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Zai Lab Limited

再鼎醫藥有限公司 *

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 9688)

**INSIDE INFORMATION ANNOUNCEMENT
IN RELATION TO THE OFFERING OF
AMERICAN DEPOSITARY SHARES AND
ORDINARY SHARES ON FULLY UNDERWRITTEN BASIS
AND
OVERSEAS REGULATORY ANNOUNCEMENT
AND
RESUMPTION OF TRADING**

This announcement is made by Zai Lab Limited (the “**Company**” or “**We**”) pursuant to Rule 13.10B and Rule 13.09 of the Rules (“**Listing Rules**”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Hong Kong Stock Exchange**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong).

References are made to the announcements of the Company on dated 20 April 2021 in relation to the underwritten offering (the “**Offering**”) of US\$750,000,000 of American depositary shares (“**ADSs**”) of the Company in the United States.

OFFERING OF ADSs

On 20 April 2021 (U.S. Eastern Time), the Company filed a press release to announce the pricing of the Offering of 4,776,000 ADSs in the United States, each representing one ordinary share of the Company (the “**Ordinary Share**”), at a price of US\$150.00 per ADS (the “**Offer Price**”), and of 5,000,000 Ordinary Shares, at a price of HK\$1,164.20 per Ordinary Share, which will be settled in Hong Kong dollars, based upon each ADS representing one Ordinary Share and an exchange rate of HK\$7.7613 to US\$1.00. The number of ADSs to be issued represents (i) approximately 7.95% of the 60,078,450 ADSs outstanding as of February 26, 2021, and (ii) approximately 7.36% of ADSs as enlarged by the Offering (assuming the option to purchase up to an additional 15% of the ADSs is not exercised).

The Company estimates that the net proceeds from this Offering will be approximately US\$715.43 million (or US\$818.05 million if the underwriters exercise their option to purchase additional ADSs in full), after deducting underwriting commissions and fees and estimated offering expenses payable by the Company. Subject to customary closing conditions, the underwriters expect to deliver the ADSs against payment to the purchasers on or about April 23, 2021 (U.S. Eastern Time), on a “T+2” basis, and to deliver the Ordinary Shares against payment therefor through the facilities of the Central Clearing and Settlement System on or about April 28, 2021 (Hong Kong Time), on a “T+5” basis. In addition, the Company has granted the underwriters of the Offering a 30-day option to purchase up to an 15% of the ADSs to be issued in the Offering at the Offer Price, less underwriting discounts and commissions, which will be settled only in ADSs.

J.P. Morgan Securities LLC, Goldman Sachs & Co. LLC, Jefferies LLC, Citigroup Global Markets Inc., SVB Leerink LLC and Guggenheim Securities, LLC are acting as joint book-running managers for the ADS Offering. J.P. Morgan Securities plc, Goldman Sachs (Asia) L.L.C., Jefferies Hong Kong Limited, Citigroup Global Markets Limited and Guggenheim Securities, LLC are acting as joint book-running managers in respect of any Ordinary Shares which will be issued to investors electing to receive Ordinary Shares in lieu of ADSs in the Offering.

The ADSs and Ordinary Shares are offered pursuant to a shelf registration statement on Form S-3ASR, which became automatically effective upon filing with the Securities and Exchange Commission of the United States on April 19, 2021 (U.S. Eastern Time). The Offering in Hong Kong shall only be made to professional investors (as defined in the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)). This announcement does not constitute an offer to sell or the solicitation of an offer to buy ADSs, Ordinary Shares or any other securities, nor shall there be any sale of ADSs or Ordinary Shares in any state or jurisdiction in which such an offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such state or jurisdiction.

Share Structure

Based on the number of outstanding ADSs and Ordinary Shares as of February 26, 2021, the share structure of the Company before and immediately upon the completion of the Offering will be as follows:

	As of February 26, 2021	Immediately upon completion of the Offering (assuming the option to purchase up to an additional 15% of the ADSs is not exercised)	Immediately upon completion of the Offering (assuming the option to purchase up to an additional 15% of the ADSs is exercised in full)
Number of ADSs	60,078,450	64,854,450	65,570,850
Number of Ordinary Shares	88,592,343	93,592,343	94,308,743

Note: The number of Ordinary Shares outstanding after this Offering is based on 88,592,343 Ordinary Shares outstanding as of February 26, 2021, but excludes:

- 4,633,816 Ordinary Shares issuable upon the exercise of options outstanding as of December 31, 2020 pursuant to the Company’s 2015 Omnibus Equity Incentive Plan (as defined in the preliminary prospectus supplement of the Company) at a weighted-average exercise price of US\$1.01 per share; and
- 3,616,323 Ordinary Shares reserved for future issuance under the Company’s 2017 Equity Incentive Plan (as defined in the preliminary prospectus supplement of the Company).

CONDITIONS OF THE UNDERWRITING

Underwriting agreements (the “**Underwriting Agreements**”) shall be entered into in relation to the Offering. The obligations of the underwriters of the Offering under the Underwriting Agreements are conditional on the fulfilment (or waiver, if applicable, by the underwriters) of customary conditions, including, among others, that (i) the respective representations and warranties shall be true and correct on the closing date, and (ii) approval from the Listing Committee of the Hong Kong Stock Exchange granting listing of the Ordinary Shares to be issued in connection with the Offering.

TERMINATION

The Offering may be terminated pursuant to the customary termination provisions contained in the Underwriting Agreements.

APPLICATION FOR LISTING

An application will be made by the Company to the Hong Kong Stock Exchange for the granting of the listing of, and permission to deal in the Ordinary Shares to be issued in relation to the Offering.

LOCK-UP UNDERTAKINGS

The Company, its executive officers, certain of its directors and a significant shareholder have agreed with the underwriters, subject to certain exceptions, not to sell, transfer or dispose of, directly or indirectly, any ADSs, Ordinary Shares or securities convertible into or exercisable or exchangeable for the ADSs or Ordinary Shares for a period of 90 days following the date of the prospectus supplement.

REASONS FOR THE OFFERING AND USE OF PROCEEDS

The Company estimates that the net proceeds from this Offering will be approximately US\$715.43 million (or US\$818.05 million if the underwriters exercise their option to purchase additional ADSs in full), after deducting underwriting commissions and fees and estimated offering expenses payable by the Company.

The Company intends to use the net proceeds of this Offering primarily for increased business and corporate development activity, to advance the clinical development of multiple drug candidates, to expand the Company’s commercialization efforts, and for working capital and other general corporate purposes. In particular, the Company currently expects to use the net proceeds from this Offering as follows:

- approximately 30% of the net proceeds to fund new business and corporate development and licensing opportunities;
- approximately 30% of the net proceeds to complete clinical trials and advance new drug candidates;
- approximately 20% of the net proceeds to expand the Company’s commercialization efforts;

- approximately 15% of the net proceeds to enhance the Company’s global pipeline; and
- approximately 5% of the net proceeds for working capital and other general corporate purposes.

The expected use of net proceeds from the Offering represents the Company’s intentions based upon the Company’s current plans and business conditions, which the Company could change in its discretion in the future as the plans and business conditions of the Company evolve. Due to the many variables inherent to the development of its drug candidates at this time, such as the timing of patient enrollment and evolving regulatory requirements, the Company cannot currently predict the stage of development that the Company expects to achieve for its pre-clinical and clinical trial and drug candidates with the net proceeds of the Offering. The amounts and timing of the Company’s actual expenditures may vary significantly depending on numerous factors, including the results of the pre-clinical and clinical trials of the Company’s drug candidates, operating costs and expenditures and the amount of cash generated by its operations. As a result, the Company’s management will have broad discretion over the use of the net proceeds from the Offering.

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

FORWARD-LOOKING STATEMENT

This announcement contains references to statements about future expectations, plans and prospects for the Company, including, without limitation, statements containing words such as “aim,” “anticipate,” “believe,” “estimate,” “expect,” “intend,” “may,” “plan,” “predict,” “project,” “seek,” “target,” “potential,” “will,” “would,” “could,” “should,” “continue,” “contemplate” and other similar expressions. Such statements constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are neither historical facts nor assurances of future performance. Forward-looking statements are based on the Company’s expectations and assumptions that the Company believes are reasonable as of the date of this announcement and are subject to inherent uncertainties, risks and changes in circumstances that may differ materially from those contemplated by the forward-looking statements. Actual results of operations, financial condition and liquidity, and the development of the industry in which the Company operates may differ materially from those indicated by such forward-looking statements as a result of various important factors, including but not limited to (1) the Company’s ability to successfully commercialize and generate revenue from its approved products; (2) the Company’s ability to finance its operations and business initiatives and obtain funding for such activities, (3) the Company’s results of clinical and pre-clinical development of its product candidates, (4) the content and timing of decisions made by the relevant regulatory authorities regarding regulatory approvals of the Company’s product candidates, (5) the effects of the novel coronavirus (COVID-19) pandemic on general economic, regulatory and political conditions and (6) other factors discussed in the Company’s annual report on Form 10-K for the fiscal year ended December 31, 2020, filed on March 1, 2021, and its other filings with the SEC. The Company anticipates that subsequent events and developments will cause the Company’s expectations and assumptions to change and undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by law. These forward-looking statements should not be relied upon as representing the Company’s views as of any date subsequent to the date of this announcement.

RESUMPTION OF TRADING

At the request of the Company, trading in the Company's shares on The Hong Kong Stock Exchange was halted with effect from 9:00 a.m. on April 20, 2021 (Hong Kong time) pending the release of this announcement. Application has been made by the Company to the Hong Kong Stock Exchange for the resumption of trading in the Company's shares on the Hong Kong Stock Exchange with effect from 9:00 a.m. on April 21, 2021 (Hong Kong Time).

The Underwriting Agreements may be terminated pursuant to the termination provisions contained therein. In addition, completion of the Offering is subject to fulfilment of the conditions thereunder. As the Offering may or may not proceed, shareholders and potential investors of the Company are reminded to exercise caution when dealing in the shares and other securities of the Company.

By order of the Board

Zai Lab Limited

Samantha Du

Director, Chairperson and Chief Executive Officer

Hong Kong, April 21, 2021

As at the date of this announcement, the board of directors of the Company comprises Dr. Samantha Du and Mr. Tao Fu as the directors, and Dr. Kai-Xian Chen, Dr. John Diekman, Ms. Nisa Leung, Mr. William Lis, Mr. Leon O. Moulder, Jr. and Mr. Peter Wirth as the independent directors.

* *For identification only*