution hereby covenants that it may not and shall not disclose to GSK any Confidential Information in violation of the PRC laws and rules on the protection of state secrets Institution shall indemnify GSK for any losses or penalties suffered due to Institution's breach of the foregoing sentence

8 4 Neither Institution nor GSK will use the name, trade-name, or logo of the other Party or its Affiliates in any press release, publication, or product advertising, or for any other promotional purpose, nor disclose the existence or terms of this Agreement without first obtaining the written consent of that Party

9 LIMITATION OF LIABILITY

9 1 Institution warrants that, to the best of its knowledge and belief (having made reasonable inquiries with its employees involved in the SHDC Program or likely to have relevant knowledge, but not having made any search of any public register), any advice or information given by it or any of its employees or any other persons engaged by Institution who work on the SHDC Program, or the content or use of any Background IP, Arising IP, or materials, works or information provided in connection with the SHDC Program, will not constitute or result in any infringement of any third party rights

9 2 Except under the limited warranty in Section 9 1 and subject to Section 9 4, no Party accepts any responsibility for any use which may be made by the other Party of any Background IP or Arising IP, nor for any reliance which may be placed by the other Party on any Background IP or Arising IP, nor for advice or information given in connection with any Background IP or Arising IP

9 3 Subject to Section 9 4, the liability of one Party to the other Party for any breach of this Agreement, any negligence of the other Party, or arising in any other way out of the subject matter of this Agreement, the Background IP, the Arising IP will not extend to any indirect or consequential damages or losses, or any loss of profits, loss of revenue, loss of data, loss of contracts or opportunity, whether direct or indirect, even if the Party bringing the claim has advised the other Party of the possibility of those losses, or if they were within the other Party's contemplation

9 4 Nothing in this Agreement limits or excludes either Party's liability for

(i) death or personal injury,

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(ii) any fraud, corruption or for any sort of liability that, by law, cannot be limited or excluded, or

(iii) any loss or damage caused by a deliberate breach of this Agreement or a breach of Sections 2 7, 3, 7 and 13

9 5 The only undertakings and warranties given by the Parties in this Agreement are those expressly contained in this Agreement All other warranties, conditions, terms, undertakings and obligations, whether implied by statute, principle of civil law, custom, trade usage, course of dealing or in any other way are hereby disclaimed by the Parties to the fullest extent permitted by law

10 FORCE MAJEURE

10 1 If the performance by one Party of any of its obligations under this Agreement is delayed or prevented by circumstances that are reasonably unforeseeable and are beyond its reasonable control ("**Force Majeure**"), that Party will not be in breach of this Agreement because of that delay in performance, provided that the Party affected by the Force Majeure shall, within ten (10) days after its occurrence, give notice to the other Party stating the nature of the circumstances, its anticipated duration and any action being taken to avoid or minimize its effect The suspension of performance shall be of no greater scope and no longer duration than is reasonably required and the Party affected by the Force Majeure shall use its reasonable efforts to remedy its inability to perform

11 TERM AND TERMINATION

11 1 This Agreement begins on the Effective Date Unless early terminated in accordance with Sections 11 or 13, this Agreement shall continue in effect till each Party fulfils its rights and obligations hereunder

11 2 GSK can terminate this Agreement at any time by [*] prior written notice to Institution

11 3 The Parties acknowledge and agree that Institution's obtaining of the TCM Approvals is of vital importance to GSK in entering into this Agreement In the event that such TCM Approvals are not procured or become invalid, Institution shall promptly notify GSK in writing and GSK may terminate this Agreement immediately by written notice to Institution within [*] after receiving the notice by Institution

11 4 Either Party may terminate this Agreement with immediate effect by written notice to the other Party if

(i) the other Party is in breach of any provision of this Agreement and (if it is capable of remedy) the breach has not been remedied within [*] after receipt of written notice specifying the breach and requiring its remedy, or

(ii) the other Party becomes insolvent, or if an order is made or a resolution is passed for its winding up (except mergers or reorganizations as part of a voluntary dissolution), or if an administrator, administrative receiver or receiver is appointed over the whole or any part of that Party's assets, or if that Party makes any arrangement with its creditors, or anything happens which is analogous to any of these matters

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11 5 GSK may terminate this Agreement with immediate effect by written notice to Institution if there is a change in the legal or beneficial ownership of Institution or of its majority shareholders from the state existing at the Effective Date which GSK considers in its sole discretion to be significant, then GSK may terminate this Agreement immediately by written notice Institution agrees to give GSK notice in writing of any such change within [*] of it becoming effective

11 6 Sections 1, 2 7, 3, 6, 7, 8, 9, 11, 12, 13, 14 and 15, and other Sections required by their nature or terms to survive, will survive the expiration of the Term or the termination of this Agreement for any reason and will continue indefinitely (unless the terms thereof expressly provide for a shorter survival period)

11 7 Termination of this Agreement for whatever reason shall not affect the accrued rights of the Parties arising in any way out of this Agreement as at the date of termination or expiry and in particular but without limitation the right to recover damages and interest

12 WARRANTIES

12 1 Institution warrants to GSK that

(i) its Background IP is free from all charges and encumbrances (including without limitation rights of any third party),

(ii) it has conducted non-clinical studies and certain clinical researches in accordance with the applicable laws and regulations,

(iii) it had previously obtained the CTA for Phase II and Phase III Clinical Trial of the Product in accordance with applicable laws and regulations, no misrepresentation or untrue, inaccurate or misleading statement or information was made or provided in such application,

(iv) all data, documents, materials and dossier provided by Institution hereunder, including but not limited to the data of laboratory study of the Product and Previous CTA Materials, are true, accurate, complete and legally obtained,

(v) it will act with all due care and skill in implementing this Agreement, and that the Institution personnel involved in the SHDC Program have the requisite skills and experience to undertake the SHDC Program, and

(vi) it has complied and will comply with all applicable PRC laws and regulations in entering into and performing this Agreement (including without limitation the PRC Regulations on Traditional Chinese Medicine and the Provisional Measures regarding Foreign-related Administration of Traditional Chinese Medicine, and the execution, delivery and performance of this Agreement does not violate any applicable laws, regulations or orders of the Institution's regulatory authority, or violate or contravene any agreements or documents binding upon it

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12 2 Institution warrants to GSK that Institution is a medical institution of legal person status duly organized and existing under PRC law, and has full power and authority under relevant laws and its constitutional documents, and has taken all necessary actions and obtained all authorizations, licenses, consents and approvals on or prior to the Effective Date, to allow it to enter into this Agreement and to perform its obligations under this Agreement, and will maintain the validity of all such authorizations, licenses, consents and approvals during the Term of this Agreement

12 3 Unless otherwise required or prohibited by law, the Parties warrant to each other, to the best of their knowledge, that in relation to the performance of this Agreement, they

(i) do not employ, engage or otherwise use any child labor in circumstances such that the tasks performed by any such child labor could reasonably be foreseen to cause either physical or emotional impairment to the development of such child,

(ii) do not use forced labor in any form (prison, indentured, bonded or otherwise) and its employees are not required to deposit papers or cash deposits before starting work,

(iii) provide their employees a safe and healthy workplace, presenting no immediate hazards, housing that is safe for habitation, and access to clean water, food, and emergency healthcare in the event of accidents or incidents in the workplace,

(iv) do not discriminate against any employees on any ground (including race, religion, disability or gender)

(v) do not engage in or support the use of corporal punishment, mental, physical, sexual or verbal abuse and do not use cruel or abusive disciplinary practices in the workplace,

(vi) pay each employee at least the minimum wage, or a fair representation of the prevailing industry wage, (whichever is higher) and provide each employee with all legally mandated benefits,

(vii) comply with the laws on working hours and employment rights in the countries in which they operate, and

(viii) are respectful of their employees' right to join and form independent trade unions and freedom of association

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12 4 The Parties agree that they are responsible for controlling their own supply chain and that they shall encourage compliance with ethical standards and human rights by any subsequent supply of goods and services that are used by the Parties when performing their obligations under this Agreement

12 5 The Parties will ensure that they have ethical and human rights policies and an appropriate complaints procedure to deal with any breaches of such policies

13 ANTI-CORRUPTION

13 1 Institution acknowledges receipt of the "Prevention of Corruption - Third Party Guidelines" (set out in Schedule 2, the "**Guidelines**") and agrees to perform its obligations under this Agreement, and to cause the Institution personnel to perform this Agreement, all in accordance with the Guidelines (as amended from time to time and provided to Institution by GSK)

13 2 Institution shall comply and shall cause the Institution personnel involved in performance of this Agreement to comply fully at all time with all applicable laws and regulations, including but not limited to applicable anti-corruption laws, of the territory in which Institution conducts business with GSK

13 3 Institution agrees that it has not, and covenants that it will not, in connection with the performance of this Agreement, promise, authorise, ratify or offer to make, or take any act in furtherance of any payment or transfer of anything of value, directly or indirectly (i) to any individual including Government Officials (as defined below), or (ii) to an intermediary for payment to any individual including Government Officials, or (in) to any political party It is the intent of Parties that no payments or transfers of value will be made, promised, authorised, ratified or offered with the purpose or effect of public or commercial bribery, acceptance of or acquiescence in extortion, kickbacks or other unlawful or improper means of securing an improper advantage or obtaining or retaining business

For the purpose of this section "Government Official" means (a) any officer or employee of a government or any department, agency or instrument of a government, (b) any person acting in an official capacity for or on behalf of a government or any department, agency, or instrument of a government, (c) any officer or employee of a company or business owned in whole or part by a government, (d) any officer or employee of a public international organization such as the World Bank or United Nations, (e) any officer or employee of a political party or any person acting in an official capacity on behalf of a political party, and/or (f) any candidate for political office

13 4 Institution will not contact, or otherwise meet with any Government Official with respect to any transactions required under this Agreement, without the prior written approval of GSK and, when requested by GSK, only in the presence of a GSK designated representative

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13 5 Institution represents that it has not been convicted of or pleaded guilty to a criminal offence, including one involving fraud, corruption, or moral turpitude, that it is not now, to the best of their knowledge, the subject of any government investigation for such offenses, and that it is not now listed by any government agency as debarred, suspended, proposed for suspension or debarment, or otherwise ineligible for government programs

13 6 Institution represents and warrants that except as disclosed in writing (1) it does not have any interest which directly or indirectly conflicts with their proper and ethical performance of this Agreement, and (2) it will maintain arms length relations with all third parties (including government officials) with which they deal for or on behalf of GSK or in performance of this Agreement

13 7 GSK will have the right during the term of this Agreement to conduct an investigation and audit of Institution to monitor compliance with the terms of this Section 13 Institution will cooperate fully with such investigation or audit, the scope, method, nature and duration of which will be at the sole reasonable discretion of GSK

13 8 Institution will ensure that all transactions under this Agreement are properly and accurately recorded in all material respects on its books and records and each document upon which entries such books and records are based is complete and accurate in all material respects Institution must maintain a system of internal accounting controls reasonably designed to ensure that it maintains no off-the-books accounts

13 9 Institution agrees that GSK may make full disclosure of information relating to a possible violation of the terms of this Agreement at any time and for any reason to any competent government bodies and its agencies, and to whomsoever GSK determines in good faith has a legitimate need to know

13 10 GSK shall be entitled to terminate this Agreement immediately on written notice to Institution if Institution fails to perform its obligations in accordance with this Section 13 Institution shall have no claim against GSK for compensation for any loss of whatever nature by virtue of the termination of this Agreement in accordance with this Section 13 To the extent (and only to the extent) that the laws of the PRC provide for any such compensation to be paid to Institution upon the termination of this Agreement, Institution hereby expressly agrees to waive (to the extent possible under laws of the PRC) or to repay to GSK any such compensation or indemnity

14 INDEMNIFICATION

14 1 Institution shall indemnify, defend and hold harmless GSK, its Affiliates, and its and their respective directors, officers, employees and agents (collectively the "**GSK Indemnified Party**") against any and all claims, liabilities, losses, damages, costs or expenses, including reasonable attorneys' fees, (collectively, "**Losses**") incurred or suffered by the GSK Indemnified Party by reason of a claim brought by a third party to the extent arising out of or caused by

(i) any warranty provided by Institution herein is or becomes untrue or inaccurate,

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(ii) the negligence, recklessness or misconduct of Institution or its Affiliates or any employees, officers, consultants or agents of either of the foregoing in connection with the Development of any Product and/or the Background IP, or

(iii) the Development, distribution, marketing, promotion or sale of Products or the use of the Background IP by GSK Indemnified Party

14 2 In the event that any GSK Indemnified Party intends to seek indemnification for any claim under Section 14 1, it shall inform Institution of the claim promptly after receiving notice of the claim and shall permit Institution to direct and control the defense of the claim and shall provide such reasonable assistance as is reasonably requested by Institution (at Institution's cost) in the defense of the claim provided that nothing in this Section 14 2 shall permit Institution to make any admission on behalf of any GSK Indemnified Party, or to settle any claim or litigation which would impose any financial obligations on GSK or an GSK Indemnified Party without the prior written consent of GSK, such consent not to be unreasonably withheld or delayed

14 3 GSK shall indemnify, defend and hold harmless Institution, its Affiliates, and its and their respective directors, officers, employees and agents (collectively the "**Institution Indemnified Party**") against any and all Losses incurred or suffered by the Institution Indemnified Party by reason of a claim brought by a third party to the extent arising out of or caused by

(i) any warranty provided by GSK herein is or becomes untrue or inaccurate, or

(ii) the willful misconduct of GSK or its Affiliates or any employees, officers, consultants or agents of either of the foregoing in connection with undertaking Phase II or Phase III Clinical Trial

15 GENERAL

15 1 **Notices:** Any notice to be given under this Agreement must be in writing, may be delivered by one Party to the other Party by any of the methods set out in the left hand column below, and will be deemed to be received on the corresponding day set out in the right hand column

Method of service	**Deemed day of receipt**
By hand	the day of delivery

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By courier	the second Business Day after posting
By recorded delivery post	the third Business Day after posting
By fax (provided the sender's fax machine confirms complete and error-free transmission of that notice to sent the correct fax number)	The next Business Day after sending or, if sent before 16 00 (sender's local time), on the day it was sent

The Parties' respective representatives for the receipt of notices are, until changed by written notice given in accordance with this Section, as follows

For Institution:	**For GSK:** **GSK:**
Name: Jihong Nie Address: No 116, Huanghe Road, Urumqi, Xinjiang, China	Name: [*] Address: Building 2, 917 Halei Road, Zhangjiang Hi-Tech Park, Pudong, Shanghai 201203, China
Email: [*]	**Email:** [*]

15 2 **Headings:** The headings in this Agreement are for ease of reference only, they do not affect the construction or interpretation of this Agreement

15 3 **Subcontracting:** It is recognized that each Party may engage or use any third party subcontractors (including contract research organizations) to perform any of its obligations under this Agreement Any third party subcontractor engaged to perform obligations of a Party (the "**Subcontracting Party**") in this Agreement shall have sufficient expertise to meet the qualifications typically required by such Subcontracting Party for the performance of work similar in scope and complexity to the subcontracted activity The Subcontracting Party shall remain liable for, and obligated to, perform all of its obligations under this Agreement and shall be liable for the performance of, and any acts, omissions or breaches by, each of its subcontractors A Subcontracting Party shall be responsible for ensuring compliance by its third party subcontractors, if any, with all the terms of this Agreement, including without limitation obligations of confidentiality Further, the Subcontracting Party shall ensure in any subcontracting arrangement that GSK obtains sole ownership of all inventions, data and related Intellectual Property rights made or developed by such third party subcontractor relating to the Products

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15 4 Assignment:

(i) Institution agrees that it will not assign the whole or any part of this Agreement without GSK's prior consent in writing

(ii) GSK shall subject to its issuing a written notice to the Institution to assign its rights and obligations hereunder to any Affiliate of it or to any successor in title to the whole or any part of its business

15 5 Illegal/unenforceable Sections: If the whole or any part of any Section of this Agreement is void or unenforceable in any jurisdiction, the other Sections of this Agreement, and the rest of the void or unenforceable Section, will continue in force in that jurisdiction, and the validity and enforceability of that Section in any other jurisdiction will not be affected

15 6 Waiver of rights: If one Party fails to enforce, or delays in enforcing, an obligation of the other Party, or fails to exercise, or delays in exercising, a right under this Agreement, that failure or delay will not affect its right to enforce that obligation or constitute a waiver of that right Any waiver of any Section of this Agreement will not, unless expressly stated to the contrary, constitute a waiver of that Section on a future occasion

15 7 No agency: Nothing in this Agreement creates, implies or evidences any partnership or joint venture between the Parties, or the relationship between them of principal and agent Neither Party has any authority to make any representation or commitment, or to incur any liability, on behalf of the other Party

15 8 Entire agreement: This Agreement constitutes the entire agreement between the Parties relating to its subject matter Each Party acknowledges that it has not entered into this Agreement on the basis of any warranty, representation, statement, agreement or undertaking except those expressly set out in this Agreement Each Party waives any claim for breach of this Agreement, or any right to rescind this Agreement in respect of, any representation which is not an express Section of this Agreement However, this Section does not exclude any liability which either Party may have to the other Party (or any right which any Party may have to rescind this Agreement) in respect of any fraudulent misrepresentation or fraudulent concealment before signing this Agreement

15 9 Formalities: Each Party will take any action and execute any document reasonably required by the other Party to give effect to any of its rights under this Agreement, or to enable their registration in any relevant territory provided the requesting Party pays the other Party's reasonable expenses

15 10 Amendments: No variation or amendment of this Agreement will be effective unless it is made in writing and signed by each Party's representative

15 11 Language: This Agreement shall be written in both English and Chinese Both language versions shall have equal validity and effect In the event of any discrepancy between the two language versions, the Chinese version shall prevail

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15 12 Governing law: This Agreement is governed by, and is to be interpreted in accordance with the laws of the PRC without regard to its principles of conflicts of law

15 13 Dispute resolution:

(i) Any dispute, controversy or claim arising from or in connection with this Agreement, including any question regarding its existence, validity or termination ("**Dispute**"), must be resolved in the first instance through consultation between senior officers of Institution and GSK (or their respective nominees) If, within thirty (30) days following the date of the first written notification of the existence of a Dispute by one Party to the other Party, the Dispute cannot be resolved, the Dispute must be submitted to arbitration in accordance with the remaining Sections of this Section 15 13

(ii) Any Dispute not resolved must be submitted to Shanghai International Arbitration Center ("**SHIAC**") for arbitration which must be conducted in accordance with SHIAC's arbitration rules in force as at the date of applying for arbitration The seat of the arbitration will be Shanghai

(iii) There will be three arbitrators Each of GSK and Institution must appoint one arbitrator The third arbitrator must be appointed by the other two appointed arbitrators If a Party does not appoint an arbitrator who has consented to act within thirty (30) days after the notice of arbitration or if a third arbitrator has not been appointed who has consented to act within forty five (45) days after the notice of arbitration, then the relevant appointment must be made by the Secretary General of SHIAC

(iv) The arbitration proceedings will be conducted in Chinese

(v) The award of the arbitration tribunal will be final and binding upon the Parties By agreeing to arbitration under this Section 15 13, the Parties irrevocably waive their right to any form of appeal, review or recourse to any state or court or other judicial authority, insofar as this waiver can be validly given Any award may be enforced by any court of competent jurisdiction Each Party expressly waives all rights to object to any proceedings related to arbitration, the enforcement of arbitration or any other arbitral or judicial proceedings including any defense of sovereign immunity and any other defense based on the fact or allegation that it is an agency or instrumentality of a sovereign state or any department thereof or an entity affiliated to a sovereign state or any department thereof

(vi) Without prejudice to the Parties' agreement to arbitrate as set forth in this Section 15 13, any Party has the right to seek preservation of property, preservation of evidence, interim injunctive relief, provisional rulings or other interim relief or procedural assistance from a court of competent jurisdiction, both before and after the arbitral tribunal has been appointed, at any time up until the arbitral tribunal has made its final award

(vii) The costs of arbitration must be borne by the losing Party, unless otherwise decided by the arbitration award

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15 14 Execution: This Agreement is made in four (4) copies Institution shall keep three (3) copy and GSK shall keep one (1) copy

[The remainder of this page intentionally left blank, the signature page follows]

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SIGNED for and on behalf of Institution		**SIGNED** for and on behalf of GSK	
Signature	/s/ [ILLEGIBLE]	Signature:	/s/ Min Li
Name	[ILLEGIBLE]	Name:	Min Li
Position	[ILLEGIBLE]	Position:	SVP, Neuroscience
Seal		Seal	

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Schedule 1

SHDC Program Transfer

I Institution shall deliver SHDC Program Transfer within [*] upon receipt of the Upfront Payment as set forth in Section 5 2

II Institution shall deliver any information relating to SHDC Program to GSK during the Term within [*] upon GSK's request Such information may include but not limited to the followings

1 Provide prototype samples of Pulian Ointment

2 Compile human use history/records/evidence for Pulian Ointment for both [*]

3 Assist GSK to manufacture Pulian Ointment in the hospital setting, for the avoidance of doubt, Institution shall provide materials, documents and information relevant to Pulian Ointment, but excluding the manufacturing technologies and protocols for Pulian Ointment

4 Assist GSK to manufacture SHDC at its original manufacture site

5 Assist GSK to conduct preclinical pharmacological testing in in vitro models used for the previous CTA application

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Schedule 2

PREVENTION OF CORRUPTION - THIRD PARTY GUIDELINES

- The GSK Corporate Policy 007 on Preventing Corrupt Practice and Maintaining Standards of Documentation ("**GSK Policy 007**") requires compliance with the highest ethical standards and all anti-corruption laws applicable in the countries in which GSK (whether through a third party or otherwise) conducts business GSK Policy 007 requires all GSK employees and any third party acting for or on behalf of GSK to ensure that all dealings with third parties, both in the private and government sectors, are carried out in compliance with all relevant laws and regulations and with the standards of integrity required for all GSK business GSK values integrity and transparency and has zero tolerance for corrupt activities of any kind, whether committed by GSK employees, officers, or third-parties acting for or on behalf of the GSK
- **Corrupt Payments** - GSK employees and any third party acting for or on behalf of GSK, shall not, directly or indirectly, promise, authorize, ratify or offer to make or make any "payments" of "anything of value" (as defined in the glossary section) to any individual (or at the request of any individual) including a "government official" (as defined in the glossary section) for the improper purpose of influencing or inducing or as a reward for any act, omission or decision to secure an improper advantage or to improperly assist the company in obtaining or retaining business
- **Government Officials** - Although GSK's policy prohibits payments by GSK or third parties acting for or on its behalf to any individual, private or public, as a "quid pro quo" for business, due to the existence of specific anticorruption laws in the countries where we operate, this policy is particularly applicable to "payments" of "anything of value" (as defined in the glossary section), or at the request of, "government officials" (as defined in the glossary section)
- **Facilitating Payments** - For the avoidance of doubt, facilitating payments (otherwise known as "greasing payments" and defined as payments to an individual to secure or expedite the performance of a routine government action by government officials) are no exception to the general rule and therefore prohibited

GLOSSARY

The terms defined herein should be construed broadly to give effect to the letter and spirit of the GSK Policy 007 GSK is committed to the highest ethical standards of business dealings and any acts that create the appearance of promising, offering, giving or authorizing payments prohibited by this policy will not be tolerated

Anything of Value: this term includes cash or cash equivalents, gifts, services, employment offers, loans, travel expenses, entertainment, political contributions, charitable donations, subsidies, per diem payments, sponsorships, honoraria or Section of any other asset, even if nominal in value

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Payments: this term refers to and includes any direct or indirect offers to pay, promises to pay, authorizations of or payments of anything of value

Government Official shall mean

- Any officer or employee of a government or any department, agency or instrument of a government,
- Any person acting in an official capacity for or on behalf of a government or any department, agency, or instrument of a government,
- Any officer or employee of a company or business owned in whole or part by a government,
- Any officer or employee of a public international organization such as the World Bank or United Nations,
- Any officer or employee of a political party or any person acting in an official capacity on behalf of a political party,
- Any candidate for political office, and/or
- In many countries in which GSK conducts business, doctors and other healthcare providers may qualify as government officials because it is either (i) employed by a government-owned or funded hospital, clinic, university or other entity and/or (ii) receive funding, professional service fees or other remuneration from a government-owned or funded hospital, clinic, university or other entity

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Exhibit 10.8

LICENSE AGREEMENT

between

SANOFI

and

ZAI LAB (HONG KONG) LIMITED

Dated as of July 22, 2015

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LICENSE AGREEMENT

This License Agreement (this "**Agreement**") is made and entered into effective as of **July 22, 2015** (the "**Effective Date**") by and between Sanofi, a French corporation with a business principle address of 54 rue La Boétie, 75008 Paris, France ("**Sanofi**") and **Zai Lab (Hong Kong) Limited,** a company duly incorporated under the laws of Hong Kong with a business principle address of Unit 1202, 12/F Ruttonjee HSE, 11 Duddell St Central, HK Hong Kong, China ("**Licensee**"). Sanofi and Licensee are sometimes referred to herein individually as a "**Party**" and collectively as the "**Parties**".

RECITALS

WHEREAS, Sanofi controls certain intellectual property rights with respect to the Licensed Compound (as defined herein) and Licensed Product (as defined herein) in the Territory (as defined herein); and

WHEREAS, Sanofi wishes to grant to Licensee, and Licensee wishes to take, a license under such intellectual property rights to Develop (as defined herein) and Commercialize (as defined herein) Licensed Product in the Territory, in each case in accordance with the terms and conditions set forth below.

NOW, THEREFORE, in consideration of the premises and the mutual promises and conditions hereinafter set forth, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties, intending to be legally bound, do hereby agree as follows:

ARTICLE 1
DEFINITIONS

Unless otherwise specifically provided herein, the following terms shall have the following meanings:

1.1 "**Affiliate**" means, with respect to a Party, any Person that, directly or indirectly, through one or more intermediaries, controls, is controlled by or is under common control with such Party. For purposes of this definition, "control" and, with correlative meanings, the terms "controlled by" and "under common control with" means (a) the possession, directly or indirectly, of the power to direct the management or policies of a business entity, whether through the ownership of voting securities, by contract relating to voting rights or corporate governance, or otherwise, or (b) the ownership, directly or indirectly, of 50% or more of the voting securities or other ownership interest of a business entity (or, with respect to a limited partnership or other similar entity, its controlling entity).

1.2 "**Agreement**" has the meaning set forth in the preamble hereto.

1.3 "**Anti-Corruption Laws**" shall mean the U.S. Foreign Corrupt Practices Act, as amended, the UK Bribery Act 2010, as amended, and any other applicable anti-corruption laws and laws for the prevention of fraud, racketeering, money laundering or terrorism.

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1.4 "**Applicable Law**" means applicable laws, rules and regulations, including any rules, regulations, guidelines or other requirements of the Regulatory Authorities that may be in effect from time to time, including Anti-Corruption Laws.

1.5 "**Accountant**" has the meaning set forth in Section 6.10.

1.6 "**Breaching Party**" has the meaning set forth in Section 12.2.

1.7 "**Business Day**" means a day other than a Saturday or Sunday on which banking institutions in Shanghai, China or Paris, France are not closed.

1.8 "**Calendar Quarter**" means each successive period of three calendar months commencing on January 1, April 1, July 1 and October 1.

1.9 "**Calendar Year**" means each successive period of 12 calendar months commencing on January 1 and ending on December 31.

1.10 "**Clinical Data**" means all data, reports and results with respect to the Licensed Compound and Licensed Product made, collected or otherwise generated under or in connection with the Clinical Studies.

1.11 "**Clinical Studies**" means human clinical trials for a Licensed Product and any other tests and studies for a Licensed Product in human subjects.

1.12 "**Combination Product**" means a Licensed Product that consists of or contains a Licensed Compound as an active ingredient together with (a) one or more other active ingredients and is sold either as a fixed dose or as separate doses in a single package; or (b) a delivery device where such delivery device is sold with Licensed Product as a single package (such other active ingredient(s) and/or delivery device, an "**Other Component**").

1.13 "**Commercialization**" means, with respect to a Licensed Product, any and all activities (whether before or after Regulatory Approval) directed to the marketing, promotion and sale of such Licensed Product in the Field in the Territory after Regulatory Approval for commercial sale has been obtained, including pre-launch and post-launch marketing, promoting, marketing research, distributing, offering to commercially sell and commercially selling such Licensed Product, importing, exporting or transporting such Licensed Product for commercial sale, medical education activities with respect to such Licensed Product, conducting Clinical Studies that are not required to obtain or maintain Regulatory Approval for such Licensed Product for an indication, which may include epidemiological studies, modeling and pharmacoeconomic studies, post-marketing surveillance studies, investigator sponsored studies and health economics studies and regulatory affairs (including interacting with Regulatory Authorities) with respect to the foregoing. When used as a verb, "**Commercializing**" means to engage in Commercialization and "**Commercialize**" and "**Commercialized**" shall have corresponding meanings.

1.14 "**Commercialization License**" means the license, transfer or assignment (other than a change of control transaction as described in Section 13.3) by Licensee, including by option, to any Third Party of any rights to Commercialize (and whether or not including the right to Develop) Licensed Product in the Field in all or part of the Territory, excluding the engagement of any subcontractors such as research collaborators, contract research organizations, contract manufacturers, vendors, service providers, distributors, contract sales force and the like.

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1.15 "**Commercially Reasonable Efforts**" means the level of efforts and resources comparable to the efforts and resources commonly used in the research-based biopharmaceutical industry by companies with resources and expertise similar to those of Licensee for compounds or products of similar market potential at a similar stage in development or product life, taking into consideration market exclusivity, profitability, market potential, potential competitions and other relevant factors. "Commercially Reasonable Efforts" shall be determined on a country-by-country (or region-by-region, where applicable) and indication-by-indication basis.

1.16 "**Complaining Party**" has the meaning set forth in Section 12.2.

1.17 "**Confidential Information**" has the meaning set forth in Section 9.1.

1.18 "**Controlled**" means, with respect to any Information, Invention, Regulatory Documentation, Patent or other intellectual property right, that the Party owns or has a license to such Information, Invention, Regulatory Documentation, Patent or intellectual property right and has the ability to grant to the other Party access, a license or a sublicense (as applicable) thereto as provided for herein without violating the terms of any agreement or other arrangements with any Third Party existing at the time such Party would be first required hereunder to grant the other Party such access, license or sublicense.

1.19 "**Development**" means, with respect to a Licensed Product, all activities related to research, preclinical and other non-clinical testing, test method development and stability testing, toxicology, formulation, Manufacture Process Development, Clinical Studies, including Manufacturing in support thereof (but excluding any commercial Manufacturing), statistical analysis and report writing, the preparation and submission of Drug Approval Applications, regulatory affairs with respect to the foregoing and all other activities necessary or reasonably useful or otherwise requested or required by a Regulatory Authority as a condition or in support of obtaining or maintaining a Regulatory Approval for such Licensed Product. When used as a verb, "**Develop**" means to engage in Development.

1.20 "**Development Plan**" means the plan for the Development of Licensed Product as described in Section 3.1.3, as updated from time to time pursuant to Section 3.1.3.

1.21 "**Disclosing Party**" has the meaning set forth in Section 9.1.

1.22 "**Dispute**" has the meaning set forth in Section 13.5.

1.23 "**Dollars**" or "**$**" means United States Dollars.

1.24 "**Drug Approval Application**" means a New Drug Application (an "**NDA**") as defined in the FFDCA and the regulations promulgated thereunder (including all additions, supplements, extensions and modifications thereto), or any corresponding foreign application in the Territory, including, with respect to the European Union, a Marketing Authorization Application (an "**MAA**") filed with the EMA pursuant to the centralized approval procedure or with the applicable Regulatory Authority of a country in Europe with respect to the mutual recognition or any other national approval procedure.

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1.25 "**Effective Date**" has the meaning set forth in the preamble hereto.

1.26 "**EMA**" means the European Medicines Agency and any successor agency thereto.

1.27 "**Europe**" means the member countries of the European Union as well as the countries comprising the European Free Trade Area as it may be constituted from time to time, which as of the Effective Date consists of, Iceland, Norway, Liechtenstein and Switzerland.

1.28 "**European Union**" means the economic, scientific and political organization of member states as it may be constituted from time to time, which as of the Effective Date consists of Austria, Belgium, Bulgaria, Croatia, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Malta, The Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and the United Kingdom of Great Britain and Northern Ireland and that certain portion of Cyprus included in such organization.

1.29 "**Exploit**" means, with respect to a Licensed Product, to make, have made, import, use, sell or offer for sale, including to research, Develop, Commercialize, register, Manufacture, have Manufactured, hold or keep (whether for disposal or otherwise), use, have used, export, transport, distribute, promote, market, sell or have sold or otherwise dispose of such Licensed Product.

1.30 "**Exploitation**" means the act of Exploiting a Licensed Product.

1.31 "**FDA**" means the United States Food and Drug Administration and any successor agency thereto.

1.32 "**FFDCA**" means the United States Food, Drug, and Cosmetic Act, as amended from time to time.

1.33 "**Field**" means any oncology indication in humans.

1.34 "**First Commercial Sale**" means, with respect to a Licensed Product in a country in the Territory, the first sale to a Third Party for monetary value for use or consumption by the general public of such Licensed Product in such country after the applicable Regulatory Authority has approved the Drug Approval Application for such Licensed Product in such country. Sales prior to the approval of the applicable Drug Approval Application, such as so-called "treatment IND sales", "named patient sales" and "compassionate use sales", shall not constitute a First Commercial Sale.

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1.35 "**Force Majeure Event**" has the meaning set forth in Section 13.1.

1.36 "**Generic Product**" means, with respect to a Licensed Product in a particular country, any pharmaceutical product that (a) contains the same active ingredient(s) as such Licensed Product; (b) obtained marketing approval from the applicable Regulatory Authority in such country and on an expedited or abbreviated basis in a manner that relied on or incorporated data for such Licensed Product; and (c) is sold in such country by a Third Party that is not a Sublicensee of Licensee or its Affiliates and did not purchase such product in a chain of distribution that included any of Licensee or its Affiliates or a Sublicensee.

1.37 "**Indemnification Claim Notice**" has the meaning set forth in Section 11.3.

1.38 "**Indemnified Party**" has the meaning set forth in Section 11.3.

1.39 "**Indemnifying Party**" means the Party from whom indemnification is sought pursuant to Section 11.1 or Section 11.2.

1.40 "**Information and Inventions**" means all technical, scientific and other know-how and information, trade secrets, knowledge, technology, means, methods, protocols, assays, structures, sequences, processes, practices, formulas, instructions, skills, techniques, procedures, experiences, ideas, technical assistance, designs, drawings, assembly procedures, computer programs, apparatuses, specifications, data, results and other material, including pre-clinical trial results and Clinical Study results, Manufacturing procedures, test procedures, and purification and isolation techniques, (whether or not confidential, proprietary, patented or patentable) in written, electronic or any other form now known or hereafter developed, and all other discoveries, developments, inventions (whether or not confidential, proprietary, patented or patentable), and tangible embodiments of any of the foregoing.

1.41 "**Infringement**" has the meaning set forth in Section 7.3.1.

1.42 "**Invoiced Sales**" has the meaning set forth in the definition of "Net Sales".

1.43 [*]

1.44 "**Licensed Compound**" means Sanofi's ALK inhibitor SAR 348830, having the structure described in **Exhibit E** hereto, or any of its [*].

1.45 "**Licensed Know-How**" means the Information and Inventions contained or disclosed in the documents set forth on **Exhibit A**, but excluding any Information and Inventions to the extent claimed or covered by published Licensed Patents.

1.46 "**Licensed Patents**" means (a) the national, regional and international patents and patent applications, including provisional patent applications set forth on **Exhibit B**, (b) all patent applications filed from any of the foregoing provisional patent applications in clause (a), (c) all patent applications that claim priority to any patent or patent applications in clause (a) or clause (b), including divisionals, continuations, continuations-in-part, provisionals, converted provisionals, and continued prosecution applications, (d) any and all patents that have issued or in the future issue from any of foregoing patent applications in clause (a), clause (b) or

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clause (c), including utility models, petty patents and design patents and certificates of invention, and (e) any and all extensions or restorations by existing or future extension or restoration mechanisms, including revalidations, reissues, re-examinations and extensions (including any supplementary protection certificates and the like) of any of the foregoing patents or patent applications in clause (a), clause (b), clause (c) or clause (d).

1.47 "**Licensed Product**" means any pharmaceutical product containing the Licensed Compound, alone or in the form of a Combination Product.

1.48 "**Licensee**" has the meaning set forth in the preamble hereto.

1.49 "**Licensee Indemnitees**" has the meaning set forth in Section 11.2.

1.50 "**Licensee Know-How**" means all Information and Inventions Controlled by Licensee, its Sublicensees, or any of its or their respective Affiliates as of the Effective Date or during the Term that is not generally known and is necessary for the Exploitation of a Licensed Product in the Field in the Territory, but excluding any Information and Inventions to the extent covered or claimed by published Licensee Patents.

1.51 "**Licensee Patents**" means all of the Patents Controlled by Licensee, its Sublicensees, or any of its or their respective Affiliates as of the Effective Date or during the Term that are necessary (or, with respect to patent applications, would be necessary if such patent applications were to issue as patents) for the Exploitation of a Licensed Product in the Field in the Territory.

1.52 "**Losses**" has the meaning set forth in Section 11.1.

1.53 "**MAA**" has the meaning set forth in the definition of "Drug Approval Application."

1.54 "**Major Markets**" means each of the [*].

1.55 "**Manufacture**" and "**Manufacturing**" means, with respect to a Licensed Product, all activities related to the production, manufacture, processing, filling, finishing, packaging, labeling, shipping, holding, Manufacture Process Development, stability testing, quality assurance or quality control of such Licensed Product or any intermediate thereof.

1.56 "**Manufacture Process Development**" means the process development, process qualification and validation and scale-up of the process to manufacture a Licensed Product and analytic development and product characterization with respect thereto.

1.57 "**Markings**" has the meaning set forth in Section 4.6.

1.58 "**Milestone Event**" means each of the events identified as a milestone event in Section 6.2.1.

1.59 "**Monetization**" means the monetization of all or a portion of Sanofi's rights to receive royalties and other related payments under this Agreement, including by means of a direct sale (through an auction process or otherwise) or a financing (through a borrowing of loans, an offering of securities or otherwise).

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1.60 "**NDA**" has the meaning set forth in the definition of "Drug Approval Application."

1.61 "**Negotiation Period**" has the meaning set forth in Section 4.7.2.

1.62 "**Net Sales**" means, for any period, the gross amount invoiced by Licensee, its Sublicensees or any of its or their respective Affiliates for the sale of a Licensed Product (the "**Invoiced Sales**"), less deductions for: (a) normal and customary trade, quantity and cash discounts and sales returns and allowances, including those granted on account of bad debt, price adjustments, billing errors, rejected goods, damaged goods and returns, and chargebacks; (b) freight, postage, shipping and insurance expenses to the extent that such items are included in the gross amount invoiced; (c) sales taxes and other governmental charges (including value added tax, but solely to the extent not otherwise creditable or reimbursed) to the extent billed separately on the invoice and actually paid in connection with the sale but only to the extent actually included in gross sales (but excluding what is commonly known as income taxes and taxes or charges required by U.S. Federal or state Medicaid, Medicare or similar state program or equivalent foreign governmental program); and (d) rebates and similar payments made with respect to sales paid for by any governmental or regulatory authority such as, by way of illustration and not in limitation of the Parties' rights hereunder, Federal or state Medicaid, Medicare, plans offered under the Affordable Care Act or similar state program or equivalent foreign governmental program, provided however [*]. Any of the deductions listed above that involves a payment by Licensee, its Sublicensees or any of its or their respective Affiliates shall be taken as a deduction in the Calendar Quarter in which the payment is accrued by such entity. The methodology for calculating (a) – (d), on a country-by-country basis, shall conform to Generally Accepted Accounting Principles or International Financial Reporting Standards consistently applied by Licensee. For purposes of determining Net Sales, a Licensed Product shall be deemed to be sold when invoiced and a "sale" shall not include transfers or dispositions of such Licensed Product for pre-clinical or clinical purposes or as samples, in each case, without charge.

In the event that a Licensed Product is sold in any country in the form of a Combination Product, Net Sales of such Combination Product shall be adjusted for the purpose of calculating royalties owed to Sanofi hereunder by multiplying actual Net Sales of such Combination Product in such country calculated pursuant to the foregoing definition of "Net Sales" by the fraction A/(A+B), where A is the average invoice price in such country of any Licensed Product that contains a Licensed Compound as its sole active ingredient, if sold separately in such country, and B is the average invoice price in such country of each product that contains the Other Component, if sold separately in such country. If the Other Component is not sold separately, then the actual Net Sales shall be adjusted by multiplying the actual Net Sales by the fraction A/C where A is the actual average of the invoice price (on a per unit basis) of Licensed Product that is part of the Combination Product in the relevant country, if sold separately, and C is the actual average of the invoice prices (on a per unit basis) of the Combination Product in the relevant country. If neither of the foregoing applies, then the Parties shall determine the Net Sales of the Combination Product in good faith based on the respective values of the components of such Combination

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Product. In the event the Parties are not able to reach agreement, Net Sales for such Combination Product shall be determined by an expert jointly appointed by the parties, with such determination to be based on the respective values of the components of such Combination Product. The decision of the expert shall be final and binding on the Parties and the fees of the expert shall be equally shared between the Parties.

In the case of pharmacy incentive programs, hospital performance incentive programs, chargebacks, disease management programs, similar programs or discounts on portfolio product offerings, all rebates, discounts and other forms of reimbursements shall be allocated among products on the basis on which such rebates, discounts and other forms of reimbursements were actually granted or, if such basis cannot be determined, in accordance with Licensee's, its Sublicensees' or its or their respective Affiliates' existing allocation method; provided that any such allocation shall be done in accordance with Applicable Law, including any price reporting laws, rules and regulations.

Licensee's or any of its Sublicensees' or its or their respective Affiliates' transfer of any Licensed Product to an Affiliate or Sublicensee shall not result in any Net Sales, unless such Licensed Product is consumed by such Affiliate or Sublicensee in the course of its commercial activities.

1.63 [*].

1.64 "**Party**" and "**Parties**" each has the meaning set forth in the preamble hereto.

1.65 "**Patents**" means (a) all national, regional and international patents and patent applications, including provisional patent applications, (b) all patent applications filed from any of the foregoing provisional patent applications in clause (a), (c) all patent applications that claim priority to any patent or patent applications in clause (a) or clause (b), including divisionals, continuations, continuations-in-part, provisionals, converted provisionals and continued prosecution applications, (d) any and all patents that have issued or in the future issue from any of foregoing patent applications in clause (a), clause (b) or clause (c), including utility models, petty patents and design patents and certificates of invention, and (e) any and all extensions or restorations by existing or future extension or restoration mechanisms, including revalidations, reissues, re-examinations and extensions (including any supplementary protection certificates and the like) of any of the foregoing patents or patent applications in clause (a), clause (b), clause (c) or clause (d).

1.66 "**Payments**" has the meaning set forth in Section 6.6.

1.67 "**Person**" means an individual, sole proprietorship, partnership, limited partnership, limited liability partnership, corporation, limited liability company, business trust, joint stock company, trust, unincorporated association, joint venture or other similar entity or organization, including a government or political subdivision, department or agency of a government.

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1.68 "**Phase II Clinical Trial**" means a Clinical Study, the principal purpose of which is a determination of safety and efficacy of a Licensed Product in the target patient population or a similar Clinical Study prescribed by the Regulatory Authorities, from time to time, pursuant to Applicable Law or otherwise, including the trials referred to in 21 C.F.R. §312.21(b), as amended.

1.69 "**Phase III Clinical Trial**" means a Clinical Study on a sufficient number of subjects that is designed to establish that a Licensed Product is safe and efficacious for its intended use and to determine warnings, precautions and adverse reactions that are associated with such Licensed Product in the dosage range to be prescribed, which Clinical Study is intended to support Regulatory Approval of such Licensed Product, including all tests and studies that are required by the FDA from time to time, pursuant to Applicable Law or otherwise.

1.70 "POC Study" means the first clinical trial conducted by or on behalf of Licensee for the purpose of determining the safe and effective dose range in patients for the proposed therapeutic indication of Licensed Product. For clarity, a [*], shall be deemed a POC Study for the purpose of this Agreement.

1.71 "**Product Labeling**" means, with respect to a Licensed Product in a country in the Territory, (a) the Regulatory Authority-approved full prescribing information for such Licensed Product for such country, including any required patient information and (b) all labels and other written, printed or graphic matter upon an container, wrapper or any package insert utilized with or for such Licensed Product in such country.

1.72 "**Product Trademarks**" means the Trademark(s) to be used by Licensee, its Sublicensees or its or their respective Affiliates for the Commercialization of Licensed Product in the Field in the Territory and any registrations thereof or any pending applications relating thereto in the Territory.

1.73 "**Receiving Party**" has the meaning set forth in Section 9.1.

1.74 "**Regulatory Approval**" means, with respect to a Licensed Product in a country in the Territory, any and all approvals (including Drug Approval Applications), licenses, registrations or authorizations of any Regulatory Authority necessary to commercially distribute, sell or market such Licensed Product in such country, including, where applicable, (a) pricing or reimbursement approval in such country, (b) pre- and post-approval marketing authorizations (including any prerequisite Manufacturing approval or authorization related thereto) and (c) labeling approval.

1.75 "**Regulatory Authority**" means any applicable supra-national, federal, national, regional, state, provincial or local regulatory agencies, departments, bureaus, commissions, councils or other government entities regulating or otherwise exercising authority with respect to the Exploitation of a Licensed Compound or a Licensed Product in the Territory.

1.76 "**Regulatory Documentation**" means all (a) applications (including all INDs and Drug Approval Applications), registrations, licenses, authorizations and approvals (including all Regulatory Approvals), (b) correspondence and reports submitted to or received from Regulatory Authorities (including minutes and official contact reports relating to any communications with any Regulatory Authority) and all supporting documents with respect thereto, including all regulatory drug lists, advertising and promotion documents, adverse event files and complaint files and (c) Clinical Data and any other data contained in any of the foregoing, in each case ((a), (b) and (c)), relating to Licensed Product.

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1.77 "**Regulatory Exclusivity**" means any period of data, market or other regulatory exclusivity, including any such period under the FFDCA, European Parliament and Council Regulations (EC) Nos. 726/2004, 141/2000 and 1901/2006, or national implementations of Article 10 of Directive 2001/83/EC, and all equivalents (in the United States, European Union or elsewhere) of any of the foregoing.

1.78 "**Royalty Term**" means, with respect to each country in the Territory, the period beginning on the date of the First Commercial Sale of Licensed Product in such country, and ending on the latest to occur of (a) the expiration of the last-to-expire Licensed Patent that includes a Valid Claim in such country claiming the composition of matter or formulation of such Licensed Product, the method of making such Licensed Product (to the extent such method is actually used in the Manufacturing of Licensed Product by or on behalf of Licensee, its Affiliates and/or Sublicensees) or the method of using such Licensed Product (to the extent such method is described in the labelling of Licensed Product); (b) the expiration of Regulatory Exclusivity in such country for Licensed Product; and (c) the 10th anniversary of the First Commercial Sale of Licensed Product in such country.

1.79 "**Sanofi**" has the meaning set forth in the preamble hereto.

1.80 "**Sanofi Indemnitees**" has the meaning set forth in Section 11.1.

1.81 "**Sanofi Option**" has the meaning set forth in Section 4.7.1.

1.82 "**Sanofi Option Agreement**" has the meaning set forth in Section 4.7.2.

1.83 "**Sanofi Option Data Package**" has the meaning set forth in Section 4.7.1.

1.84 "**Sanofi Option Notice**" has the meaning set forth in Section 4.7.2.

1.85 "**Sanofi Option Period**" means the period commencing on the date on which Sanofi receives the full and complete Sanofi Option Data Package with respect to the applicable Licensed Product and such other information relating to such Licensed Product that Sanofi requests pursuant to the last sentence of Section 4.7.1 and ending [*].

1.86 "**Sublicense Percentage**" means (a) with respect to a Commercialization Sublicense granted with respect to a Licensed Product prior to [*] for such Licensed Product, [*]%, (b) with respect to a Commercialization Sublicense granted with respect to a Licensed Product prior to [*] for such Licensed Product, [*]%, and (c) with respect to a Commercialization Sublicense granted with respect to a Licensed Product after [*] for such Licensed Product, [*]%.

1.87 "**Sublicensee**" means a Person, other than an Affiliate, that is granted a sublicense by Licensee under the grant in Section 2.1 as provided in Section 2.3 or after Licensee complies with all of its obligations under Section 2.3.

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1.88 "**Term**" has the meaning set forth in Section 12.1.

1.89 "**Termination Notice Period**" has the meaning set forth in Section 12.2.

1.90 "**Territory**" means the entire world.

1.91 "**Third Party**" means any Person other than Sanofi, Licensee and their respective Affiliates.

1.92 "**Third Party Claims**" has the meaning set forth in Section 11.1.

1.93 "**Trademark**" means any word, name, symbol, color, designation or device or any combination thereof that functions as a source identifier, including any trademark, trade dress, brand mark, service mark, trade name, brand name, logo or business symbol, whether or not registered.

1.94 "**United States**" means the United States of America.

1.95 "**Valid Claim**" means, with respect to a particular country, (a) any claim of an issued and unexpired Patent in such country that (i) has not been held permanently revoked, unenforceable or invalid by a decision of a court or governmental agency of competent jurisdiction that is unappealable or unappealed within the time allowed for appeal and (ii) has not been abandoned, disclaimed, denied or admitted to be invalid or unenforceable through reissue or disclaimer or otherwise in such country or (b) any claim of a pending Patent application that has not been pending for more than [*] since its priority date and has not been abandoned or finally disallowed without the possibility of appeal or re-filing of the application.

ARTICLE 2
GRANT OF RIGHTS

2.1 Grants to Licensee. Subject to Section 2.2 and Section 4.7 and the other terms and conditions of this Agreement, Sanofi hereby grants to Licensee an exclusive (including with regard to Sanofi and its Affiliates) license (or sublicense), with the right to grant sublicenses in accordance with Section 2.3 or after Licensee complies with all of its obligations under Section 4.7, under the Licensed Patents and the Licensed Know-How to Exploit the Licensed Compound and Licensed Product in the Field in the Territory.

2.2 Retention of Rights; Non-Compete.

2.2.1 Retention of Rights. Notwithstanding anything to the contrary in this Agreement, Sanofi retains, on behalf of itself and its Affiliates, non-exclusive rights in and to the Licensed Patents and the Licensed Know-How to conduct research using the Licensed Compound and/or Licensed Product, and to Manufacture the Licensed Compound and Licensed Product, for use in the performance of such research, provided that such research shall be conducted solely by or on behalf of Sanofi or its Affiliates for its or their internal research purposes.

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2.2.2 Non-Compete. During [*], [*] shall not directly or indirectly (including by granting any Third Party the right to do so), [*] any product [*] that is: (a) [*]; and/or (b) [*].

2.3 Sublicenses. Subject to Licensee's compliance with its obligations under Section 4.7, the rights and licenses granted to Licensee under Section 2.1 shall include the right to grant Sublicenses to its Affiliates and/or Third Parties through multiple tiers, to Develop, Commercialize or Exploit the Licensed Compound and Licensed Product in the Field in the Territory; provided that Licensee shall remain responsible for the performance or non-performance of any such Sublicensee, and provide to Sanofi a copy of any executed sublicense agreement (provided that the terms of any such sublicense agreement may be redacted to the extent not pertinent to an understanding of a Party's obligations or benefits under this Agreement, but provided financial provisions shall not be redacted). Licensee hereby guarantees the performance of its Affiliates and Sublicensees and the grant of any such sublicense shall not relieve Licensee of its obligations under this Agreement, except to the extent they are satisfactorily performed by such Affiliates and/or Sublicensees. Any such sublicenses shall be consistent with the terms and conditions of this Agreement. In particular but without limitation, Licensee shall ensure that it obtains ownership and/or licenses and/or rights to all Inventions and Information (including all data, know-how, inventions, Regulatory Documentation and Regulatory Approvals) generated by such sublicensee or under such agreement that are related to Licensed Product and are necessary or reasonably useful to Exploit Licensed Product, sufficient to enable Licensee to grant the rights granted to Sanofi hereunder, including Sanofi's rights under Section 12.7.

2.4 No Implied Rights. For the avoidance of doubt, Licensee, its Sublicensees and its and their respective Affiliates shall have no right, express or implied, with respect to the Licensed Patents and the Licensed Know-How, except as expressly provided in Section 2.1.

2.5 Licensed Know-How Disclosure and Material Transfer.

2.5.1 In General. Within [*] after the Effective Date, Sanofi shall deliver to Licensee [*] (i) the Licensed Know-How in the file format specified in **Exhibit A**, and (ii) [*] of drug substance ("Material") meeting the specifications detailed in **Exhibit C** ("**Material Specifications**") and Manufactured in compliance with cGLP requirements. Such delivery of Material shall be made on an [*], and Licensee shall be responsible for organizing transportation of Material, from Sanofi's facilities at its risks and costs. Notwithstanding anything in this Agreement to the contrary, Licensee will have the right effective upon the Effective Date, to include Licensed Know-How in Licensee's Regulatory Documentation for filing or submission to, or correspondence or discussions with, Regulatory Authorities. EXCEPT AS EXPRESSLY PROVIDED IN THIS AGREEMENT, ANY MATERIAL SUPPLIED BY SANOFI UNDER THIS SECTION 2.5.1 ARE SUPPLIED "AS IS" AND SANOFI MAKES NO REPRESENTATIONS AND EXTENDS NO WARRANTIES OF ANY KIND, EITHER EXPRESS OR IMPLIED, INCLUDING BUT NOT LIMITED TO WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE, OR THAT THE USE OF THE MATERIAL DOES NOT INFRINGE ANY PATENT, COPYRIGHT, TRADEMARK, OR OTHER PROPRIETARY RIGHTS OF A THIRD PARTY.

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Licensee assumes all liability for damages which may arise from the use, storage or disposal of such Material, after its delivery by Sanofi [*]. Sanofi will not be liable to Licensee for any loss, claim or demand made by Licensee, or made against Licensee by any Third Party, due to or arising from the use of such Materials except, to the extent permitted by applicable Laws, when caused by the negligence or willful misconduct of Sanofi.

2.5.2 Additional Assistance. During a [*] period following the Effective Date, Sanofi shall, at no additional cost to Licensee, give Licensee reasonable access to Sanofi personnel familiar with the Licensed Compound and Licensed Product, including without limitation personnel having expertise in connection with the Licensed Know-How, formulation, Regulatory Documentation and Manufacture Process Development thereof, provided however the foregoing assistance shall (i) be limited to [*] and (ii) exclude any travel of the Sanofi personnel to Licensee's facilities or to the facilities of Licensee's Third Party manufacturer or any kind of on-site assistance. To the extent Licensee requests any assistance by Sanofi beyond those set forth above, Sanofi shall use reasonable efforts to provide Licensee [*] assistance [*].

2.6 Compliance. Licensee shall perform or cause to be performed any and all of its activities under this Agreement in a good scientific manner and in compliance with all Applicable Law. Licensee agrees, on behalf of itself, its officers, directors and employees and on behalf of its Affiliates, agents, representatives, consultants and subcontractors hired in connection with the Exploitation of Licensed Product (together with Licensee, the "Licensee Representatives") that in connection with the performance of its obligations hereunder, the Licensee Representatives shall not directly or indirectly pay, offer or promise to pay, or authorize the payment of any money, or give, offer or promise to give, or authorize the giving of anything else of value, to:

(i) any government official in order to influence official action;

(ii) any government official (A) to influence such Person to act in breach of a duty of good faith, impartiality or trust ("acting improperly"), (B) to reward such Person for acting improperly, or (C) where such Person would be acting improperly by receiving the money or other thing of value; or

(iii) any other Person while knowing or having reason to believe that all or any portion of the money or other thing of value will be paid, offered, promised or given to, or will otherwise benefit, a government official in order to influence official action for or against Licensee in connection with the matters that are the subject of this Agreement.

ARTICLE 3
DEVELOPMENT AND REGULATORY

3.1 Development.

3.1.1 In General. Subject to Section 2.2, Licensee shall have the right to Develop Licensed Product in the Field in the Territory at its own cost and expense in accordance with the Development Plan.

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3.1.2 Alliance Managers. Within [*] after the Effective Date, each Party shall appoint and notify the other Party of the identity of a representative having the appropriate qualifications, including a general understanding of pharmaceutical development and commercialization issues, to act as its alliance manager under this Agreement (the "**Alliance Manager**"). The Alliance Managers shall serve as the primary contact points between the Parties for the purpose of providing Sanofi with information on the progress of Licensee's Development and Commercialization activities under this Agreement. The Alliance Managers shall also be primarily responsible for facilitating the flow of information and otherwise promoting communication, coordination and collaboration between the Parties. Each Party may replace its Alliance Manager at any time upon written notice to the other Party.

3.1.3 Development Plan. The initial Development Plan, which covers the period [*], has been agreed upon by the Parties and is attached to this Agreement as **Exhibit D**. For [*] and for each Calendar Year thereafter during the Term, Licensee shall prepare an update to the Development Plan in good faith and submit such updated Development Plan to Sanofi. Each update to the Development Plan shall set forth for the applicable Calendar Year the Development objectives, the planned Clinical Studies and other Development activities and the contemplated timelines for the foregoing. In addition, Licensee may propose updates to the Development Plan to Sanofi from time to time as appropriate in light of changed circumstances.

3.1.4 Diligence. Licensee shall use Commercially Reasonable Efforts to Develop and obtain and maintain Regulatory Approvals for Licensed Product in each of the Major Markets.

3.2 Regulatory Matters. Licensee shall have the responsibility for preparing, obtaining and maintaining Drug Approval Applications and any other Regulatory Approvals and other submissions, and for conducting communications with the Regulatory Authorities, for Licensed Product in the Territory. All Regulatory Approvals relating to Licensed Product with respect to the Territory shall be owned by, and shall be the sole property and held in the name of, Licensee or its designated Affiliate or Sublicensee.

3.3 Reports. At least [*] until Regulatory Approval is obtained in each of the Major Markets for Licensed Product, Licensee shall provide Sanofi with a summary report describing (a) the Development activities it has performed, or caused to be performed, since the preceding report (including any filings, submissions, communications or meetings with any Regulatory Authorities), (b) its Development activities in process, and (c) the future activities it expects to initiate during the then-current half-Calendar Year period (including any filings, submissions, communications or meetings with any Regulatory Authorities).

3.4 Records. Licensee shall maintain, or cause to be maintained, all Regulatory Documentation and final supporting records and documentation therefor (but not draft records or documentation therefor except as otherwise required by Applicable Law), in sufficient detail and in compliance with Applicable Law. Such records and documentation shall be complete and accurate and shall fully and properly reflect all work done and results achieved in the performance of the applicable Development activities in a manner appropriate for any regulatory purpose and, when applicable, for use in connection with Patent filings, prosecution and maintenance. Such records and documentation shall be retained for at least [*] or such

longer period as may be required by Applicable Law. Licensee shall use diligent efforts to ensure that such records and documentation include only information with respect to the applicable Development activities under this Agreement and do not include, and are not commingled with, records of activities outside of this Agreement. Sanofi shall have the right, during normal business hours and upon reasonable notice, to inspect and copy any such records.

3.5 Subcontracting. Licensee may subcontract the exercise of its rights and the performance of its obligations under this Article 3; provided that (a) Licensee shall oversee the performance by its subcontractors of the subcontracted activities in a manner that would be reasonably expected to result in their timely and successful completion and shall remain responsible for the performance of such activities in accordance with this Agreement and the Development Plan and (b) any agreement pursuant to which Licensee engages a subcontractor must (i) be consistent with this Agreement and (ii) contain terms obligating such subcontractor to: (A) comply with confidentiality provisions that are at least as restrictive as those set forth in Article 9 (provided that, the duration of such obligations shall extend at least during the term of such agreement and [*] thereafter); and (B) provide Licensee with ownership of all Inventions and Information (including all data, know-how, inventions, Regulatory Documentation and Regulatory Approvals) generated by such subcontractor under such agreement that are related to Licensed Product and are necessary or reasonably useful to Exploit Licensed Product, to enable Licensee to grant the rights granted to Sanofi hereunder, including Sanofi's rights under Section 12.7.

ARTICLE 4
COMMERCIALIZATION

4.1 In General. Licensee shall Commercialize Licensed Product in the Field in the Territory at its own cost and expense.

4.2 Diligence. Licensee shall use Commercially Reasonable Efforts to Commercialize Licensed Product in the Field in each of the Major Markets after obtaining Regulatory Approval to do so.

4.3 Compliance with Applicable Law. Licensee shall, and shall cause its Sublicensees and its and their respective Affiliates to, comply with all Applicable Law with respect to the Commercialization of Licensed Product. Licensee shall, and shall cause its Sublicensees and its and their respective Affiliates to, avoid taking or failing to take any actions that Licensee knows or reasonably should know would jeopardize the goodwill or reputation of Licensed Product.

4.4 Sales and Distribution. Licensee shall be solely responsible for invoicing and booking sales, establishing all terms of sale (including pricing and discounts) and warehousing and distributing Licensed Product in the Field in the Territory and shall perform all related services, in each case, in a manner consistent with the terms and conditions of this Agreement. Licensee shall be solely responsible for handling all returns, recalls and withdrawals, order processing, invoicing and collection, distribution and inventory and receivables with respect to Licensed Product in the Territory.

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 406 of the Securities Act of 1933, as amended.

4.5 Product Trademarks. Licensee shall have the right to determine and own the Product Trademarks to be used with respect to the Exploitation of Licensed Product in the Field in the Territory.

4.6 Markings. The promotional materials, packaging and Product Labeling for Licensed Product used by Licensee, its Sublicensees or its or their respective Affiliates in connection with Licensed Product in the Territory shall contain a reference to the fact Licensed Product is licensed from Sanofi (collectively, the "**Markings**"). The manner in which such reference is to be presented on promotional materials, packaging and Product Labeling for Licensed Product shall be subject to prior review and approval by Sanofi, such approval not to be unreasonably conditioned, withheld or delayed.

4.7 Sanofi Option.

4.7.1 If, at any time during the Term, Licensee (a) [*] a Commercialization License in any of the Major Markets, (b) [*] a Commercialization Sublicense for such Major Market(s) ((a) and (b) each an "**Opportunity**"), or (c) [*], Licensee shall so notify Sanofi in writing and grant Sanofi an option to engage in exclusive negotiations with Licensee to obtain the rights for it and/or its Affiliates to Exploit Licensed Product in the Field in the Territory (in the case of (c)) or in any such Major Market(s) (in the case of (a) and/or (b)). Licensee's notification to Sanofi shall be accompanied by a data package (the "**Option Data Package**") containing the following information with respect to Licensed Product: [*]. In addition, Licensee promptly shall make available to Sanofi such other material information relating to the applicable Licensed Product as Sanofi may reasonably request in order to make an informed decision regarding whether to exercise the applicable Sanofi Option with respect to such Licensed Product.

4.7.2 Sanofi may exercise a Sanofi Option with respect to a Licensed Product for the applicable Major Market(s) by providing written notice to Licensee (a "**Sanofi Option Notice**") at any time during the Sanofi Option Period with respect to such Sanofi Option for such Major Market(s). If Sanofi exercises a Sanofi Option with respect to a Licensed Product during the applicable Sanofi Option Period, then during the period beginning on the date Sanofi provides the applicable Commercialization Option Notice to Licensee and ending [*] thereafter (or such later date as may be mutually agreed by the Parties) (the "**Negotiation Period**"), the Parties shall negotiate in good faith the terms and conditions of an agreement pursuant to which Sanofi and its Affiliates would obtain the exclusive rights to Exploit such Licensed Product in the Field in the Territory or in the relevant Major Market(s), which may be in the form of an assignment, an exclusive license or such other grant of rights as the Parties may agree (a "**Sanofi Option Agreement**").

4.7.3 Expiration and Revival of Sanofi Option

(a) If, with respect to an Opportunity, (A) Sanofi [*] or (B) Licensee and Sanofi [*], then, in either case (A) or (B), the Sanofi Option shall expire with respect to such Opportunity and Licensee or its Affiliate, as applicable, shall be free to discuss and enter into a Commercialization License with respect to such Opportunity without further obligation to Sanofi, provided however that (i) [*], and provided further that, [*], as the case may be, then [*]; and (ii) if [*], then [*].

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(b) If, after notification by Licensee to Sanofi [*] pursuant to Section 4.7.1(c), [*] then Sanofi Option shall permanently expire.

4.7.4 If Licensee and Sanofi enter into any Sanofi Option Agreement pursuant to Section 4.7.2, then in the event of any conflict between the terms of this Agreement and the terms of any such Sanofi Option Agreement, the terms of such Sanofi Option Agreement shall prevail.

ARTICLE 5
MANUFACTURE AND SUPPLY

5.1 Manufacture and Supply. Licensee shall (a) be responsible for the Manufacture of Licensed Product in sufficient quantities for the Exploitation of such Licensed Product in the Field in the Territory and (b) use Commercially Reasonable Efforts to assure an efficient and reliable supply of Licensed Product conforming to the applicable specifications with respect thereto as necessary to Exploit and maintain Regulatory Approvals for Licensed Product in the Field in the Territory, including developing commercially reasonable arrangements and strategies for back-up sources of supply of Licensed Product that appropriately and reasonably minimize the risk of supply shortfalls and that take into account expected inventory levels and demand. In furtherance of the obligations set forth in the preceding sentence, Licensee shall either itself Manufacture and supply, or enter into one or more definitive Manufacturing and supply agreements with appropriate Third Parties, to Manufacture and supply clinical and commercial supplies of Licensed Product. Licensee shall, and shall cause its Affiliates and any Third Party that Manufactures and supplies clinical or commercial supplies of any Licensed Product to, comply with all Applicable Law with respect to the Manufacture of Licensed Product.

ARTICLE 6
PAYMENTS

6.1 Upfront Payment. Licensee shall pay Sanofi an upfront amount equal to US$500,000.00. Such upfront shall be nonrefundable and noncreditable against any other payments due hereunder and shall be paid in two (2) installments as follows:

6.1.1 US$[*], no later than [*] after the Effective Date; and

6.1.2 US$[*], upon the delivery by Sanofi of (i) the documents listed in Exhibit A and (ii) the Material.

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6.2 Milestones.

6.2.1 Development Milestones.

(a) Licensee shall pay Sanofi each of the following non-refundable, non-creditable milestone payments within [*] after the achievement of the corresponding Milestone Event, with each such payment payable only once under this Agreement, regardless how many times the corresponding Milestone Event occurs, and the total payment by Licensee to Sanofi under this Section 6.2.1(a) under this Agreement not to exceed thirty-one million dollars ($31,000,000).

Milestone Event	Milestone Payment
[*]	US$[*]
[*]	US$[*]
[*]	US$[*]
[*]	US$[*]
[*]	US$[*]

6.3 Royalties.

6.3.1 Royalty Rates. Subject to Section 6.3.2, Licensee shall pay Sanofi, during the Royalty Term, a royalty on Net Sales of each Licensed Product in the Territory in each Calendar Year (or partial Calendar Year), as follows:

That portion of Net Sales of all Licensed Product in the Territory in a Calendar Year that is:	Royalty Rate
Less than or equal to $[*]	[*]%
Greater than $[*] but less than or equal to $[*]	[*]%
Greater than $[*]	[*]%

6.3.2 Royalty Step-Down. For the purpose of determining the royalties payable pursuant to Section 6.3.1, the Net Sales of a Licensed Product in a country, that occur after the expiration of the last to expire of, or during any period in which there are no, Licensed Patents that include at least one Valid Claim that would be infringed by the sale of Licensed Product in such country absent this license, shall be reduced by [*].

6.3.3 Generic Product. On a country-by-country basis, if in any Calendar Quarter during the Royalty Term following introduction of a Generic Product in a country (i) there is no Valid Claim within the Licensed Patents in such country and (ii) the market share of Licensee, its Affiliates or their Sublicensees, as applicable, for such Licensed Product in the Field in such country in such Calendar Quarter (as measured by reputable published data for such country, e.g. by reference to market share data collected by IMS) (“Market Share”) is reduced by [*] or more compared to the Market Share in the immediately preceding calendar quarter, then the applicable royalty payable to Sanofi for such Calendar Quarter under Section 6.3.1 shall be reduced by [*].

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6.3.4 Third Party License. If, during the Term and following the Effective Date, Licensee enters into an agreement with a Third Party in order to obtain a license under any intellectual property rights of one or more Third Parties that is necessary to Exploit Licensed Product (a "**Third Party License**"), then, subject to Licensee sending Sanofi a copy of such Third Party License, Licensee shall have the right to deduct [*] of the amounts actually paid by Licensee pursuant to the terms of any such Third Party License during a particular Calendar Quarter from the royalties otherwise due to Sanofi under this Section 6.3 with respect to such Calendar Quarter, provided however that Sanofi shall in any event receive at least [*] of the royalty amounts that would otherwise be owed to it in the absence of such Third Party License.

6.3.5 Payment Dates and Reports. Royalty payments shall be made by Licensee within [*] days after the end of each Calendar Quarter commencing with the Calendar Quarter in which the first day of the first Royalty Term for the first Licensed Product occurs. Licensee shall also provide to Sanofi, at the same time each such payment is made, a report showing: (a) the Net Sales of Licensed Product by country in the Territory; (b) the basis for any deductions from Invoiced Sales to determine Net Sales; (c) the applicable royalty rates for Licensed Product; (d) the exchange rates used in calculating any of the foregoing; and (e) a calculation of the amount of royalty due to Sanofi.

6.4 Sublicense Revenue.

6.4.1 Net Sales by Sublicensees. Any and all Net Sales by Sublicensees shall be included in the Net Sales calculations in Section 6.3.1 and Section 6.3.2 for purposes of determining the milestones or royalties, as applicable, owed by Licensee to Sanofi thereunder.

6.4.2 Other Sublicense Revenue. Upon the execution by Licensee of a Commercialization License for Licensed Product, which may also include other rights such as the Development and/or Manufacturing of Licensed Product, Licensee shall pay to Sanofi:

[*]

6.5 Mode of Payment; Current Conversion.

(a) All payments to Sanofi under this Agreement shall be made by deposit of Dollars in the requisite amount to such bank account as Sanofi may from time to time designate by notice to Licensee.

(b) If any currency conversion shall be required in connection with any payment hereunder, such conversion shall be made by using [*].

6.6 Taxes. The milestones and other amounts payable by Licensee to Sanofi pursuant to this Agreement ("**Payments**") shall not be reduced on account of any taxes unless required by Applicable Law. Sanofi alone shall be responsible for paying any and all taxes (other than withholding taxes required by Applicable Law to be paid by Licensee) levied on account of,

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or measured in whole or in part by reference to, any Payments it receives. Licensee shall deduct or withhold from the Payments any taxes that it is required by Applicable Law to deduct or withhold. Notwithstanding the foregoing, if Sanofi is entitled under any applicable tax treaty to a reduction of rate of, or the elimination of, applicable withholding tax, it shall deliver to Licensee or the appropriate governmental authority (with the assistance of Licensee to the extent that this is reasonably required and is expressly requested in writing) the prescribed forms necessary to reduce the applicable rate of withholding or to relieve Licensee of its obligation to withhold tax, and Licensee shall apply the reduced rate of withholding, or dispense with withholding, as the case may be; provided that Licensee has received evidence, in a form reasonably satisfactory to Licensee, of Sanofi's delivery of all applicable forms (and, if necessary, its receipt of appropriate governmental authorization) at least [*] prior to the time that the Payments are due. If, in accordance with the foregoing, Licensee withholds any amount, it shall pay to Sanofi the balance when due, make timely payment to the proper taxing authority of the withheld amount and send to Sanofi proof of such payment within [*] following such payment. Licensee shall be responsible for any sales or other similar tax that Sanofi may be required to collect with respect to the Payments.

6.7 Interest on Late Payments. If any Payment due to Sanofi under this Agreement is not paid in when due, then Licensee shall pay interest thereon and on any unpaid accrued interest (before and after any judgment) at an annual rate (but with interest accruing on a daily basis) of [*], such interest to run from the date upon which payment of such amount became due until payment thereof in full together with such accrued interest.

6.8 Financial Records. Licensee shall, and shall cause its Sublicensees and its and their respective Affiliates to, keep complete and accurate books and records pertaining to the sale, delivery and use of Licensed Product, including books and records of Invoiced Sales (including any deductions therefrom) and Net Sales of Licensed Product in the Territory. Licensee shall, and shall cause its Sublicensees and its and their respective Affiliates to, retain such books and records, until the later of [*] after the end of the period to which such books and records pertain and the expiration of the applicable tax statute of limitations (or any extensions thereof), or for such longer period as may be required by Applicable Law.

6.9 Audit. At the request of Sanofi, Licensee shall, and shall cause its Sublicensees and its and their respective Affiliates to, permit an independent certified public accountant retained by Sanofi, at reasonable times and upon reasonable notice, to audit the books and records maintained pursuant to Section 6.8. Such audits may not (a) be conducted for any Calendar Quarter more than [*] after the end of such Calendar Quarter, (b) be conducted more than [*] (unless a previous audit during such [*] period revealed an underpayment with respect to such period or Licensee restates or revises such books and records for such [*] period) or (c) be repeated for any Calendar Quarter. Except as provided below, the cost of any audit shall be borne by Sanofi, unless the audit reveals a variance of more than [*] from the reported amounts, in which case Licensee shall bear the cost of the audit. Unless disputed pursuant to Section 6.10, if such audit concludes that additional payments were owed or that excess payments were made during such period, Licensee shall pay the additional amounts, with interest from the date originally due as provided in Section 6.7, or Sanofi shall reimburse such excess payments, in either case, within [*] after the date on which such audit is completed and the conclusions thereof are notified to the Parties.

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6.10 Audit Dispute. In the event of a dispute over the results of any audit conducted pursuant to Section 6.9, Sanofi and Licensee shall work in good faith to resolve such dispute. If the Parties are unable to reach a mutually acceptable resolution of any such dispute within [*], the dispute shall be submitted for arbitration to a certified public accounting firm selected by each Party's certified public accountants or to such other Person as the Parties shall mutually agree (the "**Accountant**") or failing such agreement, as the [*] (or such other body as the Parties may mutually agree), may nominate. The decision of the Accountant shall be final and the costs of such arbitration as well as the initial audit shall be borne between the Parties in such manner as the Accountant shall determine. Not later than [*] after such decision and in accordance with such decision, Licensee shall pay the additional royalties, with interest from the date originally due as provided in Section 6.7 or Sanofi shall reimburse such excess payments, as applicable.

6.11 Confidentiality. Sanofi shall treat all information subject to review under this Article 6 in accordance with the confidentiality provisions of Article 9 and Sanofi shall cause the independent public accountant retained by Sanofi pursuant to Section 6.9 or the Accountant, as applicable, to enter into a reasonably acceptable confidentiality agreement that includes an obligation to retain all such financial information in confidence.

ARTICLE 7
INTELLECTUAL PROPERTY

7.1 Ownership of Intellectual Property.

7.1.1 Ownership of Technology. Subject to the licenses granted hereunder, as between the Parties, each Party shall solely own and retain all right, title and interest in and to any and all Information and Inventions that are conceived, discovered, developed or otherwise made solely by or on behalf of such Party, its (sub)licensees or its and their respective Affiliates under or in connection with this Agreement, whether or not patented or patentable, and any and all Patents and other intellectual property rights with respect thereto. The Parties do not anticipate that Information and/or Inventions will be conceived, discovered, developed or otherwise made jointly by the Parties under this Agreement. However, in the unlikely event that such joint Information and/or Invention is generated, the Parties shall jointly own such Information and/or Invention and each Party's rights therein shall be subject to the licenses granted to the other Party under this Agreement. The determination of authorship, inventorship or ownership of any Information and Inventions that are conceived, discovered, developed or otherwise made under or in connection with this Agreement shall be made under applicable United States law in effect as of the Effective Date, irrespective of where such Information and Invention is actually conceived, discovered, developed or otherwise made.

7.2 Prosecution and Maintenance of Patents.

7.2.1 Licensed Patents. All decisions and actions with respect to the prosecution and maintenance of the Licensed Patents shall remain the responsibility of Sanofi and Sanofi shall bear the costs therefor. Sanofi shall keep Licensee informed of the progress of such activities, and shall provide Licensee with copies of any responses and material correspondence with the patent authorities. In the event Sanofi decides to discontinue the

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prosecution or maintenance of any Licensed Patent, Sanofi shall notify Licensee in writing at least [*] prior to the next scheduled filing or other deadline with respect thereto, and Licensee shall have the right, but not obligation, to continue the prosecution and/or maintenance of such Licensed Patent and shall bear the costs therefor.

7.2.2 Licensee Patents. Licensee shall be solely responsible, at its discretion and expense, for all decisions and actions with respect to the preparation, filing, prosecution and maintenance of Licensee Patents. Throughout the Term, Licensee shall keep Sanofi informed of the filing and prosecution of any Licensee Patent.

7.2.3 Patent Term Extensions. Licensee and Sanofi shall cooperate with each other and shall use commercially reasonable efforts to obtain patent term extensions (including any pediatric exclusivity extensions as may be available) or supplementary protection certificates or their equivalents in any country with respect to patent rights covering Licensed Product. Sanofi hereby grants Licensee the exclusive right and option to apply for patent term extensions or supplemental protection certificates or their equivalents in any country under the Licensed Patents. Should Licensee decide not to file a patent term extension or supplementary protection certificate with respect to any patent right covering Licensed Product in any country where it would in theory be possible per local patent law, then Licensee shall notify Sanofi in writing at least [*] prior to the expiry of the time limit for filing the extension or certificate and Sanofi shall have the right, but no obligation, to file such patent term extension or supplementary protection certificate.

7.2.4 Registration of License. Licensee shall register the present license with the Patent Office of any jurisdiction where Licensee receives a Regulatory Approval for the Commercialization of the Licensed Product, at its own expenses. Promptly after registration, Licensee shall provide Sanofi with the certifications of the license registration in such jurisdiction.

7.3 Patent Enforcement.

7.3.1 Notification. If either Party becomes aware of any existing or threatened Infringement of the Licensed Patents in the Territory, which infringing activity involves the manufacture, use, import, offer for sale or sale of any Licensed Product in the Territory (a "Product Infringement"), it shall promptly notify the other Party in writing to that effect, and the Parties will consult with each other regarding any actions to be taken with respect to such Product Infringement.

7.3.2 Right to Enforce. Licensee shall have the first right, but shall not be obligated, to bring an infringement action against any person or entity engaged in a Product Infringement of the Licensed Patents, at Licensee's sole cost and expense. If Licensee fails to bring such an action with respect to a Licensed Patent (or to settle or otherwise secure the abatement of such Product Infringement) prior to the earlier of: (i) [*] following Licensee's receipt or delivery of the notice under Section 7.3.1, or (ii) [*] before the deadline, if any, set forth in the applicable Laws for the filing of such actions, Sanofi shall have the right to bring and control any such action, at its own expense and by counsel of its own choice.

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7.3.3 Cooperation. Each Party shall provide to the enforcing Party reasonable assistance in such enforcement, at such enforcing Party's request and expense, including joining such action as a party plaintiff if required by applicable Laws to pursue such action. The enforcing Party shall keep the other Party regularly informed of the status and progress of such enforcement efforts, shall reasonably consider the other Party's comments on any such efforts, and shall seek consent of the other Party in any important aspects of such enforcement, including determination of litigation strategy and filing of material papers to the competent court, which consent shall not be unreasonably withheld or delayed. The non-enforcing Party shall be entitled to separate representation in such matter by counsel of its own choice and at its own expense, but such Party shall at all times cooperate fully with the enforcing Party. Neither Party shall have the right to settle any patent infringement litigation under this Section 7.3 in a manner that diminishes the rights or interests of the other Party without the prior written consent of such other Party, such consent not to be unreasonably withheld or delayed.

7.3.4 Expenses and Recoveries. The enforcing Party bringing a claim, suit or action under Section 7.3.1 or 7.3.2 shall be solely responsible for any expenses incurred by such Party as a result of such claim, suit or action. If such Party recovers monetary damages in such claim, suit or action, such recovery shall be allocated first to the reimbursement of any expenses incurred by the Parties in such litigation (including, for this purpose, a reasonable allocation of expenses of internal counsel), and any remaining amounts shall be shared as follows: (i) if Sanofi is the enforcing Party: the remaining amount will be [*], or (ii) if Licensee is the enforcing Party: the remaining amount will be [*].

7.4 Patent Oppositions and Other Proceedings.

7.4.1 If a Licensed Patent becomes the subject of any proceeding commenced by a Third Party in connection with an opposition, action for declaratory judgment, nullity action, interference or other attack upon the validity, title or enforceability thereof, then Licensee shall have the first right, but not the obligation, to control such defense at its own expense using counsel of its own choice. If Licensee decides that it does not wish to defend against such action, it shall notify Sanofi reasonably in advance of all applicable deadlines, and Sanofi shall thereafter have the right, but not the obligation, to assume defense of such action at its own expense.

7.4.2 The Party controlling any defense under this Section 7.4 shall permit the non-controlling Party to participate in the proceedings to the extent permissible under applicable Laws and to be represented by its own counsel at the non-controlling Party's expense. Notwithstanding any of the foregoing, the Party controlling any enforcement action pursuant to Section 7.3 shall also have the sole right to control the response to any attack on the validity, title, or enforceability of a Patent that is asserted by the alleged infringer(s) as a counterclaim or affirmative defense in such action. Neither Party shall have the right to settle any proceeding under this Section 7.4 in a manner that diminishes the rights or interests of the other Party without the prior written consent of such other Party, such consent not to be unreasonably withheld or delayed.

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7.4.3 Each Party shall assist and cooperate with the other Party as such other Party may reasonably request from time to time in connection with its activities set forth in Section 7.4.1, including by providing access to relevant documents and other evidence and making its employees available at reasonable business hours; provided that neither Party shall be required to disclose legally privileged information unless and until procedures reasonably acceptable to such Party are in place to protect such privilege. In connection with any such defense or claim or counterclaim, the controlling Party shall consider in good faith any comments from the other Party and shall keep the other Party reasonably informed of any steps taken, and shall provide copies of all documents filed, in connection with such defense, claim or counterclaim. In connection with the activities set forth in Section 7.4.1, each Party shall consult with the other as to the strategy for the defense of the Licensed Patents.

7.5 Patent Marking. Licensee shall, to the extent practicable, mark Licensed Product (or when the character of the product precludes marking, the package containing any such Licensed Product) marketed and sold by Licensee or its Affiliates or their Sublicensees or subcontractors hereunder in accordance with all applicable Laws relating to patent marking.

7.6 Infringement of Third Party Rights. If any Licensed Product used or sold by Licensee or its Affiliates or their Sublicensees or subcontractors becomes the subject of a Third Party's claim or assertion of infringement of a Patent granted by a jurisdiction within the Territory, Licensee shall promptly notify Sanofi, and the Parties shall agree on and enter into a "common interest agreement" wherein the Parties agree to their shared, mutual interest in the outcome of such potential dispute, and thereafter, the Parties shall promptly meet to consider the claim or assertion and the appropriate course of action. Unless agreed otherwise by the Parties, Licensee shall be solely responsible for defending against any such claim or assertion, at its sole expense. Licensee shall keep Sanofi fully informed of such claim and its defense, and shall reasonably consider and seek to accommodate any timely comments of Sanofi with respect thereto.

7.7 Third Party Licenses. If, in the reasonable opinion of counsel to Licensee, the Exploitation of Licensed Product in the Field in the Territory by Licensee, its Sublicensees or its or their respective Affiliates infringes or misappropriates any Patent or any intellectual property right of a Third Party in any country in the Territory, such that Licensee, its Sublicensees or its or their respective Affiliates cannot Exploit Licensed Product in such country without infringing the Patent or intellectual property right of such Third Party, then Licensee shall have the first right, but not the obligation, to take the lead on negotiating the terms of each such license for one or more countries in the Territory. Licensee shall be responsible for all license fees, milestones, royalties or other such payments due to such Third Party, subject to its right under Section 6.3.4.

7.8 Product Trademarks. Licensee shall own all right, title, and interest to the Product Trademarks in the Territory, and shall be responsible for the registration, prosecution, maintenance and enforcement thereof. All costs and expenses of registering, prosecuting, maintaining and enforcing the Product Trademarks shall be borne solely by Licensee.

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ARTICLE 8
PHARMACOVIGILANCE AND SAFETY

8.1 Pharmacovigilance. Licensee shall be solely responsible for pharmacovigilance activities in connection with the Exploitation of Licensed Product in the Field under this Agreement, at its sole expense.

8.2 Global Safety Database. Licensee shall set up, hold, and maintain (at Licensee's sole cost and expense) the global safety database for Licensed Product in the Territory.

ARTICLE 9
CONFIDENTIALITY AND NON-DISCLOSURE

9.1 Confidentiality Obligations. At all times during the Term and for a period of [*] following termination or expiration of this Agreement, each Party shall, and shall cause its Affiliates and, in the case of Licensee as the Receiving Party, its Sublicensees, and its and their respective officers, directors, employees and agents to, keep completely confidential and not publish or otherwise disclose and not use, directly or indirectly, for any purpose, any Confidential Information furnished or otherwise made known to it, directly or indirectly, by the other Party, except to the extent such disclosure or use is expressly permitted by the terms of this Agreement or such use is reasonably necessary for the performance of its obligations or the exercise of its rights under this Agreement. "**Confidential Information**" means any information provided by one Party (the "**Disclosing Party**") to the other Party (the "**Receiving Party**") under or in connection with this Agreement, including the terms of this Agreement or any information relating to Licensed Product (including the Regulatory Documentation and Regulatory Approvals and any information or data contained therein), any Exploitation of Licensed Product in the Territory or the scientific, regulatory or business affairs or other activities of either Party. Notwithstanding the foregoing, Confidential Information shall not include any information that:

9.1.1 is or hereafter becomes part of the public domain by public use, publication, general knowledge or the like through no wrongful act, fault or negligence on the part of the Receiving Party;

9.1.2 can be demonstrated by documentation or other competent proof to have been in the Receiving Party's possession prior to disclosure by the Disclosing Party without any obligation of confidentiality with respect to such information;

9.1.3 is subsequently received by the Receiving Party from a Third Party who is not bound by any obligation of confidentiality with respect to such information; or

9.1.4 can be demonstrated by documentation or other competent evidence to have been independently developed by or for the Receiving Party without reference to the Disclosing Party's Confidential Information.

Specific aspects or details of Confidential Information shall not be deemed to be within the public domain or in the possession of the Receiving Party merely because the Confidential Information is embraced by more general information in the public domain or in the possession

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of the Receiving Party. Further, any combination of Confidential Information shall not be considered in the public domain or in the possession of the Receiving Party merely because individual elements of such Confidential Information are in the public domain or in the possession of the Receiving Party unless the combination and its principles are in the public domain or in the possession of the Receiving Party.

9.2 Permitted Disclosures. Each Receiving Party may disclose Confidential Information disclosed to it by the Disclosing Party to the extent that such disclosure by the Receiving Party is:

9.2.1 made in response to a valid order of a court of competent jurisdiction or other supra-national, federal, national, regional, state, provincial and local governmental or regulatory body of competent jurisdiction or, if in the reasonable opinion of the Receiving Party's legal counsel, such disclosure is otherwise required by Applicable Law or the requirements of a national securities exchange or other similar regulatory body; provided that the Receiving Party shall first have given notice, to the extent legally permitted, to the Disclosing Party and given the Disclosing Party a reasonable opportunity to quash such order and to obtain a protective order requiring that the Confidential Information and documents that are the subject of such order be held in confidence by such court or agency or, if disclosed, be used only for the purposes for which the order was issued; and provided further that if a disclosure order is not quashed or a protective order is not obtained, the Confidential Information disclosed in response to such court or governmental order shall be limited to the information that is legally required to be disclosed in response to such court or governmental order;

9.2.2 made by the Receiving Party to a Regulatory Authority as required in connection with any filing, application or request for Regulatory Approval; provided that reasonable measures shall be taken to obtain confidential treatment of such information;

9.2.3 made by the Receiving Party as necessary to file or prosecute Patent applications pursuant to Section 7.2.1 or Section 7.2.2, as applicable, prosecute or defend litigation or otherwise establish rights or enforce obligations under this Agreement; provided that reasonable measures shall be taken to obtain confidential treatment of such information;

9.2.4 made by the Receiving Party to actual or prospective acquirers, merger candidates, investors, Sublicensees, consultants, agents, subcontractors or, with respect to Sanofi as the Receiving Party, investors in connection with a Monetization (and to its and their respective Affiliates, representatives and financing sources); provided that (a) each such Third Party signs an agreement that contains obligations that are substantially similar to the Receiving Party's obligations hereunder (except that the obligations under such agreement may terminate [*] after disclosure of the relevant information), and (b) each such Third Party to whom information is disclosed shall (i) be subject to reasonable obligations of confidentiality, (ii) be informed of the confidential nature of the Confidential Information so disclosed, and (iii) agree to hold such Confidential Information subject to the terms thereof.

9.3 Use of Name. Except as expressly provided in this Agreement, neither Party shall mention or otherwise use the name, insignia, symbol, Trademark of the other Party (or any abbreviation or adaptation thereof) in any publication, press release, marketing and

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promotional material or other form of publicity without the prior written approval of such other Party in each instance, such approval not be unreasonably conditioned, withheld or delayed. The restrictions imposed by this Section 9.3 shall not prohibit either Party from making any disclosure (a) identifying the other Party as a counterparty to this Agreement, (b) that is required by Applicable Law or the requirements of a national securities exchange or another similar regulatory body (provided that any such disclosure shall be governed by this Article 9) or (c) with respect to which written consent has previously been obtained. Further, the restrictions imposed on each Party under this Section 9.3 are not intended, and shall not be construed, to prohibit a Party from identifying the other Party in its internal business communications, provided that any Confidential Information in such communications remains subject to this Article 9.

9.4 Press Releases. Neither Party shall issue any press release or other similar public communication relating to this Agreement, its subject matter or the transactions covered by it, or the activities of the Parties under or in connection with this Agreement, without the prior written approval of the other Party, except (a) for communications required by Applicable Law as reasonably advised by the issuing Party's counsel (provided that the other Party is given a reasonable opportunity to review and comment on any such press release or public communication in advance thereof to the extent legally permitted and the issuing Party shall act in good faith to incorporate any comments provided by the other Party on such press release or public communication), (b) for information that has been previously disclosed publicly or (c) as otherwise set forth in this Agreement.

9.5 Publications. During the Term, Sanofi may not publish any Information related to a Licensed Compound or a Licensed Product (other than Information contained in a Patent within the Licensed Patent that is published pursuant to applicable patent laws), without the prior written approval of Licensee, which approval will not be unreasonably withheld or delayed. Licensee may publish any Information related to the Development of a Licensed Compound or a Licensed Product, without the prior written consent of Sanofi, unless any such publication contains any Confidential Information of Sanofi.

9.6 Return or Destruction of Confidential Information. Within [*] after the termination of this Agreement, or (c) the written request of the Disclosing Party, the Receiving Party shall, at the Disclosing Party's discretion, promptly destroy or return to the Disclosing Party all documentary, electronic or other tangible embodiments of the Disclosing Party's Confidential Information to which the Receiving Party does not retain rights hereunder and any and all copies thereof, and destroy those portions of any documents that incorporate or are derived from the Disclosing Party's Confidential Information to which the Receiving Party does not retain rights hereunder, and provide a written certification of such destruction, except that the Receiving Party may retain one copy thereof, to the extent that the Receiving Party requires such Confidential Information for the purpose of performing any obligations or exercising any rights under this Agreement that may survive such expiration or termination, or for archival purposes. Notwithstanding the foregoing, the Receiving Party also shall be permitted to retain such additional copies of or any computer records or files containing the Disclosing Party's Confidential Information that have been created solely by the Receiving Party's automatic archiving and back-up procedures, to the extent created and retained in a manner consistent with the Receiving Party's standard archiving and back-up procedures, but not for any other use or purpose.

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ARTICLE 10
REPRESENTATIONS AND WARRANTIES

10.1 Mutual Representations and Warranties. Each Party hereby represents and warrants to the other Party as of the Effective Date as follows:

10.1.1 Corporate Authority. Such Party (a) has the power and authority and the legal right to enter into this Agreement and perform its obligations hereunder and (b) has taken all necessary action on its part required to authorize the execution and delivery of this Agreement and the performance of its obligations hereunder. This Agreement has been duly executed and delivered by such Party and constitutes a legal, valid and binding obligation of such Party and is enforceable against it in accordance with its terms subject to the effects of bankruptcy, insolvency or other laws of general application affecting the enforcement of creditor rights and judicial principles affecting the availability of specific performance and general principles of equity, whether enforceability is considered in a proceeding at law or equity.

10.1.2 Consents and Approvals. All necessary consents, approvals and authorizations of all Regulatory Authorities and other Persons required to be obtained by such Party in connection with the execution and delivery of this Agreement and the performance of its obligations hereunder have been obtained.

10.1.3 Conflicts. The execution and delivery of this Agreement and the performance of such Party's obligations hereunder (a) do not conflict with or violate any requirement of Applicable Law or any provision of the articles of incorporation or bylaws of such Party in any material way and (b) do not conflict with, violate or breach or constitute a default or require any consent under, any contractual obligation or court or administrative order by which such Party is bound.

10.2 Representations, Warranties and Covenants of Licensee.

10.2.1 Licensee is a company or corporation duly organized, validly existing and in good standing under the laws of the state or other jurisdiction of incorporation or formation and has full corporate power and authority to enter into this Agreement and to carry out the provisions hereof.

10.2.2 Neither Licensee nor any of its Affiliates has been debarred or is subject to debarment and neither Licensee nor any of its Affiliates will use in any capacity, in connection with the activities to be performed under this Agreement, any Person who has been debarred pursuant to Section 306 of the FFDCA or who is the subject of a conviction described in such section. Licensee shall inform Sanofi in writing immediately if it or any Person who is performing activities hereunder is debarred or is the subject of a conviction described in Section 306 or if any action, suit, claim, investigation or legal or administrative proceeding is pending or, to the best of Licensee's knowledge, is threatened, relating to the debarment or conviction of Licensee or any Person performing activities hereunder.

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10.3 Representations and Warranties of Sanofi. Sanofi hereby represents and warrants that, as of the Effective Date:

10.3.1 Sanofi is the sole owner of the Licensed Patents, free and clear of any lien and Sanofi has not granted the right to any Third Party to manufacture, develop and/or commercialize the Licensed Compound and/or Licensed Product under the Licensed Patents or Licensed Know-How, and Sanofi does not own or otherwise control any other patent application or patent that claim the composition of matter of, or the method of making or using, the Licensed Compound, that is not a Licensed Patent;

10.3.2 There are no judgments or settlements against or owed by it or any of its Affiliates relating to the Licensed Patents.

10.4 DISCLAIMER OF WARRANTY. EXCEPT FOR THE EXPRESS WARRANTIES SET FORTH IN SECTIONS 10.1, 10.2 AND 10.3, NEITHER PARTY MAKES ANY REPRESENTATIONS OR GRANTS ANY WARRANTY, EXPRESS OR IMPLIED, EITHER IN FACT OR BY OPERATION OF LAW, BY STATUTE OR OTHERWISE, AND EACH PARTY SPECIFICALLY DISCLAIMS ANY OTHER WARRANTIES, WHETHER WRITTEN OR ORAL, OR EXPRESS OR IMPLIED, INCLUDING ANY WARRANTY OF QUALITY, MERCHANTABILITY OR FITNESS FOR A PARTICULAR USE OR PURPOSE OR ANY WARRANTY AS TO THE VALIDITY OF ANY PATENTS OR THE NON-INFRINGEMENT OF ANY INTELLECTUAL PROPERTY RIGHTS OF THIRD PARTIES.

10.5 ADDITIONAL WAIVER. EXCEPT AS SET FORTH IN SECTION 10.3, LICENSEE AGREES THAT: (A) THE LICENSED PATENTS ARE LICENSED "AS IS," "WITH ALL FAULTS," AND "WITH ALL DEFECTS," AND LICENSEE EXPRESSLY WAIVES ALL RIGHTS TO MAKE ANY CLAIM WHATSOEVER AGAINST SANOFI FOR MISREPRESENTATION OR FOR BREACH OF PROMISE, GUARANTEE OR WARRANTY OF ANY KIND RELATING TO THE LICENSED PATENTS; (B) LICENSEE AGREES THAT SANOFI WILL HAVE NO LIABILITY TO LICENSEE FOR ANY ACT OR OMISSION IN THE PREPARATION, FILING, PROSECUTION, MAINTENANCE, ENFORCEMENT, DEFENCE OR OTHER HANDLING OF THE LICENSED PATENTS; AND (C) LICENSEE IS SOLELY RESPONSIBLE FOR DETERMINING WHETHER THE LICENSED PATENTS HAVE APPLICABILITY OR UTILITY IN LICENSEE'S CONTEMPLATED EXPLOITATION OF THE LICENSED PRODUCT, AND LICENSEE ASSUMES ALL RISK AND LIABILITY IN CONNECTION WITH SUCH DETERMINATION.

ARTICLE 11
INDEMNITY

11.1 Indemnification of Sanofi. Licensee shall indemnify Sanofi, its Affiliates and its and their respective directors, officers, employees and agents (collectively, "**Sanofi Indemnitees**"), and defend and save each of them harmless, from and against any and all losses, damages, liabilities, costs and expenses (including reasonable attorneys' fees and expenses) (collectively, "**Losses**") in connection with any and all suits, investigations, claims or

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demands of Third Parties (collectively, "**Third Party Claims**") arising from or occurring as a result of: (a) the breach by Licensee of any term of this Agreement or any representations or warranties under this Agreement, (b) the gross negligence or willful misconduct on the part of any Licensee Indemnitee or (c) the Exploitation of any Licensed Compound or Licensed Product by or on behalf of Licensee, its Sublicensees or any of its or their respective Affiliates; provided that, with respect to any Third Party Claim for which Licensee has an obligation to any Sanofi Indemnitee pursuant to this Section 11.1 and Sanofi has an obligation to any Licensee Indemnitee pursuant to Section 11.2, each Party shall indemnify each of the Sanofi Indemnitees or the Licensee Indemnitees, as applicable, for its Losses to the extent of its responsibility, relative to the other Party.

11.2 Indemnification of Licensee. Sanofi shall indemnify Licensee, its Affiliates and its and their respective directors, officers, employees and agents (collectively, "**Licensee Indemnitees**"), and defend and save each of them harmless, from and against any and all Losses in connection with any and all Third Party Claims arising from or occurring as a result of: (a) the breach by Sanofi of this Agreement or any representations or warranties under this Agreement, or (b) the gross negligence or willful misconduct on the part of any Sanofi Indemnitee; provided that, with respect to any Third Party Claim for which Sanofi has an obligation to any Licensee Indemnitee pursuant to this Section 11.2 and Licensee has an obligation to any Sanofi Indemnitee pursuant to Section 11.1, each Party shall indemnify each of the Sanofi Indemnitees or the Licensee Indemnitees, as applicable, for its Losses to the extent of its responsibility, relative to the other Party.

11.3 Notice of Claim. All indemnification claims in respect of a Sanofi Indemnitee or a Licensee Indemnitee shall be made solely by Sanofi or Licensee, as applicable (each of Sanofi or Licensee in such capacity, the "**Indemnified Party**"). The Indemnified Party shall give the Indemnifying Party prompt written notice (an "**Indemnification Claim Notice**") of any Losses or discovery of fact upon which such Indemnified Party intends to base a request for indemnification under Section 11.1 or Section 11.2, but in no event shall the Indemnifying Party be liable for any Losses that result from any delay in providing such notice. Each Indemnification Claim Notice must contain a description of the claim and the nature and amount of such Loss (to the extent that the nature and amount of such Loss is known at such time). The Indemnified Party shall furnish promptly to the Indemnifying Party copies of all papers and official documents received in respect of any Losses and Third Party Claims.

11.4 Control of Defense.

11.4.1 Control of Defense. At its option, the Indemnifying Party may assume the defense of any Third Party Claim by giving written notice to the Indemnified Party within [*] after the Indemnifying Party's receipt of an Indemnification Claim Notice. The assumption of the defense of a Third Party Claim by the Indemnifying Party shall not be construed as an acknowledgment that the Indemnifying Party is liable to indemnify any Sanofi Indemnitee or Licensee Indemnitee, as applicable, in respect of the Third Party Claim, nor shall it constitute a waiver by the Indemnifying Party of any defenses it may assert against a Sanofi Indemnitee's or a Licensee Indemnitee's, as applicable, claim for indemnification. Upon assuming the defense of a Third Party Claim, the Indemnifying Party may appoint as lead counsel in the defense of the Third Party Claim any legal counsel selected by the Indemnifying

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Party. In the event the Indemnifying Party assumes the defense of a Third Party Claim, the Indemnified Party shall immediately deliver to the Indemnifying Party all original notices and documents (including court papers) received by any Sanofi Indemnitee or Licensee Indemnitee, as applicable, in connection with the Third Party Claim. If the Indemnifying Party assumes the defense of a Third Party Claim, except as provided in Section 11.4.2, the Indemnifying Party shall not be liable to the Indemnified Party for any legal expenses subsequently incurred by such Indemnified Party or any Sanofi Indemnitee or Licensee Indemnitee, as applicable, in connection with the analysis, defense or settlement of such Third Party Claim. In the event that it is ultimately determined that the Indemnifying Party is not obligated to indemnify, defend or hold harmless a Sanofi Indemnitee or Licensee Indemnitee, as applicable, from and against a Third Party Claim, the Indemnified Party shall reimburse the Indemnifying Party for any and all costs and expenses (including attorneys' fees and costs of suit) incurred by the Indemnifying Party in its defense of such Third Party Claim.

11.4.2 Right to Participate in Defense. Without limiting Section 11.4.1, any Indemnified Party shall be entitled to participate in, but not control, the defense of a Third Party Claim and to employ counsel of its choice for such purpose; provided that such employment shall be at the Indemnified Party's own expense unless (a) the employment thereof has been specifically authorized by the Indemnifying Party in writing, (b) the Indemnifying Party has failed to assume the defense and employ counsel in accordance with Section 11.4.1 (in which case the Indemnified Party shall control the defense) or (c) the interests of the Indemnified Party and any Sanofi Indemnitee or Licensee Indemnitee, as applicable, on the one hand, and the Indemnifying Party, on the other hand, with respect to such Third Party Claim are sufficiently adverse to prohibit the representation by the same counsel of all such Persons under Applicable Law, ethical rules or equitable principles.

11.4.3 Settlement. With respect to any Third Party Claims relating solely to the payment of money damages in connection with a Third Party Claim that shall not result in any Sanofi Indemnitee or Licensee Indemnitee, as applicable, becoming subject to injunctive or other relief or otherwise adversely affecting the business of any Sanofi Indemnitee or Licensee Indemnitee, as applicable, in any manner and as to which the Indemnifying Party shall have acknowledged in writing the obligation to indemnify such Sanofi Indemnitee or Licensee Indemnitee, as applicable, hereunder, the Indemnifying Party shall have the sole right to consent to the entry of any judgment, enter into any settlement or otherwise dispose of such Third Party Claim, on such terms as the Indemnifying Party, in its sole discretion, shall deem appropriate. With respect to all other Third Party Claims, where the Indemnifying Party has assumed the defense of the Third Party Claim in accordance with Section 11.4.1, the Indemnifying Party shall have authority to consent to the entry of any judgment, enter into any settlement or otherwise dispose of such Third Party Claim, provided that it obtains the prior written consent of the Indemnified Party (such consent not to be unreasonably conditioned, withheld or delayed). The Indemnifying Party shall not be liable for any settlement or other disposition of a Third Party Claim by a Sanofi Indemnitee or a Licensee Indemnitee that is reached without the prior written consent of the Indemnifying Party. Regardless of whether the Indemnifying Party chooses to defend or prosecute any Third Party Claim, the Indemnified Party shall not, and the Indemnified Party shall ensure that each Sanofi Indemnitee or Licensee Indemnitee, as applicable, does not, admit any liability with respect to or settle, compromise or discharge, any Third Party Claim without the prior written consent of the Indemnifying Party, such consent not to be unreasonably conditioned, withheld or delayed.

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11.4.4 Cooperation. Regardless of whether the Indemnifying Party chooses to defend or prosecute any Third Party Claim, the Indemnified Party shall, and shall cause each Sanofi Indemnitee or Licensee Indemnitee, as applicable, to, cooperate in the defense or prosecution thereof and shall furnish such records, information and testimony, provide such witnesses and attend such conferences, discovery proceedings, hearings, trials and appeals as may be reasonably requested in connection therewith. Such cooperation shall include access during normal business hours afforded to the Indemnifying Party to, and reasonable retention by the Indemnified Party and any Sanofi Indemnitee or Licensee Indemnitee, as applicable, of, records and information that are reasonably relevant to such Third Party Claim, and making all Sanofi Indemnitees or Licensee Indemnitees, as applicable, and other employees and agents available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder; provided that neither Party shall be required to disclose legally privileged information unless and until procedures reasonably acceptable to such Party are in place to protect such privilege, and the Indemnifying Party shall reimburse the Indemnified Party for all its reasonable costs and expenses in connection therewith.

11.4.5 Expenses. Except as provided above, the costs and expenses, including fees and disbursements of counsel, incurred by the Indemnified Party in connection with any Third Party Claim shall be reimbursed on a Calendar Quarter basis by the Indemnifying Party, without prejudice to the Indemnifying Party's right to contest any Sanofi Indemnitee's or Licensee Indemnitee's, as applicable, right to indemnification and subject to refund in the event the Indemnifying Party is ultimately held not to be obligated to indemnify a Sanofi Indemnitee or Licensee Indemnitee, as applicable.

11.5 Limitation on Damages and Liability. EXCEPT WITH RESPECT TO THIRD PARTY CLAIMS UNDER SECTION 11.1 OR SECTION 11.2, OR WITH RESPECT TO A BREACH OF ARTICLE 9, NEITHER PARTY NOR ANY OF THEIR RESPECTIVE AFFILIATES SHALL BE LIABLE FOR SPECIAL, INDIRECT, INCIDENTAL OR CONSEQUENTIAL DAMAGES, OR FOR LOST PROFITS, WHETHER IN CONTRACT, WARRANTY, NEGLIGENCE, TORT, STRICT LIABILITY OR OTHERWISE, ARISING OUT OF (a) THE DEVELOPMENT, MANUFACTURE, USE OR SALE OF THE LICENSED PRODUCTS UNDER THIS AGREEMENT, (b) THE USE OF OR REFERENCE TO THE LICENSED PATENTS, LICENSED KNOW-HOW OR REGULATORY DOCUMENTATION OR (c) ANY BREACH OF OR FAILURE TO PERFORM ANY OF THE PROVISIONS OF THIS AGREEMENT.

11.6 Insurance. Each Party shall procure and maintain insurance, including product liability insurance, with respect to its activities hereunder and which is consistent with normal business practices of prudent companies similarly situated at all times during which any Product is being clinically tested in human subjects or commercially distributed or sold. Each Party shall provide the other Party with evidence of such insurance upon request and shall provide the other Party with written notice at least [*] prior to the cancellation, non-renewal or material changes in such insurance. It is understood that such insurance shall not be construed to create a limit of either Party's liability with respect to its indemnification obligations under this Article 11.

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ARTICLE 12
TERM AND TERMINATION

12.1 Term. This Agreement shall commence on the Effective Date and shall, unless earlier terminated in accordance with this Article 12, continue (a) with respect to each Licensed Product in each country in the Territory, until the expiration of the Royalty Term for such Licensed Product in such country and (b) with respect to this Agreement in its entirety, until the expiration of the Royalty Term for the last Licensed Product for which there has been a First Commercial Sale in the Territory (such period, the "**Term**"). After the expiration of the Term for a particular Licensed Product in a particular country, the license granted to Licensee under this Agreement for such Licensed Product in such country shall become perpetual, irrevocable, fully paid and royalty-free.

12.2 Termination of this Agreement for Material Breach. In the event that either Party materially breaches this Agreement (such Party, the "**Breaching Party**"), in addition to any other right and remedy the other Party (the "**Complaining Party**") may have, the Complaining Party may terminate this Agreement, in its entirety upon [*] prior written notice (the "**Termination Notice Period**") to the Breaching Party, specifying the material breach and its claim of right to terminate, provided that the termination shall not become effective at the end of the Termination Notice Period if the Breaching Party cures the material breach complained of during the Termination Notice Period, except in the case of a payment breach, as to which the Breaching Party shall have only a [*] cure period. In the event the Party receiving such notification of termination in good faith disputes such alleged breach, such termination shall not become effective unless and until such dispute is resolved in favor of the Party providing such notification of termination. For clarity, the Parties regard the Territory under this Agreement to include the following regions: [*] (each, a "**Region**"). To the extent a Party's material breach under this Agreement (such as, in the case of Licensee, the material breach of its diligence obligations) pertains only to one (1) or more of the Regions, then the other Party's right to terminate this Agreement under this Section 12.2 shall only apply to such affected Region(s).

12.3 Termination by Sanofi. In the event that Licensee, its Sublicensees or any of its or their respective Affiliates anywhere in the Territory, institutes, prosecutes or otherwise participates in (or in any way aids any Third Party in instituting, prosecuting or participating in), at law or in equity or before any administrative or regulatory body, including the U.S. Patent and Trademark Office or its foreign counterparts, any claim, demand, action or cause of action for declaratory relief, damages or any other remedy or for an enjoinment, injunction or any other equitable remedy, including any interference, re-examination, opposition or any similar proceeding (collectively, "**Action**"), alleging that any claim in a Licensed Patent is invalid, unenforceable or otherwise not patentable or would not be infringed by Licensee's activities contemplated by this Agreement absent the rights and licenses granted hereunder (except as a defense to any claim made by or on behalf of Sanofi for infringement, either in response to a suit instituted by Sanofi or in a declaratory judgment action), Sanofi may terminate this Agreement, including the rights of any Sublicensees, immediately upon [*]-day written notice to Licensee provided that such termination shall not become effective if Licensee withdraws such Action within such [*]-day period.

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12.4 Termination by Licensee. Licensee shall at any time have the right to terminate this Agreement for any reason or no reason at all by providing Sanofi with [*] day written notice.

12.5 Termination for Bankruptcy or Insolvency. Sanofi may terminate this Agreement upon written notice to Licensee, if, at any time, Licensee(a) files in any court or agency pursuant to any statute or regulation of any state, country or jurisdiction, a petition in bankruptcy or insolvency or for reorganization or for an arrangement or for the appointment of a receiver or trustee of such other Party or of its assets, (b) is served with an involuntary petition against it, filed in any insolvency proceeding that is not dismissed within [*] after the filing thereof, or (c) makes an assignment of the assets associated with this Agreement for the benefit of its creditors.

12.6 Consequences of Termination. In the event of a termination of this Agreement, in whole or in part:

12.6.1 all rights and licenses granted by Sanofi hereunder shall immediately terminate;

12.6.2 Licensee hereby grants Sanofi and its Affiliates, effective as of the date of termination and subject to the terms and conditions set forth below, an exclusive, license, with the right to grant sublicenses (through multiple tiers), under the Licensee Know-How and the Licensee Patents, any other intellectual property rights Controlled by Licensee with respect to Licensed Product as of the effective date of such termination, including without limitation any trademarks used therefor, to Exploit Licensed Product in the Field in the Territory, or as the case may be, in the terminated Region.

12.6.3 to the extent requested in writing by Sanofi, Licensee shall promptly, at no additional cost to Sanofi:

(a) where permitted by Applicable Law, assign to Sanofi all of its right, title and interest in and to, and transfer possession to Sanofi of, all Regulatory Documentation (including, for clarity, Regulatory Approvals) then in its name applicable to Licensed Product in the Territory or terminated Region, as applicable;

(b) notify the applicable Regulatory Authorities and take any other action reasonably necessary to effect the transfer set forth in clause (a) above;

(c) and hereby does effective as of the effective date of termination, grant Sanofi an exclusive license and right of reference, with the right to grant sublicenses and further rights of reference (through multiple tiers), under all Regulatory Documentation (including any Regulatory Approvals) then owned or Controlled by Licensee then in its name that are not assigned to Sanofi pursuant to clause (a) above that are necessary or useful for Sanofi or any of its Affiliates to Exploit Licensed Compound or Licensed Product in the Field in the Territory or Terminated Region and any improvement to any of the foregoing, as such

Regulatory Documentation exists as of the effective date of such termination of this Agreement and Licensee shall continue to maintain such Regulatory Documentation (including any Regulatory Approvals) unless and until Sanofi notifies Licensee that such maintenance is no longer required;

(d) unless expressly prohibited by any Regulatory Authority in the Territory or terminated Region, as applicable, transfer control to Sanofi of all Clinical Studies of Licensed Product being conducted as of the effective date of termination and continue to conduct such Clinical Studies, [*], for up to [*] to enable such transfer to be completed without interruption of any such Clinical Study; provided that (i) Sanofi shall not have any obligation to continue any Clinical Study unless required by Applicable Law and (ii) with respect to each Clinical Study (A) for which such transfer is expressly prohibited by the applicable Regulatory Authority or (B) that is required for Regulatory Approval that Sanofi does not request that Licensee transfer control of such Clinical Study to Sanofi, if any, Licensee shall continue to conduct such Clinical Study to completion, [*];

(e) provide Sanofi with copies of all reports and data generated or obtained by Licensee or any of its Affiliates that relate to Licensed Product that have not previously been provided to Sanofi;

12.6.4 Without limiting Sanofi's rights under other provisions of this Article 12, in the event of any termination pursuant to this Article 12 up until the effective date of such termination, Licensee shall, at the request and expense of Sanofi, provide Sanofi with such assistance as is reasonably necessary to effectuate a smooth and orderly transition of any Development, Manufacture and Commercialization activities with respect to Licensed Product in the Territory or terminated Region, as applicable, to Sanofi or its designee so as to minimize any disruption of such activities. Further, upon Sanofi's request and expense, Licensee shall provide such technical assistance, as may reasonably be requested to transfer all Manufacturing technology that is or had been used by or on behalf of Licensee and its Affiliates in connection with the Manufacture of Licensed Compound or Licensed Product.

12.7 Accrued Rights; Surviving Obligations.

12.7.1 Accrued Rights. Termination or expiration of this Agreement for any reason shall be without prejudice to any rights that shall have accrued to the benefit of a Party prior to such termination or expiration. Such termination or expiration shall not relieve a Party from obligations that are expressly indicated to survive the termination or expiration of this Agreement.

12.7.2 Survival. Without limiting the foregoing, Sections [*] shall survive the termination or expiration of this Agreement for any reason.

ARTICLE 13
MISCELLANEOUS

13.1 Force Majeure. Neither Party shall be held liable or responsible to the other Party or be deemed to have defaulted under or breached this Agreement for failure or delay in fulfilling or performing any term of this Agreement (other than an obligation to make

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payments) when such failure or delay is caused by or results from events beyond the reasonable control of the non-performing Party, including fires, floods, earthquakes, embargoes, shortages, epidemics, quarantines, war, acts of war (whether war be declared or not), terrorist acts, insurrections, riots, civil commotion, strikes, lockouts or other labor disturbances (whether involving the workforce of the non-performing Party or of any other Person), acts of God or acts, omissions or delays in acting by any governmental authority (each, a "**Force Majeure Event**"). The non-performing Party shall notify the other Party of a Force Majeure Event [*] after the occurrence of such Force Majeure Event by giving written notice to the other Party stating the nature of such Force Majeure Event, its anticipated duration, and any action being taken to avoid or minimize its effect. The suspension of performance shall be of no greater scope and no longer duration than is necessary and the non-performing Party shall use commercially reasonable efforts to remedy its inability to perform.

13.2 Export Control. This Agreement is made subject to any restrictions concerning the export of products or technical information from the United States or other countries that may be imposed on or related to the Parties from time to time. Each Party agrees that it will not export, directly or indirectly, any technical information acquired from the other Party under this Agreement or any products using such technical information to a location or in a manner that at the time of export requires an export license or other governmental approval, without first obtaining the written consent to do so from the appropriate agency or other governmental entity in accordance with Applicable Law.

13.3 Assignment. Without the prior written consent of the other Party, neither Party shall sell, transfer, assign, delegate, pledge or otherwise dispose of, whether voluntarily, involuntarily, by operation of law or otherwise, this Agreement or any of its rights or duties hereunder; provided that (a) Sanofi may, without such consent, assign this Agreement and its rights and obligations hereunder to an Affiliate, to the purchaser of the Licensed Patents or Licensed Know-How or to its successor entity or acquirer in the event of a merger, consolidation or change in control of Sanofi and (b) Licensee may, without such consent, assign this Agreement and its rights and obligations hereunder to an Affiliate or to a successor-in-interest in connection with the sale of all or substantially all of its stock or assets to which this Agreement pertains; provided, further, that in either case ((a) or (b)), with respect to an assignment to an Affiliate, such assigning Party shall remain responsible for the performance by such Affiliate of the rights and obligations hereunder. Any attempted assignment or delegation in violation of the preceding sentence shall be void and of no effect. All validly assigned and delegated rights and obligations of the Parties hereunder shall be binding upon and inure to the benefit of and be enforceable by and against the successors and permitted assigns of Sanofi or Licensee, as the case may be. In the event either Party seeks and obtains the other Party's consent to assign or delegate its rights or obligations to another Party, the assignee or transferee shall assume all obligations of its assignor or transferor under this Agreement.

13.4 Severability. To the fullest extent permitted by Applicable Law, the Parties waive any provision of law that would render any provision in this Agreement invalid, illegal, or unenforceable in any respect. If any provision of this Agreement is held to be invalid, illegal, or unenforceable, in any respect, then such provision will be given no effect by the Parties and shall not form part of this Agreement. To the fullest extent permitted by Applicable Law and if the rights or obligations of either Party will not be materially and adversely affected,

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all other provisions of this Agreement shall remain in full force and effect, and the Parties shall use their best efforts to negotiate a provision in replacement of the provision held invalid, illegal, or unenforceable that is consistent with Applicable Law and achieves, as nearly as possible, the original intention of the Parties.

13.5 Dispute Resolution. If a dispute arises between the Parties in connection with the interpretation, validity or performance of this Agreement or any document or instrument delivered in connection herewith (a "**Dispute**"), then either Party shall have the right to refer such dispute to its executive officers for attempted resolution by good faith negotiations during a period of [*]. Any final decision mutually agreed to by the executive officers shall be conclusive and binding on the Parties. If such executive officers are unable to resolve such Dispute within such [*] period, either Party shall be free to institute litigation in accordance with Section 13.6 and seek such remedies as may be available. Notwithstanding anything in this Agreement to the contrary, either Party shall be entitled to institute litigation in accordance with Section 13.6 immediately if litigation is necessary to prevent irreparable harm to that Party.

13.6 Governing Law, Jurisdiction, Venue and Service.

13.6.1 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York, excluding any conflicts or choice of law rule or principle that might otherwise refer construction or interpretation of this Agreement to the substantive law of another jurisdiction. The Parties agree to exclude the application to this Agreement of the United Nations Convention on Contracts for the International Sale of Goods.

13.6.2 Jurisdiction. Subject to Section 13.6 and Section 13.11, the Parties hereby irrevocably and unconditionally consent to the exclusive jurisdiction of the courts of New York City for any action, suit or proceeding (other than appeals therefrom) arising out of or relating to this Agreement, and agree not to commence any action, suit or proceeding (other than appeals therefrom) related thereto except in such courts. The Parties irrevocably and unconditionally waive their right to a jury trial.

13.6.3 Venue. The Parties further hereby irrevocably and unconditionally waive any objection to the laying of venue of any action, suit or proceeding (other than appeals therefrom) arising out of or relating to this Agreement in the courts of New York City, and hereby further irrevocably and unconditionally waive and agree not to plead or claim in any such court that any such action, suit or proceeding brought in any such court has been brought in an inconvenient forum.

13.6.4 Service. Each Party further agrees that service of any process, summons, notice or document by registered mail to its address set forth in Section 13.7.2 shall be effective service of process for any action, suit or proceeding brought against it under this Agreement in any such court.

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13.7 Notices.

13.7.1 Notice Requirements. Any notice, request, demand, waiver, consent, approval or other communication permitted or required under this Agreement shall be in writing, shall refer specifically to this Agreement and shall be deemed given only if delivered by hand or sent by facsimile transmission (with transmission confirmed) or by internationally recognized overnight delivery service that maintains records of delivery, addressed to the Parties at their respective addresses specified in Section 13.7.2 or to such other address as the Party to whom notice is to be given may have provided to the other Party in accordance with this Section 13.7. Such notice shall be deemed to have been given as of the date delivered by hand or transmitted by facsimile (with transmission confirmed) or on the third Business Day (at the place of delivery) after deposit with an internationally recognized overnight delivery service. Any notice delivered by facsimile shall be confirmed by a hard copy delivered as soon as practicable thereafter. This Section 13.7 is not intended to govern the day-to-day business communications necessary between the Parties in performing their obligations under the terms of this Agreement.

13.7.2 Address for Notice.

If to Licensee, to:
Zai Lab Limited
1000 Zhangheng Road, Building 65
Zhangjiang Hi-tech Park, Pudong New Area
Shanghai, China

Attention: [*]
Facsimile: [*]

with a copy to (which shall not constitute notice):

Cooley LLP
3175 Hanover Street
Palo Alto, CA 94303
United States of America
Attention: [*]
Facsimile: [*]

If to Sanofi, to:
Sanofi
54 rue La Boétie
75008 Paris, France

Attention: [*]
Facsimile: [*]

with a copy to (which shall not constitute notice):

Sanofi
54 rue La Boétie
75008 Paris, France

Attention: [*]
Facsimile: [*]

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 406 of the Securities Act of 1933, as amended.

13.8 Entire Agreement; Amendments. This Agreement, together with the Exhibits attached hereto, sets forth and constitutes the entire agreement and understanding between the Parties with respect to the subject matter hereof and all prior agreements, understandings, promises and representations, whether written or oral, with respect thereto are superseded hereby, including that certain confidential disclosure agreement between Sanofi and Licensee dated [*]. Each Party confirms that it is not relying on any representations or warranties of the other Party except as specifically set forth herein. No amendment, modification, release or discharge shall be binding upon the Parties unless in writing and duly executed by authorized representatives of both Parties.

13.9 English Language. This Agreement shall be written and executed in, and all other communications under or in connection with this Agreement shall be in, the English language. Any translation into any other language shall not be an official version thereof, and in the event of any conflict in interpretation between the English version and such translation, the English version shall control.

13.10 Equitable Relief. The Parties acknowledge and agree that the restrictions set forth in Article 9 are reasonable and necessary to protect the legitimate interests of the other Party and that such other Party would not have entered into this Agreement in the absence of such restrictions, and that any breach or threatened breach of any provision of Article 9 may result in irreparable injury to such other Party for which there will be no adequate remedy at law. In the event of a breach or threatened breach of any provision of Article 9, the non-breaching Party shall be authorized and entitled to obtain from any court of competent jurisdiction injunctive relief, whether preliminary or permanent, specific performance and an equitable accounting of all earnings, profits and other benefits arising from such breach, which rights shall be cumulative and in addition to any other rights or remedies to which such non-breaching Party may be entitled in law or equity. Both Parties agree to waive any requirement that the other Party (a) post a bond or other security as a condition for obtaining any such relief and (b) show irreparable harm, balancing of harms, consideration of the public interest or inadequacy of monetary damages as a remedy. Nothing in this Section 13.10 is intended, or should be construed, to limit either Party's right to equitable relief or any other remedy for a breach of any other provision of this Agreement.

13.11 Waiver and Non-Exclusion of Remedies. Any term or condition of this Agreement may be waived at any time by the Party that is entitled to the benefit thereof, but no such waiver shall be effective unless set forth in a written instrument duly executed by or on behalf of the Party waiving such term or condition. The waiver by either Party of any right hereunder or of the failure to perform or of a breach by the other Party shall not be deemed a waiver of any other right hereunder or of any other breach or failure by the other Party whether of a similar nature or otherwise.

13.12 No Benefit to Third Parties. The representations, warranties, covenants and agreements set forth in this Agreement are for the sole benefit of the Parties and their successors and permitted assigns, and they shall not be construed as conferring any rights on any other Persons.

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13.13 Further Assurance. Each Party shall duly execute and deliver, or cause to be duly executed and delivered, such further instruments and do and cause to be done such further acts and things, including the filing of such assignments, agreements, documents and instruments, as may be necessary or as the other Party may reasonably request in connection with this Agreement or to carry out more effectively the provisions and purposes hereof, or to better assure and confirm unto such other Party its rights and remedies under this Agreement.

13.14 Relationship of the Parties. It is expressly agreed that Sanofi, on the one hand, and Licensee, on the other hand, shall be independent contractors and that the relationship between the two Parties shall not constitute a partnership, joint venture or agency. Neither Sanofi, on the one hand, nor Licensee, on the other hand, shall have the authority to make any statements, representations or commitments of any kind, or to take any action, which shall be binding on the other, without the prior written consent of the other Party to do so, such consent not to be unreasonably conditioned, withheld or delayed. All persons employed by a Party shall be employees of such Party and not of the other Party and all costs and obligations incurred by reason of any such employment shall be for the account and expense of such Party.

13.15 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. This Agreement may be executed by facsimile, PDF or other electronic signatures and such signatures shall be deemed to bind each Party as if they were original signatures.

13.16 References. Unless otherwise specified, (a) references in this Agreement to any Article, Section or Exhibit means references to such Article, Section or Exhibit of this Agreement, (b) references in any section to any clause are references to such clause of such section and (c) references to any agreement, instrument or other document in this Agreement refer to such agreement, instrument or other document as originally executed or, if subsequently varied, replaced or supplemented from time to time, as so varied, replaced or supplemented and in effect at the relevant time of reference thereto.

13.17 Construction. Except where the context otherwise requires, wherever used, the singular shall include the plural, the plural the singular, the use of any gender shall be applicable to all genders and the word "or" is used in the inclusive sense (and/or). The captions of this Agreement are for convenience of reference only and in no way define, describe, extend or limit the scope or intent of this Agreement or the intent of any provision contained in this Agreement. The term "including" as used herein means including, without limiting the generality of any description preceding such term. The language of this Agreement shall be deemed to be the language mutually chosen by the Parties and no rule of strict construction shall be applied against either Party.

{SIGNATURE PAGE FOLLOWS.}

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THIS AGREEMENT IS EXECUTED by the authorized representatives of the Parties as of the date first written above.

Sanofi

By: /s/ Constantine CHINOPOROS
Name: Constantine CHINOPOROS
Title: Vice-President, Global Business Development

Zai Lab (Hong Kong) Limited

By: /s/ Samantha Du
Name: Samantha Du
Title: Chairman and CEO

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EXHIBIT A – LICENSED KNOW-HOW

[*] (5 pages omitted)

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 406 of the Securities Act of 1933, as amended.

EXHIBIT B – LICENSED PATENTS

[*] (8 pages omitted)

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EXHIBIT C – MATERIAL SPECIFICATIONS

[*]

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 406 of the Securities Act of 1933, as amended.

EXHIBIT D – DEVELOPMENT PLAN

[*] (4 pages omitted)

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 406 of the Securities Act of 1933, as amended.

EXHIBIT E – Structure of ALK inhibitor SAR 348830

[*]

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Exhibit 10.9

License Agreement

by and between

UCB BIOPHARMA SPRL

and

ZAI LAB (HONG KONG) LIMITED

September 17, 2015

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List of Exhibits

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Exhibit D	UCB Compound Patents
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License Agreement

This License Agreement (this "Agreement"), dated as of September 17, 2015 (the "Effective Date"), is made by and between UCB Biopharma Sprl, a Belgian limited liability company ("UCB") and Zai Lab (Hong Kong) Limited, a corporation organized and existing under the laws of Hong Kong ("ZAI"). UCB and ZAI are each referred to herein individually as a "Party" and collectively as the "Parties."

WHEREAS, UCB owns certain intellectual property rights and know-how with respect to a proprietary compound known as "UCB3000";

WHEREAS, ZAI is a company focused on the development of innovative drug candidates and is desirous of obtaining from UCB certain license rights to develop and commercialize the UCB3000 compound into commercial products; and

WHEREAS, ZAI is willing to develop, manufacture and commercialize product(s) containing UCB3000 and funding all costs associated with all such activities.

NOW, THEREFORE, in consideration of the mutual covenants contained herein, and for other good and valuable consideration, the amount and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

1. Definitions.

The following capitalized terms as used in this Agreement, whether in the singular or plural, will have their respective meanings as set forth below:

1.1 "Affiliate" means with respect to a Party any entity which (directly or indirectly) is controlled by, controls, or is under common control with, such Party. For the purposes of this definition, the terms "control" and "controlled" mean the direct or indirect ownership of more than fifty percent (50%) of the outstanding voting securities of an entity, or such other relationship as results in actual control over the management, assets, business and affairs of such entity.

1.2 "BLA" means a Biologics License Application filed with the FDA (including amendments and supplements thereto) to obtain Regulatory Approval in the U.S., or any corresponding applications or submissions filed with the relevant Regulatory Authorities to obtain Regulatory Approvals in any other country or region in the Territory.

1.3 "Commercialize" or "Commercialization" means any and all activities related to the import, export, marketing, detailing, promotion, distribution and/or sale of a pharmaceutical product in a country or region in the Territory pursuant to and accordance with the Marketing Authorizations for such product in such country or region.

1.4 "Commercially Reasonable Efforts" means that the level of efforts to be expended by a Party under this Agreement with respect to the research, discovery, Development, Manufacture and/or Commercialization of Licensed Compounds and Licensed Products will be consistent with the level of reasonable, diligent, good faith efforts and resources that would normally be used by such Party (whether acting alone or through its Affiliates) for a pharmaceutical product of similar commercial potential at a similar stage in its lifecycle, and taking into account issues of safety and efficacy, product profile, market and profit potential, the patent and other proprietary position of the product, the then current competitive environment for such product, the likely timing of such product's entry into the market, the regulatory environment, and other relevant scientific, technical and commercial factors. Commercially Reasonable Efforts shall be determined on a market-by-market and indication-by-indication basis for a particular Licensed Product, and it is acknowledged and understood that the level of efforts will be different for different markets and will change over time.

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1.5 "Confidential Information" means any and all proprietary and/or confidential data, information or Know-How, of whatever kind and in whatever form or medium, that is disclosed by or on behalf of a Party to the other Party during the Term and in connection with this Agreement, including, without limitation, the UCB Know-How, ZAI Background Know-How, and Development Know-How. For clarity, all Development Know-How and ZAI Background Know-How will be considered Confidential Information of ZAI, all UCB Know-How will be considered Confidential Information of UCB, but during the Term of this Agreement, all UCB Compound Know-How will be considered Confidential Information of both Parties.

1.6 "Control" or "Controlled" means, with respect to any Know-How, Materials, Patent Rights, or other intellectual property, the possession (whether by ownership or license, other than by a license granted pursuant to this Agreement) by a Party of the ability to grant (and/or to ensure that its Affiliates grant) to the other Party the licenses, sublicenses, and/or rights to access and use, such Know-How, Materials, Patent Rights, or other intellectual property, as provided for herein without violating the terms of any agreement or other arrangement with any Third Party in existence as of the time such Party or its Affiliates would be required hereunder to grant such license, sublicense, and/or rights of access and use.

1.7 "Covers" means, with reference to Patent Rights, that the performance of one or more activities related to the Development, Manufacture or Commercialization of a Licensed Compound or Licensed Product (or the use of any Materials in connection therewith) would infringe at least one claim of such Patent Right in the country(ies) in which such activities occur.

1.8 "Develop" or "Development" means to engage in research and development activities intended to research, discover or develop Licensed Compounds and/or to support INDs, BLAs or other Regulatory Approvals for Licensed Products, including, without limitation, (i) development of the applicable active drug substance(s), (ii) toxicology, pre-clinical and clinical drug development activities, (iii) clinical trials (except for Phase IV Studies), (iv) assay/test method development, validation and stability testing, (v) formulation development, (vi) manufacture of pre-clinical, clinical and commercial supplies, and manufacturing process development, scale-up and validation, (vii) quality assurance/quality control, statistical analysis, and regulatory affairs (including without limitation the preparation, submission and maintenance of all INDs and BLAs for the Licensed Products), and (viii) to have any of the activities described in (i)-(vii) performed.

1.9 "Development Costs" means any and all internal and out-of-pocket costs and expenses incurred by or on behalf of ZAI, its Affiliates and/or Sublicensees in connection with the Development of the Licensed Products in the Territory pursuant to this Agreement. For clarity, Development Costs shall include, without limitation, the costs of manufacturing, any pre-clinical studies, Phase I Studies, Phase II Studies, Phase III Studies, Phase IV Studies, and any post-approval studies that are required by Regulatory Authorities as a condition to receiving Regulatory Approval for the Licensed Product.

1.10 "Development Forum" means the joint development forum to be established by the Parties pursuant to Section 4.2.

1.11 "Development IP" means Development Know-How and Development Patents.

1.12 "Development Program" means the program of Development activities to be undertaken by and on behalf of ZAI, its Affiliates and/or Sublicensees to obtain and maintain Regulatory Approvals for one or more Licensed Products in the Territory, all as more fully described on the development plan attached hereto as Exhibit A as amended by the JSC pursuant to Section 3.2(c)(ii) (the "Development Plan"). For clarity, all Development activities related to Licensed Compounds and Licensed Products undertaken by or on behalf of ZAI or any of its Affiliates or Sublicensees will be considered as part of a Development Program.

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1.13 "Development Know-How" means any and all Know-How generated as a result of activities performed pursuant to the Development Program.

1.14 "Development Patents" means any and all Patent Rights filed by or on behalf of ZAI to Cover any Development Know-How.

1.15 "EMA" means the European Medicines Agency and any successor agency thereto.

1.16 "EU" means the organization of member states of the European Union, including as it may be constituted from time to time.

1.17 "[*]" means a [*] comprising [*] or [*], said [*] which has [*].

1.18 "FDA" means the United States Food and Drug Administration and any successor agency thereto.

1.19 "Field" means the treatment, prevention and diagnosis of any and all diseases in humans.

1.20 "First Commercial Sale" means the first sale for use or consumption of any Licensed Product in a country or region in the Territory after a Regulatory Approval, Marketing Authorization and/or Expanded Access/Compassionate Use authorization (as defined by 21 C.F.R. part 312 subpart 1 or any analogous laws or regulations in other countries in the Territory) for the Licensed Product has been obtained in such country or region.

1.21 "Generic Product" means, with respect to a particular Licensed Product being Commercialized in a country or region in the Territory, a pharmaceutical product that (i) contains the same active ingredient(s), or is biosimilar or highly similar to or interchangeable with the Licensed Product, as determined by the relevant Regulatory Authority; and (ii) is being sold in such country or region by a Third Party; provided that such product is not being sold pursuant to a license or sublicense granted by ZAI or any of its Affiliates for such country or region, and/or was not manufactured and supplied to such Third Party by or on behalf of ZAI or its Affiliates for resale in such country or region.

1.22 "IND" means an Investigational New Drug application, Clinical Study Application, Clinical Trial Exemption, or similar application or submission for approval to conduct human clinical investigations filed with or submitted to a Regulatory Authority in conformance with the requirements of such Regulatory Authority.

1.23 "JSC" means the Joint Steering Committee established by the Parties pursuant to Section 3.2(a).

1.24 "Know-How" means any and all proprietary commercial, technical, scientific and other data, information, trade secrets, knowledge, technology, methods, processes, formulae, instructions, techniques, designs, drawings and specifications (including biological, chemical, pharmacological, toxicological, pharmaceutical, physical and analytical, pre-clinical, clinical, safety, manufacturing and quality control data and know-how, including study designs and protocols) that is related to Licensed Compounds, Materials, Licensed Products, [*] and/or the manufacture or use thereof.

1.25 "Lead Party" means the Party having primary responsibility for the Prosecution of a particular Patent Right pursuant to this Agreement.

1.26 "Licensed Compound" means UCB3000, UCB's proprietary antibody against OX40 and having the structure set forth in Exhibit B, and any fragment, conjugate, derivatives or modifications thereof that can compete with UCB3000 for binding to OX40.

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1.27 "Licensed Product" means any pharmaceutical composition or preparation containing, as an active pharmaceutical ingredient, a Licensed Compound. For clarity purposes, multiple formulations that contain the same Licensed Compound will be deemed one single Licensed Product.

1.28 "Made" means, with respect to a specific invention, the conception and reduction to practice (whether constructive or otherwise).

1.29 "Major EU Countries" means France, Germany, Italy, Spain and the United Kingdom.

1.30 "Manufacture" or "Manufacturing" means any and all activities related to the manufacture, formulation and packaging of Licensed Compounds and/or Licensed Products, including, without limitation, related quality control and quality assurance activities. For clarity, the Manufacture of pre-clinical, clinical and commercial supplies and Manufacturing activities related to process development and scale up work will also be considered part of Manufacturing.

1.31 "Marketing Authorization" means, with respect to a country or region in the Territory, all Regulatory Approvals and Pricing Approvals necessary to import, distribute, market and sell a pharmaceutical product in such country or region.

1.32 "Materials" means any tangible chemical or biological research materials that are provided or otherwise made available by one Party to the other Party for use in performance of the Development Program (including, without limitation, samples of DNA, RNA, clones, cells, proteins, tissue samples, animals, together with any components, derivatives or progeny thereof); provided, however, that Materials shall not include any Licensed Compounds or Licensed Products

1.33 "Net Sales" means, with respect to any Licensed Product, all amounts invoiced or otherwise charged for the sale, transfer or other disposition of such Licensed Product by a Party, its Affiliates, or any permitted Sublicensee, less, to the extent actually incurred and attributable to such revenues, the following deductions with respect to such sales to the extent that such amounts are either included in the billing as a line item as part of the gross amount invoiced, or otherwise documented in accordance with IFRS to be specifically attributable to actual sales of such Licensed Product:

(a) discounts (including, without limitation, cash discounts, quantity discounts and patient discount program discounts), retroactive price reductions, charge-back payments and rebates granted to managed health care organizations or to federal, state and local governments, their agencies, and purchasers and reimbursers or to trade customers (a "**Discount**") whether in cash or trade; provided, however, that where any such Discount is based on sales of a bundled set of products in which such Licensed Product is included, the Discount shall be allocated to such Licensed Product on a pro rata basis based on the [*] (*i.e.*, [*]) of the Licensed Product relative to the [*] contributed by the other constituent products in the bundled set, with respect to such sale;

(b) credits or allowances actually granted upon claims, damaged goods, rejections or returns of such Licensed Product, including such Licensed Product returned in connection with recalls or withdrawals;

(c) freight out, postage, shipping and insurance charges for delivery of such Licensed Product to the extent included in the gross invoice amount; and

(d) taxes or duties levied on, absorbed or otherwise imposed on the sale of such Licensed Product, including, without limitation, value-added taxes, or other governmental charges otherwise imposed upon the billed amount, as adjusted for available rebates, credits and refunds, to the extent included in the gross invoiced amount and not paid directly by the Third Party, but not including taxes when assessed on income derived from such sales.

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Net Sales shall not include any payments among a Party, its Affiliates and permitted sublicensees for Licensed Products that are to be resold by them (so long as such resale is included in Net Sales hereunder). If any Licensed Product is sold, transferred or otherwise disposed of for value in an arrangement that is not an arm's-length market transaction with respect to such Licensed Product including, without limitation, where Licensed Products are sold at a discount in exchange for other benefits not captured in the invoiced amounts (whether due to premium pricing on other products sold by a Party, the receipt of bartered goods, a price markdown to distributors or contract sellers to reimburse them or account for marketing, promotion and/or sales costs incurred by such distributors or contract sellers, or other arrangements for additional consideration), and the price of the Licensed Product to be used to calculate Net Sales is less than the price in an average arm's-length market transaction, then "Net Sales" with respect to such transaction shall be based upon the fair market price, as of the date of such sale, transfer or other disposition in an average arm's-length market transaction in such country.

Where a Licensed Product is a Combination Product, or where a Licensed Product is sold together with other pharmaceutical products for a single price, whether sold together in the same package, or merely price bundled (a "**Bundled Product**"), then for the purposes of calculating the Net Sales payable under this Agreement such Licensed Product shall be deemed sold for an amount equal to the following:

(X divided by Y) multiplied by Z

where X is the average sales price during the applicable reporting period generally achieved for such Product in the country in which such sale or other disposal occurred when (as applicable) (a) such Licensed Product contains only a Licensed Compound and no other active compound, or (b) the Licensed Product is sold alone and not as part of a Bundled Product;

Y is the sum of the average sales price during the applicable reporting period generally achieved in that country (as applicable) (a) of each active compound included in the Combination Product when such compound is sold as a separate product and not as part of a Combination Product; or (b) of each product included in the Bundled Product when such product is sold separately for a single price; and

Z equals the single price at which the Combination Product or Bundled Product (as appropriate) represented in Y was actually sold.

1.34 "Patent Rights" means any and all patents and patent applications in the Territory (which for purposes of this Agreement shall include certificates of invention and applications for such certificates), including, without limitation, any divisionals, continuations, continuations-in-part, substitutions, reissues, re-examinations, revalidations, extensions (including, without limitation, U.S. pediatric exclusivity patent extensions), registrations, supplementary protection certificates and renewals of any such patents or patent applications, together with foreign equivalents of any of the foregoing, that Cover any Licensed Compounds, Materials or Licensed Products, and/or the manufacture, formulation or use thereof.

1.35 "Patent Costs" means the documented out-of-pocket costs and expenses incurred for the Prosecution of Patent Rights in the Territory, including without limitation, the reasonable costs of outside patent counsel or agents.

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1.36 "Phase I Study" means a human clinical trial in any country that would satisfy the requirements of 21 C.F.R. 312.21(a) (as amended) (whether or not such trial is for the FDA), but which is not a Phase II Study, Phase III Study or Phase IV Study.

1.37 "Phase II Study" means a human clinical trial in any country that would satisfy the requirements of 21 C.F.R. 312.21(b) (as amended) (whether or not such trial is for the FDA), but which is not a Phase III Study or Phase IV Study.

1.38 "Phase III Study" means a large scale human clinical trial in any country that would satisfy the requirements of 21 C.F.R. 312.21(c) (as amended) (whether or not such trial is for the FDA), but which is not a Phase IV Study.

1.39 "Phase IV Study" means a clinical study or data collection effort for a Licensed Product that is initiated in one or more countries after the receipt of Regulatory Approval in such country(ies) and is principally intended to support the Commercialization of such Licensed Product in such country/countries and not to support or maintain the same or any additional Regulatory Approvals or otherwise obtain any labeling change. Phase IV Studies shall include, without limitation, clinical experience trials, but shall exclude post-approval studies that are required by a Regulatory Authority as a condition to receiving Regulatory Approval.

1.40 "Pricing Approvals" means in those countries in the Territory where Regulatory Authorities approve or determine pricing or pricing reimbursement for pharmaceutical products, such approval or determination.

1.41 "Prosecute" or "Prosecution" means in relation to any Patent Rights, (a) to prepare and file patent applications, including, without limitation, re-examinations or re-issues thereof, and represent applicant(s) or assignee(s) before relevant patent offices or other relevant governmental authorities during examination, re-examination and re-issue thereof, in appeal processes and interferences, or any equivalent proceedings, (b) to defend all such applications against Third Party oppositions, (c) to secure the grant of any Patent Rights arising from such patent application, (d) to maintain in force any issued Patent Right (including, without limitation, through payment of any relevant maintenance fees), and (e) to make all decisions with regard to any of the foregoing activities.

1.42 "Regulatory Approval" means, with respect to a country or region in the Territory, any and all approvals, licenses, registrations or authorizations from the relevant Regulatory Authority necessary in order to import, distribute, market and sell a pharmaceutical product in such country or region, but not including Pricing Approvals.

1.43 "Regulatory Authority" means the FDA, the EMA, and any other analogous government regulatory authority or agency involved in granting approvals (including any required pricing and/or reimbursement approvals) for the Manufacture and/or Commercialization of pharmaceutical products in the Territory.

1.44 "Regulatory Exclusivity Period" means any period of data, market or other regulatory exclusivity (as distinct from and excluding any exclusivity arising under Patent Rights) for a Licensed Product in a country or region in the Territory under applicable laws, rules and regulations in such country or region which prevents any unlicensed Third Party from marketing, promoting or selling a Generic Product in such country or region, including, without limitation, any such exclusivity provided in countries in the EU under national laws and regulations implementation Section 10.1(a)(iii) of Directive 2001/EC/83 or any analogous laws or regulations in other countries in the Territory.

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1.45 "Sublicensee" means a Third Party that is granted a sublicense to Develop, Manufacture and Commercialize the Licensed Compound and/or Licensed Product in one or more countries in the Territory as permitted under Section 2.1(b).

1.46 "Technology Transfer" means delivery by UCB to ZAI of all UCB documentation and technical knowledge specific or otherwise necessary or reasonably useful to the Licensed Compound, including [*]. For purposes of this Agreement, [*] the delivery requirement set forth in the immediately preceding sentence and, [*]. Technology Transfer shall also include the transfer of an initial supply of the Licensed Compound in UCB's possession as of the Effective Date.

1.47 "Technology Transfer Date" means [*] after execution of the Agreement.

1.48 "Territory" means worldwide.

1.49 "Third Party" means any person or entity other than UCB, ZAI and their respective Affiliates.

1.50 "UCB Compound Know-How" means any Know-How that is Controlled by UCB or any of its Affiliates as of the Effective Date related to the Research, Development and/or Commercialization of the Licensed Compound. The UCB Compound Know-How specifically excludes any and all proprietary know-how pertaining to [*] (and [*] and/or [*]).

1.51 "UCB Compound IP" means the UCB Compound Know-How and UCB Compound Patents.

1.52 "UCB Compound Patents" means those Patent Rights listed on Exhibit D (for clarity, including any divisionals, continuations, continuations-in-part, substitutions, reissues, re-examinations, revalidations, extensions (including, without limitation, U.S. pediatric exclusivity patent extensions), registrations, supplementary protection certificates and renewals of such Patent Rights, together with foreign equivalents of any of the foregoing).

1.53 "UCB Format Know-How" means any proprietary Know-How that is Controlled by UCB or any of its Affiliates as of the Effective Date pertaining to the [*].

1.54 "UCB Format IP" means the UCB Format Know-How and UCB Format Patents.

1.55 "UCB Format Patents" means those Patent Rights listed on Exhibit E (for clarity, including any divisionals, continuations, continuations-in-part, substitutions, reissues, re-examinations, revalidations, extensions (including, without limitation, U.S. pediatric exclusivity patent extensions), registrations, supplementary protection certificates and renewals of such Patent Rights, together with foreign equivalents of any of the foregoing).

1.56 "UCB IP" means the UCB Compound IP and UCB Format IP.

1.57 "UCB Know-How" means the UCB Compound Know-How and UCB Format Know-How.

1.58 "UCB Patents" means the UCB Compound Patents and UCB Format Patents.

1.59 "United States" or "U.S." means the United States of America, including its territories and possessions, and the District of Columbia.

1.60 "United States dollars" "U.S. dollars" "USD" or "$" shall all mean United States dollars.

1.61 "Valid Claim" means a [*], and/or a [*] of an issued and unexpired Patent Right which has not been revoked or held invalid or unenforceable by a final decision of a court or other governmental agency of competent jurisdiction with no further possibility of appeal.

1.62 "ZAI Background Know-How" means any and all Know-How that is Controlled by ZAI or any of its Affiliates as of the Effective Date.

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1.63 "ZAI Background IP" means the ZAI Background Know-How and ZAI Background Patents.

1.64 "ZAI Background Patents" means those Patent Rights in the Territory listed on Exhibit F (it being expressly understood that Exhibit E will be filled in at a later time following the Effective Date, as more fully described on Exhibit F).

1.65 "ZAI IP" means the ZAI Background IP and the Development IP.

2. License Grants.

2.1 Licenses by UCB. UCB hereby grants to ZAI (a) an exclusive (even as to UCB) license in the Territory under the UCB Compound IP to Develop, Manufacture and Commercialize Licensed Compounds and Licensed Products in the Field; and (b) a non-exclusive, non-sublicenseable, non-transferable license in the Territory under the UCB Format Know-How as it relates to the more general UCB3000 antibody format and the Manufacturing process and use thereof; and (c) a limited, exclusive, non-sublicenseable, non-transferable license under the UCB Format Patents strictly limited to the Licensed Compounds and Licensed Products (it being expressly understood, however, that UCB is not granting to ZAI exclusive rights under any UCB Format Know-How). For clarity, the foregoing license includes, without limitation, an exclusive license in the Territory under the UCB Compound Patents to make, have made, import, export, use, offer for sale and sell Licensed Products in the Field in the Territory. The exclusive licenses granted to ZAI under this Section 2.1 to the UCB Compound IP shall be sublicenseable by ZAI; provided that any such sublicense is granted in accordance with and complies with the terms of Section 2.1(b). The provisions above and elsewhere herein are intended to permit ZAI to enter into manufacturing agreements with CMO's for the Manufacture of Licensed Compounds and/or Licensed Products, provided that the provisions of any such agreements are consistent with and meet the requirements of this Agreement.

(a) *Retained Rights*. The Parties agree that UCB will retain (i) a non-exclusive, non-sublicenseable, non-transferable, fully paid-up, royalty-free license to access and use the Licensed Compound under the UCB IP in the Territory for UCB's own research purposes, provided that UCB shall not conduct any [*] or any [*] and (ii) all exclusive rights to the UCB Format IP including the rights to further license and sublicense through multiple tiers, except for Licensed Compounds and Licensed Products as mentioned above.

(b) *Sublicensing by ZAI*. To the extent that ZAI sublicenses to its Affiliates or to any Third Party all or any portion of the rights and licenses granted by UCB under this Agreement, ZAI shall remain responsible for ensuring (and liable to UCB with respect to) the performance of and compliance by such Affiliates and/or Third Parties under the terms and conditions of this Agreement. ZAI shall ensure that any such sublicense agreement is consistent with the terms and conditions of this Agreement. In addition, solely with respect to sublicenses granted by ZAI to Third Parties, the following limitations shall apply:

> To the extent such sublicense conveys rights to [*], ZAI shall (1) before granting such sublicense, notify UCB in writing [*], and (2) [*] ZAI shall provide UCB with a copy of the relevant sublicense agreement, which copy may be redacted to remove information not necessary for UCB to conform its consistence with the terms of this Agreement [*].

2.2 No Implied Licenses. Nothing herein shall be construed as creating, granting or otherwise conveying to either Party any license or other right (whether by implication, estoppel or otherwise) other than those license grants and rights that are expressly provided for in this Agreement.

2.3 Non-Competition. During [*], [*] shall not, either by itself or through its Affiliate or any Third Party, develop or commercialize any compound or product [*].

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3. Reporting Obligations and Governance.

3.1 Program Leads. On or as soon as practicable after the Effective Date, each of UCB and ZAI will designate one of its individual employees to serve as that Party's program lead (the "Program Lead") and primary point of contact for matters related to the coordination of activities under this Agreement. The ZAI Program Lead will also serve as chairperson of the JSC with responsibility for generating JSC meeting schedules and agendas and other administrative matters related to the conduct of JSC meetings.

3.2 Joint Steering Committee.

(a) *Membership and Participation*. On or as soon as practicable after the Effective Date, the Parties will establish a Joint Steering Committee, comprised of the two (2) Program Leads, and one (1) additional representative of ZAI (the "JSC"). Each Party may replace any of its representatives on the JSC at any time upon written notice to the other Party. A Party may invite others of its or its Affiliates' employees to attend and participate in relevant portions of meetings of the JSC as necessary to facilitate the sharing of information and discussion of any issues related to the Development Plan and/or performance of the Development Plan, including any development, regulatory or commercial matters pertaining to the Licensed Product. A Party shall notify the other Party's Program Lead in writing if it wishes to invite a Third Party consultant or contractor to attend a JSC meeting. Any such notice shall be provided at least five (5) business days prior to the relevant JSC meeting, shall identify the Third Party consultant or contractor, and shall briefly describe the reasons the requesting Party wishes to include such individual at the meeting. The attendance and participation of any such Third Party consultant or contractor shall be subject to the prior written consent of the other Party (which will not be unreasonably withheld, delayed or conditioned). Any such consent shall be conditioned upon the following: (i) the Third Party consultant or contractor is bound by written obligations of confidentiality and non-use to the requesting Party that are consistent with the provisions of this Agreement; and (ii) the Third Party consultant or contractor enters into a suitable confidentiality and non-use agreement with the consenting Party. The Parties' respective Program Leads will be responsible for ensuring compliance with the foregoing.

(b) *Meetings*. The JSC will meet during the Term at least annually, or as otherwise agreed, at such times as are agreed to by the JSC members. Such meetings may be in-person, via videoconference, or via teleconference; provided that such meetings shall be conducted in person at least once per year during the Term unless otherwise agreed to by the Parties. Meetings of the JSC will be effective only if at least one (1) representative of each Party is present or participating. Each Party will be responsible for all of its own expenses of participating in the JSC meetings. ZAI's Program Lead will be responsible for chairing JSC's meetings. The Parties may elect to maintain minutes of JSC meetings, in which case the Program Leads shall also be responsible for generating and circulating such minutes. The JSC will cease to exist and no further JSC meetings will occur following the expiration of the Term.

(c) *JSC Responsibilities*. The JSC will be responsible during the Term for monitoring, coordinating, facilitating communication of and providing a forum for review of development, regulatory and commercial matters pertaining to the Licensed Product and the performance thereof in accordance with the Development Program. Specific JSC responsibilities shall include the following:

(i) Periodic review of ZAI's efforts and progress under the Development Program;

(ii) Annual review and update of (a) any pre-clinical and clinical development and manufacturing progress of Licensed Products, (b) Net Sales of Licensed Product on a product by product and country by country basis, and (c) any information relating to ZAI's partnering or sublicensing efforts; and

(iii) Serving as a general forum for the Parties to discuss any issues arising with respect to the conduct of the Development Program or matters relating to the Licensed Product, including receiving an update on ZAI's strategic plans and progress of Development and Commercialization of Licensed Products in the Territory.

(d) *Decision-making by the JSC*. Any decisions by the JSC will be made by consensus of all JSC members in attendance at the applicable JSC meeting. If the JSC cannot reach consensus on a matter, then [*]. The Parties acknowledge and agree that the JSC will not have the power or authority to amend or modify any of the terms of this Agreement or to waive any Party's rights or obligations hereunder.

4. Development and Commercialization.

4.1 Licensed Product Development Program.

(a) *Establishment*. ZAI will be solely responsible for designing and performing all aspects of the Development Program in accordance with the Development Plan. ZAI will have sole responsibility for all Development Costs. The primary focus of the Development Program will be to Develop and obtain Regulatory Approvals for one or more Licensed Products. ZAI will have final decision-making authority with respect to the design of the Development Plan and conduct of the Development Program, including, without limitation, decisions with respect to the selection and prioritization of which Licensed Products and which indications to Develop.

4.2 Development Forum. As part of the JSC, the Parties will establish a development forum (the "Development Forum") to communicate ZAI's performance of the Development Program and to facilitate communications and the exchange of information related to the Development and Commercialization of Licensed Products in the Territory. During each such meeting ZAI will provide UCB with an update on its strategic plans and progress of Development and Commercialization of Licensed Products in the Territory. ZAI will also consider in good faith any reasonable requests by UCB for additional information related thereto.

4.3 Regulatory. ZAI will be solely responsible for and control (at its own expense) all regulatory matters related to the Development and Commercialization of Licensed Compounds and/or Licensed Products in the Territory, including, without limitation, taking full responsibility for preparing and filing the relevant applications with the Regulatory Authorities for pre-clinical and clinical studies and for Regulatory Approval.

4.4 Manufacturing. Except for the initial supply of Licensed Compound as part of the Technology Transfer by UCB, ZAI will be solely responsible for and control (at its own expense) all aspects of the Manufacturing and supply of Licensed Products (including, without limitation, the Manufacture and supply of related Licensed Compounds being Developed by ZAI) for Development and Commercialization in the Territory.

4.5 Commercialization. ZAI will be solely responsible for and control all aspects of Commercialization of Licensed Products and will have sole responsibility for all costs arising therefrom.

4.6 Diligence. During the Term of this Agreement, (a) ZAI will use, and will cause each of its Affiliates and any Sublicensees to use, Commercially Reasonable Efforts to Develop, Manufacture, seek Regulatory Approval or Marketing Authorization for, and following Regulatory Approval or Marketing Authorization to Commercialize at least one (1) Licensed Product in the U.S. and E.U. and (b) ZAI covenants and agrees to use its best efforts to file within [*] (the "Initial IND Filing Date") an IND filing. In the event ZAI fails to complete such IND filing by the Initial IND Filing Date, (x) a [*]

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consulting/negotiation period shall immediately commence, during which period representatives of ZAI and UCB shall meet and discuss the reasons for the failure by ZAI to complete the IND filing by the Initial IND Filing Date (it being expressly agreed and understood that the parties shall cooperate in good faith with each other to find a mutually acceptable date to which to extend the Initial IND Filing Date) and (x)(1) in the event that UCB and ZAI are unable to reach agreement on a mutually acceptable extended Initial IND Filing Date or (2) following mutual agreement on an extended Initial IND Filing Date, ZAI then fails to complete the IND Filing by such extended Initial IND Filing Date, then UCB shall have the right to send to ZAI written notice of UCB's intention to terminate this Agreement and, unless ZAI completes such filing within [*] of receipt of such written notice, UCB shall then have the right to terminate this Agreement upon delivery of written notice thereof to ZAI.

4.7 Record Keeping and Reports. ZAI will prepare and maintain, and will cause each of its Affiliates and any Sublicensees to prepare and maintain, appropriate records (in accordance with its standard policies and procedures) regarding the Development and Commercialization of Licensed Compounds and/or Licensed Products. During the Term hereof, ZAI will provide UCB with annual reports setting forth a summary of material events and information related to such Development and Commercialization and a listing of any Regulatory Approvals achieved for Licensed Products in the Territory. Any and all such reports (and all data and information set forth therein) shall be considered ZAI's Confidential Information and shall be subject to the confidentiality and use restrictions under this Agreement. ZAI will also consider in good faith any reasonable requests by UCB for additional information (to the extent available) related thereto.

4.8 Compliance.

(a) *Debarment*. Each Party hereby certifies (on behalf of itself and its Affiliates) that it will not and has not employed or otherwise used in any capacity the services of any person debarred under Title 21 United States Code Section 335a in performing any activities under this Agreement. Each Party shall immediately notify the other Party in writing if any such debarment occurs or comes to its attention, and shall, with respect to any person or entity so debarred, promptly remove such person or entity from performing any activities related to or in connection with the Development Plan or this Agreement.

(b) *FCPA Compliance*. Each Party shall, and shall ensure that its Affiliates and any Third Party contractors shall, comply with the United Stated Foreign Corrupt Practices Act (including as it may be amended)(the "FCPA"), and any analogous laws or regulations existing in any other country or region in the Territory, in connection with its performance under this Agreement. Neither Party will make any payment, either directly or indirectly, of money or other assets, including but not limited to compensation derived from this Agreement, to government or political party officials, officials of international public organizations, candidates for public office, or representatives of other businesses or persons acting on behalf of any of the foregoing, that would constitute violation of any law, rule or regulation.

(c) *Export Control*. This Agreement and the obligations of the Parties hereunder are made subject to, and limited by, all applicable restrictions concerning the export of products or technical information from the United States of America which may be imposed upon or related to ZAI or UCB from time to time by the government of the United States of America. Furthermore, each Party agrees that it will not export, directly or indirectly, any technical information acquired from the other Party under this Agreement or any Products using such technical information to any country for which the United States government or any agency thereof at the time of export requires an export license or other governmental approval, without first obtaining the written consent to do so from the Department of Commerce or other agency of the United States government when required by an applicable statute or regulation.

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5. Payments and Royalties.

5.1 Up-Front Payment. ZAI will pay to UCB a one-time up-front licensee fee payment of Eight Hundred Thousand U.S. dollars ($800,000), payable (a) [*] within [*] business days after the Effective Date and will be non-refundable and (b) [*] within [*] business days after the later of the Technology Transfer Date and the completion of the Technology Transfer (it being expressly understood that completion of the Technology Transfer means [*]) and will be non-refundable.

5.2 Milestone Payments. In addition to the above, ZAI will pay to UCB each of the applicable milestone payments provided for in this Section 5.2 upon the first occurrence of the indicated milestone event. Each such milestone payment will be due and payable to UCB within [*] days after the achievement of the specified milestone event, and will be non-refundable, non-creditable and not subject to set-off (except as expressly set forth herein). The following Development milestone payments will be paid only for the first Licensed Compound or Licensed Product to achieve the indicated milestone event. Following such payment, the subsequent repeated occurrence of the same milestone event by the same or another Licensed Compound or Licensed Product (and irrespective of whether a Licensed Product is Developed or Commercialized in two or more different dosage forms, dosage strengths or formulations) will not under any circumstances trigger any additional milestone payment as a result of such event.

Milestone Event	***Milestone Payment***
[*]	[*]

* If a milestone event described above for any of [*] is not achieved for a Licensed Compound or Licensed Product but one or more of subsequent milestone events described above does occur for the same Licensed Compound or Licensed Product and is achieved, such earlier skipped Milestone Payment will then be due and payable.

5.3 Royalties. ZAI will pay to UCB, on a Licensed Product-by-Licensed Product basis, running royalties on Net Sales of Licensed Products in the Territory at the applicable royalty rates, as set forth in the following table:

Aggregate Total of Annual Net Sales of a Product in the Territory	***Royalty Rate***
With respect to the portion of annual Net Sales less than $[*]	[*]%
With respect to the portion of annual Net Sales equal to or greater than $[*] but less than $[*]	[*]%
With respect to the portion of annual Net Sales equal to or greater than $[*]	[*]%

For clarity, non-limiting examples of sample royalty calculations are set forth in Exhibit G to illustrate how royalties for Licensed Products are to be calculated, it being acknowledged and agreed that the sales numbers used in those examples are not intended to imply or represent any form of forecast or projection of actual sales results that may occur if one or more Products are approved and subsequently Commercialized in the Territory.

(a) *Duration of Royalty Obligations*. ZAI's obligation to pay royalties under Section 5.3 will be in effect during the "Royalty Period" which begins on the date of First Commercial Sale of a Licensed Product in the Territory and shall expire on a Licensed Product-by-Licensed Product and country-by-country basis upon the later of:

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(i) The expiration of the last-to-expire UCB Patent in such country having a Valid Claim that Covers such Licensed Product;

(ii) the expiration of all Regulatory Exclusivity Periods that apply to such Licensed Product in such country; or

(iii) ten (10) years after the First Commercial Sale of such Licensed Product in such country.

(b) *Additional Provisions Regarding Royalties*. For purposes of determining ZAI's royalty payment obligations under Section 5.3, all Licensed Products [*] will be treated as the same Licensed Product; provided, however, that Licensed Products [*] will be considered as different from any Licensed Products [*]. In addition, ZAI's royalty obligations under Section 5.3 will be subject to the following conditions:

(i) Only one royalty will be due and payable with respect to the same unit of Licensed Product;

(ii) Royalties when owed or paid hereunder will be non-refundable and non-creditable and not subject to set-off, except as expressly set forth herein;

(iii) No royalties shall be due upon the sale or transfer of Licensed Product among ZAI and its Affiliates or Sublicensees, but in such cases the royalty shall be due and calculated on ZAI's or its Affiliates or Sublicensee's Net Sales to the first independent Third Party;

(iv) No royalties shall accrue on the disposition of Licensed Product by ZAI or its Affiliates or Sublicensees for use in any Phase I Studies, Phase II Studies, Phase III Studies or Phase IV Studies;

(v) No royalties shall accrue on the distribution of Licensed Product in reasonable quantities by ZAI or its Affiliates or Sublicensees as free samples (whether for promotion or otherwise) or as donations (for example to non-profit institutions or government agencies for non-commercial purposes); and

(vi) Notwithstanding the definition of Licensed Product, in the event that ZAI or its Affiliates sells Licensed Product in other than final finished, packaged form (including without limitation sales of bulk active Licensed Compound) to a Third Party, the royalty obligations of this Section 5.3 shall be applicable to such sales of unfinished Licensed Product in the Territory.

(c) *Reduction of Royalties due to Generic Competition*. The royalty payment due and payable to UCB for Net Sales of a Licensed Product in a country pursuant to Section 5.3 will be reduced, on a Licensed Product-by-Licensed Product and country-by-country basis, by [*] of the amount otherwise due on those Net Sales of such Licensed Product in such country accrued after the launch of a Generic Product during a given calendar year in the event that total unit sales of one or more Generic Product(s) in such country during the same calendar year exceeds [*] of the total unit sales volume for such Product in that country during the same calendar year, as measured by IMS health data (or if such IMS data is not available, another appropriate end user level data base maintained by an independent Third Party). For clarity, the right to reduce royalty payments in any subsequent calendar years shall only apply if unit sales of Generic Product(s) in the relevant country remain at or above the [*] threshold in such subsequent calendar year(s).

(d) *Reduction of Royalties due to Third Party Payment.* If it is necessary for ZAI to obtain a license from a Third Party under any intellectual property rights controlled by such Third Party in a particular country in the Territory in order to use, import or sell a Licensed Product and ZAI obtains such

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a license, ZAI shall have the right to deduct, from the royalty payment that would otherwise have been due pursuant to Section 5.3 with respect to the Net Sales of such Licensed Product in such country in a particular calendar quarter, an amount equal to [*] of the payment made by ZAI to such Third Party pursuant to such license during such calendar quarter; provided, that, in no event shall this Section 5.3(d) operate to reduce the royalty rates by more than [*] of what they otherwise would be without the application of this Section 5.3(d).

(e) *Reduction of Royalties due to Patent Expiration.* The royalty payment due and payable to UCB for Net Sales of a Licensed Product in a country pursuant to Section 5.3 will be reduced, on a Licensed Product-by-Licensed Product and country-by-country basis, by [*] of the amount otherwise due on those Net Sales of such Licensed Product in such country accrued after expiration of the last-to-expire Patents in such country having a Valid Claim that Covers such Licensed Product.

(f) *Reports and Timing of Royalty Payments*. Starting on the date of First Commercial Sale of a Licensed Product in the Territory, ZAI will furnish to UCB a quarterly written report for each subsequent calendar quarter showing the Net Sales of all Licensed Products sold by ZAI, its Affiliates and Sublicensees for which royalties are payable hereunder, and the royalties due UCB on such sales. Each such royalty report shall be due within [*] days after the end of the relevant calendar quarter. The royalty payments due under Section 5.3 for each calendar quarter will be due and payable to UCB on the same date that the royalty report for the calendar quarter is due. Each royalty report shall describe in reasonable detail (based upon the data then available to ZAI) the Net Sales of each Licensed Product (including, without limitation, all deductions specified in the Net Sales definition), as well as the calculation of such Net Sales in the relevant local currency and the calculation of the exchange rate into U.S. dollars, and the calculation of royalty payments due for the relevant calendar quarter. The information contained in each report under this Section 5.3(f) shall be considered Confidential Information of ZAI.

5.4 Sublicense Payments.

(a) In the event that ZAI sublicenses to any Third Party any rights to Develop, Manufacture and/or Commercialize a Licensed Compound and/or Licensed Product in the Field in whole or in part, ZAI shall pay to UCB (x) the Royalties set forth in Section 5.3 above on the amount of annual Net Sales of Product booked by such Third Party and (y) an election of the higher of (1) the Milestone payments set forth above applicable to such sublicense and (2) a percentage of any other revenues received by ZAI from such Third Party as follows, and UCB shall make such election on a sublicense-by-sublicense agreement basis at the time ZAI enters into such sublicense agreement:

(i) With respect to a sublicense granted with respect to a Licensed Product prior to [*], [*]%;

(ii) With respect to a sublicense granted with respect to a Licensed Product prior to [*], [*]%; or

(iii) With respect to a sublicense granted with respect to a Licensed Product after [*], [*]%;

(b) "Sublicense Payments" means all payments received by ZAI from its Third Party sublicensee to the extent attributable to the grant to such Third Party of a sublicense under the license granted by UCB to ZAI under this Agreement, but excluding payment for: [*].

5.5 Payment Terms. This Section 5.5 will apply to all payments to be made by one Party to the other hereunder.

(a) *Manner of Payment*. All payments to be made by one Party to the other Party under this Agreement shall be made in United States dollars and by bank wire transfer in immediately available funds to such bank account as may be designated in writing by such Party from time to time. In the case

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of royalties due on sales of Licensed Product outside the United States, the exchange rate to be used in computing on a monthly basis the applicable royalty due UCB in U.S. dollars shall be made at the monthly rate of exchange utilized by ZAI in its worldwide accounting system, prevailing on the third to the last business day of the month preceding the month in which such sales are recorded.

(b) *Records and Audits*. ZAI will maintain (and will cause its Affiliates and/or Sublicensees to maintain) accurate books and records of accounting to document the sales of Licensed Products and the calculation of royalties payable to UCB in the Territory. For a period of [*] following the end of the relevant calendar year, the relevant books and records will, upon written request by UCB, be made reasonably available for inspection by an internationally recognized firm of independent certified public accountants (to be selected by UCB and reasonably acceptable to ZAI) as reasonably necessary to verify the accuracy of royalty reports for the relevant period. Access to such books and records shall be during normal business hours and upon reasonable prior notice; provided that in no event will any such audits or inspections be conducted more frequently than [*]. The auditors will, upon request, enter into a confidentiality agreement as reasonably requested by ZAI. The auditors will be permitted to disclose to UCB only whether the royalty reports are correct or incorrect, and the details and amounts of any discrepancies. The auditors will also provide to ZAI, upon request, a copy of any audit reports and findings that are provided to UCB as a result of such inspection. If the auditors correctly identify any underpayments or overpayments, the amount of any underpayments will be paid to UCB by ZAI within [*] of notification of the results of such inspection, and any overpayments will be fully creditable against amounts payable to UCB in subsequent periods. UCB will be solely responsible for the costs and expenses of any such audit inspections, except that in the event of an underpayment of aggregate royalties due and payable to UCB for a calendar year of more than [*] of the total amount properly due, ZAI will reimburse UCB for the reasonable documented audit fees expenses charged by the auditors for such audit inspection. For clarity, upon the expiration of [*] following the end of any calendar year, absent willful misconduct or fraud by ZAI or any of its Affiliates or Sublicensees, the calculation of royalties payable to a UCB under this Agreement with respect to such calendar year shall become binding and conclusive upon the Parties and their Affiliates, and ZAI (and its Affiliates and Sublicensees) and UCB and its Affiliates shall be released from any liability or accountability with respect to royalties due or overpayments made under this Agreement for sales of Licensed Products during such calendar year.

(c) *Taxes*. UCB shall be liable for all income and other taxes (including interest) imposed upon any payments made by ZAI to UCB pursuant to this Agreement. If applicable laws, rules or regulations require the withholding of such taxes, ZAI shall make such withholding payments and shall subtract the amount thereof from the payments due UCB. ZAI shall submit to UCB appropriate proof of payment of the withheld taxes as well as the official receipts within a reasonable period of time. ZAI shall, upon request, provide UCB with reasonable assistance in order to assist UCB in seeking the benefit of any present or future tax exemptions and/or treaties against double taxation which may apply to any payments due UCB under this Agreement.

(d) *Interest Due*. If any uncontested amount properly due and payable to a Party under this Agreement is overdue, then the paying Party will also pay interest on the amount unpaid amount accrued at the annual rate USD London Interbank Offered Rate (LIBOR) 3 months plus [*] from the date of payment was due.

6. Ownership of Patents and Know-How/Technology Transfer.

6.1 Generally. The Parties acknowledge that the ownership rights set out in this Article 6 are subject to the terms and conditions of this Agreement (including, without limitation, the license grants and restrictions on licensing that are set forth in Article 2). At the reasonable written request of a Party, the other Party will provide written confirmation of the foregoing.

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6.2 Ownership of Background IP. The Parties acknowledge that as between the Parties: (1) UCB shall retain ownership of and title to the UCB IP; and (2) ZAI shall retain ownership of and title to the ZAI Background IP.

6.3 Ownership of Development IP. [*] shall own all rights, title and interests in or to any Development Patents and Development Know-How. If [*] or any of its Affiliate makes or generates any Development IP, [*] agrees to and hereby does assign to [*] all of its right, title and interest in and to such Development IP, and agrees to take and cause its Affiliate and their employees and agents to take such further actions as reasonably requested by [*] to evidence and perfect its ownership in and to obtain intellectual property protection for the Development IP. Notwithstanding the above or anything else to the contrary in this Agreement, it is expressly agreed and understood that with respect to any Development IP and Development Know-How that is [*], [*] shall [*] such Development IP and Development Know-How [*].

6.4 Disputes Regarding Ownership. In the event of a dispute between the Parties regarding ownership or inventorship of any Patent Rights which the Parties are unable to resolve, the Parties shall agree on a mutually acceptable procedure to resolve such dispute by involving independent Third Party patent counsel (to be jointly selected by the Parties to investigate and resolve such dispute in accordance with United States laws, rules and regulations governing inventorship). The costs of engaging such outside counsel for that purpose shall be [*]. The Parties agree that any disputes within the scope of this Section 6.4 shall be expressly excluded from and are not subject to resolution under the terms of Section 12.1.

6.5 Trademarks. ZAI and/or its Affiliates shall be responsible (at its/their own expense) for and control the selection, registration, maintenance, enforcement and defense of any and all trademarks for the Licensed Products in the Territory. ZAI and/or its Affiliates shall own all rights, title and interest in and to any such trademarks and any related domain names associated with the Licensed Products or which contain the trademarks. During the Term, UCB and its Affiliates shall not use or seek to register any trademarks that are confusingly similar to any of the trademarks properly registered by ZAI or its Affiliates for the Licensed Products.

6.6 Selection of CMO. Notwithstanding anything to the contrary herein, ZAI shall have the right to select one (1) or more CMOs for the Manufacture of Licensed Compounds and/or Products. Prior to any consideration of Technology Transfer to any such CMO(s), ZAI shall disclose the list of CMO(s) with whom it would like to subcontract. ZAI shall only subcontract its Manufacturing to Third Parties [*], provided that [*]. In addition, (i) ZAI shall enter into agreements with its CMO's and subcontractors that contain confidentiality and intellectual property rights terms consistent with those set forth in this Agreement, (ii) no such subcontracting to CMO's or subcontractors shall relieve ZAI of its obligations hereunder, and (iii) ZAI shall provide the right of termination provisions in its agreements with its CMO's and subcontractors to protect UCB's proprietary know-how relating to UCB Format IP.

6.7 Technology Transfer.

(a) On or before the Technology Transfer Date, UCB shall complete the Technology Transfer and transfer to ZAI all UCB Compound documentation existing as of the Effective Date. Until the Technology Transfer Date, UCB shall make reasonably available, at UCB's cost, UCB employees/representatives who are familiar with the Licensed Compound and Licensed Product, including CMC expertise, to provide technical assistance to ZAI in connection with the Technology Transfer or the transfer of the UCB Compound technical knowledge, including ZAI's efforts to establish and qualify a Manufacturing facility for the Licensed Compound or the Licensed Product. It is expressly agreed and understood that such technical assistance shall be limited to [*] and shall not include [*].

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(b) Following the Technology Transfer Date or the utilization of the original [*] of assistance, if ZAI requires any further technical or other assistance from UCB, such assistance will be provided at a charge by UCB to be negotiated and mutually agreed upon by the Parties. In addition, during the Term of this Agreement, upon ZAI's request and to the extent not previously provided to ZAI, UCB shall provide to ZAI with any document and other information, including pre-clinical, clinical, or regulatory data and report, that are Controlled by UCB and identified as import or material or are otherwise necessary to the Development, Manufacture or Commercialization of the Licensed Compound and Licensed Products.

7. Patent Provisions.

7.1 Prosecution of Patent Rights. Except as otherwise expressly set forth herein, during the term of this Agreement, [*] shall be the Lead Party responsible (at its own expense) for and shall control the Prosecution of the [*] Patents in the Territory, and [*] shall be the Lead Party responsible for and shall control the Prosecution of the [*] Patents in the Territory.

(a) *Cooperation Generally*. Each Party shall, upon request, reasonably cooperate with the other Party, as applicable, in the Prosecution of the [*] Patents. Such cooperation will include promptly executing or causing the execution of any and all documents that are reasonably necessary and appropriate to enable the Prosecution of such Patent Rights in the Territory. The Lead Party shall keep the other Party advised of the status of the actual and prospective patent applications and issued patents that are within the scope of the applicable Patent Rights for which it is responsible. The Lead Party shall promptly give notice to other Party of the grant, lapse, revocation, surrender, invalidation or abandonment of any Patent Rights for which it is responsible that Covers a Licensed Compound or Licensed Product being Developed or Commercialized under this Agreement.

(b) *Provisions Specific to [*] Patents*. The Lead Party will provide the other Party a reasonable opportunity to review and comment on any planned patent applications or other substantive communications related to the [*] Patents. The Lead Party will reasonably consider and use good faith efforts to address any reasonable comments timely made by the other Party. [*] will be solely responsible for the reasonable, documented out-of-pocket costs and expenses of Prosecuting the [*] Patents in the Territory. [*] will be solely responsible for the reasonable, documented out-of-pocket costs and expenses of Prosecuting the [*] Patents in the Territory.

(c) *Provisions Specific to [*] Patents.* The Lead Party for the [*] Patents shall select outside patent counsel. The Lead Party will provide the other Party a reasonable opportunity to review and comment on any planned patent applications or other substantive communications related thereto. The Lead Party will reasonably consider and use good faith efforts to address any reasonable comments timely made by the other Party. In the event that the Lead Party elects not to continue the Prosecution of any [*] Patents for which it is responsible (including within any country or region within the Territory), the Lead Party will provide the other Party with notice of this decision at least thirty (30) days prior to any pending lapse or abandonment thereof. [*] shall be solely responsible for the reasonable, documented out-of-pocket costs and expenses with respect to the [*] Patents in all countries in the Territory [*]. However, if [*] Prosecute a given Development Patent in one or more countries in the Territory [*] will thereafter be responsible for the reasonable, documented out-of-pocket costs and expenses of Prosecuting such Development Patent(s) in such country(ies).

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(d) *Reimbursement of Costs*. The Lead Party will, if applicable, be reimbursed by the other Party for the relevant patent costs pursuant to detailed, itemized invoices to be provided by the Lead Party at the end of each calendar quarter. Any such invoices shall be due and payable within [*] days of receipt.

(e) *Patent Term Extensions*. The Parties will consult with one another when considering any patent term extension or supplemental protection certificates or their equivalent for any [*] Patents which Covers one or more Licensed Products being Developed and/or Commercialized pursuant to this Agreement. In the event that any election with respect to patent term extension or supplemental protection certificates or their equivalent for any such Patent Rights is available in a country or region under applicable laws, [*] will make the election (after consultation with [*]) and [*] agrees to abide by such election; provided that such election does not adversely affect any of [*] rights hereunder.

7.2 Enforcement and Defense of Patent Rights.

(a) *Notice*. During the Term, each Party will promptly notify the other Party in writing upon learning of (1) any actual or suspected infringement by a Third Party of any [*] Patents that Cover the Licensed Compounds, Licensed Products and/or the manufacture or use thereof, (2) any claim of invalidity, unenforceability of any such Patent Rights, and/or (3) any misappropriation or unauthorized use by a Third Party of a Party's Know-How. Any such notice shall identify the Third Party in question and contain a brief description (based upon available information) of the relevant actions that are believed to constitute such infringement, misappropriation or unauthorized use or upon which such claims of invalidity or unenforceability are based. Responsibility and control over any actions to defend and/or enforce any such Patent Rights or Know-How under this Agreement shall be allocated between the Parties in accordance with the terms of Section 7.2(b). (The Party responsible for controlling the enforcement or defense of the relevant Patent Rights or Know-How is referred to as the "Acting Party" and the other Party is referred to as the "Supporting Party".)

(b) *Determination of Acting Party*.

(i) *First Right to Enforce*. [*] shall have the first right (but no obligation) to be the Acting Party and to enforce and defend worldwide under its control, at its own expense, the [*] Patents with respect to such infringement. The Acting Party shall have the first right (but no obligation) to undertake and control any legal proceedings or other actions to so enforce and/or defend such Patent Rights worldwide. In such event, the Acting Party will do so at its own expense, and may undertake such proceedings and actions in the name of [*], as appropriate.

(ii) *Backup Right; Control and Cooperation.* The Acting Party shall promptly notify the other Party in writing if it elects not to exercise its first right to undertake and control such actions with respect to, as applicable, the [*] Patents, as provided in Section 7.2(b)(i), in which case the Party receiving the notice shall thereafter be considered the Acting Party and have the right (but no obligation) to undertake and control any such actions at its own expense and in the name of [*], as appropriate. With respect to any legal proceedings or actions initiated under this Section 7.2(b):

(A) If the Acting Party is unable to initiate or prosecute the action solely in its own name, the Supporting Party will, upon request, join the action and/or execute all documents reasonably necessary for the Acting Party to initiate, prosecute and maintain the action;

(B) The Supporting Party shall have the right to consult with the Acting Party to participate in decisions regarding the appropriate course of conduct for such action, and the additional right to join and participate in (but not control) such action at its own cost and expense; and

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(C) The Supporting Party shall have the right to be represented by legal counsel of its own choice and at its own cost and expense in connection with any legal proceedings or other actions undertaken by the Acting Party pursuant to this Section 7.2 to defend or enforce the [*] Patents.

(c) *Cooperation*. The Supporting Party shall, upon request by the Acting Party, reasonably assist and cooperate with the efforts of the Acting Party. The Acting Party shall keep the Supporting Party informed of any developments in the action.

(d) *Settlement*. The Acting Party shall have the right to settle the relevant claim or actions; provided, however, that the Acting Party shall not, without the prior written consent of the Supporting Party, enter into any settlement, consent judgment or other voluntary final disposition of any claim or action that would: (i) subject the Supporting Party or its Affiliates to an injunction or otherwise adversely impact any of the Supporting Party's rights under this Agreement; (ii) impose any financial obligation upon the Supporting Party or its Affiliates; and/or (iii) constitute an admission of guilt or wrongdoing by the Supporting Party or its Affiliates.

(e) *Damages*. Any recovery of damages or other compensation received by the Acting Party in connection with a claim or action involving the Patent Rights for which it is responsible under this Section 7.2 will be first applied towards the reimbursement of the Parties' documented out-of-pocket costs and expenses associated with such claim (including reasonable attorneys' fees, expert witness fees, court costs and other litigation costs and expenses). Any and all remaining amounts will then be allocated between the Parties [*].

7.3 Patent Marking. ZAI will comply, and will cause its Affiliates and Sublicensees to comply, with applicable laws, rules and regulations in governing the marking of pharmaceutical products in the Territory to identify the relevant issued patents.

8. Opt-Back Option.

ZAI hereby grants to UCB a Right of First Negotiation ("ROFN") on the Licensed Product, Licensed Compound and the ZAI IP upon the [*]. UCB shall have a [*] day period following receipt of the [*] to exclusively negotiate with ZAI for the acquisition of all of ZAI's rights thereto (such [*] day period, the "ROFN Period"), which shall include the payment of mutually acceptable upfront, milestone and royalty payments. If the Parties fail to conclude an agreement within the ROFN Period, then ZAI shall have the freedom to negotiate and enter into a proposed transaction with other Third Parties, and UCB's ROFN under this Article 8 shall expire.

9. Confidentiality.

9.1 Confidentiality.

(a) *Confidentiality Obligations*. One Party (the "Disclosing Party") may disclose or otherwise make available to the other Party (the "Receiving Party") certain of the Disclosing Party's Confidential Information for use in connection with this Agreement. During the Term and for [*] years thereafter, the Receiving Party will keep confidential, will not disclose to any Third Party, and shall not use for any purpose other than as expressly permitted hereunder, any Confidential Information of the Disclosing Party. The foregoing obligations shall not apply to the extent that such information:

(i) was known to Receiving Party or any of its Affiliates prior to the time of disclosure (and such prior knowledge can be properly documented);

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(ii) is or becomes public knowledge through no fault or omission of Receiving Party or any of its Affiliates;

(iii) is obtained by the Receiving Party (or its Affiliates) without restrictions of confidentiality from a Third Party under no obligation of confidentiality to the Disclosing Party or its Affiliates;

(iv) is independently developed by employees or agents of Receiving Party (or its Affiliates) without the aid, application or use of the Disclosing Party's Confidential Information (and such independent development can be properly documented); or

(v) is required by applicable law, rule, regulation, act or order of a governmental authority or agency, or a court of competent jurisdiction; provided, that the Receiving Party (1) promptly provides written notice of such requirement to the Disclosing Party so that the Disclosing Party can seek a protective order or other appropriate remedy to preserve the confidentiality of such information, (2) upon request, reasonably cooperates with the Disclosing Party in connection with such efforts, and (3) only discloses the minimum Confidential Information required to be disclosed in order to comply.

Any combination of features or disclosures shall not be deemed to fall within the foregoing exclusions merely because individual features are published or available to the general public or in the rightful possession of the Receiving Party unless the combination itself and principle of operation are published or available to the general public or in the rightful possession of the Receiving Party. In addition, to the extent that any Confidential Information is disclosed pursuant to legal requirement in accordance with Section 9.1(a)(v), it shall remain otherwise subject to the confidentiality and non-use provisions of this Section 9.1.

(b) *Disclosure by ZAI for Regulatory Purposes*. ZAI (and its Affiliates and Sublicensees) shall have the right to include UCB's Confidential Information as reasonably necessary in its INDs, BLAs, or other submissions to Regulatory Authorities in the Territory to obtain or maintain Marketing Authorizations for any Licensed Compounds or Licensed Products under the terms of this Agreement.

(c) *Permitted Disclosure by UCB*. UCB shall have the right to disclose UCB Compound Know-How (which shall be considered both UCB's and ZAI's Confidential Information during the Term of this Agreement) if and to the extent necessary to (i) its Affiliates, and (ii) those Third Party consultants and contractors performing activities in connection with UCB's retained rights hereunder (subject to the exclusion set forth in Section 2.1(a)). Any such disclosure to Affiliates or Third Party contractors shall be pursuant to a written agreement of confidentiality and non-use containing terms at least as restrictive as those set forth in this Agreement. UCB shall remain responsible for and liable hereunder with respect to any breach caused by any of the foregoing.

(d) *Permitted Disclosure by ZAI of UCB Compound Information*. During the Term, ZAI shall have the right to disclose UCB's Confidential Information if and to the extent necessary to those of its Affiliates, Sublicensees and/or Third Party consultants and contractors performing activities in connection with the Development Program, Manufacture (subject to Section 6.6 and Section 9.1(e)) and/or the Commercialization and/or sublicensing of Licensed Compounds and/or Licensed Products under this Agreement. Any such disclosure to Affiliates, sublicensees or Third Party contractors shall be pursuant to a written agreement of confidentiality and non-use containing terms at least as restrictive as those set forth in this Agreement. ZAI shall remain responsible for and liable hereunder with respect to any breach caused by its Affiliates, Sublicensees and/ or Third Party consultants or contractors.

(e) *Permitted Disclosure by ZAI of UCB Format Information*. During the Term, ZAI shall not have the right to disclose UCB's Format Confidential Information to any of its Affiliates, Sublicensees and/or Third Party consultants and contractors without [*] a written agreement of confidentiality and non-use containing terms at least as restrictive as those set forth in this Agreement. ZAI shall remain responsible for and liable hereunder with respect to any breach caused by its Affiliates, Sublicensees and/ or Third Party consultants or contractors.

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(f) *Other Permitted Disclosures*. Each Party shall have the limited right to disclose the other Party's Confidential Information if and solely to the extent reasonably necessary (as reasonably determined based upon the advice of such Party's legal counsel) to be disclosed (1) to Third Parties and their respective legal counsel with whom such Party is negotiating a permitted assignment under Section 12.10, (2) to potential and actual licensees/sublicensees (and their legal counsel) of the license grant in Section 2.1 or 11.6(a)(v) and other collaborators (and their legal counsel), and/or (3) to accredited investors, qualified institutional buyers, and qualified purchasers and their legal counsel (as such terms are defined in the U.S. Securities Act of 1933 and/or the U.S. Securities Exchange Act of 1934, as amended). Prior to making any such disclosure under this Section 9.1(f), such Party shall ensure that the recipient is subject to written obligations of confidentiality and non-use that are no less restrictive than those set forth in this Agreement, and such Party will limit the content and timing of any such disclosure as much as reasonably possibly. Such Party shall remain responsible for and liable hereunder with respect to any breach caused by any of the foregoing.

9.2 Publications. ZAI and UCB each acknowledge the other Party's interest in publishing the results of its research in order to obtain recognition within the scientific community and to advance the state of scientific knowledge. However, each Party also recognizes their mutual interest in obtaining valid patent protection and in protecting business interests and trade secret information. Consequently, in the event that a Party wishes to make a publication (including without limitation abstracts, papers, or verbal public presentations) related to the discovery, Development, Manufacture or Commercialization of Licensed Compounds and/or Licensed Products, it shall first deliver to the other Party a copy of the proposed publication (or an outline in the case of a planned verbal presentation) at least [*] days prior to submission for publication or presentation. The reviewing Party shall have the rights (1) to request modifications to the publication or presentation for patent reasons, trade secret reasons or business reasons and/or (2) to request a reasonable delay in publication or presentation in order to protect patentable information. If the reviewing Party requests modifications to the publication or presentation, the publishing Party shall edit such publication to prevent disclosure of trade secret or proprietary business information identified by the reviewing Party prior to submission of the proposed publication or presentation. If the reviewing Party requests a delay, the publishing Party shall delay submission or presentation for a period of [*] days to enable patent applications protecting each Party's rights in such information to be filed in accordance with Section 7.1. Upon expiration of such [*] days, the publishing Party shall be free to proceed with the publication or presentation, subject to compliance with any requests for modification as provided above. However, UCB agrees that it shall not (and shall ensure that its Affiliates and Third Party contractors do not) publish or otherwise publicly disclose in any publication or presentation of any data or information regarding [*] at any time [*].

9.3 Disclosure of Agreement Terms. Promptly after the Effective Date, the Parties shall issue a joint press release in the form attached hereto as Exhibit H. No other public disclosure of the non-public terms and conditions of this Agreement may be made by either Party, without the prior written consent of the other Party. However, each Party shall have the limited right to disclose the non-public terms and conditions of this Agreement to its Affiliates and/or if and solely to the extent reasonably necessary (as reasonably determined based upon the advice of such Party's legal counsel) to be disclosed (1) to Third Parties and their respective legal counsel with whom such Party is negotiating a permitted assignment under Section 12.10, (2) to potential and actual licensees/sublicensees (and their legal counsel) of the license grant in Section 2.1 or 11.6(a)(v) and other collaborators (and their legal counsel), and/or (3) to accredited investors, qualified institutional buyers, and qualified purchasers and their legal counsel (as such terms are defined in the U.S. Securities Act of 1933 and/or the U.S. Securities Exchange Act of

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1934, as amended.). Prior to making any such disclosure under this Section 9.3, such Party shall ensure that the recipient is subject to written obligations of confidentiality and non-use that are no less restrictive than those set forth in this Agreement, and such Party will limit the content and timing of any such disclosure as much as reasonably possible to avoid and/or minimize the disclosure of competitively sensitive information. However, nothing in this Section 9.3 shall prohibit a Party from making such disclosures if and to the extent reasonably required to comply with applicable federal or state securities laws or any rule or regulation of any nationally recognized securities exchange; provided that in such event, the disclosing Party shall notify and consult with the other Party prior to such required disclosure and shall diligently seek confidential treatment to the fullest extent available.

9.4 Relationship to the Confidentiality Agreement. This Agreement supersedes that certain mutual "Confidentiality Agreement" between the Parties (and/or its Affiliates) dated [*]; provided that all "Confidential Information" (as defined in that agreement) that was disclosed or received by the Parties thereunder will also be deemed to be "Confidential Information" for purposes of this Agreement and will be subject to the terms and conditions of this Agreement.

10. Warranties; Limitations of Liability; Indemnification.

10.1 Representations and Warranties. Each Party hereby represents and warrants to the other Party as of the Effective Date that: (i) it is a corporation or limited liability company duly organized, validly existing, and in good standing under applicable laws; (ii) it has obtained all necessary consents, approvals and authorizations of all governmental authorities and other persons or entities required to be obtained by it in connection with this Agreement; (iii) the execution, delivery and performance of this Agreement have been duly authorized by all necessary corporate action on its part; and (iv) it has the legal right and power to enter into this Agreement, to extend the rights and licenses granted or to be granted to the other in this Agreement, and to fully perform its obligations hereunder.

10.2 Additional Representations and Warranties of UCB. UCB hereby represents and warrants to ZAI as of the Effective Date that, except as otherwise disclosed in writing by UCB on or before the Effective Date: (i) UCB Controls the UCB IP and is entitled to grant the licenses to ZAI specified herein with respect thereto; (ii) UCB has not granted to any Third Party any rights or licenses under the UCB IP that would conflict with the licenses granted to ZAI hereunder; (iii) UCB has disclosed to ZAI all prior art that is material to the patentability of and/or freedom to operate with respect to any existing UCB Patents, in whole or in part; (iv) it has obtained a present written assignment to UCB of all rights to the existing UCB Patents from the inventors named thereof; (v) there are no claims, judgments or settlements against or owed by UCB, and to the best of its knowledge no pending or threatened claims or litigation, relating to the UCB Patents or UCB Know-How or the Licensed Compound; (vi) UCB has not received any written notice from any Third Party asserting or alleging that the development of UCB IP or the Licensed Compound prior to the Effective Date infringed or misappropriated the intellectual property rights of such Third Party; (vii) to UCB's knowledge, the development of UCB IP and the Licensed Compound prior to the Effective Date did not infringe any valid intellectual property rights owned or possessed by any Third Party and did not breach any obligation of confidentiality or non-use owed by such Party to a Third Party; (viii) to UCB's knowledge, UCB does not own any Patents or Know-How, other than UCB IP, that would be necessary for the Development, Manufacture and/or Commercialization of the Licensed Compound or Licensed Product; and (ix) to UCB's knowledge, the use of the UCB IP and the Development of the Licensed Compound and Licensed Product as contemplated by the Parties as of the Effective Date will not infringe or misappropriate the intellectual property rights of any Third Party.

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10.3 Disclaimers. Without limiting the respective rights and obligations of the Parties expressly set forth herein, each Party specifically disclaims any guarantee that any Licensed Products will be successful, in whole or in part. The failure of the Parties to successfully Develop or Commercialize a Licensed Product will not, of itself, constitute a breach of this Agreement. EXCEPT AS OTHERWISE EXPRESSLY PROVIDED IN THIS AGREEMENT, THE PARTIES MAKE NO REPRESENTATIONS AND EXTEND NO WARRANTY OF ANY KIND, EITHER EXPRESS OR IMPLIED, WITH RESPECT TO ANY UCB IP, ZAI BACKGROUND IP, DEVELOPMENT IP, LICENSED COMPOUNDS, MATERIALS, LICENSED PRODUCTS, PATENT RIGHTS OR KNOW-HOW, INCLUDING WARRANTIES OF VALIDITY OR ENFORCEABILITY OF ANY RIGHTS, TITLE, QUALITY, MERCHANTABILITY, FITNESS FOR A PARTICULAR USE OR PURPOSE, PERFORMANCE, AND NONINFRINGEMENT OF ANY THIRD PARTY PATENTS OR OTHER INTELLECTUAL PROPERTY RIGHTS.

10.4 No Consequential Damages. IN NO EVENT WILL EITHER PARTY HAVE ANY CLAIMS AGAINST OR LIABILITY TO THE OTHER PARTY WITH RESPECT TO ANY INDIRECT, PUNITIVE, SPECIAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES (INCLUDING ANY CLAIMS FOR LOST PROFITS OR REVENUES) ARISING UNDER OR IN CONNECTION WITH THIS AGREEMENT UNDER ANY THEORY OF LIABILITY, EVEN IF SUCH PARTY HAS BEEN INFORMED OR SHOULD HAVE KNOWN OF THE POSSIBILITY OF SUCH DAMAGES; PROVIDED THAT THE FOREGOING LIMITATION SHALL NOT APPLY WITH RESPECT TO INDEMNITY FOR THIRD PARTY CLAIMS AS PROVIDED IN SECTION 10.5 OR EITHER PARTY'S BREACH OF CONFIDENTIALITY AND NON-USE OBLIGATIONS HEREUNDER.

10.5 Indemnification.

(a) *Indemnification by ZAI*. ZAI will indemnify, defend and hold harmless UCB, its Affiliates, and their respective directors, officers, employees and agents (collectively, "UCB Indemnitees") from and against any and all claims, demands, judgments, losses, damages, liabilities, costs and expenses (including reasonable attorneys' fees and expenses) (collectively, "Liabilities") arising out of or in connection with any and all Third Party claims relating to: (i) any gross negligence, willful misconduct or breach of this Agreement (including its representations and warranties made under this Agreement) by ZAI or any of its Affiliates or Sublicensees; or (ii) the Development, Manufacture or Commercialization by ZAI or any of its Affiliates or Sublicensees of any Licensed Compounds or Licensed Products, except in each case to the extent such Liabilities result from the gross negligence or willful misconduct of UCB or any of the UCB Indemnitees.

(b) *Indemnification by UCB*. UCB will indemnify, defend and hold harmless ZAI, its Affiliates, and their respective directors, officers, employees and agents (collectively, "ZAI Indemnitees") from and against any and all Liabilities arising out of or in connection with any and all Third Party claims relating to any gross negligence, willful misconduct or breach of this Agreement (including its representations and warranties made under this Agreement) by UCB, except to the extent such Liabilities result from the gross negligence or willful misconduct of ZAI or any of the ZAI Indemnitees.

(c) *Procedures*. In the event that any Party intends to claim indemnification under this Section 10.5 with respect to a Liability, it shall promptly notify the other Party in writing of any such alleged Liability. The indemnifying Party shall have the right to control the defense thereof with counsel of its choice; provided, however, that the indemnified Party shall have the right to retain its own counsel, (with the fees and expenses to be paid by the indemnifying Party), if representation by the counsel retained by the indemnifying Party would be inappropriate due to actual or potential differing interests between the Parties in such proceeding. The affected Indemnitees shall, upon request, cooperate reasonably with the indemnifying Party and its legal representatives in the investigation and defense of any action, claim or liability covered by this Section 10.5. Neither Party may settle any claim or action related to a Liability without the consent of the other Party, if such settlement would (i) impose any

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monetary obligation on the other Party (unless the indemnifying Party agreed to be solely responsible for such monetary obligation), (ii) constitute an admission of guilt or wrong-doing by the other Party, or (iii) require the other Party to submit to an injunction or otherwise limit the other Party's rights under this Agreement. Any payment made by the indemnified Party to settle any such claim or action without the indemnifying Party's consent shall be at indemnified Party's own cost and expense.

10.6 Insurance. Each Party will maintain at its sole cost and expense, an adequate liability insurance or self-insurance program (including product liability insurance) to protect against potential liabilities and risk arising out of activities to be performed under this Agreement and any agreement related hereto and upon such terms (including coverages, deductible limits and self-insured retentions) as are customary in the U.S. pharmaceutical industry for the activities to be conducted by such Party under this Agreement. The coverage limits set forth herein will not create any limitation on a Party's liability to the other under this Agreement.

11. Term and Termination.

11.1 Term. This Agreement will commence as of the Effective Date and, unless sooner terminated in accordance with the terms hereof, will continue in effect until the expiration of ZAI's royalty obligations to UCB under Section 5.3 in all countries in the Territory (the "Term"). However, effective upon the expiration of ZAI's royalty obligations to UCB with respect to a given Licensed Product in a given country in the Territory: (i) the licenses granted to ZAI in Section 2.1 under the UCB IP will become fully paid up, irrevocable, royalty-free and non-exclusive with respect to such Licensed Product in such country; and (ii) ZAI and its Affiliates and Sublicensees shall have the right to continue to Commercialize the relevant Licensed Product in such country without further obligation to UCB.

11.2 Discretionary Termination by ZAI. ZAI shall have the unilateral right to terminate this Agreement (with or without cause) by providing UCB with [*] days' prior written notice to that effect.

11.3 Termination for Breach. Each Party shall have the unilateral right to terminate this Agreement at any time during its Term by providing written notice to that effect if the other Party is in breach of one or more of its material obligations hereunder and has not cured such breach within [*] days after the date of such notice; provided, however, that the period for curing the breach to avoid termination shall only be [*] business days in the case of a breach solely due to failure by a Party to make an uncontested payment when properly due hereunder. In the event of a good faith dispute with respect to the existence of a material breach, the cure period shall be tolled until such time as the dispute is resolved pursuant to Section 12.1.

11.4 Termination Upon Bankruptcy.

(a) *Termination*. Each Party shall have the unilateral right to terminate this Agreement at any time during its Term by providing written notice with immediate effect in the event that: (i) the other Party files in any court or agency pursuant to any statute or regulation of any state, country or jurisdiction, a petition in bankruptcy or insolvency or for reorganization or for an arrangement or for the appointment of a receiver or trustee of that Party or of all or substantially all of its assets, or (ii) if the other Party is served with an involuntary petition against it, filed in any insolvency proceeding, and such petition is not dismissed within [*] days after the filing thereof, or (iii) if the other Party proposes or is a party to any dissolution or liquidation, or (v) if the other Party makes an assignment of all or substantially all of its assets for the benefit of its creditors.

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(b) *Consequences of Bankruptcy*. All rights and licenses granted under or pursuant to this Agreement by ZAI or UCB or their Affiliates are, and will otherwise be deemed to be, for purposes of Section 365(n) of the U.S. Bankruptcy Code, licenses of right to "intellectual property" as defined under Section 101 of the U.S. Bankruptcy Code. The Parties agree that the non-insolvent Party (and its Affiliates and sublicensees) as licensees of such rights under this Agreement, will retain and may fully exercise all of its rights and elections under the U.S. Bankruptcy Code and any foreign counterparts thereto.

11.5 Termination for challenge to the Patents. In the event that either Party or any of its Affiliates or (Sub)licensees, anywhere in the world, institutes, prosecutes or otherwise participates in (or in any way aids any Third Party in instituting, prosecuting or participating in), at law or in equity or before any administrative or regulatory body, including the U.S. Patent and Trademark Office or its foreign counterparts, any claim, demand, action or cause of action for declaratory relief, damages or any other remedy, or for an enjoinment, injunction or any other equitable remedy, including any interference, re-examination, opposition or any similar proceeding but excluding in response to any infringement claims first filed by the other Party, alleging that any claim in any Patent Rights Controlled by the other Party is invalid, unenforceable or otherwise not patentable, such other Party shall have the right to terminate this Agreement, including the rights of any (Sub)licensees, on [*] day written notice to the first Party, unless such first Party withdraws or causes the withdrawal of such proceedings within such [*]-day period.

11.6 Effects of Termination. The rights and obligations of the Parties upon termination of this Agreement shall be governed by the terms and conditions set forth in this Section 11.6 and in Section 11.7.

(a) Mutual Termination, Termination for Convenience, Force Majeure. In the event of termination of this Agreement under Section 11.2 or 12.15, or by the Parties' mutual agreement:

(i) Except as may otherwise be agreed in writing by the Parties, ZAI will be responsible at its own expense for an orderly wind-down, in accordance with accepted pharmaceutical industry norms and ethical practices, of any then on-going clinical studies for which it has responsibility.

(ii) All licenses and rights granted by UCB to ZAI hereunder (including, without limitation, in Section 2.1) will terminate and such licenses and rights shall revert to UCB (except for those that expressly survive any such termination hereunder), and ZAI and its Affiliates and Sublicensees will have no further rights to use any UCB IP. ZAI shall promptly return to UCB (or as directed by UCB destroy and certify to UCB in writing as to such destruction) all of UCB's Confidential Information and any Materials constituting UCB Know-How that are in ZAI's or its Affiliates' or Sublicensees' possession or control.

(iii) [*] the Licensed Compounds and/or Licensed Products that are [*] will be [*].

(iv) ZAI will [*] (it being understood that the foregoing [*] or [*].

(v) ZAI shall [*]. [*] to the extent that [*] and/or [*]. In addition, (1) UCB will [*], which include [*], (2) the provisions of [*] and [*], except that ZAI shall [*], (3) the [*] as set forth in [*] with respect to [*], and (4) UCB will [*] thereto.

(vi) Should ZAI or any of its Affiliates have any remaining inventory of Licensed Compound and/or Licensed Product ZAI will transfer such Licensed Compound or Licensed Product to UCB "AS IS" at a price equal to [*].

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 406 of the Securities Act of 1933, as amended.

(b) Termination pursuant to Diligence Failure or for Material Breach, challenge to the UCB Patents or Bankruptcy of ZAI. In the event of termination of this Agreement by UCB under Section 4.6, 11.3, 11.4 or 11.5:

(i) Except as may otherwise be agreed in writing by the Parties, ZAI will be responsible at its own expense for an orderly wind-down, in accordance with accepted pharmaceutical industry norms and ethical practices, of any then on-going clinical studies for which it has responsibility.

(ii) All licenses and rights granted by UCB to ZAI hereunder (including, without limitation, in Section 2.1) will terminate and such licenses and rights shall revert to UCB (except for those that expressly survive any such termination hereunder), and ZAI and its Affiliates and Sublicensees will have no further rights to use any UCB IP. ZAI shall promptly return to UCB (or as directed by UCB destroy and certify to UCB in writing as to such destruction) all of UCB's Confidential Information and any Materials constituting UCB Know-How that are in ZAI's or its Affiliates' or Sublicensees' possession or control.

(iii) [*] the Licensed Compounds and/or Licensed Products that are [*] will be [*].

(iv) ZAI will [*] (it being understood that the foregoing [*] or [*]).

(v) ZAI shall [*]. [*] to the extent that [*] and/or [*]. In addition, (1) UCB will [*], which include [*], (2) the provisions of [*] and [*], except that ZAI shall [*], (3) the [*] as set forth in [*] with respect to [*], and (4) UCB will [*] thereto.

(vi) Should ZAI or any of its Affiliates have any remaining inventory of Licensed Compound and/or Licensed Product ZAI will transfer such Licensed Compound or Licensed Product to UCB "AS IS" at a price equal to [*].

(c) Termination for Material Breach, Challenges of ZAI Patents or Bankruptcy of UCB. In the event of termination of this Agreement by ZAI under Section 11.3, 11.4 or 11.5:

(i) To the extent permitted under applicable law, the licenses granted by UCB to ZAI under Section 2.1 shall continue in full force and effect on a transferable basis and ZAI's payment obligation under Section 5.2 through 5.5 following the date of such termination shall continue in full force and effect but [*], provided however that in the event of a dispute between the Parties as to whether grounds for termination pursuant to Section 11.3 have arisen, the [*] shall not apply unless and until the dispute is resolved in ZAI's favor in accordance with Section 12.1 and UCB fails to comply with the arbitrator's decision within [*] days following such decision and fails to remedy its breach of this Agreement within such [*] day period, following which the [*] shall apply prospectively in respect of [*].

11.7 Survival. Except as otherwise set forth in Section 6, the following provisions (as well as any other provision which by its terms is clearly intended to survive termination or expiration of this Agreement) will survive termination or expiration of this Agreement: Sections [*]. Termination or expiration of this Agreement will not relieve the Parties of any liability or obligation which accrued hereunder prior to the effective date of such termination or expiration nor preclude either Party from pursuing all rights and remedies it may have hereunder or at law or in equity with respect to any breach of this Agreement nor prejudice either Party's right to obtain performance of any obligation. All other rights and obligations will terminate upon termination or expiration of this Agreement.

11.8 Change of Control.

(a) In the event that a Party is subject to a Change of Control (as defined below) such Party, or its successor in interest shall remain subject to all of the terms and conditions of this Agreement and shall, within thirty (30) days after the occurrence of such event, provide the other Party with a written certification signed on behalf of the affected Party or its successor in interest confirming such Party's (or

its successors) agreement to be bound by and perform its obligations under this Agreement. In the event that the Party undergoing a Change of Control fails to provide such written certification, or if the other Party reasonably determines, based on its assessment of available objective factual considerations, that the affected Party (or its successor in interest) will not be able to perform any of its obligations under this Agreement in accordance with the terms hereof, it shall promptly notify the affected Party in writing to that effect. The Parties shall then promptly meet to negotiate in good faith a mutually acceptable reallocation of responsibilities and/or amendments or other modification of this Agreement to address the relevant obligations of the Party undergoing the Change of Control (or its successor).

(b) As used in this Section 11.8, the term "Change of Control" means, with respect to a Party, the occurrence of any of the following events: (i) the acquisition by any Third Party (or a group of Third Parties acting in concert), whether in a single transaction or a series of transactions, of beneficial ownership of securities of such Party representing more than fifty percent (50%) of the combined voting power of such Party's then outstanding securities entitled to vote generally in the election of directors; (ii) the consummation of a merger or consolidation of such Party with a Third Party, other than a merger or consolidation which would result in such Party's voting securities outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than fifty percent (50%) of the combined voting power of such Party's voting securities or such surviving entity's voting securities outstanding immediately after such merger or consolidation; or (iii) the bona fide sale, lease, transfer, exclusive license or other disposition, whether in a single transaction or series of related transactions, by such Party (or its Affiliates) of all or substantially all the assets of (A) such Party and its subsidiaries taken as a whole or (B) such Party's subsidiaries, except in the case of both (A) and (B) if such sale, lease, transfer, exclusive license or other disposition is to a majority owned (direct or indirect) subsidiary of such Party.

12. General Provisions.

12.1 Dispute Resolution. The Parties shall negotiate in good faith and use reasonable efforts to resolve or settle any dispute, controversy or claim arising from or related to this Agreement or the breach thereof. In the event that such dispute, controversy or claim is not resolved on an informal basis within twenty (20) days, any Party may, by written notice to the other, have such dispute referred to senior executives having decision-making authority on behalf of such Party (but not any member of the JSC or Development Forum), who shall attempt in good faith to resolve such dispute for a thirty (30) day period following receipt of such written notice. If the Parties do not fully settle by the foregoing process, and a Party then wishes to pursue the matter, each such dispute, controversy or claim that is not an Excluded Claim (as defined below) shall be finally resolved by binding arbitration in accordance with the [*] of the [*], and the procedures set forth in Exhibit I, attached hereto. Judgment on the arbitration award may be entered in any court having jurisdiction thereof. As used in this Section 12.1, the term "Excluded Claim" means a dispute, controversy or claim that concerns (i) the validity or infringement of a patent, trademark or copyright; or (ii) any antitrust, anti-monopoly or competition law or regulation, whether or not statutory. For clarity, the foregoing dispute resolution mechanism shall not apply to any decision before the JSC, over which ZAI shall have the final decision making authority pursuant to Section 3.2(d).

12.2 Relationship of Parties. The relationship of the Parties hereto is that of independent contractors. Nothing in this Agreement is intended or will be deemed to constitute a partnership, agency, employer-employee or joint venture relationship between the Parties. No Party will incur any debts or make any commitments for the other, except to the extent, if at all, specifically provided therein. There are no express or implied third party beneficiaries hereunder.

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12.3 Compliance with Law. Each Party will perform or cause to be performed any and all of its obligations or the exercise of any and all of its rights hereunder in good scientific manner and in compliance with all applicable law.

12.4 Governing Law. This Agreement and any dispute regarding the performance or breach hereof will be governed, interpreted and construed in accordance with the laws of the State of New York, without respect to its conflict of laws rules.

12.5 Counterparts; Facsimiles. This Agreement may be executed in two or more counterparts, each of which will be deemed an original, and all of which together will be deemed to be one and the same instrument. The execution and delivery of facsimile or PDF copies of this Agreement by the Parties will constitute a legal, valid and binding execution and delivery of this Agreement.

12.6 Headings. All headings in this Agreement are for convenience only and will not affect the meaning of any provision hereof.

12.7 Waiver of Rule of Construction. Each Party has had the opportunity to consult with counsel in connection with the review, drafting and negotiation of this Agreement. Accordingly, the rule of construction that any ambiguity in this Agreement will be construed against the drafting party will not apply.

12.8 Interpretation. "Herein," "hereby," "hereunder," "hereof" and other equivalent words refer to this Agreement as an entirety and not solely to the particular portion of this Agreement in which any such word is used. References to any Articles or Sections include Articles, Sections and subsections that are part of the related Article or Section (*e.g.*, a section numbered "Section 2.1" would be part of "Article 2", and references to "Section 2.1" would also refer to material contained in the subsection described as "Section 2.1(a)").

12.9 Binding Effect. This Agreement will inure to the benefit of and be binding upon the Parties and their respective lawful successors and assigns.

12.10 Assignment. This Agreement may not be assigned by either Party, nor may either Party delegate its obligations or otherwise transfer licenses or other rights created by this Agreement, except as expressly permitted hereunder or otherwise without the prior written consent of the other Party, which consent will not be unreasonably withheld, delayed or conditioned; provided that, without any requirement for consent, (i) ZAI may assign this Agreement to an Affiliate or to its successor in connection with the merger, consolidation, or sale of all or substantially all of its stock or assets or that portion of its business pertaining to the subject matter of this Agreement, and (ii) UCB may assign this Agreement to an Affiliate or to its successor in connection with the merger, consolidation, or sale of all or substantially all of its stock or assets or that portion of its business pertaining to the subject matter of this Agreement; provided, however, it is expressly understood and agreed that any such assignment shall not relieve ZAI of any of its obligations hereunder.

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12.11 Notices. All notices, requests, demands and other communications required or permitted to be given pursuant to this Agreement will be in writing and will be deemed to have been duly given upon the date of receipt if delivered by hand, recognized international overnight courier, confirmed facsimile transmission, or registered or certified mail, return receipt requested, postage prepaid to the following addresses or facsimile numbers:

If to UCB: UCB Biopharma Sprl
Allée de la Recherche, 60
1070 Brussels, Belgium
Attention: Anna Richo, General Counsel
Facsimile: [*]

If to ZAI: Zai Lab (Hong Kong) Limited
1000 Zhangheng Road, Building 65
Zhangjiang Hi-tech Park, Pudong New Area
Shanghai, China
Attn: Marietta Wu
Facsimile: [*]

With a copy to (which shall not constitute notice):

Cooley LLP
3175 Hanover Street
Palo Alto, CA 94303
USA
Attn: Lila Hope, Esq.
Facsimile: [*]

Either Party may change its designated address and facsimile number by notice to the other Party in the manner provided in this Section 12.11.

12.12 Amendment and Waiver. This Agreement may be amended or modified only by means of a written instrument signed by both Parties. The waiver by either Party hereto of any right hereunder, or of any failure of the other Party to perform, or of any breach by the other Party, shall only be effective if expressly made in writing. Any waiver of any rights or failure to act in a specific instance will relate only to such instance and will not be construed as an agreement to waive any rights or fail to act in any other instance, whether or not similar.

12.13 Severability. In the event that any provision of this Agreement will, for any reason, be held to be invalid or unenforceable in any respect, such invalidity or unenforceability will not affect any other provision hereof, and the Parties will negotiate in good faith to modify this Agreement to preserve (to the extent possible) their original intent.

12.14 Entire Agreement. This Agreement is the sole agreement with respect to the subject matter and supersedes all other agreements and understandings between the Parties with respect to the same subject matter. The Exhibits to this Agreement are expressly incorporated herein by reference and shall be deemed a part of this Agreement.

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12.15 Force Majeure. Failure of any Party to perform its obligations under this Agreement (except the obligation to make payments when properly due) shall not subject such Party to any liability or place them in breach of any term or condition of this Agreement to the other Party to the extent (and only to the extent) that such failure is due to fire, explosion, flood, drought, war, terrorism, riot, sabotage, embargo, strikes or other labor trouble, failure of suppliers, a national health emergency, compliance with any order or regulation of any government entity acting with color of right, or any other cause beyond the reasonable control of such non-performing Party and which is not caused by the negligence, intentional conduct or misconduct of the non-performing Party (each such event or cause referred to as "force majeure"). The Party affected shall promptly notify the other Party of the condition constituting force majeure as defined herein and shall exert reasonable diligent efforts to eliminate, cure or overcome any such event of force majeure and to resume performance of its obligations with all possible speed. If a condition constituting force majeure as defined herein exists for more than ninety (90) consecutive days, the Parties shall meet to negotiate a mutually satisfactory resolution to the problem, if practicable. The foregoing notwithstanding, nothing herein shall require any Party to settle on terms unsatisfactory to such Party any strike, lock-out or other labor difficulty, any investigation or proceeding by any public authority or any litigation by any Third Party.

12.16 Further Actions. Each Party hereby agrees to execute, acknowledge and deliver such further instruments, and to do all other acts, as may be necessary or appropriate in order to carry out the purposes and intent of this Agreement including, without limitation, any filings with any government antitrust agency which may be required.

{Remainder of this Page Intentionally Left Blank}

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IN WITNESS WHEREOF, the Parties have caused this License Agreement to be executed by their respective duly authorized officers as of the Effective Date.

UCB BIOPHARMA SPRL

By: /s/ Mark McDade
(Signature)
Name: Mark McDade
Title: EVP, COO
Date: 17 Sept 2015

ZAI LAB (HONG KONG) LIMITED

By: /s/ Samantha Du
(Signature)
Name: Samantha Du
Title: CEO
Date: Sept 17, 2015

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Exhibit A

Development Plan

[*] (4 pages omitted)

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 406 of the Securities Act of 1933, as amended.

Exhibit B

Structure of UCB3000

[*]

[*] = Certain confidential information contained in this document, marked by brackets, has been omitted and filed separately with the Securities and Exchange Commission pursuant to Rule 406 of the Securities Act of 1933, as amended.

Exhibit C

Technology Transfer

List of Materials:

Materials	Amount
[*]	[*]

Analytical Documentation:

Name	Short Title	Title	Status
[*]	[*]	[*]	[*]

Process/Formulation Development Documentation:

	Document	Reference	Status
[*]	[*]	[*]	[*]

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Exhibit D

UCB Compound Patents as of the Effective Date

[*] (8 pages omitted)

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Exhibit E

UCB Format Patents as of the Effective Date

[*] (6 pages omitted)

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Exhibit F

ZAI Background Patents as of the Effective Date

[*]

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Exhibit G

Sample Royalty Calculations

For the sake of clarity and by way of example, should Net Sales reach the amount of [*] during a calendar year, the applicable rates of Royalties shall be [*]% of the portion of Net Sales that are less than or equal to [*], [*]% on the portion of Net Sales that are comprised between [*] and [*] and [*]% on the portion of Net Sales that are in excess of [*]

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Exhibit H

Press Release

Shanghai, China – 18 September 2015 – Zai Lab Ltd. announced today that it has entered into a worldwide collaboration and license agreement with UCB, a global biopharmaceutical leader (Euronext: UCB), to develop and commercialize a first-in-class monoclonal antibody against OX40 for the potential treatment of autoimmune and other inflammatory diseases. The product is a clinical candidate ready for Investigational New Drug (IND)-enabling studies and expected to enter clinical Phase 1 in 2016.

"We are excited to partner with UCB, a global leader in developing drugs to treat immunological diseases," said Samantha Du, Zai Lab's CEO. "By working together we wish to accelerate the development of new treatments that can potentially cure or slow the progression of devastating autoimmune diseases such as Graft-versus-Host Disease (GvHD) and Inflammatory Bowel Disease (IBD). UCB's commitment and expertise in this field offers the best opportunity to collaboratively develop therapies to treat diseases that affect large patient populations or certain orphan diseases."

Ismail Kola, UCB's Chief Scientific Officer said: "Partnerships accelerate progress. While the knowledge and tools to tackle major health challenges have advanced, so too have their complexity. By bringing together Zai and UCB's world class discovery teams we aim to create value and transform the lives of people with severe diseases."

Under the terms of the agreement, Zai Lab will receive an exclusive, worldwide license to develop and commercialize the product in all indications. Zai Lab will lead all future clinical development, regulatory activities and commercialization. In addition to an upfront payment, UCB will receive potential development, regulatory and sales-based milestone payments and tiered royalties on net sales of the licensed product.

About Zai Lab

ZAI Lab is a leading biotech company based in China focused on discovering and developing innovative medicines for unmet medical needs globally. The company is building a strong portfolio of therapeutic programs aimed at transforming patients' lives. Zai Lab has a world class leadership team with deep experience at global pharmaceutical and biotech organizations. The team has a strong track record of success – successfully taken five novel drug candidates into clinical trials in China, pioneered new regulatory channels, secured regulatory approvals in record times, conducted multiple IND trials in the US, and brought the first China discovered drug into Global Phase III trials. Zai Lab is committed to build a globally leading drug research and development powerhouse with a culture of excellence and teamwork and a strong focus on fostering innovation and creativity. For more information, please visit www.zailaboratory.com

About UCB

UCB, Brussels, Belgium (www.ucb.com) is a global biopharmaceutical company focused on the discovery and development of innovative medicines and solutions to transform the lives of people living with severe diseases of the immune system or of the central nervous system. With more than 8500 people in approximately 40 countries, the company generated revenue of € 3.3 billion in 2014. UCB is listed on Euronext Brussels (symbol: UCB). Follow us on Twitter: @UCB_news

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Exhibit I

Dispute Resolution

Arbitration Proceedings

1. The arbitration shall be conducted by a panel of three (3) persons experienced in the pharmaceutical business. Within thirty (30) days after initiation of an arbitration, each Party shall select one person to act as arbitrator and the two Party-selected arbitrators shall select a third arbitrator within thirty (30) days of their appointment. If the arbitrators selected by the Parties are unable or fail to agree upon the third arbitrator, the third arbitrator shall be appointed by the [*]. The place of arbitration shall be [*], and all proceedings and communications shall be in English.

2. Either Party may apply to the arbitrators for interim injunctive relief until the arbitration award is rendered or the controversy is otherwise resolved. Either Party also may, without waiving any remedy under this Agreement, seek from any court having jurisdiction any injunctive or provisional relief necessary to protect the rights or property of that Party pending the arbitration award. The arbitrators shall have no authority to award any damages excluded by Section 10.4. Each Party shall bear its own costs and expenses and attorneys' fees and an equal share of the arbitrators' fees and any administrative fees of arbitration.

3. Except to the extent necessary to confirm an award or as may be required by law, neither a Party nor an arbitrator may disclose the existence, content, or results of an arbitration without the prior written consent of both Parties. In no event shall an arbitration be initiated after the date when commencement of a legal or equitable proceeding based on the dispute, controversy or claim would be barred by the applicable [*] statute of limitations.

4. The Parties agree that, in the event of a good faith dispute over the nature or quality of performance under this Agreement, neither Party may unilaterally terminate this Agreement until final resolution of the dispute through arbitration or other judicial determination. The Parties further agree that any payments made pursuant to this Agreement pending resolution of the dispute shall be refunded if an arbitrator or court determines that such payments are not due.

5. During the pendency of any arbitration the Parties shall continue to perform their respective obligations under this Agreement. To the extent that such performance involves any matter which is the subject of the dispute, claim or controversy being arbitrated, the Parties shall continue performance of such matter under this Agreement in such a manner as to the fullest extent possible maintain the status quo of the Parties with respect to the disputed matter.

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Exhibit 10.12

INDEMNIFICATION AGREEMENT

This Indemnification Agreement (this "Agreement") is made as of , 201 , by and among Zai Lab Limited, a company organized under the laws of the Cayman Islands (the "Company"), and ("Indemnitee").

RECITALS

The Company and Indemnitee recognize that highly competent persons have become more reluctant to serve corporations as directors or in other capacities unless they are provided with adequate protection through insurance or adequate indemnification against inordinate risks of claims and actions against them arising out of their service to and activities on behalf of the corporation. The Company and Indemnitee further recognize the uncertainties relating to liability insurance for directors and officers, and the substantial increase in corporate litigation in general, subjecting directors and officers to expensive litigation risks. Indemnitee does not regard the current protection available as adequate under the present circumstances, and Indemnitee and agents of the Company may not be willing to serve or continue to serve the Company without additional protection. The Company desires to attract and retain the involvement of highly qualified individuals, such as Indemnitee, and to indemnify its directors and officers so as to provide them with the maximum protection permitted by law.

AGREEMENT

In consideration of the mutual promises made in this Agreement, and for other good and valuable consideration, receipt of which is hereby acknowledged, the Company and Indemnitee hereby agree as follows:

1. **Indemnification.**

(a) **Third Party Proceedings.** To the fullest extent permitted by law, the Company shall indemnify Indemnitee if Indemnitee is or was a party or is threatened to be made a party to any threatened, pending or completed action, suit, arbitration or proceeding or alternative dispute resolution mechanism, whether civil, criminal, administrative or investigative (each, a "Proceeding") (other than an action by or in the right of the Company) by reason of the fact that Indemnitee is or was a director, officer, employee or agent of the Company, or any Related Entity of the Company, or is or was serving at the request of the Company as a director, officer, employee or agent of another corporation, partnership, limited liability company, joint venture, trust or other enterprise, or by reason of any action or inaction on the part of Indemnitee while serving in any such capacity (such reasons, collectively, the "Corporate Status"), against expenses (including attorneys' fees), judgments, fines, penalties and amounts paid in settlement (if such settlement is approved in advance by the Company, which approval shall not be unreasonably withheld) actually and reasonably incurred by Indemnitee in connection with such Proceeding if Indemnitee acted in good faith and in a manner Indemnitee reasonably believed to be in or not opposed to the best interests of the Company, and, with respect to any criminal Proceeding, Indemnitee had no reasonable cause to believe his or her conduct was unlawful. The termination of any Proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that Indemnitee did not act

in good faith and in a manner which Indemnitee reasonably believed to be in or not opposed to the best interests of the Company, or, with respect to any criminal Proceeding, that Indemnitee had reasonable cause to believe that Indemnitee's conduct was unlawful. For purposes of this Agreement, "Related Entity" means any parent, subsidiary and any other corporation, partnership, limited liability company or other business entity in which the Company, its parent or subsidiary holds, or has the right to acquire, a substantial ownership interest in or control over such entity, either directly or indirectly.

(b) **Proceedings By or in the Right of the Company.** To the fullest extent permitted by law, the Company shall indemnify Indemnitee if Indemnitee was or is a party or is threatened to be made a party to any Proceeding by or in the right of the Company or any Related Entity of the Company to procure a judgment in its favor by reason of the fact that Indemnitee is or was a director, officer, employee or agent of the Company, or any Related Entity of the Company, or is or was serving at the request of the Company as a director, officer, employee or agent of another corporation, partnership, limited liability company, joint venture, trust or other enterprise, or by reason of any action or inaction on the part of Indemnitee while serving in any such capacity, against expenses (including attorneys' fees) and, to the fullest extent permitted by law, amounts paid in settlement (if such settlement is approved in advance by the Company, which approval shall not be unreasonably withheld), in each case to the extent actually and reasonably incurred by Indemnitee in connection with the defense or settlement of such Proceeding if Indemnitee acted in good faith and in a manner Indemnitee reasonably believed to be in or not opposed to the best interests of the Company, except that no indemnification shall be made in respect of any claim, issue or matter as to which Indemnitee shall have been finally adjudicated by court order or judgment to be liable to the Company in the performance of Indemnitee's duty to the Company or its shareholders unless and only to the extent that the court in which such Proceeding is or was brought shall determine that, despite the adjudication of liability but in view of all the circumstances of the case, Indemnitee is fairly and reasonably entitled to indemnity for such expenses which such court shall deem proper.

(c) **Mandatory Payment of Expenses.** To the extent that Indemnitee has been successful on the merits or otherwise in defense of any Proceeding referred to in Section 1(a) or Section 1(b) or the defense of any claim, issue or matter therein, Indemnitee shall be indemnified against expenses (including attorneys' fees) actually and reasonably incurred by Indemnitee in connection therewith.

2. **No Employment Rights.** Nothing contained in this Agreement is intended to create in Indemnitee any right to continued employment.

3. **Expenses; Indemnification Procedure.**

(a) **Advancement of Expenses.** The Company shall advance all expenses incurred by Indemnitee in connection with the investigation, defense, settlement or appeal of any Proceeding referred to in Section l(a) or Section 1(b) of this Agreement (including amounts actually paid in settlement of any such Proceeding). Indemnitee hereby undertakes to repay such amounts advanced only if, and to the extent that, it shall ultimately be determined that Indemnitee is not entitled to be indemnified by the Company as authorized hereby.

(b) **Notice/Cooperation by Indemnitee.** Indemnitee shall, as a condition precedent to his or her right to be indemnified under this Agreement, give the Company notice in writing as soon as practicable of any Proceeding against Indemnitee for which indemnification will or could be sought under this Agreement. Notice to the Company shall be directed to the Chief Executive Officer of the Company and shall be given in accordance with the provisions of Section 12(d) below. In addition, Indemnitee shall give the Company such information and cooperation as it may reasonably require and as shall be within Indemnitee's power.

(c) **Procedure.** Any indemnification and advances provided for in Section 1 and this Section 3 shall be made no later than thirty (30) days after the Company's receipt of the written request of Indemnitee. If a claim under this Agreement, under any statute, or under any provision of the Company's Amended and Restated Memorandum and Articles of Association, as may be amended from time to time (the "Restated Memorandum and Articles") providing for indemnification, is not paid in full by the Company within thirty (30) days after a written request for payment thereof has first been received by the Company, Indemnitee may, but need not, at any time thereafter bring an action against the Company to recover the unpaid amount of the claim and, subject to Section 11 of this Agreement, Indemnitee shall also be entitled to be paid for the expenses (including attorneys' fees) of bringing such action. It shall be a defense to any such action (other than an action brought to enforce a claim for expenses incurred in connection with any Proceeding in advance of its final disposition) that Indemnitee has not met the standards of conduct which make it permissible under applicable law for the Company to indemnify Indemnitee for the amount claimed, but the burden of proving such defense shall be on the Company and Indemnitee shall be entitled to receive interim payments of expenses pursuant to Section 3(a) unless and until such defense may be finally adjudicated by court order or judgment from which no further right of appeal exists. It is the parties' intention that if the Company contests Indemnitee's right to indemnification, the question of Indemnitee's right to indemnification shall be for the court to decide, and neither the failure of the Company (including its Board of Directors, any committee or subgroup of the Board of Directors, independent legal counsel, or its shareholders) to have made a determination that indemnification of Indemnitee is proper in the circumstances because Indemnitee has met the applicable standard of conduct required by applicable law, nor an actual determination by the Company (including its Board of Directors, any committee or subgroup of the Board of Directors, independent legal counsel, or its shareholders) that Indemnitee has not met such applicable standard of conduct, shall create a presumption that Indemnitee has or has not met the applicable standard of conduct.

(d) **Notice to Insurers.** If, at the time of the receipt of a notice of a claim pursuant to Section 3(b) hereof, the Company has liability insurance in effect, the Company shall give prompt notice of the commencement of such Proceeding to the insurers in accordance with the procedures set forth in the respective policies. The Company shall thereafter take all necessary or appropriate action to cause such insurers to pay, on behalf of the Indemnitee, all amounts payable as a result of such Proceeding in accordance with the terms of such policies.

(e) **Selection of Counsel.** In the event the Company shall be obligated under Section 3(a) hereof to pay the expenses of any Proceeding against Indemnitee, the Company, if appropriate, shall be entitled to assume the defense of such Proceeding at its own expense, with counsel approved by Indemnitee, upon the delivery to Indemnitee of written notice of its election so to do. After delivery of such notice, approval of such counsel by Indemnitee and the retention

of such counsel by the Company, the Company will not be liable to Indemnitee under this Agreement for any fees of counsel subsequently incurred by Indemnitee with respect to the same Proceeding, provided that (i) Indemnitee shall have the right to employ counsel in any such Proceeding at Indemnitee's expense; and (ii) if (A) the employment of counsel by Indemnitee has been previously authorized by the Company, (B) Indemnitee shall have reasonably concluded that there may be a conflict of interest between the Company and Indemnitee in the conduct of any such defense or (C) the Company shall not, in fact, have employed counsel to assume the defense of such Proceeding, then the fees and expenses of Indemnitee's counsel shall be at the expense of the Company. The Company shall not settle any Proceeding in any manner that would impose any penalty or limitation on the Indemnitee without the Indemnitee's written consent. Neither the Company nor the Indemnitee will unreasonably withhold or delay their consent to any proposed settlement.

4. **Additional Indemnification Rights; Nonexclusivity.**

(a) **Scope.** Notwithstanding any other provision of this Agreement but subject to Section 9 of this Agreement, the Company hereby agrees to indemnify the Indemnitee to the fullest extent permitted by law against all expenses, judgments, fines, penalties and amounts paid in settlement actually and reasonably incurred by him or on his behalf as a result of his Corporate Status, notwithstanding that such indemnification is not specifically authorized by the other provisions of this Agreement, the Company's Restated Memorandum and Articles, or by statute. In the event of any change, after the date of this Agreement, in any applicable law, statute, or rule which expands the right of a Cayman Islands company to indemnify a member of its board of directors or an officer, such changes shall be deemed to be within the purview of Indemnitee's rights and the Company's obligations under this Agreement. In the event of any change in any applicable law, statute or rule which narrows the right of a Cayman Islands company to indemnify a member of its board of directors or an officer, such changes, to the extent not otherwise required by such law, statute or rule to be applied to this Agreement shall have no effect on this Agreement or the parties' rights and obligations hereunder.

(b) **Nonexclusivity.** The indemnification provided by this Agreement shall not be deemed exclusive of any rights to which Indemnitee may be entitled under the Company's Restated Memorandum and Articles, any agreement, any vote of shareholders or disinterested members of the Company's Board of Directors, the Companies Law or other laws of the Cayman Islands, as amended from time to time, or otherwise, both as to action in Indemnitee's official capacity and as to action in another capacity while holding such office. The indemnification provided under this Agreement shall continue as to Indemnitee for any action taken or not taken while serving in an indemnified capacity even though he or she may have ceased to serve in any such capacity at the time of any Proceeding or at the time any liability or expense is incurred for which indemnification can be provided under this Agreement.

5. **Partial Indemnification.** If Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of the expenses, judgments, fines, penalties or amounts paid in settlement actually or reasonably incurred by Indemnitee in the investigation, defense, appeal or settlement of any Proceeding, but not, however, for the total amount thereof, the Company shall nevertheless indemnify Indemnitee for the portion of such expenses, judgments, fines, penalties or amounts paid in settlement to which Indemnitee is entitled.

6. **Mutual Acknowledgment.** Both the Company and Indemnitee acknowledge that in certain instances, U.S. federal law or public policy or the laws of the applicable jurisdiction may prohibit the Company from indemnifying its directors and officers under this Agreement or otherwise (and, in the case of U.S. federal law, override applicable U.S. state law). For example, the Company and Indemnitee acknowledge that the U.S. Securities and Exchange Commission (the "SEC") has taken the position that indemnification is not permissible for liabilities arising under certain U.S. federal securities laws, and U.S. federal legislation prohibits indemnification for certain ERISA violations. Indemnitee understands and acknowledges that the Company has undertaken or may be required in the future to undertake with the SEC to submit the question of indemnification to a court in certain circumstances for a determination of the Company's right under public policy to indemnify Indemnitee.

7. **Liability Insurance.** The Company shall, from time to time, make the good faith determination whether or not it is practicable for the Company to obtain and maintain a policy or policies of insurance with reputable insurance companies providing the directors and officers of the Company with coverage for losses from wrongful acts, or to ensure the Company's performance of its indemnification obligations under this Agreement. Among other considerations, the Company will weigh the costs of obtaining such insurance coverage against the protection afforded by such coverage. In all policies of such liability insurance, Indemnitee shall be named as an insured in such a manner as to provide Indemnitee the same rights and benefits as are accorded to the most favorably insured of the Company's directors, if Indemnitee is a director; or of the Company's officers, if Indemnitee is not a director of the Company but is an officer. Notwithstanding the foregoing, the Company shall have no obligation to obtain or maintain such insurance if the Company determines in good faith that such insurance is not reasonably available, if the premium costs for such insurance are disproportionate to the amount of coverage provided, if the coverage provided by such insurance is limited by exclusions so as to provide an insufficient benefit, or if Indemnitee is covered by similar insurance maintained by a Related Entity of the Company.

8. **Severability.** Nothing in this Agreement is intended to require or shall be construed as requiring the Company to do or fail to do any act in violation of applicable law. The Company's inability, pursuant to court order, to perform its obligations under this Agreement shall not constitute a breach of this Agreement. The provisions of this Agreement shall be severable as provided in this Section 8. If this Agreement or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Company shall nevertheless indemnify Indemnitee to the full extent permitted by any applicable portion of this Agreement that shall not have been invalidated, and the balance of this Agreement not so invalidated shall be enforceable in accordance with its terms.

9. **Exceptions.** Any other provision herein to the contrary notwithstanding, the Company shall not be obligated pursuant to the terms of this Agreement:

(a) **Claims Initiated by Indemnitee.** To indemnify or advance expenses to Indemnitee with respect to Proceedings initiated or brought voluntarily by Indemnitee and not by

way of defense, except with respect to Proceedings brought to establish or enforce a right to indemnification under this Agreement or any other statute or law or otherwise as required under applicable laws, but such indemnification or advancement of expenses may be provided by the Company in specific cases if the Board of Directors finds it to be appropriate;

(b) **Lack of Good Faith.** To indemnify Indemnitee for any expenses incurred by Indemnitee with respect to any Proceeding instituted by Indemnitee to enforce or interpret this Agreement, if a court of competent jurisdiction determines that each of the material assertions made by Indemnitee in such Proceeding was not made in good faith or was frivolous;

(c) **Insured Claims.** To indemnify Indemnitee for expenses or liabilities of any type whatsoever (including, but not limited to, judgments, fines, ERISA excise taxes or penalties, and amounts paid in settlement) to the extent such expenses or liabilities have been paid directly to Indemnitee by an insurance carrier under a policy of officers' and directors' liability insurance maintained by the Company; or

(d) **Claims under Section 16(b).** To indemnify Indemnitee for expenses or the payment of profits arising from the purchase and sale by Indemnitee of securities in violation of Section 16(b) of the U.S. Securities Exchange Act of 1934, as amended, or any similar successor statute.

10. **Construction of Certain Phrases.**

(a) For purposes of this Agreement, references to the "Company" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, employees or agents, so that if Indemnitee is or was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, limited liability company, joint venture, trust or other enterprise, Indemnitee shall stand in the same position under the provisions of this Agreement with respect to the resulting or surviving corporation as Indemnitee would have with respect to such constituent corporation if its separate existence had continued.

(b) For purposes of this Agreement, references to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on Indemnitee with respect to an employee benefit plan; and references to "serving at the request of the Company" shall include any service as a director, officer, employee or agent of the Company which imposes duties on, or involves services by, such director, officer, employee or agent with respect to an employee benefit plan, its participants, or beneficiaries; and if Indemnitee acted in good faith and in a manner Indemnitee reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan, Indemnitee shall be deemed to have acted in a manner "not opposed to the best interests of the Company" as referred to in this Agreement; references to the "expenses" shall include, without limitation, attorneys' fees, retainers, court costs, transcript costs, fees and expenses of experts, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees and other disbursements or expenses of the types customarily incurred in connection with prosecuting,

defending, preparing to prosecute or defend, investigating, participating, or being or preparing to be a witness in a Proceeding, or responding to, or objecting to, a request to provide discovery in any Proceeding, and shall also include expenses incurred in connection with any appeal resulting from any Proceeding and any federal, state, local or foreign taxes imposed on Indemnitee as a result of the actual or deemed receipt of any payments under this Agreement, including without limitation the premium, security for, and other costs relating to any cost bond, supersede as bond or other appeal bond or its equivalent, but shall not include the amount of judgments, fines or penalties against Indemnitee or amounts paid in settlement in connection with such matters.

11. **Attorneys' Fees.** In the event that any action is instituted by Indemnitee under this Agreement to enforce or interpret any of the terms hereof, Indemnitee shall be entitled to be paid all court costs and expenses, including reasonable attorneys' fees, incurred by Indemnitee with respect to such action, unless as a part of such action, the court of competent jurisdiction determines that each of the material assertions made by Indemnitee as a basis for such action were not made in good faith or were frivolous. In the event of an action instituted by or in the name of the Company under this Agreement or to enforce or interpret any of the terms of this Agreement, Indemnitee shall be entitled to be paid all court costs and expenses, including attorneys' fees, incurred by Indemnitee in defense of such action (including with respect to Indemnitee's counterclaims and cross-claims made in such action), unless as a part of such action the court determines that each of Indemnitee's material defenses to such action were made in bad faith or were frivolous.

12. **Miscellaneous.**

(a) **Governing Law.** This Agreement and all acts and transactions pursuant hereto and the rights and obligations of the parties hereto shall be governed, construed and interpreted in accordance with the laws of the Cayman Islands, without giving effect to principles of conflicts of law.

(b) **Entire Agreement; Enforcement of Rights.** This Agreement sets forth the entire agreement and understanding of the parties relating to the subject matter herein and merges all prior discussions between them. No modification of or amendment to this Agreement, nor any waiver of any rights under this Agreement, shall be effective unless in writing signed by the parties to this Agreement. The failure by either party to enforce any rights under this Agreement shall not be construed as a waiver of any rights of such party.

(c) **Construction.** This Agreement is the result of negotiations between and has been reviewed by each of the parties hereto and their respective counsel, if any; accordingly, this Agreement shall be deemed to be the product of all of the parties hereto, and no ambiguity shall be construed in favor of or against any one of the parties hereto.

(d) **Notices.** Any notice, demand or request required or permitted to be given under this Agreement shall be in writing and shall be deemed sufficient when delivered personally or sent by fax or 48 hours after being sent by nationally-recognized courier or deposited in the mail (or the postal service of the applicable jurisdiction), as certified or registered mail, with postage prepaid, and addressed to the party to be notified at such party's address or fax number as set forth below or as subsequently modified by written notice.

(e) **Counterparts.** This Agreement may be executed in two or more counterparts, each of which shall be deemed an original and all of which together shall constitute one instrument. Either party may execute this Agreement by facsimile or scanned signature, and the other party will be entitled to rely on such facsimile or scanned signature as conclusive evidence that this Agreement has been duly executed by such party.

(f) **Successors and Assigns.** This Agreement shall be binding upon the Company and its successors and assigns, and inure to the benefit of Indemnitee and Indemnitee's heirs, legal representatives and assigns.

(g) **Subrogation.** Except as provided under Section 1(d), in the event of payment to Indemnitee by the Company under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all documents required and shall do all acts that may be necessary to secure such rights and to enable the Company to effectively bring suit to enforce such rights.

[Signature Pages Follow]

The parties have executed this Indemnification Agreement as of the date first set forth above.

THE COMPANY:

Zai Lab Limited

By: _____
Name:
Title:

Address:

Facsimile:

E-mail Address:

[Signature Page to Indemnification Agreement]

The parties have executed this Indemnification Agreement as of the date first set forth above.

THE INDEMNITEE:

Name:

Address:

Facsimile:

E-mail Address:

Exhibit 21.1

Subsidiaries

Name of Subsidiary	Jurisdiction of Incorporation or Organization
Zai Lab (Hong Kong) Limited (再創醫藥(香港)有限公司)	Hong Kong
Zai Lab (Aust) Pty Ltd	Australia
Zai Lab (US) LLC	Delaware, United States
ZLIP Holding Limited	Cayman Islands
ZL Capital Limited	British Virgin Islands
ZL China Holding Two Limited	Hong Kong
Zai Lab (Shanghai) Co., Ltd. (再鼎医药（上海）有限公司)	People's Republic of China
Zai Lab (Suzhou) Co., Ltd. (再鼎医药（苏州）有限公司)	People's Republic of China
Zai Biopharmaceutical (Suzhou) Co. Limited (再创生物医药（苏州）有限公司)	People's Republic of China

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the use in this Registration Statement on Form F-1 of our report dated May 30, 2017 relating to the consolidated financial statements and financial statement schedule of Zai Lab Limited and its subsidiaries, appearing in the Prospectus, which is part of this Registration Statement.

We also consent to the reference to us under the heading “Experts” in such Prospectus.

/s/ Deloitte Touche Tohmatsu Certified Public Accountants LLP

Shanghai, China

August 15, 2017

中倫律師事務所
ZHONG LUN LAW FIRM
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电话/Tel：(8621) 6061 3666　传真/Fax：(8621) 6061 3555
网址：www.zhonglun.com

LEGAL OPINION

To: Zai Lab Limited
4560 Jinke Road
Bldg. 1, 4F, Pudong, Shanghai
People's Republic of China

August 15, 2017

Dear Sir/Madam:

1. We are lawyers qualified in the People's Republic of China (the "PRC") and are qualified to issue opinions on the PRC Laws (as defined in Section 4). For the purpose of this legal opinion (this "Opinion"), the PRC does not include the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan.

2. We act as the PRC counsel to Zai Lab Limited (the "Company"), a company incorporated under the laws of the Cayman Islands, in connection with (a) the proposed initial public offering (the "Offering") by the Company of American Depositary Shares ("ADSs"), representing certain ordinary shares of par value US$0.00001 per share of the Company (the "Offered Securities"), in accordance with the Company's registration statement on Form F-1, including all amendments or supplements thereto (the "Registration Statement"), filed by the Company with the U.S. Securities and Exchange Commission (the "SEC") under the U.S. Securities Act of 1933, as amended, and (b) the Company's proposed listing of the Offered Securities on the Nasdaq Stock Market.

3. In so acting, we have examined the Registration Statement, the originals or copies certified or otherwise identified to our satisfaction of documents provided to us by the Company and such other documents, corporate records, certificates, approvals and other instruments as we have deemed necessary for the purpose of rendering this opinion, including, without limitation, originals or copies of the agreements and certificates issued by PRC authorities and officers of the Company ("Documents"). In such examination, we have assumed the accuracy of the factual matters described in the Registration Statement and that the Registration Statement and other documents will be executed by the parties in the forms provided to and reviewed by us. We have also assumed the genuineness of all signatures, seals and chops, the authenticity of all documents submitted to us as originals, and the conformity with the originals of all documents submitted to

us as copies, and the truthfulness, accuracy and completeness of all relevant factual statements in the documents.

4. The following terms as used in this Opinion are defined as follows:

"PRC Subsidiaries"	mean Zai Lab (Shanghai) Co., Ltd., Zai Lab (Suzhou) Co., Ltd. and Zai Biopharmaceutical (Suzhou) Co. Limited.
"PRC Laws"	means any and all laws, regulations, statutes, rules, decrees, notices, and supreme court's judicial interpretations currently in force and publicly available in the PRC as of the date hereof.
"Prospectus"	means the prospectus, including all amendments or supplements thereto, that forms part of the Registration Statement.

Capitalized terms used herein and not otherwise defined herein shall have the same meanings described in the Registration Statement.

5. Based upon and subject to the foregoing, we are of the opinion that:

(1) *Corporate Structure.* The ownership structure of the PRC Subsidiaries is in compliance, and immediately after this Offering will comply, with the current PRC Laws. The descriptions of the corporate structure of the PRC Subsidiaries are true and accurate and nothing has been omitted from such descriptions which would make the same misleading in any material respects.

(2) *Taxation.* The statements set forth under the caption "Taxation" in the Registration Statement, insofar as they constitute statements of PRC law, are accurate in all material respects and such statements constitute our opinion. We do not express any opinion herein concerning any law other than PRC law.

(3) *Enforcement of Civil Procedures.* We have advised the Company that there is uncertainty as to whether the courts of the PRC would: (i) recognize or enforce judgments of United States courts obtained against the Company or directors or officers of the Company predicated upon the civil liability provisions of the securities laws of the United States or any state in the United States; or (ii) entertain original actions brought in each respective jurisdiction against the Company or directors or officers of the Company predicated upon the securities laws of the United States or any state in the United States.

We have further advised the Company that the recognition and enforcement of foreign judgments are provided for under the PRC Civil Procedures Law. PRC courts may recognize and enforce foreign judgments in accordance with the requirements of the PRC Civil Procedures Law based either on treaties between the PRC and the country where the judgment is made or on principles of reciprocity between jurisdictions. The PRC does not have any treaties or other form of reciprocity with the United States or the Cayman Islands that provide for the reciprocal recognition and enforcement of foreign judgments.

In addition, according to the PRC Civil Procedures Law, courts in the PRC will not enforce a foreign judgment against the Company or the Company's directors and officers if they decide that the judgment violates the basic principles of PRC law or national sovereignty, security or public interest. As a result, it is uncertain whether and on what basis a PRC court would enforce a judgment rendered by a court in the United States or in the Cayman Islands. Under the PRC Civil Procedures Law, foreign shareholders may originate actions based on PRC law against the Company in the PRC, if they can establish sufficient nexus to the PRC for a PRC court to have jurisdiction, and meet other procedural requirements, including, among others, the plaintiff must have a direct interest in the case, and there must be a concrete claim, a factual basis and a cause for the suit. However, it would be difficult for foreign shareholders to establish sufficient nexus to the PRC by virtue only of holding the Company's ADSs or ordinary shares.

In addition, it will be difficult for U.S. shareholders to originate actions against the Company in the PRC in accordance with the PRC Laws because the Company is incorporated under the laws of the Cayman Islands and it will be difficult for U.S. shareholders, by virtue only of holding the Company's ADSs or ordinary shares, to establish a connection to the PRC for a PRC court to have jurisdiction as required under the PRC Civil Procedures Law.

(4) *Statements in the Prospectus.* The statements in the Prospectus under the headings "Prospectus Summary", "Risk Factors", "Management's Discussion and Analysis of Financial Condition and Results of Operations", "Industry", "Dividend Policy", "Business", "Management", "Related Party Transactions", "Regulation", "Taxation" ,"Legal Matters" and "Enforcement of Civil Procedures", (other than the financial statements and related schedules and other financial data contained therein, as to which we express no opinion), to the extent such statements relate to matters of the PRC Laws or documents, agreements or proceedings governed by the PRC Laws, are true and accurate in all material respects, and fairly present and fairly summarize in all material respects the PRC Laws, documents, agreements or proceedings referred to therein, and we have no reason to believe there has been anything omitted from such statements which would make the statements, in light of the circumstance under which they were made, misleading in any material respect.

6. This opinion is subject to the following qualifications:

(a) This Opinion relates only to the PRC Laws and we express no opinion as to any other laws and regulations. There is no guarantee that any of the PRC Laws, or the interpretation thereof or enforcement therefor, will not be changed, amended or replaced in the immediate future or in the longer term with or without retrospective effect.

(b) This Opinion is intended to be used in the context which is specifically referred to herein and each section should be looked on as a whole regarding the same subject matter and no part shall be extracted for interpretation separately from this Opinion.

(c) This Opinion is subject to the effects of (i) certain legal or statutory principles affecting the enforceability of contractual rights generally under the concepts of public interest,

national security, good faith and fair dealing, applicable statutes of limitation, and the limitations by bankruptcy, insolvency, reorganization or similar laws affecting the enforcement of creditor's rights generally; (ii) any circumstance in connection with formulation, execution or performance of any legal documents that would be deemed materially mistaken, clearly unconscionable or fraudulent; (iii) judicial discretion with respect to the availability of injunctive relief, the calculation of damages, and the entitlement of attorneys' fees and other costs; and (iv) the discretion of any competent PRC legislative, administrative or judicial bodies in exercising their authority in connection with the interpretation, implementation and application of relevant PRC Laws.

This Opinion is rendered to you for the purpose hereof only, and save as provided herein, this Opinion shall not be quoted nor shall a copy be given to any person (apart from the addressee) without our express prior written consent except where such disclosure is required to be made by applicable law or is requested by the SEC or any other regulatory agencies.

We hereby consent to the use of this Opinion in, and the filing hereof as an exhibit to, the Registration Statement. In giving such consent, we do not thereby admit that we fall within the category of the person whose consent is required under Section 7 of the U.S. Securities Act of 1933, as amended, or the regulations promulgated thereunder.

[The remainder of this page is intentionally left blank.]

Yours faithfully,

/s/ Zhong Lun Law Firm

Zhong Lun Law Firm