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This is a draft registration statement that is being confidentially submitted to the Securities and Exchange Commission on September 22, 2020.

Registration No. 333-

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM F-1

REGISTRATION STATEMENT
UNDER THE SECURITIES ACT OF 1933

Adagene Inc.

(Exact name of Registrant as specified in Its charter)

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

Cayman Islands	**2834**	**Not Applicable**
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number)	(I.R.S. Employer Identification Number)

4F, Building C14, No. 218,
Xinghu Street, Suzhou Industrial Park
Suzhou, Jiangsu Province, 25125
People's Republic of China
+86-512-8777-3632
(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

[ ]
(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent for Service)

Copies to:

Li He, Esq. **Davis Polk & Wardwell LLP** **c/o 18th Floor,** **The Hong Kong Club Building** **3A Chater Road, Central** **Hong Kong** **+852 2533-3300** **+852 2533-3306**	**James C. Lin, Esq.** **Davis Polk & Wardwell LLP** **c/o 18th Floor,** **The Hong Kong Club Building** **3A Chater Road, Central** **Hong Kong** **+852 2533-3300** **+852 2533-3306**	**Benjamin Su, Esq.** **Daying Zhang, Esq.** **Latham & Watkins LLP** **18th Floor, One Exchange Square** **8 Connaught Place** **Central, Hong Kong** **+852 2912-2500**	**Michael E. Sullivan, Esq.** **Latham & Watkins LLP** **12670 High Bluff Drive** **San Diego, CA 92130** **USA** **+1 858-523-5400**

Approximate date of commencement of proposed sale to the public:
As soon as practicable after the effective date of this registration statement.

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. o

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. o

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. o

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. o

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. o

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Proposed maximum aggregate offering price[(1)]	Amount of registration fee
Ordinary shares, par value US$0.0001 per share[(2)(3)]	US$	US$

(1) Estimated solely for the purpose of determining the amount of registration fee in accordance with Rule 457(o) under the Securities Act of 1933.

(2) Includes ordinary shares initially offered and sold outside the United States that may be resold from time to time in the United States either as part of their distribution or within 40 days after the later of the effective date of this registration statement and the date the shares are first bona fide offered to the public, and also includes ordinary shares that may be purchased by the underwriters pursuant to an over-allotment option. These ordinary shares are not being registered for the purpose of sales outside the United States.

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

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 Commission, acting pursuant to such Section 8(a), may determine.

† 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.

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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 state where the offer or sale is not permitted.

Subject to completion
Preliminary Prospectus dated , 2020

American Depositary Shares

Adagene Inc.

Representing Ordinary Shares

This is an initial public offering of American depositary shares, or ADSs, representing ordinary shares of Adagene Inc.

We are offering ADSs. Each ADS represents of our ordinary shares, par value US$0.0001 per share.

Prior to this offering, there has been no public market for the ADSs. It is currently estimated that the initial public offering price per share will be between US$ and US$.

We [will apply for] listing the ADSs on the Nasdaq Global Market under the symbol "[ADAG]."

We are an "emerging growth company" under applicable U.S. federal securities laws and are eligible for reduced public company reporting requirements.

See "Risk Factors" beginning on page 18 for factors you should consider before buying the ADSs.

Neither the United States Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.

	Per ADS	Total
Public offering price	US$	US$
Underwriting discounts and commissions[(1)]	US$	US$
Proceeds, before expenses, to us	US$	US$

(1) See "Underwriting" for additional disclosure regarding compensation payable by us to the underwriters.

The underwriters have a 30-day option to purchase up to an additional ADSs from us at the initial public offering price less the underwriting discount.

The underwriters expect to deliver the ADSs against payment in U.S. dollars in New York, New York on , 2020.

Goldman Sachs (Asia) L.L.C. **Morgan Stanley** **Jefferies**

The date of this prospectus is , 2020.

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We are responsible for the information contained in this prospectus. We have not authorized anyone to provide you with different information, and we take no responsibility for any other information others may give you. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should not assume that the information contained in this prospectus is accurate as of any date other than its date.

We have not authorized anyone to provide you with information different from that contained in this prospectus. We are offering to sell, and seeking offers to buy, the ADSs only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is current only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of the ADSs.

We have not taken any action to permit a public offering of the ADSs outside the United States or to permit the possession or distribution of this prospectus outside the United States. Persons outside the United States who come into possession of this prospectus must inform themselves about and observe any restrictions relating to the offering of the ADSs and the distribution of the prospectus outside the United States.

Until , 2020 (the 25th day after the date of this prospectus), all dealers that buy, sell or trade ADSs, whether or not participating in this offering, may be required to deliver a prospectus. This 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.

PROSPECTUS SUMMARY

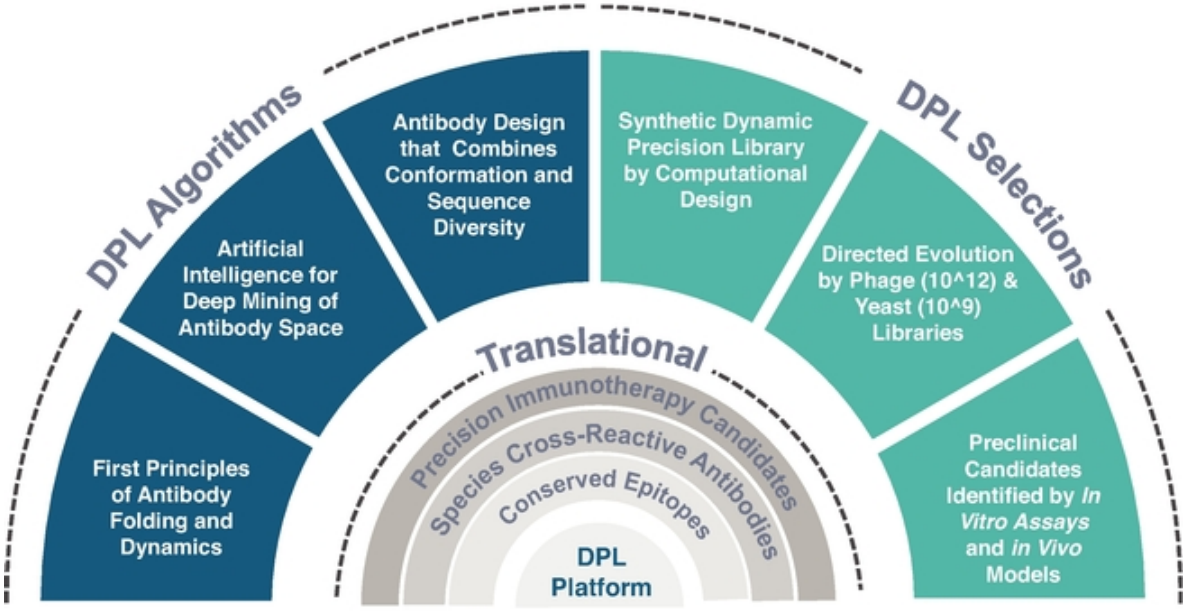
The following summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information and financial statements and the related notes appearing elsewhere in this prospectus. In addition to this summary, we urge you to read the entire prospectus carefully, especially the risks of investing in the ADSs discussed under "Risk Factors," "Business," and information contained in "Management's Discussion and Analysis of Financial Condition and Results of Operations" before deciding whether to buy the ADSs.

OVERVIEW

We are a platform-driven, clinical-stage biopharmaceutical company committed to transforming the discovery and development of novel antibody-based cancer immunotherapies. Our platform is designed to generate therapeutic antibody candidates with unique functional epitopes and species cross-reactivity. These features enable our novel drug discovery strategy to advance from lead identification through vigorous preclinical modeling to biomarker-guided mono- and combination immunotherapy development in clinical settings. We have pioneered a dynamic interface design to harness the conformational diversity of antibodies, which enlarges epitope sampling of a given drug target for differentiated therapeutic antibody development. Our platform is designed to enable the rapid development of precision immunotherapy candidates, through the identification of predicative biomarkers for patient stratification and preselection. Our mission is to push the boundaries of antibody discovery and engineering through the precise design, construction, and selection of antibody product candidates intractable to traditional antibody technology.

Life is motion. The motion of proteins and their dynamic interactions trigger a cascade of complex biological and pharmacological effects. Our core technology is built upon our fundamental understanding of the role that protein folding and the motion of molecules play in giving rise to dynamic conformational diversity, where an amino acid sequence can adopt multiple structures and functions. Our approach recognizes that a protein's native state is not accurately represented by a single static structure but rather by a variety of structures in dynamic equilibrium, resulting in a high level of functional diversity, in contrast to the conventional static antibody drug discovery paradigm of "one sequence, one structure and one function."

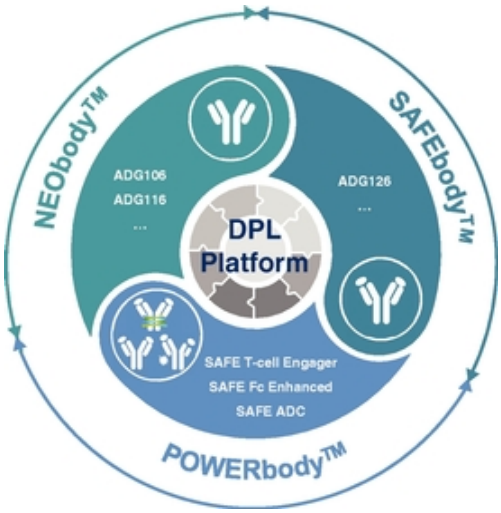
We have developed our proprietary Dynamic Precision Library, or DPL, platform to explore the dynamic conformational diversity of protein sequences, and the flexible binding sites of antibody sequences in particular, as a new paradigm for antibody drug discovery. Our DPL platform samples a potentially infinite number of dynamic binding interface structures arising from the conformational diversity of a finite number of antibody amino acid sequences, allowing us to exponentially expand the universe of candidate antibody binding sites far beyond conventional natural or synthetic antibody repertoires. By exploiting conformational diversity through the combination of our proprietary computational algorithms and artificial intelligence, we have designed and precisely constructed approximately one trillion (10^{12}) antibody sequences in our DPL. These antibodies feature broad epitope (the portion of an antigen that are recognized by an antibody) coverage and robust chemistry, manufacturing, and control, or CMC, attributes. Our DPL platform is designed to enable high fidelity translation from preclinical to clinical studies by identifying antibodies well suited for broad species cross-reactivity against the transiently accessible epitopes of challenging targets. The figure below illustrates how our DPL platform integrates our computational algorithm-enabled high-throughput screening and functional antibody evaluation for preclinical candidates suitable for clinical development.



Our DPL platform is further composed of three proprietary enabling technologies tailored to three key attributes of antibody-based therapeutic modalities:

- NEObody technology, which enables the generation of antibodies designed with dynamic binding sites that adapt kinetically to unique epitopes, triggering a novel mechanism of action, or MOA;
- SAFEbody technology, which enables the generation of masked NEObodies or masked traditional antibodies that are designed to be selectively activated in the tumor microenvironment, or TME, potentially limiting on-target off-tumor toxicity in normal tissues; and
- POWERbody technology, which enables the creation of new bispecific T-cell engagers, or TCEs, antibody-drug conjugates, or ADCs, or antibodies that are designed to reach beyond the therapeutic potency of traditional monospecific antibodies.

We believe that comprehensive *in vivo* preclinical evaluations are the key to assess the efficacy and safety potential of tailor-made antibody candidates before progressing them into lengthy and costly clinical trials. NEObody, SAFEbody and POWERbody technologies are all designed to facilitate favorable druggability, manageable CMC attributes, and reduced immunogenicity. The figure below shows how our NEObody, SAFEbody, and POWERbody technologies are inter-connected and utilized for the building of our product pipeline of mono- and combination immunotherapies.



Translational fidelity from preclinical modeling to informed clinical development is one of the top challenges to cancer immunotherapies. Most traditional antibodies do not cross react between their human and animal targets due to their limited species cross-reactivity, making it very difficult to reliably evaluate the same antibody in both the preclinical and clinical settings. Some of the most contentious issues related to preclinical and clinical modeling studies of CD137 and CTLA-4 immunotherapies are traceable to the differences between the antibodies used for preclinical and clinical studies. For example, according to Frost & Sullivan, two of the leading clinical anti-CD137 agonist antibodies bind to different epitopes and exhibit dramatic differences in their clinical safety and efficacy results, underscoring the importance of finding suitable species cross-reactive antibodies like those we have utilized for comprehensive preclinical evaluation before entering clinical trials. Similarly, the debate concerning the MOA of anti-CTLA-4 antibodies seems traceable to the strong dependence on the epitope and isotype of the specific antibody used in preclinical and clinical studies.

We believe that it is essential to model the interactions between tumors and an intact host immune system *in vivo* to evaluate the therapeutic potential of antibodies in preclinical studies. The flexibility of antibody binding interface fundamental to our NEObody technology allows us to generate species cross-reactive antibodies to assess the safety and efficacy potential of mono- and combination therapy candidates in syngeneic animal models before launching clinical trials. We use syngeneic mouse models which are known for their intact *in vivo* immune systems to provide the original proof of concept for cancer immunotherapy by blocking immune check points with monoclonal antibodies, or mAbs. We believe that the use of species cross-reactive antibodies, rather than surrogate antibodies used in traditional syngeneic animal models, should facilitate the translational relevance and clinical utility of these well-established preclinical models for determining optimal dose, schedule, sequencing, combination synergy, risk and benefit features. The results from the assessment of new species cross-reactive antibodies in rigorous preclinical models may allow us to control the scope and cost of clinical trials, enable the identification of potential clinical biomarkers useful to monitor clinical pharmacological and safety signals, and help preselect patients for precision mono- and combination therapies.

As highlighted by our lead product candidates, our NEObody technology allowes us to engineer and select species cross-reactive NEObodies designed to dynamically adapt to the unique and evolutionally conserved epitopes against CD137 and CTLA. Our most advanced NEObody product candidate, ADG106, is a fully human ligand-blocking agonistic anti-CD137 mAb currently being evaluated in Phase Ib/II clinical trials in the United States and China. ADG106 is designed to target a unique epitope of CD137 that is different from other anti-CD137 antibodies currently under clinical development. Epitope mapping and X-ray structural analysis of ADG106 with CD137 have shown in

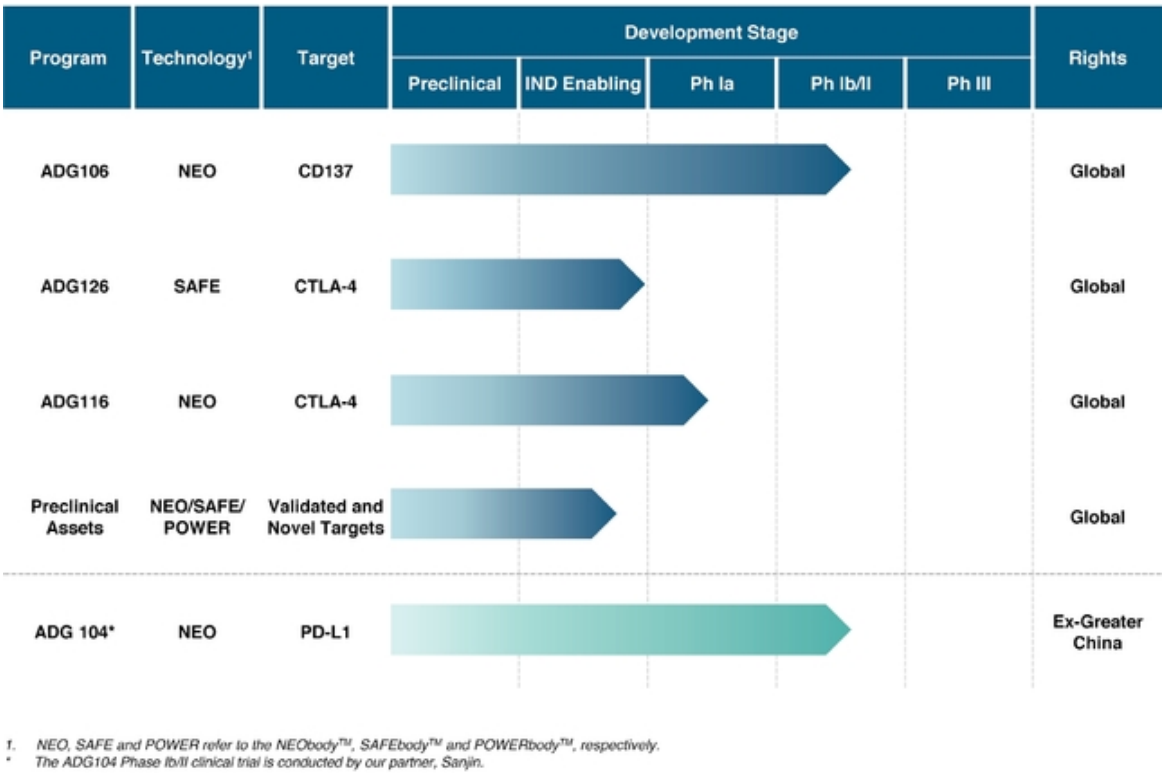
preclinical studies that ADG106 is capable of binding to CD137 in a fashion similar to its natural ligand, CD137L. Our first SAFEbody product candidate, ADG126 is a fully human anti-CTLA-4 SAFEbody designed to address the safety concerns associated with existing CTLA-4 therapeutics. It is designed to enhance the safety features by masking the antibody binding site of ADG126, which would be unmasked in the TME, where the activated ADG126 would block CTLA-4 and deplete regulatory T-cells by means of enhanced antibody-dependent cellular cytotoxicity, or ADCC. In preclinical studies, ADG126 was tolerated at doses of up to of 200 mg/kg in nonhuman primate models whereas the highest non-severely toxic dose for ipilimumab reported in a separate study was 10 mg/kg. As ADG126 is also species cross-reactive in humans, cynomolgus monkeys and mice, we believe that preclinical studies of ADG126 will support the rational design of clinical trials to expedite its development. Our third product candidate, ADG116, is a fully human anti-CTLA-4 NEObody. Epitope mapping and X-ray structural analysis have shown that in preclinical studies, ADG116 is capable of binding to a novel epitope of CTLA-4 different from ipilimumab, the only CTLA-4 mAb approved globally. The dynamic interface of ADG116 enabled not only its species cross-reactivity with human, cynomolgus monkey, and mouse CTLA-4 for preclinical studies, but also its dynamic engagement on a unique epitope of CTLA-4 to trigger a novel MOA, distinct from ipilimumab, by softer ligand blocking and stronger regulatory T-cell depletion via enhanced ADCC.

Our species cross-reactive ADG106, ADG126 and ADG116 have enabled a deep understanding of the interaction between tumor and host immune system *in vivo* in syngeneic animal models. This understanding has been utilized to design and guide the clinical development of rational, mechanism-based mono- and combination therapies using ADG106, ADG126 and ADG116. Because there is limited clinical safety and efficacy data available for anti-CD137 agonists we have followed our preclinical and mechanistic study for the clinical development of ADG106. ADG106 has been observed to have favorable safety results without dose-dependent Grades 3 or 4 liver toxicity, and preliminary clinical efficacy in patients who have progressed after several lines of treatment in our completed Phase Ia dose escalation and ongoing Phase Ib/II dose expansion trials in the United States and China. It is very encouraging to observe the clinical response in connection with the changes in PD biomarkers upon target engagement in a dose dependent manner, and how the more than 30% tumor shrinkage across different indications observed in three patients is associated with the potential predictive biomarker for patient selection in retrospective analysis in our ongoing Phase Ib trial at effective doses. We intend to further explore this predictive biomarker related to the CD137 pathway in order to guide our development of precision mono- and combination immunotherapies based on our preclinical and preliminary clinical data.

Our Pipeline

By leveraging our proprietary DPL platform, we have developed a robust pipeline of innovative product candidates in various stages of development, ranging from research and discovery to preclinical and clinical development. Our highly differentiated clinical-stage pipeline consists of ADG106 and ADG116, and IND-enabling study stage asset, ADG126. We also have a robust preclinical pipeline in various stages of development. In addition, we have out-licensed the Greater China rights of ADG104, a PD-L1 mAb under clinical development, to our partner, Sanjin and its affiliates. We retain commercial, development, manufacturing and other rights to ADG104 in the rest of the world.

The following chart provides an overview of the status of each of our programs:



1. *NEO, SAFE and POWER refer to the NEObody™, SAFEbody™ and POWERbody™, respectively.*
* *The ADG104 Phase Ib/II clinical trial is conducted by our partner, Sanjin.*

ADG106: Novel agonistic anti-CD137 NEObody candidate

Our lead product candidate, ADG106, is a fully human ligand-blocking, agonistic anti-CD137 Immunoglobulin G4, or IgG4, mAb, generated using our NEObody technology. ADG106 is being developed for the treatment of advanced solid tumors and non-Hodgkin's lymphoma, or NHL. CD137 stimulates the immune system to attack cancer cells and is a key driver for long-lasting T-cell proliferation and survival. ADG106 is designed to target a unique conserved epitope of CD137 with a novel MOA for CD137 agonism by its natural ligand-like binding and potent cross-linking by Fcg receptors. The broad species cross-reactivity of ADG106 observed in preclinical studies involving mouse, rat, nonhuman primate, and human CD137 has enabled us to explore robust translational studies using tumor models with intact immune systems. In both clinical and preclinical studies to date, we observed that ADG106 had robust antitumor activity and was well tolerated as a monotherapy and in combination with the existing standard-of-care, or SOC, and other immuno-oncology therapies. ADG106 was observed to balance between safety and efficacy of CD137 agonism, which we believe indicates that ADG106 has the potential to address the limitations of other existing anti-CD137 therapies.

As of the August 10, 2020 data cut-off date, or the Data Cut-off Date, we have completed the Phase Ia dose escalation in each of our Phase I studies of ADG106 as a monotherapy in patients with advanced or metastatic solid tumors and/or NHL in both the United States and China. ADG106 was generally well-tolerated at doses up to 10 mg/kg among 65 patients dosed. The most common treatment emergent adverse events, or TEAEs, were fatigue, decreased appetite, peripheral edema, nausea, anemia, tumor pain, vomiting, proteinuria, cough, and neutropenia. Most of the TEAEs were Grade 1 or 2, while the seven patients who experienced Grade 4 TEAEs all experienced neutropenia. We did not observe any Grade 3 or 4 liver toxicity except that one patient who had abnormal baseline liver

enzyme showed a Grade 3 aspartate aminotransferase, or AST, increase. A total of 22 serious adverse events, or SAEs, (all causes) occurred in 19 patients and only seven SAEs were determined to be related to the study treatment. A patient with a solid tumor who previously failed chemotherapies, radiotherapy, and an anti-PD-L1 related antibody treatment, showed partial response to ADG106 treatment with a 40% tumor size reduction after two ADG106 treatments. In addition, two NHL patients showed more than a 30% tumor size reduction after one ADG106 treatment and two ADG106 treatments, respectively. Furthermore, biomarker studies showed target engagement with respect to specific PD biomarkers indicative of immune system activation, and clinical response correlated with changes in CD137 target engagement. These data are encouraging given the enrolled population was not preselected and was heavily pretreated. We have identified a potential predictive biomarker which correlates with patient response to ADG106 treatment from the retrospective analysis of the ongoing Phase I clinical trial. Based on this biomarker finding, we are in the process of preparing a Phase II trial which we expect to initiate in 2021 and for which we intend to stratify and preselect patients using this predictive biomarker to potentially enhance clinical response of patients to ADG106 treatment. We also plan to pursue potential registrational trials evaluating ADG106 in biomarker enriched patient populations.

We have also evaluated ADG106 in combination with other therapies including chemotherapies, immune modulators and immuno-oncology therapies in preclinical studies. Data from combination studies in tumor bearing mice showed that the combination of ADG106 with immune checkpoint inhibitors, including an anti-PD-1/L1 mAb or anti-CTLA-4 mAb, enhanced *in vivo* antitumor activity. We plan to explore the combination of ADG106 with other targeted antibody therapies for the treatment of hematologic malignancies and solid tumors. We have also identified tumor-specific biomarkers that we believe may correlate with ADG106 antitumor activity in multiple mouse tumor models. Such preclinical trial findings are consistent with the interim results from our ongoing Phase Ib/II clinical trials.

ADG126: Novel anti-CTLA-4 SAFEbody candidate

Our most advanced SAFEbody program, ADG126, is a fully-human anti-CTLA-4 mAb generated using our SAFEbody technology to address the safety concerns associated with existing CTLA-4 therapeutics, while maintaining its efficacy in the TME. The FDA approval of ipilimumab validated CTLA-4 for cancer treatment. However, due to its on-target off-tumor toxicity, the approved indications for ipilimumab have been limited, which we believe has caused sales of ipilimumab to trail other immuno-oncology therapies such as anti-PD-1/L1 antibodies.

ADG126 is designed to address the toxicity and efficacy issues related to the MOA of the existing approved CTLA-4 immuno-oncology therapy and expand the potential of CTLA-4 as a validated target for the treatment of cancer. ADG126 for local activation of the CTLA-4 antibody in the TME. In preclinical studies, ADG126 was tolerated at doses of up to of 200 mg/kg in nonhuman primate models whereas the highest non-severely toxic dose for ipilimumab reported in a separate study was 10 mg/kg. We believe the favorable preclinical tolerability of ADG126 suggests its potential in combination with other immunotherapies such as an anti-PD-1/PD-L1 antibody or an anti-CD137 antibody, including our ADG106 product candidate.

To better address the unmet clinical need for a safe and potent anti-CTLA-4 antibody for chemotherapy-free mono- and combination immunotherapy, we have started the process of submitting a clinical trial notification, or CTN, for ADG126 for a Phase I dose escalation trial in Australia and are expecting to commence patient enrollment by early 2021. Meanwhile, we are preparing the IND submissions to initiate clinical trials of ADG126 globally, including the United States and China.

ADG116: Novel anti-CTLA-4 NEObody candidate

ADG116 is a fully-human ligand-blocking anti-CTLA-4 mAb generated using our NEObody technology. ADG116 is designed to target a unique conserved epitope of CTLA-4. In preclinical studies, ADG116 was observed to have softer CTLA-4 ligand blocking and stronger ADCC for depleting regulatory T-cells than ipilimumab. In a head-to-head *in vivo* efficacy study, ADG116 was observed to have a five-fold greater potency in comparison with ipilimumab. In addition, ADG116 was observed to reduce immunosuppressive regulatory T-cell activity and enhanced cytotoxic T lymphocyte ($CD8^+$ T-cells) activity in the TME to induce antitumor responses. We believe that preclinical results support the further clinical evaluation of ADG116 both as mono- and combination therapy for a wide range of tumor types.

We have obtained authorization from the Australian Therapeutic Goods Administration under a CTN to start a Phase I trial of ADG116. We also have a Phase I clinical trial open in the United States for ADG116 as a monotherapy in patients with advanced/metastatic solid tumors; however, we are not currently enrolling patients in this clinical trial.

Our Global Partnership and Collaborations

We have a successful track record of collaboration and partnerships with global biopharmaceutical companies and academic institutions. Through the life of our company, we have established multiple collaboration programs and intend to continue to seek partnership opportunities where we can leverage our proprietary technology platform to develop novel antibodies to address unmet medical needs. Over the past two years, we have established partnerships and collaborations with multiple biopharmaceutical companies. For example, we entered into a material transfer and collaboration and license agreement with ADC Therapeutics SA, or ADC Therapeutics, under which ADC Therapeutics intends to use our SAFEbody technology to generate a masked antibody that could be combined with the pyrrolobenzodiazepine cytotoxic payload technology used in ADC Therapeutics' ADCs for the development of a novel ADC against a solid tumor target. Under the ADC Therapeutics collaboration model, we could be eligible to receive royalty payments and could have an exclusive option to negotiate a license to develop and commercialize co-developed assets in certain territories. We are also collaborating with Guilin Sanjin Pharmaceutical Co., Ltd., or Sanjin, and its affiliates to develop ADG104, a monospecific antibody that targets PD-L1. These partnerships are validations of our DPL platform and technologies as well as their potential broad application to a wide range of antibody modalities.

We are also working with global biopharmaceutical companies to potentially develop additional strategic partnerships. For example, we had recently worked with Celgene (now Bristol-Myers Squibb) to discover antibodies targeting novel antigens using our proprietary DPL platform. Further, under a material transfer agreement, we are developing SAFEbody drug conjugates against a tumor target selected by Tanabe Research Laboratories, Inc., or TRL, with potential for negotiating a future license agreement with TRL if our pilot work proves successful.

Our Team and Investors

We were founded in 2011 by Dr. Peter Luo and is led by an experienced management team. Dr. Luo, who previously founded the biopharmaceutical company Abmaxis which was subsequently acquired by Merck, has a proven track record of more than two decades in antibody discovery and engineering using a multidisciplinary approach that combines computational and experimental technology based on physical, chemical, and biological sciences. Our management team is composed of industry veterans with extensive experience in therapeutic antibody research and development and collectively has decades of experience in molecular biology, immunotherapy, immunology, antibody discovery, protein engineering, and clinical development. Our management team brings a strong history

of leadership, innovation, and research and development experience at leading companies, including Merck/Abmaxis, Affomix/Illumina, Amgen, Bristol-Myers Squibb, Celgene, Corixa, Genmab, NBE Therapeutics Xencor, Novartis, Pfizer, Prometheus, Quanticel, and Roche. Our company is further supported by a strong group of investors that share our commitment to developing next-generation immuno-oncology therapies for the treatment of cancers. Our investors include strategic investor Wuxi AppTech and leading institutional investors such as F-Prime, Eight Roads, GP Healthcare Capital, Sequoia China and General Atlantic.

OUR STRATEGIES

We are utilizing our proprietary DPL platform to design, construct and develop novel immunotherapies and precision antibodies to address unmet patient needs globally. Our strategy encompasses the following key elements:

- Advance clinical development of our lead product candidates, ADG106, ADG126 and ADG116, as monotherapies and in combination with other therapies.
- Develop and advance our promising preclinical program into proof-of-concept studies and clinical development.
- Leverage our technology to develop our pipeline and strengthen our DPL platform.
- Continue to collaborate with leading biopharmaceutical companies and academic institutions to discover and develop novel candidates based upon our DPL platform.
- Maximize value creation by advancing our product candidates to potential commercialization in key markets alone or with strategic partners.
- Build global operations for global markets, while leveraging a global supply chain and China cost effectiveness.

RISK FACTORS

Our business is subject to a number of risks and uncertainties, including, among others, the following:

- We have a limited operating history, which may make it difficult to evaluate our current business and predict our future performance.
- We have incurred net losses historically and we may continue to incur net losses in the future.
- We may need to obtain substantial additional financing to fund our growth and operations, which may not be available on acceptable terms, if at all.
- We may not be able to identify or discover new product candidates, and may allocate our limited resources to pursue a particular product candidate and fail to capitalize on product candidates that may later prove to be more profitable, or for which there is a greater likelihood of success.
- We may not be successful in our efforts to use and expand our proprietary platforms to build a pipeline of product candidates.
- We depend substantially on the success of our product candidates, particularly ADG106 and ADG116, which are in clinical development, and ADG126, which is at the IND-enabling stage, and our ability to identify additional product candidates. If we are unable to successfully identify new product candidates, complete clinical development, obtain regulatory approval and commercialize our product candidates, or experience significant delays in doing so, our business will be materially harmed.

- If we are ultimately unable to obtain regulatory approval for our product candidates, our business will be substantially harmed. Even if we receive regulatory approval for our product candidates, we will be subject to ongoing regulatory obligations and continued regulatory review, which may result in significant additional expense and we may be subject to penalties if we fail to comply with regulatory requirements or experience unanticipated problems with our product candidates.

- We face intense competition and the possibility that our competitors may develop therapies that are similar, more advanced, or more effective than ours, which may adversely affect our financial condition and our ability to successfully commercialize our product candidates.

- If we are unable to maintain existing and future strategic partnerships, or if these strategic partnerships are not successful, our business could be adversely affected.

- We may be unsuccessful in obtaining or maintaining adequate patent or other intellectual property protection for one or more of our product candidates, due to the failure to obtain issuance from our owned or licensed patent and trademark applications or to maintain the confidentiality and proprietary nature of our trade secrets, and our issued patents covering one or more of our product candidates could be found invalid or unenforceable if challenged in court or before administrative bodies and a third party could misappropriate our trade secrets or independently develop technology that are highly similar to our trade secrets.

- The COVID-19 pandemic could adversely impact our business, including our clinical trials.

We also face other challenges, risks and uncertainties that may materially and adversely affect our business, financial condition, results of operations and prospectus. You should consider the risk discussed in "Risk Factors" and elsewhere in this prospectus before investing in the ADSs.

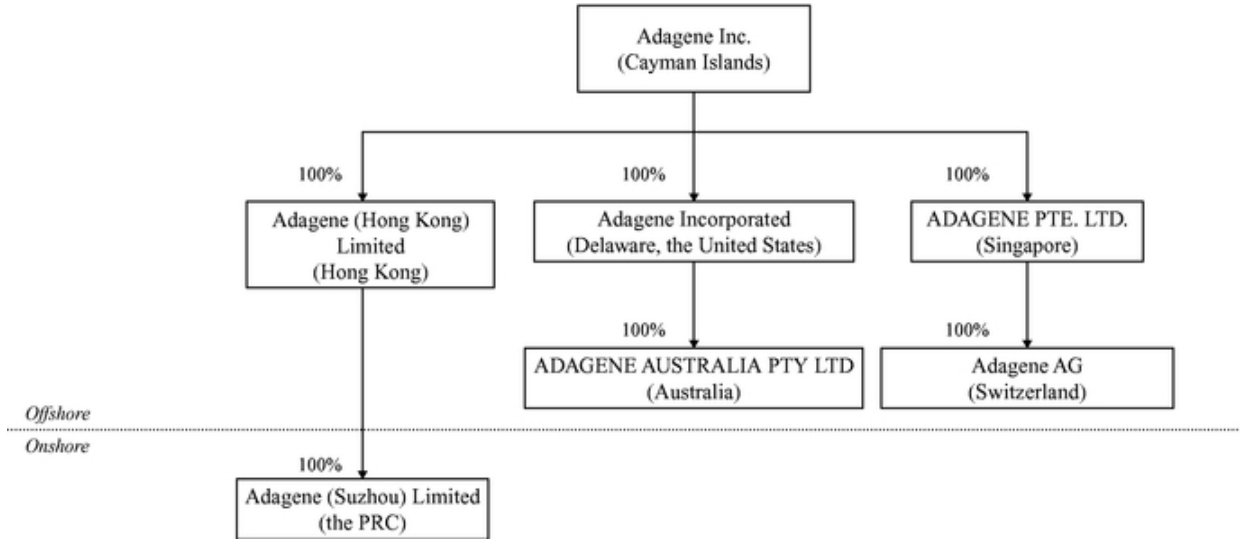
Corporate History and Structure

In February 2011, Adagene Inc. was incorporated under the laws of the Cayman Islands as our offshore holding company.

In December 2011, we established Adagene (Hong Kong) Limited, or Adagene Hong Kong, a wholly-owned subsidiary incorporated under the laws of Hong Kong, as our intermediary holding company. In February 2012, Adagene Hong Kong incorporated Adagene (Suzhou) Limited, or Adagene Suzhou, in China, through which we commenced our research and development activities in China.

In September 2017, we established a wholly-owned subsidiary in the state of Delaware, the United States, Adagene Incorporated, to conduct our research and development activities in the United States to facilitate the discovery and development of product candidates and expand our global presence, we have further incorporated several subsidiaries overseas, such as Australia, Singapore and Switzerland.

The following diagram illustrates our corporate structure as of the date of this prospectus, including our material subsidiaries:



Corporate Information

Our corporate headquarters is located at 4F, Building C14, No. 218, Xinghu Street, Suzhou Industrial Park Suzhou, Jiangsu Province, 25125, People's Republic of China. Our registered office is located at Vistra (Cayman) Limited, P. O. Box 31119 Grand Pavilion, Hibiscus Way, 802 West Bay Road, Grand Cayman, KY1 - 1205 Cayman Islands. Our telephone number is +86-512-8777-3632. Our agent for service of process in the United States is , located at . Our corporate website is www.adagene.com. The information contained on or that can be accessed through our website is not incorporated by reference into this prospectus, and you should not consider information on our website to be part of this prospectus.

IMPLICATIONS OF BEING AN EMERGING GROWTH COMPANY AND A FOREIGN PRIVATE ISSUER

As a company with less than US$1.07 billion in revenue for the last fiscal year, we qualify as an "emerging growth company" pursuant to the Jumpstart Our Business Startups Act of 2012 (as amended by the Fixing America's Surface Transportation Act of 2015), or the JOBS Act. An emerging growth company may take advantage of specified reduced reporting and other requirements that are otherwise applicable generally to public companies. These provisions include exemption from the auditor attestation requirement under Section 404 of the Sarbanes-Oxley Act of 2002, or Section 404, in the assessment of the emerging growth company's internal control over financial reporting. The JOBS Act also provides that an emerging growth company does not need to comply with any new or revised financial accounting standards until such date that a private company is otherwise required to comply with such new or revised accounting standards. We do not plan to "opt out" of such exemptions afforded to an emerging growth company.

We will remain an emerging growth company until the earliest of (i) the last day of our fiscal year during which we have total annual gross revenues of at least US$1.07 billion; (ii) the last day of our fiscal year following the fifth anniversary of the completion of this offering; (iii) the date on which we have, during the previous three-year period, issued more than US$1.0 billion in non-convertible debt; or (iv) the date on which we are deemed to be a "large accelerated filer" under the Securities Exchange Act of 1934, as amended, or the Exchange Act, which would occur if the market value of our

ADSs that are held by non-affiliates exceeds US$700 million as of the last business day of our most recently completed second fiscal quarter. Once we cease to be an emerging growth company, we will not be entitled to the exemptions provided in the JOBS Act discussed above.

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. 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.

CONVENTIONS WHICH APPLY TO THIS PROSPECTUS

Unless we indicate otherwise, all information in this prospectus reflects the following:

- no exercise by the underwriters of their over-allotment option to purchase up to additional ADSs representing ordinary shares from us; and

Except where the context otherwise requires and for purposes of this prospectus only:

- "Adagene Suzhou" refers to Adagene (Suzhou) Limited.
- "ADSs" refers to the American depositary shares, each representing of our ordinary shares;
- "Antibody binding interface" or "antibody binding sites" refers to the antibody binding surface spots in contact with its recognition antigen;
- "China" or "PRC" refer to the People's Republic of China, excluding, for the purpose of this prospectus only, Taiwan, Hong Kong and Macau;
- "conformational diversity" or "dynamic diversity" refers to the existence of more than one conformation or structure due to dynamic fluctuation of the structures for a given protein sequence, independent of any conformational changes caused by external binding;
- "epitopes" or "epitope of an antigen" refers to the specific binding spots of an antigen in contact with its antibody binding surface;
- "Greater China", for the purpose of this prospectus, refers to the People's Republic of China, Hong Kong, Macau and Taiwan;
- "multi-specificity" refers to a protein exerting a similar function (such as binding) on distinctly different ligands, perhaps while using different active site residues;

- "NEObody" refer to antibody designed with dynamic binding sites that adapt kinetically to unique epitopes through novel MOA, using our NEObody technology;
- "ordinary shares" or "shares" prior to the completion of this offering refers to our ordinary shares of par value US$0.0001 per share;
- "POWERbody" refer to antibody that utilizes our SAFEbody technology to create new bispecific T-cell engagers, antibody-drug conjugates, or antibodies, which are designed to reach beyond the therapeutic potency of traditional monospecific antibodies;
- "RMB" or "Renminbi" refers to the legal currency of the People's Republic of China;
- "SAFEbody" refer to antibody engineered with its binding sites masked, which are designed to be selectively activated in the TME, potentially limiting on-target off-tumor toxicity in normal tissues;
- "species cross-reactivity" refers to reactivity of the same protein that recognizes and binds to similar epitopes of a given class of targets in different species;
- "US$," "dollars" or "U.S. dollars" refers to the legal currency of the United States; and
- "we," "us," "our company," and "our," refer to Adagene Inc., a Cayman Islands company and its subsidiaries.
- "NEObodies" refer to antibodies designed with dynamic binding sites that adapt kinetically to unique epitopes through novel MOAs, using our NEObody technology;
- "ordinary shares" or "shares" prior to the completion of this offering refers to our ordinary shares of par value US$0.0001 per share;
- "POWERbodies" refer to antibodies that utilize our SAFEbody technology to create new bispecific T-cell engagers, antibody-drug conjugates, or antibodies, which are designed to reach beyond the therapeutic potency of traditional monospecific antibodies; and
- "SAFEbodies" refer to antibodies engineered with their binding sites masked, which are designed to be selectively activated in the TME, potentially limiting on-target off-tumor toxicity in normal tissues.

This prospectus contains information derived from various public sources and certain information from an industry report dated September 22, 2020 commissioned by us and prepared by Frost & Sullivan, a third-party industry research firm, to provide information regarding our industry and market position. Such information involves a number of assumptions and limitations, and you are cautioned not to give undue weight to these estimates. The industry in which we operate is subject to a high degree of uncertainty and risk due to variety of factors, including those described in the "Risk Factors" section. These and other factors could cause results to differ materially from those expressed in these publications and reports.

THE OFFERING

Offering price	US$ per ADS.
ADSs offered by us	ADSs (or ADSs if the underwriters exercise their over-allotment option in full).
The ADSs	Each ADS represents ordinary shares, par value US$0.0001 per share. The depositary will hold the ordinary shares underlying your ADSs. You will have rights as provided in the deposit agreement. We do not expect to pay dividends in the foreseeable future. If, however, 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 in accordance with the terms set forth in the deposit agreement. You may turn in your ADSs to the depositary in exchange for ordinary shares. The depositary will charge you fees for any exchange. We may amend or terminate the deposit agreement without your consent. If you continue to hold your ADSs after an amendment to the deposit agreement, you agree to be bound by the deposit agreement as amended. To better understand the terms of the ADSs, you should carefully read the "Description of American Depositary Shares" section of this prospectus. You should also read the deposit agreement, which is filed as an exhibit to the registration statement that includes this prospectus.
Ordinary shares	We will issue ordinary shares represented by ADSs in this offering. All options, regardless of grant dates, will entitle holders to the equivalent number of ordinary shares once the vesting and exercising conditions on such share-based compensation awards are met. See "Description of Share Capital."
Ordinary shares outstanding immediately after this offering	Immediately upon the completion of this offering, ordinary shares will be outstanding (or ordinary shares if the underwriters exercise their option to purchase additional ADSs in full).
Over-allotment option	We have granted to the underwriters an option, which is exercisable within 30 days from the date of this prospectus, to purchase up to an aggregate of additional ADSs.

Use of proceeds	We expect to receive net proceeds of approximately US$ million from this offering, after deducting underwriting discounts and commissions and estimated offering expenses payable by us. We plan to use the net proceeds of this offering for [approximately % to further invest in research and development, approximately % to buildout and/or expansion of global research and development facilities, and approximately % for working capital and other general corporate purpose]. See "Use of Proceeds."
Lockup	We, [our directors, executive officers and existing shareholders] have agreed with the underwriters, subject to certain exceptions, not to sell, transfer or dispose of, directly or indirectly, any of ADSs or ordinary shares or securities convertible into or exercisable or exchangeable for ADSs or ordinary shares for a period of [180] days after the date of this prospectus. See "Shares Eligible for Future Sale" and "Underwriting" for more information.
Nasdaq trading symbol	ADAG.
Payment and settlement	The underwriters expect to deliver the ADSs against payment therefor through the facilities of The Depository Trust Company on , 2020.
Depositary	.
[Directed share program	At our request, the underwriters have reserved for sale, at the initial public offering price, up to an aggregate of ADSs offered in this offering to our directors, officers, employees, business associates and related persons.]
Risk factors	See "Risk Factors" and other information included in this prospectus for discussions of the risks relating to investing in the ADSs. You should carefully consider these risks before deciding to invest in the ADSs.

OUR SUMMARY CONSOLIDATED FINANCIAL DATA

The following summary consolidated statements of comprehensive loss data for the years ended December 31, 2018 and 2019, summary consolidated balance sheet data as of December 31, 2018 and 2019 and summary consolidated cash flow data for the years ended December 31, 2018 and 2019 have been derived from our audited consolidated financial statements included elsewhere in this prospectus. Our consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America, or U.S. GAAP. The following summary consolidated statements of comprehensive loss for the six months ended June 30, 2019 and 2020, summary consolidated balance sheet data as of June 30, 2020 and summary consolidated cash flows data for the six months ended June 30, 2019 and 2020 have been derived from our unaudited interim condensed consolidated financial statements included elsewhere in this prospectus and have been prepared on the same basis as our audited consolidated financial statements and include all adjustments, consisting only of normal and recurring adjustments, that we consider necessary for a fair statement of our financial position and operating results for the periods presented. Our historical results are not necessarily indicative of results expected for future periods. You should read this Summary Consolidated Financial Data section together with our consolidated financial statements and the related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this prospectus.

Summary Consolidated Statements of Comprehensive Loss Data

The following table presents our summary consolidated statements of comprehensive loss data for the years ended December 31, 2018 and 2019 and our selected unaudited interim condensed consolidated statements of comprehensive loss data for the six months ended June 30, 2019 and 2020.

	For the Year Ended December 31,		For the Six Months Ended June 30,	
	2018	2019	2019	2020
	US$	US$	US$	US$
	(in thousands)			
Revenue:				
Licensing revenue	1,511	480	—	310
Expenses:				
Research and development expenses	(16,081)	(16,212)	(7,409)	(14,914)
Administrative expenses	(2,765)	(3,438)	(1,404)	(4,733)
Total operating expenses	(18,846)	(19,650)	(8,813)	(19,647)
Loss from operations	(17,335)	(19,170)	(8,813)	(19,338)
Interest income	620	785	356	524
Other income	902	723	71	630
Foreign exchange gain (loss), net	13	22	(9)	(1)
Change in fair value of warrant liabilities	534	1,207	1,207	—
Loss before income tax	(15,266)	(16,432)	(7,187)	(18,185)
Income tax expense	—	—	—	—
Net loss attributable to Adagene Inc.'s shareholders	(15,266)	(16,432)	(7,187)	(18,185)
Other comprehensive income (loss):				
Foreign currency translation adjustments, net of nil tax	(11)	66	25	40
Total comprehensive loss attributable to Adagene Inc.'s shareholders	(15,277)	(16,367)	(7,162)	(18,146)
Net loss attributable to Adagene Inc.'s shareholders	(15,266)	(16,432)	(7,187)	(18,185)
Deemed contribution from convertible redeemable preferred shareholders	1,186	—	—	—
Accretion of convertible redeemable preferred shares to redemption value	(223)	(246)	(122)	(123)
Net loss attributable to ordinary shareholders	(14,303)	(16,678)	(7,309)	(18,309)
Weighted average number of ordinary shares used in per share calculation:				
—Basic	15,159	15,178	15,163	15,948
—Diluted	15,159	15,178	15,163	15,948
Net loss per ordinary share				
—Basic	(0.94)	(1.10)	(0.48)	(1.15)
—Diluted	(0.94)	(1.10)	(0.48)	(1.15)

Summary Consolidated Balance Sheet Data

The following table presents our summary consolidated balance sheet data as of December 31, 2018 and 2019 and our selected unaudited interim consolidated balance sheet data as of June 30, 2019 and 2020.

	As of December 31,		As of June 30, 2020	
	2018	2019		
	Actual	Actual	Actual	Pro forma[(1)]
	(in USD thousands)			
Current assets:				
Cash and cash equivalents	16,058	92,533	92,841	92,841
Short-term investments	33,000	8,000	—	—
Total current assets	**51,817**	**103,923**	**96,626**	**96,626**
Total assets	**54,417**	**105,889**	**98,324**	**98,324**
Current liabilities:				
Amounts due to related parties	3,674	1,896	3,983	3,983
Accruals and other current liabilities	2,574	2,540	2,346	2,346
Short-term borrowings	2,331	717	2,119	2,119
Total current liabilities	**10,346**	**7,181**	**10,913**	**10,913**
Long-term borrowings	—	1,516	1,271	1,271
Total liabilities	**10,488**	**8,697**	**12,184**	**12,184**
Total mezzanine equity	**84,955**	**154,201**	**154,325**	**—**
Total shareholders' (deficit)/equity	**(41,027)**	**(57,009)**	**(68,185)**	**86,140**

Note:

(1) All of the preferred shares will automatically convert into ordinary shares on a one-on-one basis immediately prior to the completion of this offering. The unaudited pro forma balance sheet information assumes the automatic conversion of all of the outstanding preferred shares into ordinary shares on a one-to-one basis, as if conversion would have occurred on June 30, 2020.

Summary Consolidated Cash Flow Data

The following table presents our summary consolidated cash flow data for the years ended December 31, 2018 and 2019 and our selected unaudited interim consolidated cash flow data for the six months ended June 30, 2019 and 2020.

	Year Ended December 31,		Six Months Ended June 30,	
	2018	2019	2019	2020
	(in USD thousands)			
Net cash used in operating activities	(14,265)	(18,154)	(6,071)	(8,807)
Net cash (used in)/generated from investing activities	(29,510)	24,856	15,988	7,769
Net cash generated from financing activities	51,058	69,694	16,509	1,317
Effect of exchange rate on cash and cash equivalents	39	78	11	28
Net increase in cash and cash equivalents	7,322	76,474	26,437	308
Cash and cash equivalents at the beginning of year/period	8,736	16,058	16,058	92,533
Cash and cash equivalents at the end of year/period	16,058	92,533	42,496	92,841

RISK FACTORS

You should consider carefully all of the information in this prospectus, including the risks and uncertainties described below and our consolidated financial statements and related notes, before making an investment in the ADSs. Any of the following risks and uncertainties could have a material adverse effect on our business, financial condition and results of operations. The market price of the ADSs could decline significantly as a result of any of these risks and uncertainties, and you may lose all or part of your investment. When determining whether to invest, you should also refer to the other information contained in this prospectus, including our financial statements and the related notes thereto. You should also carefully review the cautionary statements referred to under "Special Note Regarding Forward-looking Statements." Our actual results could differ materially and adversely from those anticipated in this prospectus.

Risks Related to Our Financial Prospects and Need for Additional Capital

We have a limited operating history, which may make it difficult to evaluate our current business and predict our future performance.

We are a clinical stage biopharmaceutical company with a limited operating history. Since our inception in 2011, we have focused substantially all of our efforts and financial resources on the discovery and development of antibody therapeutics for the treatment of cancer. We have no products approved for commercial sale and therefore we have not generated any revenue from product sales. We have not obtained regulatory approvals for any of our product candidates and there is no assurance that we will obtain approvals in the future. We expect to continue to incur significant expenses and operating losses over the next several years and for the foreseeable future. Our prior losses, combined with expected future losses, have had and may continue to have an adverse effect on our working capital.

Our operations to date have focused on developing our product candidates, building our intellectual property portfolio, conducting preclinical testing and clinical trials, and raising capital. These operations provide a limited basis for you to assess our ability to successfully market and commercialize our product candidates. Consequently, predictions about our future success or viability may not be as accurate as they could be if we had a longer operating history. We will encounter risks and difficulties frequently experienced by early-stage companies in rapidly evolving fields as we seek to shift our focus to late stage development and commercial activities. If we do not address these risks and difficulties successfully, we may not be successful in such a transition.

We have incurred net losses historically and we may continue to incur net losses in the near future.

Since our inception in 2011, we have devoted our resources to the development of innovative antibodies in the therapeutic area. While we have generated revenues from licensing and collaboration deals, we have not generated any revenue from commercial product sales to date, and we have had significant operating losses since our inception. For the years ended December 31, 2018 and 2019 and the six months ended June 30, 2020, we incurred net losses of US$15.3 million, US$16.4 million and US$18.2 million, respectively. Substantially all of our operating losses have resulted from costs incurred in connection with our research and development programs. To date, we have financed our operations principally through private placements. Our product candidates and programs are in preclinical development or early stage clinical development, and we have not received marketing approval for any of our product candidates. Our product candidates will require substantial investments and significant marketing efforts before we generate any revenues from product sales, if ever. We expect our net losses will increase as more product candidates enter into clinical trial stage. Our ability to generate product revenue and achieve profitability depends on, among other things:

- completing research and development of our product candidates;

- initiating, enrolling patients in and completing clinical trials of product candidates on a timely basis;
- obtaining regulatory approvals and marketing authorizations for any product candidates for which we complete clinical trials;
- developing and maintaining adequate manufacturing capabilities either by ourselves or in connection with third-party manufacturers;
- launching and commercializing any product candidates for which we obtain regulatory approvals and marketing authorizations;
- establishing a sales, marketing and commercialization team for any future products for which we may obtain regulatory approval;
- seeking to identify additional product candidates;
- addressing any competing technological and market developments; and
- maintaining, protecting and expanding our portfolio of intellectual property rights.

We may never succeed in these activities and, even if we do, may never generate revenue that is significant enough to achieve profitability. Because of the numerous risks and uncertainties associated with the development, delivery and commercialization of complex innovative antibody therapeutic, we are unable to accurately predict the timing or amount of expenses or when, or if, we will be able to achieve profitability. If we are required by regulatory authorities to perform studies in addition to those currently expected, or if there are any delays in the initiation and completion of our clinical trials or the development of any of our product candidates, our expenses could increase and profitability could be further delayed.

If we fail to become profitable or are unable to sustain profitability on a continuing basis, we may be unable to continue our operations at planned levels and be forced to reduce our operations. Even if we do achieve profitability, we may not be able to sustain or increase profitability on a quarterly or annual basis. Our failure to become or remain profitable would decrease the value of our company and could impair our ability to raise capital, expand our business or continue our operations. Failure to become and remain profitable may adversely affect the market price of the ADSs and our ability to raise capital and continue operations. A decline in the value of our company could also cause you to lose all or part of your investment.

We may need to obtain substantial additional financing to fund our growth and operations, which may not be available on acceptable terms, if at all.

The development of biopharmaceutical product candidates is capital-intensive. We have used substantial funds to advance our discovery programs and develop our technology and product candidates, and will require significant funds to conduct further research and development, preclinical testing and clinical trials of our product candidates, to seek regulatory approvals for our product candidates and to manufacture and market products, if any, that are approved for commercial sales. If our product candidates enter and advance through preclinical studies and clinical trials, we will need substantial additional funds to expand our development, regulatory and manufacturing capabilities. In addition, upon the closing of this offering, we expect to incur additional costs associated with operating as a public company.

To date, we have funded our operations primarily through capital contributions from our shareholders via private placements. Our operations have consumed substantial amounts of cash since inception. As of June 30, 2020, we had US$92.8 million in cash and cash equivalents. The net cash used in our operating activities was US$14.3 million, US$18.2 million and US$8.8 million for the years ended

December 31, 2018 and 2019 and the six months ended June 30, 2020, respectively. Our future funding requirements and the period for which we expect increasing capital need may be different than what we are planning. Our monthly spending levels vary based on new and ongoing research and development activities. Because of the numerous risks and uncertainties associated with our product development, we are unable to accurately predict the timing and amount of our operating expenditures, which will depend largely on:

- the scope, timing, progress, costs and results of discovery, preclinical development, laboratory testing and clinical development activities of our current product candidates;
- the number, scope, progress and results of preclinical and clinical programs we decide to pursue;
- the progress of the development efforts of parties with whom we have entered or may in the future enter into collaborations and research and development agreements;
- our ability to maintain our current licenses, research and development programs, and to establish new collaboration arrangements;
- the costs and timing of preparing, filing and prosecuting patent applications, maintaining and enforcing our intellectual property rights and defending any intellectual property-related claims;
- the cost, timing and outcome of regulatory review of any of our product candidates;
- the costs and timing of future commercialization activities, including manufacturing, marketing, sales, and distribution, for any of our product candidates for which we receive marketing approval;
- the revenue, if any, received from commercial sales of our product candidates for which we receive marketing approval; and
- our efforts to enhance operational systems and hire additional personnel, including personnel to support development of our product candidates and satisfy our obligations as a public company.

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. Any additional capital-raising efforts may divert our management from their day-to-day activities, which may adversely affect our ability to develop and commercialize our current and future product candidates, if approved. If we are unable to raise capital when needed or on attractive terms, we could be forced to delay, reduce or altogether cease our research and development programs or future commercialization efforts.

Raising additional capital may lead to dilution of shareholdings by our existing shareholders and restrict our operations or require us to relinquish rights to our technologies or product candidates.

We may seek additional funding through a combination of equity and debt financings and collaborations. To the extent that we raise additional capital through the sale of equity or convertible debt securities, the beneficial ownership interest of existing shareholders and the holders of ADSs will be diluted, and the terms may include liquidation or other preferences that adversely affect the rights of our existing shareholders and the holders of the 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 incurring additional debt, making capital expenditures, or declaring dividends. If we raise additional funds through partnerships, collaborations, strategic alliances, or licensing arrangements with third parties, we may have to relinquish valuable rights to our technologies, product candidates, or future revenue streams, or grant licenses on terms that are not favorable to us.

Risks Related to Clinical Development of Our Product Candidates

We may not be able to identify or discover new product candidates, and may allocate our limited resources to pursue a particular product candidate and fail to capitalize on product candidates that may later prove to be more profitable, or for which there is a greater likelihood of success.

Although we will focus our efforts on continued preclinical and clinical developments, regulatory approval process and commercialization with respect to our existing product candidates, the success of our business depends in part upon our ability to identify, license, discover, develop, or commercialize additional product candidates. Research programs to identify new product candidates require substantial technical, financial, and human resources. Our research programs may initially show promise in identifying potential product candidates, yet fail to yield product candidates for clinical development for a number of reasons, including:

- our research or business development methodology or search criteria and process may be unsuccessful in identifying potential product candidates;
- our potential product candidates may be shown to have harmful side effects or may have other characteristics that may make the products unmarketable or unlikely to obtain marketing approval; and
- potential product candidates may not be effective in treating their targeted diseases.

Because we have limited financial and managerial resources, we focus on research programs and product candidates for specific targets. As a result, we may forgo or delay pursuit of opportunities with other product candidates that later may be proved to have greater commercial potential or a greater likelihood of success. On the other hand, if we do not prioritize the allocation of our resources and conduct research programs that cover a broad range of targets or engage clinical programs that are overly expansive, we may be subject to significant risk of loss as a large part of the research and clinical programs fail. Our resource allocation decisions may cause us to fail to capitalize on viable commercial products or profitable market opportunities.

Accordingly, there can be no assurance that we will ever be able to develop suitable potential product candidates through internal research programs, which could materially adversely affect our future growth and prospects.

We may not be successful in our efforts to use and expand our proprietary platforms to build a pipeline of product candidates.

A key element of our strategy is to leverage our technology platform to expand our pipeline of antibody product candidates and in order to do so, we will continue to invest in our platform and development capabilities. Although our research and development efforts to date have resulted in a pipeline of product candidates, these product candidates may not be safe and effective. In addition, although we expect that our platform will allow us to develop a diverse pipeline of novel and differentiated product candidates, we may not prove to be successful at doing so. Even if we are successful in continuing to build our pipeline, the potential product candidates that we identify may not be suitable for clinical development, including as a result of being shown to have harmful side effects or other characteristics that indicate that they are unlikely to be products that will receive marketing approval or achieve market acceptance. Even after approval, if we cannot successfully develop or commercialize our products, or if serious adverse events are discovered after commercialization, we will not be able to generate any product revenue, which would adversely affect business.

Any failures or setbacks in our platforms or our other proprietary technologies could negatively affect our business and financial condition.

Our product candidates are created with, and dependent upon, our proprietary antibody discovery platforms, such as our proprietary Dynamic Precision Library platform, which includes our NEObody platform, SAFEbody platform and POWERbody platform. These proprietary technology platforms are also the basis of our collaborations with certain other partners. To date, no products based on any of these technologies have been approved for commercial sale in any jurisdiction. Any failures or setbacks with respect to our proprietary technologies, including adverse effects resulting from the use of product candidates derived from these technologies in human clinical trials and/or the imposition of clinical holds on trials of any product candidates using our proprietary technologies, could have a detrimental impact on our clinical pipeline, as well as our ability to maintain and enter into new corporate collaborations regarding our technologies or otherwise, which would negatively affect our business and financial conditions.

Our product candidates, for which we intend to seek approval as biologics products, may face competition sooner than anticipated.

Even if we are successful in achieving a final regulatory approval to commercialize a product candidate ahead of our competitors, our product candidates may face competition from biosimilar products. In the United States, our product candidates are regulated by the FDA as biologic products and we intend to seek approval for these product candidates pursuant to the Biologics License Application (BLA) pathway. The Biologics Price Competition and Innovation Act of 2009 (BPCIA) created an abbreviated pathway for the approval of biosimilar and interchangeable biologic products. The abbreviated regulatory pathway establishes legal authority for the FDA to review and approve biosimilar biologics, including the possible designation of a biosimilar as "interchangeable" based on its similarity to an existing brand product. Under the BPCIA, an application for a biosimilar product cannot be approved by the FDA until 12 years after the original branded product was approved under a BLA. The law is complex and is still being interpreted and implemented by the FDA. As a result, its ultimate impact, implementation, and meaning are subject to uncertainty. While it is uncertain when such processes intended to implement BPCIA may be fully adopted by the FDA, any such processes could have a material adverse effect on the future commercial prospects for our product candidates.

There is a risk that any of our product candidates approved as a biological product under a BLA would not qualify for the 12-year period of exclusivity or that this exclusivity could be shortened due to congressional action or otherwise, or that the FDA will not consider our product candidates to be reference products for competing products, potentially creating the opportunity for interchangeable or generic competition sooner than anticipated. Other aspects of the BPCIA, some of which may impact the BPCIA exclusivity provisions, have also been the subject of litigation. Moreover, the extent to which a biosimilar, once approved, will be substituted for any one of our reference products in a way that is similar to traditional generic substitution for non-biological products is not yet clear, and will depend on a number of marketplace and regulatory factors that are still developing.

Jurisdictions in addition to the United States have established abbreviated pathways for regulatory approval of biological products that are biosimilar to earlier approved reference products. For example, the European Union has had an established regulatory pathway for biosimilars since 2005.

The increased likelihood of biosimilar competition has increased the risk of loss of innovators' market exclusivity. Due to this risk, and uncertainties regarding patent protection, if our clinical candidates are approved for marketing, it is not possible to predict the length of market exclusivity for any particular product with certainty based solely on the expiration of the relevant patent(s) or the current forms of regulatory exclusivity. It is also not possible to predict changes in United States regulatory law that might reduce biological product regulatory exclusivity. The loss of market exclusivity

for a product would likely materially and negatively affect revenues and we may not generate adequate or sufficient revenues from them or be able to reach or sustain profitability.

We depend substantially on the success of our product candidates, particularly ADG106, ADG126, ADG116 and ADG104, which are in clinical development or IND-enabling stage, and our ability to identify additional product candidates. Clinical trials of our product candidates may not be successful. If we are unable to successfully identify new product candidates, complete clinical development, obtain regulatory approval and commercialize our product candidates, or experience significant delays in doing so, our business will be materially harmed.

Our business and the ability to generate revenue related to product sales, if ever, will depend on the successful development, regulatory approval and commercialization of our antibody product candidates for the treatment of patients with cancer, particularly ADG106, ADG116 and ADG104, which are still in clinical stage. Other than ADG106, ADG116 and ADG104 which are currently in Phase I development, our current product candidates are in relatively early stages of development. We have invested a significant portion of our efforts and financial resources in the development of our existing product candidates and all of our product candidates will require significant further development, financial resources. The success of our product candidates, including ADG106, ADG126, ADG116 and ADG104, will depend on several factors, including:

- successful enrollment in, and completion of, preclinical studies and clinical trials;
- receipt of regulatory approvals from the FDA, NMPA and other comparable regulatory authorities for our product candidates;
- establishing commercial manufacturing capabilities, either by building facilities ourselves or making arrangements with third-party manufacturers;
- relying on third parties to conduct our clinical trials safely and efficiently;
- obtaining and maintaining patent, trade secret and other intellectual property protection and regulatory exclusivity;
- protecting our rights in our intellectual property;
- ensuring we do not infringe, misappropriate or otherwise violate the patent, trade secret or other intellectual property rights of third parties;
- launching commercial sales of our product candidates, if and when approved;
- competition with other product candidates and drugs; and
- continued acceptable safety profile for our product candidates following final regulatory approval, if and when received.

Due to the uncertain, time-consuming and costly clinical development and regulatory approval process, we may not successfully develop any of our product candidates, or we or our partners may choose to discontinue the development of product candidates for a variety of reasons. Our failure to effectively advance our development programs could have a material adverse effect on our business, financial condition, results of operations and future growth prospects, and cause the market price of our ADSs to decline.

Clinical trials are expensive, time consuming and difficult to design and implement and may fail to demonstrate adequate safety and efficacy of our product candidates. The results of our current and previous preclinical studies or clinical trials may not be predictive of future results, and the results of our current and planned clinical trials may not satisfy the requirements of the FDA or comparable foreign regulatory authorities or provide the basis for regulatory approval.

Before obtaining marketing approval from regulatory authorities for the sale of our product candidates, we must conduct preclinical studies and extensive clinical trials to demonstrate their safety and efficacy in humans. Clinical testing is expensive and difficult to design and implement. Clinical testing can take many years to complete, and its ultimate outcome is uncertain. A failure of one or more clinical trials can occur at any stage of the process. We will be required to demonstrate with substantial evidence through well-controlled clinical trials that our product candidates are safe, pure, and potent for use in a diverse patient population before we can seek final regulatory approvals for their commercial sale. Our clinical trials may produce negative or inconclusive results, and we may decide, or regulators may require us, to conduct additional and expansive preclinical or clinical testings.

We cannot assure that the results of later clinical trials will replicate the results of prior clinical trials and preclinical testing. The results are subject to the risk that one or more of the clinical outcomes may materially change as patient enrollment continues and more patient data becomes available. Product candidates in later-stage clinical trials may fail to demonstrate sufficient safety and efficacy to the satisfaction of the FDA, the NMPA and comparable foreign regulatory authorities, despite having progressed through preclinical studies or initial clinical trials. Product candidates that have shown promising results in early clinical trials may still suffer significant setbacks in subsequent clinical trials or registration clinical trials. For example, a number of companies in the biopharmaceutical industry, including those with greater resources and experience than us, have suffered significant setbacks in advanced clinical trials, even after obtaining promising results in earlier clinical trials.

A failure of a clinical trial to meet its predetermined endpoints may cause us to abandon a pipeline product or an indication and may delay development of any other pipeline products. Any delay in, or termination of, our clinical trials will delay the submission for regulatory approval and application, and, ultimately, our ability to commercialize any of our pipeline products and generate revenue.

Moreover, principal investigators for our clinical trials may serve and have served as scientific advisors or consultants to us from time to time and receive compensation in connection with such services. Under certain circumstances, we may be required to report some of these relationships to the FDA or comparable foreign regulatory authorities. The FDA or comparable foreign regulatory authority may conclude that a financial relationship between us and a principal investigator has created a conflict of interest or otherwise affected interpretation of the trial. The FDA or comparable foreign regulatory authority may therefore question the integrity of the data generated at the applicable clinical trial site and the utility of the clinical trial itself may be jeopardized. This could result in a delay in approval, or rejection, of our marketing applications by the FDA or comparable foreign regulatory authority, as the case may be, and may ultimately lead to the denial of marketing approval of our pipeline products.

We may experience delays in our ongoing clinical trials.

We may experience delays in our ongoing clinical trials, and we do not know whether planned clinical trials will begin on time, need to be redesigned, enroll patients on time, or be completed on schedule, if at all. Clinical trials can be delayed, suspended, or terminated for a variety of reasons, including the following:

- delays in or failure to obtain regulatory authorization to commence a trial;

- delays in or failure to obtain institutional review board, or IRB, approval at each site;
- delays in or failure to reach agreement on acceptable terms with prospective contract research organizations, or CROs, and clinical trial sites, the terms of which can be subject to extensive negotiation and may vary significantly among different CROs and trial sites;
- difficulty in recruiting clinical trial investigators of appropriate competencies and experience;
- delays in establishing the appropriate dosage levels in clinical trials;
- delays in or failure to recruit and enroll suitable patients to participate in a trial, particularly considering study inclusion and exclusion criteria and patients' prior lines of therapy and treatment;
- the difficulty in certain countries in identifying the sub-populations that we are trying to treat in a particular trial, which may delay enrollment and reduce the power of a clinical trial to detect statistically significant results;
- lower than anticipated retention rates of patients in clinical trials;
- failure to have patients complete a trial or return for post-treatment follow-up;
- clinical sites deviating from trial protocol or dropping out of a trial;
- delays adding new investigators or clinical trial sites;
- safety or tolerability concerns could cause us or our collaborators or governmental authorities, as applicable, to suspend or terminate a trial if it is found that the participants are being exposed to unacceptable health risks, undesirable side effects or other unfavorable characteristics of the product candidate, or if such undesirable effects or risks are found to be caused by a chemically or mechanistically similar therapeutic or therapeutic candidate;
- our third-party research contractors failing to comply with regulatory requirements or meet their contractual obligations to us in a timely manner, or at all;
- changes in regulatory requirements, policies and guidelines;
- failure to comply with the applicable regulatory requirements through the clinical process;
- manufacturing sufficient quantities of a product candidate for use in clinical trials;
- the quality or stability of a product candidate falling below acceptable standards;
- changes in the treatment landscape for our target indications that may make our product candidates no longer relevant; and
- third-party actions claiming infringement by our product candidates in clinical trials outside the United States and obtaining injunctions interfering with our progress.

In addition, disruptions caused by the COVID-19 pandemic may increase the likelihood that we encounter such difficulties or delays in initiating, enrolling, conducting or completing our planned and ongoing clinical trials. Moreover, while we plan to submit additional investigational new drug applications, or INDs, for other product candidates, we may not be able to file such INDs on the timeline we expect. For example, we may experience manufacturing delays or other delays with IND-enabling preclinical studies. Moreover, we cannot be sure that submission of an IND will result in the FDA allowing clinical trials to begin, or that, once begun, issues will not arise that suspend or terminate clinical trials. Additionally, even if such regulatory authorities agree with the design and implementation of the clinical trials set forth in an IND, we cannot guarantee that such regulatory authorities will not change their requirements in the future. These considerations also apply to new clinical trials we may submit as amendments to existing INDs.

If we are required to conduct additional clinical trials or other studies with respect to any of our product candidates beyond those that we initially contemplated, if we are unable to successfully complete our clinical trials or other studies or if the results of these studies are not positive or are only modestly positive, we may be delayed in obtaining regulatory approval for that product candidate, we may not be able to obtain regulatory approval at all or we may obtain approval for indications that are not as broad as intended. Our drug development costs will also increase if we experience delays in testing or approvals, and we may not have sufficient funding to complete the testing and approval process. Significant clinical trial delays could allow our competitors to bring drugs to market before we do and impair our ability to commercialize our drugs, if and when approved. If any of this occurs, our business will be materially harmed.

Clinical trials must be conducted in accordance with the FDA and other applicable regulatory authorities' legal requirements, regulations or guidelines, and are subject to oversight by these governmental agencies and Ethics Committees or IRBs at the medical institutions where the clinical trials are conducted. We could encounter delays if a clinical trial is suspended or terminated by us, by the IRBs or Ethics Committees of the institutions in which such trials are being conducted, by the Data Review Committee or Data Safety Monitoring Board for such trial or by the FDA, or other regulatory authorities. Such authorities may impose such a suspension or termination due to a number of factors, including failure to conduct the clinical trial or to perform obligations in accordance with regulatory requirements or our clinical protocols, inspection of the clinical trial operations or trial site by the FDA or other regulatory authorities resulting 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. If we experience delays in the completion of, or termination of, any clinical trial of our product candidates, the commercial prospects of our product candidates will be harmed, and our ability to generate product revenues from any of these product candidates will be delayed. In addition, any delays in completing our clinical trials will increase our costs, slow down our product candidate development and approval process and jeopardize our ability to commence product sales and generate revenues. Significant clinical trial delays could also allow our competitors to bring products to market before we do or shorten any periods during which we have the exclusive right to commercialize our product candidates and impair our ability to commercialize our product candidates and may harm our business and results of operations.

Further, clinical trials must be conducted with supplies of our product candidates produced under current good manufacturing practices, or cGMP, requirements and other regulations. Furthermore, we rely on CROs and clinical trial sites to ensure the proper and timely conduct of our clinical trials and while we have agreements governing their committed activities, we have limited influence over their actual performance. We depend on our collaborators and on medical institutions and CROs to conduct our clinical trials in compliance with good clinical practice, or GCP, requirements. To the extent our collaborators or the CROs fail to enroll participants for our clinical trials, fail to conduct the study in accordance with GCP or are delayed for a significant time in the execution of trials, including achieving full enrollment, we may be affected by increased costs, program delays or both, which may harm our business. In addition, clinical trials that are conducted in countries outside the United States may subject us to further delays and expenses as a result of increased shipment costs, additional regulatory requirements and the engagement of non-U.S. CROs, as well as expose us to risks associated with clinical investigators who are unknown to the FDA, and different standards of diagnosis, screening and medical care.

If we encounter difficulties in enrolling patients in our clinical trials, our clinical development activities could be delayed or otherwise adversely affected.

Successful and timely completion of clinical trials will require that we enroll a sufficient number of patients. Our clinical trials may be subject to delays for a variety of reasons, including as a result of enrollment taking longer than anticipated, subject withdrawal or adverse events. These types of developments could cause us to delay the trial or halt further development.

While we believe our differentiated product candidates address highly unmet medical needs that will facilitate our patient enrollment, clinical trials may compete with other clinical trials that are in the same therapeutic areas as our product candidates, and this competition reduces the number and types of patients available to us, as some patients who might have opted to enroll in our trials may instead opt to enroll in a trial being conducted by one of our competitors. Moreover, enrolling patients in clinical trials for cancer therapies is challenging, as cancer patients will first receive the applicable standard of care. Many patients who respond positively to the standard of care antibody therapy (and thus do not enroll in clinical trials) are believed to have tumor types that would have responded well to our product candidates. Patients who fail to respond positively to the standard of care treatment will be eligible for clinical trials of unapproved product candidates. However, these patients may have either compromised immune function from prior administration of chemotherapy or an enhanced immune response from the prior administration of checkpoint inhibitors. Either of these prior treatment regimens may render our therapies less effective in clinical trials. Additionally, patients who have failed approved therapies will typically have more advanced cancer and a poorer long-term prognosis.

Because the number of qualified clinical investigators and clinical trial sites is limited, we expect to conduct some of our clinical trials at the same clinical trial sites that some of our competitors use, which will reduce the number of patients who are available for our clinical trials at such clinical trial sites. We may experience difficulties in patient enrollment in our clinical trials for a variety of reasons, including:

- severity of the disease under investigation;
- the size and nature of the patient population;
- the patient eligibility criteria defined in the protocol;
- the size of the study population required for analysis of the trial's primary endpoints;
- perceived risks and benefits of our pipeline products;
- our resources to facilitate timely enrollment in clinical trials;
- patient referral practices of physicians;
- the proximity of patients to trial sites;
- the design of the trial;
- our ability to recruit clinical trial investigators with the appropriate competencies and experience;
- our ability to obtain and maintain patients' consent; and
- the risk that patients enrolled in clinical trials will not complete a clinical trial.

These factors may make it difficult for us to enroll enough patients to complete our clinical trials in a timely and cost-effective manner. Delays in the completion of any clinical trial of our product candidates will increase our costs, slow down our product candidate development and approval process and delay or potentially jeopardize our ability to commence product sales and generate revenue. In

addition, some of the factors that cause, or lead to, a delay in the commencement or completion of clinical trials may also ultimately lead to the denial of regulatory approval of our product candidates.

Interim, topline or preliminary data from our clinical trials that we announce or publish from time to time may change as more patient data become available and are subject to audit and verification procedures that could result in material changes in the final data.

From time to time, we may publicly disclose preliminary or topline or data from our preclinical studies and clinical trials, which is based on a preliminary analysis of then-available data, and the results and related findings and conclusions are subject to change following a more comprehensive review of the data related to the particular study or trial. We also make assumptions, estimations, calculations and conclusions as part of our analyses of data, and we may not have received or had the opportunity to fully and carefully evaluate all data. As a result, the topline results that we report may differ from future results of the same studies, or different conclusions or considerations may qualify such results, once additional data have been received and fully evaluated. Topline data also remain subject to audit and verification procedures that may result in the final data being materially different from the preliminary data we previously published. As a result, topline data should be viewed with caution until the final data are available.

From time to time, we may also disclose interim data from our preclinical studies and clinical trials. Interim data from clinical trials that we may complete are subject to the risk that one or more of the clinical outcomes may materially change as patient enrollment continues and more patient data become available. Adverse differences between preliminary or interim data and final data could significantly harm our business prospects. Further, disclosure of interim data by us or by our competitors could result in volatility in the price of our common stock.

Further, others, including regulatory agencies, may not accept or agree with our assumptions, estimates, calculations, conclusions, or analyses or may interpret or weigh the importance of data differently, which could impact the value of the particular program, the approvability or commercialization of the particular product candidate or product and our company in general. If the interim, topline, or preliminary data that we report differ from actual results, or if others, including regulatory authorities, disagree with the conclusions reached, our ability to obtain approval for, and commercialize, our product candidates may be harmed, which could harm our business, operating results, prospects, or financial condition.

Risks Related to Obtaining Regulatory Approval of Our Drug Candidates

The regulatory approval processes of the FDA, NMPA and other comparable regulatory authorities are lengthy, time consuming and inherently unpredictable, and if we are ultimately unable to obtain regulatory approvals for our product candidates, our business will be substantially harmed.

In the United States, marketing approval of biologics requires the submission of a BLA to the FDA, and we are not permitted to market any product candidate in the United States until we obtain approval from the FDA of the BLA for that product candidate. A BLA must be supported by extensive clinical and preclinical data, as well as extensive information regarding pharmacology, chemistry, manufacturing and controls. Outside the United States, many comparable foreign regulatory authorities employ similar approval processes.

We have not previously submitted a BLA to the FDA or similar regulatory approval filings to the NMPA or other comparable foreign authorities, for any product candidate, and we cannot be certain that any of our product candidates will receive regulatory approval. Obtaining approval of a BLA can be a lengthy, expensive and uncertain process, and as a company we have no experience with the preparation of a BLA submission or any other application for marketing approval. In addition, the FDA has the authority to require a risk evaluation and mitigation strategies, or REMS, plan as part of a BLA or after approval, which may impose further requirements or restrictions on the distribution or use of an approved biologic, such as limiting prescribing to certain physicians or medical centers that have undergone specialized training, limiting treatment to patients who meet certain safe-use criteria and requiring treated patients to enroll in a registry.

FDA approval is not guaranteed, and the time required to obtain approval by the FDA, NMPA and other comparable regulatory authorities is unpredictable but typically takes many years following the commencement of preclinical trials and clinical trials and depends upon numerous factors, including the substantial discretion of the regulatory authorities. In addition, due to external issues such as pandemics or other public health emergencies, FDA, NMPA and other comparable regulatory authorities may be delayed in their review of product applications. In addition, approval policies, regulations or the type and amount of clinical data necessary to gain approval may change during the course of a product candidate's clinical development and may vary among jurisdictions. We have not obtained regulatory approval for any product candidate, and it is possible that none of our existing product candidates or any product candidates we may discover, in-license or acquire and seek to develop in the future will ever obtain regulatory approval.

Our product candidates could fail to receive regulatory approval from the FDA, NMPA or a comparable regulatory authority for many reasons, including:

- disagreement with the design or implementation of our clinical trials;
- failure to demonstrate that a product candidate is safe and effective or safe, pure, and potent for its proposed indication;
- failure of clinical trial results to meet the level of statistical significance required for approval;
- failure to demonstrate that a product candidate's clinical and other benefits outweigh its safety risks;
- disagreement with our interpretation of data from preclinical trials or clinical trials;
- the insufficiency of data collected from clinical trials of our product candidates to support the submission and filing of a BLA or other submission or to obtain regulatory approval;
- the FDA, NMPA or comparable regulatory authority's finding of deficiencies related to the manufacturing processes;
- failure of our product candidates to pass current Good Manufacturing Practice, or cGMP, inspections during the regulatory review process or across the production cycle of our product; and
- changes in approval policies or regulations that render our preclinical and clinical data insufficient for approval.

The FDA and other regulatory authorities have substantial discretion in the approval process, and determining when or whether regulatory approval will be obtained for any of our product candidates. For example, regulatory authorities in various jurisdictions have in the past had, and may in the future have, differing requirements for, interpretations of and opinions on our preclinical and clinical data. As a result, we may be required to conduct additional preclinical studies, alter our proposed clinical trial designs or conduct additional clinical trials to satisfy the regulatory authorities in each of the jurisdictions in which we hope to conduct clinical trials and develop and market our products, if approved. Further, even if we believe the data collected from clinical trials of our product candidates are promising, such data may not be sufficient to support approval by the FDA or any other regulatory authority.

The FDA, NMPA or a comparable regulatory authority may require more information, including additional preclinical or clinical data, to support approval, which may delay or prevent approval and our commercialization plans, or we may decide to abandon the development program. If we were to obtain approval, regulatory authorities may approve any of our product candidates for fewer or more limited indications than we request, may grant approval contingent on the performance of costly post-marketing clinical trials, may approve a product candidate with a label that is not desirable for the

successful commercialization of that product candidate, or may be difficult to meet manufacturing requirements. In addition, if our product candidate produces undesirable side effects or safety issues, the FDA may require the establishment of Risk Evaluation Mitigation Strategies, or REMS, or the NMPA or a comparable regulatory authority may require the establishment of a similar strategy, that may, for instance, restrict distribution of our drugs and impose burdensome implementation requirements on us. Any of the foregoing scenarios could materially harm the commercial prospects of our product candidates.

Disruptions at the FDA and other government agencies caused by funding shortages or global health concerns could hinder their ability to hire, retain or deploy key leadership and other personnel, or otherwise prevent new or modified products from being developed, approved or commercialized in a timely manner or at all, which could negatively impact our business.

The ability of the FDA to review and approve new products can be affected by a variety of factors, including government budget and funding levels, statutory, regulatory, and policy changes, the FDA's ability to hire and retain key personnel and accept the payment of user fees, and other events that may otherwise affect the FDA's ability to perform routine functions. Average review times at the FDA have fluctuated in recent years as a result. In addition, government funding of other government agencies that fund research and development activities is subject to the political process, which is inherently fluid and unpredictable. Disruptions at the FDA and other agencies may also slow the time necessary for new biologics or modifications to licensed biologics to be reviewed and/or approved by necessary government agencies, which would adversely affect our business. For example, over the last several years, including for 35 days beginning on December 22, 2018, the U.S. government has shut down several times and certain regulatory agencies, such as the FDA, have had to furlough critical FDA employees and stop critical activities.

Separately, in response to the COVID-19 pandemic, on March 10, 2020, the FDA announced its intention to postpone most inspections of foreign manufacturing facilities, and on March 18, 2020, the FDA temporarily postponed routine surveillance inspections of domestic manufacturing facilities. Subsequently, on July 10, 2020, the FDA announced its intention to resume certain on-site inspections of domestic manufacturing facilities subject to a risk-based prioritization system. The FDA intends to use this risk-based assessment system to identify the categories of regulatory activity that can occur within a given geographic area, ranging from mission critical inspections to resumption of all regulatory activities. Regulatory authorities outside the United States may adopt similar restrictions or other policy measures in response to the COVID-19 pandemic. If a prolonged government shutdown occurs, or if global health concerns continue to prevent the FDA or other regulatory authorities from conducting their regular inspections, reviews, or other regulatory activities, it could significantly impact the ability of the FDA or other regulatory authorities to timely review and process our regulatory submissions, which could have a material adverse effect on our business.

Even if we obtain FDA approval of any of our product candidates, we may never obtain approval or commercialize such products outside of the United States, which would limit our ability to realize their full market potential.

In order to market any products outside of the United States, we must establish and comply with numerous and varying regulatory requirements of other countries regarding safety and efficacy. Clinical trials conducted in one country may not be accepted by regulatory authorities in other countries, and regulatory approval in one country does not mean that regulatory approval will be obtained in any other countries. Approval procedures vary among countries and can involve additional product testing and validation and additional administrative review periods. Seeking regulatory approvals in various jurisdictions could result in significant delays, difficulties and costs for us and may require additional preclinical studies or clinical trials which would be costly and time consuming. Regulatory requirements

can vary widely from country to country and could delay or prevent the introduction of our products in those countries. Satisfying these and other regulatory requirements is costly, time consuming, uncertain and subject to unanticipated delays. In addition, our failure to obtain regulatory approval in any country may delay or have negative effects on the process for regulatory approval in other countries. We do not have any product candidates approved for sale in any jurisdiction, including international markets, and we do not have experience in obtaining regulatory approval in international markets. If we fail to comply with regulatory requirements in international markets or to obtain and maintain required approvals, our ability to realize the full market potential of our products will be harmed.

Our product candidates may cause undesirable adverse events or have other properties that could delay or prevent their regulatory approval, limit the commercial profile of an approved label, or result in significant negative consequences following any regulatory approval.

Undesirable adverse events caused by our product candidates could cause us or regulatory authorities to interrupt, delay or halt clinical trials and could result in a more restrictive label or the delay or denial of regulatory approval by the FDA, NMPA or other comparable regulatory authority. Results of our trials could reveal a high and unacceptable severity or prevalence of adverse events. In such an event, our trials could be suspended or terminated and the FDA, NMPA or other comparable regulatory authorities could order us to cease further development of, or deny approval of, our product candidates for any or all targeted indications. Drug-related adverse events could affect patient recruitment or the ability of enrolled subjects to complete the trial, and could result in potential product liability claims. Moreover, such events may require us to amend our trials, including reducing the dosage in our clinical trials.

For instance, in September 2019, in our Phase I trial of ADG116 in the United States, we reported to the FDA the death of the only patient dosed in the trial. The FDA subsequently placed the trial on clinical hold on September 30, 2019. The FDA noted that there was insufficient information to assess the risk of drug-induced liver toxicity in patients receiving ADG116 but requested us to revise the study protocol to mitigate the risk of drug-induced liver toxicity. We submitted to the FDA an amendment to the study protocol, which significantly lowered the starting dose of ADG116, tightened the inclusion and exclusion criteria to exclude, among others, patients with liver dysfunction, history of alcohol abuse, or poorly controlled diabetes, and stipulated additional post-dosing monitoring to closely follow treated patients for safety or toxicity signals. The FDA removed the clinical hold on December 5, 2019. We have obtained authorization from the Australian Therapeutic Goods Administration under a CTN to start a Phase I clinical trial of ADG116. We have decided to focus on conducting the Australian clinical trial of ADG116 at a higher starting dose than currently permitted in the United States, and consequently, we have not re-commenced patient enrollment in the United States. If the data from the Australian clinical trial are favorable, we may consider using such data for re-submission of an IND application to the NMPA. The NMPA in August 2020 did not approve our application for a clinical trial in China at a higher starting dose than currently permitted in Australia and requested additional patient safety data prior to considering approving the IND at the proposed starting dose.

We cannot provide any assurance that there will not be treatment-related severe adverse events with our product candidates, that the trials for our product candidates will not be suspended in the future, or that patient recruitment for trials with our product candidates will not be adversely impacted by the ADG116 related adverse events, any of which could materially and adversely affect our business and prospects. Further, clinical trials by their nature utilize a sample of the potential patient population. With a limited number of patients and limited duration of exposure, rare and severe side effects of our product candidates may only be uncovered with a significantly larger number of patients exposed to the product candidate. In the event that any of our product candidates receives marketing

approval and we or others later identify undesirable or unacceptable side effects caused by such products, a number of potentially significant negative consequences could result, including:

- we may suspend marketing of such products;
- regulatory authorities may withdraw or limit approvals of such products or require us to take an approved product off the market;
- regulatory authorities may require the addition of labeling statements, specific warnings, a contraindication or field alerts to physicians and pharmacies, or issue other communications containing warnings or other safety information about the product;
- regulatory authorities may require a medication guide outlining the risks of such side effects for distribution to patients, or that we implement a REMS plan to ensure that the benefits of the product outweigh its risks or to develop a similar strategy as required by a comparable regulatory authority, that may, for instance, restrict distribution of our drugs and impose burdensome implementation requirements on us;
- we may be required to conduct post-market studies;
- we may be subject to limitations on how we may promote or manufacture the product;
- sales of the product may decrease significantly;
- we could be sued and held liable for harm caused to subjects or patients; and
- our reputation may suffer.

Any of these events could prevent us from achieving or maintaining market acceptance of the particular product candidate, if approved, and could significantly harm our business, results of operations and prospects.

Further, combination therapy involves unique adverse events that could be exacerbated compared to adverse events from monotherapies. These types of adverse events could be caused by our product candidates and could also cause us or regulatory authorities to interrupt, delay or halt clinical trials and could result in a more restrictive label or the delay or denial of regulatory approval by the FDA, NMPA or other comparable regulatory authority. Results of our trials could reveal a high and unacceptable severity or prevalence of adverse events.

We may seek Orphan Drug Designation for some of our product candidates, and we may be unsuccessful.

Regulatory authorities in some jurisdictions, including the United States, may designate drugs for relatively small patient populations as orphan drugs. Under the Orphan Drug Act of 1983, the FDA may designate a drug as an orphan drug if it is a drug intended to treat a rare disease or condition, which is generally defined as a disease with a patient population of fewer than 200,000 individuals in the United States, or a patient population of greater than 200,000 individuals in the United States, but for which there is no reasonable expectation that the cost of developing the drug will be recovered from sales in the United States.

Generally, if a drug with an Orphan Drug Designation subsequently receives the first FDA approval for the indication for which it has such designation, the drug is entitled to a period of marketing exclusivity, which precludes the FDA from approving another marketing application for the same drug for the same indication during the period of exclusivity. The applicable period is seven years in the United States. Orphan Drug exclusivity may be lost if the FDA determines that the request for designation was materially defective or if the manufacturer is unable to assure sufficient quantity of the drug to meet the needs of patients with the rare disease or condition.

Even if we obtain Orphan Drug exclusivity for a product candidate, that exclusivity may not effectively protect the product candidate from competition because different drugs can be approved for the same condition and the same drugs can be approved for a different condition but used off-label for any orphan indication we may obtain. Even after an orphan drug is approved, the FDA can subsequently approve a different drug for the same condition if the FDA concludes that the later drug is clinically superior in that it is shown to be safer, more effective or makes a major contribution to patient care. Orphan drug designation neither shortens the development time or regulatory review time of a drug nor gives the drug any advantage in the regulatory review or approval process.

We may attempt to secure approval from the FDA or comparable foreign regulatory authorities through the use of accelerated approval pathways. If we are unable to obtain such approval, we may be required to conduct additional preclinical studies or clinical trials beyond those that we contemplate, which could increase the expense of obtaining, and delay the receipt of, necessary marketing approvals. Even if we receive accelerated approval from the FDA, if our confirmatory trials do not verify clinical benefit, or if we do not comply with rigorous post-marketing requirements, the FDA may seek to withdraw accelerated approval.

We may in the future seek an accelerated approval for our one or more of our product candidates. Under the accelerated approval program, the FDA may grant accelerated approval to a product candidate designed to treat a serious or life-threatening condition that provides meaningful therapeutic benefit over available therapies upon a determination that the product candidate has an effect on a surrogate endpoint or intermediate clinical endpoint that is reasonably likely to predict clinical benefit. The FDA considers a clinical benefit to be a positive therapeutic effect that is clinically meaningful in the context of a given disease, such as irreversible morbidity or mortality. For the purposes of accelerated approval, a surrogate endpoint is a marker, such as a laboratory measurement, radiographic image, physical sign, or other measure that is thought to predict clinical benefit, but is not itself a measure of clinical benefit. An intermediate clinical endpoint is a clinical endpoint that can be measured earlier than an effect on irreversible morbidity or mortality that is reasonably likely to predict an effect on irreversible morbidity or mortality or other clinical benefit. The accelerated approval pathway may be used in cases in which the advantage of a new drug over available therapy may not be a direct therapeutic advantage, but is a clinically important improvement from a patient and public health perspective. If granted, accelerated approval is usually contingent on the sponsor's agreement to conduct, in a diligent manner, additional post- approval confirmatory studies to verity and describe the drug's clinical benefit. If such post-approval studies fail to confirm the drug's clinical benefit, the FDA may withdraw its approval of the drug.

Prior to seeking accelerated approval for any of our product candidates, we intend to seek feedback from the FDA and will otherwise evaluate our ability to seek and receive accelerated approval. There can be no assurance that after our evaluation of the feedback and other factors we will decide to pursue or submit a BLA for accelerated approval or any other form of expedited development, review or approval. Similarly, there can be no assurance that after subsequent FDA feedback we will continue to pursue or apply for accelerated approval or any other form of expedited development, review or approval, even if we initially decide to do so. Furthermore, if we decide to submit an application for accelerated approval or receive an expedited regulatory designation (e.g., breakthrough therapy designation) for our product candidates, there can be no assurance that such submission or application will be accepted or that any expedited development, review or approval will be granted on a timely basis, or at all. The FDA or other comparable foreign regulatory authorities could also require us to conduct further studies prior to considering our application or granting approval of any type. A failure to obtain accelerated approval or any other form of expedited development, review or approval for our product candidate would result in a longer time period to commercialization of such product candidate, could increase the cost of development of such product candidate and could harm our competitive position in the marketplace.

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

If our product candidates are approved, they will be subject to ongoing regulatory requirements for manufacturing, labeling, packaging, storage, import, export, adverse event reporting, advertising, promotion, sampling, record-keeping, conduct of post-marketing studies, and submission of safety, efficacy, and other post-market information, including both federal and state requirements in the United States and requirements of comparable regulatory authorities.

Manufacturers and manufacturers' facilities are required to comply with extensive FDA, NMPA and comparable regulatory authority requirements, including, in the United States, ensuring that quality control and manufacturing procedures conform to current cGMP regulations. As such, we and our contract manufacturers will be subject to continual review and inspections to assess compliance with cGMP and adherence to commitments made in any BLA, other marketing application, and previous responses to inspection observations. Accordingly, we and others with whom we work must continue to expend time, money and effort in all areas of regulatory compliance, including manufacturing, production and quality control.

Any regulatory approvals that we receive for our product candidates may 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 clinical trials and surveillance to monitor the safety and efficacy of the product candidate. The FDA may also require a REMS program as a condition of approval of our product candidates, which could entail requirements for long-term patient follow-up, a medication guide, physician communication plans or additional elements to ensure safe use, such as restricted distribution methods, patient registries and other risk minimization tools. In addition, if the FDA, NMPA, or a comparable regulatory authority approves our product candidates, we will have to comply with requirements including, for example, submissions of safety and other post-marketing information and reports, registration, as well as continued compliance with cGMPs and Good Clinical Practices, or cGCPs, for any clinical trials that we conduct post approval.

The FDA and NMPA may impose consent decrees or withdraw approval if compliance with regulatory requirements and standards is not maintained or if problems occur after the drug reaches the market. Later discovery of previously unknown problems with our product candidates, including adverse events of unanticipated severity or frequency, or with our third-party manufacturers or manufacturing processes, or failure to comply with regulatory requirements, may result in revisions to the approved labeling to add new safety information, imposition of post-market studies or clinical trials to assess new safety risks, or imposition of distribution restrictions or other restrictions under a REMS program. Other potential consequences include, among other things:

- restrictions on the marketing or manufacturing of our drugs, withdrawal of the product from the market, or voluntary or mandatory product recalls;
- fines, untitled or warning letters, or holds on clinical trials;
- refusal by the FDA, NMPA or comparable regulatory authorities to approve pending applications or supplements to approved applications filed by us or suspension or revocation of license approvals;
- product seizure or detention, or refusal to permit the import or export of our product candidates; and
- injunctions or the imposition of civil or criminal penalties.

The FDA strictly regulates marketing, labeling, advertising and promotion of products that are placed on the market. Drugs may be promoted only for the approved indications and in accordance with the provisions of the approved label. The FDA, NMPA and other regulatory authorities actively enforce the laws and regulations prohibiting the promotion of off-label uses, and a company that is found to have improperly promoted off-label uses may be subject to significant liability. The policies of the FDA, NMPA and of other regulatory authorities may change and additional government regulations may be enacted that could prevent, limit or delay regulatory approval of our product candidates. We cannot predict the likelihood, nature or extent of government regulation that may arise from future legislation or administrative action, either in the United States or abroad. If we are slow or unable to adapt to changes in existing requirements or the adoption of new requirements or policies, or if we are not able to maintain regulatory compliance, we may lose any regulatory approval that we may have obtained and we may not achieve or sustain profitability.

All material aspects of the research, development and commercialization of pharmaceutical products are heavily regulated.

All jurisdictions in which we intend to conduct our pharmaceutical-industry activities regulate these activities in great depth and detail. We intend to focus our activities in the major markets such as the United States and China. These jurisdictions strictly regulate the pharmaceutical industry, and in doing so they employ broadly similar regulatory strategies, including regulation of product development and approval, manufacturing, and marketing, sales and distribution of products. However, there are differences in the regulatory regimes that make for a more complex and costly regulatory compliance burden for a company like ours that plans to operate in these regions.

The process of obtaining regulatory approvals and compliance with appropriate laws and regulations require substantial time and financial resources. Failure to comply with the applicable requirements at any time during the product development process and approval process, or after approval, may subject an applicant to administrative or judicial sanctions. These sanctions could include: refusal to approve pending applications; withdrawal of an approval; license revocation; clinical hold; voluntary or mandatory product recalls; product seizures; total or partial suspension of production or distribution; injunctions; fines; refusals of government contracts; providing restitution; undergoing disgorgement; or other civil or criminal penalties. Failure to comply with these regulations could have a material adverse effect on our business.

Future strategic partnerships may be important to us. We will face significant competition in seeking new strategic partners.

We do not yet have any capability for manufacturing, sales, marketing or distribution. For some of our product candidates, we may in the future determine to collaborate with pharmaceutical and biotechnology companies for development and potential commercialization of therapeutic products. The competition for strategic partners is intense. Our ability to reach a definitive agreement for collaboration will depend, among other things, upon our assessment of the strategic partner's resources and expertise, the terms and conditions of the proposed collaboration and the proposed strategic partner's evaluation of a number of factors. These factors may include the design or results of clinical trials, the likelihood of approval by the FDA or comparable foreign regulatory authorities, the potential market for the subject product candidate, the costs and complexities of manufacturing and delivering such product candidate to patients, the potential of competing products, the existence of uncertainty with respect to our ownership of technology, which can exist if there is a challenge to such ownership without regard to the merits of the challenge, and industry and market conditions generally. The strategic partner may also consider alternative product candidates or technologies for similar indications that may be available for collaboration and whether such collaboration could be more attractive than the one with us for our product candidate.

Strategic partnerships are complex and time-consuming to negotiate and document. In addition, there have been a significant number of recent business combinations among large pharmaceutical companies that have resulted in a reduced number of potential future strategic partners. Even if we are successful in entering into collaboration, the terms and conditions of that collaboration may restrict us from entering into future agreements with other potential collaborators.

If we are unable to reach agreements with suitable strategic partners on a timely basis, on acceptable terms, or at all, we may have to curtail the development of a product candidate, reduce or delay one or more of our other development programs, delay its potential commercialization or reduce the scope of any sales or marketing activities, or increase our expenditures and undertake development or commercialization activities at our own expense. If we elect to fund and undertake development or commercialization activities on our own, we may need to obtain additional expertise and additional capital, which may not be available to us on acceptable terms or at all. If we fail to enter into strategic partnerships and do not have sufficient funds or expertise to undertake the necessary development and commercialization activities, we may not be able to further develop our product candidates or bring them to market or continue to develop our technology platform and our business may be materially and adversely affected. Any collaboration may be on terms that are not optimal for us, and we may not be able to maintain any new collaboration if, for example, development or approval of a product candidate is delayed, sales of an approved product candidate do not meet expectations or the partner terminates the collaboration. Any such collaboration, or other strategic transaction, may require us to incur non-recurring or other charges, and increase our near- and long-term expenditures and pose significant integration or implementation challenges or disrupt our management or business. Accordingly, although there can be no assurance that we will undertake or successfully complete any transactions of the nature described above, any transactions that we do complete may be subject to the foregoing or other risks and have a material and adverse effect on our business, financial condition, results of operations, and prospects. Conversely, any failure to enter any collaboration or other strategic transaction that would be beneficial to us could delay the development and potential commercialization of our product candidates and have a negative impact on the competitiveness of any product candidate that reaches the market.

If we are unable to maintain existing and future strategic partnerships or collaborations, or if these strategic partnerships or collaborations are not successful, our business could be adversely affected.

Our existing strategic partnerships, collaborations and any future strategic partnerships we enter into may pose a number of risks, including the following:

- we may not be able to enter into critical strategic partnerships or enter into them on favorable terms;
- strategic partners or collaborators have significant discretion in determining the effort and resources that they will apply to such a partnership, and they may not perform their obligations as agreed, expected, or in compliance with applicable legal requirements;
- strategic partners or collaborators may not pursue development and commercialization of any product candidates that achieve regulatory approval or may elect not to continue or renew development or commercialization programs based on clinical trial results, changes in the partners' strategic focus or available funding, or external factors, such as an acquisition that diverts resources or creates competing priorities;
- strategic partners or collaborators may delay clinical trials, provide insufficient funding for a clinical trial program, stop a clinical trial or abandon a product candidate, repeat or conduct new clinical trials or require a new formulation of a product candidate for clinical testing;

- strategic partners or collaborators could independently develop, or develop with third parties, products that compete directly or indirectly with our product candidates if the strategic partners or collaborators believe that competitive products are more likely to be successfully developed or can be commercialized under terms that are more economically attractive than our product candidates;

- product candidates discovered in collaboration with us may be viewed by our strategic partners or collaborators as competitive with their own product candidates or products, which may cause strategic partners or collaborators to cease to devote resources to the commercialization of our product candidates;

- a strategic partner or collaborator with marketing and distribution rights to one or more of our product candidates that achieve regulatory approval may not commit sufficient resources to the marketing and distribution of such product candidates;

- disagreements with strategic partners or collaborators, including disagreements over proprietary rights, contract interpretation or the preferred course of development, might cause delays or termination of the research, development or commercialization of product candidates, might lead to additional responsibilities for us with respect to product candidates, or might result in litigation or arbitration, any of which would be time-consuming and expensive;

- strategic partners or collaborators may not properly maintain or defend our intellectual property rights or may use our proprietary information in such a way as to invite litigation that could jeopardize or invalidate our intellectual property or proprietary information or expose us to potential litigation;

- strategic partners or collaborators may infringe the intellectual property rights of third parties, which may expose us to litigation and potential liability;

- strategic partners or collaborators may claim for a substantial compensation for our failure of development of the product candidates specified under the relevant out-licensing agreements that solely arose out of problems of our previous R&D basis; and

- strategic partnerships or collaborations may be terminated for the convenience of the partner or the collaborator and, if terminated, we could be required to raise additional capital to pursue further development or commercialization of the applicable product candidates.

If any partnerships or collaboration we enter into do not result in the successful development of our product candidates or if one of our partners or collaborator terminates the agreement with us, our continued development of our product candidates could be delayed and our business may be materially and adversely affected.

We will need to grow our organization, and we may experience difficulties in managing this growth, which could disrupt our operations.

As of June 30, 2020, we had 172 full-time employees. As our development and commercialization plans and strategies develop, and as we transition into operating as a public company, we expect to expand our employee base for managerial, operational, financial and other resources. As our product candidates enter and advance through preclinical studies and clinical trials, we will need to expand our development, regulatory and manufacturing capabilities or contract with other organizations to provide these capabilities for us. In the future, we expect to enter into additional relationships with collaborators or partners, suppliers and other organizations and establish a sales and marketing team in preparation for commercialization activities. Our ability to manage our operations and future growth will require us to continue to improve our operational, financial and management controls, reporting systems and procedures. We may not be able to implement improvements to our management

information and control systems in an efficient or timely manner and may discover deficiencies in existing systems and controls. Our inability to successfully manage our growth and expand our operations could have a material and adverse effect on our business, financial condition, results of operations and prospects.

Disruptions in the financial markets and economic conditions could affect our ability to raise capital.

Global economies could suffer dramatic downturns as the result of a deterioration in the credit markets and related financial crisis as well as a variety of other factors including, extreme volatility in security prices, severely diminished liquidity and credit availability, ratings downgrades of certain investments and declining valuations of others. In the past, governments have taken unprecedented actions in an attempt to address and rectify these extreme market and economic conditions by providing liquidity and stability to the financial markets. If these actions are not successful, the return of adverse economic conditions may cause a significant impact on our ability to raise capital, if needed, on a timely basis and on acceptable terms or at all.

In addition, there is considerable uncertainty over the long-term effects of the expansionary monetary and fiscal policies adopted by the central banks and financial authorities of some of the world's leading economies, including the United States and China. There have been concerns over unrest and terrorist threats in the Middle East, Europe and Africa and over the conflicts involving Ukraine, Syria and North Korea. There have also been concerns on the relationship among China and other Asian countries, which may result in or intensify potential conflicts in relation to territorial disputes or the trade related disputes between the United States and China. In addition, the U.K. held a referendum on June 23, 2016 on its membership in the EU, in which voters approved an exit from the EU, commonly referred to as "Brexit"; the U.K. formally left the EU on January 31, 2020. The U.K. is currently in a transition period which is expected to continue through December 31, 2020, when agreements surrounding trade and other aspects of the U.K.'s future relationship with the EU will need to be finalized. Brexit could adversely affect European and worldwide economic and market conditions and could contribute to instability in global financial and foreign exchange markets. It is unclear whether these challenges and uncertainties will be contained or resolved, and what effects they may have on the global political and economic conditions in the long term.

If we face allegations of non-compliance with laws and encounter sanctions, our reputation, revenues and liquidity may suffer, and our product candidates and approved products, if any, could be subject to restrictions or withdrawal from the market.

Any government investigation of alleged violations of laws or regulations could require us to expend significant time and resources in response, and could generate negative publicity. Any failure to comply with ongoing regulatory requirements may significantly and adversely affect our ability to obtain approvals commercialize and generate revenues from our drugs. If regulatory sanctions are applied or if regulatory approval is withdrawn, the value of our company and our operating results will be adversely affected. Additionally, if we are unable to generate revenues from our product sales, our potential for achieving profitability will be diminished and the capital necessary to fund our operations will be increased.

Our reputation is important to our success. Negative publicity may adversely affect our reputation and business prospects.

Any negative publicity concerning us, our affiliates or any entity that shares the "Adagene" name, even if untrue, could adversely affect our reputation and business prospects. There can be no assurance that negative publicity about us or any of our affiliates or any entity that shares the "Adagene" name would not damage our brand image or have a material adverse effect on our business, results of operations and financial condition.

Potential future acquisitions or strategic collaborations may increase our capital requirements, dilute our shareholders, cause us to incur debt or assume contingent liabilities and subject us to other risks.

We may evaluate various acquisitions and strategic collaborations, including licensing or acquiring complementary products, intellectual property rights, technologies or businesses. Any potential acquisition or strategic collaboration may entail numerous risks, including:

- increased operating expenses and cash requirements;
- the assumption of additional indebtedness or contingent liabilities;
- assimilation of operations, intellectual property and products of an acquired company, including difficulties associated with integrating new personnel;
- the diversion of our management's attention from our existing product programs and initiatives in pursuing such a strategic merger or acquisition;
- retention of key employees, the loss of key personnel, and uncertainties in our ability to maintain key business relationships;
- risks and uncertainties associated with the other party to such a transaction, including the prospects of that party and their existing products or product candidates and regulatory approvals; and/or
- our inability to generate revenue from acquired technology and/or products sufficient to meet our objectives in undertaking the acquisition or even to offset the associated acquisition and maintenance costs.

In addition, if we undertake acquisitions, we may issue dilutive securities, assume or incur debt obligations, incur large one-time expenses and acquire intangible assets that could result in significant future amortization expense. Moreover, we may not be able to locate suitable acquisition opportunities and this inability could impair our ability to grow or obtain access to technology or products that may be important to the development of our business.

Our business operations and current or future relationships with healthcare professionals, principal investigators, consultants, customers and third-party payors in the United States and elsewhere may be subject, directly or indirectly, to applicable anti-kickback, fraud and abuse, false claims, physician payment transparency and other healthcare laws and regulations. If we or our employees, independent contractors, consultants, commercial partners, or vendors violate these laws, we could face substantial penalties.

Our business operations and current or future arrangements with investigators, healthcare professionals, consultants, third-party payors, patient organizations and customers may expose us to broadly applicable fraud and abuse and other healthcare laws and regulations. These laws may constrain the business or financial arrangements and relationships through which we conduct our operations, including how we research, market, sell and distribute our product candidates, if approved. Such laws include, without limitation:

- the U.S. federal civil and criminal Anti-Kickback Statute, which prohibits, among other things, persons or entities from knowingly and willfully soliciting, offering, receiving or providing any remuneration (including any kickback, bribe, or certain rebate), directly or indirectly, overtly or covertly, in cash or in kind, to induce or reward, or in return for, either the referral of an individual for, or the purchase, lease, order or recommendation of, any good, facility, item or service, for which payment may be made, in whole or in part, under U.S. federal and state healthcare programs such as Medicare and Medicaid. 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;

- the U.S. federal false claims laws, including the False Claims Act, which can be enforced through whistleblower actions, and civil monetary penalties laws, which, among other things, impose criminal and civil penalties against individuals or entities for knowingly presenting, or causing to be presented, to the U.S. federal government, claims for payment or approval that are false or fraudulent, knowingly making, using or causing to be made or used, a false record or statement material to a false or fraudulent claim, or from knowingly making a false statement to avoid, decrease or conceal an obligation to pay money to the U.S. federal government. In addition, the government may assert that a claim including items and services resulting from a violation of the U.S. federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the False Claims Act;

- the federal Health Insurance Portability and Accountability Act of 1996, or HIPAA, which imposes criminal and civil liability for, among other things, knowingly and willfully executing, or attempting to execute, a scheme to defraud any healthcare benefit program, or knowingly and willfully falsifying, concealing or covering up a material fact or making any materially false statement, in connection with the delivery of, or payment for, healthcare benefits, items or services; similar to the U.S. 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;

- federal consumer protection and unfair competition laws, which broadly regulate marketplace activities and activities that potentially harm consumers;

- the United States Physician Payments Sunshine Act and its implementing regulations, which require certain manufacturers of drugs, devices, biologics and medical supplies that are reimbursable under Medicare, Medicaid or the Children's Health Insurance Program to report annually to the government information related to certain payments and other transfers of value to physicians, as defined by such law, and teaching hospitals, as well as ownership and investment interests held by the physicians described above and their immediate family members. Effective January 1, 2022, the U.S. federal physician transparency reporting requirements will extend to include transfers of value made during the previous year to certain non-physician providers such as physician assistants and nurse practitioners;

- analogous U.S. state laws and regulations, including: state anti-kickback and false claims laws, which may apply to our business practices, including but not limited to, research, distribution, sales;

- the U.S. Foreign Corrupt Practices Act of 1977, as amended, which prohibits, among other things, U.S. companies and their employees and agents from authorizing, promising, offering or providing, directly or indirectly, corrupt or improper payments or anything else of value to foreign government officials, employees of public international organizations and foreign government owned or affiliated entities, candidates for foreign political office and foreign political parties or officials thereof; and

- marketing arrangements and claims involving healthcare items or services reimbursed by any third-party payor, including private insurers; state laws that require pharmaceutical companies to comply with the pharmaceutical industry's voluntary compliance guidelines and the relevant compliance guidance promulgated by the U.S. federal government, or otherwise restrict payments that may be made to healthcare providers and other potential referral sources; state and local laws that require the registration of pharmaceutical sales representatives; and state laws and regulations that require drug manufacturers to file reports relating to pricing and marketing information, which requires tracking gifts and other remuneration and items of value provided to healthcare professionals and entities. For detailed discussion on material applicable PRC regulation, see "Regulation—PRC Regulation"

Ensuring that our internal operations and future business arrangements with third parties comply with applicable healthcare laws and regulations will involve substantial costs. It is possible that governmental authorities will conclude that our business practices do not comply with current or future statutes, regulations, agency guidance or case law involving applicable fraud and abuse or other healthcare laws and regulations. If our operations are found to be in violation of any of the laws described above or any other governmental laws and regulations that may apply to us, we may be subject to significant penalties, including civil, criminal and administrative penalties, damages, fines, exclusion from government-funded healthcare programs, such as Medicare and Medicaid or similar programs in other countries or jurisdictions, disgorgement, imprisonment, contractual damages, reputational harm, diminished profits and the curtailment or restructuring of our operations. Further, defending against any such actions can be costly and time-consuming and may require significant personnel resources. Even if we are successful in defending against any such actions that may be brought against us, our business may be impaired.

Recently enacted and future legislation in the United States and other countries may affect the prices we may obtain for our product candidates and increase the difficulty and cost for us to obtain marketing approval of and commercialize our product candidates.

In the United States and many other countries, rising healthcare costs have been a concern for governments, patients and the health insurance sector, which resulted a number of changes to laws and regulations, and may result in further legislative and regulatory action regarding the healthcare and health insurance systems that could affect our ability to profitably sell any product candidates for which we obtain marketing approval.

For example, the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act, or collectively, the ACA, was enacted in the United States in March 2010 with the stated goals of containing healthcare costs, improving quality and expanding access to healthcare, and includes measures to change health care delivery, increase the number of individuals with insurance, ensure access to certain basic health care services, and contain the rising cost of care. Since its enactment, there have been numerous judicial, administrative, executive, and legislative challenges to certain aspects of the ACA, and we expect there will be additional challenges and amendments to the ACA in the future. For example, various portions of the ACA are currently facing legal and constitutional challenges in the Fifth Circuit Court of Appeals and the United States Supreme Court. Additionally, the current administration has issued various Executive Orders which eliminated cost sharing subsidies and various provisions 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, and Congress has introduced several pieces of legislation aimed at significantly revising or repealing the ACA. It is unclear whether the ACA will be overturned, repealed, replaced, or further amended.

In addition, other federal health reform measures have been proposed and adopted in the United States. For example, as a result of the Budget Control Act of 2011, providers are subject to Medicare payment reductions of 2% per fiscal year through 2030, with the exception of a temporary suspension from May 1, 2020 through December 31, 2020, unless additional Congressional action is taken. Further, the American Taxpayer Relief Act of 2012 reduced Medicare payments to several providers and increased the statute of limitations period for the government to recover overpayments from providers from three to five years. The Medicare Access and CHIP Reauthorization Act of 2015 also introduced a quality payment program under which certain individual Medicare providers will be subject to certain incentives or penalties based on new program quality standards. Payment adjustments for the Medicare quality payment program began in 2019. At this time, it is unclear how the introduction of the quality payment program will impact overall physician reimbursement under the Medicare program. Any

reduction in reimbursement from Medicare or other government programs may result in a similar reduction in payments from private payors.

Further, there has been heightened governmental scrutiny in the United States of pharmaceutical pricing practices in light of the rising cost of prescription drugs and biologics.

Since January 2017, there has been legislation considered in Congress to restrict the pricing of drug products to a governmental negotiated rate or to other similar rates that would reduce the costs to government, commercial payers and individuals. In July 2020, President Trump signed four Executive Orders directing the Department of Health and Human Services and other agencies to take specific actions to reduce prescription drug prices. The first order directs federally qualified health centers to pass along significant discounts on insulin and epinephrine from drug companies to low-income individuals. The second order would allow the important of prescription drugs from Canada into the United States where the prices are deemed to be lower. The third order would eliminate safe harbor protections under the federal Anti-Kickback Statute that currently covers rebates paid by manufacturers to Medicare Part D plans and Medicaid managed care organizations, either directly or through pharmacy benefit managers under contract with such plans or organizations, so long as such actions are not projected to increase federal spending, Medicare beneficiary premiums or patients' total out-of-pocket cases. The fourth order will reduce the payment for Medicare part B drugs to be paid at the same rate as other developed nations, thereby reducing the reimbursement. All of these Executive Orders require rulemaking prior to implementation and could be stalled by Congress or the next election.

The combination of healthcare cost containment measures, increased health insurance costs, reduction of the number of people with health insurance coverage, as well as future legislation and regulations focused on reducing healthcare costs by reducing the cost of or reimbursement and access to pharmaceutical products, may limit or delay our ability to generate revenue, attain profitability, or commercialize our pipeline products, if approved.

We face intense competitions and rapid technological changes, as well as the possibility that our competitors may develop therapies that are similar, more advanced, or more effective than ours, which may adversely affect our ability to successfully commercialize our product candidates and our financial condition.

The biotechnology and pharmaceutical industries are intensely competitive and subject to rapid and significant technological change. We are currently aware of various existing therapies and development candidates that may compete with ADG106, ADG126, ADG116 and ADG104 for the potential treatment of similar targets, such as urelumab and utomilumab targeting CD137 and ipilimumab targeting CTLA-4. While we are developing ADG126 and ADG116, both targeting CTLA-4, we intend to focus on and prioritize ADG126 as it is generated by our SAFEbody technology designed with significant safety margin. We have competitors in the United States, China and internationally, including major multinational pharmaceutical companies, specialty pharmaceutical companies, and biotechnology companies. Many of our competitors have substantially greater financial, technical, and other resources, such as larger research and development, marketing and manufacturing organizations. Additional mergers and acquisitions in the biotechnology and pharmaceutical industries may result in even more resources being concentrated in our competitors. As a result, these companies may obtain regulatory approval more rapidly than we are able to and may be more effective in selling and marketing their products as well. Smaller or early-stage companies may also prove to be significant competitors, particularly through collaborative arrangements with large, established companies. Competition may increase further as a result of advances in the commercial applicability of technologies and greater availability of capital for investment in these industries. Our competitors may succeed in developing, acquiring or licensing on an exclusive basis, products that are more effective or less costly than any product candidate that we may develop, or achieve earlier patent protection, regulatory approval, product commercialization and market penetration than we do. Additionally,

technologies developed by our competitors may render our potential product candidates uneconomical or obsolete, and we may not be successful in marketing our product candidates against competitors.

We have no experience in launching and marketing product candidates. We may not be able to effectively build and manage our sales network, or benefit from third-party collaborators' sales network.

We currently have no manufacturing, sales, marketing or commercial product distribution capabilities and have no experience in marketing drugs. We intend to develop an in-house marketing organization and sales force, which will require significant capital expenditures, management resources and time. We will have to compete with other biopharmaceutical companies to recruit, hire, train and retain marketing and sales personnel.

If we are unable or decide not to establish internal sales, marketing and commercial distribution capabilities for any or all of the drugs we develop, we will likely pursue collaborative arrangements regarding the sales and marketing of our product candidates, if approved. However, there can be no assurance that we will be able to establish or maintain such collaborative arrangements, or, if we are able to do so, that they will have effective sales forces. Any revenue we receive will depend on the efforts of such third parties, which may not be successful. We may have little or no control over the marketing and sales efforts of such third parties, and our revenue from product sales may be lower than if we had commercialized our product candidates ourselves. We will also face competition in our search for third parties to assist us with the sales and marketing efforts of our product candidates, if approved.

There can be no assurance that we will be able to develop in-house sales and commercial distribution capabilities or establish or maintain relationships with third-party collaborators to successfully commercialize any product candidate, if approved, and as a result, we may not be able to generate product sales revenue.

Even if we are able to commercialize any approved product candidates, coverage and reimbursement may be limited or unavailable in certain market segments for our product candidates, and we may be subject to unfavorable pricing regulations, which could harm our business.

The regulations that govern regulatory approvals, pricing and reimbursement for new therapeutic products vary widely from country to country. Some countries require approval of the sale price of a drug before it can be marketed. In many countries, the pricing review period begins after marketing or licensing approval is granted. In some non-U.S. markets, prescription pharmaceutical pricing remains subject to continuing governmental control even after initial approval is granted. As a result, we might obtain regulatory approval for a drug in a particular country, but then be subject to price regulations that delay our commercial launch of the drug and negatively impact our revenues.

A primary trend in the global healthcare industry is cost containment. Government authorities and third-party payors have attempted to control costs by limiting coverage and the amount of reimbursement for particular medications. Our ability to commercialize any drugs successfully also will depend in part on the extent to which coverage and reimbursement for these drugs and related treatments will be available on adequate terms, or at all, from government health administration authorities, private health insurers and other organizations.

In the United States, no uniform policy of coverage and reimbursement for biopharmaceutical products exists among third-party payors. As a result, obtaining coverage and reimbursement approval of a drug from a government or other third-party payor is a time-consuming and costly process that could require us to provide to each payor supporting scientific, clinical and cost-effectiveness data for the use of our drugs on a payor-by-payor basis, with no assurance that coverage and adequate reimbursement will be obtained. Even if we obtain coverage for a given drug, the resulting reimbursement rates might not be adequate for us to achieve or sustain profitability or may require

co-payments that patients find unacceptably high. Increasingly, third-party payors are requiring that companies provide them with predetermined discounts from list prices and are challenging the prices charged for medical products. Additionally, third-party payors may not cover, or provide adequate reimbursement for, long-term follow-up evaluations required following the use of our genetically modified drugs. Patients are unlikely to use our drugs and any approved product candidates unless coverage is provided and reimbursement is adequate to cover a significant portion of the cost of the drug. Because some of our product candidates have a higher cost of goods than conventional therapies, may require long-term follow up evaluations, and will likely be administered under the supervision of a physician, the risk that coverage and reimbursement rates may be inadequate for us to achieve profitability may be greater.

If reimbursement is not available or is available only to limited levels, we may not be able to successfully commercialize any product candidate that we successfully develop.

There may be significant delays in obtaining reimbursement for approved drugs, and coverage may be more limited than the purposes for which the drug is approved by the FDA or other comparable regulatory authorities outside the United States. Moreover, eligibility for reimbursement does not imply that any drug will be paid for in all cases or at a rate that covers our costs, including research, development, manufacture, sale and distribution. Interim payments for new drugs, if applicable, may also not be sufficient to cover our costs and may not be made permanent. Payment rates may vary according to the use of the drug and the clinical setting in which it is used, may be based on payments allowed for lower cost drugs that are already reimbursed, and may be incorporated into existing payments for other services. Net prices for drugs may be reduced by mandatory discounts or rebates required by government healthcare programs or private payors and by any future weakening of laws that presently restrict imports of drugs from countries where they may be sold at lower prices than in the United States. Our inability to promptly obtain coverage and profitable payment rates from both government-funded and private payors for our drugs and any new product candidates that we develop could have a material adverse effect on our business, our operating results, and our overall financial condition.

In China, the Ministry of Human Resources and Social Security of China or provincial or local human resources and social security authorities, together with other government authorities, review the inclusion or removal of drugs from China'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. There can be no assurance that our drugs and any approved product candidates will be included in the NRDL or provincial reimbursements lists. Products included in the NRDL have been typically generic and essential drugs. Innovative drugs similar to our product candidates have historically been more limited on their inclusion in the NRDL due to the affordability of the government's Basic Medical Insurance, although this has been changing in recent years. According to currently effective PRC laws and regulations, the prices of approved drugs are determined by market competition. The government regulate prices mainly by establishing a consolidated procurement mechanism, revising the NRDL and strengthening regulation of medical and pricing practices. We cannot predict the extent to which our business may be affected by potential future legislative or regulatory developments. Changes in pricing regulation could restrict the amount that we are able to charge for our future approved drugs, which would adversely affect our revenue, profitability and results of operations.

We intend to seek approval to market our product candidates in the United States, China and in other jurisdictions. In some non-U.S. countries, the pricing of drugs and biologics is subject to governmental control, which can take considerable time even after obtaining regulatory approval. Market acceptance and sales of our drugs will depend significantly on the availability of adequate

coverage and reimbursement from third-party payors for drugs and may be affected by existing and future health care reform measures.

As we engage in collaboration worldwide, we may be exposed to specific risks of conducting our business and operations in international markets.

We are a biopharmaceutical company with global footprints. We are currently building our clinical and technology infrastructures to support our future global operations and prepare to serve global markets. If we fail to obtain applicable licenses or fail to enter into strategic collaboration arrangements with third parties in these markets, or if these collaboration arrangements turn out unsuccessful, our revenue-generating growth potential will be adversely affected.

Moreover, international business relationships subject us to additional risks that may materially adversely affect our ability to attain or sustain profitable operations, including:

- efforts to enter into collaboration or licensing arrangements with third parties in connection with our international sales, marketing and distribution efforts may increase our expenses or divert our management's attention from the acquisition or development of product candidates;
- changes in a specific country's or region's political and cultural climate or economic condition;
- differing regulatory requirements for drug approvals and marketing internationally;
- difficulty of effective enforcement of contractual provisions in local jurisdictions;
- potentially reduced protection for intellectual property rights;
- potential third-party patent rights;
- unexpected changes in tariffs, trade barriers and regulatory requirements;
- economic weakness, including inflation or political instability;
- compliance with tax, employment, immigration and labor laws for employees traveling abroad;
- the effects of applicable tax structures and potentially adverse tax consequences;
- currency fluctuations, which could result in increased operating expenses and reduced revenue, and other obligations incidental to doing business in another country;
- workforce uncertainty and labor unrest and failure to comply with the applicable laws and regulations in relation to management of the employment of foreigners within the PRC;
- the potential for so-called parallel importing, which is what happens when a local seller, faced with high or higher local prices, opts to import goods from an international market with low or lower prices rather than buying them locally;
- failure of our employees and contracted third parties to comply with Office of Foreign Assets Control rules and regulations and the Foreign Corrupt Practices Act of the United States, and other applicable rules and regulations;
- production shortages resulting from any events affecting raw material supply or manufacturing capabilities abroad; and
- business interruptions resulting from geo-political actions, including war and terrorism, or natural disasters, including earthquakes, volcanoes, typhoons, floods, hurricanes and fires.

These and other risks may materially adversely affect our ability to attain or sustain revenue from international markets.

Building our commercialization capabilities will require significant investment of time and money. There would be no assurance that we will successfully set up our commercialization capabilities in any of the proposed jurisdictions or at all, or that we will successfully commercialize any of our product candidates in the future.

We are currently in the early stages of building and expanding our commercial capabilities to allow us to market our own products, if approved, in the future. We will need to set up full commercialization capabilities in the jurisdictions, including China and the United States, which would require substantial investment of time and money and will divert significant management focus and resources. We also face competition with multinational and local pharmaceutical and biotechnology companies with established commercialization capabilities in terms of marketing and attracting talents. Therefore, there can be no assurance that our efforts to set up commercialization capabilities will be successful in any of the proposed jurisdictions or at all.

Even if ADG106 or one of our other proprietary product candidates obtains regulatory approval, we may determine that commercializing such product candidate ourselves would not be the most effective way to create value for our shareholders or holders of ADSs. In addition, if we choose to commercialize any of our product candidates, our marketing efforts may be unsuccessful as a result of unfavorable pricing or reimbursement limitations, delays, competition or other factors. Failure to successfully market one or more of our approved products, or delays in our commercialization efforts, may diminish the commercial prospects for such products and may result in financial losses or damage to our reputation, each of which may have a negative impact on the market price of our ADSs and our financial condition, results of operations and future growth prospects.

We may continue to pursue collaborations or licensing arrangements, joint ventures, strategic alliances, partnerships or other strategic investment or arrangements, which may fail to produce anticipated benefits and adversely affect our operations.

We may continue to pursue opportunities for collaboration, out-license, joint ventures, acquisitions of products, assets or technology, strategic alliances, or partnerships that we believe would advance our development. We may consider pursuing growth through the acquisition of technology, assets or other businesses that may enable us to enhance our technologies and capabilities. Proposing, negotiating and implementing these opportunities may be a lengthy and complex process. Other companies, including those with substantially greater financial, marketing, technology, or other business resources, may compete with us for these opportunities or arrangements. We may not be able to identify, secure, or complete any such transactions or arrangements in a timely manner, on a cost-effective basis, on acceptable terms, or at all.

We have limited experience with respect to these business development activities. Management and integration of a licensing arrangement, collaboration, joint venture or other strategic arrangement may disrupt our current operations, decrease our profitability, result in significant expenses, or divert management resources that otherwise would be available for our existing business. We may not realize the anticipated benefits of any such transaction or arrangement.

Furthermore, partners, collaborators, or other parties to such transactions or arrangements may fail to fully perform their obligations or meet our expectations or cooperate with us satisfactorily for various reasons and subject us to potential risks, including the followings:

- partners, collaborators, or other parties have significant discretion in determining the efforts and resources that they will apply to a transaction or arrangement;

- partners, collaborators, or other parties could independently develop, or develop with third parties, services and products that compete directly or indirectly with our product candidates;

- partners, collaborators, or other parties may stop, delay or discontinue clinical trials as well as repeat clinical trials or conduct new clinical trials by using our intellectual property or proprietary information;

- partners, collaborators, or other parties may not properly maintain or defend our intellectual property rights or may use our intellectual property or proprietary information in a way that gives rise to actual or threatened litigation that could jeopardize or invalidate our intellectual property or proprietary information or expose us to potential liabilities;

- disputes may arise between us and partners, collaborators, or other parties that cause the delay or termination of the research, development or commercialization of our product candidates, or that result in costly litigation or arbitration that diverts management's attention and resources;

- partners, collaborators, or other parties may be terminated and, if terminated, may result in a need for additional capital to pursue further development or commercialization of the applicable services and products; and

- partners, collaborators, or other parties may own or co-own intellectual properties covering our product candidates that results from our collaborating with them, and in such cases, we would not have the exclusive right to commercialize such intellectual properties.

Any such transactions or arrangements may also require actions, consents, approval, waiver, participation or involvement of various degrees from third parties, such as regulators, government authorities, creditors, licensors or licensees, related individuals, suppliers, distributors, shareholders or other stakeholders or interested parties. There is no assurance that such third parties will be cooperative as we desire, or at all, in which case we may be unable to carry out the relevant transactions or arrangements.

We rely on third parties to support, conduct and monitor our preclinical studies and clinical trials. Therefore, we may not be able to directly control the timing, process, expense and quality of our clinical trials and we cannot assure these third parties can duly perform their obligations as agreed and expected.

We have relied upon and plan to continue to rely upon third parties, including independent clinical investigators and third-party CROs, to conduct our preclinical studies and clinical trials and to monitor and manage data for our ongoing preclinical and clinical programs. We rely on these parties for execution of our preclinical studies and clinical trials, and control only certain aspects of their activities. Nevertheless, we are responsible for ensuring that each of our studies and trials is conducted in accordance with the applicable protocol, legal, regulatory and scientific standards, and our reliance on these third parties does not relieve us of our regulatory responsibilities. We and our third-party contractors and CROs are required to comply with GCP requirements, which are regulations and guidelines enforced by the FDA and comparable foreign regulatory authorities for all of our products candidates in clinical development. Regulatory authorities enforce these GCPs through periodic inspections of trial sponsors, principal investigators and trial sites. If we or any of our CROs fail to comply with applicable GCPs, the clinical data generated in our clinical trials may be deemed unreliable and the FDA 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 GCP regulations. In addition, our clinical trials must be conducted with product produced under cGMP regulations. Our failure to comply with these regulations may require us to repeat or suspend clinical trials, which would delay the regulatory approval process.

Further, these investigators and CROs are not our employees and we will not be able to control, other than by contract, the amount of resources, including time, which they devote to our product candidates and clinical trials. If independent investigators or CROs fail to devote sufficient resources to

the development of our product candidates, or if their performance is substandard, it may delay or compromise the prospects for approval and commercialization of any product candidates that we develop. In addition, the use of third-party service providers may require us to disclose our proprietary information to these parties, which could increase the risk that this information will be misappropriated.

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.

If any of our relationships with these third-party CROs terminate, we may not be able to enter into arrangements with alternative CROs or to do so on commercially reasonable terms. If CROs do not successfully carry out their contractual duties or obligations or meet expected deadlines, if they need to be replaced or if the quality or accuracy of the clinical data they obtain is compromised due to the 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 product candidates. As a result, our results of operations and the commercial prospects for our product candidates would be harmed, our costs could increase and our ability to generate revenues could be delayed.

Switching or adding additional CROs involves additional cost and requires management time and focus. In addition, there is a natural transition period when a new CRO commences work. As a result, delays occur, which can materially impact our ability to meet our desired clinical development timelines. Additionally, CROs may lack the capacity to absorb higher workloads or take on additional capacity to support our needs. 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.

We currently rely on a third-party manufacturer to produce our product candidates. Any failure by the third-party manufacturer to produce acceptable product candidates for us pursuant to our specifications and regulatory standards may delay or impair our ability to initiate or complete our clinical trials, obtain and maintain regulatory approvals or commercialize approved products, if any.

We currently rely on a third-party manufacturer and expect to continue to rely for some time on third parties to manufacture our product candidates for preclinical testing and clinical trials, in compliance with applicable regulatory and quality standards, and may do so for the commercial manufacture of some of our product candidates, if approved. To date, we have obtained bulk drug substance for ADG106, ADG126 and ADG116 from a single-source third-party contract manufacturer. Any reduction or halt in supply of the drug substance from such contract manufacturer could severely constrain our ability to develop our product candidates until a replacement contract manufacturer is found and qualified. If we are unable to arrange for and maintain such third-party manufacturing sources that are capable of meeting regulatory standards, or fail to do so on commercially reasonable terms, we may not be able to successfully produce sufficient supply of product candidate or we may be delayed in doing so. If we were to experience an unexpected loss of supply of our product candidates, for any reason, whether as a result of manufacturing, supply or storage issues or otherwise, we could experience delays, disruptions, suspensions or terminations of, or be required to restart or repeat, any pending or ongoing clinical trials. Such failure or substantial delay or loss of supply could materially harm our business. We are continuously evaluating multiple vendors both in China and abroad to ensure that we have a continuous supply of products for global trials.

We may have little to no control regarding the occurrence of third-party manufacturer incidents. Any failure by our third-party manufacturer to comply with good manufacturing practices, or GMPs, or failure to scale up manufacturing processes, including any failure to deliver sufficient quantities of product candidates in a timely manner, would lead to a delay in, or failure to seek or obtain, regulatory approval of any of our product candidates. Furthermore, any change in manufacturer of our product candidates or approved products, if any, would require new regulatory approvals, which could delay completion of clinical trials or disrupt commercial supply of approved products.

Our current and anticipated future dependence upon others for the manufacture of our product candidates may adversely affect our future profit margins and our ability to commercialize any product candidates that receive marketing approval on a timely and competitive basis.

In some cases, the technical skills or technology required to manufacture our product candidates may be unique or proprietary to the original manufacturer, we may have difficulty transferring such skills or technology to another third party and a feasible alternative many not exist. These factors would increase our reliance on such manufacturer or require us to obtain a license from such manufacturer in order to have another third party manufacture our product candidates. If we are required to change manufacturers for any reason, we will be required to verify that the new manufacturer maintains facilities and procedures that comply with quality standards and with all applicable regulations and guidelines. The delays associated with the verification of a new manufacturer could negatively affect our ability to develop product candidates in a timely manner or within budget.

If our current research collaborators or scientific advisors and employees terminate their relationships with us or develop relationships with our competitors, our ability to discover antibodies and to conduct research and development could be adversely affected.

The responsibility of overseeing research and development of our product candidates is concentrated among a number of key research collaborators and/or scientific advisors. There can be no assurance that there will not be a detrimental impact on us if one or more of these key research collaborators and/or scientific advisors were to cease relationship or employment with us, potentially as a result of lateral recruitment by existing or new competitors. As a result, this may adversely affect our ability to conduct research and development on antibody product candidates.

Furthermore, our ability to continue to conduct and expand operations depends on our ability to attract and retain a large and growing number of personnel. The ability to meet our expertise needs, including the ability to find qualified personnel to fill positions that become vacant at our research and development department or to collaborate with us in research and development efforts, while controlling our costs, is generally subject to numerous external factors, including the availability of a sufficient number of qualified persons in the biopharmaceutical industry, the unemployment levels within those markets, prevailing wage rates, changing demographics, health and other insurance costs and adoption of new or revised employment and labor laws and regulations. If we are unable to locate, to attract or to retain qualified personnel, the quality of services and products provided to customers may decrease and our financial performance may be adversely affected. In addition, if costs of labor or related costs to maintain relationships with research collaborators increase for other reasons or if new or revised labor laws, rules or regulations or healthcare laws are adopted or implemented that further increase labor costs, our business, financial condition and results of operations could be materially adversely affected.

We may not be able to attract and retain key senior management members or research and development personnel.

Our future success depends upon the continuing services of members of our senior management team and key research and development personnel and consultants. In particular, Peter Luo, our Chief

Executive Officer, Fangyong (Felix) Du, our Chief Technology Officer, Hua Gong, our Chief Operating Officer and Head of Clinical Development and Precision Medicine and JC Xu, our Chief Scientific Officer are crucial to our research and development and operations. Although we typically require our key personnel to enter into non-compete and confidentiality agreements with us, we cannot prevent them from joining our competitors after the non-compete period. The loss of their services could adversely impact our ability to achieve our business objectives. If one or more of our senior management or key clinical and scientific personnel are unable or unwilling to continue in their present positions or joins a competitor or forms a competing company, we may not be able to replace them in a timely manner or at all, which will have a material and adverse effect on our business, financial condition and results of operations. We do not maintain "key person" insurance for any of our executives or other employees.

In addition, the continued growth of our business depends on our ability to hire additional qualified personnel with expertise in molecular biology, chemistry, biological information processing, computational biology, software, engineering, sales, marketing, and technical support. We compete for qualified management and scientific personnel with other life science and technology companies, universities, and research institutions in China and overseas. Competition for these individuals is intense, and the turnover rate can be high. Failure to attract and retain management and scientific and engineering personnel could prevent us from pursuing collaborations or developing our product candidates or technologies.

We face risks related to health epidemics, severe weather conditions and other outbreaks.

China has in the past experienced significant natural disasters, including earthquakes, extreme weather conditions, as well as health scares related to epidemic diseases, and any similar event could materially impact our business in the future. If a disaster or other disruption were to occur in the future that affects the regions where we operate our business, our operations could be materially and adversely affected due to loss of personnel and damage to property. Even if we are not directly affected, such a disaster or disruption could affect the operations or financial conditions of our customers, which could harm our results of operations.

In addition, our business could be affected by public health epidemics and pandemics, such as the outbreak of avian influenza, severe acute respiratory syndrome, or SARS, Zika virus, Ebola virus or other diseases. In late December 2019, a strain of SARS-CoV-2, which causes the COVID-19 disease, was reported to have surfaced in Wuhan, China. On January 30, 2020, the World Health Organization reportedly declared this COVID-19 outbreak a health emergency of international concern. On February 28, 2020, the World Health Organization reportedly increased the assessment of the risk of spread and the risk of impact of COVID-19 to very high at global level. In March 2020, the World Health Organization declared the COVID-19 a pandemic. As COVID-19 has evolved into a worldwide health crisis, it has resulted in adverse effects in the global economy and financial markets, such as significant declines in the global stock markets. If the COVID-19 outbreak is not effectively controlled globally, our business and results of operations could be adversely affected to the extent the COVID-19 outbreak harms the Chinese or world economy generally. The extent to which the COVID-19 outbreak impacts our financial condition and results of operations for the full year of 2020 cannot be reasonably estimated at this time and will depend on future developments that currently cannot be predicted, including the development of a COVID-19 vaccine and the actions taken to contain the COVID-19 outbreak, among others. Any future outbreak of public health epidemics may restrict economic activities in affected regions, disrupt our business operations and adversely affect our results of operations.

The COVID-19 pandemic could adversely impact our business, including our clinical trials.

The spread of the COVID-19 coronavirus in many countries continues to adversely impact global economic activity and has contributed to significant volatility and negative pressure in financial markets and supply chains. The pandemic has had, and could have a significantly greater, material adverse effect on the global economy. The pandemic has resulted, and may continue to result for an extended period, in significant disruption of global financial markets, which may reduce our ability to access capital in the future, which could negatively affect our liquidity.

The COVID-19 pandemic has adversely affected the clinical development of our product candidates. Our clinical development program timelines could continue to be negatively affected by COVID-19, which could materially and adversely affect our business, financial condition, and results of operations. Further, due to "shelter in place" orders and other public health guidance measures, we may be required to implement a work-from-home policy for all staff members excluding those necessary to maintain minimum basic operations. In such an instance, our increased reliance on personnel working from home may negatively impact productivity, or disrupt, delay or otherwise adversely impact our business. For example, with our personnel working from home, some of our research activities that require our personnel to be in our laboratories may be delayed.

The COVID-19 pandemic may impact our workforce, supply chains or distribution networks or otherwise impact our ability to restock our medical device and supply inventories and depending upon the severity of the COVID-19 pandemic's continued spread in the United States and other countries, we may experience disruptions that could severely impact our business and clinical trials, including:

- limitation of company operations, including work from home policies and office closures;
- one or more key officers and/or employees could contract COVID-19 or otherwise be adversely affected by the virus;
- delays or difficulties in receiving deliveries of critical experimental materials;
- delays or difficulties in enrolling patients in our clinical trials;
- delays or difficulties in clinical site initiation or expansion, including difficulties in recruiting clinical site investigators and clinical site staff;
- increased rates of patients withdrawing from our clinical trials following enrollment as a result of contracting COVID-19 or other health conditions or being forced to quarantine;
- delays or disruptions in preclinical experiments and IND-enabling studies due to restrictions of on-site staff and unforeseen circumstances at contract research organizations, or CROs, and vendors;
- interruption or delays in the operations of the FDA or other regulatory authorities, which may impact review and approval timelines;
- diversion of healthcare resources away from the conduct of clinical trials, including the diversion of hospitals serving as our clinical trial sites and hospital staff supporting the conduct of our clinical trials;
- interruption of key clinical trial activities, such as clinical trial site monitoring, due to limitations on travel imposed or recommended by federal or state governments, employers and others;
- changes in regulations as part of a response to the COVID-19 pandemic, which may require us to change the ways in which our clinical trials are conducted, which may result in unexpected costs, or to discontinue the clinical trials altogether;

- delays in necessary interactions with regulators, ethics committees and other important agencies and contractors due to limitations in employee resources or forced furlough of government or contractor personnel;

- refusal of the FDA or other regulatory authorities to accept data from clinical trials in affected geographies; and

- limitations in employee resources that would otherwise be focused on our business, including the conduct of our clinical trials, such as because of sickness of employees or their families or the desire of employees to avoid contact with large groups of people.

The global outbreak of the COVID-19 coronavirus continues to rapidly evolve. The extent to which the COVID-19 coronavirus may impact our business and clinical trials will depend on future developments, which are highly uncertain and cannot be predicted with confidence, such as the ultimate geographic spread of the disease, the duration of the outbreak, travel restrictions and social distancing in China, the United States and other countries, business closures or business disruptions and the effectiveness of actions taken in the United States and other countries to contain and treat the disease.

We have limited insurance coverage, and any claims beyond our insurance coverage may result in us incurring substantial costs and a diversion of resources.

We maintain insurance policies that are required under PRC laws and regulations as well as insurance based on our assessment of our operational needs and industry practice. We also maintain liability insurance covering our clinical trials. In line with industry practice in the PRC, we have elected not to maintain certain types of insurances, such as business interruption insurance or key-man insurance. Our insurance coverage may be insufficient to cover any claim for product liability, damage to our fixed assets or employee injuries. Any uninsured risks may result in substantial costs and the diversion of resources, which could adversely affect our results of operations and financial condition.

We have adopted a share incentive plan and will continue to grant share-based awards in the future, which may increase expenses associated with share-based compensation. Exercise of the awards granted will increase the number of our outstanding ordinary shares, which may adversely affect the market price of our ADSs.

We adopted the Second Amended and Restated Share Incentive Plan in December 2019, which we refer to as the 2019 Plan in this prospectus, to enhance our ability to attract and retain exceptionally qualified individuals and to encourage them to acquire a proprietary interest in the growth and performance of us. The maximum aggregate number of ordinary shares we are authorized to issue pursuant to all awards under the 2019 Plan is 11,391,131 ordinary shares. As of the date of this prospectus, the aggregate number of our ordinary shares underlying our outstanding awards under the 2019 Plan is 5,558,576. See "Management—Share Incentive Plan."

We believe the granting of share-based awards is of significant importance to our ability to attract and retain key personnel and employees, and we will continue to grant share-based compensation to employees in the future. As a result, our expenses associated with share-based compensation may increase, which may have an adverse effect on our results of operations.

Our employees, third-party suppliers, consultants and commercial partners may engage in misconduct or other improper activities, including noncompliance with regulatory standards and requirements, and insider trading.

We are exposed to the risk of fraud or other misconduct by our employees, third-party suppliers, consultants and commercial partners. Misconduct by these parties could include intentional failures to comply with the regulations of the NMPA and overseas regulators that have jurisdictions over us, comply with healthcare fraud and abuse laws and regulations in China and abroad, report financial information or data accurately or disclose unauthorized activities to us. In particular, sales, marketing,

and business arrangements in the healthcare industry are subject to extensive laws and regulations intended to prevent fraud, misconduct, kickbacks, self-dealing and other abusive practices. These laws and regulations may restrict or prohibit a wide range of pricing, discounting, marketing and promotion, sales commission, customer incentive programs and other business arrangements. Such misconduct could also involve the improper use of information obtained in the course of clinical trials, which could result in regulatory sanctions and cause serious harm to our reputation. We currently have a code of conduct applicable to all of our employees, but it is not always possible to identify and deter employee misconduct, and our code of conduct and the other precautions we take to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses, or in protecting us from governmental investigations or other actions or lawsuits stemming from a failure to comply with these laws or regulations. If any such actions are instituted against us, and we are not successful in defending ourselves or asserting our rights, those actions could result in the imposition of significant civil, criminal and administrative penalties, including, without limitation, damages, monetary fines, individual imprisonment, disgorgement of profits, contractual damages, reputational harm, diminished profits and future earnings, additional reporting or oversight obligations if we become subject to a corporate integrity agreement or other agreement to resolve allegations of noncompliance with the law and curtailment or restructuring of our operations, which could have a significant impact on our business. Whether or not we are successful in defending against such actions or investigations, we could incur substantial costs, including legal fees and divert the attention of management in defending ourselves against any of these claims or investigations.

We may be subject to liability lawsuits arising from our clinical trials.

We currently carry liability insurance covering our clinical trials. Although we maintain such insurance, any claim that may be brought against us could result in a court judgment or settlement in an amount that is not covered, in whole or in part, by our insurance or which is in excess of the limits of our insurance coverage. Our insurance policies also contain various exclusions, and we may be subject to particular liability claims for which we have no coverage. We will have to pay any amount awarded by a court or negotiated in a settlement that exceed our coverage limitations or that are not covered by our insurance, and we may not have, or be able to obtain, sufficient capital to pay such amounts. In addition, if we cannot successfully defend ourselves against such claims, we may incur substantial liabilities and be required to suspend or delay our ongoing clinical trials. Even a successful defense would require significant financial and management resources.

Regardless of the merits or eventual outcome, liability claims may result in significant negative consequences to our business and prospects, including, but not limited to:

- decreased demand for our product candidates or any resulting products;
- damage to our reputation;
- withdrawal of other clinical trial participants;
- costs to defend the related litigation;
- a diversion of our management's time and resources;
- substantial monetary awards to trial participants or patients;
- inability to commercialize our product candidates; and
- a decline in the market price of our ADSs.

We are subject to changing law and regulations regarding regulatory matters, corporate governance and public disclosure that have increased both our costs and the risk of noncompliance.

We are subject to rules and regulations by various governing bodies, including, for example, the FDA, the NMPA, the SEC, which is charged with the protection of investors and the oversight of companies whose securities are publicly traded, and the various regulatory authorities in China, the United States, the EU, the Cayman Islands, and to new and evolving regulatory measures under applicable law. Our efforts to comply with new and changing laws and regulations have resulted in and are likely to continue to result in, increased general and administrative expenses and a diversion of management time and attention from revenue-generating activities to compliance activities.

Moreover, because these laws, regulations and standards are subject to varying interpretations, their application in practice may evolve over time as new guidance becomes available. This evolution may result in continuing uncertainty regarding compliance matters and additional costs necessitated by ongoing revisions to our disclosure and governance practices. If we fail to address and comply with these regulations and any subsequent changes, we may be subject to penalties and our business may be harmed.

We may be exposed to liabilities under the U.S. Foreign Corrupt Practices Act 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.

We are subject to anti-bribery laws in China that generally prohibit companies and their intermediaries from making payments to government officials for the purpose of obtaining or retaining business or securing any other improper advantage. In addition, although currently our primary operating business is in China, we are subject to the Foreign Corrupt Practices Act, or 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.

Any failure to comply with applicable regulations and industry standards or obtain various licenses and permits could harm our reputation, business, results of operations and prospects.

A number of governmental agencies or industry regulatory bodies in China, the United States and other applicable jurisdictions impose strict rules, regulations and industry standards governing biopharmaceutical research and development activities, which apply to us. Our or our CROs' failure to comply with such regulations could result in the termination of ongoing research, administrative penalties imposed by regulatory bodies or the disqualification of data for submission to regulatory authorities. This could harm our business, reputation, prospects for future work and results of operations. For example, if we or our CROs were to treat research animals inhumanely or in violation of international standards set out by the Association for Assessment and Accreditation of Laboratory Animal Care, it could revoke any such accreditation and the accuracy of our animal research data could be questioned.

If we or our third-party research collaborators or other contractors or consultants fail to comply with environmental, fire protection, drainage or health and safety laws and regulations, 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 and third parties, such as our CROs, are subject to numerous environmental, fire protection, drainage or health and safety laws and regulations, including but not limited to those governing laboratory procedures and the handling, use, storage, treatment and disposal of hazardous materials and wastes discharge of stationary pollution sources. The cost of compliance with health and safety regulations is substantial. Our business activities involve the controlled use of hazardous materials. Our research and development activities involve the controlled storage, use and disposal of hazardous materials, including the components of our product candidates and other hazardous compounds. We generally contract with third parties for the disposal of these materials and wastes. We cannot eliminate the risk of contamination or injury from these materials, which could cause an interruption of our commercialization efforts, research and development efforts and business operations. We cannot guarantee that the safety procedures utilized by our partners and by third-party manufacturers and suppliers with whom we may contract will comply with the standards prescribed by laws and regulations or will eliminate the risk of accidental contamination or injury from these materials. In such an event, we could be held liable for any resulting damages, and such liability could exceed our resources. In addition, we may be required to incur substantial costs to comply with current or future environmental, health and safety laws and regulations which are complex, change frequently and have tended to become more stringent. We do not currently carry biological or hazardous waste insurance coverage. In the event of an accident or environmental discharge, we may be held liable for any consequential damage and any resulting claims for damages, which may exceed our financial resources and may materially adversely affect our business, financial condition, results of operations and future growth prospects, and the value of our ADSs.

Security breaches, loss of data, and other disruptions could compromise sensitive information related to our business or prevent us from accessing critical information and expose us to liability, which could adversely affect our business and our reputation.

In the ordinary course of our business, we collect and store preclinical trial data and clinical trial data which could be sensitive, including research and development information, health-related information, personally identifiable information, intellectual property, and proprietary business information owned or controlled by ourselves or other parties. We manage and maintain our applications and data utilizing a combination of on-site systems and cloud-based application systems. We utilize external security and infrastructure vendors to manage parts of our data centers. We also communicate sensitive data with third parties. We face a number of risks relative to protecting this critical information, including material system failure or security breach, loss of access risk, inappropriate use or disclosure, inappropriate modification, and the risk of our being unable to adequately monitor, audit, and modify our controls over our critical information. This risk extends to the third-party vendors and subcontractors we use to manage this sensitive data and third-party collaborators who share with us sensitive data.

Despite the implementation of security measures to protect sensitive data from unauthorized access, use or disclosure, our information technology and infrastructure may be vulnerable to attacks by hackers or viruses or breached due to employee error, malfeasance, or other malicious or inadvertent disruptions that could result in unauthorized access to, use or disclosure of, corruption of, or loss of sensitive, and/ or proprietary data, including health-related and other personal information, and could subject us to significant liabilities and regulatory and enforcement actions, and reputational damage. The COVID-19 pandemic is generally increasing the attack surface available to criminals, as more companies and individuals work online and work remotely, and as such, the risk of a cybersecurity incident potentially occurring, and our investment in risk mitigations against such an incident, is

increasing. For example, there has been an increase in phishing and spam emails as well as social engineering attempts from "hackers" hoping to use the COVID-19 pandemic to their advantage. In addition, while we have implemented security measures to prevent unauthorized access to patient data, such data is currently accessible through multiple channels, and there is no guarantee we can protect our data from breach. Unauthorized access, loss, or dissemination could also result in delays of our product development and regulatory approval efforts as well as damage our reputation.

For example, the loss of clinical trial data from completed or ongoing clinical trials could result in delays in any regulatory approval or clearance efforts and significantly increase our costs to recover or reproduce the data, and subsequently commercialize the product. If we or our third-party collaborators, consultants, contractors, suppliers, or service providers were to suffer an attack or breach, for example, that resulted in the unauthorized access to or use or disclosure of health-related or other personal information, we may have to notify consumers, partners, collaborators, government authorities, and the media, and may be subject to investigations, civil penalties, administrative and enforcement actions, and litigation, any of which could harm our business and reputation. Likewise, we rely on our third-party research institution collaborators and other third parties to conduct clinical trials, and similar events relating to their computer systems could also have a material adverse effect on our business.

Our insurance policies may not be adequate to compensate us for the potential losses arising from such disruptions, failure, or security breach. In addition, such insurance may not be available to us in the future on economically reasonable terms, or at all. Further, our insurance may not cover all claims made against us and defending a suit, regardless of its merit, could be costly, divert management attention, and harm our reputation.

Failure to comply with existing or future laws and regulations related to privacy or data security could lead to government enforcement actions, which could include civil or criminal fines or penalties, private litigation, other liabilities, and/or adverse publicity. Compliance or the failure to comply with such laws could increase the costs of our products and services, limit their use or adoption, and otherwise negatively affect our operating results and business.

The regulatory framework for the collection, use, safeguarding, sharing, transfer and other processing of personal information worldwide is rapidly evolving and is likely to remain uncertain for the foreseeable future. Regulatory authorities in virtually every jurisdiction in which we operate have implemented and are considering a number of legislative and regulatory proposals concerning personal data protection.

Regulatory authorities in China have implemented and are considering a number of legislative and regulatory proposals concerning data protection. For example, China's Cyber Security Law, which became effective in June 2017, created China's first national-level data protection for "network operators," which may include all organizations in China that provide services over the internet or another information network. Numerous regulations, guidelines and other measures are expected to be adopted under the umbrella of the Cyber Security Law. Drafts of some of these measures have now been published, including (i) the draft rules on cross-border data transfers of personal information and important data published by the China Cyberspace Administration in 2017, and draft rules on measures for security assessment for cross-border transfer of personal information published by China Cyberspace Administration in 2019, which may, upon enactment, require security review before transferring human health-related data out of China, and (ii) the Draft Data Security Law promulgated by the Standing Committee of PRC National People's Congress in 2020, which outlines the main system framework of data security protection. In addition, certain industry-specific laws and regulations affect the collection and transfer of personal data in China. For example, the PRC State Council promulgated Regulations on the Administration of Human Genetic Resources (effective in July 2019), which require approval from or filings with the Science and Technology Administration Department of the State Council where human genetic resources, or HGR, are involved in any international collaborative

project and additional approval for any export or cross-border transfer of the HGR samples or human genetic resource information. It is possible that these laws may be interpreted and applied in a manner that is inconsistent with our practices, potentially resulting in confiscation of HGR samples and human genetic resource information and administrative fines or in worst cases, criminal penalties. In addition, the interpretation and application of data and personal information protection laws in China and elsewhere are often uncertain and in flux.

In the United States, we and our partners may be subject to state and federal laws and regulations that govern data privacy, protection and security. Numerous laws and regulations, including security breach notification laws, health information privacy laws, and consumer protection laws, govern the collection, use, disclosure and protection of health-related and other personal information. In addition, we may obtain health information from third parties (including research institutions from which we obtain clinical trial data) that are subject to privacy and security requirements under the Health Insurance Portability and Accountability Act of 1996, as amended by the Health Information Technology for Economic and Clinical Health Act, and regulations implemented thereunder (collectively, "HIPAA"). Depending on the facts and circumstances, we could be subject to criminal penalties if we knowingly obtain, use, or disclose individually identifiable health information maintained by a HIPAA-covered entity in a manner that is not authorized or permitted by HIPAA.

Even when HIPAA does not apply, according to the Federal Trade Commission, or the FTC, violating consumers' privacy rights or failing to take appropriate steps to keep consumers' personal information secure may constitute unfair acts or practices in or affecting commerce in violation of Section 5(a) of the Federal Trade Commission Act. The FTC expects a company's data security measures to be reasonable and appropriate in light of the sensitivity and volume of consumer information it holds, the size and complexity of its business, and the cost of available tools to improve security and reduce vulnerabilities. Individually identifiable health information is considered sensitive data that merits stronger safeguards.

In addition, certain state and non-U.S. laws, such as the European Union General Data Protection Regulation, or the GDPR, govern the privacy and security of health information and other personal information in certain circumstances, many of which differ from each other in significant ways and may not have the same effect, thus complicating compliance efforts. Failure to comply with these laws, where applicable, can result in the imposition of significant civil and/or criminal penalties and private litigation. For example, California recently enacted legislation, the California Consumer Privacy Act, or CCPA, which went into effect January 1, 2020. The CCPA, among other things, creates new data privacy obligations for covered companies and provides new privacy rights to California residents, including the right to opt out of certain disclosures of their information. The CCPA also creates a private right of action with statutory damages for certain data breaches, thereby potentially increasing risks associated with a data breach. In Europe, the GDPR went into effect in May 2018 and introduces strict requirements for processing the personal data of individuals within the EU, and the European Economic Area, or the EEA. In addition, the GDPR increases the scrutiny of transfers of personal data from clinical trial sites located in the EEA to the United States and other jurisdictions that the European Commission does not recognize as having "adequate" data protection laws, and recent legal developments in Europe have created complexity and compliance uncertainty regarding certain transfers of personal data from the EEA. For example, on July 16, 2020, the Court of Justice of the European Union, or the CJEU, invalidated the EU-US Privacy Shield Framework, or Privacy Shield, under which personal data could be transferred from the EU and the EEA to United States entities who had self-certified under the Privacy Shield scheme. Moreover, it is uncertain whether the standard contractual clauses will also be invalidated by the European courts or legislature. Companies that must comply with the GDPR face increased compliance obligations and risk, including more robust regulatory enforcement of data protection requirements and potential fines for noncompliance of up to €20 million or 4% of the annual global revenues of the noncompliant company, whichever is greater.

Additionally, following Brexit, companies will have to comply with the GDPR and the GDPR as incorporated into United Kingdom national law, the latter regime having the ability to separately fine up to the greater of £17.5 million or 4% of global turnover. The relationship between the U.K. and the EU in relation to certain aspects of data protection law remains unclear, for example around how data can lawfully be transferred between each jurisdiction, which exposes us to further compliance risk.

Given the variability and evolving state of these laws, we face uncertainty as to the exact interpretation of the new requirements, and we may be unsuccessful in implementing all measures required by regulators or courts in their interpretation.

We expect that we will continue to face uncertainty as to whether our efforts to comply with evolving obligations under global data protection, privacy and security laws will be sufficient. Any failure or perceived failure by us to comply with applicable laws and regulations could result in reputational damage or proceedings or actions against us by governmental entities, individuals or others. These proceedings or actions could subject us to significant civil or criminal penalties and negative publicity, result in the delayed or halted transfer or confiscation of certain personal information, require us to change our business practices, increase our costs and materially harm our business, prospects, financial condition and results of operations. In addition, our current and future relationships with customers, vendors, pharmaceutical partners and other third parties could be negatively affected by any proceedings or actions against us or current or future data protection obligations imposed on them under applicable law, including the GDPR. In addition, a data breach affecting personal information, including health information, could result in significant legal and financial exposure and reputational damage that could potentially have an adverse effect on our business.

Business disruptions could seriously harm our future revenue, increase our costs and expenses, and have adverse effect on our financial condition.

Our operations and third parties with which we have collaborations could be subjected to earthquakes, power shortages, telecommunications failures, water shortages, floods, hurricanes, typhoons, fires, extreme weather conditions, medical epidemics and other natural or man-made disasters or business interruptions, for which we are predominantly self-insured. In addition, we partially rely on our CROs for conducting research and development, and they may be affected by government shutdowns or withdrawn funding. The occurrence of any of these business disruptions could seriously harm our operations and financial condition and increase our costs and expenses.

Although we maintain incident management and disaster response plans, in the event of a major disruption caused by a natural disaster or man-made problem, such as power disruptions, computer viruses, data security breaches or terrorism, we may be unable to continue our operations and may endure system interruptions, reputational harm, delays in our development activities, lengthy interruptions in service, breaches of data security and loss of critical data, any of which could adversely affect our business, results of operations and financial condition.

If we fail to implement and maintain an effective system of internal controls, we may be unable to accurately or timely report our results of operations or prevent fraud, and investors' confidence and the market price of our ADSs may be materially and adversely affected.

Prior to this offering, we were a private company with limited accounting personnel and other resources with which to address our internal controls and procedures. 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 as of December 31, 2019 and for the year ended December 31, 2019, we and our independent registered public accounting

firm identified two material weaknesses in our internal control over financial reporting and other control deficiencies as of December 31, 2019. A "material weakness" is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. The material weaknesses identified relate to:

- Our lack of sufficient and competent financial reporting and accounting personnel with appropriate knowledge of U.S. GAAP and SEC reporting and compliance requirements; and

- Our lack of sufficient documented financial closing policies and procedures, specifically those related to period end expenses cut-off and accruals.

We have taken measures and plan to continue to take measures to remedy the material weaknesses. For details, please refer to "Management's Discussion and Analysis of Financial Condition and Results of Operations—Internal Control over Financial Reporting." The implementation of these measures may not fully address the material weaknesses in our internal control over financial reporting, and we cannot conclude that they have been fully remedied. Our failure to correct these material weaknesses or our failure to discover and address any other material weaknesses could result in inaccuracies in our financial statements and could also impair our ability to comply with applicable financial reporting requirements and related regulatory filings on a timely basis.

Upon the completion of this offering, we will become a public company in the United States subject to the Sarbanes-Oxley Act of 2002. Section 404 of the Sarbanes-Oxley Act of 2002, or Section 404, will require that we include a report from management on our internal control over financial reporting in our annual report on Form 20-F beginning with our annual report for the fiscal year ending December 31, 2021. In addition, once we cease to be an "emerging growth company" as such term is defined in the JOBS Act, our independent registered public accounting firm must attest to and report on the effectiveness of our internal control over financial reporting. Our management may conclude that our internal control over financial reporting is not effective. Moreover, even if our management concludes that our internal control over financial reporting is effective, our independent registered public accounting firm, after conducting its own independent testing, may issue a report that is qualified if it is not satisfied with our internal controls or the level at which our controls are documented, designed, operated or reviewed, or if it interprets the relevant requirements differently from us. In addition, after we become a public company, our reporting obligations may place a significant strain on our management, operational and financial resources and systems for the foreseeable future. We may be unable to timely complete our evaluation testing and any required remediation.

During the course of documenting and testing our internal control procedures, in order to satisfy the requirements of Section 404, we may identify weaknesses and deficiencies in our internal control over financial reporting. In addition, if we fail to maintain the adequacy of our internal control over financial reporting, as these standards are modified, supplemented or amended from time to time, we may not be able to conclude on an ongoing basis that we have effective internal control over financial reporting in accordance with Section 404. Generally speaking, if we fail to achieve and maintain an effective internal control environment, we could suffer material misstatements in our financial statements and fail to meet our reporting obligations, which would likely cause investors to lose confidence in our reported financial information. This could, in turn, limit our access to capital markets, harm our results of operations and lead to a decline in the trading price of our ADSs. Additionally, ineffective internal control over financial reporting could expose us to increased risk of fraud or misuse of corporate assets and subject us to potential delisting from the stock exchange on which we list, regulatory investigations and civil or criminal sanctions.

Risks Related to Our Intellectual Property

It is difficult and costly to protect our proprietary rights and technology, and we may not be able to protect our intellectual property rights throughout the world.

Our commercial success will depend, in part, on our ability to obtain, maintain and defend patent and other intellectual property protection (including trademarks and trade secrets) with respect to our product candidates. We cannot be certain that patents will be issued or granted with respect to our patent applications that are currently pending, or that issued or granted patents will not later be found to be invalid and/or unenforceable, be interpreted in a manner that does not adequately protect our product candidates, or otherwise provide us with any competitive advantage. Additionally, the patent applications in respect of patents licensed under our in-license arrangements may not be issued or granted, and as a result, we may not be able to have adequate protection with respect to such patents.

The patent position of biotechnology and pharmaceutical companies is generally uncertain because it involves complex legal and factual considerations. Patent applications we have filed may not be granted or issued as valid enforceable patents. Moreover, some of our patents and patent applications 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-owned interest in such patents or patent applications, such co-owners may be able to license or transfer 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. As such, we do not know the degree of future protection that we will have on our product candidates and technology, if any, and a failure to obtain adequate intellectual property protection with respect to our product candidates could have a material adverse impact on our business.

Composition-of-matter patents on the active pharmaceutical ingredient are generally considered to be the strongest form of intellectual property protection for pharmaceutical products, as such patents provide protection without regard to any method of use. Method-of-use patents protect the use of a product for the specified method. This type of patent does not prevent a competitor from making and marketing a product that is identical to our products for an indication that is outside the scope of the patented method. Moreover, even if competitors do not actively promote their product for our targeted indications, physicians may prescribe these products "off-label." Although off-label prescriptions may infringe or contribute to the infringement of method-of use patents, the practice is common and such infringement is difficult to prevent or prosecute. We endeavor to seek composition-of-matter patent protection for all of our product candidates. Where appropriate, we also seek method-of-use patents and patents protecting other aspects of our product candidates, including processes for discovery and manufacturing.

Even if our patent applications issue as patents, they may not issue in a form that will provide us with any meaningful protection, prevent competitors from competing with us or otherwise provide us with any competitive advantage. Our competitors may be able to circumvent our owned or licensed patents by developing similar or alternative technologies or products in a non-infringing manner. The issuance of a patent is not conclusive as to its scope, validity or enforceability, and our owned and in-licensed patents may be challenged in the courts or patent offices in the PRC and abroad. For example, we may become involved in opposition, interference, derivation, inter partes review or other similar proceedings challenging our patent rights, and the outcome of any proceedings are highly uncertain. Such challenges may result in the patent claims of our owned or in-licensed patents being narrowed, invalidated or held unenforceable, which could limit our ability to stop or prevent us from stopping others from using or commercializing similar or identical technology and products, or limit the duration of the patent protection of our technology and products. Given the amount of time required

for the development, testing and regulatory review of new product candidates, patents protecting such candidates might expire before or shortly after such candidates are commercialized. As a result, our patent portfolio may not provide us with sufficient rights to exclude others from commercializing products similar or identical to ours or otherwise provide us with a competitive advantage.

Despite the measures we can take to increase our likelihood of obtaining patent and other intellectual property protections with respect to our product candidates, there can be no assurance that the existence, validity, enforceability, or scope of our intellectual property rights will not be challenged by a third party, or that we can obtain sufficient scope of claim in those patents to prevent a third party from competing against our product candidates. For example, in an infringement proceeding, a court may hold that patent rights or other intellectual property rights owned by us are invalid or unenforceable, or may refuse to stop the other party from using the technology at issue on the ground that our patent rights or other intellectual property rights do not cover the technology in question. An adverse result in any litigation proceedings could put our patent, as well as any patents that may issue in the future from our pending patent applications, at risk of being invalidated, held unenforceable or interpreted narrowly. Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our confidential information could be compromised by disclosure during this type of litigation.

In addition, if we were to initiate legal proceedings against a third party to enforce a patent covering one of our product candidates, the defendant could counterclaim that our patent is invalid and/or unenforceable. Grounds for a validity challenge could be an alleged failure to meet any of several statutory requirements, for example, lack of novelty, obviousness or non-enablement. Grounds for an unenforceability assertion could be an allegation that someone connected with prosecution of the patent withheld relevant information from the National Intellectual Property Administration of China, or NIPA, or the applicable foreign counterpart, or made a misleading statement, during prosecution. Although we believe that we have conducted our patent prosecution in accordance with all applicable duty of candor and in good faith, the outcome following legal assertions of invalidity and unenforceability during patent litigation is unpredictable. With respect to the validity question, for example, we cannot be certain that there is no invalidating prior art, of which we and the patent examiner were unaware during prosecution. If a defendant were to prevail on a legal assertion of invalidity and/or unenforceability, we would lose at least part, and perhaps all, of the patent protection on our product candidates. Even if a defendant does not prevail on a legal assertion of invalidity and/or unenforceability, our patent claims may be construed in a manner that would limit our ability to enforce such claims against the defendant and others.

Third parties may also raise similar claims before administrative bodies in the PRC or abroad, even outside the context of litigation. Such mechanisms include ex parte re-examination, inter partes review, post-grant review, derivation and equivalent proceedings, such as opposition proceedings. Such legal proceedings could result in revocation or amendment to our patents in such a way that they no longer cover and protect our product candidates. The outcome following legal assertions of invalidity and unenforceability can be unpredictable. With respect to the validity of our patents, for example, we cannot be certain that there is no invalidating prior art of which we and the patent examiner were unaware during prosecution. If a defendant were to prevail on a legal assertion of invalidity and/or unenforceability, we may lose part or all of the patent protection on our product candidates. Any loss of patent protection could have a material adverse impact on one or more of our product candidates and our business.

In addition to the protection afforded by patents, we seek to rely on trade secret protection and confidentiality agreements to protect proprietary know-how that is not patentable, processes for which patents are difficult to enforce and any other elements of our drug discovery and development processes that involve proprietary know-how, information or technology that is not covered by patents. We may also rely on trade secret protection as temporary protection for concepts that may be included

in a future patent filing. However, trade secret protection will not protect us from innovations that a competitor develops independently of our proprietary know-how. If a competitor independently develops a technology that we protect as a trade secret and files a patent application on that technology, then we may not be able to patent that technology in the future, may require a license from the competitor to use our own know-how, and if the license is not available on commercially viable terms, then we may not be able to launch our product. Although we require our employees to assign their inventions to us, and require our employees, consultants, advisors and any third parties who have access to our proprietary know-how, information or technology to enter into confidentiality agreements, we cannot be certain that our trade secrets and other confidential proprietary information will not be disclosed or that competitors will not otherwise gain access to our trade secrets or independently develop substantially equivalent information and techniques. Furthermore, the laws of different countries do not protect proprietary rights to the same extent or in the same manner as the laws of the PRC. We may encounter significant problems in protecting and defending our intellectual property both in the PRC and abroad. If we are unable to prevent unauthorized material disclosure of our intellectual property to third parties, we will not be able to establish or maintain a competitive advantage in our market, and this scenario could materially adversely affect our business, financial condition and results of operations.

Moreover, trade secrets are difficult to protect, and we have limited control over the protection of trade secrets used by our collaborators and suppliers. Although we use reasonable efforts to protect our trade secrets, our employees, consultants, contractors, outside scientific collaborators and other advisors may unintentionally or willfully disclose our information to competitors or use such information to compete with us. Moreover, our competitors may independently develop equivalent knowledge, methods and know-how. If our confidential or proprietary information is divulged to or acquired by third parties, including our competitors, our competitive position in the marketplace will be adversely affected and this would have a material adverse effect on our business.

Many companies have encountered significant problems in protecting and defending intellectual property rights in certain countries. The legal systems of certain countries do not favor the enforcement or protection of patents, trade secrets and other intellectual property, particularly those relating to pharmaceutical and 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 proprietary rights generally. Proceedings to enforce our patent rights in certain countries 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 and 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. We and our contractors and partners operate in certain countries that are at heightened risk of theft of technology, data and intellectual property through direct or indirect intrusion by private parties or international actors, including those affiliated with or controlled by state actors. Accordingly, our efforts to protect or enforce our intellectual property rights around the world may be inadequate to obtain a significant commercial advantage from the intellectual property that we develop or license.

Changes in patent law could diminish the value of patents in general, thereby impairing our ability to protect our product candidates.

As is the case with other biopharmaceutical companies, our success is heavily dependent on intellectual property, particularly patents. Obtaining and enforcing patents in the pharmaceutical industry involves both technological and legal complexity and is therefore costly, time consuming and inherently uncertain. Changes in either the patent laws or interpretation of the patent laws in various countries could increase the uncertainties and costs surrounding the prosecution of patent applications and the enforcement or defense of issued patents. For example, patent reform legislation in the United

States includes provisions that affect the way patent applications are prosecuted, redefine prior art and provide more efficient and cost-effective avenues for competitors to challenge the validity of patents via post-grant proceedings. The Leahy-Smith Act and any continuing changes in patent laws and regulations in various patent jurisdictions could make it more difficult to obtain patent protection for our inventions and increase the uncertainties and costs surrounding the prosecution of our or our collaboration partners' patent applications and the enforcement or defense of our or our collaboration partners' issued patents, all of which could harm our business, results of operations, financial condition and prospects.

In addition, the patent positions of companies in the development and commercialization of biologics and pharmaceuticals are particularly uncertain due to changes in law and courts' interpretation of the law. For example, the U.S. Supreme Court has ruled on several patent cases in recent years, either narrowing the scope of patent protection available in certain circumstances or weakening the rights of patent owners in certain situations. Other courts in the United States, for example, have heightened the bar for broadly claiming antibodies. This combination of events has created uncertainty with respect to the validity and enforceability of patents, once obtained. Additionally, there are periodic proposals for changes to the patent laws of China, United States and other countries that, if adopted, could impact our ability to enforce our proprietary technology. Depending on future actions by the relevant law-making bodies in other countries, the laws and regulations governing patents could change in unpredictable ways that could have a material adverse effect on our existing patent portfolio and weaken our ability to obtain new patents or to enforce our existing patents and patents that we might obtain in the future.

Similarly in China, intellectual property laws are constantly evolving, with efforts being made to improve intellectual property protection in China. For example, a Draft Amendment to the PRC Patent Law was released in January 2019 and updated in July 2020, which proposes introduction of patent term extensions to eligible innovative drug patents. If adopted, the terms of our Chinese patents may be eligible for extension and allow us to extend patent protection of our products, and the terms of the patents owned by third parties may also be extended, which may in turn affect our ability to commercialize our products candidates, if and when approved, without facing infringement risks. The length of any such patent term extension is uncertain. If we are required to delay commercialization for an extended period of time, technological advances may develop and new competitor products may be launched, which may render our product non-competitive. We also cannot guarantee that other changes to Chinese intellectual property laws would not have a negative impact on our intellectual property protection.

We may not be successful in obtaining or maintaining necessary rights for our development pipeline through acquisitions and licensing deals.

Because our programs may involve additional product candidates that may require the use of proprietary rights held by third parties, the growth of our business may depend in part on our ability to acquire and maintain licenses or other rights to use these proprietary rights. We may be unable to acquire or in-license any compositions, methods of use, or other intellectual property rights from third parties that we identify. The licensing and acquisition of third-party intellectual property rights is a competitive area, and a number of more established companies are also pursuing strategies to license or acquire third-party intellectual property rights 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. In addition, companies that perceive us to be a competitor may be unwilling to assign or license rights to us. We also may be unable to license or acquire third-party intellectual property rights on terms that would allow us to make an appropriate return on our investment or at all. If we are unable to successfully obtain rights to required third-party intellectual property rights or maintain the existing intellectual property rights we have, we may have to abandon development of the relevant program or product candidate, which could have a material adverse effect on our business, financial condition, results of operations and prospects for growth.

Additionally, we may sometimes collaborate with academic institutions to accelerate our preclinical research or development under written agreements with these institutions. These institutions may provide us with an option to negotiate a license to any of the institution's rights in technology resulting from the collaboration. Regardless of such option, we may be unable to negotiate a license within the specified timeframe or under terms that are acceptable to us. If we are unable to do so, the institution may offer the intellectual property rights to others, potentially blocking our ability to pursue our program. If we are unable to successfully obtain rights to required third-party intellectual property or to maintain the existing intellectual property rights we have, we may have to abandon development of such program and our business and financial condition could suffer.

Licensing of intellectual property involves complex legal, business and scientific issues. Disputes may arise between us and our licensors regarding intellectual property subject to a license agreement, including:

- the scope of rights granted under the license agreement and other interpretation-related issues;
- whether and the extent to which our technology and processes infringe on intellectual property of the licensor that is not subject to the licensing agreement;
- our right to sublicense patents and other rights to third parties;
- our diligence obligations with respect to the use of the licensed technology in relation to our development and commercialization of our product candidates, and what activities satisfy those diligence obligations;
- our right to transfer or assign the license; and
- the ownership of inventions and know-how resulting from the joint creation or use of intellectual property by our licensors and us and our partners.

If disputes over intellectual property that we license in the future prevent or impair our ability to maintain our licensing arrangements on acceptable terms, we may not be able to successfully develop and commercialize the affected product candidates, which would have a material adverse effect on our business.

In addition, certain of our future agreements with third parties may limit or delay our ability to consummate certain transactions, may impact the value of those transactions, or may limit our ability to pursue certain activities. For example, we may in the future enter into license agreements that are not assignable or transferable, or that require the licensor's express consent in order for an assignment or transfer to take place.

We may become involved in lawsuits to protect or enforce our patents or other intellectual property, which could be expensive, time consuming and unsuccessful, and any unfavorable outcome from such litigation could limit our research and development activities and/or our ability to commercialize our product candidates.

Competitors may infringe our patent rights or misappropriate or otherwise violate our intellectual property rights. To counter infringement or unauthorized use, we may be required to file infringement claims, which can be expensive and time consuming and divert the time and attention of our management and scientific personnel. Any claims we assert against perceived infringers could provoke these parties to assert counterclaims against us, alleging that we infringed their patents. In addition, in a patent infringement proceeding, there is a risk that a court will decide that our asserted patents are invalid or unenforceable, in whole or in part, and that we do not have the right to stop the others from using the invention at issue. There is also a risk that, even if the validity of such patents is upheld, the court will construe the patent's claims narrowly or decide that we do not have the right to stop the others from using the invention at issue on the grounds that our patents do not cover the alleged infringing activity or product. An adverse outcome in a litigation or proceeding involving our patents

could limit our ability to assert our patents against those parties and other competitors, and may curtail or preclude our ability to exclude third parties from making and selling similar or competitive products. Any of these occurrences could adversely affect our competitive business position, business prospects, and financial condition. Similarly, if we assert trademark infringement claims, a court may determine that our asserted marks are invalid or unenforceable, or that the party against whom we have asserted trademark infringement has superior rights to the marks in question. In this case, we could ultimately be forced to cease use of our trademarks.

In any litigation involving our intellectual property, the award of monetary damages we receive may not be commercially valuable or even sufficient to cover our cost of bringing such action. Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our confidential information could be compromised by disclosure during litigation. There could also be public announcements of the results of hearings, motions or other interim proceedings or developments, which could have a material adverse effect on the price of our ADSs. Moreover, there can be no assurance that we will have sufficient financial or other resources to file and pursue such infringement claims, which typically last for years before they are concluded. Even if we ultimately prevail in such claims, the monetary cost of such litigation and the diversion of the attention of our management and scientific personnel could outweigh any benefit we receive as a result of the proceedings.

Our commercial success depends significantly on our ability to operate without infringing upon, misappropriating or otherwise violating the intellectual property rights of third parties.

The life sciences industry is subject to rapid technological change and substantial litigation regarding patent and other intellectual property rights. Our potential competitors in both the PRC and abroad, may have substantially greater resources than us and are likely to make substantial investments in patent portfolios and competing technologies, and may apply for or obtain patents that could prevent, limit or otherwise interfere with our ability to make, use and sell our products. Numerous third-party patents exist in fields relating to our products and technologies, and it is difficult for industry participants, including us, to identify all third-party patent rights relevant to our products and technologies. Moreover, because some patent applications are maintained as confidential for a certain period of time, we cannot be certain that third parties have not filed patent applications that will cover our products and technologies if they issue as patents.

Patents could be issued to third parties that we may ultimately be found to infringe. Third parties may have or obtain valid and enforceable patents or proprietary rights that could block us from using our technology. Our failure to obtain or maintain a license from third parties to any technology that we require may materially harm our business, financial condition and results of operations. Furthermore, we would be exposed to a threat of litigation.

Third-party intellectual property right holders may also actively bring infringement or other intellectual property-related claims against us, even if we have received patent protection for our technologies, products, and services. Regardless of the merit of third parties claims against us for infringement, misappropriation or violations of their intellectual property rights, such third parties may seek and obtain injunctive or other equitable relief, which could effectively block our ability to perform clinical trials or develop, manufacture or sell our products. Further, if a patent infringement suit were brought against us, we could be forced to temporarily or permanently stop or delay our development or regulatory approval process or other activities that are the subject of such suit. Defense of these claims, even if such claims are resolved in our favor, could cause us to incur substantial expenses and be a substantial diversion of our employee resources even if we are ultimately successful. Any adverse ruling or perception of an adverse ruling in defending ourselves could have a material adverse impact on our cash position and stock price. 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.

Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our confidential information could be compromised by disclosure during this type of litigation. There could also be public announcements of the results of hearings, motions or other interim proceedings or developments, which could have a material adverse effect on the price of our ADSs. If securities analysts or investors perceive these results to be negative, it could have a material adverse effect on the price of our common stock. The occurrence of any of these events may have a material adverse effect on our business, results of operation, financial condition or cash flows.

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

The NIPA, and various foreign governmental patent agencies including the USPTO, JPO, and EPO require compliance with a number of procedural, documentary, fee payment and other provisions during the patent application and prosecution process. Periodic maintenance fees, renewal fees, annuity fees, and various other governmental fees on patents and/or applications will be due to be paid to the NIPA and various other governmental patent agencies outside of China in several stages over the lifetime of the patents and/or applications. We employ reputable professionals and rely on such third parties to help us comply with these requirements and effect payment of these fees with respect to the patents and patent applications that we own. Noncompliance events that could result in abandonment or lapse of a patent or patent application include failure to respond to official communications within prescribed time limits, non-payment of fees and failure to properly legalize and submit formal documents. In many cases, an inadvertent lapse can be cured by payment of a late fee or by other means in accordance with the applicable rules. However, there are situations in which noncompliance can result in abandonment or lapse of a patent or patent application, resulting in loss of patent rights in the relevant jurisdiction. In such an event, competitors might be able to enter the market earlier than would otherwise have been the case, which could have a material adverse effect on our competitive position, business, financial condition, results of operations, and prospects.

We may not enter into invention assignment and confidentiality agreements with all of our employees and third parties and such agreements may not prevent ownership disputes or unauthorized disclosure of trade secrets and other proprietary information.

We rely in part upon unpatented or unpatentable trade secrets, know-how and continuing technological innovation to develop and maintain our competitive position, which we seek to protect, in part, by entering into agreements, including confidentiality agreements and non-disclosure agreements, with parties that have a need for access to them, such as certain of our employees, consultants, academic institutions, corporate partners and, other third-party service providers. Nevertheless, there can be no guarantee that an employee or a third party will not make an unauthorized use or disclosure of our proprietary confidential information. This might happen intentionally or inadvertently. It is possible that a competitor will gain access to such information and make use of such information, and that our competitive position will be compromised, in spite of any legal action we might take against persons making such unauthorized disclosures. In addition, to the extent that our employees, consultants or contractors use intellectual property owned by others in their work for us, disputes may arise as to the rights in related or resulting know-how and inventions.

Trade secrets are difficult to protect. Although we use reasonable efforts to protect our trade secrets, our employees, consultants, contractors or business partners might intentionally or inadvertently disclose our trade secret information to competitors or our trade secrets may otherwise be misappropriated. Enforcing a claim that a third party illegally obtained and is using any of our trade secrets is expensive and time consuming, and the outcome is unpredictable.

We sometimes engage individuals or research institutions to conduct research relevant to our business. The ability of these individuals or research institutions to publish or otherwise publicly disclose data and other information generated during the course of their research is subject to certain contractual limitations. These contractual provisions may be insufficient or inadequate to protect our confidential information. If we do not apply for patent protection prior to such publication, or if we cannot otherwise maintain the confidentiality of our proprietary technology and other confidential information, then our ability to obtain patent protection or to protect our trade secret information may be jeopardized, which could adversely affect our business, financial condition and results of operations.

We also seek to enter agreements with our employees and consultants that obligate them to assign any inventions created during their work for us to us. However, we may not obtain these agreements in all circumstances and the assignment of intellectual property under such agreements may not be self-executing. And it is possible that technology relevant to our business will be independently developed by a person that is not a party to such an agreement. Furthermore, if the employees and consultants who are parties to these agreements breach or violate the terms of these agreements, we may not have adequate remedies for any such breach or violation, and we could lose our trade secrets and inventions through such breaches or violations. Any of the foregoing could have a material and adverse effect on our business, financial condition and results of operations.

We may be subject to claims that our employees have wrongfully used or disclosed alleged trade secrets of their former employers.

Some of our employees and consultants 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 do not use the proprietary information or know-how of others in their work for us, we may be subject to claims that we or our employees have used or disclosed intellectual property, including trade secrets or other proprietary information, of any such employee's former employer. Litigation may be necessary to defend against these claims. If we fail in defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights or personnel. Even if we are successful in defending against such claims, litigation could result in substantial costs and be a distraction to management and our specific personnel.

We may be subject to claims challenging the inventorship of our patents and other intellectual property.

We may be subject to claims that former employees, collaborators or other third parties have an interest in our patents, trade secrets, or other intellectual property as an inventor or co-inventor. For example, we may have inventorship disputes arise from conflicting obligations of employees, consultants or others who are involved in developing our product candidates. Also, former employees may become employed by competitors who develop similar technology, and could assist the competitor in designing around our patents. While it is our policy to require our employees and contractors who may be involved in the 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 develops intellectual property that we regard as our own. Our and their assignment agreements may not be self-executing or may be breached, and litigation may be necessary to defend against these and other claims challenging inventorship or our ownership of our patents, trade secrets or other intellectual property. If we fail in defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights, such as exclusive ownership of, or right to use,

intellectual property that is important to our product candidates. Even if we are successful in defending against such claims, litigation could result in substantial costs and be a distraction to management and other employees. Any of the foregoing could have a material adverse effect on our business, financial condition, results of operations and prospects.

Intellectual property rights do not necessarily protect us from all potential threats to our competitive advantages.

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. The following examples are illustrative:

- others may be able to independently develop similar or alternative technologies or designs that are similar to our product candidates but that are not covered by the claims of the patents that we own or have exclusively licensed;
- we might not have been the first to make the inventions covered by the issued patents or pending patent applications that we own or may in the future exclusively license, which could result in the patent applications not issuing or being invalidated after issuing;
- we might not have been the first to file patent applications covering certain of our inventions, which could result in the patent applications not issuing or being invalidated after issuing;
- others may independently develop similar or alternative technologies or duplicate any of our technologies without infringing our intellectual property rights;
- it is possible that our pending patent applications will not lead to issued patents;
- issued patents that we own or have exclusively licensed may not provide us with any competitive advantages, or may be held invalid or unenforceable, 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 services and products for commercialization in our major markets;
- we may fail to develop additional proprietary technologies that are patentable;
- we may fail to apply for or obtain adequate intellectual property protection in all the jurisdictions in which we operate; and
- the patents of others may have an adverse effect on our business, for example by preventing us from commercializing one or more of our product candidates for one or more indications.

Any of the aforementioned threats to our competitive advantage could have a material adverse effect on our business.

Patent terms may not be sufficient to effectively protect our product candidates.

In most countries in which we plan to file applications for patents, the term of an issued patent is generally 20 years from the earliest claimed filing date of the priority application to which a non-provisional patent application in the applicable country claims priority. Although various extensions may be available in various countries, the life of a patent and the protection it affords are limited. Even if patents covering our product candidates are obtained, we may be open to competition from other companies once our patent rights expire. Accordingly, given the amount of time required for the development, testing and regulatory review of new product candidates, patents protecting such candidates might expire before or shortly after such candidates are commercialized. Excluding any

patent term adjustment and patent term extension, our currently issued patents are expected to expire from 2033 to 2034. As a result, our patent portfolio may not provide us with sufficient rights over a sufficient length of time to exclude others from commercializing products similar or identical to ours.

Uncertainty of the length of patent term extensions and data and market exclusivities for our pharmaceutical products could increase the risk of generic competition.

In the United States, the Federal Food, Drug, and Cosmetic Act, as amended by the law generally referred to as the "Hatch-Waxman Amendments," provides the opportunity for patent-term restoration of up to five years to reflect patent term lost during certain portions of product development and the FDA regulatory review process. The Hatch-Waxman Amendments also have a process for patent linkage, pursuant to which FDA will stay approval of certain follow-on applications during the pendency of litigation between the follow-on applicant and the patent holder or licensee, generally for a period of 30 months. Finally, the Hatch-Waxman Amendments provide for statutory exclusivities that can prevent submission or approval of certain follow-on marketing applications. For example, federal law provides a five-year period of exclusivity within the United States to the first applicant to obtain approval of a new chemical entity (as defined) and three years of exclusivity protecting certain innovations to previously approved active ingredients where the applicant was required to conduct new clinical investigations to obtain approval for the modification. Similarly, the Orphan Drug Act provides seven years of market exclusivity for certain drugs to treat rare diseases, where FDA designates the product candidate as an orphan drug and the drug is approved for the designated orphan indication. These provisions, designed to promote innovation, can prevent competing products from entering the market for a certain period of time after FDA grants marketing approval for the innovative product.

In China, however, there is no currently effective law or regulation providing patent term extension, patent linkage, or data exclusivity (referred to as regulatory data protection). Therefore, a lower-cost generic drug can emerge onto the market much more quickly. Chinese regulators have set forth a framework for integrating patent linkage and data exclusivity into the Chinese regulatory regime, as well as for establishing a pilot program for patent term extension. To be implemented, this framework will require adoption of regulations. To date, the NMPA has issued several draft implementing regulations in this regard for public comment but no regulations have been formally issued. These factors result in weaker protection for us against generic competition in China than could be available to us in the United States until the relevant implementing regulations for extension, patent linkage, or data exclusivity are put into effect officially in China.

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

Filing, prosecuting and defending patents on our products in all countries throughout the world would be prohibitively expensive. We may also encounter difficulties in protecting and defending such rights in foreign jurisdictions. Consequently, we may not be able to prevent third parties from practicing our inventions in all countries outside the jurisdictions of the registration of our intellectual properties. Competitors may use our technologies in jurisdictions where we have not obtained patent protection to develop their own products. 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 certain jurisdictions. The legal systems of many other countries do not favor the enforcement of patents and other intellectual property protection, which could make it difficult for us to stop the infringement of our patents in such countries.

Proceedings to enforce our patent rights in foreign jurisdictions could result in substantial cost and divert our efforts and attention from other aspects of our business, could put our patents at risk of being invalidated or interpreted narrowly and 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 rights around the world may be inadequate to obtain a significant commercial advantage from the intellectual property that we develop or license.

We may not be able to protect and enforce our trademarks.

We currently hold issued trademark registrations and have trademark applications pending, any of which may be the subject of a governmental or third-party objection, which could prevent the registration or maintenance of the same. If we are unsuccessful in obtaining trademark protection for our primary brands, we may be required to change our brand names, which could materially adversely affect our business. Moreover, as our products mature, our reliance on our trademarks to differentiate us from our competitors will increase, and as a result, if we are unable to prevent third parties from adopting, registering or using trademarks and trade dress that infringe, dilute or otherwise violate our trademark rights, or engaging in conduct that constitutes unfair competition, defamation or other violation of our rights, our business could be materially adversely affected. Over the long term, if we are unable to establish name recognition based on our trademarks and trade names, then we may not be able to compete effectively and our business may be adversely affected. We may license our trademarks and trade names to third parties, such as distributors. Though these license agreements may provide guidelines for how our trademarks and trade names may be used, a breach of these agreements or misuse of our trademarks and tradenames by our licensees may jeopardize our rights in or diminish the goodwill associated with our trademarks and trade names. Our efforts to enforce or protect our proprietary rights related to trademarks, trade names, trade secrets, domain names, copyrights or other intellectual property may be ineffective and could result in substantial costs and diversion of resources and could adversely affect our financial condition or results of operations.

Risks Related to Doing Business in the PRC

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

Our operations in China are governed by the PRC laws and regulations. The PRC legal system is a civil law system based on written statutes. Unlike the common law system, prior court decisions under the civil law system may be cited for reference but have limited precedential value. In addition, any new PRC laws or changes in PRC laws and regulations related to, among other things, foreign investment and manufacturing in China could have a material adverse effect on our business and our ability to operate our business in China.

From time to time, we may have to resort to administrative and court proceedings to enforce our legal rights. Any administrative and court proceedings in China may be protracted, resulting in substantial costs and diversion of resources and management attention. Since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory provisions 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 may impede our ability to enforce contracts in China and could materially and adversely affect our business and results of operations.

Furthermore, the PRC legal system is based in part on government policies and internal rules, some of which are not published on a timely basis, or at all, and may have retroactive effect. As a result, we may not be aware of our violation of any of these policies and rules until sometime after the violation. Such unpredictability towards our contractual, property and procedural rights could adversely affect our business, and impede our ability to continue our operations and proceed with our future business plans.

We may be restricted from transferring our scientific data abroad.

On March 17, 2018, the General Office of the PRC State Council promulgated the Measures for the Management of Scientific Data, or the Scientific Data Measures, which provide a broad definition of scientific data and relevant rules for the management of scientific data. According to the Scientific Data Measures, enterprises in China must seek governmental approval before any scientific data involving a state secret may be transferred abroad or to foreign parties. Further, any researcher conducting research funded, at least in part, by the PRC government is required to submit relevant scientific data for management by the entity to which such researcher is affiliated before such data may be published in any foreign academic journal. Currently, as the term "state secret" is not clearly defined, there is no assurance that we can always obtain relevant approvals for sending scientific data (such as the results of our preclinical studies or clinical trials conducted within China) abroad, or to our foreign partners in China.

If we are unable to obtain the necessary approvals in a timely manner, or at all, our research and development of product candidates may be hindered, which may materially and adversely affect our business, results of operations, financial conditions and prospects. If relevant government authorities consider the transmission of our scientific data to be in violation of the requirements under the Scientific Data Measures, we may be subject to specific administrative penalties imposed by those government authorities

Recent litigation and negative publicity surrounding China-based companies listed in the United States may result in increased regulatory scrutiny of us and negatively impact the trading price of the ADSs and could have a material adverse effect upon our business, including our results of operations, financial condition, cash flows and prospects.

We believe that litigation and negative publicity surrounding companies with operations in China that are listed in the United States have negatively impacted stock prices for these companies. Various equity-based research organizations have published reports on China-based companies after examining their corporate governance practices, related party transactions, sales practices and financial statements, and these reports have led to special investigations and listing suspensions on U.S. national exchanges. Any similar scrutiny of us, regardless of its lack of merit, could result in a diversion of management resources and energy, potential costs to defend ourselves against rumors, decreases and volatility in the ADS trading price, and increased directors and officers insurance premiums and could have an adverse effect upon our business, including our results of operations, financial condition, cash flows and prospects.

Changes in U.S. and international trade policies, particularly with regard to China, may adversely impact our business and operating results.

The U.S. government has recently made statements and taken certain actions that may lead to potential changes to U.S. and international trade policies, including imposing several rounds of tariffs affecting certain products manufactured in China. In March 2018, U.S. President Donald J. Trump announced the imposition of tariffs on steel and aluminum entering the United States and in June 2018 announced further tariffs targeting goods imported from China. Recently both China and the United States have each imposed tariffs indicating the potential for further trade barriers. It is unknown whether and to what extent new tariffs (or other new laws or regulations) will be adopted, or the effect that any such actions would have on us or our industry. While we have not started commercialization of product candidates, any unfavorable government policies on international trade, such as capital controls or tariffs, may affect the demand for our drug products, the competitive position of our drug products, the hiring of scientists and other research and development personnel, and import or export of raw materials in relation to drug development, or prevent us from selling our drug products in certain countries. If any new tariffs, legislation and/or regulations are implemented, or if existing trade agreements are renegotiated or, in particular, if the U.S. government takes retaliatory trade actions due to the recent U.S.-China trade tension, such changes could have an adverse effect on our business, financial condition and results of operations.

You may be subject to PRC income tax on dividends from us or on any gain realized on the transfer of our ADSs.

Under the Enterprise Income Tax Law of the PRC, or the EIT Law, and its implementation rules, PRC withholding tax at the rate of 10% is generally applicable to dividends from PRC sources paid to investors that are resident enterprises outside of China and that do not have an establishment or place of business in China, or that have an establishment or place of business in China but the relevant income is not effectively connected with the establishment or place of business. Any gain realized on the transfer of shares by such investors is subject to 10% PRC income tax if this gain is regarded as income derived from sources within China. Under the PRC Individual Income Tax Law and its implementation rules, dividends from sources within China paid to foreign individual investors who are not PRC residents are generally subject to a PRC withholding tax at a rate of 20% and gains from PRC sources realized by these investors on the transfer of shares are generally subject to 20% PRC income tax. Any such PRC tax liability may be reduced by the provisions of an applicable tax treaty.

Although substantially all of our business operations are in China, it is unclear whether the dividends we pay with respect to our shares or ADSs, or the gains realized from the transfer of our shares or ADSs, would be treated as income derived from sources within China and as a result be subject to PRC income tax if we are considered a PRC resident enterprise. If PRC income tax is imposed on gains realized through the transfer of our ADSs or on dividends paid to our non-resident investors, the value of your investment in our ADSs may be adversely affected. Furthermore, our shareholders whose jurisdictions of residence have tax treaties or arrangements with China may not qualify for benefits under these tax treaties or arrangements.

In addition, pursuant to the Double Tax Avoidance Arrangement between Hong Kong and China, or the Double Tax Avoidance Treaty, and the Notice on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties, or the Notice on Tax Treaties, issued on February 20, 2009 by the State Administration of Taxation, or the SAT, if a Hong Kong resident enterprise owns more than 25% of the equity interest of a PRC company at all times during the twelve-month period immediately prior to obtaining a dividend from such company, the 10% withholding tax on such dividend is reduced to 5%, provided that certain other conditions and requirements under the Double Tax Avoidance Treaty and other applicable PRC laws are satisfied at the discretion of the relevant PRC tax authority. However, based on the Notice on Tax Treaties, if the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, the PRC tax authorities may adjust the preferential tax treatment. Based on the Notice on Issues concerning Beneficial Owner in Tax Treaties, or Circular 9, issued on February 3, 2018 by the SAT and effective on April 1, 2018, when determining the applicant's status as a "beneficial owner" for purpose of tax treatments in connection with dividends, interests or royalties in the tax treaties, several factors will be taken into account, and it will be analyzed according to the actual circumstances of the specific cases. If our Hong Kong subsidiary is determined by PRC government authorities as receiving benefits from reduced income tax rates due to a structure or arrangement that is primarily tax-driven, the dividends paid by our PRC subsidiary to our Hong Kong subsidiary will be taxed at a higher rate, which will have an adverse effect on our financial and operational conditions.

The biopharmaceutical industry in China is highly regulated and such regulations are subject to changes which may affect approval and commercialization of our product candidates.

Part of our research and development operations are in China, which we believe confers clinical, commercial and regulatory advantages. The biopharmaceutical industry in China is subject to comprehensive government regulation and supervision, encompassing the approval, registration, manufacturing, packaging, licensing and marketing of new product candidates. See "Regulation" for a discussion of the regulatory requirements that are applicable to our current and planned business

activities in China. In recent years, the regulatory framework in China regarding the biopharmaceutical industry has undergone significant changes, and we expect that it will continue to undergo significant changes. Any such changes or amendments may result in increased compliance costs on our business or cause delays in or prevent the successful development or commercialization of our product candidates in China and reduce the current benefits we believe are available to us from developing and manufacturing drugs in China. PRC authorities have become increasingly vigilant in enforcing laws in the biopharmaceutical industry and any failure by us or our partners to maintain compliance with applicable laws and regulations or obtain and maintain required licenses and permits may result in the suspension or termination of our business activities fines, warnings, administrative or criminal penalties in China. We believe our strategy and approach are aligned with the PRC government's regulatory policies, but we cannot ensure that our strategy and approach will continue to be aligned.

Substantial uncertainties exist with respect to the interpretation and implementation of the newly enacted Foreign Investment Law and how it may impact the viability of our current corporate structure, corporate governance and business operations.

On March 15, 2019, the PRC National People's Congress approved the Foreign Investment Law, which came into effect on January 1, 2020 and replaces the trio of existing laws regulating foreign investment in the PRC, namely, the Sino-Foreign Equity Joint Venture Enterprise Law, the Sino-Foreign Cooperative Joint Venture Enterprise Law and the Wholly Foreign-Invested Enterprise Law, together with their implementation rules and ancillary regulations and become the legal foundation for foreign investment in the PRC. Meanwhile, the *Implementation Regulation of the Foreign Investment Law and the Measures for Reporting of Information on Foreign Investment* came into effect as of January 1, 2020, which clarified and elaborated the relevant provisions of the *Foreign Investment Law*.

The Foreign Investment Law sets out the basic regulatory framework for foreign investments and proposes to implement a system of pre-entry national treatment with a negative list for foreign investments, pursuant to which (i) foreign entities and individuals are prohibited from investing in the areas that are not open to foreign investments, (ii) foreign investments in the restricted industries must satisfy certain requirements under the law, and (iii) foreign investments in business sectors outside of the negative list will be treated equally with domestic investments. The Foreign Investment Law also sets forth necessary mechanisms to facilitate, protect and manage foreign investments and proposes to establish a foreign investment information reporting system, through which foreign investors or foreign-invested enterprises are required to submit initial report, report of changes, report of deregistration and annual report relating to their investments to the Ministry of Commerce, or MOFCOM, or its local branches.

You may experience difficulties in effecting service of legal process, enforcing foreign judgments or bringing actions in China against us or our management named in the prospectus based on foreign laws.

We are a company incorporated under the laws of the Cayman Islands, we conduct most of our operations in China, and substantially all of our assets are located in China. As a result, it may be difficult for our shareholders to effect service of process upon us or those persons inside China. In addition, China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the Cayman Islands and many other countries and regions. Therefore, recognition and enforcement in China of judgments of a court in any of these non-PRC jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or impossible.

Shareholder claims that are common in the United States, including securities law class actions and fraud claims, generally are difficult to pursue as a matter of law or practicality in China. For example, in China, there are significant legal and other obstacles to obtaining information needed for shareholder investigations or litigation outside China or otherwise with respect to foreign entities. Although the local authorities in China may establish a regulatory cooperation mechanism with the securities regulatory authorities of another country or region to implement cross-border supervision and administration, such regulatory cooperation with the securities regulatory authorities in the United States have not been efficient in the absence of mutual and practical cooperation mechanism. According to Article 177 of the PRC Securities Law which became effective in March 2020, no overseas securities regulator is allowed to directly conduct investigation or evidence collection activities within the territory of the PRC. Accordingly, without the consent of the competent PRC securities regulators and relevant authorities, no organization or individual may provide the documents and materials relating to securities business activities to overseas parties. See also "—Risks Related to the ADSs and this Offering—You may face difficulties in protecting your interests, and your ability to protect your rights through U.S. courts may be limited, because we are incorporated under Cayman Islands law" for risks associated with investing in us as a Cayman Islands company.

Our business may be negatively affected by the potential obligations to make additional social insurance and housing fund contributions.

We are required by PRC labor laws and regulations, such as the Social Insurance Law, Administrative Regulations on the Housing Provident Fund and other related rules, to pay various statutory employee benefits, including pensions insurance, medical insurance, work-related injury insurance, unemployment insurance, maternity insurance and housing fund, to designated government agencies for the benefit of our employees. The relevant government agencies may examine whether an employer has made adequate and timely payments of the requisite statutory employee benefits, and employers who fail to make adequate and timely payments may be subject to supplemental contributions, late payment fees, fines compulsory enforcement and/or other penalties. If the relevant PRC authorities determine that we shall make supplemental social insurance and housing fund contributions or that we are subject to fines and legal sanctions in relation to our failure to make social insurance and housing fund contributions in full for our employees, our business, financial condition and results of operations may be adversely affected.

The lease agreements of our leased properties have not been registered with the relevant PRC government authorities as required by PRC law, which may expose us to potential fines.

Under PRC law, lease agreements of commodity housing tenancy are required to be registered with the local construction (real estate) departments. Although failure to do so does not in itself invalidate the leases, the parties of the lease agreements may be exposed to potential fines if they fail to rectify such non-compliance within the prescribed time frame after receiving notice from the relevant PRC government authorities. The penalty ranges from RMB1,000 to RMB10,000 for each unregistered lease, at the discretion of the relevant authority. As of the date of this Prospectus, the lease agreements for our leased properties in China have not been registered with the relevant PRC government authorities. As of the date of this prospectus, we are not aware of any regulatory or governmental actions, claims or investigations being contemplated or any challenges by third parties to our use of our leased properties that the lease agreements of which have not been registered with the government authorities. However, we cannot assure you that the government authorities will not impose fines on us due to our failure to register any of our lease agreements, which may negatively impact our financial condition.

Any failure to comply with PRC regulations regarding the registration requirements for employee stock incentive plans may subject the PRC plan participants or us to fines and other legal or administrative sanctions.

In February 2012, SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly Listed Company, replacing earlier rules promulgated in 2007. Pursuant to these rules, PRC citizens and non-PRC citizens who reside 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 the PRC subsidiary of such overseas-listed company, and complete certain other procedures. In addition, an overseas-entrusted institution must be retained to handle matters in connection with the exercise or sale of stock options and the purchase or sale of shares and interests. We and our executive officers and other employees who are PRC citizens or who reside in the PRC for a continuous period of not less than one year and who have been granted options will be subject to these regulations when our company becomes an overseas-listed company upon completion of this offering. Failure to complete the SAFE registrations may subject them to fines and legal sanctions, there may be additional restrictions on the ability of them to exercise their stock options or remit proceeds gained from the sale of their stock into the PRC. We also face regulatory uncertainties that could restrict our ability to adopt incentive plans for our directors, executive officers and employees under PRC law.

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.

Under the PRC Enterprise Income Tax Law and its implementation rules, an enterprise established outside of the PRC with a "de facto management body" within the PRC 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 over and overall management of the business, productions, personnel, accounts and properties of an enterprise. In 2009, SAT issued a circular, known as 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 SAT's general position on how the "de facto management body" test should be applied in determining the tax resident status of all offshore enterprises. According to SAT Circular 82, an offshore incorporated enterprise controlled by a PRC enterprise or a PRC enterprise group will be regarded as a PRC tax resident by virtue of having its "de facto management body" in China and will be subject to PRC enterprise income tax on its global income only if all of the following conditions are met: (i) the primary location of the day-to-day operational management and the places where they perform their duties are 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 the PRC; and (iv) at least 50% of voting board members or senior executives habitually reside in the PRC.

We believe that we are not a PRC resident enterprise for PRC tax purposes. See "Taxation—People's Republic of China Taxation." 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 we or any of our non-PRC subsidiaries are a PRC resident enterprise for enterprise income tax purposes, we may be required to withhold a 10% withholding tax from dividends we pay to our shareholders that are

non-resident enterprises, including the holders of the ADSs. In addition, non-resident enterprise shareholders (including ADS holders) may be subject to PRC tax on gains realized on the sale or other disposition of ADSs or ordinary shares, if such income is treated as sourced from within the PRC. Furthermore, if we are deemed a PRC resident enterprise, dividends payable to our non-PRC individual shareholders (including ADS holders) and any gain realized on the transfer of ADSs or ordinary shares by such shareholders may be subject to PRC tax at a rate of 20% (which, in the case of dividends, may be withheld at source by us). Any PRC tax liability may be reduced under applicable tax treaties. However, it is unclear whether in practice our non-PRC shareholders would be able to obtain the benefits of any tax treaties between their countries of tax residence and the PRC in the event that we are treated as a PRC resident enterprise. Any such tax may reduce the returns on your investment in the ADSs or our ordinary shares.

We face uncertainty with respect to indirect transfers of equity interests in PRC resident enterprises by their non-PRC holding companies.

Pursuant to the Notice on Strengthening Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises, or SAT Circular 698, issued by the SAT in 2009 with retroactive effect from January 1, 2008, where a non-resident enterprise transfers the equity interests of a PRC resident enterprise indirectly by disposition of the equity interests of an overseas holding company, or an Indirect Transfer, and such overseas holding company is located in a tax jurisdiction that: (i) has an effective tax rate less than 12.5% or (ii) does not tax foreign income of its residents, the non-resident enterprise, being the transferor, shall report to the competent tax authority of the PRC resident enterprise this Indirect Transfer.

On February 3, 2015, the SAT issued the Announcement of the State Administration of Taxation on Several Issues Concerning the Enterprise Income Tax on Indirect Property Transfer by Non-Resident Enterprises, or SAT Bulletin 7. SAT Bulletin 7 supersedes the rules with respect to the Indirect Transfer under SAT Circular 698. SAT Bulletin 7 has introduced a new tax regime that is significantly different from the previous one under SAT Circular 698. SAT Bulletin 7 extends the PRC's tax jurisdiction to not only Indirect Transfers set forth under SAT Circular 698 but also transactions involving a transfer of other taxable assets through an offshore transfer of a foreign intermediate holding company. In addition, SAT Bulletin 7 provides clearer criteria than SAT Circular 698 for assessment of reasonable commercial purposes and has introduced safe harbors for internal group restructurings and the purchase and sale of equity through a public securities market. SAT Bulletin 7 also brings challenges to both foreign transferor and transferee (or another person who is obligated to pay for the transfer) of taxable assets. Where a non-resident enterprise transfers taxable assets indirectly by disposing of the equity interests of an overseas holding company, which is an Indirect Transfer, the non-resident enterprise, being the transferor, or the transferee, or the PRC entity that directly owns the taxable assets, may report such Indirect Transfer to the relevant tax authority. Using a "substance over form" principle, the PRC tax authority may disregard the existence of the overseas holding company if it lacks a reasonable commercial purpose and was established for the purpose of reducing, avoiding or deferring PRC tax. As a result, gains derived from such Indirect Transfer may be subject to PRC enterprise income tax, and the transferee or another person who is obligated to pay for the transfer is obligated to withhold the applicable taxes, currently at a rate of 10% for the transfer of equity interests in a PRC resident enterprise. Both the transferor and the transferee may be subject to penalties under PRC tax laws if the transferee fails to withhold the taxes and the transferor fails to pay the taxes.

On October 17, 2017, the SAT issued the Announcement of the State Administration of Taxation on Matters Concerning Withholding of Income Tax of Non-resident Enterprises at Source, or SAT Bulletin 37, which, among others, repealed the SAT Circular 698 on December 1, 2017. SAT Bulletin 37 further details and clarifies the tax withholding methods in respect of income of non-resident

enterprises under SAT Circular 698. And certain rules stipulated in SAT Bulletin 7 are replaced by SAT Bulletin 37. Where the non-resident enterprise fails to declare the tax payable pursuant to Article 39 of the PRC Enterprise Income Tax Law, the tax authority may order it to pay the tax due within required time limits, and the non-resident enterprise shall declare and pay the tax payable within such time limits specified by the tax authority; however, if the non-resident enterprise voluntarily declares and pays the tax payable before the tax authority orders it to do so within required time limits, it shall be deemed that such enterprise has paid the tax in time.

We face uncertainties as to the reporting and other implications of certain past and future transactions where PRC taxable assets are involved, such as offshore restructuring, sale of the shares in our offshore subsidiaries and investments. Our company may be subject to filing obligations or taxed if our company is a transferor in such transactions, and may be subject to withholding obligations if our company is a transferee in such transactions, under SAT Bulletin 7 and SAT Bulletin 37. For transfer of shares in our company by investors who are non-PRC resident enterprises, our PRC subsidiary may be requested to assist in the filing under SAT Bulletin 7 and SAT Bulletin 37. As a result, we may be required to expend valuable resources to comply with SAT Bulletin 7 and SAT Bulletin 37 or to request the relevant transferors from whom we purchase taxable assets to comply with these circulars, or to establish that our company should not be taxed under these circulars, which may have a material adverse effect on our financial condition and results of operations.

If our preferential tax treatments are revoked, become unavailable or if the calculation of our tax liability is challenged by the PRC tax authorities, we may be required to pay tax, interest and penalties in excess of our tax provisions, and our results of operations could be materially and adversely affected.

The Chinese government has provided various tax incentives to our subsidiaries in China. These incentives include reduced enterprise income tax rates. For example, under the Enterprise Income Tax Law and its implementation rules, the statutory enterprise income tax rate is 25%. However, the income tax of an enterprise that has been determined to be a technologically advanced service enterprise can be reduced to a preferential rate of 15%. Any increase in the enterprise income tax rate applicable to our PRC subsidiary, or any discontinuation or retroactive or future reduction of any of the preferential tax treatments currently enjoyed by our PRC subsidiary, could adversely affect our business, financial condition and results of operations. In addition, in the ordinary course of our business, we are subject to complex income tax and other tax regulations and significant judgment is required in the determination of a provision for income taxes. Although we believe our tax provisions are reasonable, if the PRC tax authorities successfully challenge our position and we are required to pay tax, interest and penalties in excess of our tax provisions, our financial condition and results of operations would be materially and adversely affected.

Certain PRC regulations may make it more difficult for us to pursue growth through acquisitions.

Among other things, the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors, or the M&A Rules, adopted by six PRC regulatory agencies in 2006 and amended in 2009, established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time-consuming and complex. Such regulation requires, among other things, the MOFCOM be notified in advance or its approval be obtained in certain situations, such as any change-of-control transaction in which a foreign investor acquires control of a PRC domestic enterprise of Undertakings, issued by the State Council in 2008 and amended in 2018, were triggered. Moreover, the Anti-Monopoly Law promulgated by the Standing Committee of the PRC National People's Congress, or NPC, which became effective in 2008 requires that transactions which are deemed concentrations and involve parties with specified turnover thresholds must be cleared by the MOFCOM before they can be completed. In addition, PRC national security review rules which became effective in September 2011 require acquisitions by foreign investors of PRC companies

engaged in military-related or certain other industries that are crucial to national security be subject to security review before consummation of any such acquisition. We may pursue potential strategic acquisitions that are complementary to our business and operations. Complying with the requirements of these regulations to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval or clearance from the MOFCOM, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

The approval of the China Securities Regulatory Commission may be required in connection with this offering, and, if required, we cannot predict whether we will be able to obtain such approval.

The M&A Rules requires an overseas special purpose vehicle formed for listing purposes through acquisitions of PRC domestic companies and controlled by PRC companies or individuals to obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange. However, the application of the M&A Rules remains unclear. If CSRC approval is required, it is uncertain whether it would be possible for us to obtain the approval, and any failure to obtain or delay in obtaining CSRC approval for this offering would subject us to sanctions imposed by the CSRC and other PRC regulatory agencies.

Our PRC legal counsel has advised us based on their understanding of the current PRC laws, rules and regulations that the CSRC's approval may not be required for the listing and trading of the ADSs on the Nasdaq Global Market in the context of this offering, given that: (i) the CSRC currently has not issued any definitive rule or interpretation concerning whether offering such as this offering contemplated by our Company are subject to the M&A Rules; and (ii) our PRC subsidiary was incorporated as wholly foreign-owned enterprises by means of direct investment rather than by merger or acquisition of equity interest or assets of a PRC domestic company owned by PRC companies or individuals as defined under the M&A Rules that are our beneficial owners. However, there is uncertainty as to how the M&A Rules will be interpreted or implemented and we cannot assure you that relevant PRC governmental authorities, including CSRC, would reach the same conclusion as our PRC Legal Counsel.

PRC regulations relating to offshore investment activities by PRC residents may limit our PRC subsidiaries' ability to change their registered capital or distribute profits to us or otherwise expose us or our PRC resident beneficial owners to liability and penalties under PRC laws.

In July 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 (including PRC individuals and PRC corporate entities as well as foreign individuals that are deemed as PRC residents for foreign exchange administration purpose) to register with SAFE or its local branches in connection with their direct or indirect offshore investment activities. SAFE Circular 37 is applicable to our shareholders who are PRC residents and may be applicable to any offshore acquisitions that we make in the future.

Under SAFE Circular 37, PRC residents who make, or have prior to the implementation of SAFE Circular 37 made, direct or indirect investments in offshore special purpose vehicles, or SPVs, will be required to register such investments with SAFE or its local branches. In addition, any PRC resident who is a direct or indirect shareholder of an SPV, is required to update its filed registration with the local branch of SAFE with respect to that SPV, to reflect any material change, including, among other things, any major change of a PRC resident shareholder, name or term of operation of the SPVs, or any increase or reduction of the SPVs' registered capital, share transfer or swap, merger or division. Moreover, any subsidiary of such SPV in China is required to urge the PRC resident shareholders to update their registration with the local branch of SAFE. If any PRC shareholder of such SPV fails to

make the required registration or to update the previously filed registration, the subsidiary of such SPV in China may be prohibited from distributing its profits or the proceeds from any capital reduction, share transfer or liquidation to the SPV, and the SPV may also be prohibited from making additional capital contributions into its subsidiary in China. On February 13, 2015, SAFE promulgated a Notice on Further Simplifying and Improving Foreign Exchange Administration Policy on Direct Investment, or SAFE Notice 13, which became effective on June 1, 2015. Under SAFE Notice 13, applications for foreign exchange registration of inbound foreign direct investments and outbound overseas direct investments, including those required under SAFE Circular 37, will be filed with qualified banks instead of SAFE or its branches. The qualified banks will directly examine the applications and accept registrations under the supervision of SAFE.

Some of our existing shareholders, each of whom owns our ordinary shares, including but not limited to as a result of exercising share options, are PRC residents under SAFE Circular 37. However, we cannot provide any assurance that these PRC residents comply with our request to make or obtain any applicable registrations or change registration or comply with all of the requirements under SAFE Circular 37 or other related rules. Furthermore, we may not be informed of the identities of all the PRC residents holding direct or indirect interest in our company. 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 subsidiary 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 the subsidiary. 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.

Furthermore, as these foreign exchange regulations are still relatively new and their interpretation and implementation has been constantly evolving, it is unclear how these regulations, and any future regulation concerning offshore or cross-border transactions, will be interpreted, amended and implemented by the relevant government authorities. For example, we may be subject to a more stringent review and approval process with respect to our foreign exchange activities, such as remittance of dividends and foreign-currency-denominated borrowings, which may adversely affect our financial condition and results of operations. In addition, if we decide to acquire a PRC domestic company, we cannot assure you that we or the owners of such company, as the case may be, will be able to obtain the necessary approvals or complete the necessary filings and registrations required by the foreign exchange regulations. This may restrict our ability to implement our acquisition strategy and could adversely affect our business and prospects.

We may be materially adversely affected if our shareholders and beneficial owners who are PRC entities fail to comply with the relevant PRC overseas investment regulations.

On December 26, 2017, the NDRC promulgated the Administrative Measures on Overseas Investments, or NDRC Order No. 11, which took effect as of March 1, 2018. According to NDRC Order No. 11, non-sensitive overseas investment projects are subject to record-filing requirements with the local branch of the NDRC. On September 6, 2014, MOFCOM promulgated the *Administrative Measures on Overseas Investments*, which took effect as of October 6, 2014. According to this regulation, overseas investments of PRC enterprises that involve non-sensitive countries and regions and non-sensitive industries are subject to record-filing requirements with a local MOFCOM branch. According to the *Circular of the State Administration of Foreign Exchange on Issuing the Regulations on Foreign Exchange Administration of the Overseas Direct Investment of Domestic Institutions*, which was promulgated by SAFE on July 13, 2009 and took effect on August 1, 2009, PRC enterprises must register for overseas direct investment with a local SAFE branch.

We may not be fully informed of the identities of all our shareholders or beneficial owners who are PRC entities, and we cannot provide any assurance that all of our shareholders and beneficial owners who are PRC entities has or will comply with our request to complete the overseas direct investment procedures under the aforementioned regulations or other related rules in a timely manner, or at all. If they fail to complete the filings or registrations required by the overseas direct investment regulations, the relevant authorities may order them to suspend or cease the implementation of such investment impose warnings and sanctions and make corrections within a specified time, or limit our ability to distribute dividends and proceeds to our PRC subsidiary, which may adversely affect our business, financial condition and results of operations.

PRC regulation of loans to and direct investment in PRC entities by offshore holding companies and governmental control of currency conversion may delay or prevent us from using the proceeds of this offering to make loans or additional capital contributions to our PRC subsidiary, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

We are an offshore holding company conducting our operations in China through our PRC subsidiary. We may make loans to our PRC subsidiary subject to the approval or registration from governmental authorities and limitation of amount, or we may make additional capital contributions to our wholly foreign-owned subsidiary in China. Any loans to our wholly foreign-owned subsidiary in China, which are treated as foreign-invested enterprises under PRC law, are subject to foreign exchange loan registrations. In addition, a foreign-invested enterprise, or FIE, shall use its capital pursuant to the principle of authenticity and self-use within its business scope. The capital of an FIE shall not be used for the following purposes: (i) directly or indirectly used for payment beyond the business scope of the enterprises or the payment prohibited by relevant laws and regulations; (ii) directly or indirectly used for investment in securities or investments other than banks' principal-secured products unless otherwise provided by relevant laws and regulations; (iii) the granting of loans to non-affiliated enterprises, except where it is expressly permitted in the business license; and (iv) paying the expenses related to the purchase of real estate that is not for self-use (except for the foreign-invested real estate enterprises).

In 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 a timely basis, if at all, with respect to future loans by us to our PRC subsidiary or with respect to future capital contributions by us to our PRC subsidiary. If we fail to complete such registrations or obtain such approvals, our ability to use the proceeds 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.

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

We are a Cayman Islands holding company and we rely principally on dividends and other distributions on equity from our PRC subsidiary for our cash requirements, including the funds necessary to pay dividends and other cash distributions to our shareholders for services of any debt we may incur. If our PRC subsidiary incurs 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 subsidiary, 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.

A portion of our revenue was generated by our PRC subsidiary in Renminbi, which is not freely convertible into other currencies. As a result, any restriction on currency exchange may limit the ability of our PRC subsidiary to use its Renminbi revenues to pay dividends to us.

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 subsidiary 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.

In addition, the Enterprise Income Tax Law and its implementation rules provide that a withholding tax rate of up to 10% will be applicable to dividends payable by Chinese companies to non-PRC-resident enterprises unless otherwise exempted or reduced according to treaties or arrangements between the PRC central government and governments of other countries or regions where the non-PRC-resident enterprises are incorporated.

Fluctuations in exchange rates could 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 in China and by China's foreign exchange policies. On July 21, 2005, the PRC government changed its 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 the U.S. dollar remained within a narrow band. Since June 2010, the Renminbi has fluctuated against the U.S. dollar, at times significantly and unpredictably. Since October 1, 2016, Renminbi has 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 has depreciated significantly in the backdrop of a surging U.S. dollar and persistent capital outflows of China. 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, and we cannot assure you 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 and adverse effect on your investment. For example, to the extent that we need to convert U.S. dollars we receive from this offering 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 the 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.

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.

Governmental control of currency conversion may limit our ability to utilize our cash balance effectively and affect the value of your investment.

The PRC government imposes controls on the convertibility of the Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. In the years ended December 31, 2018 and 2019 and six months ended June 30, 2020, we received a portion of our revenues in Renminbi. Under our current corporate structure, our Cayman Islands holding company primarily relies on previous rounds of private financing to fund any cash and financing requirements we may have. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval of SAFE by complying with applicable laws and regulations, as well as certain procedural requirements. Specifically, under the existing exchange restrictions, without prior approval of SAFE, cash generated from the operations of our PRC subsidiary may be used to pay dividends to our company. However, approval from or registration with appropriate government authorities is required where Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. As a result, we need to obtain SAFE approval to use the cash generated from the operations of our PRC subsidiary to pay off their respective debt in a currency other than Renminbi owed to entities outside China, or to make other capital expenditure payments outside China in a currency other than Renminbi. The PRC government may at its discretion restrict access to foreign currencies for current account transactions in the future. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our shareholders, including holders of the ADSs.

The audit report included in this prospectus is prepared by an auditor that is not inspected by the Public Company Accounting Oversight Board and, as such, our investors are deprived of the benefits of such inspection.

Our auditor, the independent registered public accounting firm that issued the audit reports included elsewhere in this prospectus filed with the U.S. Securities and Exchange Commission, or SEC, as an auditor of companies that are traded publicly in the United States and a firm registered with the Public Company Accounting Oversight Board (United States), or PCAOB, is subject to laws in the United States pursuant to which the PCAOB conducts regular inspections to assess its compliance with applicable professional standards. Our auditor is located in, and organized under the laws of, the PRC, which is a jurisdiction where the PCAOB has been unable to conduct inspections without the approval of the Chinese authorities.

On May 24, 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 PRC 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, the CSRC or the PRC Ministry of Finance in the United States and the PRC, respectively. The PCAOB continues to be in discussions with the CSRC and the PRC Ministry of Finance to permit joint inspections in the PRC of audit firms that are registered with the PCAOB and audit Chinese companies that trade on U.S. exchanges. On December 7, 2018, the SEC and the PCAOB issued a joint statement highlighting continued challenges faced by the U.S. regulators in their oversight of financial statement audits of U.S.-listed companies with significant operations in China. On April 21,

2020, the Chairman of the SEC, the Chairman of the PCAOB and certain other SEC divisional heads jointly issued a public statement highlighting the significant disclosure, financial reporting and other risks associated with emerging market investments, including the PCAOB's continued inability to inspect audit work papers in China. The 2018 joint statement and the 2020 public statement reflect a heightened regulatory interest in this issue. In response to the U.S. President Trump's Memorandum on Protecting United States Investors from Significant Risks from Chinese Companies, on August 6, 2020, the U.S. President's Working Group on Financial Markets, or the PWG, released a report where it recommends that the SEC take steps to enhanced listing requirements on companies from certain jurisdictions, such as China, that do not provide the PCAOB with sufficient access to audit working papers. The proposed enhanced listing standards require, as a condition to initial and continued exchange listing, unrestricted PCAOB access to work papers of the principal audit firm for the audit of the listed company. Companies that are unable to satisfy this standard as a result of governmental restrictions may satisfy this standard by providing a co-audit from an audit firm with comparable resources and experience where the PCAOB determines it has sufficient access to audit work papers and practices to conduct an appropriate inspection of the co-audit firm. The proposed new listing standards provide for a transition period until January 1, 2022 for currently listed companies. After this transition period, if currently listed companies were unable to meet the enhanced listing standards, then they would become subject to securities exchange rules and processes that could lead to possible de-listing if not cured. The measures in the PWG report are presumably subject to the standard SEC rulemaking process before becoming effective. On August 10, 2020, the SEC announced that SEC Chairman Jay Clayton had directed the SEC staff to prepare proposals in response to the PWG report, and that the SEC was soliciting public comments and information with respect to these proposals. The PCAOB's inspections of other firms outside China have identified deficiencies in those firms' audit procedures and quality control procedures, which may be addressed as part of the inspection process to improve future audit quality. However, it remains unclear what additional actions the SEC and the stock exchanges will take in response to the PWG report.

This lack of PCAOB inspections in China prevents the PCAOB from fully evaluating audits and quality control procedures of our independent registered public accounting firm. As a result, we and investors in our ADSs are deprived of the benefits of such PCAOB inspections. The inability of the PCAOB to conduct inspections of auditors in China makes it more difficult to evaluate the effectiveness of our independent registered public accounting firm's audit procedures or quality control procedures as compared to auditors outside of China that are subject to PCAOB inspections, which could cause investors and potential investors in our ADSs to lose confidence in our audit procedures and reported financial information and the quality of our financial statements.

In addition, as part of a continued regulatory focus in the United States on access to audit and other information currently protected by national law, in particular China's, in June 2019, a bipartisan group of lawmakers introduced bills in both houses of the U.S. Congress, which if passed, would require the SEC to maintain a list of issuers for which PCAOB is not able to inspect or investigate an auditor report issued by a foreign public accounting firm. The proposed Ensuring Quality Information and Transparency for Abroad-Based Listings on our Exchanges (EQUITABLE) Act prescribes increased disclosure requirements for these issuers and, beginning in 2025, the delisting from U.S. national securities exchanges such as the NYSE of issuers included on the SEC's list for three consecutive years. On May 20, 2020, the U.S. Senate passed S. 945, the Holding Foreign Companies Accountable Act, or the Kennedy Bill. On July 21, 2020, the U.S. House of Representatives approved its version of the National Defense Authorization Act for Fiscal Year 2021, which contains provisions comparable to the Kennedy Bill. Enactment of this legislation or other efforts to increase U.S. regulatory access to audit information could cause investor uncertainty for affected issuers, including us, and the market price of the ADSs could be adversely affected.

Proceedings instituted by the SEC against certain PRC-based accounting firms, including the affiliate of our independent registered public accounting firm, or any related adverse regulatory development in the PRC, could result in our financial statements being determined to not be in compliance with the requirements of the Exchange Act.

In December 2012, the SEC instituted administrative proceedings 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 that are publicly traded in the United States.

On January 22, 2014, the administrative law judge 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 papers and other documents 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 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. Under the terms of the settlement, the underlying proceeding against the four China-based accounting firms was deemed dismissed with prejudice four years after entry of the settlement. The four-year mark occurred on February 6, 2019.

While we cannot predict if the SEC will further challenge the four China-based accounting firms' compliance with U.S. law in connection with U.S. regulatory requests for audit work papers or if the results of such a challenge would result in the SEC imposing penalties such as suspensions, 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 could ultimately lead to the delisting of our ordinary shares or ADSs or the termination of the registration of our ordinary shares or ADSs under the Exchange Act, or both, which would substantially reduce or effectively terminate the trading of our ordinary shares or ADSs in the United States.

Risks Related to the ADSs and This Offering

You may be subject to limitations on transfer 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 in accordance with the terms of the deposit agreement.

An active trading market for our ordinary shares or the ADSs may not develop and the trading price for the ADSs may fluctuate significantly.

We [have applied] to list the ADSs on the Nasdaq Global Market. We have no current intention to seek a listing for our ordinary shares on any stock exchange. Prior to the completion of this offering, there has been no public market for the ADSs or our ordinary shares, and we cannot assure you that a liquid public market for the ADSs will develop. If an active public market for the ADSs does not develop following the completion of this offering, the market price and liquidity of the ADSs may be

materially and adversely affected. The initial public offering price for the ADSs will be determined by negotiation between us and the underwriters based upon several factors, and we can provide no assurance that the trading price of the ADSs after this offering will not decline below the initial public offering price. As a result, investors in our securities may experience a significant decrease in the value of their ADSs.

The trading price of the ADSs is likely to be volatile, which could result in substantial losses to investors.

The trading price of the ADSs is likely to be volatile and could fluctuate widely due to factors beyond our control. This may happen because of broad market and industry factors, including the performance and fluctuation of the market prices of other companies with business operations located mainly in China that have listed their securities in the United States. In addition to market and industry factors, the price and trading volume for the ADSs may be highly volatile for factors specific to our own operations, including the following:

- variations in our net revenues, earnings and cash flow;
- announcements of new investments, acquisitions, strategic partnerships, or joint ventures by us or our competitors;
- announcements of new products and services and expansions by us or our competitors;
- changes in financial estimates by securities analysts;
- fluctuations in operating metrics;
- failure on our part to realize monetization opportunities as expected;
- changes in revenues generated from our significant business partners;
- additions or departures of key personnel;
- release of lock-up or other transfer restrictions on our outstanding equity securities or sales of additional equity securities;
- detrimental negative publicity about us, our management, our competitors or our industry;
- regulatory developments affecting us or our industry; and
- potential litigation or regulatory investigations.

Any of these factors may result in large and sudden changes in the trading volume and price of the ADSs.

In the past, shareholders of public companies have often brought securities class action suits against those companies following periods of instability in the market price of their securities. If we were involved in a class action suit, it could divert a significant amount of our management's attention and other resources from our business and operations and require us to incur significant expenses to defend the suit, which could harm our results of operations. Any such class action suit, whether or not successful, could harm our reputation and restrict our ability to raise capital in the future. In addition, if a claim is successfully made against us, we may be required to pay significant damages, which could have a material adverse effect on our financial condition and results of operations.

We are an emerging growth company within the meaning of the Securities Act and may take advantage of certain reduced reporting requirements.

We are an "emerging growth company," as defined in the JOBS Act, and we may take advantage of certain exemptions from requirements applicable to other public companies that are not emerging growth companies including, most significantly, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002 for so long as we remain an emerging growth company. As a result, if we elect not to comply with such auditor attestation requirements, our investors may not have access to certain information they may deem important.

If securities or industry analysts cease to publish research or reports about our business, or if they adversely change their recommendations regarding the ADSs, the market price for the ADSs and trading volume could decline.

The trading market for the ADSs will be influenced by research or reports that industry or securities analysts publish about our business. If one or more analysts who cover us downgrade the ADSs, the market price for the ADSs would likely decline. If one or more of these analysts cease to cover us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which, in turn, could cause the market price or trading volume for the ADSs to decline.

The sale or availability for sale, or perceived sale or availability for sale, of substantial amounts of the ADSs could adversely affect their market price.

Sales of substantial amounts of the ADSs in the public market after the completion of this offering, or the perception that these sales could occur, could adversely affect the market price of the ADSs and could materially impair our ability to raise capital through equity offerings in the future. The ADSs sold in this offering will be freely tradable without restriction or further registration under the Securities Act, and shares held by our existing shareholders may also be sold in the public market in the future subject to the restrictions in Rule 144 and Rule 701 under the Securities Act and the applicable lock-up agreements. There will be ADSs (equivalent to ordinary shares) outstanding immediately after this offering, or ADSs (equivalent to ordinary shares) if the underwriters exercise their over-allotment option in full. [In connection with this offering, we, our directors and executive officers and our existing shareholders have agreed not to sell any ordinary shares or ADSs for 180 days after the date of this prospectus without the prior written consent of the underwriters, subject to certain exceptions. However, the underwriters may release these securities from these restrictions at any time, subject to applicable regulations of the Financial Industry Regulatory Authority, Inc.] 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 the ADSs. See "Underwriting" and "Shares Eligible for Future Sale" for a more detailed description of the restrictions on selling these securities after this offering.

[Our memorandum and articles of association contain anti-takeover provisions that could have a material adverse effect on the rights of holders of our ordinary shares and the ADSs.

We will adopt amended and restated memorandum and articles of association that will become effective immediately prior to the completion of this offering. Our new memorandum and articles of association contain provisions to limit the ability of others to acquire control of our company or cause us to engage in change-of-control transactions. These provisions could have the effect of depriving our shareholders of an opportunity to sell their shares at a premium over prevailing market prices by discouraging third parties from seeking to obtain control of our company in a tender offer or similar transaction. Our board of directors has the authority, without further action by our shareholders, to issue preferred shares in one or more series and to fix their designations, powers, preferences, privileges, and relative participating, optional or special rights and the qualifications, limitations or restrictions, including dividend rights, conversion rights, voting rights, terms of redemption and liquidation preferences, any or all of which may be greater than the rights associated with our ordinary shares, including ordinary shares represented by ADSs. Preferred shares could be issued quickly with terms calculated to delay or prevent a change in control of our company or make removal of management more difficult. If our board of directors decides to issue preferred shares, the price of the ADSs may fall and the voting and other rights of the holders of our ordinary shares and the ADSs may be materially and adversely affected.]

We have not determined a specific use for a portion of the net proceeds from this offering, and we may use these proceeds in ways with which you may not agree, and such use may not produce income or increase the ADS price.

We have not determined a specific use for a portion of the net proceeds of this offering, and our management will have considerable discretion in deciding how to apply these proceeds. You will not have the opportunity to assess whether the proceeds are being used appropriately before you make your investment decision. You must rely on the judgment of our management regarding the application of the net proceeds of this offering. We cannot assure you that the net proceeds will be used in a manner that would improve our results of operations or increase the ADS price, nor that these net proceeds will be placed only in investments that generate income or appreciate in value. Currently, we do not have any plans, commitments or understandings to acquire complementary business, assets and technologies.

We are entitled to amend the deposit agreement and to change the rights of ADS holders under the terms of such agreement, or to terminate the deposit agreement, without the prior consent of the ADS holders.

We are entitled to amend the deposit agreement and to change the rights of the ADS holders under the terms of such agreement, without the prior consent of the ADS holders. We and the depositary may agree to amend the deposit agreement in any way we decide is necessary or advantageous to us. Amendments may reflect, among other things, operational changes in the ADS program, legal developments affecting ADSs or changes in the terms of our business relationship with the depositary. In the event that the terms of an amendment are disadvantageous to ADS holders, ADS holders will only receive 30 days' advance notice of the amendment, and no prior consent of the ADS holders is required under the deposit agreement. Furthermore, we may decide to terminate the ADS facility at any time for any reason. For example, terminations may occur when we decide to list our shares on a non-U.S. securities exchange and determine not to continue to sponsor an ADS facility or when we become the subject of a takeover or a going-private transaction. If the ADS facility will terminate, ADS holders will receive at least 90 days' prior notice, but no prior consent is required from them. Under the circumstances that we decide to make an amendment to the deposit agreement that is disadvantageous to ADS holders or terminate the deposit agreement, the ADS holders may choose to sell their ADSs or surrender their ADSs and become direct holders of the underlying ordinary shares, but will have no right to any compensation whatsoever.

[ADSs holders may not be entitled to a jury trial with respect to claims arising under the deposit agreement, which could result in less favorable outcomes to the plaintiff(s) in any such action.

The deposit agreement governing the ADSs representing our ordinary shares provides that, to the fullest extent permitted by law, ADS holders waive the right to a jury trial of any claim they may have against us or the depositary arising out of or relating to our shares, the ADSs or the deposit agreement, including any claim under the U.S. federal securities laws.

If we or the depositary opposed a jury trial demand based on the waiver, the court would determine whether the waiver was enforceable based on the facts and circumstances of that case in accordance with the applicable state and federal law. To our knowledge, the enforceability of a contractual pre-dispute jury trial waiver in connection with claims arising under the federal securities laws has not been finally adjudicated by the United States Supreme Court. However, we believe that a contractual pre-dispute jury trial waiver provision is generally enforceable, including under the laws of the State of New York, which govern the deposit agreement, by a federal or state court in the City of New York, which has non-exclusive jurisdiction over matters arising under the deposit agreement. In determining whether to enforce a contractual pre-dispute jury trial waiver provision, courts will generally consider whether a party knowingly, intelligently and voluntarily waived the right to a jury trial. We believe that this is the case with respect to the deposit agreement and the ADSs. It is

advisable that you consult legal counsel regarding the jury waiver provision before entering into the deposit agreement.

If you or any other holders or beneficial owners of ADSs bring a claim against us or the depositary in connection with matters arising under the deposit agreement or the ADSs, including claims under federal securities laws, you or such other holder or beneficial owner may not be entitled to a jury trial with respect to such claims, which may have the effect of limiting and discouraging lawsuits against us or the depositary. If a lawsuit is brought against us or the depositary under the deposit agreement, it may be heard only by a judge or justice of the applicable trial court, which would be conducted according to different civil procedures and may result in different outcomes than a trial by jury would have had, including results that could be less favorable to the plaintiff(s) in any such action.

Nevertheless, if this jury trial waiver provision is not permitted by applicable law, an action could proceed under the terms of the deposit agreement with a jury trial.

No condition, stipulation or provision of the deposit agreement or ADSs serves as a waiver by any holder or beneficial owner of ADSs or by us or the depositary of compliance with any substantive provision of the U.S. federal securities laws and the rules and regulations promulgated thereunder.]

[The voting rights of holders of ADSs are limited by the terms of the deposit agreement, and you may not be able to exercise your right to direct the voting of the underlying ordinary shares represented by your ADSs.

Holders of ADSs do not have the same rights as our registered shareholders. As a holder of ADSs, you will not have any direct right to attend general meetings of our shareholders or to cast any votes at such meetings. You will only be able to exercise the voting rights attached to the class A ordinary shares underlying your ADSs indirectly by giving voting instructions to the depositary in accordance with the provisions of the deposit agreement. Where any matter is to be put to a vote at a general meeting, then upon receipt of your voting instructions, the depositary will try, as far as is practicable, to vote the underlying class A ordinary shares represented by your ADSs in accordance with your instructions. You will not be able to directly exercise your right to vote with respect to the underlying class A ordinary shares unless you cancel and withdraw the shares and become the registered holder of such shares prior to the record date for the general meeting.

When a general meeting is convened, you may not receive sufficient advance notice of the meeting to withdraw the class A ordinary shares represented by your ADSs and become the registered holder of such shares to allow you to attend the general meeting and to vote directly with respect to any specific matter or resolution to be considered and voted upon at the general meeting. In addition, under our post-offering memorandum and articles of association that will become effective immediately prior to completion of this offering, for the purposes of determining those shareholders who are entitled to attend and vote at any general meeting, our directors may close our register of members and/or fix in advance a record date for such meeting, and such closure of our register of members or the setting of such a record date may prevent you from withdrawing the underlying class A ordinary shares represented by your ADSs and from becoming the registered holder of such shares prior to the record date, so that you would not be able to attend the general meeting or to vote directly. Where any matter is to be put to a vote at a general meeting, upon our instruction the depositary will notify you of the upcoming vote and will arrange to deliver our voting materials to you. We cannot assure you that you will receive the voting materials in time to ensure that you can instruct the depositary to vote the underlying class A ordinary shares represented by your ADSs.

In addition, the depositary and its agents are not responsible for failing to carry out voting instructions or for their manner of carrying out your voting instructions. This means that you may not be able to exercise your right to direct how the underlying class A ordinary shares represented by your ADSs are voted and you may have no legal remedy if the underlying class A ordinary shares

represented by your ADSs are not voted as you requested. In addition, in your capacity as an ADS holder, you will not be able to call a shareholders' meeting.

Under the deposit agreement, if you do not vote, the depositary may give us a discretionary proxy to vote the class A ordinary shares underlying the ADSs at shareholders' meetings if we have timely provided the depositary with notice of meeting and related voting materials and (i) we have instructed the depositary that we wish a discretionary proxy to be given, (ii) we have informed the depositary that there is no substantial opposition as to a matter to be voted on at the meeting, and (iii) a matter to be voted on at the meeting would not have a material adverse impact on shareholders.

The effect of this discretionary proxy is that you cannot prevent the underlying class A ordinary shares represented by the ADSs from being voted, except under the circumstances described above. This may make it more difficult for ADS holders to influence the management of the company. Holders of ordinary shares are not subject to this discretionary proxy.

The effect of this discretionary proxy is that you cannot prevent our class A ordinary shares underlying your ADSs from being voted, except under the circumstances described above. This may adversely affect your interests and make it more difficult for ADS holders to influence the management of our company. Holders of our class A ordinary shares are not subject to this discretionary proxy.]

Because the initial public offering price is substantially higher than the pro forma net tangible book value per share, you will experience immediate and substantial dilution.

If you purchase the ADSs in this offering, you will pay more for each ADS than the corresponding amount paid by existing shareholders for their ordinary shares. As a result, you will experience immediate and substantial dilution of approximately US$ per ADS, assuming that no outstanding options to acquire ordinary shares are exercised. This number represents the difference between the assumed initial public offering price of US$ per ADS, being the mid-point of the estimated range of the initial offering price shown on the front cover of this prospectus, and our pro forma net tangible book value per ADS as of , 2019, after giving effect to this offering. You may experience further dilution to the extent that our ordinary shares are issued upon exercise of any share options. See "Dilution" for a more complete description of how the value of your investment in ADSs will be diluted upon completion of this offering.

Because we do not expect to pay dividends in the foreseeable future after this offering, you must rely on price appreciation of the ADSs for return on your investment.

We currently intend to retain most, if not all, of our available funds and any future earnings after this offering to fund the development and growth of our business. As a result, we do not expect to pay any cash dividends in the foreseeable future. Therefore, you should not rely on an investment in the ADSs as a source for any future dividend income.

Our board of directors has complete discretion as to whether to distribute dividends, subject to certain requirements of Cayman Islands law. In addition, our shareholders may, subject to the provisions of our articles of association, by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by our directors. Under Cayman Islands law, a Cayman Islands company may pay a dividend out of either profit or share premium account, provided that in no circumstances may a dividend be paid if this would result in the company being unable to pay its debts as they fall due in the ordinary course of business. Even if our board of directors decides to declare and pay dividends, the timing, amount and form of future dividends, if any, will depend on our future results of operations and cash flow, our capital requirements and surplus, the amount of distributions, if any, received by us from our subsidiary, our financial condition, contractual restrictions and other factors deemed relevant by our board of directors. Accordingly, the return on your investment in the ADSs will likely depend entirely upon any future price appreciation of the ADSs. There is no

guarantee that the ADSs will appreciate in value after this offering or even maintain the price at which you purchased the ADSs. You may not realize a return on your investment in the ADSs and you may even lose your entire investment in the ADSs.

You may not receive dividends or other distributions on our ordinary shares and you may not receive any value for them, if it is illegal or impractical to make them available to you.

The depositary 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 the ADSs, after deducting its fees and expenses. 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 that require registration under the Securities Act of 1933 but that are not properly registered or distributed under an applicable exemption from registration. The depositary may also determine that it is not feasible to distribute certain property through the mail. Additionally, the value of certain distributions may be less than the cost of mailing them. In these cases, the depositary may determine not to distribute such property. We have no obligation to register under U.S. securities laws any 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 the ADSs.

You may experience dilution of your holdings due to the inability to participate in rights offerings.

We may, from time to time, distribute rights to our shareholders, including rights to acquire securities. Under the deposit agreement, the depositary will not distribute rights to holders of ADSs unless the distribution and sale of rights and the securities to which these rights relate are either exempt from registration under the Securities Act with respect to all holders of ADSs, or are registered under the provisions of the Securities Act. The depositary may, but is not required to, attempt to sell these undistributed rights to third parties, and may allow the rights to lapse. We may be unable to establish an exemption from registration under the Securities Act, and we are under no obligation to file a registration statement with respect to these rights or underlying securities or to endeavor to have a registration statement declared effective. Accordingly, holders of ADSs may be unable to participate in our rights offerings and may experience dilution of their holdings as a result.

We will incur increased costs as a result of being a public company, particularly after we cease to qualify as an "emerging growth company."

Upon completion of this offering, we will become a public company and expect to incur significant legal, accounting and other expenses that we did not incur as a private company. The Sarbanes-Oxley Act of 2002, as well as rules subsequently implemented by the Securities and Exchange Commission, or the SEC, and the Nasdaq Global Market, impose various requirements on the corporate governance practices of public companies. As a company with less than US$1.07 billion in revenues for our last fiscal year, we qualify as an "emerging growth company" pursuant to the JOBS Act. An emerging growth company may take advantage of specified reduced reporting and other requirements that are otherwise applicable generally to public companies. These provisions include exemption from the auditor attestation requirement under Section 404 of the Sarbanes-Oxley Act of 2002, or Section 404, in the assessment of the emerging growth company's internal control over financial reporting and permission to delay adopting new or revised accounting standards until such time as those standards apply to private companies.

We expect these rules and regulations to increase our legal and financial compliance costs and to make some corporate activities more time-consuming and costly. After we are no longer an "emerging growth company," we expect to incur significant expenses and devote substantial management effort toward ensuring compliance with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002 and the other rules and regulations of the SEC. For example, as a result of becoming a public company, we will need to increase the number of independent directors and adopt policies regarding internal controls and disclosure controls and procedures. We also expect that operating as a public company will make it more difficult and more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. In addition, we will incur additional costs associated with our public company reporting requirements. It may also be more difficult for us to find qualified persons to serve on our board of directors or as executive officers. We are currently evaluating and monitoring developments with respect to these rules and regulations, and we cannot predict or estimate with any degree of certainty the number of additional costs we may incur or the timing of such costs.

You may face difficulties in protecting your interests, and your ability to protect your rights through U.S. courts may be limited, because we are incorporated under Cayman Islands law.

We are an exempted company incorporated under the laws of the Cayman Islands with limited liability. Our corporate affairs are governed by our memorandum and articles of association, the Companies Law (2020 Revision) (as amended) of the Cayman Islands and the common law of the Cayman Islands. The rights of shareholders to take action against our directors, actions by our minority shareholders and the fiduciary duties of our directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from the common law of England, the decisions of whose courts are of persuasive authority, but are not binding, on a court in the Cayman Islands. The rights of our shareholders and the fiduciary duties of our directors under Cayman Islands law are not as clearly established as they would be under statutes or judicial precedent in some jurisdictions in the United States. In particular, the Cayman Islands has a less developed body of securities laws than the United States. Some U.S. states, such as Delaware, have more fully developed and judicially interpreted bodies of corporate law than the Cayman Islands. In addition, Cayman Islands companies may not have the standing to initiate a shareholder derivative action in a federal court of the United States.

Shareholders of Cayman Islands exempted companies like us have no general rights under Cayman Islands law to inspect corporate records or to obtain copies of lists of shareholders of these companies. Our directors have discretion under our articles of association that will become effective immediately prior to completion of this offering to determine whether or not, and under what conditions, our corporate records may be inspected by our shareholders, but are not obliged to make them available to our shareholders. This may make it more difficult for you to obtain the information needed to establish any facts necessary for a shareholder motion or to solicit proxies from other shareholders in connection with a proxy contest.

As a result of all of the above, our public shareholders may have more difficulties in protecting their interests in the face of actions taken by management, members of our board of directors or controlling shareholders than they would as public shareholders of a company incorporated in the United States. For a discussion of significant differences between the provisions of the Companies Law of the Cayman Islands and the laws applicable to companies incorporated in the United States and their shareholders, see "Description of Share Capital—Differences in Corporate Law."

Certain judgments obtained against us by our shareholders may not be enforceable.

We are a Cayman Islands company and substantially all of our assets are located outside of the United States. Our current operations are primarily conducted in China. In addition, some of our current directors and officers are nationals and residents of countries other than the United States. Substantially all of the assets of these persons are located outside the United States. As a result, it may be difficult or impossible for you to bring an action against us or against these individuals in the United States in the event that you believe that your rights have been infringed under the U.S. federal securities laws or otherwise. Even if you are successful in bringing an action of this kind, the laws of the Cayman Islands and of China may render you unable to enforce a judgment against our assets or the assets of our directors and officers. For more information regarding the relevant laws of the Cayman Islands and China, see "Enforceability of Civil Liabilities."

As a company incorporated in the Cayman Islands, we are permitted to adopt certain home country practices in relation to corporate governance matters that differ significantly from the Nasdaq listing standards; these practices may afford less protection to shareholders than they would enjoy if we complied fully with the Nasdaq listing standards.

As a Cayman Islands company listed on the Nasdaq Global Market, we are subject to the Nasdaq listing standards. However, Nasdaq rules permit a foreign private issuer like us to follow the corporate governance practices of its home country. Certain corporate governance practices in the Cayman Islands, which is our home country, may differ significantly from the Nasdaq listing standards. We may elect to rely on home country practice to be exempted from the corporate governance requirements. As a result, our shareholders may be afforded less protection than they would otherwise enjoy under the Nasdaq listing standards applicable to U.S. domestic issuers.

We are a foreign private issuer within the meaning of the rules under the Exchange Act, and as such we are exempt from certain provisions applicable to U.S. domestic public companies.

Because we qualify as a foreign private issuer under the Exchange Act, we are exempt from certain provisions of the securities rules and regulations in the United States that are applicable to U.S. domestic issuers, including:

- the rules under the Exchange Act requiring the filing with the SEC of quarterly reports on Form 10-Q or current reports on Form 8-K;
- 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; and
- the selective disclosure rules by issuers of material nonpublic information under Regulation FD.

We will be required to file an annual report on Form 20-F within four months of the end of each fiscal year. In addition, we intend to publish our results on a quarterly basis as press releases, distributed pursuant to the rules and regulations of the Nasdaq Global Market. Press releases relating to financial results and material events will also be furnished to the SEC on Form 6-K. However, the information we are required to file with or furnish to the SEC will be less extensive and less timely compared to that required to be filed with the SEC by U.S. domestic issuers. As a result, you may not be afforded the same protections or information that would be made available to you were you investing in a U.S. domestic issuer.

There can be no assurance that we will not be a passive foreign investment company, or PFIC, for U.S. federal income tax purposes for any taxable year, which could subject U.S. investors in our ADSs or ordinary shares to significant adverse U.S. federal income tax consequences.

In general, a non-U.S. corporation will be a PFIC for any taxable year in which (i) 75% or more of its gross income consists of passive income, or the income test, or (ii) 50% or more of the average value of its assets (generally determined on a quarterly basis) consists of assets that produce, or are held for the production of, passive income, or the asset test. For purposes of the above calculations, a non-U.S. corporation that directly or indirectly owns at least 25% by value of the ordinary shares of another corporation is treated as if it held its proportionate share of the assets of the other corporation and received directly its proportionate share of the income of the other corporation. Passive income generally includes interest, dividends, gains from certain property transactions, rents and royalties (other than certain rents or royalties derived in the active conduct of a trade or business). Cash is a passive asset for PFIC purposes. Goodwill is an active asset under the PFIC rules to the extent attributable to activities that produce active income.

The assets shown on our balance sheet are expected to consist primarily of cash and cash equivalents for the foreseeable future. Therefore, whether we will satisfy the asset test for the current or any future taxable year will depend largely on the value of our goodwill and on how quickly we utilize the cash in our business. We cannot give any assurance as to whether we will be a PFIC for the current or any future taxable year because (i) the value of our goodwill may be determined by reference to the market price of our ADSs, which may be volatile given the nature and early stage of our business, (ii) we expect to hold a significant amount of cash, and (iii) a company's PFIC status is an annual determination that can be made only after the end of each taxable year. In addition, prior to commercialization of our product candidates, we may have significantly more passive income than active income for a relevant taxable year even though our overall losses significantly exceed the amount of our overall income, and it is not clear how to apply the income test in these circumstances. We believe that it is reasonable to take the position that if our overall losses exceed our passive income, we would not be a PFIC if we otherwise would not be a PFIC under the assets test for the relevant taxable year, but there can be no assurance that the Internal Revenue Service will respect, or a court will uphold, this position.

If we were a PFIC for any taxable year during which a U.S. investor owns our ADSs or ordinary shares, certain adverse U.S. federal income tax consequences could apply to such U.S. investor. See "Taxation—Material U.S. Federal Income Tax Consequences—Passive Foreign Investment Company Rules."

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that involve risks and uncertainties. All statements other than statements of historical facts are forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from those expressed or implied by the forward-looking statements.

You can identify these forward-looking statements by words or phrases such as "may," "will," "expect," "anticipate," "aim," "estimate," "intend," "plan," "believe," "likely to" or other similar expressions. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our financial condition, results of operations, business strategy and financial needs. These forward-looking statements include, but are not limited to, statements about:

- our goals and growth strategies;
- our future business development, results of operations and financial condition;
- the timing of the initiation, progress and potential results of our preclinical studies, clinical trials and our discovery programs;
- our ability to utilize our proprietary Dynamic Precision Library platform, or DPL, to design, construct and develop next-generation antibodies;
- our ability to advance product candidates into, and successfully complete, clinical trials;
- the timing or likelihood of regulatory filings and approvals;
- our estimates of the number of patients who suffer from the diseases we are targeting and the number of patients that may enroll in our clinical trials;
- the commercializing of our product candidates, if approved;
- our ability and the potential to successfully manufacture and supply our product candidates for clinical trials and for commercial use, if approved;
- future strategic arrangements and/or collaborations and the potential benefits of such arrangements;
- our anticipated use of our existing resources and the proceeds from this offering;
- our estimates regarding expenses, future revenue, capital requirements and needs for additional financing and our ability to obtain additional capital;
- the sufficiency of our existing cash and cash equivalents to fund our future operating expenses and capital expenditure requirements;
- our ability to retain the continued service of our key personnel and to identify, hire and retain additional qualified professionals;
- the implementation of our business model, strategic plans for our business and product candidates;
- the scope of protection we are able to establish and maintain for intellectual property rights, such as our proprietary DPL, which includes NEObody platform, SAFEbody platform and POWERbody platform, product candidates and discovery programs;
- our potential to enter into new collaborations;

- our ability to contract with third-party suppliers and manufacturers and their ability to perform adequately;
- the pricing, coverage and reimbursement of our product candidates, if approved;
- developments relating to our competitors and our industry, including competing product candidates and therapies;
- relevant government policies and regulations relating to our business and industry;
- general economic and business condition in the markets we have businesses; and
- assumptions underlying or related to any of the foregoing.

You should read thoroughly this prospectus and the documents that we refer to in this prospectus with the understanding that our actual future results may be materially different from and worse than what we expect. Other sections of this prospectus include additional factors which could adversely impact our business and financial performance. Moreover, we operate in an evolving environment. New risk factors and uncertainties emerge from time to time and it is not possible for our management to predict all risk factors and uncertainties, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. We qualify all of our forward-looking statements by these cautionary statements.

You should not rely upon forward-looking statements as predictions of future events. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

USE OF PROCEEDS

We estimate that we will receive net proceeds from this offering of approximately US$ million, or approximately US$ million if the underwriters exercise their option to purchase additional ADSs in full, after deducting underwriting discounts and commissions and the estimated offering expenses payable by us.

We intend to use the net proceeds from this offering for the following purposes:

- approximately % for research and development;
    - approximately % for clinical development;
    - approximately % for preclinical and pipeline development;
    - approximately % for technology and platform development;
- approximately % to buildout and/or expansion of global research and development facilities; and
- approximately % for working capital and other general corporate purposes.

If an unforeseen event occurs or business conditions change, we may use the proceeds of this offering differently than as described in this prospectus. In utilizing the proceeds from this offering, we are permitted under PRC laws and regulations to provide funding to our PRC subsidiaries only through loans or capital contributions, and only if we satisfy the applicable government registration and approval requirements. We cannot assure you that we will be able to meet these requirements on a timely basis, if at all. See "Risk Factors—Risks Related to Doing Business in China—PRC regulation of loans to and direct investment in PRC entities by offshore holding companies and governmental control of currency conversion may delay or prevent us from using the proceeds of this offering to make loans or additional capital contributions to our PRC subsidiary, which could materially and adversely affect our liquidity and our ability to fund and expand our business."

DIVIDEND POLICY

We have not previously declared or paid cash dividends and we have no plan to declare or pay any dividends in the near future on our shares or the ADSs representing our ordinary shares. We currently intend to retain most, if not all, of our available funds and any future earnings to operate and expand our business.

We are a holding company incorporated in the Cayman Islands. In the future, we may rely on dividends from our subsidiaries, including our PRC subsidiary, for our cash requirements, including any payment of dividends to our shareholders. PRC regulations may restrict the ability of our PRC subsidiary to pay dividends to us. See "PRC Regulation—Regulations on Foreign Exchange and Dividend Distribution."

Our board of directors has discretion as to whether to distribute dividends, subject to certain requirements of Cayman Islands law. In addition, our shareholders may, subject to the provisions of our post-offering articles of association, by ordinary resolution declare a dividend, but no dividend may exceed the amount recommended by our board of directors. Under Cayman Islands law, a Cayman Islands company may pay a dividend out of either profit or share premium account, provided that in no circumstances may a dividend be paid if this would result in the company being unable to pay its debts as they fall due in the ordinary course of business. Even if our board of directors decides to pay dividends, the form, frequency and amount will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that the board of directors may deem relevant. If we pay any dividends on our ordinary shares, we will pay those dividends which are payable in respect of the ordinary shares underlying the ADSs to the depositary, as the registered holder of such ordinary shares, and the depositary then will pay such amounts to the ADS holders in proportion to the ordinary shares underlying the ADSs held by such ADS holders, subject to the terms of the deposit agreement, including the fees and expenses payable thereunder. See "Description of American Depositary Shares."

CAPITALIZATION

The following table sets forth our capitalization as of June 30, 2020:

- on an actual basis;
- on a pro forma basis to reflect the automatic conversion of all of our outstanding preferred shares into 27,249,824 ordinary shares immediately prior to the completion of this offering; and
- on a pro forma as adjusted basis to reflect (i) the conversion of all of our issued and outstanding preferred shares into 27,249,824 ordinary shares upon completion of this offering and (ii) the issuance and sale of ordinary shares in the form of ADSs by us in this offering at an assumed initial public offering price of US$ per ADS being the mid-point of the estimated range of the initial offering price shown on the front cover of this prospectus, after deducting the underwriting discounts and commissions and estimated offering expenses payable by us (assuming the underwriters do not exercise their option to purchase additional ADSs).

You should read this table together with our consolidated financial statements and the related notes included elsewhere in this prospectus and the information under "Management's Discussion and Analysis of Financial Condition and Results of Operations."

	As of June 30, 2020		
	Actual	Pro forma	Pro forma as adjusted[1]
	US$	US$	US$
		(in thousands)	
Long-term borrowings	1,271,276	1,271,276	
Mezzanine equity			
Series A-1 convertible redeemable preferred shares (par value of US$0.0001 per share; 5,473,957 shares authorized, issued and outstanding on an actual basis; and nil outstanding on a pro-forma and pro forma as adjusted basis as of June 30, 2020)	5,474	—	
Series A-2 convertible redeemable preferred shares (par value of US$0.0001 per share; 2,370,414 shares authorized, issued and outstanding on an actual basis; and nil outstanding on a pro-forma and pro forma as adjusted basis as of June 30, 2020)	3,000	—	
Series B convertible redeemable preferred shares (par value of US$0.0001 per share; 7,494,537 shares authorized, issued and outstanding on an actual basis; and nil outstanding on a pro-forma and pro forma as adjusted basis as of June 30, 2020)	28,000	—	
Series C-1 convertible redeemable preferred shares (par value of US$0.0001 per share; 5,597,354 shares authorized, issued and outstanding on an actual basis; and nil outstanding on a pro-forma and pro forma as adjusted basis as of June 30, 2020)	48,851	—	
Series C-2 convertible redeemable preferred shares (par value of US$0.0001 per share; 1,861,121 shares authorized, issued and outstanding on an actual basis; and nil outstanding on a pro-forma and pro forma as adjusted basis as of June 30, 2020)	19,000	—	
Series C-3 convertible redeemable preferred shares (par value of US$0.0001 per share; 4,452,441 shares authorized, issued and outstanding on an actual basis; and nil outstanding on a pro-forma and pro forma as adjusted basis as of June 30, 2020)	50,000	—	
Total mezzanine equity	154,325	—	
Shareholders' equity (deficit)			
Ordinary shares (par value of US$0.0001 per share; 500,000,000 shares authorized; 16,164,433 shares issued and outstanding as of and June 30, 2020;	2	4	
Subscriptions receivable from shareholders	(1,975)	(1,975)	
Additional paid-in capital	15,537	169,858	
Accumulated other comprehensive loss	(305)	(305)	
Accumulated deficit	(81,443)	(81,443)	
Total shareholders' equity (deficit)	(68,185)	86,140	
Total mezzanine equity and shareholders' equity (deficit)	86,140	86,140	
Total capitalization	1,357,416	1,357,416	

Notes:

(1) The pro forma as adjusted information discussed above is illustrative only. Our additional paid-in capital and total shareholders' equity (deficit) following the completion of this offering are subject to adjustment based on the actual initial public offering price and other terms of this offering determined at pricing. Assuming the number of ADSs offered by us as set forth on the cover page of this prospectus remains the same, and after deduction of underwriting discounts and commissions and the estimated offering expenses payable by us, a $1.00 change in the assumed initial public offering price of $ per ADS would, in the case of an increase, increase and, in the case of a decrease, decrease each of additional paid-in capital and total shareholders' equity (deficit) by $ million.

DILUTION

If you invest in our ADSs, your interest will be diluted 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.

Our net tangible book value as of June 30, 2020 was approximately US$ million, or per ordinary share and US$ per ADS. Net tangible book value represents the amount of our total consolidated tangible assets, less the amount of our total consolidated liabilities. 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, 2020, other than to give effect to (i) the conversion of all of our preferred shares into ordinary shares on a one-to-one basis, which will occur automatically immediately prior to the completion of this offering and (ii) our issuance and sale of ADSs offered in this offering at an initial public offering price of US$ per ADS, after deduction of the underwriting discounts and commissions and estimated offering expenses payable by us, our pro forma as adjusted net tangible book value as of June 30, 2020 would have been approximately US$ million, or US$ per ordinary share and US$ per ADS, to existing shareholders and an immediate dilution in net tangible book value of US$ per ordinary share, or US$ per ADS, to purchasers of ADSs in this offering.

The following table illustrates the dilution on a per ordinary share basis at the initial public offering price per ordinary share is US$ and all ADSs are exchanged for ordinary shares:

	Per Share	Per ADS
Assumed initial public offering price per ordinary share	US$	US$
Pro forma net tangible book value per ordinary share after giving effect to the automatic conversion of all of our outstanding preferred shares	US$	US$
Pro forma as adjusted net tangible book value per ordinary share to give effect to the automatic conversion of all of our outstanding preferred shares and this offering	US$	US$
Increase in net tangible book value per share attributable to new investors in the offering	US$	US$
Amount of dilution in pro forma net tangible book value per share to new investors in the offering	US$	US$

The pro forma information discussed above is illustrative only.

The following table summarizes, on a pro forma as adjusted basis as of June 30, 2020, the differences between the existing shareholders and the new investors with respect to the number of ordinary shares (in the form of ADSs or ordinary shares) purchased from us in this offering, the total consideration paid and the average price per ordinary share paid and per ADS at the initial public offering price of US$ per ADS before deducting estimated underwriting discounts and commissions and estimated offering expenses. The total number of ordinary shares does not include

ordinary shares underlying the ADSs issuable upon the exercise of the over-allotment option granted to the underwriters.

	Ordinary Shares Purchased		Total Consideration		Average Price Per Ordinary Share	Average Price Per ADS
	Number	Percent	Amount (in thousands of US$) US$	Percent	US$	US$
Existing shareholders		%		%		
New investors		%		%		
Total		100.0%		100.0%		

The discussion and tables above also assume no exercise of any awards outstanding as of the date of this prospectus. As of the date of this prospectus, the aggregate number of our ordinary shares underlying our outstanding awards under the 2019 Plan is 5,558,576, excluding awards that were forfeited, cancelled or exercised after the relevant grant dates. To the extent that any outstanding stock options are exercised, or new awards are issued under our equity incentive plans, or we issue additional equity or convertible debt securities in the future, there will be further dilution to investors participating in this offering. In addition, we may choose to raise additional capital because of market conditions or strategic considerations, even if we believe that we have sufficient funds for our current or future operating plans. If we raise additional capital through the sale of equity or convertible debt securities, the issuance of these securities could result in further dilution to our shareholders and/or holders of ADSs.

ENFORCEABILITY OF CIVIL LIABILITIES

Cayman Islands

We are incorporated under the laws of the Cayman Islands as an exempted company with limited liability. We enjoy the following benefits:

- 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 following:

- 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; and
- Cayman Islands companies may not have standing to sue before the federal courts of the United States.

Our constitutional 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 a significant portion of our assets are located in China. A majority of our directors and executive officers are nationals or residents of jurisdictions other than the United States and a substantial portion 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 as our agent upon whom process may be served in any action brought against us under the securities laws of the United States.

Walkers (Hong Kong), our counsel as to Cayman Islands law, and Tian Yuan Law Firm, our 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.

We have been advised by our Cayman Islands legal counsel, Walkers (Hong Kong), that the courts of the Cayman Islands are unlikely (i) to recognize or enforce against us judgments of courts of the United States predicated upon the civil liability provisions of the securities laws of the United States or any State; and (ii) in original actions brought in the Cayman Islands, to impose liabilities against us predicated upon the civil liability provisions of the securities laws of the United States or any State, so far as the liabilities imposed by those provisions are penal in nature. In those circumstances, although

there is no statutory enforcement in the Cayman Islands of judgments obtained in the United States, the courts of the Cayman Islands, will, at common law, recognize and enforce a foreign money judgment of a foreign court of competent jurisdiction without retrial on the merits of the underlying dispute, based on the principle that a judgment of a competent foreign court imposes upon the judgment debtor an obligation to pay the sum for which judgment has been given provided certain conditions are met. For such a foreign judgment to be enforced in the Cayman Islands, such judgment must be final and conclusive and for a liquidated sum, and must not be in respect of taxes or a fine or penalty nor inconsistent with a Cayman Islands judgment in respect of the same matter, impeachable on the grounds of fraud or obtained in a manner, and be of a kind the enforcement of which is, contrary to natural justice or the public policy of the Cayman Islands (awards of punitive or multiple damages may well be held to be contrary to public policy). A Cayman Islands court may stay enforcement proceedings if concurrent proceedings are being brought elsewhere.

PRC

We have been advised by Tian Yuan Law Firm, our PRC legal counsel, that there is uncertainty as to whether the courts of the PRC would enforce judgments of United States courts or Cayman courts obtained against us or these persons predicated upon the civil liability provisions of the U.S. federal and state securities laws. Tian Yuan 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 and other applicable laws and regulations 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 the PRC 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 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 the PRC, if they can establish sufficient nexus to the PRC for a PRC court to have jurisdiction, and meet other procedural requirements. However, it would be difficult for foreign shareholders to establish sufficient nexus to the PRC by virtue only of holding the ADSs or ordinary shares.

CORPORATE HISTORY AND STRUCTURE

Corporate History

In February 2011, Adagene Inc. was incorporated under the laws of the Cayman Islands as our offshore holding company.

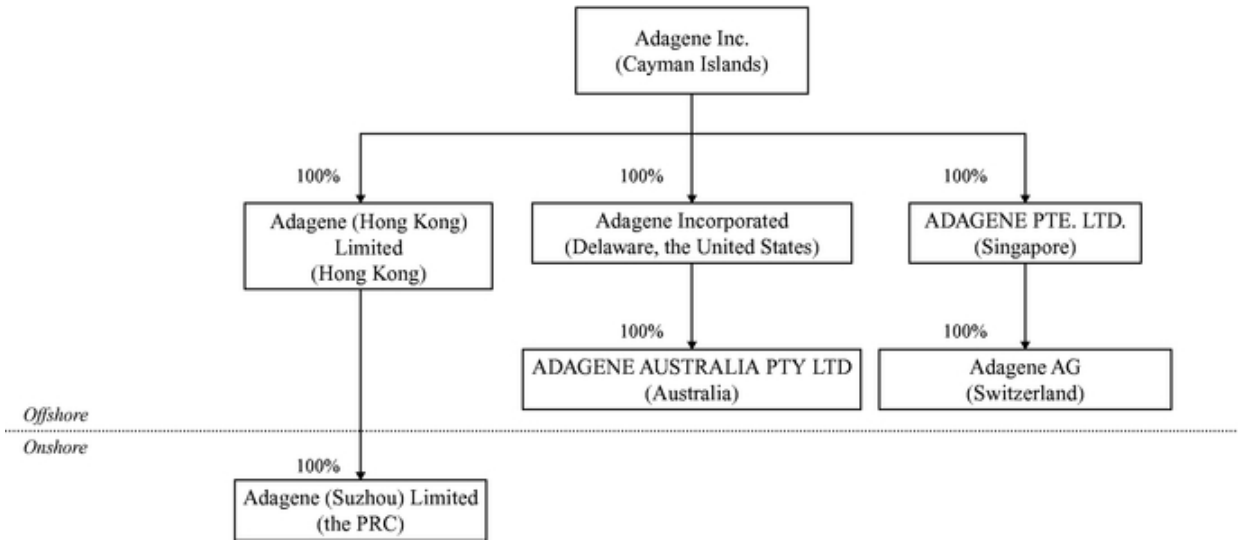
In December 2011, we established Adagene (Hong Kong) Limited, or Adagene Hong Kong, a wholly-owned subsidiary incorporated under the laws of Hong Kong, as our intermediary holding company. In February 2012, Adagene Hong Kong incorporated Adagene (Suzhou) Limited, or Adagene Suzhou, in China, through which we commenced our research and development activities in China.

In September 2017, we established a wholly-owned subsidiary in the state of Delaware, the United States, Adagene Incorporated, to conduct our research and development activities in the United States to facilitate the discovery and development of product candidates and expand our global presence, we have further incorporated several subsidiaries overseas, such as Australia, Singapore and Switzerland.

We are a holding company and do not directly own any substantive business operations in the PRC. We currently focus our business operations within the PRC through Adagene Suzhou. See "Risk Factors—Risks Relating to Our Corporate Structure."

Corporate Structure

The following diagram illustrates our corporate structure as of the date of this prospectus, including our material subsidiaries:



SELECTED CONSOLIDATED FINANCIAL DATA

The following selected consolidated statements of operations data for the years ended December 31, 2018 and 2019, summary consolidated balance sheet data as of December 31, 2018 and 2019 and summary consolidated cash flow data for the years ended December 31, 2018 and 2019 have been derived from our audited consolidated financial statements included elsewhere in this prospectus. Our consolidated financial statements are prepared in accordance with U.S. GAAP. The following selected consolidated statements of comprehensive loss for the six months ended June 30, 2019 and 2020, selected consolidated balance sheet data as of June 30, 2020 and selected consolidated cash flows data for the six months ended June 30, 2019 and 2020 have been derived from our unaudited interim condensed consolidated financial statements included elsewhere in this prospectus and have been prepared on the same basis as our audited consolidated financial statements and include all adjustments, consisting only of normal and recurring adjustments, that we consider necessary for a fair statement of our financial position and operating results for the periods presented. Our historical results are not necessarily indicative of results expected for future periods. You should read this Selected Consolidated Financial Data section together with our consolidated financial statements and the related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this prospectus.

Selected Consolidated Statements of Comprehensive Loss Data

The following table presents our selected consolidated statements of comprehensive loss data for the years ended December 31, 2018 and 2019 and our selected unaudited interim condensed consolidated statements of comprehensive loss data for the six months ended June 30, 2019 and 2020.

	For the Year Ended December 31,		For the Six Months Ended June 30,	
	2018	2019	2019	2020
	US$	US$	US$	US$
	(in thousands)			
Revenue:				
Licensing revenue	1,511	480	—	310
Expenses:				
Research and development expenses	(16,081)	(16,212)	(7,409)	(14,914)
Administrative expenses	(2,765)	(3,438)	(1,404)	(4,733)
Total operating expenses	(18,846)	(19,650)	(8,813)	(19,647)
Loss from operations	(17,335)	(19,170)	(8,813)	(19,338)
Interest income	620	785	356	524
Other income	902	723	71	630
Foreign exchange gain (loss), net	13	22	(9)	(1)
Change in fair value of warrant liabilities	534	1,207	1,207	—
Loss before income tax	(15,266)	(16,432)	(7,187)	(18,185)
Income tax expense	—	—	—	—
Net loss attributable to Adagene Inc.'s shareholders	(15,266)	(16,432)	(7,187)	(18,185)
Other comprehensive income (loss):				
Foreign currency translation adjustments, net of nil tax	(11)	66	25	40
Total comprehensive loss attributable to Adagene Inc.'s shareholders	(15,277)	(16,367)	(7,162)	(18,146)
Net loss attributable to Adagene Inc.'s shareholders	(15,266)	(16,432)	(7,187)	(18,185)
Deemed contribution from convertible redeemable preferred shareholders	1,186	—	—	—
Accretion of convertible redeemable preferred shares to redemption value	(223)	(246)	(122)	(123)
Net loss attributable to ordinary shareholders	(14,303)	(16,678)	(7,309)	(18,309)
Weighted average number of ordinary shares used in per share calculation:				
—Basic	15,159	15,178	15,163	15,948
—Diluted	15,159	15,178	15,163	15,948
Net loss per ordinary share				
—Basic	(0.94)	(1.10)	(0.48)	(1.15)
—Diluted	(0.94)	(1.10)	(0.48)	(1.15)

Selected Consolidated Balance Sheet Data

The following table presents our selected consolidated balance sheet data as of December 31, 2018 and 2019 and our selected unaudited interim condensed consolidated balance sheet data as of June 30, 2020:

	As of December 31,		As of June 30,
	2018	2019	2020
	(in USD thousands)		
Current assets:			
Cash and cash equivalents	16,058	92,533	92,841
Short-term investments	33,000	8,000	—
Total current assets	**51,817**	**103,923**	**96,626**
Total assets	**54,417**	**105,889**	**98,324**
Current liabilities:			
Amounts due to related parties	3,674	1,896	3,983
Accruals and other current liabilities	2,574	2,540	2,346
Short-term borrowings	2,331	717	2,119
Total current liabilities	**10,346**	**7,181**	**10,913**
Long-term borrowings	—	1,516	1,271
Total liabilities	**10,488**	**8,697**	**12,184**
Total mezzanine equity	**84,955**	**154,201**	**154,325**
Shareholders' deficit:			
Ordinary shares (par value of US$0.0001 per share; 500,000,000 and 500,000,000 shares authorized; 15,159,136, 15,193,136 and 16,164,433 shares issued and outstanding as of December 31, 2018 and 2019 and June 30, 2020, respectively)	2	2	2
Subscriptions receivable from shareholders	(197)	(197)	(1,975)
Additional paid-in capital	6,405	6,790	15,537
Accumulated other comprehensive loss	(411)	(345)	(305)
Accumulated deficit	(46,826)	(63,258)	(81,443)
Total shareholders' deficit	**(41,027)**	**(57,009)**	**(68,185)**

Selected Consolidated Cash Flow Data

The following table presents our selected consolidated cash flow data for the years ended December 31, 2018 and 2019 and our selected unaudited interim condensed consolidated cash flow data the six months ended June 30, 2019 and 2020.

	Year Ended December 31,		Six Months Ended June 30,	
	2018	2019	2019	2020
	(in USD thousands)			
Net cash used in operating activities	(14,265)	(18,154)	(6,071)	(8,807)
Net cash (used in)/generated from investing activities	(29,510)	24,856	15,988	7,769
Net cash generated from financing activities	51,058	69,694	16,509	1,317
Effect of exchange rate on cash and cash equivalents	39	78	11	28
Net increase in cash and cash equivalents	7,322	76,474	26,437	308
Cash and cash equivalents at the beginning of year/period	8,736	16,058	16,058	92,533
Cash and cash equivalents at the end of year/period	16,058	92,533	42,496	92,841

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 in conjunction with the section entitled "Selected Consolidated Financial Data" and our consolidated financial statements and the related notes included elsewhere in this prospectus. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results and the timing of events could differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Risk Factors" and elsewhere in this prospectus.

Overview

We are a platform-driven, clinical-stage biopharmaceutical company committed to transforming the discovery and development of novel antibody-based cancer immunotherapies. Our platform is designed to generate therapeutic antibody candidates with unique functional epitopes and species cross-reactivity. These features enable our novel drug discovery strategy to advance from lead identification through vigorous preclinical modeling to biomarker-guided mono- and combination immunotherapy development in clinical settings. We have pioneered a dynamic interface design to harness the conformational diversity of antibodies, which enlarges epitope sampling of a given drug target for differentiated therapeutic antibody development. Our platform is designed to enable the rapid development of precision immunotherapy candidates, through the identification of predicative biomarkers for patient stratification and preselection. Our mission is to push the boundaries of antibody discovery and engineering through the precise design, construction, and selection of antibody product candidates intractable to traditional antibody technology.

We have developed our proprietary Dynamic Precision Library, or DPL, platform to explore the dynamic conformational diversity of protein sequences, and the flexible binding sites of antibody sequences in particular, as a new paradigm for antibody drug discovery. Our DPL platform samples a potentially infinite number of dynamic binding interface structures arising from the conformational diversity of a finite number of antibody amino acid sequences, allowing us to exponentially expand the universe of candidate antibody binding sites far beyond conventional natural or synthetic antibody repertoires. By exploiting conformational diversity through the combination of our proprietary computational algorithms and artificial intelligence, we have designed and precisely constructed approximately one trillion (10^{12}) antibody sequences in our DPL. These antibodies feature broad epitope (the portion of an antigen that are recognized by an antibody) coverage and robust chemistry, manufacturing, and control, or CMC, attributes. Our DPL platform is designed to enable high fidelity translation from preclinical to clinical studies by identifying antibodies well suited for broad species cross-reactivity against the transiently accessible epitopes of challenging targets.

By leveraging our proprietary DPL platform, we have developed a robust pipeline of innovative product candidates in various stages of development, ranging from research and discovery to preclinical and clinical development. Our highly differentiated clinical-stage pipeline consists of ADG106 and ADG116, and IND-enabling study stage asset, ADG126. We also have a robust preclinical pipeline in various stages of development.

Since our inception in 2011, our operations have focused on organizing and staffing our company, conducting preclinical studies and clinical trials, business planning, establishing our intellectual property portfolio and raising capital. We do not have any product candidates approved for sale and have not generated any revenue from product sales. We have financed operations mainly through the private placements of our preferred shares. From November 2014 to December 2019, we raised an aggregate of US$155.0 million of gross proceeds from issuance of our preferred shares.

Since inception, we have incurred significant operating losses. Our net losses were US$15.3 million and US$16.4 million for the years ended December 31, 2018 and 2019, respectively. For the six months

ended June 30, 2020, our net loss was US$18.2 million. As of June 30, 2020, we had accumulated deficit of 81.4 million. We expect to continue to incur significant expenses and operating losses for the foreseeable future. We anticipate that our expenses will increase significantly in connection with our ongoing activities, as we:

- continue advancement of and investment in our proprietary DPL platform;
- advance the development of ADG106, ADG126, ADG116 and other preclinical drug candidates;
- continue our ongoing and planned research and development of other lead product candidates;
- discover and develop additional antibody product candidates and further expand our preclinical and clinical product pipeline;
- maintain, expand and protect our intellectual property portfolio;
- expand our collaborations with contract manufacturing organizations and contract research organizations;
- seek regulatory approvals for any product candidates that successfully complete clinical trials;
- establish sales and marketing teams and distribution network to commercialize any product candidate for which we may obtain regulatory approval;
- attract, hire and retain additional clinical, scientific, management and administrative personnel;
- expand our operations globally; and
- incur additional costs associated with operating as a public company upon the completion of this offering.

Beginning in January 2020, the emergence and wide spread of COVID-19 has resulted in quarantines, travel restrictions, and the temporary closure of stores and facilities in the United States and China and elsewhere. Substantially all of our operating and workforce are based in the United States and China. Consequently, the COVID-19 outbreak could potentially delay patient's access to hospital and the progress of our clinical trials, including patient enrollment, which may adversely affect our business operations, financial condition and operating results for 2020. The extent of the impact of the COVID-19 pandemic on our business, operations and regulatory and commercialization timelines will depend on certain developments, including the duration and spread of the outbreak and its impact on clinical trials, regulatory authorities and our key scientific and management personnel as well as its impact on our partners, laboratory sites, and other third parties with whom we collaborate. See "Risk Factors—Risks relating to obtaining regulatory approval of our drug candidates—The COVID-19 pandemic could adversely impact our business, including our clinical trials." We will continue to actively monitor the rapidly evolving situation related to COVID-19 and may take further actions that alter our business operations, including those that may be required by government authorities, or that we determine are in the best interests of our employees, partners and shareholders. At this point, the extent to which the COVID-19 pandemic may impact our business, operations and regulatory and commercialization timelines remains uncertain.

Key Components of Results of Operations

Revenue

Licensing revenue. Our licensing revenue is currently comprised of royalties, milestone payments, license fees and reimbursement income. Our licensing and collaboration revenue for the years ended December 31, 2018 and 2019 and the six months ended June 30, 2020 was primarily derived from granting licenses to use and otherwise exploit certain of our intellectual properties. To date, we have

not generated any revenue from the sale of products and do not expect to generate any revenue from product sales in the near future.

Expenses

Administrative expenses. Our administrative expenses consist primarily of wages, salaries and benefits for personnel other than research and development staff. We expect our administrative expenses to increase in absolute amount in the foreseeable future as we incur additional costs as a result of operating as a public company and as we advance our product candidates through clinical development, which will also increase our general and administrative expenses.

Interest income

Interest income consists primarily of interest income derived from our term deposit.

Other income

Other income primarily includes government subsidies that Adagene Suzhou received from local government in the PRC. The receipt of such government subsidies is not dependent on our performance of any obligations.

Taxation

Cayman Islands

We were incorporated in the Cayman Islands. Under the current laws of the Cayman Islands, we are not subject to income, corporation or capital gains tax in the Cayman Islands. In addition, our payment of dividends, if any, is not subject to withholding tax in the Cayman Islands.

Hong Kong

Our subsidiaries in Hong Kong, including Adagene (Hong Kong) Limited, our wholly-owned subsidiary, are subject to Hong Kong profits tax on their activities conducted in Hong Kong at a uniform tax rate of 16.5%. Under Hong Kong tax law, our subsidiary in Hong Kong is exempted from income tax on their foreign-derived income and there is no withholding tax in Hong Kong on remittance of dividends. No provision for Hong Kong profits tax was made as we had no estimated assessable profit that was subject to Hong Kong profits tax during fiscal years 2019 or 2020.

PRC

Our subsidiaries in China are companies incorporated under PRC law and, as such, are subject to PRC enterprise income tax on their taxable income in accordance with the relevant PRC income tax laws. Pursuant to the PRC Enterprise Income Tax Law, or EIT Law, which became effective on January 1, 2008, a uniform 25% enterprise income tax rate is generally applicable to both foreign-invested enterprises and domestic enterprises, except where a special preferential rate applies. In accordance with the implementation rules of EIT Law, a qualified Technology Advanced Service Enterprises, or TASE, is eligible for a preferential tax rate of 15%. The TASE certificate is effective for three years. An entity must file required supporting documents with the tax authority and ensure fulfillment of the relevant TASE criteria before using the preferential rate. An entity could apply for the TASE certificate every year. Adagene Suzhou was first recognized as a qualified TASE in March 2015 and renewed in December 2018. Adagene Suzhou can enjoy the preferential tax rate of 15% from 2015 to 2021. In addition, the research and development expenses of Adagene Suzhou are subject to a 75% super-deduction for the income tax. The enterprise income tax is calculated based on the entity's global income as determined under PRC tax laws and accounting standards.

We are subject to VAT at a rate of 3%, 6%, or 13% on the services we provide and related surcharges. We are also subject to surcharges on VAT payments in accordance with PRC law.

As a Cayman Islands holding company, we may receive dividends from Adagene Suzhou. The PRC EIT Law and its implementing rules provide that dividends paid by a PRC entity to a nonresident enterprise for income tax purposes is subject to PRC withholding tax at a rate of 10%, subject to reduction by an applicable tax treaty with China. 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 withholding tax rate in respect to the payment of dividends by a PRC enterprise to a Hong Kong enterprise may be 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 apply the reduced withholding tax rate: (i) it must be a company; (ii) it must directly own the required percentage of equity interests and voting rights in the PRC resident enterprise; and (iii) it must have directly owned such required percentage in the PRC resident enterprise throughout the 12 months prior to receiving the dividends. In August 2015, the State Administration of Taxation promulgated the Administrative Measures for Nonresident Taxpayers to Enjoy Treatment under Tax Treaties, or SAT Circular 35, which became effective on January 1, 2020, 2015. SAT Circular 35 provides that nonresident enterprises are not required to obtain pre-approval from the relevant tax authority in order to enjoy the reduced withholding tax. Instead, nonresident enterprises and their withholding agents may, by self-assessment and on confirmation that the prescribed criteria to enjoy the tax treaty benefits are met, directly apply the reduced withholding tax rate, and file necessary forms and supporting documents when performing tax filings, which will be subject to post-tax filing examinations by the relevant tax authorities. Accordingly, Adagene (Hong Kong) Limited may be able to benefit from the 5% withholding tax rate for the dividends it receives from its PRC subsidiaries, if it satisfies the conditions prescribed under SAT Circular 81 and other relevant tax rules and regulations. However, according to SAT Circular 81 and SAT Circular 35, if the relevant tax authorities consider the transactions or arrangements we have are for the primary purpose of enjoying a favorable tax treatment, the relevant tax authorities may adjust the favorable withholding tax in the future.

If our holding company in the Cayman Islands or any of our subsidiaries outside of China were deemed to be a "resident enterprise" under the PRC EIT Law, it would be subject to enterprise income tax on its worldwide income at a rate of 25%. 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."

Results of Operations

The following table summarizes our consolidated results of operations for the periods presented. This information should be read together with our consolidated financial statements and related notes

included elsewhere in this prospectus. The operating results in any period are not necessarily indicative of the results that may be expected for any future period.

	For the Year Ended December 31,		For the Six Months Ended June 30,	
	2018	2019	2019	2020
	US$	US$	US$	US$
	(in thousands)			
Revenue:				
Licensing revenue	1,511	480	—	310
Expenses:				
Research and development expenses	(16,081)	(16,212)	(7,409)	(14,914)
Administrative expenses	(2,765)	(3,438)	(1,404)	(4,733)
Total operating expenses	(18,846)	(19,650)	(8,813)	(19,647)
Loss from operations	(17,335)	(19,170)	(8,813)	(19,338)
Interest income	620	785	356	524
Other income	902	723	71	630
Foreign exchange gain (loss), net	13	22	(9)	(1)
Change in fair value of warrant liabilities	534	1,207	1,207	—
Loss before income tax	(15,266)	(16,432)	(7,187)	(18,185)
Income tax expense	—	—	—	—
Net loss attributable to Adagene Inc.'s shareholders	(15,266)	(16,432)	(7,187)	(18,185)
Other comprehensive income (loss):				
Foreign currency translation adjustments, net of nil tax	(11)	66	25	40
Total comprehensive loss attributable to Adagene Inc.'s shareholders	(15,277)	(16,367)	(7,162)	(18,146)
Net loss attributable to Adagene Inc.'s shareholders	(15,266)	(16,432)	(7,187)	(18,185)
Deemed contribution from convertible redeemable preferred shareholders	1,186	—	—	—
Accretion of convertible redeemable preferred shares to redemption value	(223)	(246)	(122)	(123)
Net loss attributable to ordinary shareholders	(14,303)	(16,678)	(7,309)	(18,309)
Weighted average number of ordinary shares used in per share calculation:				
—Basic	15,159	15,178	15,163	15,948
—Diluted	15,159	15,178	15,163	15,948
Net loss per ordinary share				
—Basic	(0.94)	(1.10)	(0.48)	(1.15)
—Diluted	(0.94)	(1.10)	(0.48)	(1.15)

Six Months Ended June 30, 2020 Compared to Six Months Ended June 30, 2019

Licensing revenue

Our licensing revenue increased from nil for the six months ended June 30, 2019 to US$0.3 million for the six months ended June 30, 2020. Our licensing revenue generated in the six months ended June 30, 2020 are a payment from Signal Pharmaceuticals LLC, or Signal Pharma, in connection with providing certain sequences related to antibody discovery services to Signal Pharma.

Research and development expenses

The following table sets forth a breakdown of the major components of our research and development expenses in absolute amounts and as a percentage of our total research and development expenses for the periods indicated:

	For the six months ended June 30			
	2019		2020	
	US$	%	US$	%
	(in thousands, except percentages)			
Research and development expenses				
Payroll and other related costs of personnel	2,250	30.4%	7,079	47.5%
Costs related to preclinical testing and clinical trials	3,679	49.7%	5,921	39.7%
Costs to develop the product candidates	762	10.3%	819	5.5%
Other research and development expenses	718	9.7%	1,095	7.3%
Total	7,409	100%	14,914	100%

Our research and development expenses increased by 102.8% from US$7.4 million for the six months ended June 30, 2019 to US$15.0 million for the six months ended June 30, 2020, primarily attributable to (i) an increase of US$4.8 million in payroll and other related costs of personnel primarily due to increased share-based compensation and expansion of staff and (ii) an increase of US$2.2 million in costs related to preclinical testing and clinical trials primarily due to increased contract manufacturing costs in light of the progression of the programs.

Administrative expenses

Our administrative expenses increased by 237.2% from US$1.4 million for the six months ended June 30, 2019 to US$4.7 million for the six months ended June 30, 2020, primarily attributable to (i) an increase of US$0.8 million in employee compensations due to an increase in average payroll and an increase in the number of employees and (ii) an increase of US$2.5 million in the share-based compensation expenses.

Loss from operations

As a result of the foregoing, our loss from operations increased by 119.6% from approximately US$8.8 million in the six months ended June 30, 2019 to approximately US$19.3 million in the six months ended June 30, 2020.

Interest income

Our interest income was US$0.5 million for the six months ended June 30, 2020, as compared to US$0.4 million for the six months ended June 30, 2019, representing an increase of US$0.1 million. This increase was primarily attributable to the increase of the balance of fixed deposits.

Other income

Our other income increased significantly from US$0.1 million for the six months ended June 30, 2019 to US$0.6 million for the six months ended June 30, 2020, primarily attributable to (i) an increase in government subsidies received by Adagene Suzhou to support our ongoing operations in Jiangsu Province during the six months ended June 30, 2020 and (ii) an exclusivity payment from ADC Therapeutics pursuant to our collaboration arrangement with ADC Therapeutics, which is not related to our major operation activities.

Foreign exchange loss, net

Our net foreign exchange loss decreased by 93.4% from US$8.9 thousand for the six months ended June 30, 2019 to US$0.6 thousand for the six months ended June 30, 2020. This loss of foreign exchange was primarily attributable to the weakening of Renminbi against U.S. dollars which negatively impacted our Renminbi denominated portfolio held by Adagene Suzhou. This improvement was primarily due to the positive effect of the fluctuation of Reminbi against U.S. dollars.

Change in fair value of warrant liabilities

We recorded a gain from change in the fair value of warrant liabilities of US$1.2 million for the six months ended June 30, 2019 and of nil for the six months ended June 30, 2020. The change was primarily because the warrants to subscribe Series C-2 Preferred Shares expired on April 1, 2019.

Net loss attributable to Adagene Inc.'s shareholders

As a result of the foregoing, our net loss for the period increased by 153.0% from US$7.2 million for the six months ended June 30, 2019 to US$18.2 million for the six months ended June 30, 2020.

Year Ended December 31, 2019 Compared to Year Ended December 31, 2018

Licensing revenue

Our licensing revenue decreased by 68.2% from US$1.5 million in 2018 to US$0.5 million in 2019. For the year ended December 31, 2018, we received an upfront payment of US$1.5 million from Guilin Sanjin Group Co., Ltd., or Sanjin, pursuant to our out-licensing arrangement. The relevant rights under the license were granted to Sanjin in 2018. For the year ended December 31, 2019, we recognized a US$0.5 million service fee received from Signal Pharma in connection with providing certain sequences related to antibody discovery services.

Research and development expenses

The following table sets forth a breakdown of the major components of our research and development expenses in absolute amounts and as a percentage of our total research and development expenses for the periods indicated:

	For the year ended December 31,			
	2018		2019	
(in thousands, except percentages)	US$	%	US$	%
Research and development expenses				
Payroll and other related costs of personnel	4,039	25.1%	4,880	30.1%
Costs related to preclinical testing and clinical trials	8,997	56.0%	8,087	49.9%
Costs to develop the product candidates	1,790	11.1%	1,599	9.9%
Other research and development expenses	1,255	7.8%	1,645	10.1%
Total	16,081	100%	16,212	100%

Our research and development expenses remained relatively stable and increased by 0.8% from US$16.1 million in 2018 to US$16.2 million in 2019, which was mainly attributable to an increase of clinical costs associated with the Phase I clinical trial of ADG106 and ADG116, partially offset by a decrease of contract manufacturing costs, due to ADG106's advance from preclinical development stage into clinical trial stage.

Administrative expenses

Our administrative expenses increased by 24.3% from US$2.8 million in 2018 to US$3.4 million in 2019. The increase was primarily due to the increase in the employee compensation due to a rise in average payroll and an increase in the number of employees.

Loss from operations

As a result of the foregoing, our loss from operations increased by 10.6% from approximately US$17.3 million in 2018 to approximately US$19.2 million in 2019.

Interest income

Our interest income was US$0.8 million in 2019, as compared to US$0.6 million in 2018, representing an increase of US$0.2 million. This increase was primarily attributable to the increase of the balance of fixed deposits.

Other income

Our other income was US$0.7 million in 2019, as compared to US$0.9 million in 2018, representing a decrease of US$0.2 million. This decrease was primarily due to the decrease in government subsidies during the year of 2019.

Foreign exchange gain, net

Our net foreign exchange gain increased by 72.2% from US$12.7 thousand to US$21.9 thousand, primarily attributable to further appreciation of Renminbi against U.S. dollars in 2019 following 2018.

Change in fair value of warrant liabilities

We recorded a gain from change in the fair value of warrant liabilities of US$0.5 million and US$1.2 million in 2018 and 2019, respectively. The change in the fair value of warrant liabilities was primarily attributable to the change in fair value of warrants due to the passage of time as approaching to the expiration date of the warrants.

Net Loss attributable to Adagene Inc.'s shareholders

As a result of the foregoing, our net loss increased by 7.6% from US$15.3 million in 2018 to US$16.4 million in 2019.

Liquidity and Capital Resources

Since the inception, we have incurred net losses and negative cash flow from our operations. We do not expect to generate any revenue from product sales unless and until we obtain regulatory approval and subsequently commercialize one of our current or future drug candidates. We expect to incur additional operating losses in the near future and our operating expenses will increase as we continue to expand our research and development capabilities, invest in preclinical tests and clinical trials and increase our efforts in obtaining regulatory approvals. In addition, subject to obtaining regulatory approval of any of our product candidates, we expect to incur significant commercialization expenses for product sales, marketing and manufacturing. Moreover, following the completion of this offering, we expect to incur additional costs associated with operating as a public company, including

expenses related to legal, accounting, regulatory, maintaining compliance with exchange listing and SEC requirements, director and officer insurance premiums, and investor relations.

Historically, we have financed our operations principally through proceeds from the issuance and sale of preferred shares in private placement transactions. For more information of our equity financing, see "Description of Share Capital—History of Securities Issuances." As of June 30, 2020, we had US$92.8 million in cash and cash equivalents. Our cash and cash equivalents consist primarily of bank deposits and highly liquid investments, which have original maturities of three months or less when purchased. In February 2019, we entered into a three-year bank facility agreement with Shanghai Pudong Development Bank, pursuant to which we are entitled to borrow up to RMB7.5 million at a fixed annual interest rate of 5.46%, and as of the date of this prospectus, we have utilized a total of RMB7.5 million under such facility. In June 2019, we entered into another three-year bank facility agreement with the same bank, pursuant to which we are entitled to borrow up to RMB6.0 million at a fixed annual interest rate of 5.23%, and as of the date of this prospectus, we have utilized a total of RMB6.0 million under such facility. In addition, in June 2020, we borrowed a loan with amount of RMB10.0 million from Agricultural Bank of China Limited for a term of one year and at the interest rate of 4.20% per annum.

We intend to finance our future working capital requirements and capital expenditures primarily from funds raised from financing activities, including the net proceeds we will receive from this offering.

Based on our current operating plan, we believe that our current cash and cash equivalents and proceeds from this offering will be sufficient to meet our current and anticipated working capital requirements and capital expenditures for at least the next 12 months. In that time, we expect that our expenses will increase substantially as we fund new and ongoing research and development activities and working capital needs. The assumptions on which our estimates are based may prove to be wrong, and we may use our available capital resources sooner than we currently expect. Because of the numerous risks and uncertainties associated with the development and commercialization of our product candidates, we are unable to estimate the amounts of increased capital outlays and operating expenditures necessary to complete the development and commercialization of our product candidates.

In utilizing the proceeds that we expect to receive from this offering, we may make capital contributions to our subsidiaries in PRC, the United States, Australia, Hong Kong, Singapore and Switzerland, acquire or establish new subsidiaries, or give loans to our subsidiaries. However, uses of the proceeds by our PRC subsidiary are subject to PRC regulations. See "Risk Factors—Risks Relating to Doing Business in China—PRC regulation of loans to and direct investment in PRC entities by offshore holding companies and governmental control of currency conversion may delay or prevent us from using the proceeds of this offering to make loans or additional capital contributions to our PRC subsidiary, which could materially and adversely affect our liquidity and our ability to fund and expand our business." and "Use of Proceeds."

Our operations are primarily based in China. A significant portion of our transactions are settled in Renminbi and our financial statements are presented in U.S. dollars. Under existing PRC foreign exchange regulations, Renminbi may be converted into foreign currencies for current account items, including profit distributions, interest payments and trade- and service-related foreign exchange transactions, without prior SAFE approval as long as certain routine procedural requirements are fulfilled. Our PRC subsidiary is allowed to pay dividends in foreign currencies to us without prior SAFE approval by following certain routine procedural requirements. However, approval from or registration with competent government authorities is required where the Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans

denominated in foreign currencies. The PRC government may at its discretion restrict access to foreign currencies for current account transactions in the future.

The following table presents our selected consolidated cash flow data for the years ended December 31, 2018 and 2019 and the six months ended June 30, 2019 and 2020.

	For the Year Ended December 31,		For the Six Months Ended June 30,	
	2018	2019	2019	2020
	US$	US$	US$	US$
	(in thousands)			
Net cash used in operating activities	(14,265)	(18,154)	(6,071)	(8,807)
Net cash (used in) generated from investing activities	(29,510)	24,856	15,988	7,769
Net cash generated from financing activities	51,058	69,694	16,509	1,317
Effect of exchange rate on cash and cash equivalents	39	78	11	28
Net increase in cash and cash equivalents	7,322	76,474	26,437	308
Cash and cash equivalents at the beginning of year/period	8,736	16,058	16,058	92,533
Cash and cash equivalents at the end of year/period	16,058	92,533	42,496	92,841

Operating activities

Net cash used in operating activities was US$8.8 million in the six months ended June 30, 2020. The difference between our net loss of US$18.2 million and the net cash used in operating activities was mainly due to (i) an increase in prepayments and other current assets of US$1.0 million due to our prepaid service fees to our vendor, (ii) a decrease in accruals and other current liabilities of US$0.2 million and (iii) a decrease in contract liabilities of US$0.1 million, partially offset by (i) an increase in share-based compensation of US$7.1 million, (ii) an increase in accounts payable of US$0.4 million and (iii) a decrease in accounts receivable of US$0.5 million.

Net cash used in operating activities was US$18.2 million in 2019. The difference between our net loss of US$16.4 million and the net cash used in operating activities was mainly due to (i) a decrease in amount due to related parties of US$1.8 million due to our payment of services fees to Wuxi Biologics, (ii) an increase in amount due from related parties of US$0.7 million, and (iii) change in fair value of warrant liabilities of US$1.2 million, partially offset by depreciation and amortization of US$0.8 million.

Net cash used in operating activities was US$14.3 million in 2018. The difference between our net loss of US$15.3 million and the net cash used in operating activities was mainly due to (i) an increase in prepayments and other current assets of US$1.3 million, (ii) a decrease in accruals and other current liabilities of US$0.9 million, and (iii) a decrease in fair value of warrant liabilities of US$0.5 million, partially offset by (i) an increase in amount due to related parties of US$2.1 million, (ii) an increase in accounts payable of US$0.4 million, and (ii) depreciation and amortization of US$0.9 million.

Investing activities

Net cash generated from investing activities was US$7.8 million in the six months ended June 30, 2020, which was primarily attributable to (i) withdrawal of short-term investments of US$8.0 million and (ii) proceeds from disposal of property, equipment and software of US$0.01 million, partially offset by purchase of property, equipment and software of US$0.2 million.

Net cash generated from investing activities was US$24.9 million in 2019, which was primarily attributable to withdrawal of short-term investments of US$44.0 million, partially offset by placement of short-term investments of US$19.0 million.

Net cash used in investing activities was US$29.5 million in 2018, which was primarily attributable to placement of short-term investments of US$58.0 million, partially offset by withdrawal of short-term investments of US$29.0 million.

Financing activities

Net cash generated from financing activities was US$1.3 million in the six months ended June 30, 2020, which was mainly attributable to proceeds from borrowings of US$1.4 million, partially offset by repayment of borrowings of US$0.1 million.

Net cash generated from financing activities was US$69.7 million in 2019, which was mainly attributable to proceeds from issuance of convertible redeemable preferred shares and warrants of US$69.0 million, partially offset by repayment of borrowings of US$2.4 million.

Net cash generated from financing activities was US$51.1 million in 2018, which was mainly attributable to proceeds from issuance of convertible redeemable preferred shares and warrants of US$50.0 million, partially offset by repayment of borrowings of US$1.4 million.

Capital Expenditures

Our capital expenditures are incurred primarily in connection with research and development equipment. Our capital expenditures were US$0.5 million, US$0.2 million and US$0.2 million, respectively, in 2018, 2019 and the six months ended June 30, 2020. We intend to fund our future capital expenditures with our existing cash balance and proceeds from this offering. We will continue to make capital expenditures to meet the expected growth of our business.

Commitments

The following table sets forth our commitments as of December 31, 2019.

	Payments Due by Years Ending				
	Total	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years
			(in thousands)		
Short-term and long-term borrowings	2,555	1,039	1,516	—	—
Operating Leases[(1)]	257	174	83	—	—
Total commitments	**2,812**	**1,213**	**1,599**	**—**	**—**

(1) Operating leases relate to certain office buildings under non-cancellable operating lease agreements.

Holding Company Structure

Adagene Inc. is a holding company with no material operations of its own. We conduct our operations primarily through our subsidiaries. As a result, our ability to pay dividends depends upon dividends paid by our subsidiaries. If our subsidiaries or any newly formed subsidiaries incur debt on their own behalf in the future, the instruments governing their debt may restrict their ability to pay dividends to us.

In addition, our subsidiary in China is permitted to pay dividends to us only out of their retained earnings, if any, as determined in accordance with the Accounting Standards for Business Enterprise as promulgated by the Ministry of Finance of the PRC, or PRC GAAP. Pursuant to the law applicable to China's foreign investment enterprise, our subsidiaries that are foreign investment enterprises in the PRC have to make appropriation from their after-tax profit, as determined under PRC GAAP, to reserve funds including (i) general reserve fund, (ii) enterprise expansion fund and (iii) staff bonus and welfare fund. The appropriation to the general reserve fund must be at least 10% of the after-tax profits calculated in accordance with PRC GAAP. Appropriation is not required if the reserve fund has reached 50% of the registered capital of our subsidiary. Appropriation to the other two reserve funds are at our subsidiary's discretion.

As an offshore holding company, we are permitted under PRC laws and regulations to provide funding from the proceeds of our offshore fund raising activities to our PRC subsidiaries only through loans or capital contributions, and to our consolidated affiliated entity only through loans, in each case subject to the satisfaction of the applicable government registration and approval requirements. See "Risk Factors—Risks Related to Doing Business in China—PRC regulation of loans to and direct investment in PRC entities by offshore holding companies and governmental control of currency conversion may delay or prevent us from using the proceeds of this offering to make loans or additional capital contributions to our PRC subsidiary, which could materially and adversely affect our liquidity and our ability to fund and expand our business." As a result, there is uncertainty with respect to our ability to provide prompt financial support to our PRC subsidiaries when needed.

Off-Balance Sheet Commitments and Arrangements

We have not entered into any financial guarantees or other commitments to guarantee the payment obligations of any third parties. We have not entered into any derivative contracts that are indexed to our shares and classified as shareholder's equity or that are not reflected in our consolidated financial statements. Furthermore, we do not have any retained or contingent interest in assets transferred to an unconsolidated entity that serves as credit, liquidity or market risk support to such entity. We do not have any variable interest in any unconsolidated entity that provides financing, liquidity, market risk or credit support to us or engages in leasing, hedging or product development services with us.

Critical Accounting Policies, Judgments and Estimates

Basis of presentation

Our consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles, or U.S. GAAP.

Principles of Consolidation

Our consolidated financial statements include the financial statements of Adagene Inc. and its subsidiaries. All significant intercompany balances and transactions have been eliminated upon consolidation.

Use of estimates

The preparation of 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, disclosures of contingent assets and liabilities at the balance sheet dates and the reported amounts of expenses during the reporting periods. Significant estimates and assumptions reflected in our consolidated financial statements include, but are not limited to, the useful lives and impairment of long-lived assets, tax valuation allowance, share-based compensation expenses and the fair value of warrant liabilities. 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 materially differ from those estimates.

Foreign currency translation

The functional currency of Adagene Inc., Adagene (Hong Kong) Limited and Adagene Incorporated is the U.S. dollar, or US$. The functional currency of our PRC subsidiary is Renminbi, or RMB. The functional currency of our Australia subsidiary is Australian dollar, or AU$. The determination of the respective functional currency is based on the criteria stated in Accounting

Standard Codification, or ASC, 830, Foreign Currency Matters. We use US$ as our reporting currency. The financial statements of our PRC subsidiary and Australia subsidiaries are translated from the functional currency to the reporting currency.

Transactions denominated in foreign currencies are re-measured into the functional currency at the exchange rates quoted by the People's Bank of China, or the PBOC, prevailing on the transaction dates. Monetary assets and liabilities denominated in foreign currencies are re-measured at the exchange rates prevailing at the balance sheet date. Non-monetary items that are measured in terms of historical costs in foreign currency are re-measured using the exchange rates at the dates of the initial transactions. Exchange gains and losses are included in the consolidated statements of comprehensive loss.

Assets and liabilities are translated at the exchange rates at the balance sheet date, equity accounts are translated at historical exchange rates and revenues, expenses, gains and losses are translated using the average rate for the year. Translation adjustments are reported as accumulated comprehensive loss and are shown as a separate component of other comprehensive loss in the consolidated statements of comprehensive loss.

Revenue recognition

At contract inception of collaboration and out-licensing arrangement, we analyze the arrangements to assess whether they are within the scope of ASC 808, *Collaborative Arrangements* or ASC 808, to determine whether such arrangements involve joint operating activities performed by parties that are both active participants in the activities and exposed to significant risks and rewards dependent on the commercial success of such activities. For collaboration arrangements within the scope of ASC 808 that contain multiple elements, we first determine which elements of the collaboration are deemed to be within the scope of ASC 808 and those that are reflective of a vendor-customer relationship and therefore within the scope of ASC 606. For elements of collaboration arrangements that are accounted for pursuant to ASC 808, an appropriate recognition method is determined and applied consistently.

Under the criteria of *Accounting Standard Codification*, or ASC, 606, *Revenue from Contracts with Customers* (Topic 606), or ASC 606, we recognize revenue to depict the transfer of control of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to receive in exchange for those goods or services. We adopted ASC 606 for all periods presented. To determine revenue recognition for arrangements that an entity determines are within the scope of ASC 606, the entity performs the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price, including variable consideration, if any; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the entity satisfies a performance obligation. We only apply the five-step model to contracts when it is probable that the entity will collect substantially all the consideration to which it is entitled in exchange for the goods or services it transfers to the customer. We review the contract to determine which performance are distinct and represent a promise to provide distinct goods or services or a series of distinct goods or services as defined by the standard. We recognize as revenue the amount of the transaction price that is allocated to each performance obligation as and when that performance obligation is satisfied.

Licenses of Intellectual Property: Upfront non-refundable payments for licensing our intellectual property are evaluated to determine if the license is distinct from the other performance obligations identified in the arrangement. For licenses determined to be distinct, we recognize revenues from non-refundable, up-front fees allocated to the license at a point in time, when the transfer of control of the license to the licensee occurs and the licensee is able to use and benefit from the license.

Milestone Payments: At the inception of each arrangement that includes development, commercialization, and regulatory milestone payments, we evaluate whether the milestones are

considered probable of being reached and to the extent that a significant reversal of cumulative revenue would not occur in future periods, estimates the amount to be included in the transaction price using the most likely amount method. The transaction price is then allocated to each performance obligation on a relative stand-alone selling price basis, for which we recognize revenue as or when the performance obligations under the contract are satisfied. At the end of each subsequent reporting period, we re-evaluate the probability of achieving such development milestones and any related constraint, and if necessary, adjust the estimate of the overall transaction price. Any such adjustments are recorded on a cumulative catch-up basis, which would affect revenues and earnings in the period of adjustment.

Royalties: For arrangements that include sales-based royalties, including milestone payments based on the level of sales, and the license is deemed to be the predominant item to which the royalties relate, we recognize revenue at the later of (i) when the related sales occur, or (ii) when the performance obligation to which some or all of the royalty has been allocated has been satisfied (or partially satisfied).

To date, no milestone payments or royalty payments were received. Substantially all of our revenue has been derived from its out-licensing agreements with respect to licensed products such as DNA sequences, cell lines, etc., and such revenues are recognized when the customer obtains control of the licensed product, which occurs at a point in time, upon delivery to the customer.

Contract assets and contract liabilities: When a customer pays consideration before we transfer products or services, we record our obligation as a contract liability; when we satisfy our performance obligations by providing products or services to a customer before the customer pays consideration and before payment is due, we recognize our rights to consideration as a contract asset.

Fair value measurements

We apply ASC 820, *Fair Value Measurements and Disclosures*. ASC 820 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. ASC 820 requires disclosures to be provided for fair value measurements. 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—Includes 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.

The carrying amounts of cash and cash equivalent, short-term investments, accounts receivable, amounts due to related parties and other current assets, accounts payable, amounts due to related parties, accrued liabilities and other current liabilities and short-term borrowings approximate their fair values because of their generally short maturities. The carrying amount of long-term borrowings approximate their fair values since they bear interest rates which approximate market interest rates.

We measured our warrant liabilities at fair value on a recurring basis. As our warrants are not traded in an active market with readily observable prices, we use significant unobservable inputs to measure the fair value of warrant liabilities. These instruments are categorized in the Level 3 valuation hierarchy based on the significance of unobservable factors in the overall fair value measurement.

The following table presents a reconciliation of all financial instruments measured at fair value on a recurring basis using Level 3 unobservable inputs:

	Warrant liabilities US$
Initial recognition during the year ended December 31, 2018	1,741,720
Fair value change	(534,305)
Balance as of December 31, 2018	1,207,415
Fair value change	(1,207,415)
Balance as of December 31, 2019	—

We did not transfer any assets or liabilities in or out of Level 3 during the year ended December 31, 2018 and 2019.

We had no financial assets and liabilities measured and recorded at fair value on a nonrecurring basis as of December 31, 2018 and 2019.

Research and development expenses

Elements of research and development expenses primarily include (1) payroll and other related costs of personnel engaged in research and development activities, (2) costs related to pre-clinical testing of our technologies under development and clinical trials such as payments to contract research organizations, or CRO, and contract manufacturing organizations, or CMO, investigators and clinical trial sites that conduct the clinical studies; (3) costs to develop the product candidates, including raw materials and supplies, product testing, depreciation and amortization, and facility related expenses, (4) other research and development expenses. Research and development expenses are charged to expense as incurred when these expenditures relate to our research and development services and have no alternative future uses. As of December 31, 2019, we have several ongoing clinical studies in various clinical trial stages. The contracts with CRO and CMO are generally cancellable, with notice, at our option. We did not record any accrued expenses related to cancellation of CRO or CMO contracts as of December 31, 2019 as we did not have any plan to cancel the existing CRO or CMO contracts.

Income taxes

We follow the liability method of accounting for income taxes in accordance with ASC 740, *Income Taxes*, or ASC 740. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial reporting and tax bases of assets and liabilities using enacted tax rates that will be in effect in the period in which the 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 tax expense in the period that includes the enactment date of the change in tax rate.

We evaluate our uncertain tax positions using the provisions of ASC 740, which prescribes a recognition threshold that a tax position is required to meet before being recognized in the consolidated financial statements.

We recognize in the consolidated financial statements the benefit of a tax position which is "more likely than not" to be sustained under examination based solely on the technical merits of the position assuming a review by tax authorities having all relevant information. Tax positions that meet the recognition threshold are measured using a cumulative probability approach, at the largest amount of tax benefit that has a greater than fifty percent likelihood of being realized upon settlement. It is our policy to recognize interest and penalties related to unrecognized tax benefits, if any, as a component of income tax expense.

We have incurred net accumulated operating losses for income tax purposes since our inception. We believe that it is more likely than not that these net accumulated operating losses will not be utilized in the future. Therefore, we have provided full valuation allowances for the deferred tax assets as of December 31, 2018 and 2019. There was no income tax expense for the years ended December 31, 2018 and 2019, as our subsidiaries did not have any taxable profits.

Share-based compensation

We grant restricted shares and stock options to eligible employees and accounts for share-based compensation in accordance with ASC 718, *Compensation—Stock Compensation*.

Employees' share-based compensation awards are measured at the grant date fair value of the awards and recognized as expenses a) immediately at the grant date if no vesting conditions are required; or b) for share-based awards granted with only service conditions, using the graded vesting method net of estimated forfeitures over the vesting period; or c) for share-based awards granted with service conditions and the occurrence of an initial public offering, or IPO, as performance condition cumulative share-based compensation expenses for the options that have satisfied the service condition should be recorded upon the completion of the IPO using the graded vesting method.

A change in any of the terms or conditions of share-based awards is accounted for as a modification of the awards. We calculate incremental compensation expense of a modification as the excess of the fair value of the modified awards over the fair value of the original awards immediately before its terms are modified at the modification date. For vested awards, we recognize incremental compensation cost in the period when the modification occurs. For awards not being fully vested, we recognize the sum of the incremental compensation expense and the remaining unrecognized compensation expense for the original awards over the remaining requisite service period after modification.

The fair value of share options was determined using the binomial option valuation model, with the assistance from an independent third-party appraiser. The binomial model requires the input of highly subjective assumptions, including the expected volatility, the exercise multiple, the risk-free rate and the dividend yield. For expected volatility, we has made reference to historical volatility of several comparable companies in the same industry. The exercise multiple was estimated as the average ratio of the stock price to the exercise price of when employees would decide to voluntarily exercise their vested share options. The risk-free rate for periods within the contractual life of the share options is based on the market yield of U.S. Treasury Bonds in effect at the time of grant. The dividend yield is based on the expected dividend policy over the contractual life of the share options. The estimated fair value of the ordinary shares, at the share option grant dates, was determined with the assistance from an independent third-party appraiser. Our management is ultimately responsible for the determination of the estimated fair value of its ordinary shares.

The assumptions used to estimate the fair value of the share options granted are as follows:

	For the year ended December 31, 2019	For the six months ended June 30,	
		2019	2020
Risk-free interest rate	1.78%-2.73%	2.73%	0.83%
Dividend yield	0%	—	—
Expected volatility range	67.5%-71.0%	71.0%	72.3%
Exercise multiple	2.2-2.8	2.2	2.8
Contractual life	10 years	10 years	10 years

Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statements of comprehensive loss over the period of the borrowings using the effective interest method.

Internal Control Over Financial Reporting

Prior to this offering, we have been a private company with limited accounting personnel and other resources with which to address our internal control over financial reporting. In connection with the audit of our consolidated financial statements as of and for the three fiscal years ended December 31, 2018 and 2019, our independent registered public accounting firm identified two material weaknesses in our internal control over financial reporting as at December 31, 2019. As defined in standards established by the PCAOB, 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 the annual or interim financial statements will not be prevented or detected on a timely basis.

The two material weaknesses that have been identified related to:

- Our lack of sufficient and competent financial reporting and accounting personnel with appropriate knowledge of U.S. GAAP and SEC reporting and compliance requirements; and

- Our lack of sufficient documented financial closing policies and procedures, specifically those related to period end expenses cut-off and accruals.

Such material weaknesses, if not timely remedied, may lead to significant misstatements in our consolidated financial statements in the future.

To remediate our identified material weakness, we are in the process of adopting several measures to improve our internal control over financial reporting, including (i) hiring more qualified accounting personnel, with relevant U.S. GAAP and SEC reporting experience and qualifications to strengthen the financial reporting function and setting up a financial and system control framework; (ii) implementing regular and continuous U.S. GAAP accounting and financial reporting training programs for our accounting and financial reporting personnel; and (iii) preparing comprehensive accounting policies, manuals and closing procedures to improve the quality and accuracy of our period-end financial closing process.

We expect that we will incur significant costs in the implementation of such measures. However, we cannot assure you that all these measures will be sufficient to remediate our material weakness in time, or at all. See "Risk factors—Risks Relating to Our Operations—If we fail to implement and maintain an effective system of internal controls, we may be unable to accurately or timely report our

results of operations or prevent fraud, and investor confidence and the market price of our ADSs may be materially and adversely affected."

As a company with less than US$1.07 billion in revenue for our last fiscal year, we qualify as an "emerging growth company" pursuant to the JOBS Act. An emerging growth company may take advantage of specified reduced reporting and other requirements that are otherwise applicable generally to public companies. These provisions include exemption from the auditor attestation requirement under Section 404 of the Sarbanes-Oxley Act of 2002, in the assessment of the emerging growth company's internal control over financial reporting.

Quantitative and Qualitative Disclosure about Market Risk

Interest rate risk

Our exposure to interest rate risk primarily relates to the interest income generated by excess cash, which is mostly held in interest-bearing bank deposits. We have not used any derivative financial instruments to manage our interest risk exposure. Interest-earning instruments carry a degree of interest rate risk. We have not been exposed, nor do we anticipate being exposed, to material risks due to changes in interest rates. However, our future interest income may be lower than expected due to changes in market interest rates.

Foreign exchange risk

We are a global business enterprise with part of our operations based in the PRC. A part of our transactions were settled in Renminbi, 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 the ADSs will be affected by the exchange rate between U.S. dollar and Renminbi because a portion of value of our business is effectively denominated in Renminbi, while the ADSs representing our ordinary shares will be traded in U.S. dollars.

The value of the Renminbi against the U.S. dollar and other currencies is affected by changes in China's political and economic conditions and by China's foreign exchange policies, among other things. In July 2005, the PRC government changed its decades-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 subsided and the exchange rate between the Renminbi and the U.S. dollar remained within a narrow band. Since June 2010, the Renminbi has fluctuated against the U.S. dollar, at times significantly and unpredictably. While appreciating approximately by 7% against the U.S. dollar in 2017, the Renminbi in 2018 depreciated approximately by 5% against the U.S. dollar. Since October 1, 2016, the US$ has joined the International Monetary Fund (IMF)'s basket of currencies that make up the Special Drawing Right (SDR), along with the U.S. dollar, the Euro, the Japanese yen and the British pound. 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 and there is no guarantee that the RMB 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.

To the extent that we need to convert U.S. dollars into Renminbi for our operations, appreciation of Renminbi against the U.S. dollar would reduce the Renminbi amount we receive from the conversion. Conversely, if we decide to convert Renminbi into U.S. dollars for the purpose of making payments for dividends on our ordinary shares or ADSs, servicing our outstanding debt, or for other

business purposes, appreciation of the U.S. dollar against the Renminbi would reduce the U.S. dollar amounts available to us.

We estimate that we will receive net proceeds of approximately US$ million from this offering, after deducting underwriting discounts and commissions and the estimated offering expenses payable by us, based on the assumed initial offering price of US$ per ADS, the midpoint of the estimated initial public offering price range set forth on the front cover of this prospectus.

Inflation risk

Since our inception, inflation in China has not materially impacted our results of operations. According to the National Bureau of Statistics of China, the year-over-year percent changes in the consumer price index for December 2018 and 2019 were increases of 1.9% and 4.5%, respectively. Although we have not in the past been materially affected by inflation since our inception, we can provide no assurance that we will not be affected in the future by higher rates of inflation in China.

Recently Issued Accounting Pronouncements

For detailed discussion on recent accounting pronouncements, see Note 2 to our Consolidated Financial Statements.

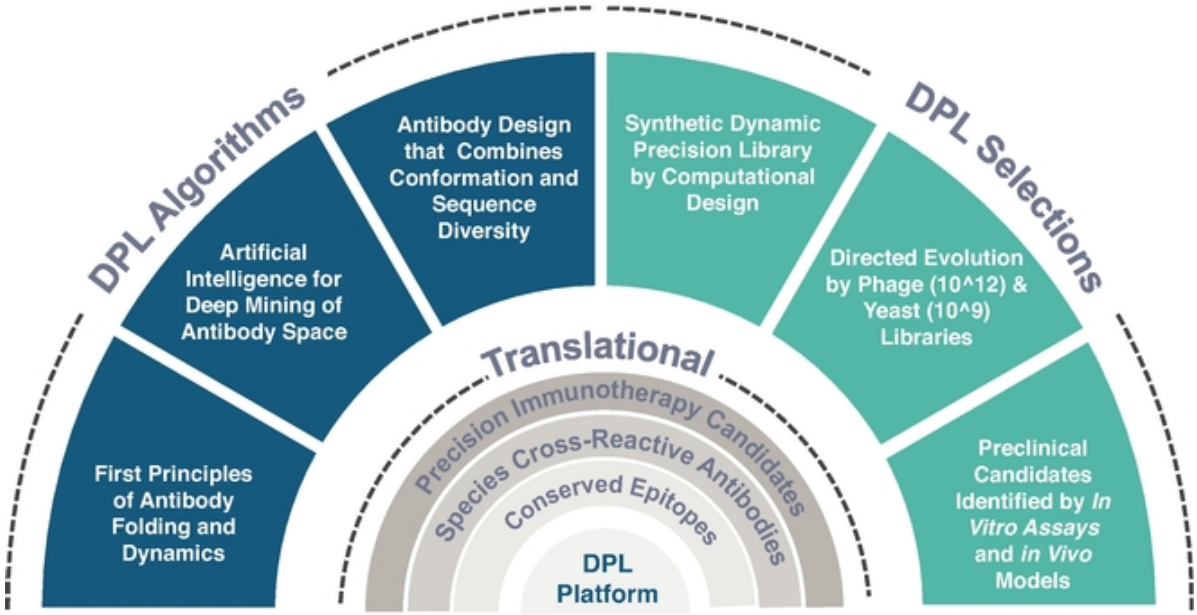
BUSINESS

OVERVIEW

We are a platform-driven, clinical-stage biopharmaceutical company committed to transforming the discovery and development of novel antibody-based cancer immunotherapies. Our platform is designed to generate therapeutic antibody candidates with unique functional epitopes and species cross-reactivity. These features enable our novel drug discovery strategy to advance from lead identification through vigorous preclinical modeling to biomarker-guided mono- and combination immunotherapy development in clinical settings. We have pioneered a dynamic interface design to harness the conformational diversity of antibodies, which enlarges epitope sampling of a given drug target for differentiated therapeutic antibody development. Our platform is designed to enable the rapid development of precision immunotherapy candidates, through the identification of predicative biomarkers for patient stratification and preselection. Our mission is to push the boundaries of antibody discovery and engineering through the precise design, construction, and selection of antibody product candidates intractable to traditional antibody technology.

Life is motion. The motion of proteins and their dynamic interactions trigger a cascade of complex biological and pharmacological effects. Our core technology is built upon our fundamental understanding of the role that protein folding and the motion of molecules play in giving rise to dynamic conformational diversity, where an amino acid sequence can adopt multiple structures and functions. Our approach recognizes that a protein's native state is not accurately represented by a single static structure but rather by a variety of structures in dynamic equilibrium, resulting in a high level of functional diversity, in contrast to the conventional static antibody drug discovery paradigm of "one sequence, one structure and one function."

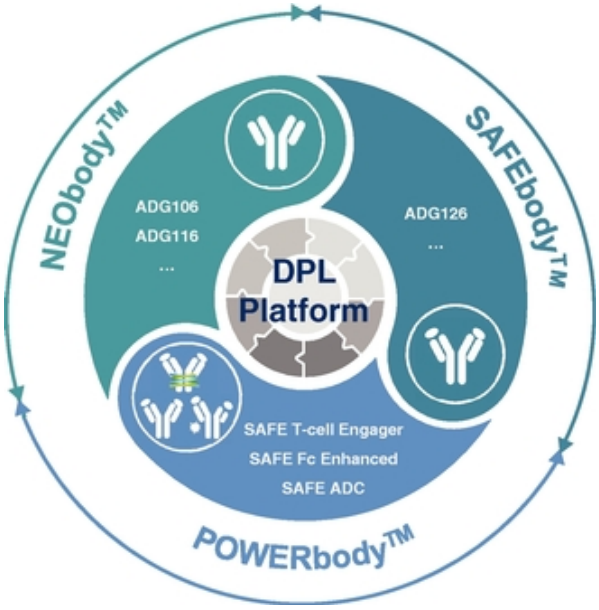
We have developed our proprietary Dynamic Precision Library, or DPL, platform to explore the dynamic conformational diversity of protein sequences, and the flexible binding sites of antibody sequences in particular, as a new paradigm for antibody drug discovery. Our DPL platform samples a potentially infinite number of dynamic binding interface structures arising from the conformational diversity of a finite number of antibody amino acid sequences, allowing us to exponentially expand the universe of candidate antibody binding sites far beyond conventional natural or synthetic antibody repertoires. By exploiting conformational diversity through the combination of our proprietary computational algorithms and artificial intelligence, we have designed and precisely constructed approximately one trillion (10^{12}) antibody sequences in our DPL. These antibodies feature broad epitope (the portion of an antigen that are recognized by an antibody) coverage and robust chemistry, manufacturing, and control, or CMC, attributes. Our DPL platform is designed to enable high fidelity translation from preclinical to clinical studies by identifying antibodies well suited for broad species cross-reactivity against the transiently accessible epitopes of challenging targets. The figure below illustrates how our DPL platform integrates our computational algorithm-enabled high-throughput screening and functional antibody evaluation for preclinical candidates suitable for clinical development.



Our DPL platform is further composed of three proprietary enabling technologies tailored to three key attributes of antibody-based therapeutic modalities:

- NEObody technology, which enables the generation of antibodies designed with dynamic binding sites that adapt kinetically to unique epitopes, triggering a novel mechanism of action, or MOA;
- SAFEbody technology, which enables the generation of masked NEObodies or masked traditional antibodies that are designed to be selectively activated in the tumor microenvironment, or TME, potentially limiting on-target off-tumor toxicity in normal tissues; and
- POWERbody technology, which enables the creation of new bispecific T-cell engagers, or TCEs, antibody-drug conjugates, or ADCs, or antibodies that are designed to reach beyond the therapeutic potency of traditional monospecific antibodies.

We believe that comprehensive *in vivo* preclinical evaluations are the key to assess the efficacy and safety potential of tailor-made antibody candidates before progressing them into lengthy and costly clinical trials. NEObody, SAFEbody and POWERbody technologies are all designed to facilitate favorable druggability, manageable CMC attributes, and reduced immunogenicity. The figure below shows how our NEObody, SAFEbody, and POWERbody technologies are inter-connected and utilized for the building of our product pipeline of mono- and combination immunotherapies.



Translational fidelity from preclinical modeling to informed clinical development is one of the top challenges to cancer immunotherapies. Most traditional antibodies do not cross react between their human and animal targets due to their limited species cross-reactivity, making it very difficult to reliably evaluate the same antibody in both the preclinical and clinical settings. Some of the most contentious issues related to preclinical and clinical modeling studies of CD137 and CTLA-4 immunotherapies are traceable to the differences between the antibodies used for preclinical and clinical studies. For example, according to Frost & Sullivan, two of the leading clinical anti-CD137 agonist antibodies bind to different epitopes and exhibit dramatic differences in their clinical safety and efficacy results, underscoring the importance of finding suitable species cross-reactive antibodies like those we have utilized for comprehensive preclinical evaluation before entering clinical trials. Similarly, the debate concerning the MOA of anti-CTLA-4 antibodies seems traceable to the strong dependence on the epitope and isotype of the specific antibody used in preclinical and clinical studies.

We believe that it is essential to model the interactions between tumors and an intact host immune system *in vivo* to evaluate the therapeutic potential of antibodies in preclinical studies. The flexibility of antibody binding interface fundamental to our NEObody technology allows us to generate species cross-reactive antibodies to assess the safety and efficacy potential of mono- and combination therapy candidates in syngeneic animal models before launching clinical trials. We use syngeneic animal models which are known for their intact *in vivo* immune systems to provide the original proof of concept for cancer immunotherapy by blocking immune check points with monoclonal antibodies, or mAbs. We believe that the use of species cross-reactive antibodies, rather than surrogate antibodies used in traditional syngeneic mouse models, should facilitate the translational relevance and clinical utility of these well-established preclinical models for determining optimal dose, schedule, sequencing, combination synergy, risk and benefit features. The results from the assessment of new species cross-reactive antibodies in rigorous preclinical models may allow us to control the scope and cost of clinical trials, enable the identification of potential clinical biomarkers useful to monitor clinical pharmacological and safety signals, and help preselect patients for precision mono- and combination therapies.

As highlighted by our lead product candidates, our NEObody technology allows us to engineer and select species cross-reactive NEObodies designed to dynamically adapt to the unique and evolutionally conserved epitopes against CD137 and CTLA. Our most advanced NEObody product candidate, ADG106, is a fully human ligand-blocking agonistic anti-CD137 mAb currently being evaluated in

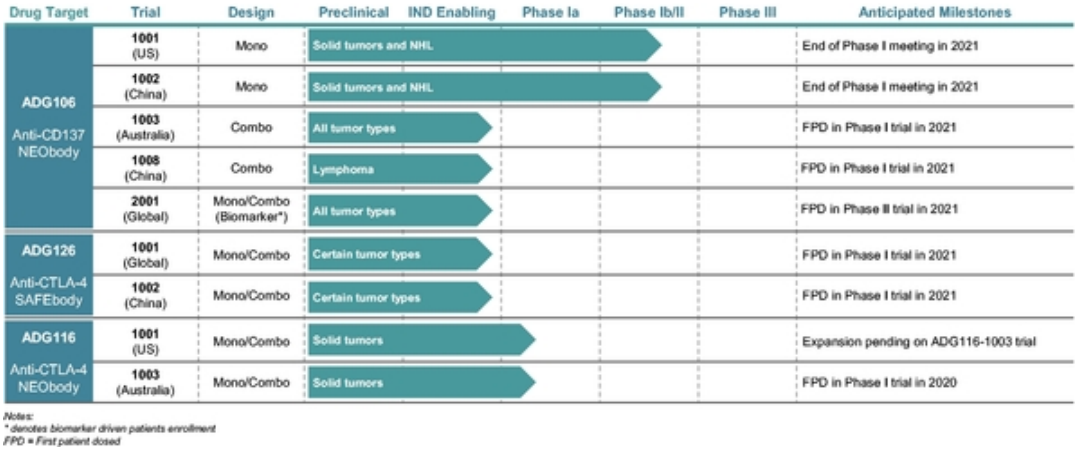
Phase Ib/II clinical trials in the United States and China. ADG106 is designed to target a unique epitope of CD137 that is different from other anti-CD137 antibodies currently under clinical development. Epitope mapping and X-ray structural analysis of ADG106 with CD137 have shown in preclinical studies that ADG106 is capable of binding to CD137 in a fashion similar to its natural ligand, CD137L. Our first SAFEbody product candidate, ADG126 is a fully human anti-CTLA-4 SAFEbody designed to address the safety concerns associated with existing CTLA-4 therapeutics. It is designed to enhance the safety features by masking the antibody binding site of ADG126, which would be unmasked in the TME, where the activated ADG126 would block CTLA-4 and deplete regulatory T-cells by means of enhanced antibody-dependent cellular cytotoxicity, or ADCC. In preclinical studies, ADG126 was tolerated at doses of up to of 200 mg/kg in nonhuman primate models whereas the highest non-severely toxic dose for ipilimumab reported in a separate study was 10 mg/kg. As ADG126 is also species cross-reactive in humans, cynomolgus monkeys and mice, we believe that preclinical studies of ADG126 will support the rational design of clinical trials to expedite its development. Our third product candidate, ADG116, is a fully human anti-CTLA-4 NEObody. Epitope mapping and X-ray structural analysis have shown that in preclinical studies, ADG116 is capable of binding to a novel epitope of CTLA-4 different from ipilimumab, the only CTLA-4 mAb approved globally. The dynamic interface of ADG116 enabled not only its species cross-reactivity with human, cynomolgus monkey, and mouse CTLA-4 for preclinical studies, but also its dynamic engagement on a unique epitope of CTLA-4 to trigger a novel MOA distinct from ipilimumab by softer ligand blocking and stronger regulatory T-cell depletion via enhanced ADCC.

Our species cross-reactive ADG106, ADG126 and ADG116 have enabled a deep understanding of the interaction between tumor and host immune system *in vivo* in syngeneic animal models. This understanding has been utilized to design and guide the clinical development of rational, mechanism-based mono- and combination therapies using ADG106, ADG126 and ADG116. Because there is limited clinical safety and efficacy data available for anti-CD137 agonists, we have followed our preclinical and mechanistic study for the clinical development of ADG106. ADG106 has been observed to have favorable safety results without dose-dependent Grades 3 or 4 liver toxicity, and preliminary clinical efficacy in patients who have progressed after several lines of treatment in our completed Phase Ia dose escalation and ongoing Phase Ib/II dose expansion trials in the United States and China. It is very encouraging to observe the clinical response in connection with the changes in PD biomarkers upon target engagement in a dose dependent manner, and how the more than 30% tumor shrinkage across different indications observed in three patients is associated with the potential predictive biomarker for patient selection in retrospective analysis in our ongoing Phase Ib trial at effective doses. We intend to further explore this predictive biomarker related to the CD137 pathway in order to guide our development of precision mono- and combination immunotherapies based on our preclinical and preliminary clinical data.

Our Pipeline

By leveraging our proprietary DPL platform, we have developed a robust pipeline of innovative product candidates in various stages of development, ranging from research and discovery to preclinical and clinical development. Our highly differentiated clinical-stage pipeline consists of ADG106 and ADG116, and IND-enabling study stage asset, ADG126. We also have a robust preclinical pipeline in various stages of development. In addition, we have out-licensed the Greater China rights of ADG104, a PD-L1 mAb under clinical development, to our partner, Sanjin. We retain commercial, development, manufacturing and other rights to ADG104 in the rest of the world.

The following chart provides an overview of the status of each of our clinical-stage and IND-enabling study stage programs.



ADG106: Novel agonistic anti-CD137 NEObody candidate

Our lead product candidate, ADG106, is a fully human ligand-blocking, agonistic anti-CD137 Immunoglobulin G4, or IgG4, mAb, generated using our NEObody technology. ADG106 is being developed for the treatment of advanced solid tumors and non-Hodgkin's lymphoma, or NHL. CD137 stimulates the immune system to attack cancer cells and is a key driver for long-lasting T-cell proliferation and survival. ADG106 is designed to target a unique conserved epitope of CD137 with a novel MOA for CD137 agonism by its natural ligand-like binding and potent cross-linking by Fcg receptors. The broad species cross-reactivity of ADG106 observed in preclinical studies involving mouse, rat, nonhuman primate, and human CD137 has enabled us to explore robust translational studies using tumor models with intact immune systems. In both clinical and preclinical studies to date, we observed that ADG106 had robust antitumor activity and was well tolerated as a monotherapy and in combination with the existing standard-of-care, or SOC, and other immuno-oncology therapies. ADG106 was observed to balance between safety and efficacy of CD137 agonism, which we believe indicates that ADG106 has the potential to address the limitations of other existing anti-CD137 therapies.

As of the August 10, 2020 data cut-off date, or the Data Cut-off Date, we have completed the Phase Ia dose escalation in each of our Phase I studies of ADG106 as a monotherapy in patients with advanced or metastatic solid tumors and/or NHL in both the United States and China. ADG106 was generally well-tolerated at doses up to 10 mg/kg among 65 patients dosed. The most common treatment emergent adverse events, or TEAEs, were fatigue, decreased appetite, peripheral edema, nausea, anemia, tumor pain, vomiting, proteinuria, cough, and neutropenia. Most of the TEAEs were Grade 1 or 2, while the seven patients who experienced Grade 4 TEAEs all experienced neutropenia. We did not observe any Grade 3 or 4 liver toxicity except that one patient who had abnormal baseline liver enzyme showed a Grade 3 aspartate aminotransferase, or AST, increase. A total of 22 serious adverse events, or SAEs, (all causes) occurred in 19 patients and only seven SAEs were determined to be related to the study treatment. A patient with a solid tumor who previously failed chemotherapies, radiotherapy, and an anti-PD-L1 related antibody treatment, showed partial response to ADG106 treatment with a 40% tumor size reduction after two ADG106 treatments. In addition, two NHL patients showed more than a 30% tumor size reduction after one ADG106 treatment and two ADG106 treatments, respectively. Furthermore, biomarker studies showed target engagement with respect to specific PD biomarkers indicative of immune system activation, and clinical response correlated with changes in CD137 target engagement. These data are encouraging given the enrolled population was not preselected and was heavily pretreated. We have identified a potential predictive biomarker which

correlates with patient response to ADG106 treatment from the retrospective analysis of the ongoing Phase I clinical trial. Based on this biomarker finding, we are in the process of preparing a Phase II trial which we expect to initiate in 2021 and for which we intend to stratify and preselect patients using this predictive biomarker to potentially enhance clinical response of patients to ADG106 treatment. We also plan to pursue potential registrational trials evaluating ADG106 in biomarker enriched patient populations.

We have also evaluated ADG106 in combination with other therapies including chemotherapies, immune modulators and immuno-oncology therapies in preclinical studies. Data from combination studies in tumor bearing mice showed that the combination of ADG106 with immune checkpoint inhibitors, including an anti-PD-1/L1 mAb or anti-CTLA-4 mAb, enhanced *in vivo* antitumor activity. We plan to explore the combination of ADG106 with other targeted antibody therapies for the treatment of hematologic malignancies and solid tumors. We have also identified tumor-specific biomarkers that we believe may correlate with ADG106 antitumor activity in multiple mouse tumor models. Such preclinical trial findings are consistent with the interim results from our ongoing Phase Ib/II clinical trials.

ADG126: Novel anti-CTLA-4 SAFEbody candidate

Our most advanced SAFEbody program, ADG126, is a fully-human anti-CTLA-4 mAb generated using our SAFEbody technology to address the safety concerns associated with existing CTLA-4 therapeutics, while maintaining its efficacy in the TME. The FDA approval of ipilimumab validated CTLA-4 for cancer treatment. However, due to its on-target off-tumor toxicity, the approved indications for ipilimumab have been limited, which we believe has caused sales of ipilimumab to trail other immuno-oncology therapies such as anti-PD-1/L1 antibodies.

ADG126 is designed to address the toxicity and efficacy issues related to the MOA of the existing approved CTLA-4 immuno-oncology therapy and expand the potential of CTLA-4 as a validated target for the treatment of cancer. ADG126 is designed for local activation of the CTLA-4 antibody in the TME. In preclinical studies, ADG126 was tolerated at doses of up to of 200 mg/kg in nonhuman primate models whereas the highest non-severely toxic dose for ipilimumab reported in a separate study was 10 mg/kg. We believe the favorable preclinical tolerability of ADG126 suggests its potential in combination with other immunotherapies such as an anti-PD-1/PD-L1 antibody or an anti-CD137 antibody, including our ADG106 product candidate.

To better address the unmet clinical need for a safe and potent anti-CTLA-4 antibody for chemotherapy-free mono- and combination immunotherapy, we have started the process of submitting a clinical trial notification, or CTN, for ADG126 for a Phase I dose escalation trial in Australia and are expecting to commence patient enrollment by early 2021. Meanwhile, we are preparing the IND submissions to initiate clinical trials of ADG126 globally, including the United States and China.

ADG116: Novel anti-CTLA-4 NEObody candidate

ADG116 is a fully-human ligand-blocking anti-CTLA-4 mAb generated using our NEObody technology. ADG116 is designed to target a unique conserved epitope of CTLA-4. In preclinical studies, ADG116 was observed to have softer CTLA-4 ligand blocking and stronger ADCC for depleting regulatory T-cells than ipilimumab. In a head-to-head *in vivo* efficacy study, ADG116 was observed to have a five-fold greater potency in comparison with ipilimumab. In addition, ADG116 was observed to reduce immunosuppressive regulatory T-cell activity and enhanced cytotoxic T lymphocyte ($CD8^+$ T-cells) activity in the TME to induce antitumor responses. We believe that these preclinical results support the further clinical evaluation of ADG116 both as a monotherapy and combination therapy for a wide range of tumor types.

We have obtained authorization from the Australian Therapeutic Goods Administration under a CTN to start a Phase I trial of ADG116. We also have a Phase I clinical trial open in the United States

for ADG116 as a monotherapy in patients with advanced/metastatic solid tumors; however, we are not currently enrolling patients in this clinical trial.

Our Global Partnerships and Collaborations

We have a successful track record of collaborations and partnerships with global biopharmaceutical companies and academic institutions. Through the life of our company, we have established multiple collaboration programs and intend to continue to seek partnership opportunities where we can leverage our proprietary technology platform to develop novel antibodies to address unmet medical needs. Over the past two years, we have established partnerships and collaborations with multiple biopharmaceutical companies. For example, we entered into a material transfer and collaboration and license agreement with ADC Therapeutics SA, or ADC Therapeutics, under which ADC Therapeutics intends to use our SAFEbody technology to generate a masked antibody that could be combined with the pyrrolobenzodiazepine cytotoxic payload technology used in ADC Therapeutics' ADCs for the development of a novel ADC against a solid tumor target. Under the ADC Therapeutics collaboration model, we could be eligible to receive royalty payments and could have an exclusive option to negotiate a license to develop and commercialize co-developed assets in certain territories. We are also collaborating with Guilin Sanjin Pharmaceutical Co., Ltd., or Sanjin, to develop ADG104, a monospecific antibody that targets PD-L1 and a specified target. These partnerships are validations of our DPL platform and technologies as well as their potential broad application to a wide range of antibody modalities.

We are also working with global biopharmaceutical companies to potentially develop additional strategic partnerships. For example, we had recently worked with Celgene (now Bristol-Myers Squibb) to discover antibodies targeting novel antigens using our proprietary DPL platform. Further, under a material transfer agreement, we are developing SAFEbody drug conjugates against a tumor target selected by Tanabe Research Laboratories, Inc., or TRL, with potential for negotiating a future license agreement with TRL if our pilot work proves successful.

Our Team and Investors

We were founded in 2011 by Dr. Peter Luo and is led by an experienced management team. Dr. Luo, who previously founded the biopharmaceutical company Abmaxis which was subsequently acquired by Merck, has a proven track record of more than two decades in antibody discovery and engineering using a multidisciplinary approach that combines computational and experimental technology based on physical, chemical, and biological sciences. Our management team is composed of industry veterans with extensive experience in therapeutic antibody research and development and collectively has decades of experience in molecular biology, immunotherapy, immunology, antibody discovery, protein engineering, and clinical development. Our management team brings a strong history of leadership, innovation, and research and development experience at leading companies, including Merck/Abmaxis, Affomix/Illumina, Amgen, Bristol-Myers Squibb, Celgene, Corixa, Genmab, NBE Therapeutics Xencor, Novartis, Pfizer, Prometheus, Quanticel, and Roche. Our company is further supported by a strong group of investors that share our commitment to developing next-generation immuno-oncology therapies for the treatment of cancers. Our investors include strategic investor Wuxi AppTech and leading institutional investors such as F-Prime, Eight Roads, GP Healthcare Capital, Sequoia China and General Atlantic.

OUR STRATEGIES

We are utilizing our proprietary DPL platform to design, construct and develop novel immunotherapies and precision antibodies to address unmet patient needs globally. Our strategy encompasses the following key elements:

- ***Advance clinical development of our lead product candidates, ADG106, ADG126 and ADG116, as monotherapies and in combination with other therapies.*** We have completed the Phase Ia dose

escalation of our ADG106 Phase Ia clinical trials in both the United States and China and are planning to expand our clinical trials with cohorts of patients with responsive cancer types or biomarker enriched patients. We have started the process of submitting a CTN for ADG126, our second-generation CTLA-4 antibody that is designed to activate in the TME, for a Phase I dose escalation trial in Australia and expect to commence patient enrollment by early 2021. We are also preparing an IND submission of ADG126 in the United States. In addition, we have obtained authorization from the Australian Therapeutic Goods Administration under a CTN to start a Phase I trial of ADG116. We intend to continue to explore the use of our product candidates as monotherapies by focusing on different tumor types and as combination therapies by conducting combination studies with various immune-oncology agents, such as an anti-PD-1/L1 mAb. We are planning to expand the cohorts in our clinical trials with patients with responsive cancer types or biomarker enriched patients to seek expedited development in the United States and China. We plan to further assess the combination of ADG106 and an anti-PD-1/L1 mAb, or anti-CTLA-4 mAb for the treatment of solid tumors and hematologic malignancies in a clinical setting. We intend to build a CTLA-4 franchise by exploring the use of our product candidates as combination therapies with other cancer therapies, such as chemotherapy, targeted small molecule drugs, multiple-tyrosine kinase inhibitor drugs and other immune checkpoint inhibitors.

- ***Develop and advance our promising preclinical programs into proof-of-concept studies and clinical development.*** We plan to continue to leverage our proprietary DPL platform to generate and select a broad clinical pipeline of novel and potentially differentiated product candidates with the goal of submitting more than ten INDs or equivalent applications in the next three to five years. We are also planning to conduct a basket trial to explore the synergistic effects of our product candidates in combination with other therapeutic agents, such as PD-1 and PD-L1 antibodies, to expand the market opportunity of our pipeline. We intend to prioritize product candidates based on a range of factors, including strength of preclinical data, potential for development as both a monotherapy and in combination with other therapies, clinical benefit, efficiency of clinical development paths and commercial market opportunities. In particular, we plan to leverage our differentiated NEObody, SAFEbody and POWERbody technologies to advance product candidates designed to address both proven and novel targets for clinical development.

- ***Leverage our technology to develop our pipeline and strengthen our DPL platform.*** We intend to exploit the conformational diversity of antibody development through the combination of our proprietary computational biology algorithms and artificial intelligence to design and discover leading oncology immunotherapies with differentiated product profiles. Leveraging our technology together with our expertise in immuno-oncology and targeted therapy, we plan to build a rich pipeline of immuno-oncology antibody candidates directed against both clinically validated as well as potentially novel targets designed to overcome safety or efficacy deficiencies in the current standard-of-care. For example, we are advancing multiple NEObody programs with potential unique MOA, which we intend to develop as monotherapies and/or as combination therapies. We intend to also devote resources to further strengthen our DPL platform, including enrichment of our DPL and masking peptide libraries and optimization of our computational biology algorithms.

- ***Continue to collaborate with leading biopharmaceutical companies and academic institutions to discover and develop novel candidates based upon our DPL platform.*** Collaboration is a key part of our growth strategy and we have established multiple collaboration programs in validating our platforms. We intend to continue to seek collaboration and partnership opportunities where we can leverage our proprietary technology platform to develop novel antibodies to address unmet medical needs. We also plan to explore our antibody programs in combination trials, and will opportunistically evaluate strategic collaborations or other partnerships to further these potential

future clinical trials. Given the species cross-reactive design of our antibodies, we are able to take advantage of highly predictive animal models where we believe there is a potential for strong additive or synergistic behavior into the clinical setting.

- ***Maximize value creation by advancing our product candidates to potential commercialization in key markets alone or with strategic partners.*** We have retained exclusive worldwide rights to all of our product candidates other than ADG104, for which we out-licensed the Greater China rights to our partner Sanjin, and intend to pursue clinical development programs with the goal of obtaining regulatory approvals in the United States, China and major international markets. We intend to directly commercialize our product candidates, if approved, but may opportunistically enter into strategic collaborations or other partnerships with leading biopharmaceutical companies to accelerate our development timelines and maximize the global commercial potential of our product candidates.

- ***Build global operations for global markets, while leveraging a global supply chain and China cost effectiveness.*** We are a clinical stage biopharmaceutical company with global footprints. We have established subsidiaries in the United States, China, Hong Kong, Australia, and Switzerland to conduct and/or support preclinical studies and clinical trials and are seeking patent protection in a number of jurisdictions worldwide. In particular, our presence in mainland China enables us to access a large pool of target patients and creates the potential to progress our product candidates through clinical development in an efficient and cost-effective manner. We employ a global clinical development strategy and leverage our global supply chain to comply with the requirements applicable to clinical trials globally in accordance with the requirements of the FDA, the European Medicines Agency, or EMA, the Japanese Pharmaceuticals and Medical Devices Agency, or PMDA, and other comparable regulatory authorities. We are currently building our clinical and technology infrastructures to support our future global operations and prepare to serve global markets.

ANTIBODIES FOR THE TREATMENT OF CANCER

Cancer treatment has traditionally included chemotherapy, radiation, surgery or a combination of these approaches. Small molecule target therapy can be effective in certain types of cancer, but they can also cause toxicities that may have life-threatening consequences, lower quality of life or untimely termination of treatment. Furthermore, these small molecule agents offer limited efficacy in many types of cancer. Over the last 20 years, a new paradigm of cancer research and treatment has emerged that involves targeted therapies, including mAbs. Monoclonal antibodies are proteins derived from living organisms that bind to targets, called antigens, on tumor cells to inhibit tumor growth. As a product class, immunotherapeutic mAbs have transformed oncology treatment and represent some of the most effective and top selling immunotherapies currently approved by the FDA and available on the market. The success of conventional immunotherapeutic mAbs has been hindered by limited efficacy and by safety and tolerability concerns. Administration of these mAbs may cause systemic side effects, as well as localized, organ-specific damage. Much of this toxicity is a direct consequence of the fact that healthy tissues express some of the same antigens that antibodies used in conventional immunotherapeutic mAbs target on cancerous cells.

More recently, immuno-oncology has emerged as a promising new field of cancer therapy that aims to enhance antitumor immune responses by, for example, overcoming mechanisms that cancer cells have developed to evade the immune system. Some cancer cells overly express proteins, called immune checkpoints, which apply brakes to the immune system, and enable the tumor cells to evade destruction. Immune checkpoint inhibitors nivolumab, pembrolizumab and ipilimumab—antibodies targeting these immune inhibitory proteins—release these brakes to allow the immune system to destroy tumor cells. These drugs have shown promising efficacy and are currently being explored for multiple solid and hematological cancer indications. Although these drugs have demonstrated promising results, only a minority of patients receive durable benefit from treatment with these mAbs alone. Most

recently, combination regimens of immunotherapy agents have demonstrated signs of improved efficacy in larger numbers of patients. However, many of these combinations have significant toxicity and tolerability issues, due in part to the activation of the immune system in both healthy and cancerous environments.

In the past decade, new modalities of highly potent mAb-based therapies have emerged. ADCs represent one such modality. These agents are comprised of two functional units chemically fused or conjugated to each other: a cytotoxic drug payload and a mAb. ADCs combine the targeting abilities of the antibody with the cancer-killing ability of cytotoxic drugs, leading to better specificity in targeting tumor cells compared to traditional chemotherapy. Bispecific antibodies, another class of second-generation biologics, have the ability to simultaneously bind a cancer cell and a T-cell, leading to the destruction of the cancerous cell by the T-cell. This ability improves the potency of bispecific antibodies compared to first-generation immunotherapeutic mAbs.

While all of these potent new therapies have shown promise, none addresses a key limitation of antibody-based therapeutics—expression of targets in healthy tissue, which leads to off-tumor toxicity and limits clinical use.

OUR PIPELINE

By leveraging our proprietary DPL platform, we have developed a robust pipeline of innovative product candidates in various stages of development, ranging from research and discovery to preclinical and clinical development. Our highly differentiated pipeline consists of our lead clinical-stage candidates, ADG106 and ADG116, and an IND-enabling study stage candidate, ADG126. We also have a robust preclinical pipeline in various stages of development. In addition, we have out-licensed the Greater China rights of ADG104, a PD-L1 mAb under clinical development to our partner Sanjin. We retain commercial, development, manufacturing and other rights of ADG104 in the rest of the world.

ADG106: Novel Agonistic Anti-CD137 NEObody Candidate

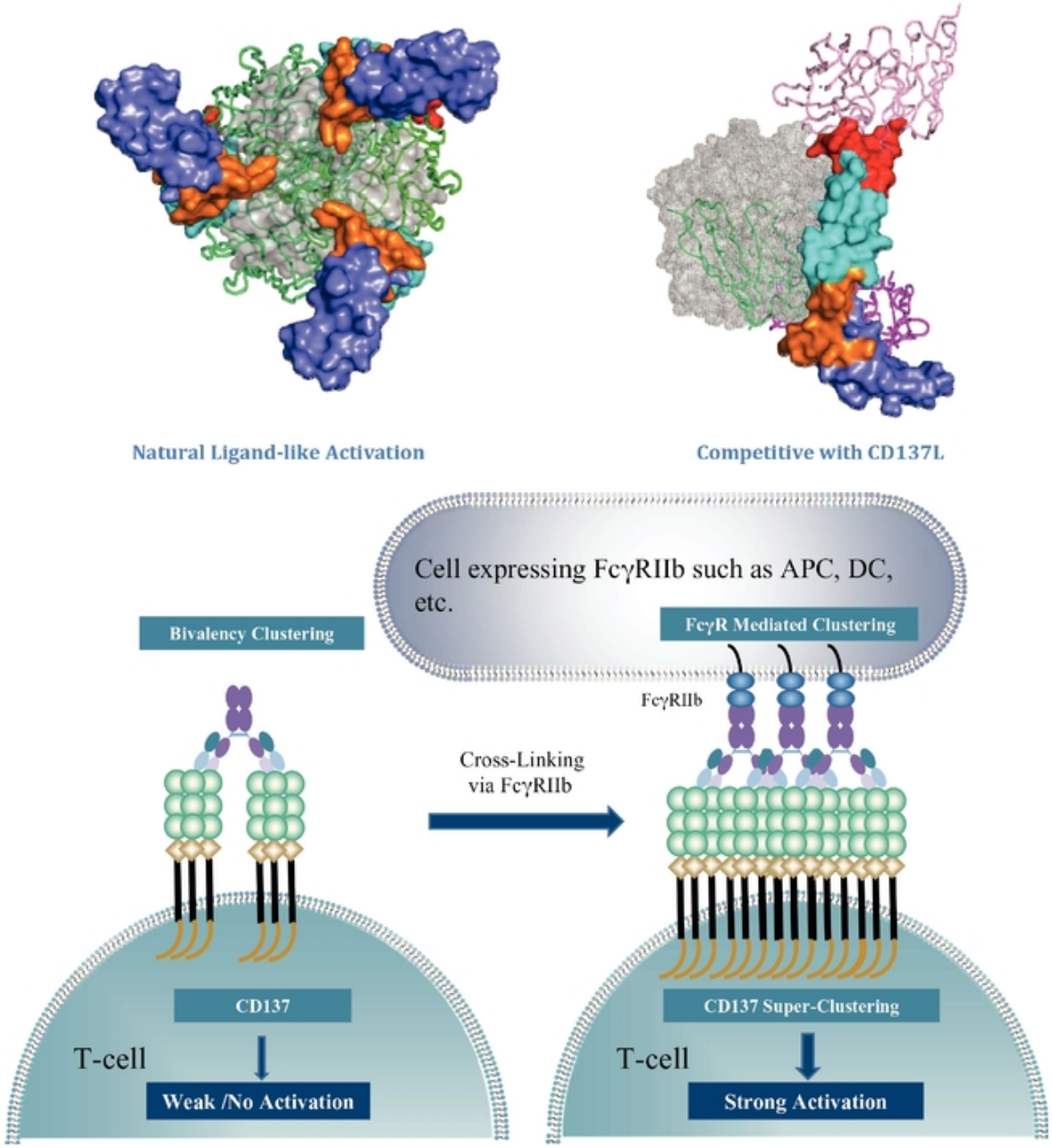
Summary

Our lead product candidate, ADG106, is a fully human ligand-blocking, agonistic anti-CD137 IgG4 mAb designed to target a unique conserved epitope of CD137. As of the Data Cut-off Date, we have completed the Phase Ia dose escalation in each of our Phase I studies of ADG106 as a monotherapy in patients with advanced or metastatic solid tumors and/or NHL in both the United States and China. ADG106 was well-tolerated in the completed Phase Ia dose escalation of the Phase I clinical trials. Early efficacy signals were also observed with tumor size reduction, significant target modulations and increased T-cell proliferation, consistent with MOA.

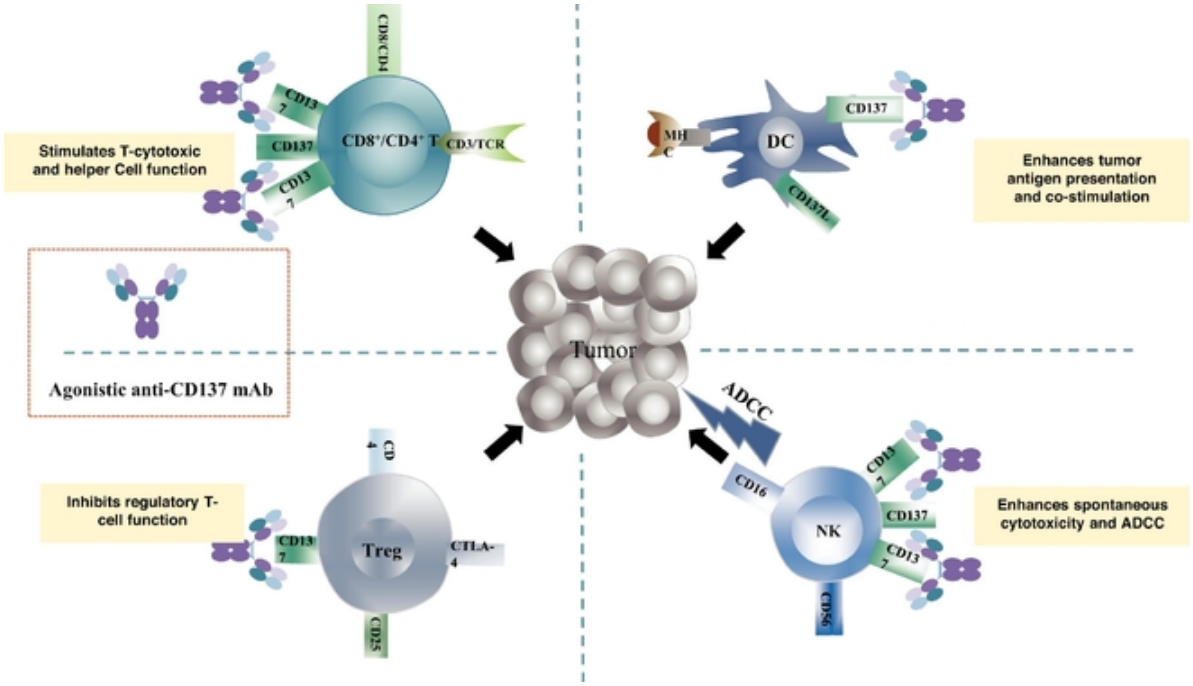
Mechanism of Action

CD137 is a member of the tumor necrosis factor, or TNF, receptor superfamily. As illustrated in the figure below, the binding of an antibody to this receptor induces a co-stimulatory signal on activated enhanced cytotoxic T lymphocyte, or $CD8^+$ T-cells, and natural killer, or NK cells, resulting in proliferation, and increased pro-inflammatory cytokine secretion and cytolytic function. CD137 co-stimulation is a clinically validated pathway for T-cell activation and its antitumor response is highlighted by the approval of a CD137-targeting CAR-T therapy by the FDA. Because most tumors are killed by cytotoxic T-cells in an antigen specific manner, we believe agents that mediate $CD8^+$ T-cell activation can impart strong cytolytic activity. Therefore, we believe that CD137 agonists are promising candidates with potential to enhance and mediate long lasting antitumor immunity.

ADG106 is designed to bind to activated human $CD4^+$ and $CD8^+$ T-cells with low nanomolar affinity and block CD137 ligand binding in a concentration-dependent manner to disable its reverse signaling. As shown in the figure below, ADG106 is designed to target a unique conserved epitope of CD137 with a novel MOA for CD137 agonism by its natural ligand-like binding and potent cross-linking by Fcg receptors. ADG106 has not been observed to bind to unstimulated naïve T-cells, which have no detectable level of CD137 expression. ADG106 is also designed to bind to activated NK cells to boost their cytotoxic and ADCC functions.



The MOA of ADG106 in tumor TME is illustrated below.



Notes:

"DC" refers to denritic cells;

"Treg" refers to regulatory T-cell.

Market Opportunity and Competition

CD137 is an inducible costimulatory receptor expressed on activated T-cells in the TME. Agonistic mAbs targeting CD137 have been developed to harness CD137 signaling for cancer immunotherapy. An anti-CD137 agonist would possess the potential to target a wide spectrum of cancer types both as a monotherapy and in combination with various other therapies, especially in the chemotherapy-free setting, including anti-PD-1, anti-PD-L1 and anti-CTLA-4 antibodies, three proven immune checkpoint inhibitors. Although we believe there is compelling evidence that supports the therapeutic potential of a CD137 agonist, there are currently no marketed CD137 agonist drugs. According to Frost & Sullivan, there are two advanced CD137 agonist antibodies in clinical development. However, clinical development of one of these antibodies has been hampered by inflammatory liver toxicity, despite initial signs of efficacy. The other CD137 antibody under clinical development has demonstrated better safety features, but is a less potent CD137 agonist. One of the key challenges of CD137 agonist clinical development is CD137 agonist specific toxicity. Previous clinical trials have shown CD137 antibodies cause immune anomalies, notably polyclonal activation of CD8+ T-cells and secretion of inflammatory cytokines, which affect the function of the liver, spleen, and bone marrow. We believe that it is therefore critical to develop therapeutic candidates that are designed to maximize potency of CD137 agonism while minimizing CD137 agonist specific toxicity.

Summary of Clinical Trial Data

Overview: We are conducting two Phase I, first-in-human, trials of ADG106 in patients with advanced or metastatic solid tumors and/or relapsed refractory NHL, one in the United States, or the ADG106-1001 clinical trial, and another in China, or the ADG106-1002 clinical trial. As of the Data

Cut-off Date, ADG106 had been observed to be well-tolerated in these trials at doses of up to 10 mg/kg based on the available data from a total of 65 treated patients across both clinical trials. Only one patient who had abnormal baseline liver enzyme showed a Grade 3 AST increase. We also observed signs of tumor shrinkage in some subjects as of the Data Cut-off Date.

Trial Design: Our Phase I clinical trials were designed to evaluate the safety and tolerability of ADG106, as well as its pharmacokinetics, or PK, immunogenicity, and preliminary clinical activities. There are two stages in the dose escalation study: the accelerated titration phase and the conventional "3+3" dose escalation phase. The dose escalation includes accelerated titration (0.03, 0.1 and 0.3 mg/kg) and conventional dose escalation (1, 3, 5 and 10 mg/kg). Dose-expansion cohorts started at dose levels that were observed to be well tolerated in the dose escalation phase and showed evidence of clinical and biological activities. ADG106 was administered once every three weeks by intravenous infusion. Patients with advanced or metatstatic solid tumors or NHL, who were refractory or relapsed after exhausting almost all available therapies, have been enrolled for ADG106 treatment until disease progression, intolerable toxicity, withdrawal of consent, or a maximum of 24 months. The primary objective of the study is to assess safety and tolerability at increasing dose levels of ADG106 as a monotherapy in patients with advanced or metastatic solid tumors and/or NHL. The secondary objectives of the study are to characterize the PK profile of ADG106, to evaluate the immunogenicity of ADG106, and to evaluate the potential antitumor activity of ADG106. The exploratory objective of the study is to identify the potential biomarkers of patients who respond to treatment with ADG106.

Status: As of the Data Cut-off Date, the Phase Ia dose escalation portion of the Phase I trials had been completed and the dose expansion phase was ongoing. Sixty-five patients have been enrolled into the Phase I clinical trial and have received initial dosing of ADG106. Among those, 23 patients had been enrolled and treated in the ADG106-1001 clinical trial in the United States and 42 patients had been enrolled and treated in the ADG106-1002 clinical trial in China. Thirty-five patients have been enrolled in the dose escalation phase and 30 patients have been enrolled in the dose expansion phase. As of the Data Cut-off Date, 21 patients in the expansion cohort of the ADG106-1001 and ADG106-1002 trials were still on the study treatment.

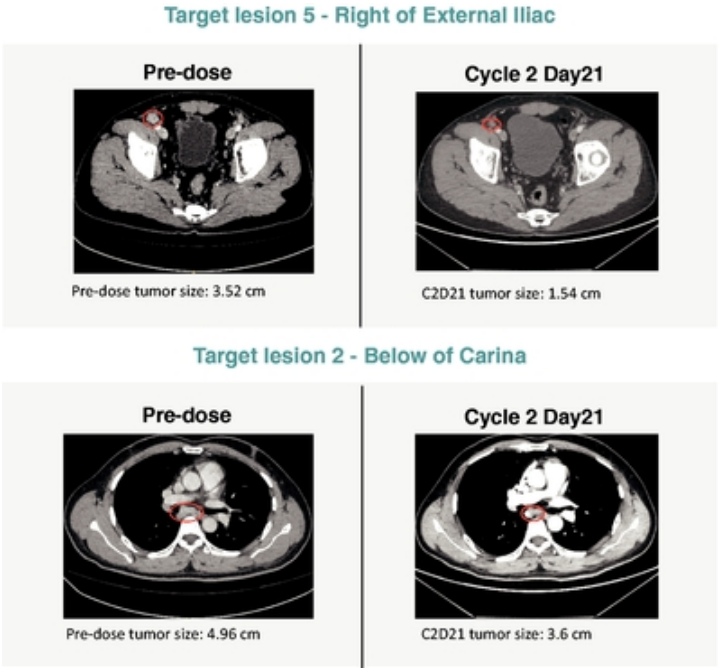
Safety Assessment: As of the Data Cut-off Date, 23 patients enrolled in the ADG106-1001 clinical trial in the United States had safety assessments. The most common TEAEs were fatigue, decreased appetite, peripheral edema, nausea, anemia, tumor pain, vomiting. Most of the TEAEs were Grade 1 or 2, and there were no Grade 4 TEAEs. Drug-related TEAEs (Grade 3) included fatigue (three patients or 13%), decreased appetite (one patient or 4%), adrenal insufficiency (one patient or 4%), anemia (one patient or 4%), dyspnea (one patient or 4%), and flu-like symptoms (one patient or 4%). Across all dose cohorts, liver function tests showed no patient had Grade ³ 3 AST increase except for one patient who had abnormal baseline liver enzyme who showed Grade 3 AST increase. No patient had a Grade 3 alanine transaminase, or ALT, increases. Hematologic tests showed most hematologic laboratory abnormalities were Grade 1 or 2, two of 23 patients had Grade 3 hemoglobin decreases, and five patients had Grade 3 lymphocyte decreases (including one patient with a pre-dose not clinically significant Grade 4 lymphocyte decrease). A total of 15 SAEs (all causes) occurred in 12 patients and only five SAEs in four patients were determined to be related to the study treatment.

As of the Data Cut-off Date, 42 patients enrolled in the ADG106-1002 clinical trial in China had safety assessments. Twenty four of 42 (57%) patients discontinued ADG106 treatment (19 patients discontinued due to progression disease, three patients discontinued due to adverse events, one patient discontinued due to withdrawal of consent and one patient discontinued due to clinical deterioration). The most commonly reported TEAEs (³ 20%) were C-reactive protein increased (13 patients or 31%), anemia (13 patients or 31%), proteinuria (ten patients or 24%), hypoalbuminemia (ten patients or 24%), cough (ten patients or 24%), neutrophil count increased (ten patients or 24%), blood urine present (nine patients or 21%) and neutrophil count decreased (nine patients or 21%). Most TEAEs were Grade 1 or

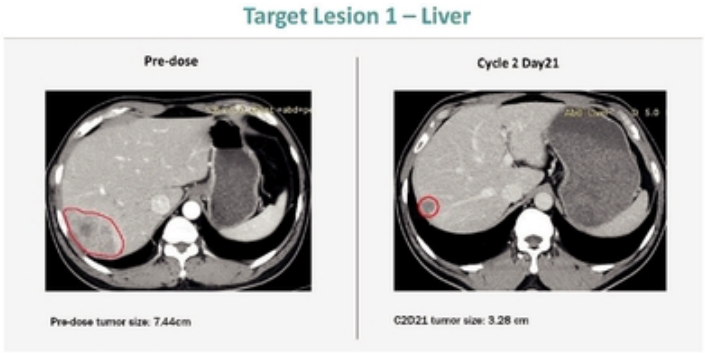
2. Nine patients (25%) experienced Grade 3 to 4 TEAEs; the most common were anemia, white blood cell count decreased, hyponatremia, and neutrophil count decreased. Three patients (6%) experienced Grade 4 drug related TEAEs, all of which were neutrophil cell count decreased. Across all dose cohorts of 42 patients, liver function tests showed: AST increased in seven patients (17%, all Grade; no Grade 3 or Grade 4); ALT increased in four patients (10%, all Grade; no Grade 3 or Grade 4); albumin decreased in ten patients (24%, all Grade; no Grade 3 or Grade 4). A total of seven SAEs (all causes) occurred in seven patients and only two SAEs were determined to be related to the study treatment.

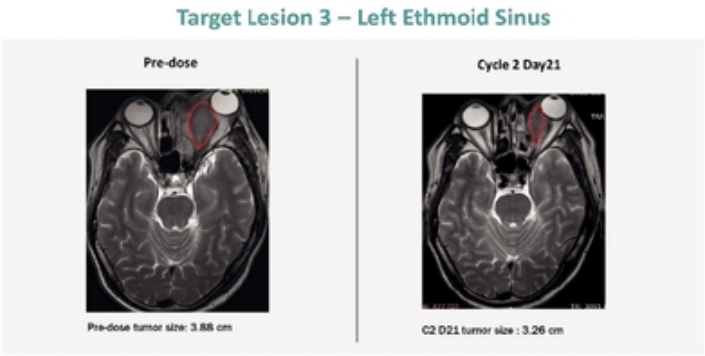
Preliminary Efficacy Assessment: As of the Data Cut-off Date, a total 50 of 65 patients (ADG106-1001 and ADG106-1002 combined) had post-treatment scans available and were thus evaluable for preliminary efficacy assessment. The best responses observed in these patients were one partial response, 27 stable disease, and 22 progression of disease. Disease control rate was 56%. Three patients from the ADG106-1002 trial achieved greater than 30% tumor shrinkage, including one patient with solid tumor who was observed to have a partial response with an approximately 40% tumor size reduction in the target lesions and two NHL patients who showed tumor shrinkage of 32% and 33%, respectively, at the end of the cycle two. One of the patients only received one treatment of ADG106 due to the COVID-19.

Case 1: Patient A with NHL, who relapsed after multiple chemotherapies and stem cell transplantation achieved 33% tumor size reduction after one dose of ADG106 at 3 mg/kg.

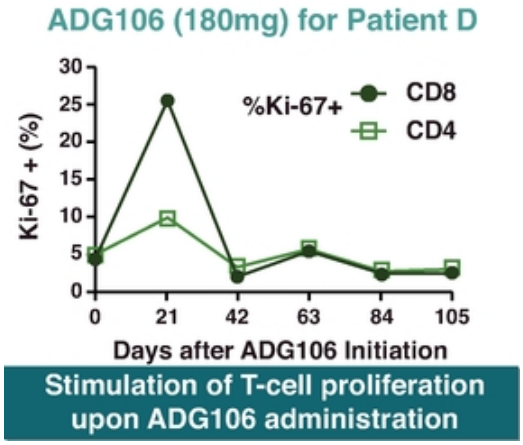


Case 2: Patient B with solid tumor (stage IV), who relapsed after multiple lines of treatment (chemotherapies, radiotherapy, target therapy, and immune checkpoint inhibition therapy), showed 40% tumor size reduction after two doses of ADG106 at 5 mg/kg.



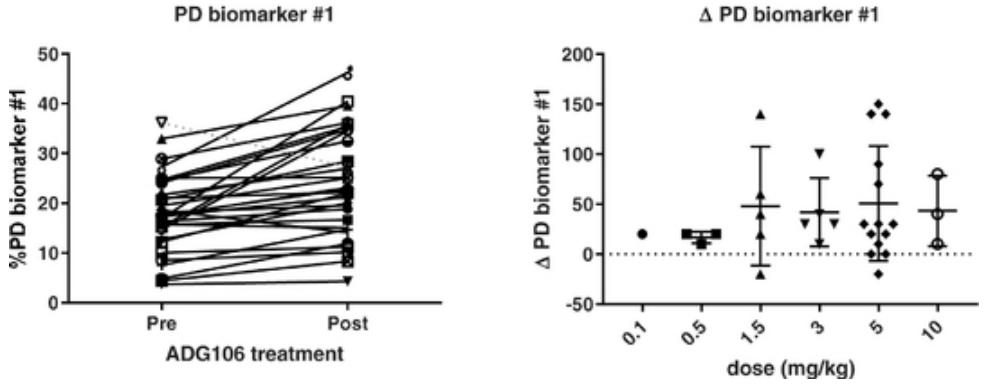


Pharmacodynamic Biomarker Measure of CD137 Target Modulation: As shown below, we have observed stimulation of T-cell proliferation and expansion in one patient treated with ADG106, evidenced by an increase in percentage of Ki-67 protein (an indicator of proliferative activity).

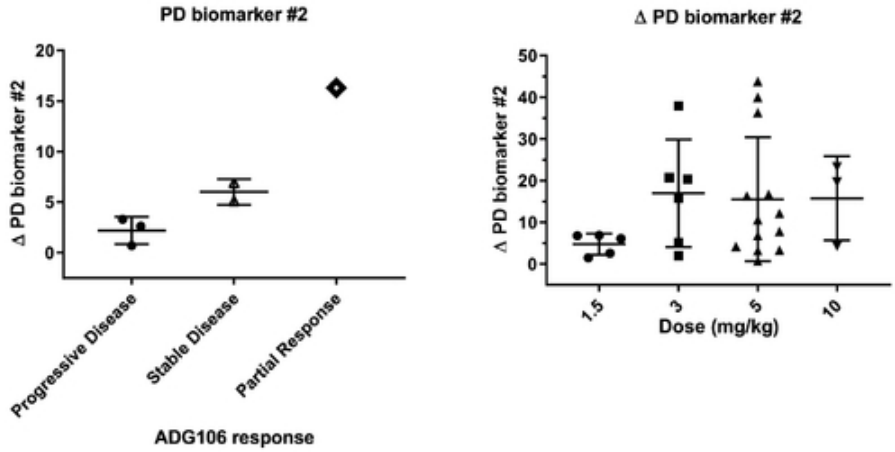


As illustrated below, we have also observed increased proliferation of subpopulations of immune cells (PD biomarker #1, see figure below on the left) in patients treated with ADG106 after the first cycle of treatment. Dose dependent stimulations of the identified immune cell subpopulation by ADG106 treatment at doses of 0.1, 0.5, and 1.5 mg/kg (see figure below on the right) were observed.

No significant difference was observed at doses higher than 1.5 mg/kg, suggesting that the drug may have saturated CD137 receptors on the target cells at the doses ³1.5 mg/kg.

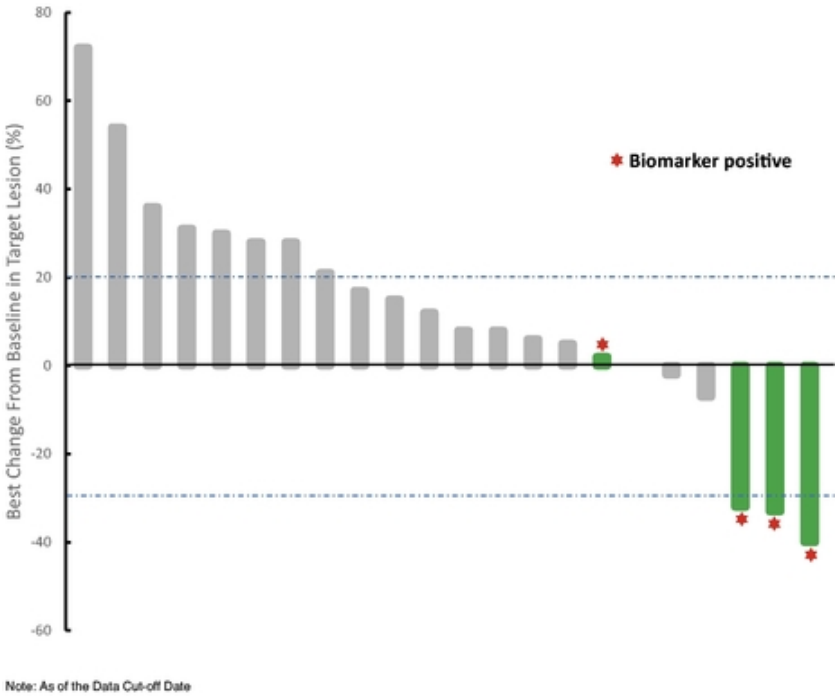


Our ADG106 Phase I clinical trials enrolled cancer patients without regard to cancer types. As shown in the figure below on the left, the effect of ADG106 on PD biomarker #2 was not tumor type specific, but rather a universal event observed for most of the patients. As seen in the figures below, we observed dose-dependent increases in the biomarker level in patient serum after ADG106 treatment and correlation of the change of the PD biomarker #2 with patient response.



Identification of a Potential Predictive Biomarker for ADG106 Treatment Response: We have identified a potential predictive biomarker, which showed correlation with patient treatment responses from a retrospective analysis. As of the Data Cut-off Date, three out of three patients who achieved greater than 30% tumor shrinkage after ADG106 treatment were found to be biomarker positive. All 18 biomarker negative patients did not show significant response as measured by tumor size reduction in computerized tomography images. One patient who was treated with low dose ADG106 in the

Phase Ia dose escalation was biomarker positive and showed stable disease, as shown in the below waterfall plot. We plan to stratify and preselect patients using this biomarker in future clinical trials.

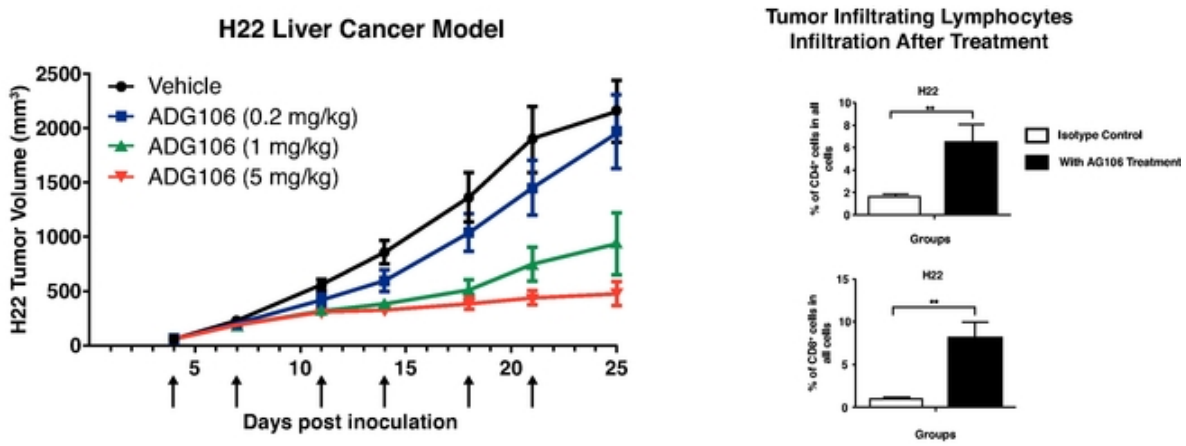


Summary of Preclinical Studies and Results

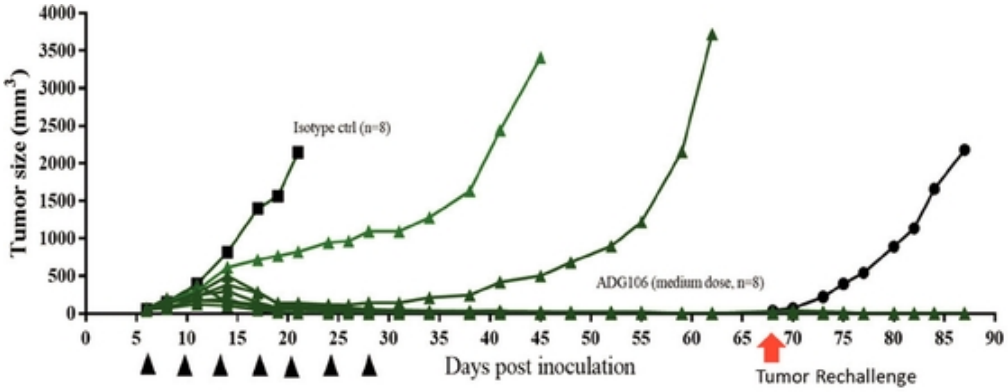
Overview: ADG106 was evaluated extensively in both *in vitro* and *in vivo* preclinical studies. ADG106 was observed in *in vitro* studies to enhance activation of, and cytokine release by, primed T-cells alone or in combination with other immunomodulatory agents. ADG106 was also observed to have potent antitumor efficacy *in vivo* as a monotherapy in a dose dependent manner in multiple tumor models. When combined with a variety of cancer therapeutics, ADG106 exhibited antitumor activity *in vivo* in animal models, including in immunotherapy resistant models. Our mechanistic analyses suggest that ADG106 promotes an antitumor response by stimulating infiltration and expansion of $CD4^+$ and $CD8^+$ T-cells in tumors. ADG106 was well tolerated in animals, with a no-observed-adverse-effect-level, or NOAEL, ³ 100 mg/kg/dose and ³ 200 mg/kg/dose in rats and cynomolgus monkeys, respectively. These findings support our belief that the ADG106-boosted immune response could offer an effective alternative solution for cancer immunotherapy as a monotherapy and in combination with other therapies, especially for PD-1/PD-L1 resistant patient populations.

Preclinical Pharmacology: Our *in vitro* studies showed that ADG106 bound with high affinity and specificity to a unique epitope of CD137 that blocks the CD137L ligand binding with subsequent enhancement and proliferation of T-cells and pro-inflammatory interferon-g responses. Interferon-g is a master checkpoint regulator for many cytokines that targets a common component of many heterodimeric cytokine receptors.

ADG106 was species cross-reactive against human, mouse, and cynomolgus monkey CD137 and was active as a monotherapy in multiple preclinical tumor models. As shown below (left figure), in an H22 liver cancer syngeneic mouse model, ADG106 was observed to have potent *in vivo* antitumor efficacy as a monotherapy in a dose dependent manner. As shown below (right figure), tumors treated with ADG106 showed increased $CD4^+$ and $CD8^+$ infiltration compared to an isotype control.



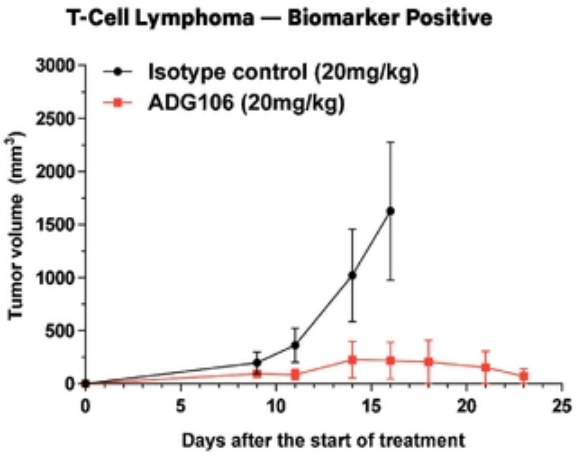
As illustrated in the figure below, ADG106 also showed a potent and durable antitumor response in a CT26 colon cancer syngeneic mouse model. ADG106 treatment induced a complete response, or CR, in six out of eight mice. These CR mice received reinnoculation of CT26 tumor cells, or rechallenge, and remained tumor-free without additional ADG106 treatment, indicating development of antitumor memory response elicited by ADG106. Tumors treated with ADG106 showed increased $CD4^+$ and $CD8^+$ infiltration compared to an isotype control, similar to the H22 liver cancer model (data not shown). These data are consistent with the mechanism of ADG106 as a CD137 agonist in stimulating T-cell proliferation, activation, and infiltration into the TME to induce an antitumor effect.

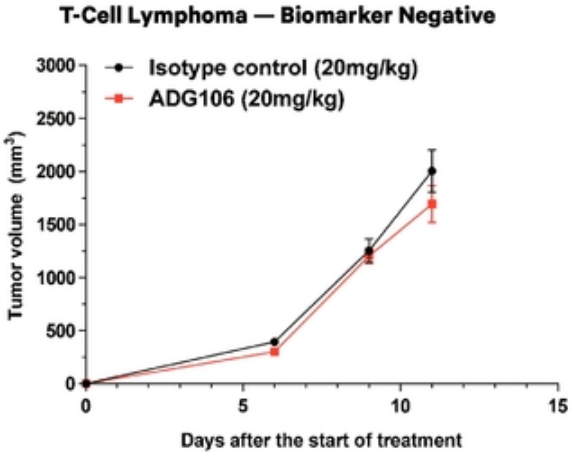


- durable response in syngenic mouse colon cancer model
- CR previously dosed with ADG106 showed no tumor growth upon tumor re-challenge

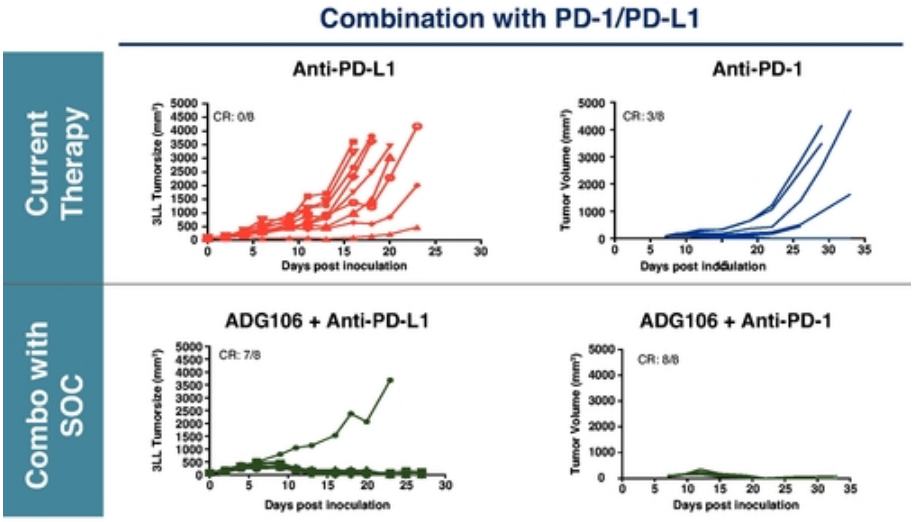
Patient stratification: Understanding which patient populations may preferentially benefit from ADG106 treatment is important in designing clinical trials. Our preclinical studies have identified a biomarker that is associated with *in vivo* sensitivity of tumor models to ADG106 treatment. We determined biomarker level in ten syngeneic mouse tumor models and tested ADG106 *in vivo* in these ten models. In the seven models that were biomarker positive, four models were sensitive to ADG106 treatment while three were resistant or less sensitive to ADG106. The three biomarker negative models were resistant to ADG106 treatment. Additionally, the three resistant or less sensitive biomarker positive models showed synergistic effect to ADG106 treatments in combination with anti-CTLA-4 or

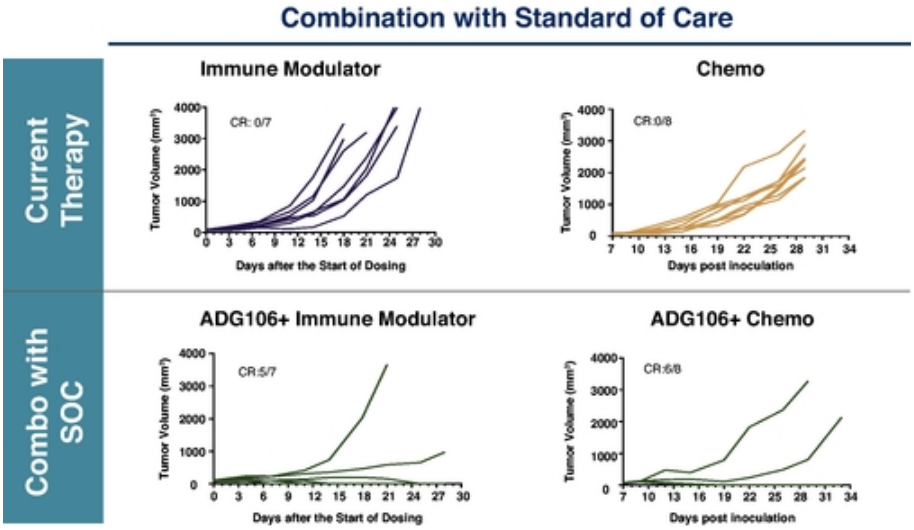
anti-PD-L1. As illustrated in the figures below, among two T-cell lymphoma models, the biomarker positive model was observed to be sensitive to ADG106 treatment (see figure below on the left) and the biomarker negative model was observed to be resistant to ADG106 treatment (see figure below on the right). This biomarker provides a potential mechanism for stratifying patients that may benefit from ADG106 treatment in future clinical trials.



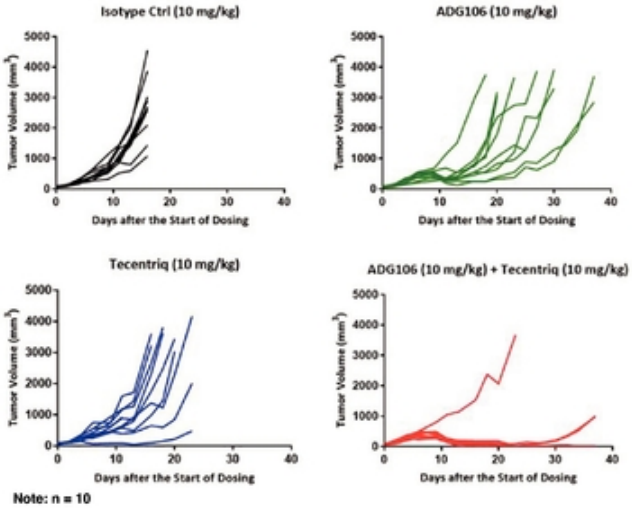


In addition to monotherapy efficacy, we observed that ADG106 had potent antitumor efficacy in combination with other therapies in preclinical studies. As shown below, ADG106 produced a synergistic effect with an anti-PD-1/L1 therapy, and SOC, in *in vivo* tumor models, including models that are resistant to current PD-1/PD-L1 and SOC therapies.

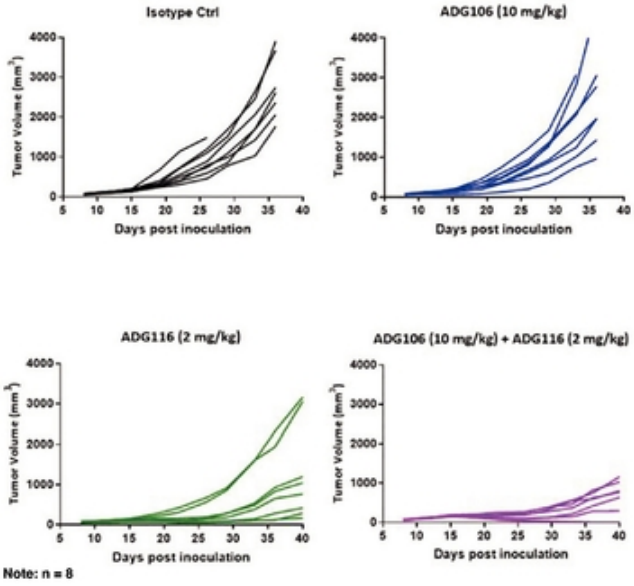




In a syngeneic tumor that is biomarker (mentioned above) positive, although ADG106 did not show anti-tumor activity in this model, combination of ADG106 with atezolizumab (Tecentriq), an approved anti-PD-L1 antibody that blocks PD-1/PD-L1 interaction, showed enhanced antitumor response compared to the corresponding monotherapies.



As demonstrated below, ADG106 was also observed to show antitumor activities when combined with our CTLA-4 antibody ADG116 in a mouse tumor model that is biomarker (mentioned above) positive, while ADG106 alone did not show antitumor activities. We believe that this data provides a strong rationale for combining our pipeline programs including ADG106 with ADG116.



Clinical Development Plan

We have completed the Phase Ia dose escalation portion of each of our Phase I clinical trials and are conducting a Phase Ib cohort expansion phase using the selected doses in several indications. Our ADG106 Phase Ia clinical trials are designed to evaluate the safety, tolerability, and PK of repeat ascending doses of ADG106 in advanced or metastatic solid tumors and NHL. The secondary objective

of these trials is to characterize the PK profile of ADG106, to evaluate and potentially identify a maximum tolerated dose or optimal dose of ADG106, assess relevant biomarkers, and evaluate preliminary signs of antitumor activity.

Our ongoing Phase Ib/II clinical trials are designed to evaluate the preliminary signs of antitumor activity. Based on Phase Ib/II data, we expect to choose the indications to be further explored in our future trials, for which plan to stratify and preselect patients based on their biomarker status to improve the response rate of ADG106. We may consider testing different dosages, different dosing schedules as well as ADG106 as a monotherapy or in combination with other immunotherapies in different disease subgroups and/or different disease stages. There are also investigator-initiated trials of ADG106, sponsored in Singapore by investigators, targeting various indications.

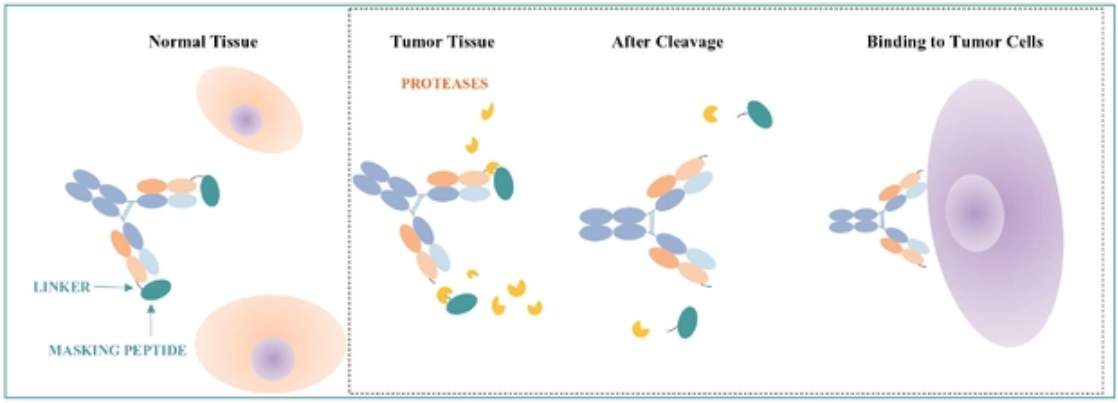
ADG126: Novel Anti-CTLA-4 SAFEbody Candidate

Summary

Our most advanced SAFEbody program, ADG126, is a fully human anti-CTLA-4 mAb generated using our SAFEbody technology designed to address the safety concerns with associated existing CTLA-4 therapeutics, while maintaining its efficacy in the TME. Our proprietary SAFEbody technology is designed to enable ADG126 to be activated only in tumor tissues rather than healthy tissues. In preclinical studies, we observed that ADG126 had an enhanced therapeutic window and improved safety features. Furthermore, in PD studies of ADG126, it was observed that while the CTLA-4 binding affinity was masked in an intact ADG126 antibody, once the masking peptide was cleaved off of ADG126, its high binding affinity to CTLA-4 was restored.

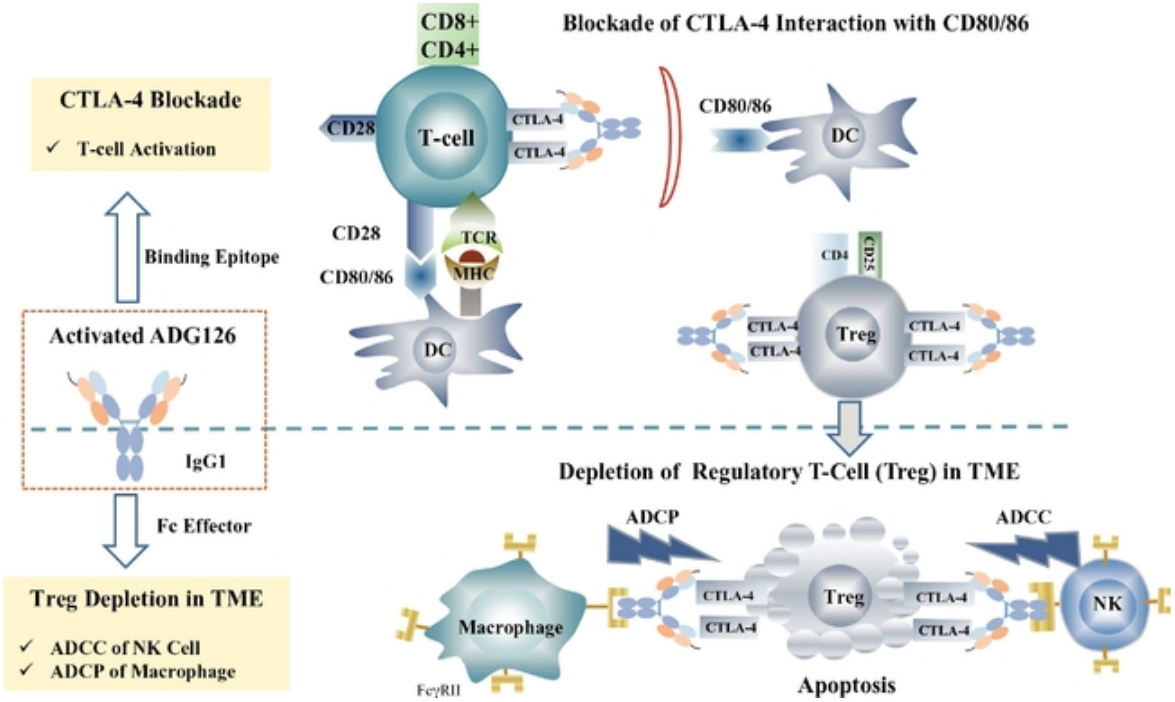
Mechanism of Action

ADG126 is a fully human anti-CTLA-4 mAb. The masking moiety in ADG126 functions to block the interaction between ADG126 and its target CTLA-4 protein. Once ADG126 enters the TME, proteases overexpressed in the TME cleave off the masking moiety, and the antibody is then activated, binding to CTLA-4 and inhibiting its function. ADG126 is locally activated specifically in the TME, rather than systemically, to stimulate a robust antitumor immune response. The following diagram illustrates the activation process of ADG126 in tumor tissue.



We believe that activated ADG126 potentiates T-cell immune response by blocking the inhibitory effect of CTLA-4. Moreover, ADG126 has been observed in preclinical animal studies to mediate effector functions to eliminate CTLA-4 expressing cells, particularly regulatory T-cells, primarily through ADCC. These actions of ADG126 could lead to enhanced activation and proliferation of tumor infiltrating T-effector cells and reduced T-regulatory cell function, which may contribute to a

general increase in T-cell responsiveness, including an enhanced antitumor immune response. The below diagram illustrates the MOA of activated ADG126.



Notes:

"ADCP" refers to antibody-dependent cell-mediated phagocytosis;

"MHC" refers to major histocompatibility complex;

"TCR" refers to T-cell receptor;

Market Opportunity and Competition

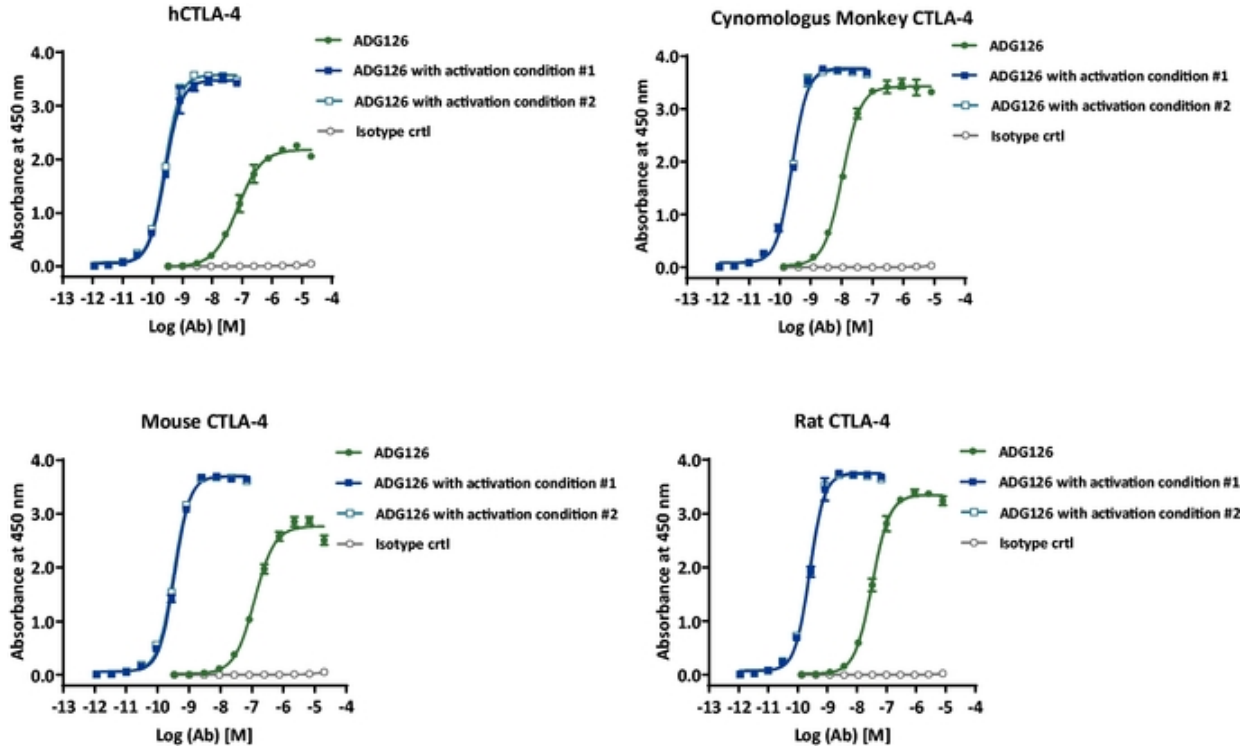
According to Frost & Sullivan, as of July 31, 2020, ipilimumab is the only marketed CTLA-4 drug targeting cancer and it has been approved for six indications including monotherapy and combination therapies approved by the FDA. While ipilimumab is the only marketed CTLA-4 antibody drug, there are over ten CTLA-4 antibodies in clinical development globally, according to Frost & Sullivan. There are currently no marketed CTLA-4 antibody drugs in China, but at least seven CTLA-4 antibodies in clinical development, according to Frost & Sullivan.

Primary limitation of CTLA-4 antibodies is toxicity. We believe that the continued expansion of indications, and the launch of innovative novel CTLA-4 antibodies with potential for improved safety and better efficacy may increase the market for CTLA-4 antibodies significantly.

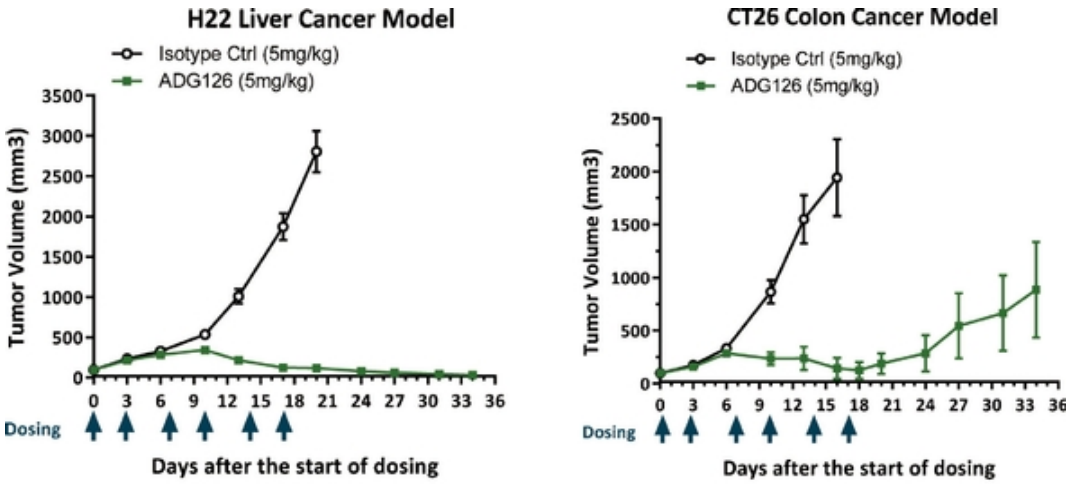
Summary of Preclinical Studies

***Preclinical Pharmacology*:** We observed in PD studies that ADG126, in its intact SAFEbody form, bound weakly to CTLA-4. However, once the proteases cleaved off the masking peptide, ADG126 was activated and bound at a high affinity to human, cynomolgus monkey and mouse CTLA-4, as shown in the figures below. Activated ADG126 was observed to lead to the release of CD80/CD86 ligands from CTLA-4 sequestration, and stimulation of CD28 signaling to boost T-cell activity. It also targets

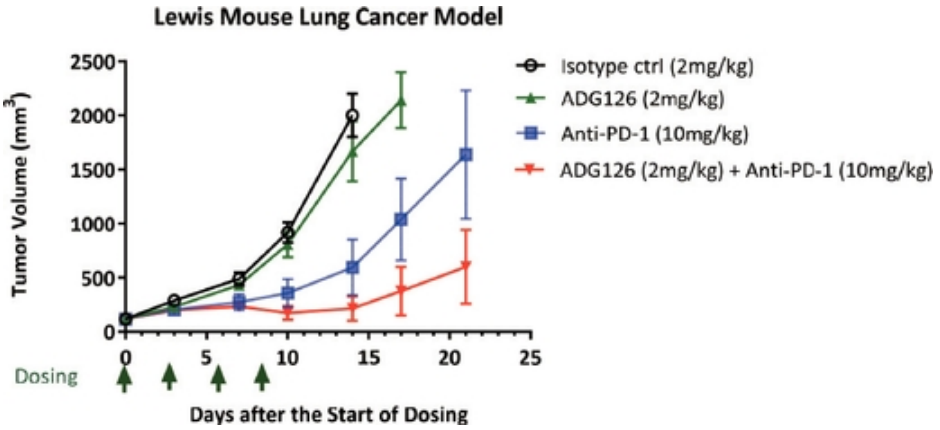
regulatory T-cells for depletion within the TME by means of ADCC, to mediate antitumor T-cell immunity.



We evaluated the *in vivo* antitumor efficacy of ADG126 in syngeneic mouse tumor models. As shown in the figures below, in these studies, ADG126 was observed to effectively inhibit tumor growth in different mouse tumor models as a monotherapy.

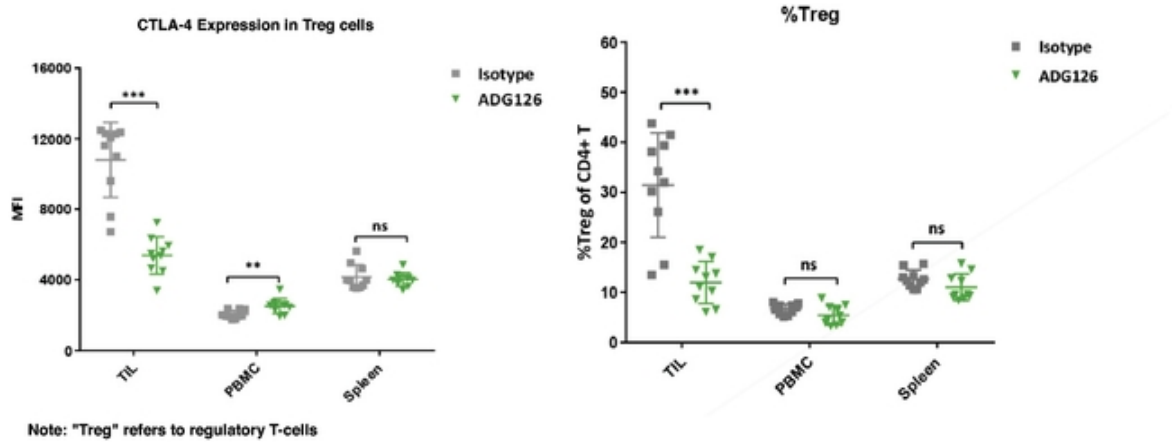


As shown in the figure below, ADG126 synergized with an anti-PD-1 antibody to elicit a stronger anti-tumor response than ADG126 or the anti-PD-1 antibody alone in a Lewis lung cancer syngeneic mouse model.



ADG126 treatment was observed to specifically deplete regulatory T-cells in the tumor, but not in peripheral tissues. The following figures illustrate the inhibition of CTLA-4 expression in infiltrating

lymphocytes, or TILs (see figure below on the left) and regulatory T-cell depletion (see figure below on the right) by ADG126 in CT26 tumor model.



Preclinical Toxicology: We performed preclinical toxicology studies designed to assess the toxicity features of ADG126. We selected cynomolgus monkeys and mice as toxicology species for animal toxicity evaluation. No abnormal findings attributable to ADG126 were observed. We utilized a nonobese diabetic mouse model to determine percentage of survival with AD126 treatment. All mice survived after six treatments of ADG126 at 50 mg/kg.

In a four-week GLP repeat-dose toxicology studies, intravenous infusion of ADG126 to cynomolgus monkeys at 5, 30, or 200 mg/kg/dose once weekly for five doses followed by a 28-day recovery period was well-tolerated. Adverse, but reversible, microscopic findings of minimal to moderate mixed perivascular infiltrates were observed at 200 mg/kg in both sexes in the kidney, liver, pancreas, epididymis, skin, and were observed in the ovaries in females, and the connective tissue associated with the mesenteric lymph node and thyroid gland. The NOAEL was considered to be 30 mg/kg/dose and the highest non-severely toxic dose was considered to be 200 mg/kg/dose.

Clinical Development Plan

We plan to submit a CTN for ADG126 for a Phase I dose escalation trial in Australia by October 2020 and are expecting to commence patient enrollment by early 2021. Moreover, we are preparing IND or comparable submissions to allow us to initiate the Phase I clinical trials of ADG126 globally, including in the United States and China.

ADG116: Novel Anti-CTLA-4 NEObody Candidate

Summary

ADG116 is a fully human anti-CTLA-4 antibody generated using our NEObody technology, designed to enhance the efficacy and to address toxicity concerns associated with existing CTLA-4 therapeutics. In our preclinical studies, ADG116 was observed to potentiate CD28 signaling and T-cell immune responses (cytokine production) in the presence of primary stimulatory signaling. Furthermore, ADG116 reduced immunosuppressive regulatory T-cell activity and enhanced $CD8^+$ T-cells activity in the TME to induce antitumor responses. We believe these preclinical results support the further clinical evaluation of ADG116 both as a monotherapy and in combination with other therapies for a wide range of tumor types. We have obtained authorization from the Australian Therapeutic Goods Administration under a CTN to start a Phase I trial of ADG116. We also have a Phase I clinical trial open in the United States for ADG116 as a monotherapy in patients with advanced/metastatic solid tumors.

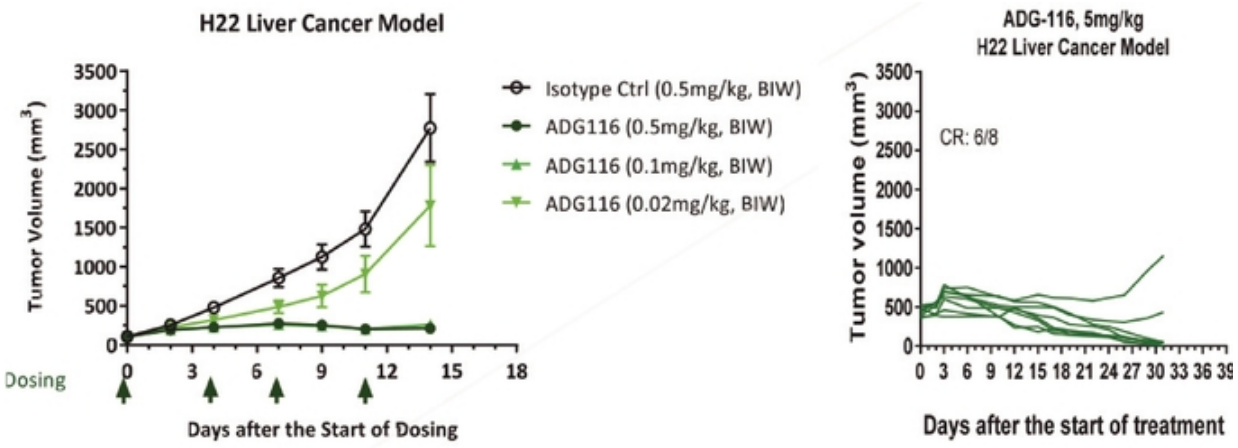
Mechanism of Action

ADG116 is designed to target a unique conserved epitope of CTLA-4. In preclinical studies, ADG116 was observed to have softer CTLA-4 ligand blocking and stronger ADCC for regulatory T-cell depletion than ipilimumab. Based on the PD results observed in our preclinical studies, we believe that ADG116 has the potential to specifically and potently bind to human CTLA-4, or hCTLA-4, without binding to other CD28 family receptors, which could potentially block the CTLA-4/CD80 and CTLA-4/CD86 ligand interactions. We believe that ADG116 potentiates CD28 signaling and T-cell immune response in the presence of a primary stimulatory signaling. Moreover, ADG116 has been observed in preclinical animal studies to mediate effector functions to eliminate CTLA-4 expressing cells, particularly regulatory T-cells, primarily through ADCC by NK cells. These actions of ADG116 could lead to enhanced activation and proliferation of tumor infiltrating T-effector cells and reduced T-regulatory cell function, which may contribute to a general increase in T-cell responsiveness, including an enhanced antitumor immune response.

Summary of Preclinical Studies and Results

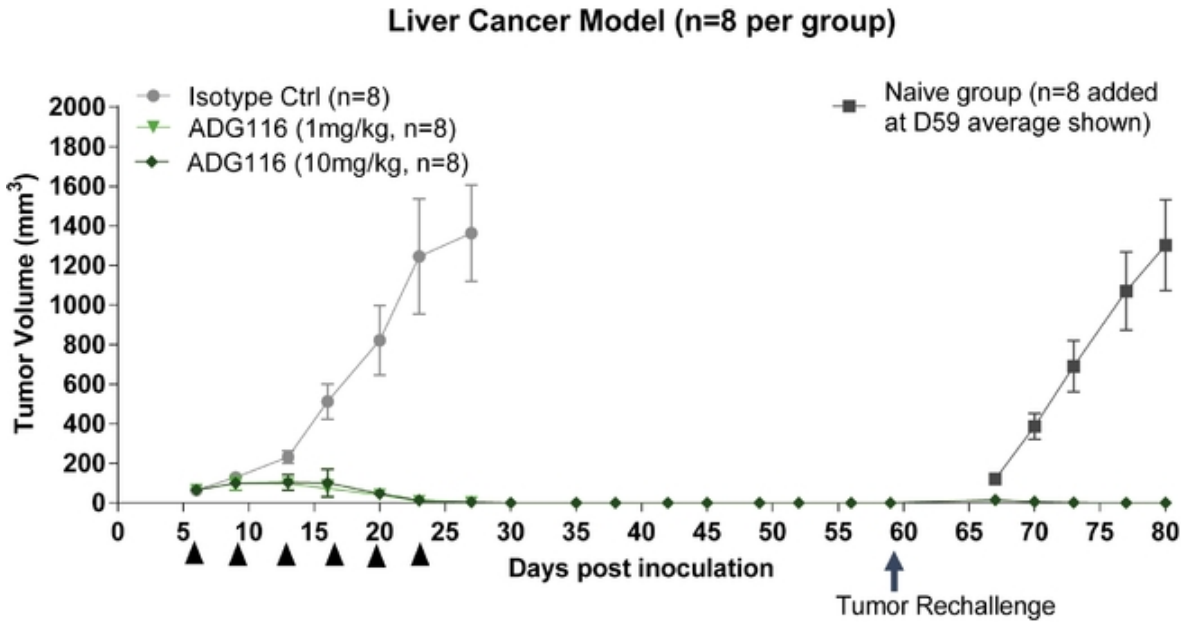
We extensively evaluated ADG116 in both *in vitro* and *in vivo* preclinical studies. Our *in vivo* efficacy studies were conducted in mice, and safety evaluations were conducted in both cynomolgus monkeys and rats. ADG116 was observed to show robust *in vivo* anti-tumor activity in multiple syngeneic mouse tumor models. Ipilimumab was included as a benchmark and was compared with ADG116 in a series of our preclinical studies. In these preclinical studies, we observed that ADG116 was more potent than ipilimumab overall in potentiating T-cell activation. While ADG116 has softer CTLA-4 ligand blocking, it was observed to have superior ability in eliminating CTLA-4 positive regulatory T-cells via ADCC in tumors resulting in enhanced antitumor responses. ADG116 was well tolerated in rats and cynomolgus monkeys at doses up to 30 mg/kg in GLP-compliant four-week repeat-dose toxicology studies.

Preclinical Pharmacology: We evaluated ADG116 as a monotherapy *in vivo* in an H22 liver cancer syngeneic mouse model. As shown in the figure below, ADG116 was observed to induce a potent antitumor response at low doses in a dose-dependent manner (see figure below on the left). Additionally, ADG116 was observed to inhibit tumor growth of large tumors in the same model (see figure below on the right).

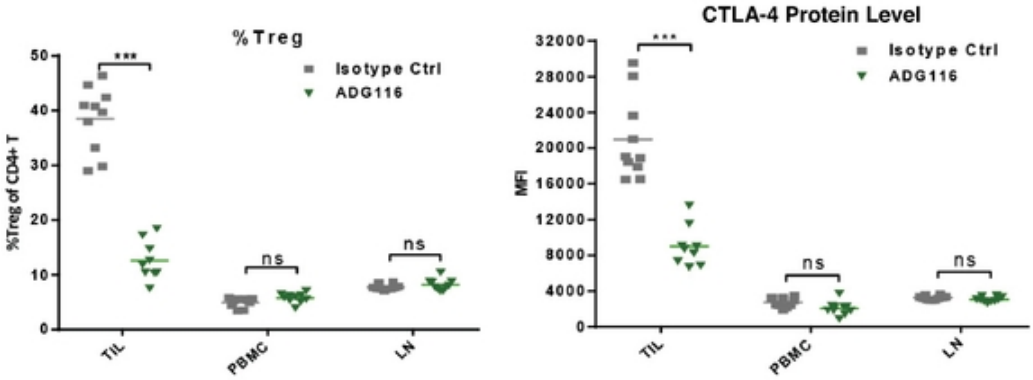


As illustrated in the below figure, in a liver cancer tumor rechallenge study, ADG116 was observed to induce significant antitumor response. Fifty-nine days after the initial tumor inoculation and more than 30 days after the last ADG116 treatment, mice were then rechallenged with the same tumor. We observed that mice that responded to the initial ADG116 treatment remained tumor-free even without

additional ADG116 treatment while naïve mice developed tumors, indicating the development of antitumor memory response elicited by ADG116.



Since ADG116 was observed to exhibit strong ADCC activity *in vitro*, we evaluated the ability of ADG116 to deplete regulatory T-cells *in vivo* in a CT26 mouse colon cancer syngeneic model. ADG116 treatment was observed to specifically deplete regulatory T-cells in the tumor, but not in peripheral blood mononuclear cells, or PBMCs, or lymph nodes. The following figure shows significant regulatory T-cell depletion (left figure) and inhibition of CTLA-4 expression (right figure) in tumors by ADG116.

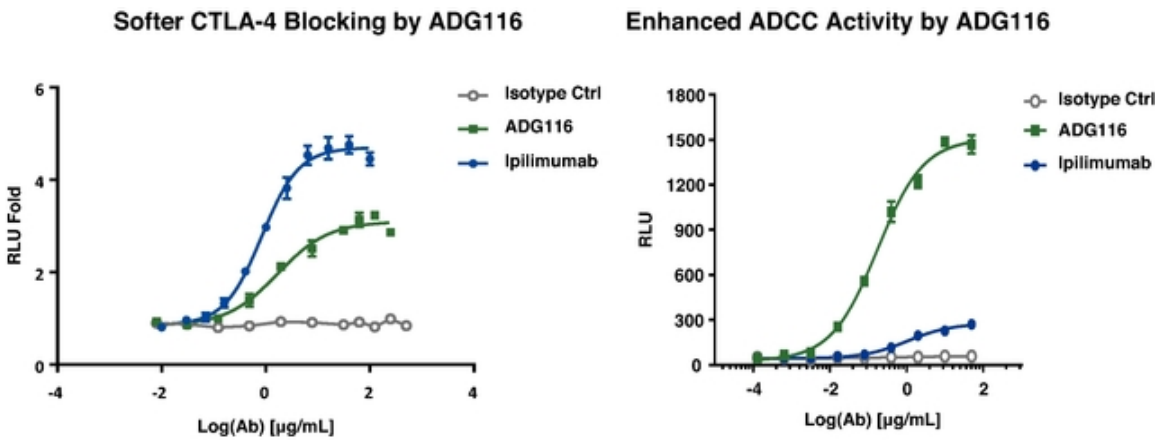


Note: Treg represents regulatory T-cells

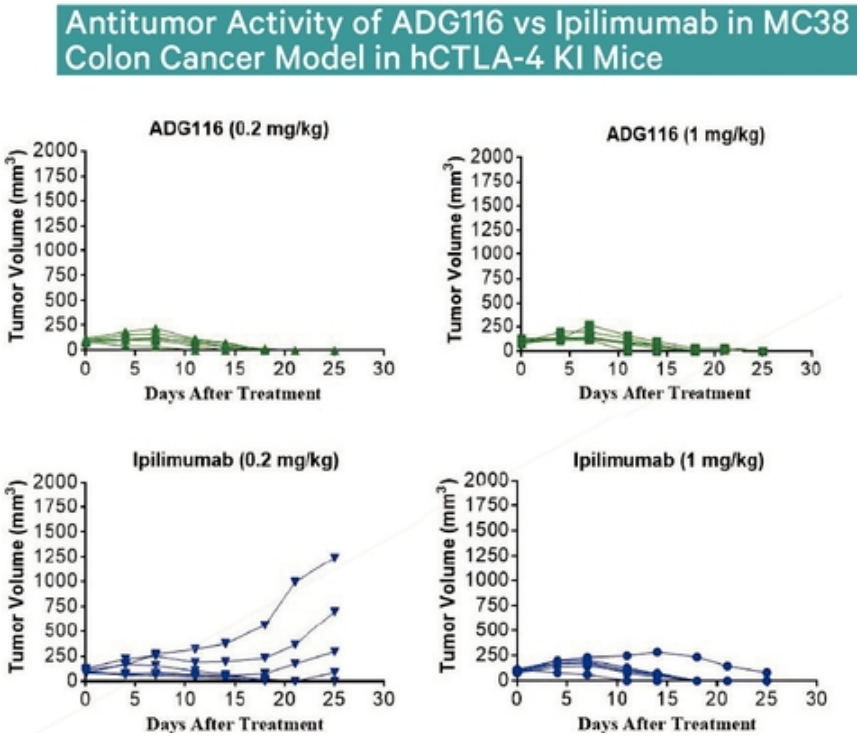
In a series of preclinical studies, we compared the effect of ADG116 to ipilimumab. We believe that these studies suggest that ADG116 has a unique MOA compared to ipilimumab and is more potent than ipilimumab in eliciting antitumor responses. These preclinical trial results support the further clinical evaluation of ADG116 as a monotherapy and in combination with other therapies for a wide range of tumor types.

In the CTLA-4 blockade bioassay illustrated in the figure below on the left, ADG116 was observed to exhibit weaker blocking than ipilimumab of CTLA-4's ability to inhibit CD80- and CD86-induced IL-2 production. This result supports our belief that ADG116 can function as a CTLA-4 checkpoint

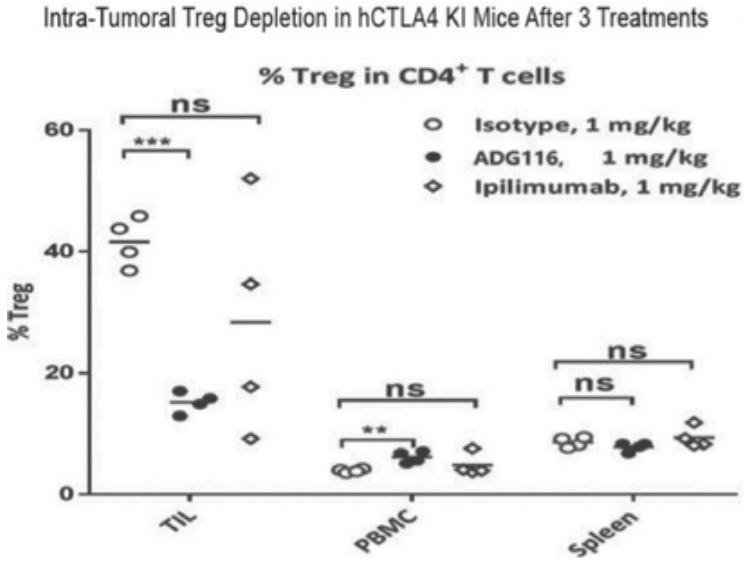
inhibitor with weaker activity than ipilimumab, which may result in less systemic autoimmune side effects on normal tissues. On the other hand, ADG116 was observed to exhibit notably stronger ADCC activity than ipilimumab in the *in vitro* assay shown in the figure below on the right. Since CTLA-4 is expressed on regulatory T-cells, we believe that ADG116 offers a potential advantage over ipilimumab in depleting regulatory T-cells by means of ADCC. We subsequently investigated this *in vivo* in a syngeneic mouse tumor model.



To compare ADG116's *in vivo* antitumor activity to ipilimumab, we utilized a subcutaneous MC38 mouse syngeneic colon cancer model in hCTLA-4, knock-in, or KI, C57BL/6 mice. We selected the hCTLA-4 KI mice as ipilimumab does not cross-react with mouse CTLA-4. As shown in the figure below, ADG116 was observed in this study to exhibit stronger antitumor activity than ipilimumab (ADG116 at 0.2 mg/kg induced equivalent antitumor response as 1 mg/kg of ipilimumab).

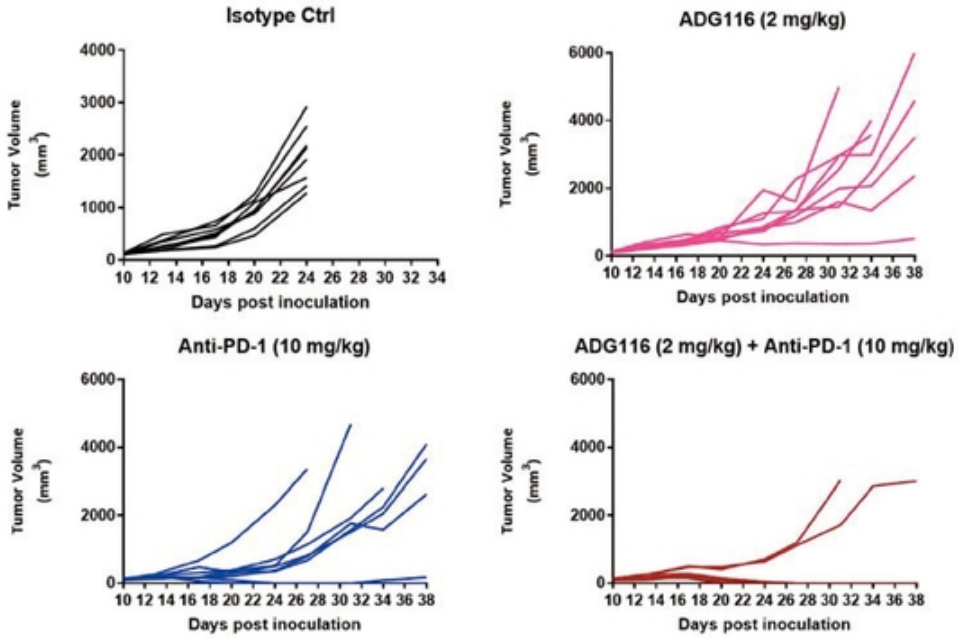


As shown in the figure below, we measured tumor infiltrating regulatory T-cells in the subcutaneous hCTLA-4 KI MC38 mouse colon cancer model after ADG116 or ipilimumab treatment. Among the TILs, the percentage of regulatory T-cells was observed to be significantly reduced after ADG116 treatment while the regulatory T-cell reduction after ipilimumab treatment was not significant. Notably, we observed that regulatory T-cell depletion by ADG116 occurred only in the TME, and not in PBMCs or the spleen. We believe that these results provide a mechanistic rationale for the enhanced *in vivo* antitumor activity of ADG116 compared to ipilimumab. ADG116 may reduce the immunosuppressive regulatory T-cell activity specifically in the TME to enhance antitumor immune responses.

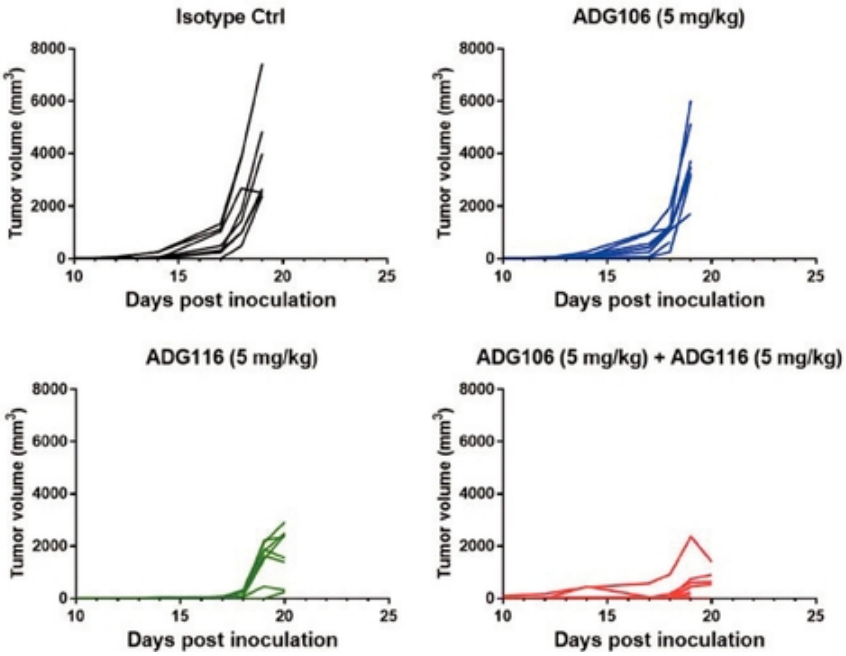


Note: "Treg" refers to regulatory T-cells.

As illustrated below, in addition to evaluating the efficacy of ADG116 as a monotherapy, we also evaluated ADG116 in combination therapies. ADG116 was observed to have an antitumor effect with an anti-PD-1 treatment in a Lewis lung cancer syngeneic mouse model.



We also examined the effects of ADG116 in combination with our CD137 agonistic antibody, ADG106, in a B16F10 melanoma syngeneic mouse model. As shown below, we observed that the combination of ADG116 with ADG106 enhanced the antitumor activity compared with ADG116 or ADG106 alone.



Preclinical Toxicology: We performed preclinical toxicology studies in cynomolgus monkeys and rats to evaluate the toxicity of ADG116. There were no abnormal findings in the single-dose toxicology studies. We observed that ADG116 was well tolerated in both cynomolgus monkeys and rats at up to 200 mg/kg. In a GLP-compliant, four-week repeat-dose toxicology study, ADG116 was tolerated at doses up to 30 mg/kg/dose (five doses per week). In this study, ADG116 related hematology parameter changes, serum chemistry changes, mononuclear infiltration of predominantly lymphocytes with fewer macrophages into the parenchyma of numerous organs were the primary test article-related effects evaluated. These changes were reversible at £ 30 mg/kg/dose, and consistent with the biological role of CTLA-4 in regulating and maintaining peripheral immune tolerance. The NOAEL was considered to be 30 mg/kg/dose in both rats and cynomolgus monkeys.

Clinical Development Plan

We have obtained authorization from the Australian Therapeutic Goods Administration under a CTN to start a Phase I trial of ADG116. We also have a Phase I clinical trial open in the United States for ADG116 as a monotherapy in patients with advanced/metastatic solid tumors; however, we are not currently enrolling patients in this clinical trial.

PRECLINICAL DISCOVERY PIPELINE

In addition to our two clinical-stage product candidates, ADG106 and ADG116, and our IND-enabling stage product candidate, ADG126, we are building a deep and broad preclinical pipeline. Utilizing our DPL platform and three platform technologies NEObody, SAFEbody, and POWERbody, we have built a portfolio of programs that are at various stages of the drug discovery and development process. Our SAFEbody programs include multiple SAFEbodies, such as anti-PD-L1, anti-CD47 and anti-CD40 antibodies. Our POWERbody programs include multiple SAFEbody bispecific T-cell engager programs, such as CD20xCD3 bispecific antibody, or bsAb and HER2xCD3 bsAb; multiple SAFEbody bispecific antibody programs, e.g., CTLA-4xPD-L1; and SAFEbody drug conjugate programs. Below is an example of our POWERbody preclinical discovery program, which is tumor-associated antigen, or TAA, and CD3 bispecific T-cell engager program.

SAFEbody TAAxCD3 BsAb T-cell Engager Program

Summary

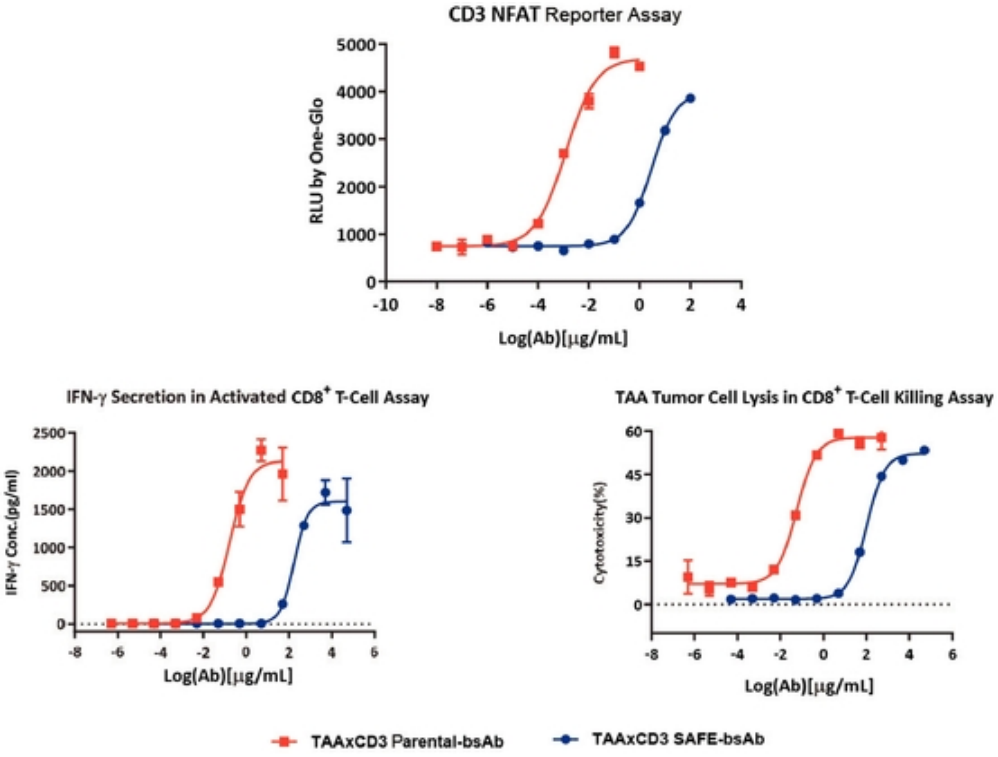
Bispecific T-cell engager antibodies have been explored as a means to recruit cytolytic T-cells to kill tumor cells. This is based on the simultaneous recognition of an antigen on tumor cells and binding to the CD3 epsilon chain, or CD3e, within the T-cell receptor complex on T-cells that bridges malignant tumor cells directly to $CD3^+$ T-cells. Blinatumomab, or Blincyto, the first bispecific T-cell engager reactive with the B-cell antigen CD19, was approved by the FDA in 2014 for the treatment of neoplasms. While early studies showed promising clinical efficacy, bispecific T-cell engagers were also hampered by severe dose-limiting toxicities primarily manifesting as cytokine release syndrome which resulted in a prohibitively narrow therapeutic window.

Through our DPL platform, we have developed a deep pipeline of bispecific T-cell engager antibodies for both liquid and solid tumors. One of our lead bispecific T-cell engager discovery programs is a TAAxCD3 SAFEbody bispecific T-cell engager. To address the safety issues of current CD3 T-cell engager antibodies, we leveraged our proprietary SAFEbody technology to develop a differentiated TAAxCD3 bispecific T-cell engager.

Our TAAxCD3 SAFE-bsAb comprises anti-human TAA and CD3 SAFEbodies and is intended for the treatment of TAA^+ malignancies. Our TAAxCD3 SAFE-bsAb in its activated form has been observed to potently stimulate T-cell activation and TAA^+ tumor cell killing. We further observed potentially favorable safety results for our TAAxCD3 SAFE-bsAb without visible cytokine release syndrome and other adverse events in an exploratory toxicity study in cynomolgus monkeys. Our TAAxCD3 SAFE-bsAb highlights a potential new approach in tumor immunotherapy and provides a rationale for safe and effective treatment of TAA^+ tumors. Based on our preclinical studies, we are moving forward with generating stable cell lines and CMC development of our two TAAxCD3 SAFE-bsAb programs.

Preclinical Studies

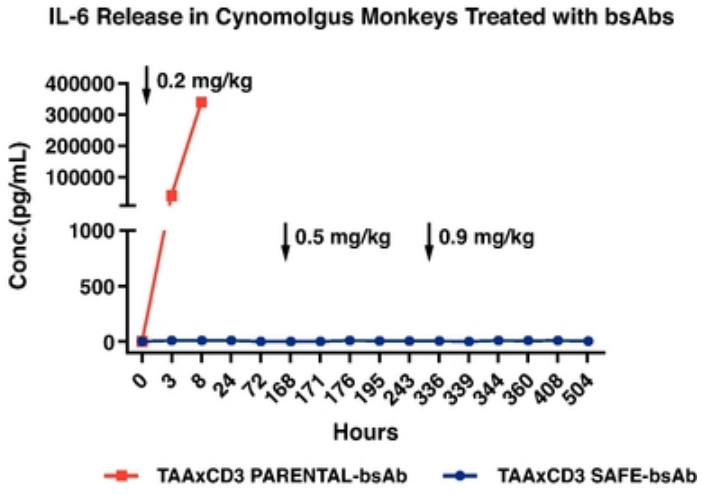
To evaluate the functional activity of parental- and SAFE-bsAbs, we tested our bsAbs in multiple cell-based assays. As shown below, the TAAxCD3 parental-bsAb significantly stimulated CD3 signaling in a Jurkat cell-based NFAT reporter assay. Furthermore, the TAAxCD3 parental-bsAb was observed to significantly increase IFNg secretion from $CD8^+$ T-cells and induce TAA overexpressing tumor cell death by activating $CD8^+$ T-cells in the T-cell-dependent cellular cytotoxicity assay. These results suggest that our CD3 bsAb potentially stimulated T-cells to kill tumor cells. Consistent with our expectation, the masked SAFE-bsAb was observed to have lower activity in these functional assays.



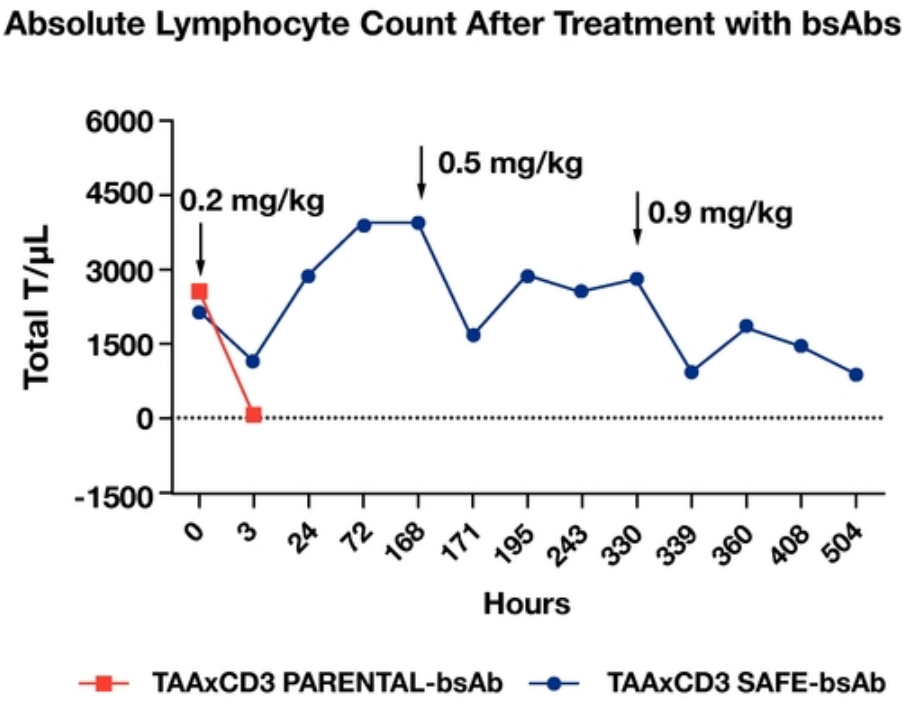
Exploratory Toxicity Study in Cynomolgus Monkeys

As current efforts in developing therapeutic CD3-based T-cell engagers are impeded by severe dose-limiting toxicities, primarily manifesting as non-specific cytokine release syndrome, we evaluated the safety results while developing CD3 bsAbs with our SAFEbody technology. Particularly, we evaluated the cytokine and immune-associated events, for TAAxCD3 bsAbs in cynomolgus monkeys.

Cynomolgus monkeys were dosed intravenously with our TAAxCD3 parental- or SAFE-bsAbs. We observed significant IL-6 release with the parental-bsAb; while we did not observe SAFE-bsAb induced IL-6 release at any of the three-dose levels during the testing period, which indicates a noticeable improvement in safety results by SAFEbody masking.



The cynomolgus monkey treated with the parental-bsAb died approximately 12 hours after first dosing at 0.2 mg/kg, likely due to acute cytokine release syndrome, which is consistent with severe dose-limiting toxicities observed in other bispecific T-cell engager antibodies. Moreover, total T-cells were nearly undetectable at three hours following the initial parental-bsAb treatment at 0.2 mg/kg. The SAFE-bsAb treated cynomolgus monkey also exhibited reduction of total T-cell counts, but to a lesser degree, and absolute lymphocyte counts rebounded at 24 hours after each dosing of SAFE-bsAb.



OUR PLATFORM

Overview

Our proprietary DPL platform is built upon our insights into precise and dynamic antibody-antigen interaction. As such, our DPL platform has been designed to enable the discovery of antibodies with better developability properties. By addressing the challenges in traditional antibody design and engineering, we believe that our DPL platform will enable us to improve the efficacy and safety profile of antibody therapeutics. Our DPL platform is empowered by our computational platform, artificial intelligence and three innovative technologies: NEObody, SAFEbody, and POWERbody.

Computational Platform

Our computational platform is an integral part of our DPL platform. It consists of a set of software applications covering main functions including sequence and structural analysis, clustering and dynamic simulation, protein interaction analysis, and protein and DNA sequence and library design. The core algorithms and components were developed in-house by a group of computational physicists, chemists and biologists, applied mathematicians, and software engineers, based on the fundamental principles of protein folding and motion, machine-leaning and artificial intelligence for data mining, and physicochemical stability for bio-therapeutics chemistry, manufacturing, and control. We also utilize proven applications commonly used in the industry and academia, and further customized and automated by us into streamlined processes for improved efficiency.

NEObody™

NEObody technology is a fully synthetic phage display and yeast display-based antibody discovery technology, which we believe is differentiated from other synthetic antibody technologies through its innovative designs and precise constructions. Our designs are based on critical insights gained from extensive studies of antibody structural variability made possible by our proprietary in-house developed computational tools.

Innovative antibody library design: We believe that diversity of an antibody library should be defined at the quaternary structural level, instead of the traditional primary amino acid sequence level. Comparison of structural and sequence diversity revealed that variability as assessed by structural alignments was generally lower than the variability observed with sequence alignments. Based on our deep understanding of chemical principles governing antibody folding and extensive analysis of a vast number of antibody structural variability, through novel statistical tools developed in-house, we have redefined the antibody hyper-variable regions, or HVRs, that are critical for antigen recognition. These HVRs, as defined based on structural variability, are distinct from but complementary with complementarity-determining regions that are traditionally defined based on amino acid sequence variability. In addition, we have defined and identified dynamic motifs which adopt multiple conformations and incorporated them into our DPL antibody library design to enable the coverage of a wide range of structural diversity with a limited number of amino acid sequences.

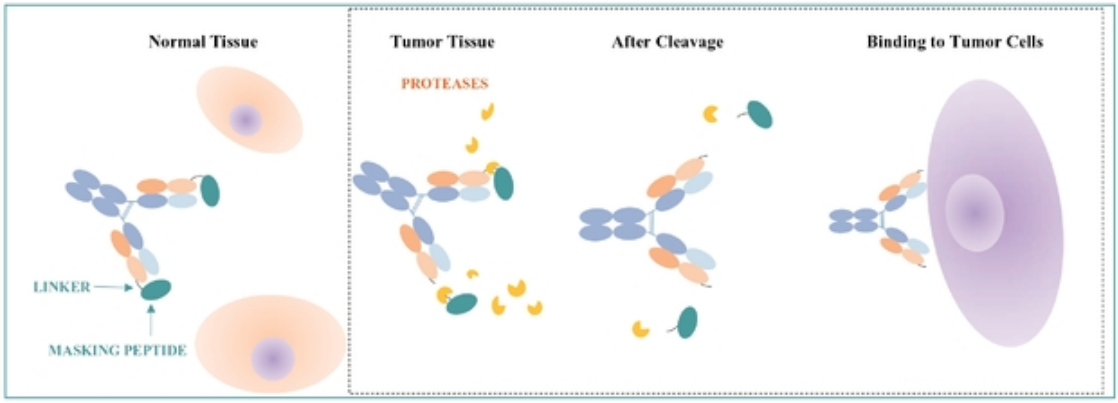
Broad epitope coverage, particularly of evolutionarily conserved epitopes: NEObody technology enables us to discover antibodies targeting numerous epitopes against a broad range of antigens. In particular, we focus on the antibodies targeting the conserved epitopes of divergent antigens. These species cross-reactive antibodies not only have the potential to reveal new biological functions of the targets, but also facilitate preclinical studies using various immune intact animal models, resulting in high fidelity translation from preclinical to clinical studies. Our NEObody technology has been evaluated in preclinical studies with numerous antigens, including some difficult antigens such as membrane or oligomeric proteins. The success criteria in our preclinical assays include high affinity of primary hits with diverse antibody sequences, broad epitope coverage, as well as favorable CMC development properties. For example, ADG106 was discovered using our NEObody technology to target a conserved epitope of CD137 that mostly overlaps with its ligand binding site, which we believe enables ADG106 to activate CD137 in its natural ligand-like fashion, with complete blocking of CD137L, which may differentiate it from two other investigational leading CD137 agonistic antibodies.

Enhanced developability profiles: NEObody technology is designed to preemptively eliminate the chemically unstable sites, or combinations of "problematic" sites that may pose risk for downstream manufacturing processes. This precision design strategy coupled with precision oligonucleotides and library construction have resulted in our high-quality antibody discovery libraries. The primary hits from these libraries generally lack severe "problematic" and spurious amino acid sites, and therefore, may offer promising characteristics for further development.

SAFEbody™

SAFEbody is our proprietary differentiated precision antibody masking technology designed to enable an antibody to bind its target specifically only after conditional activation of the antibody in target tissues. By engineering our antibody therapeutic candidates to selectively activate in the TME, our SAFEbody technology is designed to improve safety and tolerability of antibody therapeutics while simultaneously maintaining clinical activity. Through this technology, we believe we can provide a

solution to on-target off-tumor toxicity, one of the long-lasting challenges with many approved antibody therapeutics.



Activation in the TME: SAFEbody technology is designed to mask an antibody binding interface with a masking motif, which then prevents an antibody from binding to its target in healthy tissues. The masking motif is designed to activate or unmask the antibody binding in the TME where certain activation conditions such as a protease is upregulated as compared to healthy tissues, allowing the antibody to bind to and attack the tumor. Our SAFEbody enabled therapeutic candidates are therefore designed to be activated predominantly in the TME while remaining largely in an inactive state in healthy tissues.

Innovative masking moiety library design: Leveraging computational biology, we have designed multiple masking libraries with structured scaffolds and balanced chemistry of amino acids with favorable attributes for masking, easier manufacturing processes, and lower immunogenicity.

Precision masking without self-inhibition: To differentiate from other masking technologies, our antibody masking moieties have been designed and discovered in the right context in an effort to provide greater expression and specificity with no self-inhibition upon activation. We employ sophisticated screening processes for rapid discovery of highly masked SAFEbody product candidates subject to systematic tuning of the masking efficiency to match the target biology.

Improved pharmacology and safety features: We believe our SAFEbody technology has the potential to also reduce the dose-limiting toxicities observed in combination therapies and thus potentially enable new combinations with other cancer therapies that were previously difficult to use. Our SAFEbody technology may also provide favorable for PK and PD profiles for antibodies and ADCs to reduce the drug clearance from circulation in healthy tissues.

Our SAFEbody technology has been applied to multiple target antibodies that have been either discovered with NEObody technology or supplied by our partners. Our ADG126 was discovered by combining SAFEbody technology with its parental antibody discovered through our NEObody technology.

POWERbody™

POWERbody technology aims to boost the efficacy of antibody candidates. It is designed to apply multiple potent modalities to kill cancer cells, including ADCs, TCEs, ADCC enhancement and other novel modalities.

Our POWERbody technology aims to improve antitumor activity while maintaining the enhanced safety that our SAFEbody technology is designed to provide. We believe our POWERbody technology will unleash the full power of antibody-based therapeutics to kill cancer cells with enhanced safety, achieving full potential in antibody based therapies such as bispecific TCEs and ADCs.

COLLABORATIONS WITH BIOPHARMACEUTICAL COMPANIES

We enter into collaborations with biotechnology and pharmaceutical companies to advance the development and commercialization of our technology platforms and product candidates. We seek collaborations that will allow us to retain significant future participation in product sales through royalties paid on net sales. For example, we have entered into agreements with ADC Therapeutics to develop antibody drug conjugates against tumor targets using our SAFEbody technology. In addition, we have also out-licensed the Greater China rights to an anti-PD-L1 antibody and second antibody candidate to Dragon Boat Pharmaceuticals and its affiliates. Our collaborations empower our growth in many ways, including generating cash flow and revenues that partially offset expenditures on our internal research and development programs, expanding our knowledge base regarding antibody technology across multiple targets and antibodies provided by our partners, and providing us with future pipeline opportunities through opt-in licensing rights to new product candidates created using our technology. Below are the highlights of collaborations we formed with our business partners:

ADC Therapeutics Agreements

In April 2019, we entered into a material transfer and collaboration agreement (the "ADCT Collaboration Agreement") and a license agreement (the "ADCT License Agreement") with ADC Therapeutics, a late clinical-stage oncology-focused biotechnology company pioneering the development and commercialization of highly potent and targeted ADCs.

ADCT Collaboration Agreement

Pursuant to the ADCT Collaboration Agreement, we agreed to generate masked antibodies with our SAFEbody technology that could be combined with the pyrrolobenzodiazepine-based cytotoxic payload used in ADC Therapeutics' ADCs to create novel ADCs. ADC Therapeutics entered into the ADCT Collaboration Agreement with us to evaluate the use of our SAFEbody technology with respect to up to two exclusive targets selected by ADC Therapeutics. Upon our delivery of certain initial results, ADC Therapeutics has the option to license our SAFEbody™ technology with respect to one or both targets as further detailed below. ADC Therapeutics has not yet exercised such options as of September 15, 2020.

Both parties are required to use commercially reasonable efforts to perform certain development obligations under the ADCT Collaboration Agreement. Additionally, we are subject to exclusivity obligations to ADC Therapeutics under the ADCT Collaboration Agreement with respect to (i) the targets for which ADC Therapeutics has a license or an option to license and (ii) the use or licensing of our intellectual property that is necessary or useful to the development plan under the ADCT Collaboration Agreement or that would preclude us from granting to ADC Therapeutics the licenses under the ADCT License Agreement. ADC Therapeutics owns intellectual property that are specific to the SAFEbodies that we develop under the ADCT Collaboration Agreement with respect to the two elected targets, and we will own all intellectual property developed under the ADCT Collaboration Agreement that relates generally to our SAFEbody platform.

Under the ADCT Collaboration Agreement, we are eligible to receive up to a low-seven-figure dollar amount in consideration for our exclusivity obligations, upon achievement of certain development milestones and upon ADC Therapeutics' election to proceed with development for the two elected targets. ADC Therapeutics has the right to terminate the ADCT Collaboration Agreement at any time and for any reason in its entirety or on a target-by-target basis upon thirty days' prior written notice to us. Either party may terminate the ADCT Collaboration Agreement, in its entirety or on a target-by-target basis, upon the other party's uncured material breach of the agreement or the other party's insolvency-related events.

ADCT License Agreement

Subject to the exercise of the options contained in the ADCT Collaboration Agreement, we have granted ADC Therapeutics, with respect to each elected target, an exclusive, worldwide, perpetual and irrevocable (subject only to the termination provisions) license (with the right to grant sublicenses) to develop, make, use, commercialize and import the antibody drug conjugates that comprise masked antibodies generated by us under these programs. Subject to certain conditions, including the exercise by ADC Therapeutics of its first option to license our SAFEbody™ technology, ADC Therapeutics will grant us the option to negotiate a license to develop, manufacture and commercialize ADCs containing our SAFEbody™ technology in Greater China.

Under the ADCT License Agreement, if ADC Therapeutics exercises both of its options granted thereunder, we could be eligible to receive up to a low-nine-figure dollar amount in development and regulatory milestone payments and up to a mid-eight-figure dollar amount in sales milestone payments, in addition to mid-single-digit percentage net sales-based tiered royalties on products licensed under the ADCT License Agreement, subject to certain reductions. Royalties, if any, will be payable on a country-by-country and product-by-product basis, until the earlier of (i) the tenth anniversary of the first commercial sale of such product or (ii) the expiration of the last-to-expire patent licensed under the agreement in such country, unless earlier terminated by the parties, following which any licenses granted to ADC Therapeutics under the ADCT License Agreement shall become fully paid up, perpetual and irrevocable. In addition to the contingent milestone and royalty payments, if ADC Therapeutics exercises both of its options granted under the ADCT Collaboration Agreement, we are also entitled to a mid-six-figure dollar amount annual maintenance fee.

ADC Therapeutics has the right to terminate the ADCT License Agreement before the expiration of the royalty term on a product-by-product basis or in its entirety (i) for any reason or no reason upon thirty days' written notice to us, or (ii) if ADC Therapeutics chooses to discontinue the development or sale of the applicable licensed product worldwide. Each party has certain rights to terminate the ADCT License Agreement with prior written notice upon the other party's uncured material breach or insolvency.

Sanjin Collaboration/ Out-Licensing Agreements

2018 Collaboration Agreements

In December 2018, we entered into (i) a collaboration agreement (the "Sanjin Greater China Agreement") that covers Greater China with Guilin Sanjin Pharmaceutical Co., Ltd. ("Sanjin") and certain of its subsidiaries (collectively, "Sanjin Parties") and (ii) a collaboration agreement (the "Sanjin ROW Agreement", together with the Sanjin Greater China Agreement, the "2018 Sanjin Agreements") that covers the regions other than Greater China with Sanjin. Pursuant to the Sanjin Greater China Agreement, we licensed the Chinese intellectual property directly related to a monospecific antibody molecule that binds to the PD-L1 target (the "PD-L1 Project"), including patent rights, patent application rights and technologies based on the core sequence of the molecule, to Sanjin Parties. Sanjin Parties will own all the Chinese intellectual property developed in the exercise of Sanjin Parties' rights under the agreement, including but not limited to improvements (including combination products), clinical trials, regulatory filings, and commercialization rights relating thereto. We also granted Sanjin Parties a royalty-free license to use our other existing intellectual property and improvements thereto which are related to the PD-L1 Project for the purposes of exploiting its rights and performing its obligations under the agreement. Sanjin Parties will enjoy all the economic benefits deriving from the PD-L1 Project in Greater China, including but not limited to patent transfer fee, licensing fee, sales revenue and sales commission, etc. Sanjin Parties will pay us (i) single-digit percentage of net sales of the products that use the licensed antibody after such products enter the market and (ii) a low to mid-low double-digit percentage of the profits resulting from any transfer of

the license to any third parties depending on the timing of the transfer relative to the development stage of the product. We also received a low-seven figure dollar upfront fee upon the effectiveness of the agreement from Sanjin Parties.

Pursuant to the Sanjin ROW Agreement, we granted Sanjin a royalty-free license to use all intellectual property relating to (i) the collaboration under the agreement that we controlled before we entered into the agreement or acquired independently of the agreement and (ii) improvements thereto for the purposes of exploiting its rights and performing its obligations under the agreement. Any intellectual property generated independently by a party under the agreement will be solely owned by that party who generated such intellectual property, and any intellectual property generated from cooperation between us and Sanjin's affiliates in connection with the collaboration will be jointly owned. We retain the ownership of patent rights of key intellectual property pertaining to PD-L1 outside of the Greater China. In addition, all the results obtained by Sanjin relating to the research and development of any new antibody developed under the agreement will be owned by Sanjin. We retain a majority of the economic benefits derived from the Sanjin ROW Agreement, including but not limited to any patent transfer fee, licensing fee and gains realized under such transfer. In case we intend to transfer to a third party our share of economic interests in any country outside of Greater China, we must notify Sanjin and Sanjin will receive a right of first refusal if it pays us a deposit equal to a low double-digit percentage of the consideration that we expect to receive from such third party. If Sanjin waives the right of first refusal, we can proceed with the transfer, provided that the final transaction price with the third party is not lower than the amount of the offering price that was included in our notice to Sanjin.

Under the 2018 Sanjin Agreements, we agreed not to (i) independently develop any monospecific antibodies that bind to the PD-L1 target or (ii) grant any rights associated with such antibodies to any third parties during the three-year period from the effective date of the agreements. The exclusivity obligation does not prevent us from (i) developing or granting any licenses to third parties for intellectual property that covers bispecific antibodies, ADCs, diagnostic antibodies, nano-particles and probody against PD-L1 target and (ii) continuing to provide antibody screening service that were commenced before the execution of the Sanjin Greater China Agreement and either party has the independent right to conduct combination therapy studies outside of the Greater China. Either non-breaching party may terminate the 2018 Sanjin Agreements if the other party's ability to comply with its respective obligations under the agreements is negatively affected by contingencies such as failure to maintain operation or changes in core project management and the other party fails to take effective remedial measures. Each agreement automatically terminates upon the termination of the other agreement. Upon the rescission or termination, Sanjin Parties will return to us all the intellectual property, documents and data provided by us under the 2018 Sanjin Agreements. The 2018 Sanjin Agreements are governed by PRC law.

2019 Collaboration Agreements

In May 2019, we entered into (i) a collaboration agreement that covers Greater China (the "Dragon Boat Greater China Agreement") and (ii) a collaboration agreement that covers the regions other than Greater China (the "Dragon Boat ROW Agreement," together with the Dragon Boat Greater China Agreement, the "2019 Dragon Boat Agreements"), with Dragon Boat Biopharmaceutical (Shanghai) Limited. ("Dragon Boat"), a subsidiary of Sanjin. Pursuant to the Dragon Boat Greater China Agreement, we will license the Chinese intellectual property directly related to a certain monospecific antibody molecule that binds to a specified target (the "Specified Project"), including the patent rights, patent application rights and technologies based on the core sequence of the molecule, to Dragon Boat. Dragon Boat will own all the Chinese intellectual property developed in the exercise of Dragon Boat's rights under the agreement, including but not limited to improvements (including combination products), clinical trials, regulatory filings, and commercialization rights relating thereto.

We also granted Dragon Boat a royalty-free license to use our other existing intellectual property and improvements thereto which are related to the Specified Project for the purposes of exploiting its rights and performing its obligations under the agreement. Dragon Boat will enjoy all the economic benefits deriving from the Specified Project in Greater China, including but not limited to patent transfer fee, licensing fee, sales revenue and sales commission, etc. and will pay us (i) certain high-six figure dollar milestone payments and (ii) a single-digit percentage of net sales of the products that use the licensed antibody after such products enter the market. Dragon Boat also paid us a mid-six figure dollar upfront fee upon the signing of the agreement.

Pursuant to the Dragon Boat ROW Agreement, we granted Dragon Boat a royalty-free license to use all intellectual property relating to (i) the collaboration under the agreement that we controlled before we entered into the agreement or acquired independently of the agreement and (ii) improvements thereto for the purposes of exploiting its rights and performing its obligations under the agreement. Any intellectual property generated independently by a party under the agreement will be solely owned by that party who generated such intellectual property, and any intellectual property generated from cooperation between us and Dragon Boat in connection with the collaboration will be jointly owned. We retain the ownership of patent rights of key intellectual property pertaining to the specified target outside of the Greater China. In addition, all the results obtained by Dragon Boat relating to the research and development of any new antibody developed under the agreement will be owned by Dragon Boat. We retain a majority of the economic benefits derived from the Dragon Boat ROW Agreement, including but not limited to any patent transfer fee, licensing fee and gains realized under such transfer. In case we intend to transfer to a third party our share of economic interests in any country outside of Greater China, we must notify Dragon Boat and Dragon Boat will receive a right of first refusal if it pays us a deposit equal to a low double-digit percentage of the consideration that we expect to receive from such third party. If Dragon Boat waives the right of first refusal, we can proceed with the transfer, provided that the final transaction price with the third party is not lower than the amount of the offering price that was included in our notice to Dragon Boat.

Under the 2019 Dragon Boat Agreements, we agreed not to (i) independently develop any monospecific antibodies that bind to the specified target or (ii) grant any rights associated with such antibodies to any third parties during the three-year period from the effective date of the agreements. The exclusivity obligation does not prevent us from (i) developing or granting any licenses to third parties for intellectual property that covers bispecific antibodies, ADCs, diagnostic antibodies, nano-particles and probody against the specific target and (ii) continuing to provide antibody screening service that were commenced before the execution of the Dragon Boat Greater China Agreement and either party has the independent right to conduct combination therapy studies outside of the Greater China. Either nonbreaching party may terminate the 2019 Dragon Boat Agreements if the other party's ability to comply with its obligations under the agreements is negatively affected by contingencies such as failure to maintain operation or changes in core project management and the other party fails to take effective remedial measures. Each agreement automatically terminates upon the termination of the other agreement. Upon the rescission or termination, Dragon Boat will return to us all the intellectual property, documents and data provided by us under the 2019 Dragon Boat Agreements. The 2019 Dragon Boat Agreements are governed by PRC law.

INTELLECTUAL PROPERTY

Protection of our intellectual property is fundamental to the long-term success of our business. Specifically, our success is dependent on our ability to obtain and maintain protection for our technology and the know-how related to our business, defend and enforce our intellectual property rights, and operate our business without infringing, misappropriating, or otherwise violating valid and enforceable intellectual property rights of others. Our patent strategy is focused on seeking coverage for our core technologies and products, such as the DPL platform, ADG106, ADG126, and ADG116.

We also rely on trade secret protection of our confidential information and know-how relating to our proprietary technology, platforms and product candidates, and continuing innovation to develop, strengthen, and maintain our proprietary position in our technology, platforms and product candidates. We expect to rely on data exclusivity, market exclusivity, patent term adjustment and patent term extensions when available.

As of August 30, 2020, we own two issued patents and eight pending patent applications in China and we also own two issued patents and six pending applications in Europe, nine pending patent applications in the United States and eight pending patent applications in other jurisdictions. Our patents and patent applications cover our key technologies and products, including the DPL platform, ADG106, ADG126, and ADG116. Excluding any patent term adjustment and patent term extension, our currently issued patents are expected to expire from 2033 to 2034. If any patents issue from our pending patent applications, excluding any patent term adjustments and patent term extension, such patents will be expected to expire from 2037 to 2041.

We continually assess and refine our intellectual property strategy as we develop new platform technologies and product candidates. To that end, we are prepared to file additional patent applications relating to the new technologies that we develop if our intellectual property strategy requires such filings, or where we seek to adapt to competition or seize business opportunities. In addition to filing and prosecuting patent applications in China and the United States, we may elect to file counterpart patent applications in additional countries and regions where we believe such foreign filing is likely to be beneficial.

As with other biopharmaceutical companies, our ability to maintain and solidify our proprietary and intellectual property position for our platform technologies and product candidates will depend on our success in obtaining effective patent claims and enforcing those claims if granted. However, our owned 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. In addition, the term of individual issued patents depends upon the legal term for patents in the countries in which they are obtained. In most countries in which we have filed or intend to file in the future, including the United States, the patent term is 20 years from the earliest filing date of a nonprovisional patent application. We intend to seek patent term extensions to any of our issued patents in any jurisdiction where these are available; however, there is no guarantee that the applicable authorities will agree with our assessment of whether such extensions should be granted, and even if granted, the length of such extensions. The life of a patent, and the protection it affords, is therefore limited and once the patent life of our issued patents has expired, we may face competition, including from other competing technologies. As a result, our patent portfolio may not provide us with sufficient rights to exclude others from commercializing products similar or identical to ours.

We seek to ensure that investments made into the development of our technology are protected by relying on a combination of patents, trademarks, copyrights, trade secrets and contractual rights, including license agreements. In addition to our patent portfolio described above, as of August 30, 2020, our PRC subsidiary owns 22 registered trademarks relating to various aspects of our operations, and two registered domain names in China. To protect our rights, we seek to enter into confidentiality agreements, nondisclosure agreements and employee disclosure and invention assignment agreements with our employees, contractors and other third parties who may have or need access to our confidential information. We have also employed internal policies, encryptions and data security measures to protect our proprietary rights. However, there can be no assurance that our efforts will be successful. If our employees, contractors or other third parties violate these agreements or otherwise infringe upon, misappropriate or otherwise violate our intellectual property rights, we may seek to enforce our rights against such parties. In addition, from time to time, third parties may initiate litigation against us alleging infringement, misappropriation or other violation of their proprietary rights or declaring their noninfringement of our intellectual property rights. An adverse result in any such

proceeding could enjoin the commercialization of our technology platform and product candidates, result in significant damages, and have a material adverse effect on our business. Even if we are successful in any such litigation, we may be required to incur significant costs and dedicate significant personnel time in defending such litigation. For more information on these and other risks related to intellectual property, see "Risk Factors—Risks Related to Our Intellectual Property".

MANUFACTURING AND SUPPLY

We do not currently operate a cGMP-compliant manufacturing facility. We currently outsource the GMP manufacturing and quality control testing and cGMP quality assurance release of clinical trial material to WuXi Biologics. We have entered into a framework agreement with Wuxi Biologics, under which it provides services to us on a project-by-project basis. We are also working with other qualified manufacturers to provide diversified manufacturing and supply services. We also monitor the manufacturing activities of clinical trial material to ensure the compliance with local and international cGMP and applicable regulations. We have assembled a seasoned internal team with rich experience to drive and monitor the manufacturing process. Currently, Wuxi Biologics obtains raw materials and supplies for manufacturing activities from multiple suppliers who we believe have sufficient capacity to meet our demands. We expect to continue our relationships with WuXi Biologics but are continuously evaluating multiple vendors globally to ensure continuous supply of products for global clinical trials.

COMPETITION

The biotechnology and pharmaceutical industries are highly competitive and characterized by continuing technological advancement, significant competition and an emphasis on intellectual property. While we believe that our management's research, development and commercialization experience provide us with competitive advantages, we face potential competition from many different sources, including global biopharmaceutical companies, major multinational pharmaceutical companies, established biotechnology companies, specialty pharmaceutical companies, universities, academic institutions, government agencies and other public and private research organizations that conduct research, seek patent protection and establish collaborative arrangements for the research, development, manufacturing and commercialization of cancer immunotherapies. Any product candidates that we successfully develop and commercialize will compete with new immunotherapies and other drug products that may become available in the future. Our commercial opportunity could be reduced or eliminated if our competitors develop and commercialize products that are safer and more effective, have fewer or less severe side effects or are more convenient than any products that we may develop. Our competitors also may obtain FDA or other regulatory approval for their products more rapidly than we do.

We compete in the segments of the pharmaceutical, biotechnology and other related markets that develop cancer treatments. There are many other companies that have commercialized and/or are developing immuno-oncology treatments for cancer, including large pharmaceutical and biotechnology 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. Smaller or early-stage companies may also prove to be significant competitors, particularly through collaborative arrangements with large and established companies. Our commercial opportunities 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 product candidates, or obtain regulatory approval for their products more rapidly than we may obtain approval for our product candidates.

Our lead product candidate, ADG106, is an investigational fully human ligand-blocking, agonistic anti-CD137 IgG4 mAb that is designed to target a unique conserved epitope of CD137. While potentially unique for this type of product candidate, we expect our primary competition to be with

other clinical-stage CD137 agonist product candidates. See "—ADG106: an investigational CD137 agonist candidate—Market Opportunity and Competition."

ADG126 and ADG116 are investigational, fully human anti-CTLA-4 mAbs generated through our NEObody and SAFEbody technologies, respectively. We expect our primary competition to be within the CTLA-4 antibody market, especially with ipilimumab. See "—ADG126: SAFEbody Program Targeting CTLA-4—Market Opportunity and Competition."

EMPLOYEES

We had a total of 172 employees as of June 30, 2020. The following table sets forth the numbers of our employees categorized by function as of June 30, 2020. We also engage consultants and part-time staff as and when appropriate.

Function	Number of Employees
Research and Development	136
Computational Biology and Informatics	21
Technology Development	59
Drug Discovery	32
Clinical Development	24
General Administration	33
HR	6
Finance	8
IT	5
Administration	14
Business Development and Marketing	3
Total	172

Our success depends on our ability to attract, motivate, train and retain qualified personnel. We believe we offer our employees competitive compensation packages and an environment that encourages self-development. We regularly recruit new talents through campus events and colleague referral to build and develop our own talent pool. Through employee succession planning, we help employees understand their career path within Adagene, motivate them to remain in the organization and to achieve their personal career goals. Other initiatives for talent retention include executive coaching, employee surveys or engagement, training and development, compensation and rewards. As a result of these efforts, we have generally been able to attract and retain qualified personnel and maintain a stable core management team.

As required by regulations in China, we participate in various employee social security plans that are organized by municipal and provincial governments, including pension insurance, unemployment insurance, maternity insurance, work-related injury insurance, medical insurance and housing funds. We are required under PRC law to make contributions to employee benefit plans at specified percentages of the salaries, bonuses and certain allowances of our employees, up to a maximum amount specified by the local government from time to time. We have granted, and plan to continue to grant, share-based incentive awards to our employees in the future to incentivize their contributions to our growth and development.

We believe that we maintain a good working relationship with our employees, and we have not experienced any material labor disputes. None of our employees is subject to a collective bargaining agreement.

FACILITIES

Our headquarter is based in Suzhou, China, where we have our main administrative and laboratory offices, which are approximately 2,246 square meters in size. The lease agreements for this facility expire in March 31, 2021 and September 15, 2021 respectively. We also have a 2,673 square feet facility in San Diego, California for laboratory, research and development functions, the lease for which expires on August 31, 2023. We believe our current facilities are sufficient to meet our near-term needs.

INSURANCE

We provide social security insurance including pension insurance, unemployment insurance, work-related injury insurance and medical insurance for our employees. We maintain property insurance, general liability insurance, products/completed operations insurance, auto and international auto liability insurance, workers compensation insurance, international workers compensation insurance, accident and health insurance and director and officer liabilities insurance. We consider our insurance coverage sufficient and in line with market practice for our business operations in the industry.

LEGAL PROCEEDINGS

From time to time, we may become involved in legal proceedings or be subject to claims arising in the ordinary course of our business. We are not presently a party to any legal proceedings that, if determined adversely to us, would individually or taken together have a material adverse effect on our business, results of operations, financial condition or cash flows. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

REGULATION

United States Regulation

The FDA and other regulatory authorities at federal, state, and local levels, as well as in foreign countries, extensively regulate, among other things, the research, development, testing, manufacture, quality control, import, export, safety, effectiveness, labeling, packaging, storage, distribution, record keeping, approval, advertising, promotion, marketing, post-approval monitoring and post-approval reporting of biologics such as those we are developing. We, along with third-party contractors, will be required to navigate the various preclinical, clinical and commercial approval requirements of the governing regulatory agencies of the countries in which we wish to conduct studies or seek approval or licensure of our product candidates.

In the United States, the FDA regulates biologic products under the Federal Food, Drug and Cosmetic Act, its implementing regulations and other laws, including, in the case of biologics, the Public Health Service Act. Our product candidates are subject to regulation by the FDA as biologics. Biologics require the submission of a BLA and licensure, which constitutes approval, by the FDA before being marketed in the United States. None of our product candidates has been approved by the FDA for marketing in the United States, and we currently have no BLAs pending. Failure to comply with applicable FDA or other requirements at any time during product development, clinical testing, the approval process or after approval may result in administrative or judicial sanctions. These sanctions could include the FDA's refusal to approve pending applications, suspension or revocation of approved applications, warning letters, product recalls, product seizures, total or partial suspensions of manufacturing or distribution, injunctions, fines, civil penalties or criminal prosecution.

The process required by the FDA before biologic product candidates may be marketed in the United States generally involves the following:

- completion of preclinical laboratory tests and animal studies performed in accordance with the FDA's GLP regulations;
- submission to the FDA of an IND, which must become effective before clinical trials may begin and must be updated annually or when significant changes are made;
- approval by an independent Institutional Review Board, or IRB, or ethics committee at each clinical site before the trial is commenced;
- performance of adequate and well-controlled human clinical trials to establish the safety and effectiveness of the proposed biologic product candidate for its intended indications;
- preparation of and submission to the FDA of a BLA when adequate data are obtained from pivotal clinical trials;
- a determination by the FDA within 60 days of its receipt of a BLA to accept the application for review;
- satisfactory completion of an FDA Advisory Committee review, if applicable;
- satisfactory completion of an FDA pre-approval inspection of the manufacturing facility or facilities at which the proposed product is produced to assess compliance with cGMP and to assure that the facilities, methods and controls are adequate to preserve the biological product's continued safety, purity and potency, and of selected clinical investigation sites to assess compliance with Good Clinical Practices, or GCP regulations; and
- FDA review and approval of the BLA to permit commercial marketing of the product for particular indications for use in the United States.

Preclinical and Clinical Development

Prior to beginning the first clinical trial with a product candidate in the United States, we must submit an IND application to the FDA. An IND application is a request for authorization from the FDA to administer an investigational new drug product to humans. The central focus of an IND application is on the general investigational plan and the protocol(s) for clinical trials. The IND application also includes results of animal and in vitro studies assessing the toxicology, pharmacokinetics, pharmacology, and pharmacodynamic characteristics of the product; chemistry, manufacturing, and controls information; and any available human data or literature to support the use of the investigational product. An IND must become effective before human clinical trials may begin. The IND automatically becomes effective 30 days after receipt by the FDA, unless the FDA, within the 30-day time period, raises safety concerns or questions about the proposed clinical trial. If the IND sponsor is not able to address FDA's concerns satisfactorily within the 30-day time frame, the IND may be placed on clinical hold. The IND sponsor and the FDA must resolve any outstanding concerns or questions before the IND is cleared by the FDA and the clinical trial can begin. Submission of an IND therefore may or may not result in FDA authorization to begin a clinical trial.

Clinical trials involve the administration of the investigational product to human subjects under the supervision of qualified investigators in accordance with GCPs, which include the requirement that all research subjects provide their informed consent for their participation in any clinical trial. Clinical trials are conducted under protocols detailing, among other things, the objectives of the study, the parameters to be used in monitoring safety and the effectiveness criteria to be evaluated. Generally, a separate submission to the existing IND must be made for each successive clinical trial conducted during product development and for any subsequent protocol amendments. Furthermore, an independent IRB for each site proposing to conduct the clinical trial must review and approve the plan for any clinical trial and its informed consent form before the clinical trial begins at that site, and must monitor the study until completed. Regulatory authorities, the IRB or the sponsor may suspend a clinical trial at any time on various grounds, including a finding that the subjects are being exposed to an unacceptable health risk or that the trial is unlikely to meet its stated objectives. Some studies also include oversight by an independent group of qualified experts organized by the clinical trial sponsor, known as a data safety monitoring board, or DSMB, which provides recommendation on whether or not a study should move forward at designated check points based on access to certain data from the study. The DSMB may recommend halting of the clinical trial if it determines that there is an unacceptable safety risk for subjects or on other grounds, such as no demonstration of efficacy. There are also requirements governing the reporting of ongoing clinical trials and clinical trial results to public registries.

For purposes of BLA approval, human clinical trials are typically conducted in three sequential phases that may overlap.

- Phase I—The investigational product is initially introduced into healthy human subjects or patients with the target disease or condition. These studies are designed to test the safety, dosage tolerance, absorption, metabolism and distribution of the investigational product in humans, the side effects associated with increasing doses, and, if possible, to gain early evidence on effectiveness. For investigational products developed for oncology indications, the Phase I trials are normally conducted in patients with serious or life-threatening diseases without other treatment alternatives.

- Phase II—The investigational product is administered to a limited patient population with a specified disease or condition to evaluate the preliminary efficacy, optimal dosages and dosing schedule and to identify possible adverse side effects and safety risks. Multiple Phase II clinical trials may be conducted to obtain information prior to beginning larger and more expensive Phase III clinical trials. For certain indications in patients with serious or life-threatening

diseases and with no available therapies, it may be possible to obtain BLA approval based on data from Phase II trials if a positive benefit risk profile is demonstrated.

- Phase III—The investigational product is administered to an expanded patient population to further evaluate dosage, to provide statistically significant evidence of clinical efficacy and to further test for safety, generally at multiple geographically dispersed clinical trial sites. These clinical trials are intended to establish the overall risk/benefit ratio of the investigational product and to provide an adequate basis for product approval.

In some cases, the FDA may require, or companies may voluntarily pursue, additional clinical trials after a product is approved to gain more information about the product. These so-called Phase 4 studies may be made a condition to approval of the BLA. Concurrent with clinical trials, companies may complete additional animal studies and develop additional information about the biological characteristics of the product candidate, and must finalize a process for manufacturing the product in commercial quantities in accordance with cGMP requirements. The manufacturing process must be capable of consistently producing quality batches of the product candidate and, among other things, must develop methods for testing the identity, strength, quality and purity of the final product, or for biologics, the safety, purity and potency. Additionally, appropriate packaging must be selected and tested and stability studies must be conducted to demonstrate that the product candidate does not undergo unacceptable deterioration over its shelf life.

BLA Submission and Review

Assuming successful completion of all required testing in accordance with all applicable regulatory requirements, the results of product development, preclinical studies and clinical trials are submitted to the FDA as part of a BLA requesting approval to market the product for one or more indications. The BLA must include all relevant data available from pertinent preclinical and clinical trials, including negative or ambiguous results as well as positive findings, together with detailed information relating to the product's chemistry, manufacturing, controls and proposed labeling, among other things. The submission of a BLA requires payment of a substantial application user fee to the FDA unless a waiver or exemption applies.

Once an original BLA has been submitted, FDA has 60 days to determine whether the application can be filed. If FDA determines that an application to be deficient, on its face, in a way that precludes a complete review, FDA may not accept the application for review and may issue a refuse-to-file letter to the sponsor. If FDA determines the application is filable, the FDA's goal is to review standard applications within ten months after it accepts the application for filing, or, if the application qualifies for priority review, six months after the FDA accepts the application for filing. In both standard and priority reviews, the review process is often significantly extended by FDA requests for additional information or clarification. The FDA reviews a BLA to determine, among other things, whether a product is safe, pure and potent and the facilities in which it is manufactured, processed, packed, or held meets standards designed to assure the product's continued safety, purity and potency. The FDA may convene an advisory committee to provide clinical insight on application review questions. Before approving a BLA, the FDA will typically inspect the facility or facilities where the product is manufactured. The FDA will not approve an application unless it determines that the manufacturing processes and facilities are in compliance with cGMP requirements and adequate to assure consistent production of the product within required specifications. Additionally, before approving a BLA, the FDA will typically inspect one or more clinical sites to assure compliance with GCP. If the FDA determines that the application, manufacturing process or manufacturing facilities are not acceptable, it will outline the deficiencies in the submission and often will request additional testing or information. Notwithstanding the submission of any requested additional information, the FDA ultimately may decide that the application does not satisfy the regulatory criteria for approval.

After the FDA evaluates a BLA and conducts inspections of manufacturing facilities where the commercial product and/or its drug substance will be produced, the FDA may issue an approval letter or a Complete Response letter. An approval letter authorizes commercial marketing of the product with specific prescribing information for specific indications. A Complete Response letter will describe all of the deficiencies that the FDA has identified in the BLA, except that where the FDA determines that the data supporting the application are inadequate to support approval, the FDA may issue the Complete Response letter without first conducting required inspections, testing submitted product lots, and/or reviewing proposed labeling. In issuing the Complete Response letter, the FDA may recommend actions that the applicant might take to place the BLA in condition for approval, including requests for additional information or clarification. The FDA may delay or refuse approval of a BLA if applicable regulatory criteria are not satisfied, require additional testing or information and/or require post-marketing testing and surveillance to monitor safety or efficacy of a product.

If regulatory approval of a product is granted, such approval will be granted for particular indications and may entail limitations on the indicated uses for which such product may be marketed. For example, the FDA may approve the BLA with a Risk Evaluation and Mitigation Strategy, or REMS, to ensure the benefits of the product outweigh its risks. A REMS is a safety strategy to manage a known or potential serious risk associated with a product and to enable patients to have continued access to such medicines by managing their safe use, and 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. The FDA also may condition approval on, among other things, changes to proposed labeling or the development of adequate controls and specifications. Once approved, the FDA may withdraw the product approval if compliance with pre- and post-marketing requirements is not maintained or if problems occur after the product reaches the marketplace. The FDA may require one or more Phase 4 post-market studies and surveillance to further assess and monitor the product's safety and effectiveness after commercialization, and may limit further marketing of the product based on the results of these post-marketing studies.

Expedited Development and Review Programs

The FDA offers a number of expedited development and review programs for qualifying product candidates. The fast track program is intended to expedite or facilitate the process for reviewing new products that meet certain criteria. Specifically, new products are eligible for fast track designation if they are intended to treat a serious or life-threatening disease or condition and demonstrate the potential to address unmet medical needs for the disease or condition. Fast track designation applies to the combination of the product and the specific indication for which it is being studied. The sponsor of a fast track product has opportunities for frequent interactions with the review team during product development and, once a BLA is submitted, the product may be eligible for priority review. A fast track product may also be eligible for rolling review, in which case the FDA may consider for review sections of the BLA on a rolling basis before the complete application is submitted, if the sponsor provides a schedule for the submission of the sections of the BLA, the FDA agrees to accept sections of the BLA and determines that the schedule is acceptable, and the sponsor pays any required user fees upon submission of the first section of the BLA.

A product intended to treat a serious or life-threatening disease or condition may also be eligible for breakthrough therapy designation to expedite its development and review. A product can receive breakthrough therapy designation if preliminary clinical evidence indicates that the product may demonstrate substantial improvement over existing therapies on one or more clinically significant endpoints, such as substantial treatment effects observed early in clinical development. The designation includes all of the fast track program features, as well as more intensive FDA interaction and guidance beginning as early as Phase I and an organizational commitment to expedite the development and review of the product, including involvement of senior managers.

Any marketing application for a biologic submitted to the FDA for approval, including a product with a fast track designation and/or breakthrough therapy designation, may be eligible for other types of FDA programs intended to expedite the FDA review and approval process, such as priority review and accelerated approval. A product is eligible for priority review if it has the potential to provide a significant improvement in the treatment, diagnosis or prevention of a serious disease or condition compared to marketed products. For products containing new molecular entities, priority review designation means the FDA's goal is to take action on the marketing application within six months of the 60-day filing date (compared with ten months under standard review).

Additionally, products studied for their safety and effectiveness in treating serious or life-threatening diseases or conditions may receive accelerated approval upon a determination that the product has an effect 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, taking into account the severity, rarity, or prevalence of the condition and the availability or lack of alternative treatments. As a condition of accelerated approval, the FDA will generally require the sponsor to perform adequate and well- controlled post-marketing clinical trials to verify and describe the anticipated effect on irreversible morbidity or mortality or other clinical benefit. In addition, the FDA currently requires as a condition for accelerated approval pre-approval of promotional materials, which could adversely impact the timing of the commercial launch of the product.

In 2017, FDA established a new regenerative medicine advanced therapy, or RMAT, designation as part of its implementation of the 21st Century Cures Act, which was signed into law in December 2016. The RMAT designation program is intended to fulfill the 21st Century Cures Act requirement that FDA facilitate an efficient development program for, and expedite review of, any drug that meets the following criteria: (1) it qualifies as a RMAT, which is defined as a cell therapy, therapeutic tissue engineering product, human cell and tissue product, or any combination product using such therapies or products, with limited exceptions; (2) it is intended to treat, modify, reverse, or cure a serious or life-threatening disease or condition; and (3) preliminary clinical evidence indicates that the drug has the potential to address unmet medical needs for such a disease or condition. Like fast track and breakthrough therapy designation, RMAT designation provides potential benefits that include more frequent meetings with the FDA to discuss the development plan for the product candidate and eligibility for rolling review and priority review. Products granted RMAT designation may also be eligible for accelerated approval on the basis of a surrogate or intermediate endpoint reasonably likely to predict long-term clinical benefit, or reliance upon data obtained from a meaningful number of sites, including through expansion to additional sites. Once approved, when appropriate, the FDA can permit fulfillment of post-approval requirements under accelerated approval through the submission of clinical evidence, clinical trials, patient registries, or other sources of real-world evidence such as electronic health records; through the collection of larger confirmatory datasets; or through post-approval monitoring of all patients treated with the therapy prior to approval.

Fast track designation, breakthrough therapy designation, priority review, accelerated approval, and RMAT designation do not change the standards for approval but may expedite the development or approval process.

Orphan Drug Designation

Under the Orphan Drug Act, the FDA may grant orphan designation to a drug or biologic intended to treat a rare disease or condition, which is a disease or condition that affects fewer than 200,000 individuals in the United States, or if it affects more than 200,000 individuals in the United States, there is no reasonable expectation that the cost of developing and making available a drug or biologic for this type of disease or condition will be recovered from sales in the United States for that drug or biologic. Orphan drug designation must be requested before submitting a BLA. After the FDA

grants orphan drug designation, the generic identity of the therapeutic agent and its potential orphan use are disclosed publicly by the FDA. The orphan drug designation does not convey any advantage in, or shorten the duration of, the regulatory review or approval process.

If a product that has orphan drug designation subsequently receives the first FDA approval for the disease for which it has such designation, the product is entitled to orphan drug exclusive approval (or exclusivity), which means that the FDA may not approve any other applications, including a full BLA, to market the same biologic for the same indication for seven years, except in limited circumstances, such as a showing of clinical superiority to the product with orphan drug exclusivity. Orphan drug exclusivity does not prevent the FDA from approving a different drug or biologic for the same disease or condition, or the same drug or biologic for a different disease or condition. Among the other benefits of orphan drug designation are tax credits for certain research and a waiver of the BLA application fee.

A designated orphan drug may not receive orphan drug exclusivity if it is approved for a use that is broader than the indication for which it received orphan designation. In addition, exclusive marketing rights in the United States may be lost if the FDA later determines that the request for designation was materially defective or if the manufacturer is unable to assure sufficient quantities of the product to meet the needs of patients with the rare disease or condition.

Post-Approval Requirements

Any products manufactured or distributed by us pursuant to FDA approvals are subject to pervasive and continuing regulation by the FDA, including, among other things, requirements relating to record keeping, reporting of adverse experiences, periodic reporting, product sampling and distribution, and advertising and promotion of the product. After approval, most changes to the approved product, such as adding new indications or other labeling claims, are subject to prior FDA review and approval. There also are continuing user fee requirements, under which FDA assesses an annual program fee for each product identified in an approved BLA. Biologic manufacturers and their subcontractors 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, which impose certain procedural and documentation requirements upon us and our third-party manufacturers. Changes to the manufacturing process are strictly regulated, and, depending on the significance of the change, may require prior FDA approval before being implemented. FDA regulations also require investigation and correction of any deviations from cGMP and impose reporting requirements upon us and any third-party manufacturers that we may decide to use. Accordingly, manufacturers must continue to expend time, money and effort in the area of production and quality control to maintain compliance with cGMP and other aspects of regulatory compliance.

The FDA may withdraw approval if compliance with regulatory requirements and standards is not maintained or if problems occur after the product reaches the market. Later discovery of previously unknown problems with a product, including adverse events of unanticipated severity or frequency, or with manufacturing processes, or failure to comply with regulatory requirements, may result in revisions to the approved labeling to add new safety information; imposition of post-market studies or clinical trials to assess new safety risks; or imposition of distribution restrictions or other restrictions under a REMS program. Other potential consequences include, among other things:

- restrictions on the marketing or manufacturing of a product, complete withdrawal of the product from the market or product recalls;

- fines, warning letters or holds on post-approval clinical trials;
- refusal of the FDA to approve pending applications or supplements to approved applications, or suspension or revocation of existing product approvals;
- product seizure or detention, or refusal of the FDA to permit the import or export of products; or
- injunctions or the imposition of civil or criminal penalties.

The FDA closely regulates the marketing, labeling, advertising and promotion of biologics. A company can make only those claims relating to safety and efficacy, purity and potency that are approved by the FDA and in accordance with the provisions of the approved label. The FDA and other agencies actively enforce the laws and regulations prohibiting the promotion of off-label uses. Failure to comply with these requirements can result in, among other things, adverse publicity, warning letters, corrective advertising and potential civil and criminal penalties. Physicians may prescribe legally available products for uses that are not described in the product's labeling and that differ from those tested by us and approved by the FDA. Such off-label uses are common across medical specialties. Physicians may believe that such off-label uses are the best treatment for many patients in varied circumstances. The FDA does not regulate the behavior of physicians in their choice of treatments. The FDA does, however, restrict manufacturer's communications on the subject of off-label use of their products.

Biosimilars and Reference Product Exclusivity

The Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act, or collectively, the ACA, signed into law in 2010, includes a subtitle called the Biologics Price Competition and Innovation Act of 2009, or BPCIA, which created an abbreviated approval pathway for biological products that are biosimilar to or interchangeable with an FDA-approved reference biological product.

Biosimilarity, which requires that there be no clinically meaningful differences between the biological product and the reference product in terms of safety, purity, and potency, can be shown through analytical studies, animal studies, and a clinical trial or studies. Interchangeability requires that a product be biosimilar to the reference product and the product must demonstrate that it can be expected to produce the same clinical results as the reference product in any given patient and, for products that are administered to a patient more than once, the biologic and the reference biologic may be alternated or switched after one has been previously administered without increasing safety risks or risks of diminished efficacy relative to exclusive use of the reference biologic. Complexities associated with the larger, and often more complex, structures of biological products, as well as the processes by which such products are manufactured, pose significant hurdles to implementation of the abbreviated approval pathway that are still being worked out by the FDA.

Under the BPCIA, an application for a biosimilar product may not be submitted to the FDA until four years following the date that the reference product was first licensed by the FDA. In addition, the FDA may not approve a biosimilar product until 12 years from the date on which the reference product was first licensed. During this 12-year period of exclusivity, another company may still market a competing version of the reference product if the FDA approves a full BLA containing that applicant's own preclinical data and data from adequate and well-controlled clinical trials to demonstrate the safety, purity and potency of the competing product. The BPCIA also created certain exclusivity periods for biosimilars approved as interchangeable products. At this juncture, it is unclear whether products deemed "interchangeable" by the FDA will, in fact, be readily substituted by pharmacies, which are governed by state pharmacy law.

The BPCIA is complex and continues to be interpreted and implemented by the FDA. In addition, government proposals have sought to reduce the 12-year reference product exclusivity period. Other aspects of the BPCIA, some of which may impact the BPCIA exclusivity provisions, have also been the subject of recent litigation. As a result, the ultimate implementation and impact of the BPCIA is subject to significant uncertainty.

Other Healthcare Laws and Compliance Requirements

Pharmaceutical companies are subject to additional healthcare regulation and enforcement by the federal government and by authorities in the states and foreign jurisdictions in which they conduct their business. Such laws include, without limitation:

- the U.S. federal Anti-Kickback Statute, which prohibits, among other things, persons and entities from knowingly and willfully soliciting, receiving, offering or paying remuneration, to induce, or in return for, either the referral of an individual, or the purchase or recommendation of an item or service for which payment may be made under any federal healthcare program;

- federal civil and criminal false claims laws, including the civil False Claims Act, and civil monetary penalty laws, which prohibit, among other things, individuals or entities from knowingly presenting, or causing to be presented, claims for payment to the federal government, including federal healthcare programs, that are false or fraudulent;

- the federal Health Insurance Portability and Accountability Act of 1996, or HIPAA, which created additional federal criminal statutes which prohibit, among other things, executing a scheme to defraud any healthcare benefit program and making false statements relating to healthcare matters, and which, as amended by the Health Information Technology for Economic and Clinical Health Act of 2009, or HITECH, also imposes certain requirements on HIPAA covered entities and their business associates relating to the privacy, security and transmission of individually identifiable health information;

- the U.S. federal Physician Payments Sunshine Act, which requires certain manufacturers of drugs, devices, biologics and medical supplies for which payment is available under Medicare, Medicaid or the Children's Health Insurance Program, with specific exceptions, to annually report to the federal government, information related to payments or other transfers of value made to physicians, as defined by such law, certain other health care providers beginning in 2022, and teaching hospitals, as well as ownership and investment interests held by physicians and their immediate family members; and

- United States state and foreign law equivalents of each of the above federal laws, which, in some cases, differ from each other in significant ways, and may not have the same effect, thus complicating compliance efforts, including laws governing the privacy and security of personal data, such as the GDPR, which imposes obligations and restrictions on the collection and use of personal data relating to individuals located in the EU and EEA (including with regard to health data).

If their operations are found to be in violation of any of such laws or any other governmental regulations that apply, they may be subject to significant penalties, including, without limitation, civil, criminal and administrative penalties, damages, fines, exclusion from government-funded healthcare programs, such as Medicare and Medicaid or similar programs in other countries or jurisdictions, integrity oversight and reporting obligations to resolve allegations of non-compliance, disgorgement, imprisonment, contractual damages, reputational harm, diminished profits and the curtailment or restructuring of our operations.

Coverage and Reimbursement

Significant uncertainty exists as to the coverage and reimbursement status of any pharmaceutical or biological product for which we obtain regulatory approval. Sales of any product depend, in part, on the extent to which such product will be covered by third-party payers, such as federal, state, and foreign government healthcare programs, commercial insurance and managed healthcare organizations, and the level of reimbursement for such product by third-party payers. Decisions regarding the extent of coverage and amount of reimbursement to be provided are made on a plan-by-plan basis. As there is no uniform policy of coverage and reimbursement for drug products among third-party payers in the United States, coverage and reimbursement policies for drug products can differ significantly from payer to payer. There may be significant delays in obtaining coverage and reimbursement as the process of determining coverage and reimbursement is often time-consuming and costly which will require us to provide scientific and clinical support for the use of our products to each payer separately, with no assurance that coverage or adequate reimbursement will be obtained. It is difficult to predict at this time what government authorities and third-party payers will decide with respect to coverage and reimbursement for our drug products. For products administered under the supervision of a physician, obtaining coverage and adequate reimbursement may be particularly difficult because of the higher prices often associated with such drugs. Additionally, separate reimbursement for the product itself or the treatment or procedure in which the product is used may not be available, which may impact physician utilization.

In addition, the U.S. government, state legislatures and foreign governments have continued implementing cost-containment programs, including price controls, restrictions on coverage and reimbursement and requirements for substitution of generic products. Third-party payers are increasingly challenging the prices charged for medical products and services, examining the medical necessity and reviewing the cost effectiveness of pharmaceutical or biological products, medical devices and medical services, in addition to questioning safety and efficacy. Adoption of price controls and cost-containment measures, and adoption of more restrictive policies in jurisdictions with existing controls and measures, could further limit sales of any product. Decreases in third-party reimbursement for any product or a decision by a third-party payer not to cover a product could reduce physician usage and patient demand for the product.

Healthcare Reform

The United States and some foreign jurisdictions are considering or have enacted a number of reform proposals to change the healthcare system. There is significant interest in promoting changes in healthcare systems with the stated goals of containing healthcare costs, improving quality or expanding access. In the United States, the pharmaceutical industry has been a particular focus of these efforts and has been significantly affected by federal and state legislative initiatives, including those designed to limit the pricing, coverage, and reimbursement of pharmaceutical and biopharmaceutical products, especially under government-funded healthcare programs, and increased governmental control of drug pricing.

In March 2010, the ACA was signed into law, which substantially changed the way healthcare is financed by both governmental and private insurers in the United States, and significantly affected the pharmaceutical industry. The ACA contains a number of provisions of particular import to the pharmaceutical and biotechnology industries, including, but not limited to, those governing enrollment in federal healthcare programs, 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, and annual fees based on pharmaceutical companies' share of sales to federal healthcare programs.

Since its enactment, there have been judicial, Congressional, and executive branch challenges to certain aspects of the ACA, and we expect there will be additional challenges and amendments to the ACA in the future. For example, the 2020 federal spending package permanently eliminates, effective January 1, 2020, the ACA-mandated "Cadillac" tax on high-cost employer-sponsored health coverage and medical device tax and, effective January 1, 2021, also eliminates the health insurer tax. In addition, the Tax Act was enacted, which, among other things, removes penalties for not complying with ACA's individual mandate to carry health insurance. On December 14, 2018, a U.S. District Court Judge in the Northern District of Texas ruled that the individual mandate is a critical and inseverable feature of the ACA, and therefore, because it was repealed as part of the Tax Act, the remaining provisions of the ACA are invalid as well. Additionally, on December 18, 2019, the U.S. Court of Appeals for the 5th Circuit upheld the District Court ruling that the individual mandate was unconstitutional and remanded the case back to the District Court to determine whether the remaining provisions of the ACA are invalid as well. On March 2, 2020, the U.S. Supreme Court granted the petitions for writs of certiorari to review this case, although it is unclear when or how the Supreme Court will rule. It is also unclear how other efforts to challenge, repeal or replace the ACA will impact the ACA.

Other legislative changes have been proposed and adopted since the ACA was enacted, including aggregate reductions of Medicare payments to providers of 2% per fiscal year and reduced payments to several types of Medicare providers, which will remain in effect through 2030, with the exception of a temporary suspension from May 1, 2020 through December 31, 2020, unless additional Congressional action is taken. Moreover, there has recently been heightened governmental scrutiny over the manner in which manufacturers set prices for their marketed products, which has resulted in several Congressional inquiries and proposed and enacted federal and state legislation designed to, among other things, bring more transparency to product pricing, review the relationship between pricing and manufacturer patient programs, and reform government program reimbursement methodologies for drug products.

At the federal level, the Trump administration's budget proposal for fiscal year 2021 includes a $135 billion allowance to support legislative proposals seeking to reduce drug prices, increase competition, lower out-of-pocket drug costs for patients, and increase patient access to lower-cost generic and biosimilar drugs. Further, the Trump administration released a "Blueprint," or plan, to lower drug prices and reduce out of pocket costs of drugs that contains additional proposals to increase drug manufacturer competition, increase the negotiating power of certain federal healthcare programs, incentivize manufacturers to lower the list price of their products, and reduce the out- of-pocket costs of drug products paid by consumers. The Department of Health and Human Services, or HHS, has solicited feedback on some of these measures and has implemented others under its existing authority. For example, in May 2019, the Centers for Medicare & Medicaid Services, or CMS, issued a final rule to allow Medicare Advantage plans the option to use step therapy for Part B drugs beginning January 1, 2020. This final rule codified CMS's policy change that was effective January 1, 2019. Most recently, in July 2020, President Trump also signed a number of executive orders that attempt to implement several of the Administration's proposals. While some of measures may require additional authorization to become effective, Congress and the Trump administration have each indicated that it will continue to seek new legislative and/or administrative measures to control drug costs.

At the state level, legislatures have increasingly passed legislation and implemented regulations designed to control pharmaceutical product pricing, including price or patient reimbursement constraints, discounts, restrictions on certain product access and marketing cost disclosure and transparency measures, and, in some cases, designed to encourage importation from other countries and bulk purchasing. We expect that these and other healthcare reform measures that may be adopted in the future, may result in more rigorous coverage criteria and lower reimbursement, and in additional downward pressure on the price that we receive for any approved product.

PRC Regulation

We are subject to a variety of PRC laws, rules and regulations affecting many aspects of our business. This section sets out a summary of the major relevant laws, regulations, rules and policies which may have material impact on our business and operations.

Regulations on Company Establishment and Foreign Investment

The establishment, operation and management of corporate entities in China are governed by the Company Law of PRC, or the PRC Company Law, which was promulgated by the Standing Committee of the National People's Congress, or the NPC, in December 1993 and further amended in December 1999, August 2004, October 2005, December 2013 and October 2018, respectively. According to the PRC Company Law, companies are generally classified into two categories: limited liability companies and companies limited by shares. The PRC Company Law also applies to foreign-invested limited liability companies. According to the PRC Company Law, where laws on foreign investment have other stipulations, such stipulations shall prevail.

Investment activities in the PRC by foreign investors are governed by the Guiding Foreign Investment Direction, which was promulgated by the State Council in February 2002 and came into effect in April 2002, and the Special Administrative Measures for the Access of Foreign Investment (Negative List), or the Negative List, which was promulgated by the Ministry of Commerce of the PRC, or the MOFCOM, and the National Development and Reform Commission, or the NDRC, in June 2020 and came into effect in July 2020. The Negative List sets out the restrictive measures in a unified manner, such as the requirements on shareholding percentages and management, for the access of foreign investments, and the industries that are prohibited from receiving foreign investment. The Negative List covers 12 industries, and any field not falling under the Negative List shall be administered under the principle of equal treatment to domestic and foreign investment.

Foreign Investment Law of the PRC, or the Foreign Investment Law, was promulgated by the NPC in March 2019 and came into effect in January 2020. When the Foreign Investment Law came into effect, the Law on Wholly Foreign-owned Enterprises of the PRC, the Law on Sino-foreign Equity Joint Ventures of the PRC and the Law on Sino-foreign Cooperative Joint Ventures of the PRC were repealed simultaneously. The investment activities of foreign natural persons, enterprises or other organizations (collectively, the "foreign investors") directly or indirectly within the territory of China shall comply with and be governed by the Foreign Investment Law. Such activities include: 1) establishing by foreign investors of foreign-invested enterprises in China alone or jointly with other investors; 2) acquiring by foreign investors of shares, equity, property shares, or other similar interests of Chinese domestic enterprises; 3) investing by foreign investors in new projects in China alone or jointly with other investors; and 4) other forms of investment prescribed by laws, administrative regulations or the State Council.

In December 2019, the State Council promulgated the Regulations on Implementing the Foreign Investment Law of the PRC, which came into effect in January 2020. When the Regulations on Implementing the Foreign Investment Law of the PRC came into effect, the Regulation on Implementing the Sino-Foreign Equity Joint Venture Enterprise Law of the PRC, Provisional Regulations on the Duration of Sino-Foreign Equity Joint Venture Enterprise, the Regulations on Implementing the Wholly Foreign-Invested Enterprise Law of the PRC and the Regulations on Implementing the Sino-Foreign Cooperative Joint Venture Enterprise Law of the PRC were repealed simultaneously.

In December 2019, the MOFCOM and the State Administration for Market Regulation, or the SAMR promulgated the Measures on Reporting of Foreign Investment Information, which came into effect in January 2020. When the Measures on Reporting of Foreign Investment Information came into effect, the Interim Measures for the Administration of Filing for Establishment and Changes in Foreign

Investment Enterprises were repealed simultaneously. Since January 1, 2020, for foreign investors carrying out investment activities directly or indirectly in China, the foreign investors or foreign-invested enterprises shall submit investment information to the relevant commerce administrative authorities according to the Measure on Reporting of Foreign Investment Information.

Regulation on Pharmaceutical Product Development, Approval and Registration

Drug Regulatory Regime

The Drug Administration Law of the PRC, or the Drug Administration Law, was promulgated by the Standing Committee of the NPC, in September 1984. The two latest amendments to the Drug Administration Law were the amendment promulgated in April 2015 and in August 2019. The Regulations for the Implementation of the Drug Administration Law was promulgated by the State Council in August 2002, and was last amended in March 2019. The Drug Administration Law and the Regulations for the Implementation of the Drug Administration Law have jointly established the legal framework for the administration of pharmaceutical products in China, including the research, development and manufacturing of new drugs. The Drug Administration Law applies to entities and individuals engaged in the development, production, trade, application, supervision and administration of pharmaceutical products. It regulates and provides for 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. The Regulations for the Implementation of the Drug Administration Law, at the same time, provide the detailed implementation regulations for the Drug Administration Law.

In 2017, the drug regulatory system entered a new and significant period of reform. The General Office of the State Council and the General Committee of China Communist Party jointly issued Opinions on Deepening the Reform of the Evaluation and Approval Systems and Encouraging Innovation on Drugs and Medical Devices, or the Innovation Opinions. The expedited programs, the record-filing system, the prioritized review mechanism, the acceptance of foreign clinical data under the Innovation Opinions and other recent reforms encourage drug manufacturers to seek marketing approval in China first for the development of drugs in highly prioritized therapeutic areas, such as oncology or rare diseases.

To implement the regulatory reform introduced by Innovation Opinions, the Standing Committee of the NPC, the National Medical Products Administration, or the NMPA, a newly formed government authority as well as other authorities, are currently responsible for revising the laws, regulations and rules governing the pharmaceutical products and the industry.

In August 2019, the Standing Committee of the NPC promulgated the new Drug Administration Law, or the 2019 Amendment, which came into effect in December 2019. The 2019 Amendment contains many of the major reform initiatives implemented by the Chinese government since 2015, including but not limited to the Marketing Authorization Holder, or the MAH, system, conditional approvals of drugs, traceability system of drugs, and the cancellation of relevant certification according to the Good Manufacturing Practice, or the GMP, and the Good Supply Practice, or the GSP.

Regulatory Authorities

Pharmaceutical products in China are monitored and supervised on a national scale by the NMPA. The local provincial medical products administrative authorities are responsible for supervision and administration of drugs within their respective administrative regions. The NMPA was newly formed under the SAMR. The NMPA's predecessor, the State Drug Administration, or the SDA, was replaced by the State Food and Drug Administration, or the SFDA, which was later reorganized into the China

Food and Drug Administration, or the CFDA, as part of the institutional reforms implemented by the State Council.

The primary responsibilities of the NMPA include:

- monitoring and supervising the administration of pharmaceutical products, medical appliances and equipment as well as cosmetics in the PRC;
- formulating administrative rules and policies concerning the supervision and administration of pharmaceutical, medical devices, and cosmetics industry;
- evaluating, registering and approving new drugs, generic drugs, imported drugs and traditional Chinese medicine;
- approving and issuing permits for the manufacture and export/import of pharmaceutical products, medical appliances and equipment;
- approving the establishment of enterprises to be engaged in the manufacture and distribution of pharmaceutical products;
- examining and evaluating the safety of pharmaceutical products, medical devices, and cosmetics; and
- managing significant accidents involving pharmaceutical products, medical devices and cosmetics.

In 2013, the Ministry of Health, or the MOH, and the National Population and Family Planning Commission were integrated into the National Health and Family Planning Commission of the PRC, or the NHFPC. In March 2018, the First Session of the Thirteenth NPC approved the State Council Institutional Reform Proposal, according to which, NHFPC and certain other governmental authorities were consolidated into the National Health Commission, or the NHC. The responsibilities of the NHC include coordinating the formulation of national drug policies, the national essential medicine system and the National Essential Medicines List and drafting the administrative rules for the procurement, distribution and use of national essential medicines.

According to the Decision of the CFDA on Adjusting the Approval Procedures under the Administrative Approval Items for Certain Drugs, which was promulgated by the CFDA in March 2017 and came into effect in May 2017, the Investigational New Drug Application, or the IND, approval should be issued by the Center for Drug Evaluation, or the CDE, on behalf of the CFDA.

Regulations on Clinical Trials and Registration of Drugs

Administrative Measures for Drug Registration

In July 2007, the SFDA promulgated the amended version of the Administrative Measures for Drug Registration, or the Registration Measures, which became effective in October 2007. The Registration Measures mainly cover: (1) definitions of drug registration applications and regulatory responsibilities of drug administration; (2) general requirements for drug registration, including application for registration of new drugs, generic drugs, imported drugs and supplemental application, as well as application for re-registration; (3) clinical trials; (4) application, examination and approval of new drugs, generic drugs and imported 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.

According to the Registration Measures, drug registration applications are divided into three different types, namely Domestic New Drug Application, Domestic Generic Drug Application and Imported Drug Application. Drugs which fall into one of three general types are divided according to the drug's working mechanism, namely whether the drug is classified as a chemical medicine, a

biological product, a traditional Chinese medicine or a natural medicine. New Drug Application, or NDA, refers to an application for registration of a drug that has not yet been marketed for sale in China. In addition, the registration of drugs that change the dosage form of the marketed drugs, change the route of administration and increase the new indications shall be reported in accordance with the application procedures for new drugs. Under the Registration Measures, a Category 1 drug refers to a new drug that has never been marketed in any country, and such drug is eligible for special review or fast track approval by the NMPA.

In January 2020, the SAMR released the amended Administrative Measures for Drug Registration, or the Amended Registration Measures, which came into effect in July 2020. The Amended Registration Measures provide detailed procedural and substantive requirements for the key regulatory concepts established by the Drug Administration Law, and confirms a number of reform actions that have been taken in the past years, including but not limited to: (i) the full implementation of the MAH system and implied approval of the commencement of clinical trial; (ii) the implementation of associated review of drugs, excipients and packaging materials; and (iii) the introduction of four procedures for expedited registration of drugs, which are procedures for ground-breaking therapeutic drugs, procedures for conditional approval, procedures for prioritized reviews and approval, and procedures for special examination and approval. Detailed implementation rules for drug classification and requirements for corresponding application materials will be promulgated by the NMPA.

In March 2016, the CFDA issued the Reform Plan for Registration Category of Chemical Medicine, which outlined the reclassifications of drug applications under the Registration Measures. According to the Reform Plan for Registration Category of Chemical Medicine, Category 1 drugs refer to innovative 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 drugs. Generic drugs, that have equivalent quality and efficacy to the originator's drugs and have been marketed abroad but not yet in China, can be classified as Category 3 drugs. Generic drugs, that have equivalent quality and efficacy to the originator's drugs and have been marketed in China, fall into Category 4 drugs. 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 Registration Measures, respectively.

The SFDA promulgated the Administrative Provisions on Special Examination and Approval of Registration of New Drugs in January 2009, according to which, the SFDA 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 at home and abroad; (3) the new drugs have obvious clinical treatment advantages for such diseases as AIDS, malignant tumors and orphan diseases, etc. or (4) the new drugs treat diseases currently with no effective methods of treatment.

The Special Examination and Approval of Registration of New Drugs provides that the applicant may file for special examination and approval at the clinical trial application stage if the product candidate falls within items (1) or (2). The provisions provide that for product candidates that fall within items (3) or (4), the application for special examination and approval cannot be made until filing for production.

Accelerated Approval for Clinical Trial and Registration

The Innovation Opinions established a framework for reforming the evaluation and approval system for drugs, medical devices and equipment. The Innovation Opinions enhanced the standard of

approval for drug registration and accelerated the evaluation and approval process for innovative drugs as well as drug clinical trials.

The CFDA released the Circular Concerning Several Policies on Drug Registration Review and Approval in November 2015, which further clarified the measures and policies for simplifying and accelerating the approval process of clinical trials, including:

- 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; and

- a fast track drug registration or clinical trial approval pathway for the following applications: (1) registration of innovative new drugs for treating HIV, cancer, serious infectious diseases and orphan diseases, etc.; (2) registration of pediatric drugs; (3) registration of geriatric drugs and drugs treating PRC-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 clinical urgently needed 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 EU 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 EU and are manufactured using the same production line in China; and (8) clinical trial applications 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.

The NMPA released the Circular on Adjusting Evaluation and Approval procedures for Clinical Trials for Drugs in July 2018, according to which, within 60 days after the acceptance of and the fees paid for the IND application, the applicant may conduct the clinical trials for the drug in accordance with the clinical trial protocol submitted, if the applicant has not received any negative or questioning opinion from the CDE. Such approval process has been further enacted into the 2019 Amendment.

Trial Exemptions and Acceptance of Foreign Data

The NMPA issued the Technical Guidance Principles on Accepting Foreign Drug Clinical Trial Data in July 2018, as one of the implementing rules for the Innovation Opinions, which provides that overseas clinical data can be submitted for the drug registration applications in China. Such applications can be in the form of waivers to China-based clinical trials, bridging trials and direct NDAs. According to the Technical Guidance Principles on Accepting Foreign Drug Clinical Trial Data, sponsors may use the data of foreign clinical trials to support drug registration in China, provided that sponsors must ensure the authenticity, completeness, accuracy and traceability of foreign clinical trial data and such data must be obtained consistent with the relevant requirements under the Good Clinical Trial Practice of the International Conference on Harmonization of Technical Requirements for Registration of Pharmaceuticals for Human Use, or the ICH. Sponsors must also comply with other relevant sections of the Registration Measures when applying for drug registrations in China using foreign clinical trial data.

The NMPA now officially permits, and its predecessor agencies have permitted on a case-by-case basis in the past, drugs approved outside of China to be approved in China on a conditional basis without pre-approval clinical trials being conducted in China. Specifically, the NMPA and the NHC released the Procedures for Reviewing and Approval of Clinical Urgently Needed Overseas New Drugs in October 2018, permitting drugs that have been approved within the last ten years in the United States, the EU or Japan and that prevent or treat orphan diseases, or prevent or treat serious life-threatening illnesses for which there is either no effective therapy in China, or for which the

foreign-approved drug would have clear clinical advantages. Applicants will be required to establish a risk mitigation plan and may be required to complete trials in China after the drug has been marketed. The CDE has developed a list of qualifying drugs that meet the foregoing criteria.

Clinical Trial Process and Good Clinical Practices

According to the Registration Measures, a clinical trial 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 product candidate's therapeutic effectiveness and safety for particular indications in patients, to provide evidence and support for the design of Phase III clinical trials and to settle the administrative dose regimen. Phase III refers clinical trials undertaken to confirm the therapeutic effectiveness and safety on patients with target indications, to evaluate the 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 the overall benefit-risk relationships of the drug when used among the general population or specific groups and to adjust the administration dose.

To improve the quality of clinical trials, the SFDA promulgated the Good Clinical Trial Practice for Drugs in August 2003, or the GCP Rules, which was replaced by the revised Good Clinical Trial Practice for Drugs, the Revised GCP Rules, promulgated by the NMPA and the NHC in April 2020 and coming into effect in July 2020. According to the Administration of Quality of Drug Clinical Practice, clinical trial means systematical investigation of drugs conducted on human subjects (patients or healthy volunteers) to prove or reveal the function, adverse reactions and/or absorption, distribution, metabolism and excretion of the drug being investigated. The purpose of a clinical trial is to determine the therapeutic efficacy and safety of the drug. The Revised GCP Rules provide comprehensive and substantive requirements on the design and conduct of clinical trials in China. In particular, the Revised GCP Rules enhance the protection for study subjects and tighten the control over bio-samples collected under clinical trials.

The Revised GCP Rules also set out the qualifications and requirements for the investigators and centers participating in clinical trial, who must: (i) have professional certification at a clinical trial center, professional knowledge, training experience and capability of clinical trial, and be able to provide the latest resume and relevant qualification documents per request; (ii) be familiar with the trial protocol, investigator's brochure and relevant information of the trial drug provided by the applicant; (iii) be familiar with and comply with the Revised GCP Rules and relevant laws and regulations relating to clinical trials; (iv) keep a copy of the authorization form on work allocation signed by investigators; (v) accept supervision and inspection organized by the applicant and inspection by the drug regulatory authorities; and (vi) in the case of investigators and clinical trial centers authorizing other individual or institution to undertake certain responsibilities and functions relating to clinical trial, they shall ensure such individual or institution are qualified and establish complete procedures to ensure the responsibilities and functions are fully performed and generate reliable data.

Communication with the CDE

According to the Circular on Adjusting Evaluation and Approval Procedures for Clinical Trials for Drugs, where the application for clinical trial of new investigational drug has been approved, upon the completion of Phases I and II clinical trials and prior to Phase III clinical trial, the applicant shall submit the application for Communication Session to the CDE to discuss the key technical questions including the design of Phase III clinical trial protocol. Within 60 days after the acceptance of and the fees paid for the IND application, the applicant may conduct the clinical trials for the drug in accordance with the clinical trial protocol submitted, if the applicant has not received any negative or questioning opinion from the CDE.

The NMPA promulgated the Administrative Measures for Communication on the Research, Development and Technical Evaluation of Drugs in September 2018, according to which, during the research and development periods and in the registration applications of, among others, the innovative new drugs, the applicants may propose to conduct communication meetings with the CDE. The communication meetings can be classified into three types. Type I meetings are convened to address key safety issues in clinical trials of drugs and key technical issues in the research and development of breakthrough therapeutic drugs. Type II meetings are held during the key research and development periods of drugs, mainly including meetings before the IND application, meetings upon the completion of Phase II trials and before the commencement of Phase III trials, meetings before submitting a marketing application for a new drug, and meetings for risk evaluation and control. Type III meetings refer to meetings not classified as Type I or Type II.

Drug Clinical Trial Registration

According to the Registration Measures, upon obtaining the approval of its IND applications and before conducting a clinical trial, an applicant shall file a registration form with the SFDA containing various details, including the clinical trial protocol, the name of the principal researcher of the leading institution, the names of participating institutions and researchers, an approval letter from the ethics committee, and a sample of the informed consent form, with a copy sent to the competent provincial administration departments where the trial institutions will be located. The CFDA released the Announcement on Drug Clinical Trial Information Platform in September 2013, according to which, instead of the aforementioned registration field with the CFDA, all clinical trials approved by the CFDA and conducted in China shall complete a clinical trial registration and publish trial information through the Drug Clinical Trial Information Platform. The applicant shall complete the trial pre-registration within one month after obtaining the approval of the clinical trial approval in order to obtain the trial's unique registration number and complete registration of certain follow-up information before the first subject's enrollment in the trial. If the registration is not completed within one year after the approval of the IND applications, the applicant shall submit an explanation, and if the first submission is not completed within three years, the approval of the IND applications shall automatically expire.

New Drug Application

According to the Registration Measures, drug registration applications include domestic NDA, domestic generic drug application and imported drug application. Drugs are classified into chemical drugs, biological products and traditional Chinese medicine or natural drugs. When Phases I, II and III clinical trials have been completed, the applicant may apply to the SFDA for approval of the NDA. The SFDA then determines whether to approve the application according to the comprehensive evaluation opinion provided by the CDE.

Pilot Plan for the MAH System

The Innovation Opinions provide a pilot plan for the MAH system.

Under the authorization of the Standing Committee of the NPC, the General Office of the State Council issued the Pilot Plan for the Drug Marketing Authorization Holder Mechanism in May 2016, which provides a detailed pilot plan for the MAH system in 10 Chinese provinces. Under the MAH system, domestic drug research and development institutions and individuals in the pilot 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 located within the pilot regions. Drugs that qualify for the MAH system are: (1) new drugs (including but not limited to drugs under category I to category IV of chemical drugs, and targeted preparation, sustained release preparation, controlled release preparation

under category V of chemical drugs, biological products approved as category I and VII drugs and biosimilars under the Registration Measures) approved after the implementation of the MAH system; (2) generic drugs approved as category III or IV drugs under the Reform Plan for Registration Category of Chemical Medicine; (3) previously approved generics that have passed equivalence assessments against original drugs; and (4) previously approved drugs whose licenses were held by drug manufacturers originally located within the pilot regions, but which have moved out of the pilot regions due to corporate mergers or other reasons.

The CFDA promulgated the Circular on the Matters Relating to Promotion of the Pilot Program for the Drug Marketing Authorization Holder System in August 2017. It clarified the legal liability of the MAH, who is responsible for managing the whole manufacturing and marketing chain and the whole life cycle of drugs and legally liable for preclinical drug study, clinical trials, manufacturing, marketing, distribution and adverse drug reaction monitoring. According to the Circular on the Matters Relating to Promotion of the Pilot Program for the Drug Marketing Authorization Holder System, the MAH shall submit a report of drug manufacturing, marketing, prescription, techniques, pharmacovigilance, quality control measures and other situations to the CFDA within 20 working days after the end of each year.

According to the Pilot Plan for the Drug Marketing Authorization Holder Mechanism, the pilot plan was originally set for a three-year period and was scheduled to expire in November 2018. The Standing Committee of the NPC promulgated the Decision of Extending the Pilot Period of Authorizing the State Council to Carry Out the Pilot Plan for the Drug Marketing Authorization Holder Mechanism in Certain Places in October 2018, which extended the term of the MAH system to November 4, 2019.

According to the 2019 Amendment, which came into effect on December 1, 2019, the MAH system will be applicable throughout the country and the legal representative and the key person-in-charge of a drug MAH shall be fully responsible for the quality of drugs.

International Multi-Center Clinical Trials

The International Multi-Center Clinical Trial Guidelines (Trial), or the Multi-Center Clinical Trial Guidelines, which was promulgated by the CFDA in January 2015 and came into effect in March 2015, provided guidance on the implementation of Multi-Regional Clinical Trials, or the MRCT, in China. According 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 applicants plan to implement the international multi-center clinical trials in the PRC, the applicants shall comply with relevant laws and regulations, such as the Drug Administration Law, the Implementing Regulations of the Drug Administration Law and the Registration Measures, execute the GCP Rules, make reference to universal international principles such as the ICH-GCP and comply with the laws and regulations of the countries involved in the international multi-center clinical trials. Where the applicants plan to use the data derived from the international multi-center clinical trials for approval of a drug registration in the PRC, it shall involve at least two countries, including China, and shall satisfy the requirements for clinical trials set forth in the Multi-Center Clinical Trial Guidelines, Registration Measures and other related laws and regulations.

In April 2020, the NMPA and the NHC promulgated the Revised GCP Rules, which came into effect in July 2020. The Revised GCP Rules summarize the requirements for initiating an MRCT, that is, before initiating an MRCT: (i) the applicant shall ensure that all the centers participating in the clinical trial comply with the trial protocol; (ii) the applicant shall provide each center with the same trial protocol, and each center shall comply with the same unified evaluation criterion for clinical trial and laboratory data and the same guidance for case report form; (iii) each center shall use the same case report form to record the data of each human subject obtained during the trial; (iv) before

initiating a clinical trial, a written document is required to specify the responsibilities of the investigators of each center; and (v) the applicant shall ensure the communication among the investigators of each center.

Data derived from international multi-center clinical trials can be used for the new drug applications with the NMPA. When using international multi-center clinical trial data to support new drug applications in China, applicants shall submit the completed global clinical trial report, statistical analysis report and database, along with relevant supporting data in accordance with the content and format requirements under the International Conference on Harmonization-Common Technical Document; 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 unnecessarily repetitive clinical trials and thus further accelerate the NDA process in China.

The CFDA released the Decision on Adjusting Items concerning the Administration of Imported Drug Registration in October 2017, which includes the following key points:

- If the International Multicenter Clinical Trial, or the IMCCT, of a drug is conducted in China, Phase I clinical trial of the drug is allowed simultaneously. The IMCCT drug does not need to be approved or to enter into either a Phase II or III clinical trial in a foreign country, except for preventive biological products;

- If the IMCCT is conducted in China, the application for drug marketing authorization can be submitted directly after the completion of the IMCCT. The Registration Measures and relevant laws and regulations shall be complied with for registration application;

- With respect to applications for clinical trial and marketing of the 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; and

- With respect to drug applications that have been accepted before the release of this Decision, 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 the IMCCT.

Approval of Human Genetic Resources

The Interim Administrative Measures on Human Genetic Resources, promulgated by the Ministry of Science and Technology and the MOH in June 1998, aimed at protecting and fairly utilizing human genetic resources in the PRC. The Ministry of Science and Technology promulgated the Service Guide for Administrative Licensing Items concerning Examination and Approval of Sampling, Collecting, Trading or Exporting Human Genetic Resources, or Taking Such Resources out of the PRC in July 2015, according to which, the sampling, collection or research activities of human genetic resources by a foreign-invested sponsor fall within the scope of international cooperation, and the cooperating Chinese organization shall apply for approval of the China Human Genetic Resources Management Office through an online system. The Ministry of Science and Technology further promulgated the Circular on Optimizing the Administrative Examination and Approval of Human Genetic Resources in October 2017, which became effective in December 2017 and simplified the approval of sampling and collecting human genetic resources for listing a drug in the PRC.

The Regulations of the PRC on the Administration of Human Genetic Resources, which was promulgated by the State Council in May 2019 and came into effect in July 2019, further stipulates that, in order to obtain marketing authorization for relevant drugs and medical devices in China, no approval is required in international clinical trial cooperation using China's human genetic resources at clinical institutions without export of human genetic resource materials. However, the type, quantity

and usage of the human genetic resource to be used shall be filed with the administrative department of science and technology under the State Council before clinical trials.

Regulations on Drug Manufacturing and Distribution

Drug Manufacturing

According to the Drug Administration Law and the Implementing Regulations of the Drug Administration Law, a drug manufacturing enterprise is required to obtain a drug manufacturing license from the relevant provincial drug administration authority of the PRC. The grant of such license is subject to an inspection of the manufacturing facilities, and an inspection to determine whether the sanitary condition, quality assurance systems, management structure and equipment meet the required standards. According to the Implementing Regulations of the Drug Administration Law and the Measures on the Supervision and Administration of the Manufacture of Drugs, which was promulgated in August 2004, amended in November 2017 and January 2020 and came into effect in July 2020, the drug manufacturing license is valid for five years and shall be renewed at least six months prior to its expiration date upon a re-examination by the relevant authority. In addition, the name, legal representative, registered address and type of the enterprise specified in the drug manufacturing certificate shall be identical to that set forth in the business license as approved and issued by the industrial and commercial administrative department. To the extent the MAH does not manufacture the drug internally but through a contract manufacturing organization, the MAH shall apply for drug manufacturing license with the provincial counterpart of the NMPA, subject itself to inspections and other regulatory oversight by the agency.

The Good Manufacturing Practice for Drugs was promulgated in March 1988 and was amended in December 1992 and June 1999 and January 2011. The latest amendment was in June 2020 and will come into effect in October 2020. The Good Manufacturing Practice for Drugs comprises a set of detailed standard guidelines governing the manufacture of drugs, which include institution and staff qualifications, production premises and facilities, equipment, hygiene conditions, production management, quality controls, product operation, raw material management, maintenance of sales records, management of customer complaints and adverse event reports.

Drug Distribution

According to the Drug Administration Law, its implementing regulations and the Measures for the Supervision and Administration of Circulation of Pharmaceuticals, which was promulgated by the SFDA in December 2006 and came into effect in May 2007, pharmaceutical enterprises shall be responsible for the quality of the pharmaceuticals that they manufacture, operate, use, purchase, sell, transport, or store.

According to the Measures for the Administration of Pharmaceutical Operation Certificate, which was promulgated in February 2004 and amended in November 2017 by the CFDA, a Medicine Operation Certificate is valid for five years. Each holder of the Medicine Operation Certificate must apply for an extension of its permit six months prior to expiration. The establishment of a wholesale pharmaceutical distribution company requires the approval of provincial medicine administrative authorities. Upon approval, the authority will grant a Medicine Operation Certificate in respect of the wholesale pharmaceutical product distribution company. The establishment of a retail pharmacy store requires the approval of the local medicine administrative authorities at or above the county level. Upon approval, the authority will grant a Medicine Operation Certificate in respect of the retail pharmacy store.

Other PRC Government Regulations

Regulations on Intellectual Property Rights

In terms of international conventions, China has entered into (including but not limited to) the Agreement on Trade-Related Aspects of Intellectual Property Rights, the Paris Convention for the Protection of Industrial Property, the Madrid Agreement Concerning the International Registration of Marks and the Patent Cooperation Treaty.

Patents

According to the Patent Law of the PRC, which was promulgated by the Standing Committee of the NPC in March 1984, amended in September 1992, August 2000 and December 2008, and came into effect in October 2009, and the Implementation Rules of the Patent Law of the PRC, which was promulgated by the State Council in June 2001 and amended in December 2002 and January 2010, there are three types of patents in the PRC: invention patents, utility model patents and design patents. The protection period is 20 years for an invention patent and 10 years for a utility model patent and a design patent, commencing from their respective application dates. Any individual or entity that utilizes a patent or conducts any other activities that infringe a patent without prior authorization of the patent holder shall pay compensation to the patent holder and is subject to a fine imposed by relevant administrative authorities and, if constituting a crime, shall be held criminally liable in accordance with the law. According to the Patent Law of the PRC, any organization or individual that applies for a patent in a foreign country for an invention or utility model patent established in China is required to report to the NIPA for confidentiality examination.

Trade Secrets

According to the PRC Anti-Unfair Competition Law, which was promulgated by the Standing Committee of the NPC in September 1993 and amended in November 2017 and April 2019, respectively, the term "trade secrets" refers to technical and business information that is unknown to the public, has utility, 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, bribery, fraud, coercion, electronic intrusion, or any other illicit means; (2) disclosing, using or permitting others to use the trade secrets obtained illegally under item (1) above; (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; or (4) instigating, inducing or assisting others to violate a confidentiality obligation or to violate a rights holder's requirements on keeping confidentiality of trade secrets, disclosing, using or permitting others to use the trade secrets of the rights holder. 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.

Trademarks

According to the Trademark Law of the PRC promulgated by the Standing Committee of the NPC in August 1982, and amended in February 1993, October 2001, August 2013 and April 2019, respectively, the period of validity for a registered trademark is ten years, commencing on the date of registration. The registrant shall go through the formalities for renewal within twelve months prior to the expiry date of the trademark if continued use is intended. Where the registrant fails to do so, a

grace period of six months may be granted. The validity period for each renewal of registration is ten years, commencing on the day immediately after the expiry of the preceding period of validity for the trademark. In the absence of a renewal upon expiry, the registered trademark shall be cancelled. Industrial and commercial administrative authorities have the authority to investigate any behavior that infringes the exclusive right under a registered trademark in accordance with the law. In case of a suspected criminal offense, the case shall be timely referred to a judicial authority and decided according to the law.

Domain Names

Domain names are protected under the Administrative Measures on the Internet Domain Names, which was promulgated by the Ministry of Industry and Information Technology in August 2017, and the Implementing Rules on Registration of National Top-level Domain Names, which was promulgated by China Internet Network Information Center in and came into effect in June 2019. The Ministry of Industry and Information Technology is the main regulatory body responsible for the administration of PRC internet domain names. Domain name registrations are handled through domain name service agencies established under the relevant regulations, and the applicants become domain name holders upon successful registration.

Regulations on 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 laws, manufacturers and vendors of defective products in the PRC may incur liability for loss and injury caused by such products. According to the General Principles of the Civil Law of the PRC promulgated in April 1986 and amended in August 2009 and General Rules of the Civil Law of the People's Republic of China promulgated and amended in October 2017 (collectively, the "PRC Civil Law"), the manufacturer or vendor of a defective product which causes property damage or physical injury to any person may be subject to civil liability for such damage or injury.

In February 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 last revised in December 2018. According 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 in October 1993 and amended in October 2013 to protect consumer rights when they purchase or use goods and services. According to which, all business operators must comply with this law when they manufacture or sell goods and/or provide services to customers. Under the latest amendment, all business operators shall protect the customers' privacy and keep any consumer information they obtain during the business operation strictly confidential. 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.

Regulations on Tort

According to the Tort Law of the PRC promulgated by the Standing Committee of the NPC in December 2009, if damages to other persons are caused by defective products due to the fault of third parties, 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.

Regulations on Environment Protection

Pursuant to the Environmental Protection Law of the PRC promulgated by the Standing Committee of the NPC, in December 1989, amended in April 2014 and effective in January 2015, any entity which discharges or will discharge pollutants during its course of operations or other activities must implement effective environmental protection safeguards and procedures to control and properly treat waste gas, waste water, waste residue, dust, malodorous gases, radioactive substances, noise vibrations, electromagnetic radiation and other hazards produced during such activities. According to the provisions of the Environmental Protection Law, in addition to other relevant laws and regulations of the PRC, the Ministry of Environmental Protection and its local counterparts take charge of administering and supervising said environmental protection matters.

Pursuant to the Environmental Protection Law, the environmental impact statement on any construction project must assess the pollution that the project is likely to produce and its impact on the environment, and stipulate preventive and curative measures; the statement shall be submitted to competent administrative department of environmental protection for approval. Installations for the prevention and control of pollution in construction projects must be designed, built and commissioned together with the principal part of the project.

Pursuant to the Law of the People's Republic of China on Environment Impact Assessment, which was promulgated in October 2002 and most recently amended in December 2018, the State implements a classification-based management on the environmental impact assessment of construction projects according to the impact of the construction projects on the environment. Construction units shall prepare an Environmental Impact Report or an Environmental Impact Statement, or fill out the Environmental Impact Registration Form.

Pursuant to the Regulations on Urban Drainage and Sewage Disposal, which was promulgated in October 2013 and came into effect in January 2014, and the Measures for the Administration of Permits for the Discharge of Urban Sewage into the Drainage Network, which was promulgated in January 2015 and came into effect in March 2015, drainage entities covered by urban drainage facilities shall discharge sewage into urban drainage facilities in accordance with the relevant provisions of the state. Where a drainage entity needs to discharge sewage into urban drainage facilities, it shall apply for a drainage license in accordance with the provisions of these Measures. The drainage entity that has not obtained the drainage license shall not discharge sewage into urban drainage facilities.

Regulations on Fire Protection

The Fire Prevention Law of the PRC, or the Fire Prevention Law, was adopted in April 1998 and last amended in April 2019. The Fire Prevention Law provides that fire control design and construction of a construction project shall comply with the State's fire control technical standards. Developers, designers, builders and project supervisors shall be responsible for the quality of the fire control design and construction of the construction project pursuant to the law. Development project fire safety design examinations and acceptance systems shall be implemented for development projects which are required to have fire safety design in accordance with the national fire protection technical standards.

According to the Eight Measures for the Public Security Fire Department to Deepen Reform and Serve Economic and Social Development promulgated by the Ministry of Public Security of the PRC in August 2015, the fire protection design and completion acceptance fire protection record of construction

projects with an investment of less than RMB300,000 or a building area of less than 300 square meters (or below the limit set by the housing and urban construction department of the provincial people's government) was no longer required.

Regulations on Foreign Exchange and Dividend Distribution

Foreign Exchange Control

According to the PRC Regulation for the Foreign Exchange promulgated by the State Council in January 1996, which was amended in January 1997 and August 2008, and the Regulation on the Administration of the Foreign Exchange Settlement, Sales and Payment promulgated by the People's Bank of China in June 1996, foreign exchanges required for distribution of profits and payment of dividends may be purchased from designated foreign exchange banks in the PRC upon presentation of a board resolution authorizing distribution of profits or payment of dividends.

According to the Circular of the State Administration of Foreign Exchange, or the SAFE, on Further Improving and Adjusting the Foreign Exchange Policies on Direct Investment and its appendix promulgated in November 2012 and amended in May 2015, October 2018 and December 2019 by the SAFE, (1) the opening of and payment into foreign exchange accounts under direct investment accounts are no longer subject to approval by the SAFE; (2) reinvestment with legal income of foreign investors in China is no longer subject to approval by SAFE; (3) the procedures for capital verification and confirmation that foreign-funded enterprises need to go through are simplified; (4) purchase and external payment of foreign exchange under direct investment accounts are no longer subject to approval by SAFE; (5) domestic transfer of foreign exchange under direct investment account is no longer subject to approval by SAFE; and (6) the administration over the conversion of foreign exchange capital of foreign-invested enterprises is improved. Later, the SAFE promulgated the Circular on Further Simplifying and Improving Foreign Exchange Administration Policies in Respect of Direct Investment in February 2015, which was further amended in December 2019 and prescribed that the bank instead of the SAFE can directly handle the foreign exchange registration and approval under foreign direct investment while the SAFE and its branches indirectly supervise the foreign exchange registration and approval under foreign direct investment through the bank.

The Provisions on the Administration of Foreign Exchange in Foreign Direct Investments by Foreign Investors, which were promulgated by the SAFE in May 2013 and amended in October 2018 and December 2019, regulate and clarify the administration over foreign exchange administration in foreign direct investments.

According to the Circular on the Reform of the Management Method for the Settlement of Foreign Exchange Capital of Foreign-invested Enterprises promulgated by the SAFE in Mach 2015 and amended in December 2019, and the Circular on the Reform and Standardization of the Management Policy of the Settlement of Capital Projects promulgated by the SAFE in June 2016, the settlement of foreign exchange by foreign invested enterprises shall be governed by the policy of foreign exchange settlement on a discretionary basis. However, the settlement of foreign exchange shall only be used for their own operational purposes within the business scope of the foreign invested enterprises and follow the principles of authenticity.

Dividend Distribution

The SAFE promulgated the Notice on Improving the Check of Authenticity and Compliance to Further Promote Foreign Exchange Control in January 2017, which stipulates several capital control measures with respect to outbound remittance of profits from domestic entities to offshore entities, including the following: (1) under the principle of genuine transaction, banks shall check board resolutions regarding profit distribution, the original version of tax filing records and audited financial statements; and (2) domestic entities shall hold income to account for previous years' losses before

remitting the profits. Moreover, domestic entities shall make detailed explanations of sources of capital and utilization arrangements, and provide board resolutions, contracts and other proof when completing the registration procedures in connection with an outbound investment.

Foreign Exchange Registration of Offshore Investment by PRC Residents

The SAFE promulgated the SAFE Circular 37 in July 2014. The SAFE Circular 37 requires PRC residents (including PRC institutions and individuals) to register with local branches of SAFE in connection with their direct or indirect offshore investment in an overseas special purpose vehicle, or the SPV, directly established or indirectly controlled by PRC residents for 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 the 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.

The Circular on Further Simplifying and Improving Foreign Exchange Administration Policies in Respect of Direct Investment, which was promulgated in February 2015 and effective in June 2015 and further amended in December 2019, provides that PRC residents may register with qualified banks instead of the SAFE in connection with their establishment or control of an offshore entity established for the purpose of overseas direct investment. The SAFE and its branches shall implement indirect supervision over foreign exchange registration of direct investment via the banks.

Failure to comply with the registration procedures set forth in the SAFE Circular 37 may result in restrictions 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 on Labor

Labor Law and Labor Contract Law

According to the PRC Labor Law, which was promulgated by the Standing Committee of the NPC in July 1994 and amended in August 2009 and December 2018, respectively, the PRC Labor Contract Law, which was promulgated by the Standing Committee of the NPC in June 2007 and amended in December 2012 and came into effect July 2013, and the Implementing Regulations of the Employment Contracts Law of the PRC, which was promulgated by the State Council in September 2008, labor contracts in written form shall be executed to establish labor relationships between employers and employees. In addition, wages cannot be lower than the local minimum wage. The employers must establish a system for labor safety and sanitation, strictly abide by State rules and standards, provide education regarding labor safety and sanitation to its employees, provide employees with labor safety and sanitation conditions and necessary protection materials in compliance with State rules, and carry out regular health examinations for employees engaged in work involving occupational hazards.

Social Insurance and Housing Provident Funds

According to the Social Insurance Law of PRC, which was promulgated by the Standing Committee of the NPC in October 2010 and came into effect in July 2011, and further amended in December 2018, and the Interim Regulations on the Collection and Payment of Social Security Funds, which was promulgated by the State Council in January 1999 and amended in March 2019, and the Regulations on the Administration of Housing Provident Funds, which was promulgated by the State Council in April 1999 and amended in March 2002 and March 2019, 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, occupational injury insurance, maternity insurance and to housing provident funds. Any employer who fails to contribute may be fined and ordered to make good the deficit within a stipulated time limit.

Regulations on Taxation

Enterprise Income Tax

According to the Enterprise Income Tax Law promulgated by the NPC in March 2007 and amended in February 2017 and December 2018, and the Implementation Rules of the Enterprise Income Tax Law of the PRC promulgated by the State Council in December 2007 and amended in April 2019, other than a few exceptions, the income tax rate for both domestic enterprises and foreign-invested enterprises is 25%. Enterprises are classified as either "resident enterprises" or "non-resident enterprises". Besides enterprises established within the PRC, enterprises established outside China whose "de facto management bodies" are located in China are considered "resident enterprises" and subject to the uniform 25% enterprise income tax rate for their global income. A non-resident enterprise refers to an entity established under foreign law whose "de facto management bodies" are not within the PRC but which have an establishment or place of business in the PRC, or which do not have an establishment or place of business in the PRC but have income sourced within the PRC. An income tax rate of 10% will normally be applicable to dividends declared to non-PRC resident enterprise investors that do not have an establishment or place of business in the PRC, or that have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends are derived from sources within the PRC.

According to the Notice on Promoting the Implementation of Corporate Income Tax Policies for Advanced Technology Service Enterprises Nationwide, or the Notice, effective in January 2017, an enterprise which is recognized as an "Advanced Technology Service Enterprises" under the Notice enjoys a reduced enterprise income tax rate of 15%.

According to the Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and Prevention of Fiscal Evasion with Respect to Taxes on Income, or the Double Tax Avoidance Arrangement, which was promulgated and came into effect in August 2006, and other applicable PRC laws, if a Hong Kong resident enterprise is determined by the competent PRC tax authority to have satisfied the relevant conditions and requirements under such Double Tax Avoidance Arrangement and other applicable laws, the 10% withholding tax on the dividends the Hong Kong resident enterprise receives from a PRC resident enterprise may be reduced to 5%. However, based on the Circular on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties which was promulgated by the State Administration of Taxation, the STA, in February 2009, if the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment. Based on the Announcement on Certain Issues with Respect to the "Beneficial Owner" in Tax Treaties, which was promulgated by the STA in February 2018 and came into effect in April 2018, if an applicant's business activities do not constitute substantive business activities, it could result in the negative determination of the applicant's status as a "beneficial owner", and consequently, the applicant could be precluded from enjoying the above-mentioned reduced income tax rate of 5% under the Double Tax Avoidance Arrangement.

Value Added Tax

According to the Provisional Regulations of the PRC on Value-Added Tax, effective in January 1994 and further amended in November 2008, February 2016, and November 2017, and its implementation rules effected in January 1994 and amended in December 2008 and October 2011, except stipulated otherwise, taxpayers who sell goods, labor services or tangible personal property leasing services or import goods shall be subject to a 17% tax rate; taxpayers who sell transport services, postal services, basic telecommunications services, construction services, or real property leasing services, sell real property, transfer the land use right shall be subject to an 11% tax rate, and taxpayers who sell services or intangible assets shall be subject to a 6% tax rate.

According to the Circular of the Ministry of Finance and the State Administration of Taxation on Adjusting Value-added Tax Rates adopted in April 2018, as of May 2018, where a taxpayer engages in a taxable sales activity for the value-added tax purpose or imports goods, the previous applicable 17% and 11% rates are adjusted to 16% and 10%.

According to the Announcement on Relevant Policies for Deepening Value-Added Tax Reform, effective in April 2019, the 16% VAT tax rate, which applies to the sales or imported goods of a VAT general taxpayer, will be lowered to 13%; and the 10% VAT tax rate will be lowered to 9%.

According to the Measures for the Exemption of Value-Added Tax from Cross-Border Taxable Activities in the Collection of Value-Added Tax in Lieu of Business Tax (for Trial Implementation) revised in June 2018, if domestic enterprises provide cross-border taxable activities such as professional technical services, technology transfer, software services, the above-mentioned cross-border taxable activities are exempt from VAT.

MANAGEMENT

Executive Officers, Key Employees and Directors

The following table sets forth information regarding our directors and executive officers as of the date of this prospectus.

Executive Officers	Age	Position/Title
Peter (Peizhi) Luo, Ph.D.	55	Co-Founder, Chief Executive Officer and Chairman of the Board
Fangyong (Felix) Du, Ph.D.	51	Chief Technology Officer
Hua Gong, M.D., Ph.D.	53	Chief Operating Officer & Head of Clinical Development and Precision Medicine
JC Xu, M.D., Ph.D.	56	Chief Scientific Officer
Raymond Tam, M.B.A., B. Eng.	43	Chief Financial Officer

Key Employees	Age	Position/Title
Yan Li, M.B.A.	46	Senior Vice President, Bioinformatics and Information Technology
Xiaohong (Kristine) She	54	Senior Vice President, Head of Clinical Operations
Guizhong Liu, Ph.D.	50	Head of Biology and Pharmacology
Alexander Goergen	34	Head of Business Development
Yuren (Ron) Wang, Ph.D.	59	Head of Portfolio Management

Non-Employee Directors	Age	Position/Title
Daniel Auerbach, M.B.A.*	62	Director
Chong Xu, Ph.D.*	39	Director
Yu Miao	32	Director
Yunxia Yang	47	Director
Lefei Sun	41	Director

* Mr. Daniel Auerbach and Mr. Chong Xu will resign from our board of directors immediately prior to the SEC's declaration of effectiveness of our registration statement on Form F-1, of which this prospectus is a part.

Executive Officers

Peter (Peizhi) Luo, Ph.D. is our Co-Founder and has served as our Chief Executive Officer since November 2011 and Chairman of the Board of the Directors since February 2018. Dr. Luo served as the first lead scientist in computational protein design and protein laboratory at Xencor (Nasdaq: XNCR) from July 1998 to August 2000. In September 2000, Dr. Luo founded Abmaxis Inc. and served as its Co-Founder, Chief Technology Officer, president, and director. In May 2006, Dr. Luo led the acquisition of Abmaxis Inc. by Merck & Co. (NYSE: MRK), after which Dr. Luo served as a director of Biologics Technology at Merck, and Chief Technology Officer of Abmaxis, the subsidiary of Merck & Co. Throughout his career, Dr. Luo also led the business development efforts in connection with collaborations and strategic partnerships with multiple global partners. Dr. Luo received his bachelor's degree in applied chemistry in technical physics from Peking University in 1986, master's degree in applied physics from The Institute of High Energy Physics of the Chinese Academy of Sciences in 1989, and Ph.D. degree in chemistry from The University of Chicago in 1995. Dr. Luo also completed his postdoctoral research in protein folding at Stanford University in 1998. Dr. Luo's spouse is Xiaohong (Kristine) She who is our Senior Vice President, Head of Clinical Operations.

Fangyong (Felix) Du, Ph.D. joined us as Vice Precedent of Technology Development in January 2012 and has served as our Chief Technology Officer since May 2019. Dr. Du has over 20 years of experience in biological research and discovery industry, and has published numerous peer-reviewed

articles in world-renowned scientific journals such as Nature and Science. Dr. Du worked at Affomix from October 2009 to July 2010 and Illumina (Nasdaq: ILMN) from July 2010 to January 2012, and then joined the Company in January 2012 as the Vice President of Technology Development. Dr. Du received his bachelor's degree and master's degree in physiology and biophysics in 1991 and 1994, respectively, from Peking University, and his Ph.D. degree in biology from the California Institute of Technology in 2001. Dr. Du also completed his postdoctoral research from Yale University in 2007.

Hua Gong, M.D., Ph.D. has served as our Chief Operating Officer and Head of Clinical Development and Precision Medicine since July 2020. Dr. Gong served as the principal scientist of Pfizer (NYSE: PFE) from January 1999 to March 2009. From April 2009 to October 2011, she served as the associate director of Prometheus Diagnostics & Therapeutics. From November 2011 to January 2013, Dr. Gong served as an executive director of Premier Research. From January 2013 to June 2020, she served as the senior director and head of genomics biomarker of Novartis. Dr. Gong received her M.D. degree from An Hui Medical University in 1989, master's degree in biostatistics from Sun Yat-Sen University of Medical Sciences in 1992 and Ph.D. degree in cancer biology from Wayne State University in 1999.

JC Xu, M.D., Ph.D. has served as our Chief Scientific Officer since August 2020. Dr. Xu has more than 20 years of experience in oncology drug discovery and development, and more than four years of experience in business development, strategy, and operations in the biopharmaceutical industry in the United States. Prior to joining Adagene, Dr. Xu was head of R&ED China Strategy at Celgene now BMS from 2017 to 2020. Prior to that, Dr. Xu was Director of Strategy & Operations at Celgene Quanticel Research and Director of Biology at Quanticel Pharmaceuticals from 2012 to 2017. Prior to Quanticel, Dr. Xu worked in leadership roles at a number of biopharmaceutical companies, including Pfizer, Amgen, and Corixa.

Dr. Xu received her M.D. degree from Beijing Medical University (now Peking University Health Science Center) in 1987 and her Ph.D. degree in Immunology from University of Alabama at Birmingham in 1993. She completed her post-doctoral training at DNAX Research Institute (now Merck Palo Alto) in 1996. She is an inventor of more than 120 issued and pending patents and has published more than 50 articles in peer-reviewed journals.

Raymond Tam has served as our Chief Financial Officer since September 2019. Mr. Tam has over 20 years of management experience in finance and banking across the Asia-Pacific region. Mr. Tam worked in HSBC and J.P. Morgan Chase Bank, N.A. from 1999 to 2010. Mr. Tam served as project director of Mineralogy Pty Limited and Chief Financial Officer of Resourcehouse Limited from April 2010 to October 2015. From October 2015 to August 2019, Mr. Tam consecutively served as the Chief Financial Officer of China Regenerative Medicine International Limited (HKEx: 8158), Beijing Gas Blue Sky Holdings Limited (HKEx: 6828), and AgenTus Therapeutics, Inc. Mr. Tam is a fellow of CPA Australia, a member of the American Institute of Certified Public Accountants and the Hong Kong Institute of Certified Public Accountants. He is also a CFA and FRM charter-holder. He received his bachelor's degree in civil & resources engineering from the University of Auckland in 1997, master's degree in practising accounting from Monash University in 2001 and an Executive Master of Business Administration degree from the University of Western Ontario in 2005.

Key Employees

Yan Li, M.B.A. has served as our Senior Vice President of Bioinformatics and Information Technology since November 2011. Ms. Li has over 25 years of experience in software development, with about 20 years focusing on the development of informatics software tools for antibody library design and analysis. Ms. Li served as the senior software engineer and applications scientist at Abmaxis from November 2001 to May 2006. Following the acquisition of Abmaxis by Merck & Co, Ms. Li worked at Merck & Co from May 2006 to December 2010. She received the Merck Award for Excellence in

"Innovative Technologies" with the team and a Special Award for her contribution. Ms. Li received her bachelor's degree in information science from East China University of Science and Technology in 1995 and a Master of Business Administration degree in 2010 from Santa Clara University.

Xiaohong (Kristine) She has served as our Senior Vice President, Head of Clinical Operations since November 2011. Ms. She has over 20 years of laboratory and laboratory management experience in the renowned laboratories in the United States and has completed multiple projects in molecular biology and immunology at the labs of University of Chicago, the Genome Center at Stanford University, neurological animal studies at Stanford Palo Alto Veteran's Hospital, and cloning and functional screening of cDNA libraries at Caltech. Her work has been published in Nature, Science, Biotechnology, among many other notable publications. Ms. She received her bachelor's degree in microbiology from Wuhan University in 1986 and master's degree in biochemistry and microbiology from the Institute of Microbiology of the Chinese Academy of Sciences in 1989. Ms. She's spouse is Peter (Peizhi) Luo, Ph.D., our Co-Founder, Chief Executive Officer and Chairman of the Board.

Guizhong Liu, Ph.D. has served as our Head of Biology and Pharmacology since October 2015. Dr. Liu has over 15 years of experience in drug discovery and development, both in small molecule kinase inhibitors and large molecule antibodies in oncology and immunology field. He has published over 40 peer-reviewed papers in high-profile journals involving key signalling pathways and targets in cancer biology. From July 2007 to August 2011, Dr. Liu served as an assistant professor of the department of oncological science at Mount Sinai School of Medicine. Prior to joining us, Dr. Liu served as head of molecular cancer biology in CrownBio from October 2011 to September 2015. Dr. Liu received his bachelor's degree in biology in 1992 and master's degree in cell biology in 1995 from Beijing Normal University and Ph.D. degree in cell biology from Peking Union Medical College in 1998. He also completed his postdoctoral training in cancer biology at Mount Sinai School of Medicine in 2004.

Alexander Goergen has served as our Head of Business Development since October 2017 when he joined the Company. Mr. Goergen has worked in various roles at the Covance, TRC and International AIDS Vaccine Initiative from October 2008 to October 2012. Prior to joining us, Alexander worked in business development for Catalent Pharma Solutions Biologics Division since October 2012. Mr. Goergen completed many licensing, manufacturing, and cell line development programs both domestically and internationally during his previous employment. Mr. Goergen received his bachelor's degree in Chemistry from Lafayette College in 2008 and master's degree in Biotechnology from the University of Wisconsin-Madison in 2011.

Yuren (Ron) Wang, Ph.D. has served as our Head of Portfolio Management since September 2019. Dr. Wang served as the senior director of business development in Reaction Biology Corporation from March 2013 to December 2018. Prior to joining us, he served as the vice president of R&D research for Jemincare Therapeutics (USA), responsible for the scientific evaluation of projects, in-licensing and portfolio management from December 2018 to August 2019. Dr. Wang received his bachelor's degree in plant science from Shandong Agricultural University in 1982, master's degree in biochemistry from the Graduate School of Chinese Academy of Agricultural Sciences in 1986 and Ph.D. degree in cell and molecular biology from the University of Pennsylvania in 1996. He also completed his postdoctoral training in molecular pharmacology at the University of Pennsylvania in 1999.

Non-Employee Directors

Daniel Auerbach has served as our director since July 2013. He joined Fidelity in 1994 and has been serving as the senior managing partner of Eight Roads, a proprietary investment arm backed by Fidelity. Mr. Auerbach held key board roles with a multitude of companies, including the former director of Alibaba Group (HKEx: 9988), Wuxi Pharmatech during 2005 to 2007, Innovent (HKEx: 1801) during 2011 to 2018, Hua Medicine (HKEx: 2552) during 2010 to 2018 and others. Mr. Auerbach

received his bachelor's degree in Economics and Foreign Languages from Dartmouth College in 1980 and Master of Business Administration degree from The Harvard Business School in 1987.

Chong Xu, Ph.D. has served as our director since May 2020. Dr. Xu joined F-Prime Capital in 2015 and is currently serving as its principal. Prior to joining F-Prime Capital, Dr. Xu worked at McKinsey & Company's Boston office as a consulting professional from September 2014 to October 2015. Dr. Xu also worked at Massif Partners from April 2011 to May 2012 as an investment professional. From December 2009 to April 2011, Dr. Xu served as an investment professional at Affirmed Healthcare. Dr. Xu received his bachelor's degree in biology from Zhejiang University in 2001, a Ph.D. degree in cell biology from University of Virginia in 2009, and an MBA degree from Darden School of Business in 2014.

Yu Miao has served as our director since May 2020. He also serves as the executive director of GP Healthcare Capital Co., Ltd, mainly responsible for equity investment focusing on healthcare industry. Prior to joining GP Healthcare Capital in April 2015, Mr. Yu worked at Eli Lilly & Co. focusing on quality assurance from July 2011 to June 2012 and Oriza Seed Fund Management Co., Ltd., focusing on equity investment from July 2014 to April 2015. Mr. Miao received his bachelor's degree in pharmacy from China Pharmaceutical University in 2011, and master's degree in pharmaceutical science from Northeastern University in 2014.

Yunxia Yang has served as our director since June 2019. She has also served as a managing director of Sequoia Capital China since May 2015 where she focuses on healthcare investment. Ms. Yang has also served as a director of Burning Rock Biotech Ltd since January 2017. Before starting in venture capital, Ms. Yang worked as a product manager at GE Healthcare from June 2006 to July 2007 and a business development manager at Johnson & Johnson from July 2009 to April 2011. She then worked at Legend Capital, where she led investment in areas covering gene diagnostics, medical devices and healthcare service, as a member of the healthcare team from April 2011 to May 2015. Ms. Yang received her master's degree in clinical science from Huazhong Technology University in 1997 and Master of Business Administration degree from Duke University in 2009.

Lefei Sun has served as our director since December 2019. Mr Sun has been a non-executive director of Hong Kong Asia Medical Holding Limited, a leading hospital management group in Asia with hospital assets such as Wuhan Asia Heart Hospital, from November 2018. He is also a non-executive director of various biotech companies such as Ocumension Therapeutics (HKEx: 1477) and CANbridge Pharmaceuticals Inc. Mr. Sun has served as head of China healthcare at General Atlantic since May 2018, and has been a managing director since January 2020, in charge of private equity investment and portfolio management in healthcare and life sciences sectors. From December 2014 to April 2018, Mr. Sun was a founding partner and a member of investment committee of Beijing HuaTai Ruihe Investment Fund Management Company (LLP), also known as Huatai Healthcare Investment Fund. Prior to joining General Atlantic, Mr. Sun served as various investment roles at Hony Capital, Credit Suisse, OrbiMed, Orchid Asia, and as a management consultant at McKinsey & Company, all in the healthcare sector. Mr. Sun obtained his master's degree in neurosciences from Johns Hopkins University School of Medicine in 2006, and his bachelor's degree in mathematics and physics from Tsinghua University in 2002.

Employment Agreements and Indemnification Agreements

We have entered into employment agreements with each of our executive officers. Each of our executive officers is employed for a period of twelve months, which will be renewed automatically and extended automatically for a period of twelve months unless the executive or us gives prior written notice. We may terminate an executive officer's employment for cause at any time without advance notice in certain events. We may terminate an executive officer's employment by giving a prior written

notice or by paying certain compensation. An executive officer may terminate his or her employment at any time by giving a prior written notice.

Each executive officer has agreed to hold, unless expressly consented to by us, at all times during and after the termination of his or her employment agreement, in strict confidence and not to use, any of our confidential information or the confidential information of our customers and suppliers. In addition, each executive officer has agreed to be bound by certain non-competition and non-solicitation restrictions during the term of his or her employment and for a maximum of two years following the last date of employment.

We plan to enter into indemnification agreements with each of our directors and executive officers. Under these agreements, 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 a director or officer of our company.

Board of Directors

Our board of directors will consist of directors, including independent directors, namely , upon the SEC's declaration of effectiveness of our registration statement on Form F-1 to which this prospectus forms a part. A director is not required to hold any shares in our company to qualify to serve as a director. The Corporate Governance Rules of the Nasdaq generally require that a majority of an issuer's board of directors must consist of independent directors. [However, the Corporate Governance Rules of the Nasdaq permit foreign private issuers like us to follow "home country practice" in certain corporate governance matters. We rely on this "home country practice" exception and do not have a majority of independent directors serving on our board of directors.]

[A director who is in any way, whether directly or indirectly, interested in a contract or proposed contract with our company is required to declare the nature of his or her interest at a meeting of our directors. A general notice given to the directors by any director to the effect that he or she is a member, shareholder, director, partner, officer or employee of any specified company or firm and is to be regarded as interested in any contract or transaction with that company or firm shall be deemed a sufficient declaration of interest for the purposes of voting on a resolution in respect to a contract or transaction in which he/she has an interest, and after such general notice it shall not be necessary to give special notice relating to any particular transaction. A director may vote in respect of any contract or proposed contract or arrangement notwithstanding that he/she may be interested therein and if he/she does so, his/her vote shall be counted and he/she may be counted in the quorum at any meeting of the directors at which any such contract or proposed contract or arrangement is considered, subject to any separate requirement for Audit Committee approval under applicable law or the Listing Rules of the Nasdaq. Our board of directors may exercise all of the powers of our company to borrow money, to mortgage or charge its undertaking, property and uncalled capital, or any part thereof, and to issue debentures, debenture stock or other securities whenever money is borrowed or as security for any debt, liability or obligation of our company or of any third party. None of our directors has a service contract with us that provides for benefits upon termination of service as a director.]

Committees of the Board of Directors

Prior to the completion of this offering, we intend to establish an audit committee, a compensation committee and a nominating and corporate governance committee under our board of directors. We intend to adopt a charter for each of the three committees prior to the completion of this offering. Each committee's members and functions are described below.

Audit Committee. Our audit committee will consist of , and is chaired by . We have determined that satisfy the requirements of [Rule 5605(a)(2) of the Listing Rules of the Nasdaq] and meet the independence standards under Rule 10A-3 under the Securities Exchange Act of

1934, as amended. We have determined that qualifies as an "audit committee financial expert." The audit committee oversees our accounting and financial reporting processes and the audits of the financial statements of our company. The audit committee is responsible for, among other things:

- [reviewing and recommending to our board for approval, the appointment, re-appointment or removal of the independent auditor, after considering its annual performance evaluation of the independent auditor;
- approving the remuneration and terms of engagement of the independent auditor and pre-approving all auditing and non-auditing services permitted to be performed by our independent auditors at least annually;
- obtaining a written report from our independent auditor describing matters relating to its independence and quality control procedures;
- reviewing with the independent registered public accounting firm any audit problems or difficulties and management's response;
- discussing with our independent auditor, among other things, the audits of the financial statements, including whether any material information should be disclosed, issues regarding accounting and auditing principles and practices;
- reviewing and approving all proposed related party transactions, as defined in Item 404 of Regulation S-K under the Securities Act;
- reviewing and recommending the financial statements for inclusion within our quarterly earnings releases and to our board for inclusion in our annual reports;
- discussing the annual audited financial statements with management and the independent registered public accounting firm;
- reviewing the adequacy and effectiveness of our accounting and internal control policies and procedures and any special steps taken to monitor and control major financial risk exposures;
- at least annually, reviewing and reassessing the adequacy of the committee charter;
- approving annual audit plans, and undertaking an annual performance evaluation of the internal audit function;
- establishing and overseeing procedures for the handling of complaints and whistleblowing;
- meeting separately and periodically with management and the independent registered public accounting firm;
- monitoring compliance with our code of business conduct and ethics, including reviewing the adequacy and effectiveness of our procedures to ensure proper compliance; and
- reporting regularly to the board.]

Compensation Committee. Our compensation committee will consist of and is chaired by [We have determined that satisfy the "independence" requirements of [Rule 5605(a)(2) of the Listing Rules of the Nasdaq]. The compensation committee assists the board in reviewing and approving the compensation structure, including all forms of compensation, relating to our directors and executive officers. Our Chief Executive Officer may not be present at any committee meeting during which their compensation is deliberated upon. The compensation committee is responsible for, among other things:

- [overseeing the development and implementation of compensation programs in consultation with our management;

- at least annually, reviewing and approving, or recommending to the board for its approval, the compensation for our executive officers;
- at least annually, reviewing and recommending to the board for determination with respect to the compensation of our non-executive directors;
- at least annually, reviewing periodically and approving any incentive compensation or equity plans, programs or other similar arrangements;
- reviewing executive officer and director indemnification and insurance matters;
- overseeing our regulatory compliance with respect to compensation matters, including our policies on restrictions on compensation plans and loans to directors and executive officers;
- at least annually, reviewing and reassessing the adequacy of the committee charter;
- selecting compensation consultant, legal counsel or other adviser only after taking into consideration all factors relevant to that person's independence from management; and
- reporting regularly to the board.]

Nominating and Corporate Governance Committee. Our nominating and corporate governance committee will consist of , and is chaired by . [We have determined that satisfy the "independence" requirements of [Rule 5605(a)(2) of the Listing Rules of the Nasdaq]. The nominating and corporate governance committee assists the board in selecting individuals qualified to become our directors and in determining the composition of the board and its committees. The nominating and corporate governance committee is responsible for, among other things:

- [recommending nominees to the board for election or re-election to the board, or for appointment to fill any vacancy on the board;
- reviewing annually with the board the current composition of the board with regards to characteristics such as independence, knowledge, skills, experience, expertise, diversity and availability of service to us;
- developing and recommending to our board such policies and procedures with respect to nomination or appointment of members of our board and chairs and members of its committees or other corporate governance matters as may be required pursuant to any SEC or Nasdaq rules, or otherwise considered desirable and appropriate;
- selecting and recommending to the board the names of directors to serve as members of the audit committee and the compensation committee, as well as of the nominating and corporate governance committee itself;
- at least annually, reviewing and reassessing the adequacy of the committee charter;
- developing and reviewing at least annually the corporate governance principles adopted by the board and advising the board with respect to significant developments in the law and practice of corporate governance and our compliance with such laws and practices; and
- evaluating the performance and effectiveness of the board as a whole.]

Duties and Functions of Directors

Under Cayman Islands law, our directors owe fiduciary duties to our company, including a duty of loyalty, a duty to act honestly and a duty to act in what they consider in good faith to be in our best interests. Our directors must also exercise their powers only for a proper purpose. Our directors also owe to our company a duty to exercise the skill they actually possess and such care and diligence that a reasonable prudent person would exercise in comparable circumstances. It was previously considered

that a director need not exhibit in the performance of his duties a greater degree of skill than may reasonably be expected from a person of his 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. In fulfilling their duty of care to us, our directors must ensure compliance with our memorandum and articles of association, as amended and restated from time to time. Our company has the right to seek damages if a duty owed by our directors is breached. In limited exceptional circumstances, a shareholder may have the right to seek damages in our name if a duty owed by our directors is breached. The functions and powers of our board of directors include, among others, (i) convening shareholders' annual general meetings and reporting its work to shareholders at such meetings, (ii) declaring dividends, (iii) appointing officers and determining their terms of offices and responsibilities, [(iv) exercising the borrowing powers of our company], and (v) approving the transfer of shares of our company, including the registering of such shares in our share register.

Terms of Directors and Officers

[Our officers are elected by and serve at the discretion of the board of directors. Each director is not subject to a term of office and holds office until such time as his successor takes office or until the earlier of his death, resignation or removal from office pursuant to the applicable provisions of our memorandum and articles of association. A director will be removed from office automatically if, among other things, the director (i) becomes bankrupt or makes any arrangement or composition with his creditors; (ii) dies or is found by our company to be of unsound mind; (iii) resigns by notice in writing to our company; (iv) without special leave of absence from our board of directors, is absent from three consecutive meetings of the board and the board resolves that his office be vacated; (v) is prohibited by law from being a director; or (vi) is removed from office pursuant to any other provisions of our post-offering amended and restated memorandum and articles of association.]

Interested Transactions

A director may, subject to any separate requirement for audit and risk committee approval under applicable law or applicable Nasdaq listing rules, vote in respect of any contract or transaction in which he or she is interested, provided that the nature of the interest of any directors in such contract or transaction is disclosed by him or her at or prior to its consideration and any vote in that matter.

Compensation of Directors and Executive Officers

For the fiscal year ended December 31, 2019, we paid an aggregate of US$0.6 million in cash to our executive officers, and we paid $72,000 cash compensation to our then non-executive director, Mr. Tom Beck, for the fiscal year ended December 31, 2019. We did not pay any cash compensation to other non-executive directors. For the fiscal year ended December 31, 2019, we did not set aside or accrue expenses related to pension, retirement or other similar benefits to our executive officers and directors. Our PRC subsidiary is required by law to make contributions equal to certain percentages of each employee's salary for his or her pension insurance, medical insurance, unemployment insurance and other statutory benefits and a housing provident fund. For share incentive grants to our directors and executive officers, see "—Share Incentive Plan."

Share Incentive Plan

Adagene Inc. Second Amended and Restated Share Incentive Plan

In November 2015, we adopted Adagene Inc. Share Incentive Plan, or the 2015 Plan, which was later superseded and replaced by Adagene Inc. Amended and Restated Share Incentive Plan, or the 2017 Plan, in September 2017. In December 2019, we adopted the Second Amended and Restated

Share Incentive Plan, or the 2019 Plan, to supersede and replace the 2017 Plan. The terms of the 2015 Plan, the 2017 Plan and the 2019 Plan are substantially the same other than the maximum aggregate number of shares we may issue under the respective plan.

The purpose of the 2019 Plan is to attract, motivate, retain and reward certain officers, employees, directors and other eligible persons and to further link the interests of award recipients with those of our shareholders generally. The 2019 Plan provides for the issuance of up to an aggregate of 11,391,131 of our ordinary shares. As of the date of this prospectus, the aggregate number of our ordinary shares underlying our outstanding awards under the 2019 Plan is 5,558,576, excluding awards that were forfeited, cancelled or exercised after the relevant grant dates. The term of the awards will expire not more than ten years after the date of grant.

The following paragraphs summarize the principal terms of the 2019 Plan.

Types of Awards. The 2019 Plan permits the awards of options, share appreciation rights, ordinary shares or restricted shares.

Plan Administration. The 2019 Plan shall be administrated by our board of directors or one or more committees appointed by the board of directors or another committee (within its delegated authority), the Plan Administrator.

Promissory Notes. The promissory notes with respect to the 2019 Plan, or the 2019 Promissory Notes are full recourse, repayable within a period of time determined by the Plan Administrator, which should not exceed five years (subject to certain early repayment events), and bear interest at the interest rate determined by the Plan Administrator but not less than the interest rate necessary to avoid the imputation of interest under United States Internal Revenue Code of 1986, as amended or other applicable tax law. Certain plan participants previously purchased our shares with such promissory notes. The current amount outstanding under these notes (which is also the largest aggregate amount outstanding since the first issuance of the promissory notes) was US$1.8 million immediately.

Repayment of the Promissory Notes. The terms, repayment provisions, and collateral release provisions of the note and the pledge securing the note shall conform with all applicable rules and regulations, including those of the Federal Reserve Board of the United States and any applicable law, as then in effect.

Eligibility. The plan administrators may decide that an award under the 2019 Plan be granted to any employee, officer or director of the Company or its affiliates, or that it be granted to any consultant or adviser who provides services to the Company or its affiliates.

Award Agreements. Each award under the 2019 Plan shall be evidenced by an award agreement in the form approved by the plan administrators. The terms of the award agreements will be determined by the plan administrators and consistent with the terms of the 2019 Plan.

Conditions of Award. The plan administrators shall determine the participants, types of awards, numbers of shares to be covered by awards, terms and conditions of each award, including, but not limited to, the price and number of securities to be offered or awarded, the installments (if applicable) in which such awards will become exercisable or will vest, performance targets (if applicable), the events of termination or reversion of such awards.

Transfer Restrictions. With a few exceptions, no right of interest of a participant in any award may be subject in any manner to sale, transfer, anticipation, alienation, assignment, pledge, encumbrance or charge. This restriction does not apply to (i) transfers to our company, (ii) transfers by gift or domestic relations order to one or more family members, (iii) the designation of a beneficiary to receive benefits if a participant dies or transfers by will, (iv) permitted transfers or exercises on behalf of a participant by the participant's duly authorized legal representative if the participant has suffered a disability.

Reduction or Clawback of Awards. The awards granted under the 2019 Plan are subject to the terms of our recoupment, clawback or similar policy as it may be in effect from time to time, as well as any similar provisions of applicable law, any of which could in certain circumstances require repayment or forfeiture of awards or any ordinary shares or other cash or property received with respect to the awards (including any value received from a disposition of the shares acquired upon payment of the Awards).

Amendment and Termination of the 2019 Plan. The board of directors may, at any time, terminate or, from time to time, amend, modify or suspend the 2019 Plan, in whole or in part. No awards may be granted during any period that the board of directors suspends the 2019 Plan. To the extent then required by applicable law or listing agency, any amendment to the 2019 Plan may be subject to shareholder approval. Unless earlier terminated by the board of directors, the 2019 Plan will terminate at the close of business on the day before the 10th anniversary of the date the board of directors approved the 2019 Plan.

The following table summarizes, as of the date of this prospectus, the number of ordinary shares under outstanding awards that we granted to our directors and executive officers under the 2019 Plan, which replaced the 2015 Plan, excluding awards that were exercised, forfeited or canceled after the relevant grant dates.

Name	Ordinary Shares Underlying Equity Awards Granted	Exercise Price (US$/Share)	Date of Grant	Date of Expiration
Executive Officers				
Peter (Peizhi) Luo, Ph.D.	1,300,000	$ 2.26	August 2020	August 2030
Fangyong (Felix) Du, Ph.D.	360,000	$ 2.26	August 2020	August 2030
	200,000	$ 1.83	March 2020	March 2030
Hua Gong, M.D., Ph.D.	*	$ 2.26	August 2020	August 2030
JC Xu, M.D., Ph.D.	*	$ 2.26	August 2020	August 2030
Raymond Tam, M.B.A., B. Eng.	*	$ 1.83	August 2020	August 2030
	*	$ 1.48	March 2020	March 2030
Non-Employee Directors				
Daniel Auerbach, M.B.A.	—	—	—	—
Chong Xu, Ph.D.	—	—	—	—
Yu Miao	—	—	—	—
Yunxia Yang, M.B.A.	—	—	—	—
Lefei Sun	—	—	—	—
All directors and executive officers as a group	3,360,000		Various dates from November 2015 to August 2020	Various dates from November 2025 to August 2030

Note:

* The shares held by each of these directors and executive officers represent less than 1% of our total outstanding shares.

As of the date of this prospectus, our award holders other than our directors and executive officers as a group held outstanding awards to purchase 2,198,576 ordinary shares. For discussions of our accounting policies and estimates for awards granted pursuant to the 2019 Plan, see "Management's Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies, Judgments and Estimates—Share-based compensation."

PRINCIPAL SHAREHOLDERS

The following table sets forth information concerning the beneficial ownership of our ordinary shares as of the date of this prospectus, assuming conversion of all of our outstanding series A-1 preferred shares, series A-2 preferred shares, series B preferred shares, series C-2 preferred shares and series C-3 preferred shares into ordinary shares, on a one-to-one basis by:

- each of our directors and executive officers; and
- each person known to us to beneficially own more than 5% of our ordinary shares.

The calculations in the table below are based on 43,716,721 ordinary shares on an as-converted basis outstanding as of the date of this prospectus and ordinary shares outstanding immediately after the completion of this offering, including (i) ordinary shares to be sold by us in this offering in the form of ADSs, and (ii) 27,249,824 ordinary shares converted from our outstanding preferred shares, assuming that 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		
	Number	%**	Number	Percentage of total ordinary shares on an as-converted basis***	Percentage of aggregate voting power****
Directors and Executive Officers:†					
Peter (Peizhi) Luo(1)	8,223,883	18.8%			
Fangyong (Felix) Du(2)	938,188	2.1%			
Hua Gong	*	*			
JC Xu	*	*			
Raymond Tam	*	*			
Daniel Auerbach	—	—			
Chong Xu	—	—			
Yunxia Yang	—	—			
Yu Miao	—	—			
Lefei Sun	—	—			
All directors and executive officers as a group	**9,241,430**	**21.0**%			
Principal Shareholders:					
Peter Luo(1)	8,223,883	18.8%			
JSR Limited(3)	5,353,242	12.2%			
Asia Ventures II L.P.(4)	4,826,037	11.0%			
F-Prime Capital Partners Healthcare Fund III LP(5)	4,826,037	11.0%			
Wuxi Pharmatech Healthcare Fund I L.P.(6)	4,706,946	10.8%			
General Atlantic Singapore AI Pte. Ltd.(7)	4,452,441	10.2%			

Notes:

* Less than 1% of our total outstanding shares on an as-converted basis.

** For each person and group included in this table, percentage ownership is calculated by dividing the number of shares beneficially owned by such person or group by the sum of (i) , being the number of ordinary shares on an as-converted basis immediately after the completion of this offering and (ii) the number of ordinary shares underlying share options held by such person or group that are exercisable within 60 days after the completion of this offering.

*** For each person and group included in this table, percentage ownership is calculated by dividing the number of shares beneficially owned by such person or group by the sum of (i) , being the number of ordinary shares on an as-converted basis outstanding immediately after this offering, (ii) , being the number of ordinary shares to be sold by us in this offering in the form of ADSs, and (iii) the number of ordinary shares underlying share options held by such person or group that are exercisable within 60 days after this offering.

**** For each person and group included in this column, percentage of voting power is calculated by dividing the voting power beneficially owned by such person or group by the voting power of all of our ordinary shares as a single class.

† The business address of our directors and executive officers, except for Fangyong (Felix) Du, Raymond Tam, Daniel Auerbach, Chong Xu, Yunxia Yang, Yu Miao and Lefei Sun, is Center 2150, 315 Montgomery Street, 9th Floor, San Francisco CA 94104, United States of America. The business address of Fangyong (Felix) Du and Raymond Tam is 4F, Building C14, No. 218, Xinghu Street, Suzhou Industrial Park, China 215123; the business address of Daniel Auerbach is Suite 2201, Level 22, Pacific Place Two, 88 Queensway, Admiralty, Hong Kong, the business address of Chong Xu is One Main Street, 13th Floor, Cambridge, MA 02142; the business address of Yunxia Yang is Room 3606, China Central Place

Tower 3, 77 Jianguo Road, Beijing 100025, PRC, the business of Yu Miao is Unit 4901, One Lujiazui, No.68, Yin Cheng(C) Rd., Shanghai 200120, PRC; and the business address of Lefei Sun is Suite 5704-5706, 57F, Two IFC, 8 Finance Street, Central, Hong Kong.

(1) Represents (i) 7,187,314 ordinary shares held by Dr. Peter (Peizhi) Luo, (ii) 596,174 ordinary shares issuable upon the conversion of 596,174 Series A-1 preferred shares held by Dr. Luo immediately prior to the completion of this offering, (iii) 95,833 share options granted to Dr. Luo that are expected to vest within 60 days from the date of this prospectus, (iv) 333,395 ordinary shares held by Ms. Xiaohong (Christine) She, who is the spouse of Dr. Luo, and (v) 11,167 share options granted Ms. Xiaohong (Christine) She that are expected to vest within 60 days from the date of this prospectus.

(2) Represents (i) 922,688 ordinary shares held by Ms. Ping Ren, who is the spouse of Dr. Fangyong (Felix) Du, and (ii) 15,500 share options granted to Dr. Du that are expected to vest within 60 days from the date of this prospectus.

(3) Represents 5,353,242 ordinary shares issuable upon the conversion of 5,353,242 Series B preferred shares held by JSR Limited, a British Virgin Islands company. JSR Limited is controlled by GP Healthcare Capital Co., Ltd. The registered address of JSR Limited is Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands.

(4) Represents (i) 2,000,000 ordinary shares and (ii) 2,826,037 ordinary shares issuable upon the conversion of 1,589,796 Series A-1 preferred shares, 790,138 Series A-2 preferred shares and 446,103 Series B preferred shares held by Asia Ventures II L.P., a limited partnership incorporated in the Bermuda. The general partner of Asia Ventures II L.P. is Asia Partners II L.P., a Bermuda exempt limited partnership. The general partner of Asia Partners II L.P. is Eight Roads GP, who is ultimately controlled by Eight Roads Holdings Limited. The registered address of Asia Ventures II L.P. is Pembroke Hall, 42 Crow Lane, Pembroke, Bermuda HM 19.

(5) Represents (i) 2,000,000 ordinary shares and (ii) 2,826,037 ordinary shares issuable upon the conversion of 1,589,796 Series A-1 preferred shares, 790,138 Series A-2 preferred shares and 446,103 Series B preferred shares held by F-Prime Capital Partners Healthcare Fund III LP. F-Prime Capital Partners Healthcare Advisors Fund III LP is the general partner of F-Prime Capital Partners Healthcare Fund III LP. F-Prime Capital Partners Healthcare Advisors Fund III LP is solely managed by Impresa Management LLC, its general partner and investment manager. Each of the entities listed above expressly disclaims beneficial ownership of the securities listed above except to the extent of any pecuniary interest therein. The address of these entities is 245 Summer Street, Boston, MA 02210.

(6) Represents (i) 1,880,909 ordinary shares and (ii) 2,826,037 ordinary shares issuable upon the conversion of 1,589,796 Series A-1 preferred shares, 790,138 Series A-2 preferred shares and 446,103 Series B preferred shares held by Wuxi Pharmatech Healthcare Fund I L.P., a limited partnership incorporated in the Cayman Islands. WuXi Pharmatech Healthcare Fund I L.P. is an indirect wholly owned subsidiary of WuXi AppTec Co., Ltd (SSE: 603259; SEHK: 2359). WuXi AppTec Co., Ltd. is a listed company on the Shanghai Stock Exchange and the Main Board of the Hong Kong Stock Exchange. The registered address of WuXi Pharmatech Healthcare Fund I L.P. is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands.

(7) Represents 4,452,441 ordinary shares issuable upon the conversion of 4,452,441 Series C-3 preferred shares held by General Atlantic Singapore AI Pte. Ltd., a company incorporated under the laws of Singapore. General Atlantic Singapore AI Pte. Ltd. is wholly-owned by General Atlantic Singapore Fund Pte. Ltd., which is controlled by General Atlantic Singapore Interholdco Ltd. The registered address of General Atlantic Singapore AI Pte. Ltd. is 80 Robinson Road, #02-00 Singapore 068898.

As of the date of this prospectus, 36.6% of our outstanding ordinary shares or outstanding preferred shares are held by record holders in the United States.

None of our shareholders has informed us that it is affiliated with a member of Financial Industry Regulatory Authority, or FINRA.

We are not aware of any arrangement that may, at a subsequent date, result in a change of control of our company. See "Description of Share Capital—History of Securities Issuances" for a description of issuances of our ordinary shares and preferred shares that have resulted in significant changes in ownership held by our major shareholders.

RELATED PARTY TRANSACTIONS

The following is a summary of transactions since January 1, 2017 to which we have been a participant in which any of our then directors, executive officers or holders of more than 5% of any class of our voting securities at the time of such transaction, or any members of their immediate family, had or will have a direct or indirect material interest.

Employment Agreements and Indemnification Agreements

See "Management—Employment Agreements and Indemnification Agreements."

Private Placements

See "Description of Share Capital—History of Securities Issuances."

Share Incentives

See "Management—Share Incentive Plan."

Other Related Party Transactions

Transactions with Peter Luo

In May 2014, we received a subsidy of US$84.6 thousand from the local government for attracting highly skilled personnel on behalf of Peter Luo, our Chairman, CEO and ordinary and preferred shareholder. We settled this transaction with Peter Luo in May 2020.

Transactions with WuXi AppTec Group

We received research and development services from WuXi AppTec Group, the parent company of one of our principal shareholders. The amounts for the purchase of the services were US$1.0 million and US$2.1 million in 2018 and 2019, respectively. As of December 31, 2018 and 2019, the amounts due to WuXi AppTec Group were US$0.2 million and US$0.4 million, respectively.

The amounts for the purchase of the services were US$0.7 million and US$0.5 million in the six months ended June 30, 2019 and 2020, respectively. As of June 30, 2020, the amount due to WuXi AppTec Group was US$61.5 thousand.

Transactions with WuXi Biologics (Shanghai) Co., Ltd. or WuXi Biologics

We received research and development services from WuXi Biologics, an entity controlled by the ultimate controlling party of one of our principal shareholders. The amounts for the purchase of the services were US$6.5 million and US$3.6 million in 2018 and 2019, respectively. As of December 31, 2018 and 2019, the amounts due to WuXi Biologics were US$3.4 million and US$1.4 million, respectively.

The amounts for the purchase of the services were US$2.2 million and US$3.9 million in the six months ended June 30, 2019 and 2020, respectively. As of June 30, 2020, the amount due to WuXi Biologics was US$3.9 million.

Director and Executive Officers

Exercise of Share Options

In October and November 2017, Dr. Peter (Peizhi) Luo, Xiaohong (Kristine) She and Dr. Fangyong (Felix) Du exercised their respective vested share options under the 2015 Plan. The payment for exercise of such share options is repaid in installments with nil interest. The aggregate

exercise price for Dr. Luo, Ms. She and Dr. Du was US$365.0 thousand, US$67.4 thousand and US$173.4 thousand, respectively. Each of Ms. She and Dr. Du has settled the payments for their respective exercise of such share options. The amount outstanding as of September 1, 2020 for Dr. Luo's payment for exercise of such share options was US$197.1 thousand, which will be repaid prior to the public filing of this registration statement.

Promissory Notes

The following table sets forth the material terms of the promissory notes issued in connection with the share purchase plans between us and our directors and executive officers:

Name of Director or Executive Officer	Interest Rate as of September 1, 2020	Largest Amount Outstanding from January 1, 2017 to September 1, 2020	Amount Outstanding as of September 1, 2020
Peter (Peizhi) Luo	0.58%	US$1.2 million	US$1.2 million
Xiaohong (Kristine) She*	0.43%	US$96.1 thousand	US$96.1 thousand
Fangyong (Felix) Du	0.43%	US$366.0 thousand	US$366.0 thousand

Note:

Xiaohong (Kristine) She is the spouse of Dr. Peter (Peizhi) Luo

All promissory notes were made pursuant to our 2019 Plan. All amounts outstanding under the promissory notes will be repaid prior to the public filing of this registration statement. For further information, see "Management—Share Incentive Plan—Adagene Inc. Second Amended and Restated Share Incentive Plans—Repayment of the Promissory Notes."

DESCRIPTION OF SHARE CAPITAL

We are a Cayman Islands exempted company and our affairs are governed by our memorandum and articles of association, as amended and restated from time to time, and Companies Law (2020 Revision) (as amended) of the Cayman Islands, which we refer to as the "Companies Law" below, and the common law of the Cayman Islands.

As of the date hereof, our authorized share capital consists of US$50,000 divided into 500,000,000 shares with a par value of US$0.0001, including: (i) 472,750,176 ordinary shares of par value US$0.0001 each, (ii) 7,844,371 series A preferred shares of par value US$0.0001 each (the "Series A Preferred Shares"), which are further divided into 5,473,957 series A-1 preferred shares of par value of US$0.0001 each (the "Series A-1 Preferred Shares"), 2,370,414 series A-2 preferred shares of par value of US$0.0001 each (the "Series A-2 Preferred Shares"), (iii) 7,494,537 series B preferred shares of par value US$0.0001 each (the "Series B Preferred Shares"), and (iv) 11,910,916 authorized series C preferred shares with par value of US$0.0001 each (the "Series C Preferred Shares"), which are further divided into 5,597,354 series C-1 preferred shares with par value of US$0.0001 each (the "Series C-1 Preferred Shares"), 1,861,121 series C-2 preferred shares with par value of US$0.0001 each (the "Series C-2 Preferred Shares") and 4,452,441 series C-3 preferred shares with par value of US$0.0001 each (the "Series C-3 Preferred Shares").

As of the date of this prospectus, there are 16,466,897 ordinary shares, 5,473,957 Series A-1 Preferred Shares, 2,370,414 Series A-2 Preferred Shares, 7,494,537 Series B Preferred Shares, 5,597,354 Series C-1 Preferred Shares, 1,861,121 Series C-2 Preferred Shares and 4,452,441 Series C-3 Preferred Shares issued and outstanding. All of our issued and outstanding shares are fully paid. Immediately prior to the completion of this offering, all of our issued and outstanding preferred shares will be converted into ordinary shares on a one-for-one basis ordinary shares.

We plan to adopt an amended and restated memorandum and articles of association, which will become effective and replace the current sixth amended and restated memorandum and articles of association in its entirety immediately prior to completion of this offering. Our authorized share capital immediately prior to completion of the offering will be US$ divided into ordinary shares of a par value of US$ each. We will issue ordinary shares represented by ADSs in this offering, assuming the underwriters do not exercise their over-allotment option. All awards under the 2019 Plan, 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 immediately prior to the completion of this offering.

[ordinary shares

General. Immediately prior to the completion of this offering, our authorized share capital is US$ divided into ordinary shares, with a par value of US$ each. Holders of ordinary shares will have the same rights except for voting and conversion rights. All of our issued and outstanding ordinary shares are fully paid and non-assessable. Certificates representing the ordinary shares are issued in registered form. We may not issue share to bearer. Our shareholders who are nonresidents of the Cayman Islands may freely hold, transfer and vote their ordinary shares.

Dividends. The holders of our ordinary shares are entitled to such dividends as may be declared by our board of directors subject to our post-offering memorandum and articles of association and the Companies Law. In addition, our shareholders may, subject to the provisions of our articles of association, by ordinary resolution declare a dividend, but no dividend may exceed the amount

recommended by our directors. Our post-offering memorandum and 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 the share premium account or any other fund or account which can be authorized for this purpose in accordance with the Companies Law. No dividend may be declared and paid unless our directors determine that, immediately after the payment, we will be able to pay our debts as they become due in the ordinary course of business and we have funds lawfully available for such purpose.

Voting Rights. In respect of all matters subject to a shareholders' vote, each Ordinary Share is entitled to one vote for each Ordinary Share registered in his or her name on our register of members. 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 shareholder.

A quorum required for a meeting of shareholders consists of two or more shareholders holding not less than [one-half] of the votes attaching to the issued and outstanding shares entitled to vote at general meetings present in person or by proxy or, if a corporation or other non-natural person, by its duly authorized representative. As a Cayman Islands exempted company, we are not obliged by the Companies Law to call shareholders' annual general meetings. Our post-offering memorandum and articles of association provide that we may (but are not obliged to) in each year hold a general meeting as our annual general meeting in which case we will specify the meeting as such in the notices calling it, and the annual general meeting will be held at such time and place as may be determined by our board of directors. We, however, will hold an annual shareholders' meeting during each fiscal year, as required by the Listing Rules of the Nasdaq Global Market. Each general meeting, other than an annual general meeting, shall be an extraordinary general meeting. Shareholders' annual general meetings and any other general meetings of our shareholders 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 votes attaching to the issued and outstanding shares entitled to vote at general meetings, in which case the directors are obliged to call such meeting and to put the resolutions so requisitioned to a vote at such meeting; however, our post-offering memorandum and articles of association do not provide our shareholders with any right to put any proposals before annual general meetings or extraordinary general meetings not called by such shareholders. Advance notice of at least fifteen (15) days is required for the convening of our annual general meeting and other general meetings in accordance with our post-offering memorandum and 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 the ordinary shares cast by those shareholders entitled to vote who are present in person or by proxy at a general meeting, while a special resolution also requires the affirmative vote of no less than two-thirds of the votes attaching to the ordinary shares cast by those shareholders entitled to vote who are present in person or by proxy at a general meeting. A special resolution will be required for important matters such as a change of name or making changes to our post-offering memorandum and articles of association.

Transfer of Ordinary Shares. Subject to the restrictions in our post-offering memorandum and articles of association as 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 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 us; and
- a fee of such maximum sum as the Nasdaq 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 three 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, after compliance with any notice requirement of the Nasdaq, 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 as our board may determine.

Liquidation. On a return of capital on winding up or otherwise (other than on conversion, redemption or purchase of ordinary shares), if the assets available for distribution amongst our shareholders shall be more than sufficient to repay the whole of the share capital at the commencement of the winding up, the surplus shall be distributed amongst our shareholders in proportion to the par value of the shares held by them at the commencement of the winding up, subject to a deduction from those shares in respect of which there are monies due, of all monies payable to our company for unpaid calls or otherwise. If our assets available for distribution are insufficient to repay all of the paid-up capital, the assets will be distributed so that the losses are borne by our shareholders in proportion to the par value of the shares held by them. Any distribution of assets or capital to a holder of ordinary shares will be the same in any liquidation event.

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, Repurchase and Surrender of Ordinary Shares. We may issue shares on terms that such shares are subject to redemption, at our option or at the option of the holders thereof, on such terms and in such manner as may be determined, before the issue of such shares, by our board of directors or by an ordinary resolution of our shareholders. Our company may also repurchase any of our shares provided that the manner and terms of such purchase have been approved by our board of directors or by an ordinary resolution of our shareholders, or are otherwise authorized by our post-offering memorandum and articles of association. Under the Companies Law, the redemption or repurchase of any share may be paid out of our company's profits or out of the proceeds of a fresh issue of shares made for the purpose of such redemption or repurchase, or out of capital (including share premium account and capital redemption reserve) if the Company can, immediately following such payment, pay its debts as they fall due in the ordinary course of business. In addition, under the Companies Law no

such share may be redeemed or repurchased (a) unless it is fully paid up, (b) if such redemption or repurchase would result in there being no shares outstanding, or (c) if the company has commenced liquidation. In addition, our company may accept the surrender of any fully paid share for no consideration.

Variations of Rights of Shares. If at any time our share capital is divided into different classes or series of shares, the rights attached to any class or series of shares (unless otherwise provided by the terms of issue of the shares of that class or series), whether or not our company is being wound-up, may be varied with the consent in writing of holders of not less than two-thirds of the issued shares of that class or series or with the sanction of a special resolution at a separate meeting of the holders of the shares of the class or series. 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 memorandum and articles 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 memorandum and articles 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 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.

Changes in Capital.

We may from time to time by ordinary resolution:

- increase the share capital by such sum, to be divided into shares of such classes and amount, as the resolution shall prescribe;
- consolidate and divide all or any of our share capital into shares of a larger amount than our existing shares;
- sub-divide our existing shares, or any of them into shares of a smaller amount; or

- 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 our share capital by the amount of the shares so canceled.

We may by special resolution, subject to any confirmation or consent required by the Companies Law, reduce our share capital or any capital redemption reserve in any manner permitted by law.

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 shares with no par value;
- may obtain an undertaking against the imposition of any future taxation (such undertakings are usually given for 30 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 that shareholder's shares of the company.

Register of Members

Under the Companies Law, we must keep a register of members and there should be entered therein:

- the names and addresses of our members, a statement of the shares held by each member, and of the amount paid or agreed to be considered as paid, on the shares of each member;
- the date on which the name of any person was entered on the register as a member; and
- the date on which any person ceased to be a member.

Under the Companies Law, the register of members of our company is prima facie evidence of the matters set out therein (that is, the register of members will raise a presumption of fact on the matters referred to above unless rebutted) and a member registered in the register of members is deemed as a matter of the Companies Law to have legal title to the shares as set against its name in the register of members. Upon completion of this offering, we will perform the procedure necessary to immediately update the register of members to record and give effect to the issuance of shares by us to the Depositary (or its nominee) as the depositary. Once our register of members has been updated, the shareholders recorded in the register of members will be deemed to have legal title to the shares set against their name.

If the name of any person is incorrectly entered in or omitted from our register of members, or if there is any default or unnecessary delay in entering on the register the fact of any person having

ceased to be a member of our company, the person or member aggrieved (or any member of our company or our company itself) may apply to the Grand Court of the Cayman Islands for an order that the register be rectified, and the Court may either refuse such application or it may, if satisfied of the justice of the case, make an order for the rectification of the register.

Differences in Corporate Law

The Companies Law is derived, to a large extent, from the older Companies Acts of England, 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. The Companies Law permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) a "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorized by (a) a special resolution of the shareholders of each constituent company, and (b) such other authorization, if any, as may be specified in such constituent company's articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies of the Cayman Islands together with a declaration as to the solvency of the consolidated or surviving company, a declaration as to the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

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 company is a "parent" of a subsidiary if it holds issued shares that together represent at least ninety percent (90%) of the votes at a general meeting of the subsidiary.

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 limited circumstances, a shareholder of a Cayman constituent company who dissents from the merger or consolidation is entitled to payment of the fair value of his shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) upon dissenting to the merger or consolidation, *provided* that the dissenting shareholder complies strictly with the procedures set out in the Companies Law. The exercise of dissenter rights will preclude the exercise by the dissenting shareholder of any other rights to which he or she might otherwise be entitled by virtue of holding shares, save for the right to seek relief on the grounds that the merger or consolidation is void or unlawful.

Separate from the statutory provisions relating to mergers and consolidations, the Companies Law also contains statutory provisions that facilitate the reconstruction and amalgamation of companies by way of schemes of arrangement, *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.

The Companies Law also contains a statutory power of compulsory acquisition which may facilitate the "squeeze out" of a dissenting minority shareholder upon a tender offer. When a tender offer is made and accepted by holders of 90.0% of the shares affected 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 to the offeror 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, or if a tender offer is made and accepted, a 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 to sue for a wrong done to us as a company, 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, the Cayman Islands court can be expected to follow and apply the common law principles (namely the rule in *Foss v. Harbottle* and the exceptions thereto) which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge actions where:

- 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 memorandum and articles of association provide that that we shall indemnify our officers and directors against all actions, proceedings, costs, charges, expenses, losses, damages or liabilities incurred or sustained by such directors or officer, other than by reason of such person's 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 director or officer 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.] This standard of conduct is generally the same as permitted under the Delaware General Corporation Law for a Delaware corporation.

[In addition, we have entered into indemnification agreements with our directors and executive officers that provide such persons with additional indemnification beyond that provided in our post-offering 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 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 position as director (unless the company permits him to do so), a duty not to put himself in a position where the interests of the company conflict with his personal interest or his duty to a third party, and a duty to exercise powers for the purpose for which such powers were intended. 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 duties a greater degree of skill than may reasonably be expected from a person of his 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.

[Under our post-offering memorandum and articles of association, directors who are in any way, whether directly or indirectly, interested in a contract or proposed contract with our company must declare the nature of their interest at a meeting of the board of directors.]

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. The Companies Law and our post-offering memorandum and articles of association provide that our 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.

The Companies Law provides shareholders with only limited rights to requisition a general meeting, and does not provide shareholders with any right to put any proposal before a general meeting. However, these rights may be provided in a company's articles of association. Our post-offering memorandum and articles of association allow our shareholders holding in aggregate not less than [one-third] of all votes attaching to the issued and outstanding shares of our company entitled to vote at general meetings to requisition an extraordinary general meeting of our shareholders, in which case our board is obliged to convene an extraordinary general meeting and to put the resolutions so requisitioned to a vote at such meeting. Other than this right to requisition a shareholders' meeting, our post-offering memorandum and articles of association do not provide our shareholders with any other right to put proposals before annual general meetings or extraordinary general meetings not called by such shareholders. 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 shareholder's 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 memorandum and 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 memorandum and articles of association, directors not appointed by [Asia Ventures II L.P., F-Prime Capital Partners Healthcare Fund III LP, Wuxi Pharmatech Healthcare Fund I L.P., Peter Peizhi Luo, JSR Limited, SCC Venture VI Holdco, Ltd., Gopher Harvest Co-Investment Fund LP and General Atlantic Singapore AI Pte. Ltd.] may be removed with or without cause, by an ordinary resolution of our shareholders. A director shall hold office until the expiration of his or her term or his or her successor shall have been elected and qualified, or until his or her office is otherwise vacated. In addition, a director's office shall be vacated if the director (i) becomes bankrupt or makes any arrangement or composition with his creditors; (ii) is found to be or becomes of unsound mind or dies; (iii) resigns his office by notice in writing to the company; (iv) without special leave of absence from our board of directors, is absent from three consecutive meetings of the board and the board resolves that his office be vacated; (v) is prohibited by law from being a director; or (vi) is removed from office pursuant to any other provisions of our post-offering memorandum and articles of association.

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, the directors of the Company are required to comply with fiduciary duties which they owe to the Company under Cayman Islands laws, including the duty to ensure that, in their opinion, any such transactions must be entered into bona fide in the best interests of the company, and are entered into for a proper corporate purpose 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.

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 memorandum and 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 not less than two-thirds 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. Under the Companies Law and our post-offering memorandum and articles of association, our memorandum and articles of association may only be amended by a special resolution of our shareholders.

Rights of Nonresident or Foreign Shareholders. There are no limitations imposed by our post-offering memorandum and articles of association on the rights of nonresident 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

The following is a summary of securities issuances by Adagene Inc. in the past three years.

Ordinary Shares

From August 17, 2017 to September 16, 2020, we issued a total of 4,192,361 ordinary shares to employees for an aggregate consideration of US$2.6 million upon the exercise of certain share incentive awards.

Preferred Shares

On February 2, 2018, we issued a total of 3,358,412 Series C-1 Preferred Shares to SCC Venture VI Holdco, Ltd., Gopher Harvest Co-Investment Fund LP and AVICT Global Holdings Limited for an aggregate consideration of US$30.0 million.

On March 19, 2018, we issued a total of 1,679,206 Series C-1 Preferred Shares to King Star Med LP and WEALTHY TECHNOLOGIES LIMITED for an aggregate consideration of US$15.0 million.

On May 16, 2018, we issued 559,736 Series C-1 Preferred Shares to Chief Strategic International Limited for a consideration of US$5.0 million.

On June 13, 2019, we issued a total of 1,567,260 Series C-2 Preferred Shares to Mega Prime Development Limited, Poly Platinum Enterprises Limited and Chief Strategic International Limited for an aggregate consideration of US$16.0 million.

On November 21, 2019, we issued 293,861 Series C-2 Preferred Shares to MODEST CHAMPION LIMITED for a consideration of US$3.0 million.

On December 19, 2019, we issued 4,452,441 Series C-3 Preferred Shares to General Atlantic Singapore AI Pte. Ltd. for a consideration of US$50.0 million.

Warrant

On February 2, 2018, we granted warrants to SCC Venture VI Holdco, Ltd. and Gopher Harvest Co-Investment Fund LP to purchase up to a total of US$7.5 million worth of Series C-2 Preferred Shares at the exercise price of US$10.2089 per share (as may be adjusted from time to time). The warrants were not exercised and have expired.

Award Grants

We have granted awards to purchase our ordinary shares to certain of our directors, executive officers and employees pursuant to the 2015 Plan and the 2019 Plan. As of the date of this prospectus, the aggregate number of our ordinary shares underlying our outstanding awards under the 2019 Plan is 5,558,576. See "Management—Share Incentive Plan."

Shareholders' Agreements

We entered into a Fifth Amended and Restated Shareholders Agreement and a Fourth Amended and Restated Right of First Refusal and Co-Sale Agreement (collectively, "Shareholders Agreements") on December 19, 2019 with our shareholders, which consist of holders of our ordinary shares, Series A-1 Preferred Shares, Series A-2 Preferred Shares, Series B Preferred Shares, Series C-1 Preferred Shares, Series C-2 Preferred Shares and Series C-3 Preferred Shares.

The Shareholders Agreements provide for certain special rights, including information and inspection rights, right of participation, right of first refusal, co-sale right, drag-along right, redemption, liquidation and protective provisions. Except for board representation right and registration right, all preferred shareholders' rights will automatically terminate upon the completion of this offering.

Board Representation

Each of Asia Ventures II L.P., F-Prime Capital Partners Healthcare Fund III LP and JSR Limited shall have the right to designate, appoint, remove and replace and reappoint one director so long as they each hold at least five percent of the shares outstanding on a fully-diluted basis and an as-converted basis, respectively.

As long as Wuxi Pharmatech Healthcare Fund I L.P. holds at least five percent of the shares outstanding on a fully-diluted basis, it shall have the right to nominate one independent non-executive director and such one independent non-executive director shall be appointed and agreed by the board.

As long as Peter Luo holds any shares or is employed by us or any of our controlled affiliates, he shall have the right to designate, appoint, remove and replace and reappoint one director.

As long as SCC Venture VI Holdco, Ltd. and Gopher Harvest Co-Investment Fund LP collectively hold at least five percent of the shares outstanding on a fully-diluted basis, SCC Venture VI Holdco, Ltd. shall have the right to designate, appoint, remove and replace and reappoint one director.

As long as General Atlantic Singapore AI Pte. Ltd. and its affiliates hold at least five percent of the shares outstanding on a fully-diluted basis, they shall have the right to designate, appoint, remove and replace and reappoint one director.

Registration Rights

Pursuant to our Fifth Amended and Restated Shareholders Agreement dated December 19, 2019, we have granted certain registration rights to our shareholders. Set forth below is a description of the registration rights granted under the agreement.

Demand Registration Rights. At any time or from time to time after the date that is six months after the closing of the IPO, holders holding thirty percent or more of the voting power of the then outstanding registrable securities held by all holders may request in writing that we effect a registration on any internationally recognized exchange that is reasonably acceptable to such requesting holders. Upon receipt of such a request, we shall (x) promptly give written notice of the proposed registration to all other holders and (y) as soon as practicable, use its good faith 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 our delivery of written notice, to be registered and/or qualified for sale and distribution in such jurisdiction as the initiating holders may request. We shall be obligated to consummate no more than two registrations that have been declared and ordered effective; provided that if the registrable securities sought to be included in the registration are not fully included in the registration for any reason other than solely due to the action or inaction of the holders including registrable securities in such registration, such registration shall not be deemed to constitute one of the registration rights granted. We shall not be obligated to take any action to effect any registration unless the aggregate proceeds from the offering that is the subject of the registration exceeds US$5,000,000 and at least 40% of the registrable securities then outstanding shall participate in such registration. Furthermore, we have the right to defer filing of a registration statement if, after receiving a request from holders, we furnish to the holders a certificate signed by our chief executive officer stating that, in the good faith judgment of the board, it would be detrimental to us or our members for a registration statement to be filed in the near future, but we may not (i) utilize this right for more than ninety days on any one occasion or more than once during any twelve-month period, or (ii) register any other of our securities during such period.

Registration on Form F-3 or Form S-3. We shall use our good faith commercially reasonable efforts to qualify for registration on Form F-3 or Form S-3. If we qualify for registration on Form F-3 or Form S-3 (or any comparable form for registration in a jurisdiction other than the United States),

holders holding ten percent or more of the voting power of the then outstanding registrable securities held by all holders may request us in writing to file, in any jurisdiction in which we have 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). We shall be obligated to consummate no more than two registrations that have been declared and ordered effective within any twelve-month period; provided that if the registrable securities sought to be included in the registration are not fully included in such registration for any reason other than solely due to the action or inaction of the holders including registrable securities in such registration, such registration shall not be deemed to constitute one of the registration rights granted. We shall not be obligated to take any action to effect any registration unless the aggregate proceeds from the offering that is the subject of the registration exceeds US$5,000,000. Furthermore, we have the right to defer filing of a registration statement if, after receiving a request from holders, we furnish to the holders a certificate signed by our chief executive officer stating that, in the good faith judgment of the board, it would be detrimental to us or our members for a registration statement to be filed in the near future, but we may not (i) utilize this right for more than ninety days on any one occasion or more than once during any twelve-month period, or (ii) register any other of our securities during such period.

Piggyback Registration Rights. If we propose to register for our own account any of our equity securities, or for the account of any holder (other than a holder of registrable securities who is a party to the shareholder agreement) of equity securities any of such holder's equity securities, in connection with the public offering of such securities, we shall promptly give each holder written notice of such registration and, upon the written request of any holder given within fifteen days after delivery of such notice, we shall use our good faith commercially reasonable 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 us, 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 us.

Expenses of Registration. We will bear all registration expenses. Each holder, however, should bear its proportionate share of all of the underwriting discounts and selling commissions applicable to the sale of registrable securities.

DESCRIPTION OF AMERICAN DEPOSITARY SHARES

American Depositary Shares

, as depositary, will register and deliver American Depositary Shares, also referred to as ADSs. Each ADS will represent shares (or a right to receive shares) deposited with , as custodian for the depositary in Hong Kong. Each ADS will also represent any other securities, cash or other property which may be held by the depositary. The deposited shares together with any other securities, cash or other property held by the depositary are referred to as the deposited securities. The depositary's office at which the ADSs will be administered is located at . The depositary's principal executive office is located at .

You may hold ADSs either (A) directly (i) by having an American Depositary Receipt, also referred to as an ADR, which is a certificate evidencing a specific number of ADSs, registered in your name, or (ii) by having uncertificated ADSs registered in your name, or (B) indirectly by holding a security entitlement in ADSs through your broker or other financial institution that is a direct or indirect participant in The Depository Trust Company, also called DTC. If you hold ADSs directly, you are a registered ADS holder, also referred to as an ADS holder. This description assumes you are an ADS holder. If you hold the ADSs indirectly, you must rely on the procedures of your broker or other financial institution to assert the rights of ADS holders described in this section. You should consult with your broker or financial institution to find out what those procedures are.

Registered holders of uncertificated ADSs will receive statements from the depositary confirming their holdings.

As an ADS holder, we will not treat you as one of our shareholders and you will not have shareholder rights. The depositary will be the holder of the shares underlying your ADSs. As a registered holder of ADSs, you will have ADS holder rights. A deposit agreement among us, the depositary, ADS holders and all other persons indirectly or beneficially holding ADSs sets out ADS holder rights as well as the rights and obligations of the depositary. New York law governs the deposit agreement and the ADSs.

The following is a summary of the material provisions of the deposit agreement. For more complete information, you should read the entire deposit agreement and the form of ADR. For directions on how to obtain copies of those documents, see "Where You Can Find Additional Information."

Dividends and Other Distributions

How will you receive dividends and other distributions on the shares?

The depositary has agreed to pay or distribute to ADS holders the cash dividends or other distributions it or the custodian receives on shares or other deposited securities, upon payment or deduction of its fees and expenses. You will receive these distributions in proportion to the number of shares your ADSs represent.

Cash. The depositary will convert any cash dividend or other cash distribution we pay on the shares into U.S. dollars, if it can do so on a reasonable basis and can transfer the U.S. dollars to the United States. If that is not possible or if any government approval is needed and cannot be obtained, the deposit agreement allows the depositary to distribute the foreign currency only to those ADS holders to whom it is possible to do so. It will hold the foreign currency it cannot convert for the account of the ADS holders who have not been paid. It will not invest the foreign currency and it will not be liable for any interest.

Before making a distribution, any withholding taxes, or other governmental charges that must be paid will be deducted. See "Taxation." The depositary will distribute only whole U.S. dollars and cents

and will round fractional cents to the nearest whole cent. *If the exchange rates fluctuate during a time when the depositary cannot convert the foreign currency, you may lose some of the value of the distribution.*

Shares. The depositary may distribute additional ADSs representing any shares we distribute as a dividend or free distribution. The depositary will only distribute whole ADSs. It will sell shares which would require it to deliver a fraction of an ADS (or ADSs representing those shares) and distribute the net proceeds in the same way as it does with cash. If the depositary does not distribute additional ADSs, the outstanding ADSs will also represent the new shares. The depositary may sell a portion of the distributed shares (or ADSs representing those shares) sufficient to pay its fees and expenses in connection with that distribution.

Rights to purchase additional shares. If we offer holders of our securities any rights to subscribe for additional shares or any other rights, the depositary may (i) exercise those rights on behalf of ADS holders, (ii) distribute those rights to ADS holders or (iii) sell those rights and distribute the net proceeds to ADS holders, in each case after deduction or upon payment of its fees and expenses. To the extent the depositary does not do any of those things, it will allow the rights to lapse. In that case, you will receive no value for them. The depositary will exercise or distribute rights only if we ask it to and provide satisfactory assurances to the depositary that it is legal to do so. If the depositary will exercise rights, it will purchase the securities to which the rights relate and distribute those securities or, in the case of shares, new ADSs representing the new shares, to subscribing ADS holders, but only if ADS holders have paid the exercise price to the depositary. U.S. securities laws may restrict the ability of the depositary to distribute rights or ADSs or other securities issued on exercise of rights to all or certain ADS holders, and the securities distributed may be subject to restrictions on transfer.

Other Distributions. The depositary will send to ADS holders anything else we distribute on deposited securities by any means it thinks is legal, fair and practical. If it cannot make the distribution in that way, the depositary has a choice. It may decide to sell what we distributed and distribute the net proceeds, in the same way as it does with cash. Or, it may decide to hold what we distributed, in which case ADSs will also represent the newly distributed property. However, the depositary is not required to distribute any securities (other than ADSs) to ADS holders unless it receives satisfactory evidence from us that it is legal to make that distribution. The depositary may sell a portion of the distributed securities or property sufficient to pay its fees and expenses in connection with that distribution. U.S. securities laws may restrict the ability of the depositary to distribute securities to all or certain ADS holders, and the securities distributed may be subject to restrictions on transfer.

The depositary is not responsible if it decides that it is unlawful or impractical to make a distribution available to any ADS holders. We have no obligation to register ADSs, shares, rights or other securities under the Securities Act. We also have no obligation to take any other action to permit the distribution of ADSs, shares, rights or anything else to ADS holders. *This means that you may not receive the distributions we make on our shares or any value for them if it is illegal or impractical for us to make them available to you.*

Deposit, Withdrawal and Cancellation

How are ADSs issued?

The depositary will deliver ADSs if you or your broker deposits shares or evidence of rights to receive shares with the custodian. Upon payment of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, the depositary will register the appropriate number of ADSs in the names you request and will deliver the ADSs to or upon the order of the person or persons that made the deposit.

How can ADS holders withdraw the deposited securities?

You may surrender your ADSs for the purpose of withdrawal at the depositary's office. Upon payment of its fees and expenses and of any taxes or charges, such as stamp taxes or stock transfer taxes or fees, the depositary will deliver the shares and any other deposited securities underlying the ADSs to the ADS holder or a person the ADS holder designates at the office of the custodian. Or, at your request, risk and expense, the depositary will deliver the deposited securities at its office, if feasible. The depositary may charge you a fee and its expenses for instructing the custodian regarding delivery of deposited securities.

How do ADS holders interchange between certificated ADSs and uncertificated ADSs?

You may surrender your ADR to the depositary for the purpose of exchanging your ADR for uncertificated ADSs. The depositary will cancel that ADR and will send to the ADS holder a statement confirming that the ADS holder is the registered holder of uncertificated ADSs. Upon receipt by the depositary of a proper instruction from a registered holder of uncertificated ADSs requesting the exchange of uncertificated ADSs for certificated ADSs, the depositary will execute and deliver to the ADS holder an ADR evidencing those ADSs.

Voting Rights

How do you vote?

ADS holders may instruct the depositary how to vote the number of deposited shares their ADSs represent. If we request the depositary to solicit your voting instructions (and we are not required to do so), the depositary will notify you of a shareholders' meeting and send or make voting materials available to you. Those materials will describe the matters to be voted on and explain how ADS holders may instruct the depositary how to vote. For instructions to be valid, they must reach the depositary by a date set by the depositary. The depositary will try, as far as practical, subject to the laws of the Cayman Islands and the provisions of our articles of association or similar documents, to vote or to have its agents vote the shares or other deposited securities as instructed by ADS holders. If we do not request the depositary to solicit your voting instructions, you can still send voting instructions, and, in that case, the depositary may try to vote as you instruct, but it is not required to do so.

Except by instructing the depositary as described above, you won't be able to exercise voting rights unless you surrender your ADSs and withdraw the shares. However, you may not know about the meeting enough in advance to withdraw the shares. In any event, the depositary will not exercise any discretion in voting deposited securities and it will only vote or attempt to vote as instructed.

We cannot assure you that you will receive the voting materials in time to ensure that you can instruct the depositary to vote your shares. In addition, the depositary and its agents are not responsible for failing to carry out voting instructions or for the manner of carrying out voting instructions. This means that you may not be able to exercise voting rights and there may be nothing you can do if your shares are not voted as you requested.

In order to give you a reasonable opportunity to instruct the depositary as to the exercise of voting rights relating to Deposited Securities, if we request the Depositary to act, we agree to give the depositary notice of any such meeting and details concerning the matters to be voted upon at least [45] days in advance of the meeting date.

Fees and Expenses

Persons depositing or withdrawing shares or ADS holders must pay:	For:
• $5.00 (or less) per 100 ADSs (or portion of 100 ADSs)	• Issuance of ADSs, including issuances resulting from a distribution of shares or rights or other property • Cancellation of ADSs for the purpose of withdrawal, including if the deposit agreement terminates
• $.05 (or less) per ADS	• Any cash distribution to ADS holders
• A fee equivalent to the fee that would be payable if securities distributed to you had been shares and the shares had been deposited for issuance of ADSs	• Distribution of securities distributed to holders of deposited securities (including rights) that are distributed by the depositary to ADS holders
• $.05 (or less) per ADS per calendar year	• Depositary services
• Registration or transfer fees	• Transfer and registration of shares on our share register to or from the name of the depositary or its agent when you deposit or withdraw shares
• Expenses of the depositary	• Cable and facsimile transmissions (when expressly provided in the deposit agreement) • Converting foreign currency to U.S. dollars
• Taxes and other governmental charges the depositary or the custodian has to pay on any ADSs or shares underlying ADSs, such as stock transfer taxes, stamp duty or withholding taxes	• As necessary
• Any charges incurred by the depositary or its agents for servicing the deposited securities	• As necessary

The depositary collects its fees for delivery and surrender of ADSs directly from investors depositing shares or surrendering ADSs for the purpose of withdrawal or from intermediaries acting for them. The depositary collects fees for making distributions to investors by deducting those fees from the amounts distributed or by selling a portion of distributable property to pay the fees. The depositary may collect its annual fee for depositary services by deduction from cash distributions or by directly billing investors or by charging the book-entry system accounts of participants acting for them. The depositary may collect any of its fees by deduction from any cash distribution payable (or by selling a portion of securities or other property distributable) to ADS holders that are obligated to pay those fees. The depositary may generally refuse to provide fee-attracting services until its fees for those services are paid.

From time to time, the depositary may make payments to us to reimburse us for costs and expenses generally arising out of establishment and maintenance of the ADS program, waive fees and expenses for services provided to us by the depositary or share revenue from the fees collected from ADS holders. In performing its duties under the deposit agreement, the depositary may use brokers, dealers, foreign currency dealers or other service providers that are owned by or affiliated with the depositary and that may earn or share fees, spreads or commissions.

The depositary may convert currency itself or through any of its affiliates and, in those cases, acts as principal for its own account and not as agent, advisor, broker or fiduciary on behalf of any other person and earns revenue, including, without limitation, transaction spreads, that it will retain for its own account. The revenue is based on, among other things, the difference between the exchange rate assigned to the currency conversion made under the deposit agreement and the rate that the depositary or its affiliate receives when buying or selling foreign currency for its own account. The depositary makes no representation that the exchange rate used or obtained in any currency conversion under the deposit agreement will be the most favorable rate that could be obtained at the time or that the method by which that rate will be determined will be the most favorable to ADS holders, subject to the depositary's obligations under the deposit agreement. The methodology used to determine exchange rates used in currency conversions is available upon request.

Payment of Taxes

You will be responsible for any taxes or other governmental charges payable on your ADSs or on the deposited securities represented by any of your ADSs. The depositary may refuse to register any transfer of your ADSs or allow you to withdraw the deposited securities represented by your ADSs until those taxes or other charges are paid. It may apply payments owed to you or sell deposited securities represented by your ADSs to pay any taxes owed and you will remain liable for any deficiency. If the depositary sells deposited securities, it will, if appropriate, reduce the number of ADSs to reflect the sale and pay to ADS holders any proceeds, or send to ADS holders any property, remaining after it has paid the taxes.

Tender and Exchange Offers; Redemption, Replacement or Cancellation of Deposited Securities

The depositary will not tender deposited securities in any voluntary tender or exchange offer unless instructed to do by an ADS holder surrendering ADSs and subject to any conditions or procedures the depositary may establish.

If deposited securities are redeemed for cash in a transaction that is mandatory for the depositary as a holder of deposited securities, the depositary will call for surrender of a corresponding number of ADSs and distribute the net redemption money to the holders of called ADSs upon surrender of those ADSs.

If there is any change in the deposited securities such as a subdivision, combination or other reclassification, or any merger, consolidation, recapitalization or reorganization affecting the issuer of deposited securities in which the depositary receives new securities in exchange for or in lieu of the old deposited securities, the depositary will hold those replacement securities as deposited securities under the deposit agreement. However, if the depositary decides it would not be lawful and to hold the replacement securities because those securities could not be distributed to ADS holders or for any other reason, the depositary may instead sell the replacement securities and distribute the net proceeds upon surrender of the ADSs.

If there is a replacement of the deposited securities and the depositary will continue to hold the replacement securities, the depositary may distribute new ADSs representing the new deposited securities or ask you to surrender your outstanding ADRs in exchange for new ADRs identifying the new deposited securities.

If there are no deposited securities underlying ADSs, including if the deposited securities are canceled, or if the deposited securities underlying ADSs have become apparently worthless, the depositary may call for surrender or of those ADSs or cancel those ADSs upon notice to the ADS holders.

Reclassifications, Recapitalizations and Mergers

If we:	Then:
• Change the nominal or par value of our shares • Reclassify, split up or consolidate any of the deposited securities • Distribute securities on the shares that are not distributed to you • Recapitalize, reorganize, merge, liquidate, sell all or substantially all of our assets, or take any similar action	• The cash, shares or other securities received by the depositary will become deposited securities. Each ADS will automatically represent its equal share of the new deposited securities. • The depositary may distribute new ADSs representing the new deposited securities or ask you to surrender your outstanding ADRs in exchange for new ADRs identifying the new deposited securities.

Amendment and Termination

How may the deposit agreement be amended?

We may agree with the depositary to amend the deposit agreement and the ADRs without your consent for any reason. If an amendment adds or increases fees or charges, except for taxes and other governmental charges or expenses of the depositary for registration fees, facsimile costs, delivery charges or similar items, or prejudices a substantial right of ADS holders, it will not become effective for outstanding ADSs until 30 days after the depositary notifies ADS holders of the amendment. *At the time an amendment becomes effective, you are considered, by continuing to hold your ADSs, to agree to the amendment and to be bound by the ADRs and the deposit agreement as amended.*

How may the deposit agreement be terminated?

The depositary will initiate termination of the deposit agreement if we instruct it to do so. The depositary may initiate termination of the deposit agreement if:

- 60 days have passed since the depositary told us it wants to resign but a successor depositary has not been appointed and accepted its appointment;
- we delist the ADSs from an exchange on which they were listed and do not list the ADSs on another exchange;
- we appear to be insolvent or enter insolvency proceedings;
- all or substantially all the value of the deposited securities has been distributed either in cash or in the form of securities;
- there are no deposited securities underlying the ADSs or the underlying deposited securities have become apparently worthless; or
- there has been a replacement of deposited securities.

If the deposit agreement will terminate, the depositary will notify ADS holders at least 90 days before the termination date. At any time after the termination date, the depositary may sell the deposited securities. After that, the depositary will hold the money it received on the sale, as well as any other cash it is holding under the deposit agreement, unsegregated and without liability for interest, for the pro rata benefit of the ADS holders that have not surrendered their ADSs. Normally, the depositary will sell as soon as practicable after the termination date.

After the termination date and before the depositary sells, ADS holders can still surrender their ADSs and receive delivery of deposited securities, except that the depositary may refuse to accept a

surrender for the purpose of withdrawing deposited securities if it would interfere with the selling process. The depositary may refuse to accept a surrender for the purpose of withdrawing sale proceeds until all the deposited securities have been sold. The depositary will continue to collect distributions on deposited securities, but, after the termination date, the depositary is not required to register any transfer of ADSs or distribute any dividends or other distributions on deposited securities to the ADSs holder (until they surrender their ADSs) or give any notices or perform any other duties under the deposit agreement except as described in this paragraph.

Limitations on Obligations and Liability

Limits on Our Obligations and the Obligations of the Depositary; Limits on Liability to Holders of ADSs

The deposit agreement expressly limits our obligations and the obligations of the depositary. It also limits our liability and the liability of the depositary. We and the depositary:

- are only obligated to take the actions specifically set forth in the deposit agreement without negligence or bad faith;
- are not liable if we are or it is prevented or delayed by law or by events or circumstances beyond our or its ability to prevent or counteract with reasonable care or effort from performing our or its obligations under the deposit agreement;
- are not liable if we or it exercises discretion permitted under the deposit agreement;
- are not liable for the inability of any holder of ADSs to benefit from any distribution on deposited securities that is not made available to holders of ADSs under the terms of the deposit agreement, or for any special, consequential or punitive damages for any breach of the terms of the deposit agreement;
- have no obligation to become involved in a lawsuit or other proceeding related to the ADSs or the deposit agreement on your behalf or on behalf of any other person;
- are not liable for the acts or omissions of any securities depository, clearing agency or settlement system; and
- may rely upon any documents we believe or it believes in good faith to be genuine and to have been signed or presented by the proper person.

In the deposit agreement, we and the depositary agree to indemnify each other under certain circumstances.

Requirements for Depositary Actions

Before the depositary will deliver or register a transfer of ADSs, make a distribution on ADSs, or permit withdrawal of shares, the depositary may require:

- payment of stock transfer or other taxes or other governmental charges and transfer or registration fees charged by third parties for the transfer of any shares or other deposited securities;
- satisfactory proof of the identity and genuineness of any signature or other information it deems necessary; and
- compliance with regulations it may establish, from time to time, consistent with the deposit agreement, including presentation of transfer documents.

The depositary may refuse to deliver ADSs or register transfers of ADSs when the transfer books of the depositary or our transfer books are closed or at any time if the depositary or we think it advisable to do so.

Your Right to Receive the Shares Underlying Your ADSs

ADS holders have the right to cancel their ADSs and withdraw the underlying shares at any time except:

- when temporary delays arise because: (i) the depositary has closed its transfer books or we have closed our transfer books; (ii) the transfer of shares is blocked to permit voting at a shareholders' meeting; or (iii) we are paying a dividend on our shares;
- when you owe money to pay fees, taxes and similar charges; or
- when it is necessary to prohibit withdrawals in order to comply with any laws or governmental regulations that apply to ADSs or to the withdrawal of shares or other deposited securities.

This right of withdrawal may not be limited by any other provision of the deposit agreement.

Direct Registration System

In the deposit agreement, all parties to the deposit agreement acknowledge that the Direct Registration System, also referred to as DRS, and Profile Modification System, also referred to as Profile, will apply to the ADSs. DRS is a system administered by DTC that facilitates interchange between registered holding of uncertificated ADSs and holding of security entitlements in ADSs through DTC and a DTC participant. Profile is feature of DRS that allows a DTC participant, claiming to act on behalf of a registered holder of uncertificated ADSs, to direct the depositary to register a transfer of those ADSs to DTC or its nominee and to deliver those ADSs to the DTC account of that DTC participant without receipt by the depositary of prior authorization from the ADS holder to register that transfer.

In connection with and in accordance with the arrangements and procedures relating to DRS/Profile, the parties to the deposit agreement understand that the depositary will not determine whether the DTC participant that is claiming to be acting on behalf of an ADS holder in requesting registration of transfer and delivery as described in the paragraph above has the actual authority to act on behalf of the ADS holder (notwithstanding any requirements under the Uniform Commercial Code). In the deposit agreement, the parties agree that the depositary's reliance on and compliance with instructions received by the depositary through the DRS/Profile system and in accordance with the deposit agreement will not constitute negligence or bad faith on the part of the depositary.

Shareholder Communications; Inspection of Register of Holders of ADSs

The depositary will make available for your inspection at its office all communications that it receives from us as a holder of deposited securities that we make generally available to holders of deposited securities. The depositary will send you copies of those communications or otherwise make those communications available to you if we ask it to. You have a right to inspect the register of holders of ADSs, but not for the purpose of contacting those holders about a matter unrelated to our business or the ADSs.

SHARES ELIGIBLE FOR FUTURE SALE

Upon completion of this offering, we will have ADSs outstanding, representing ordinary shares, or approximately % of our outstanding ordinary shares, assuming the underwriters do not exercise their option to purchase additional ADSs. All of the ADSs sold in this offering will be freely transferable by persons other than 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. Prior to this offering, there has been no public market for our ordinary shares or the ADSs, and while our ADSs [have been approved] for listing on the Nasdaq, we cannot assure you that a regular trading market will develop in the ADSs. Our ordinary shares will not be listed on any exchange or quoted for trading on any over-the-counter trading system. We do not expect that a trading market will develop for our ordinary shares not represented by the ADSs.

Lock-up Agreements

We, [our directors, executive officers and existing shareholders] have agreed with the underwriters, subject to some exceptions, not to sell, transfer or dispose of, directly or indirectly, any of our ordinary shares, in the form of ADSs or otherwise, or any securities convertible into or exchangeable or exercisable for our ordinary shares, in the form of ADSs or otherwise, for a period of [180] days after the date of this prospectus. After the expiration of the [180]-day period, the ordinary shares or ADSs held by our directors, executive officers and our existing shareholders may be sold subject to the restrictions under Rule 144 under the Securities Act or by means of registered public offerings.

Rule 144

All of our ordinary shares outstanding prior to this offering are "restricted shares" 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 requirements. Under Rule 144 as currently in effect, a person who is not deemed to have been our affiliate at any time during the three months preceding a sale and who has beneficially owned our restricted shares for at least six months is generally entitled to sell the restricted securities without registration under the Securities Act beginning 90 days after the date of this prospectus, subject to certain additional restrictions.

Our affiliates who have beneficially owned "restricted securities" for at least six months may sell within any three-month period a number of restricted shares 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 will equal approximately ordinary shares immediately after this offering, assuming the underwriters do not exercise their option to purchase additional ADSs; or
- the average weekly trading volume of our ordinary shares in the form of ADSs or otherwise on the Nasdaq during the four calendar weeks preceding the date on which notice of the sale on Form 144 is filed with the SEC.

Affiliates who sell restricted securities under Rule 144 may not solicit orders or arrange for the solicitation of orders, and they are also subject to certain manner of sale provisions and notice requirements and the availability of current public information about us. In addition, in each case, shares held by our affiliates would remain subject to lock-up arrangements and would only become eligible for sale when the lock-up period expires.

Persons who are not our affiliates are only subject to one of these additional restrictions, the requirement of the availability of current public information about us, and this additional restriction does not apply if they have beneficially owned our restricted shares for more than one year.

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 or option plan or other written agreement relating to compensation is eligible to resell such ordinary shares 90 days after we became a reporting company under the Exchange Act 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.

Registration Rights

Upon the completion of this offering, holders of our registrable securities will be entitled to request that we register their shares under the Securities Act, following the expiration of the lock-up agreements described above. See "Description of Share Capital—Shareholders' Agreements—Registration Rights."

Form S-8

We intend to file a registration statement on Form S-8 under the Securities Act covering all ordinary shares which are either subject to outstanding options or may be issued upon exercise or vesting of any options or other equity awards which may be granted or issued in the future pursuant to our share incentive plan. We expect to file this registration statement as soon as practicable after the date of this prospectus. Shares registered under any registration statements will be available for sale in the open market, except to the extent that the shares are subject to vesting restrictions with us or the contractual restrictions and the lock-up described below.

TAXATION

The following discussion of Cayman Islands, PRC and U.S. federal income tax consequences of an investment in the ADSs or ordinary shares is based upon laws and relevant interpretations thereof in effect as of the date of this prospectus, all of which are subject to change. This discussion does not deal with all possible tax consequences relating to an investment in the ADSs or ordinary shares, such as the tax consequences under state, local and other tax laws. To the extent that the discussion relates to matters of Cayman Islands tax law, it represents the opinion of Walkers (Hong Kong), our Cayman Islands counsel. To the extent that the discussion relates to matters of PRC tax law, it represents the opinion of Tian Yuan Law Firm, our PRC legal counsel.

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 or holders of our ADSs or ordinary shares 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.

Payments of dividends and capital in respect of the ADSs or ordinary shares will not be subject to taxation in the Cayman Islands and no withholding will be required on the payment of a dividend or capital to any holder of the ADSs or ordinary shares, nor will gains derived from the disposal of the ADSs or ordinary shares be subject to Cayman Islands income or corporation tax.

Material PRC Income Tax Considerations

Under the PRC EIT Law, which became effective on January 1, 2008 and amended on December 29, 2019, an enterprise established outside the PRC with "de facto management bodies" within the PRC is considered a "resident enterprise" for PRC enterprise income tax purposes and is generally subject to a uniform 25% enterprise income tax rate on its worldwide income. Under the implementation rules to the PRC EIT Law, a "de facto management body" is defined as a body that has material and overall management and control over the manufacturing and business operations, personnel and human resources, finances and properties of an enterprise.

In addition, the SAT Circular 82 issued by the SAT in April 2009 specifies that certain offshore incorporated enterprises controlled by PRC enterprises or PRC enterprise groups will be classified as PRC resident enterprises if the following are located or resident in the PRC: (a) senior management personnel and departments that are responsible for daily production, operation and management; (b) financial and personnel decision-making bodies; (c) key properties, accounting books, company seal, minutes of board meetings and shareholders' meetings; and (d) half or more of the senior management or directors having voting rights. Further to SAT Circular 82, the SAT issued the SAT Bulletin 45, which took effect in September 2011, to provide more guidance on the implementation of SAT Circular 82. SAT Bulletin 45 provides for procedures and administration details of determination on resident status and administration on post-determination matters. Our company is a company incorporated outside the PRC. As a holding company, its key assets are its ownership interests in its subsidiaries, and 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 the PRC. As such, we do not believe that our company meets all of the conditions above or is a PRC resident enterprise for PRC tax purposes. For the same reasons, we believe our other entities outside China are not PRC resident enterprises either. 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." There can be no assurance that the PRC government will ultimately take a view that is consistent with us. If the PRC tax authorities determine that our Cayman Islands holding company is a PRC resident enterprise for PRC enterprise income tax purposes, a number of unfavorable PRC tax consequences could follow. For example, a 10% withholding tax would be imposed on dividends we pay to our non-PRC enterprise shareholders (including our ADS holders). In addition, nonresident enterprise shareholders (including our ADS holders) may be subject to PRC tax on gains realized on the sale or other disposition of ADSs or ordinary shares, if such income is treated as sourced from within the PRC. Furthermore, if we are deemed a PRC resident enterprise, dividends paid to our non-PRC individual shareholders (including our ADS holders) and any gain realized on the transfer of ADSs or ordinary shares by such shareholders may be subject to PRC tax at a rate of 20% (which, in the case of dividends, may be withheld at source by us). These rates may be reduced by an applicable tax treaty, but it is unclear whether in practice non-PRC shareholders of our company would be able to obtain the benefits of any tax treaties between their country of tax residence and the PRC in the event that we are 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."

Material U.S. Federal Income Tax Considerations

In the opinion of Davis, Polk and Wardwell LLP, the following are material U.S. federal income tax consequences to the U.S. Holders described below of owning and disposing of our ADSs or ordinary shares. This discussion is not a comprehensive description of all of the tax considerations that may be relevant to a particular person's decision to acquire the ADSs or ordinary shares. This discussion applies to you only if you are a U.S. Holder that acquires ADSs in this offering and holds the ADSs or underlying ordinary shares as capital assets for U.S. federal income tax purposes. In addition, it does not describe all of the tax consequences that may be relevant in light of your particular circumstances, including alternative minimum and Medicare contribution tax considerations, and tax consequences applicable to you if you are subject to special rules, such as:

- certain financial institutions;
- dealers or traders in securities that use a mark-to-market method of tax accounting;
- persons holding ADSs or ordinary shares as part of a straddle, conversion transaction, integrated transaction or similar transaction;
- persons whose functional currency for U.S. federal income tax purposes is not the U.S. dollar;
- entities classified as partnerships for U.S. federal income tax purposes (and investors therein);
- tax-exempt entities, "individual retirement accounts" or "Roth IRAs";
- persons that own or are deemed to own 10% or more of our stock by vote or value; or
- persons holding ADSs or ordinary shares in connection with a trade or business conducted outside the United States.

If you are a partnership for U.S. federal income tax purposes, the U.S. federal income tax consequences to your partners will generally depend on their status and your activities. Partnerships holding ADSs or ordinary shares and their partners should consult their tax advisers as to the particular U.S. federal income tax consequences of acquiring, owning or disposing of the ADSs or ordinary shares.

This discussion is based on the Internal Revenue Code of 1986, as amended, or the Code, administrative pronouncements, judicial decisions and final, temporary and proposed Treasury

regulations, and the income tax treaty between the United States and the PRC, or the Treaty, all as of the date hereof, any of which is subject to change, possibly with retroactive effect.

For purposes of this discussion, you are a "U.S. Holder" if for U.S. federal income tax purposes you are a beneficial owner of ADSs or ordinary shares and:

- a citizen or individual resident of the United States;
- a corporation or other entity taxable as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the United States, any state therein or the District of Columbia; or
- an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

In general, if you own ADSs you will be treated as the owner of the underlying ordinary shares represented by those ADSs for U.S. federal income tax purposes. Accordingly, no gain or loss will be recognized if you exchange ADSs for the underlying ordinary shares represented by those ADSs.

Taxation of Distributions

Except as described under "—*Passive Foreign Investment Company Rules*" below, distributions paid on ADSs or ordinary shares, other than certain pro rata distributions of ordinary shares, will generally be treated as dividends to the extent paid out of our current or accumulated earnings and profits (as determined under U.S. federal income tax principles). Because we do not maintain calculations of our earnings and profits under U.S. federal income tax principles, we expect that any distributions will be reported to you as dividends. Dividends will not be eligible for the dividends-received deduction generally available to United States corporations under the Code. Subject to applicable limitations, dividends paid on our ADSs to certain non-corporate U.S. Holders may be taxable at a favorable rate. Dividends will be included in your income on the date of your, or in the case of ADSs, the depositary's, receipt of the dividend. The amount of any dividend income paid in non-U.S. currency will be its U.S. dollar value calculated by reference to the spot rate in effect on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars. If the dividend is converted into U.S. dollars on the date of receipt, you generally should not be required to recognize foreign currency gain or loss in respect of the dividend income. You may have foreign currency gain or loss, which will be United States source, if the dividend is converted into U.S. dollars after the date of receipt.

Dividends will be treated as foreign-source income for foreign tax credit purposes. As described in "—PRC Taxation", dividends paid by us may be subject to PRC withholding tax. For U.S. federal income tax purposes, the amount of the dividend income will include any amounts withheld in respect of PRC withholding tax. Subject to applicable limitations, which vary depending upon your circumstances, PRC taxes withheld from dividend payments (at a rate not exceeding the applicable rate provided in the Treaty) generally will be creditable against your U.S. federal income tax liability. The rules governing foreign tax credits are complex and you should consult your tax advisers regarding the creditability of foreign tax credits in your particular circumstances. In lieu of claiming a credit, you may elect to deduct PRC taxes in computing its taxable income, subject to applicable limitations. An election to deduct foreign taxes instead of claiming foreign tax credits must apply to all foreign taxes paid or accrued in the taxable year.

Sale or Other Disposition of ADSs or Ordinary Shares

Except as described under "—*Passive Foreign Investment Company Rules*" below, gain or loss realized on the sale or other taxable disposition of ADSs or ordinary shares will be capital gain or loss, and will be long-term capital gain or loss if you held the ADSs or ordinary shares for more than one

year. The amount of the gain or loss will equal the difference between your tax basis in the ADSs or ordinary shares disposed of and the amount realized on the disposition, in each case as determined in U.S. dollars. This gain or loss will generally be U.S.-source gain or loss for foreign tax credit purposes. The deductibility of capital losses is subject to limitations.

As described in "—PRC Taxation" gains on the sale of ADSs or ordinary shares may be subject to PRC taxes. You are entitled to use foreign tax credits to offset only the portion of your U.S. federal income tax liability that is attributable to foreign-source income. Because under the Code capital gains of U.S. persons are generally treated as U.S.-source income, this limitation may preclude you from claiming a credit for all or a portion of any PRC taxes imposed on any such gains. However, if you are eligible for the benefits of the Treaty, you may elect to treat the gain as PRC-source and therefore claim foreign tax credits in respect of PRC taxes on such disposition gains. You should consult your tax advisor regarding their eligibility for the benefits of the Treaty and the creditability of any PRC tax on disposition gains in your particular circumstances.

Passive Foreign Investment Company Rules

In general, a non-U.S. corporation will be a passive foreign investment company, or a PFIC, for any taxable year in which (i) 75% or more of its gross income consists of passive income, or the income test, or (ii) 50% or more of the average value of its assets (generally determined on a quarterly basis) consists of assets that produce, or are held for the production of, passive income, or the asset test. For purposes of the above calculations, a non-U.S. corporation that directly or indirectly owns at least 25% by value of the ordinary shares of another corporation is treated as if it held its proportionate share of the assets of the other corporation and received directly its proportionate share of the income of the other corporation. Passive income generally includes interest, dividends, gains from certain property transactions, rents and royalties (other than certain rents or royalties derived in the active conduct of a trade or business). Cash is a passive asset for PFIC purposes. Goodwill is an active asset under the PFIC rules to the extent attributable to activities that produce active income.

The assets shown on our balance sheet are expected to consist primarily of cash and cash equivalents for the foreseeable future. Therefore, whether we will satisfy the asset test for the current or any future taxable year will depend largely on the value of our goodwill and on how quickly we utilize the cash in our business. We cannot give any assurance as to whether we will be a PFIC for the current or any future taxable year because (i) the value of our goodwill may be determined by reference to the market price of our ADSs, which may be volatile given the nature and early stage of our business, (ii) we expect to hold a significant amount of cash, and (iii) a company's PFIC status is an annual determination that can be made only after the end of each taxable year. In addition, prior to commercialization of our product candidates, we may have significantly more passive income than active income for a relevant taxable year even though our overall losses significantly exceed the amount of our overall income, and it is not clear how to apply the income test in these circumstances. We believe that it is reasonable to take the position that if our overall losses exceed our passive income, we would not be a PFIC if we otherwise would not be a PFIC under the assets test for the relevant taxable year, but there can be no assurance that the Internal Revenue Service will respect, or a court will uphold, this position.

If we were a PFIC for any taxable year and any of our subsidiaries were also a PFIC (any such entity, a "Lower-tier PFIC"), you would be deemed to own a proportionate amount (by value) of the ordinary shares of each Lower-tier PFIC and would be subject to U.S. federal income tax according to the rules described in the subsequent paragraph on (i) certain distributions by a Lower-tier PFIC and (ii) dispositions of shares of Lower-tier PFICs, in each case as if you held your proportionate share of these shares directly, even though you will not receive the proceeds of those distributions or dispositions.

Generally, if we are a PFIC for any taxable year during which you own ADSs or ordinary shares, gain recognized upon a disposition (including, under certain circumstances, a pledge) of ADSs or ordinary shares will be allocated ratably over your holding period for the ADSs or ordinary shares. The amounts allocated to the taxable year of disposition and to years before we became a PFIC will be taxed as ordinary income. The amount allocated to each other taxable year will be subject to tax at the highest rate in effect for that taxable year for individuals or corporations, as appropriate, and an interest charge will be imposed on the resulting tax liability for each relevant taxable year. Further, to the extent that any distribution received by you on your ADSs or ordinary shares exceeds 125% of the average of the annual distributions on the ADSs or ordinary shares received during the preceding three years or your holding period, whichever is shorter, that distribution will be subject to taxation in the same manner.

If we are a PFIC for any taxable year during which you own ADSs or ordinary shares, we will generally continue to be treated as a PFIC with respect to you for all succeeding years during which you own ADSs or ordinary shares, even if we cease to meet the threshold requirements for PFIC status. If we are a PFIC for any taxable year but cease to be PFIC for subsequent years, you should consult your tax advisor regarding the availability of a "deemed sale" election that would allow you to eliminate the continuing PFIC status under certain circumstances.

Alternatively, if we are a PFIC and if our ADSs or ordinary shares are "regularly traded" on a "qualified exchange," you may be able to make a mark-to-market election that would result in tax treatment different from the general tax treatment described in the preceding paragraphs. Our ADSs will be treated as "regularly traded" in any calendar year in which more than a de minimis quantity of the ADSs, as the case may be, are traded on a qualified exchange on at least 15 days during each calendar quarter. The [Nasdaq Global Market] on which the ADSs expected to be listed is a qualified exchange for this purpose. If you make the mark-to-market election, you generally will recognize as ordinary income any excess of the fair market value of the ADSs at the end of each taxable year over their adjusted tax basis, and will recognize an ordinary loss in respect of any excess of the adjusted tax basis of the ADSs over their fair market value at the end of the taxable year (but only to the extent of the net amount of income previously included as a result of the mark-to-market election). If you make the election, your tax basis in the ADSs will be adjusted to reflect these income or loss amounts. Any gain recognized on the sale or other disposition of ADSs in a year in which we are a PFIC will be treated as ordinary income and any loss will be treated as an ordinary loss (but only to the extent of the net amount of income previously included as a result of the mark-to-market election) and any remaining loss will be capital loss. There is no provision under U.S. federal income tax law that provides for a right to make a mark-to-market election with respect to any lower-tier PFICs that are not publicly traded.

We do not intend to provide the information that would otherwise enable you to make a "qualified electing fund election," which would result in alternate treatment if we were a PFIC for any taxable year.

If you own ADSs or ordinary shares during any year in which we are a PFIC, you generally will be required to file annual reports on Internal Revenue Service Form 8621 (or any successor form) with respect to us. Additionally, if we are a PFIC for the taxable year in which we paid a dividend or the prior taxable year, the favorable rate discussed above with respect to dividends paid to certain non-corporate U.S. Holders would not apply. You should consult your tax adviser regarding our PFIC status for any taxable year and the potential application of the PFIC rules.

Information Reporting and Backup Withholding

Payments of dividends and sales proceeds from the sale or exchange of our ADSs or ordinary shares that are made within the United States or through certain U.S.-related financial intermediaries

generally are subject to information reporting, and may be subject to backup withholding, unless (i) you are a corporation or other exempt recipient or (ii) in the case of backup withholding, you provide a correct taxpayer identification number and certify that you are not subject to backup withholding. Backup withholding is not an additional tax. The amount of any backup withholding from a payment to you will be allowed as a credit against your U.S. federal income tax liability and may entitle you to a refund, provided that the required information is timely furnished to the Internal Revenue Service.

Certain U.S. Holders who are individuals (and certain specified entities) may be required to report information relating to their ownership of ordinary shares, or non-U.S. accounts through which ADSs or ordinary shares are held. You should consult your tax adviser regarding your reporting obligations with respect to the ADSs or ordinary shares.

UNDERWRITING

We and the underwriters named below have entered into an underwriting agreement with respect to the ADSs being offered. Subject to certain conditions, each underwriter has severally agreed to purchase the number of ADSs indicated in the following table. Goldman Sachs (Asia) L.L.C., Morgan Stanley & Co. LLC and Jefferies LLC are the representatives of the underwriters.

Underwriters	Number of ADSs
Goldman Sachs (Asia) L.L.C.	
Morgan Stanley & Co. LLC	
Jefferies LLC	
Total:	

The underwriters are committed to take and pay for all of the ADSs being offered, if any are taken, other than the ADSs covered by the option described below unless and until this option is exercised.

Certain of the underwriters are expected to make offers and sales both inside and outside the United States through their respective selling agents. Any offers or sales in the United States will be conducted by broker-dealers registered with the SEC. Goldman Sachs (Asia) L.L.C. will offer ADSs in the United States through its SEC-registered broker-dealer affiliate in the United States, Goldman Sachs & Co. LLC.

The underwriters have an option to buy up to an additional ADSs from us to cover sales by the underwriters of a greater number of ADSs than the total number set forth in the table above. They may exercise that option for 30 days. If any ADSs are purchased pursuant to this option, the underwriters will severally purchase ADSs in approximately the same proportion as set forth in the table above.

The following table shows the per ADS and total underwriting discounts and commissions to be paid to the underwriters by us. Such amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase additional ADSs.

Paid by Us

	No Exercise	Full Exercise
Per ADS	US$	US$
Total	US$	US$

ADSs sold by the underwriters to the public will initially be offered at the initial public offering price set forth on the cover of this prospectus. Any ADSs sold by the underwriters to securities dealers may be sold at a discount of up to US$ per ADS from the initial public offering price. After the initial offering of the ADSs, the representatives may change the offering price and the other selling terms. The offering of the ADSs by the underwriters is subject to receipt and acceptance and subject to the underwriters' right to reject any order in whole or in part.

[We, our officers, directors, existing shareholders and option holders have agreed with the underwriters, subject to certain exceptions, not to dispose of or hedge any of their ordinary shares or ADSs or securities convertible into or exchangeable for ordinary shares or ADSs during the period from the date of this prospectus continuing through the date 180 days after the date of this prospectus, except with the prior written consent of the representatives. This agreement does not apply to any existing employee benefit plans. See "Shares Eligible for Future Sale" for a discussion of certain transfer restrictions.]

Prior to the offering, there has been no public market for the ADSs. The initial public offering price has been negotiated among the representatives and us. Among the factors to be considered in determining the initial public offering price of the ADSs, in addition to prevailing market conditions, will be our historical performance, estimates of our business potential and earnings prospects, an assessment of our management and the consideration of the above factors in relation to market valuation of companies in related businesses.

[An application has been made to quote the ADSs on the Nasdaq Global Market under the symbol "ADAG".]

In connection with the offering, the underwriters may purchase and sell ADSs in the open market. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by the underwriters of a greater number of ADSs than they are required to purchase in the offering, and a short position represents the amount of such sales that have not been covered by subsequent purchases. A "covered short position" is a short position that is not greater than the amount of additional ADSs for which the underwriters' option described above may be exercised. The underwriters may cover any covered short position by either exercising their option to purchase additional ADSs or purchasing ADSs in the open market. In determining the source of ADSs to cover the covered short position, the underwriters will consider, among other things, the price of ADSs available for purchase in the open market as compared to the price at which they may purchase additional ADSs pursuant to the option described above. "Naked" short sales are any short sales that create a short position greater than the amount of additional ADSs for which the option described above may be exercised. The underwriters must cover any such naked short position by purchasing ADSs in the open market. 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 after pricing that could adversely affect investors who purchase in the offering. Stabilizing transactions consist of various bids for or purchases of ADSs made by the underwriters in the open market prior to the completion of the offering.

The underwriters may also impose a penalty bid. This occurs when a particular underwriter repays to the underwriters a portion of the underwriting discount received by it because the representatives have repurchased ADSs sold by or for the account of such underwriter in stabilizing or short covering transactions.

Purchases to cover a short position and stabilizing transactions, as well as other purchases by the underwriters for their own accounts, may have the effect of preventing or retarding a decline in the market price of our ADSs, and together with the imposition of the penalty bid, may stabilize, maintain or otherwise affect the market price of the ADSs. As a result, the price of the ADSs may be higher than the price that otherwise might exist in the open market. The underwriters are not required to engage in these activities and may end any of these activities at any time. These transactions may be effected on the Nasdaq Global Market, in the over-the-counter market or otherwise.

We estimate that our share of the total expenses of the offering, excluding underwriting discounts and commissions, will be approximately US$.

We have agreed to indemnify the several underwriters against certain liabilities, including liabilities under the Securities Act of 1933.

A prospectus in electronic format may be made available on the websites 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.

The underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Certain of the underwriters and their respective affiliates have provided, and may in the future provide, a variety of these services to the issuer and to persons and entities with relationships with the issuer, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the issuer (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the issuer. The underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

The underwriters do not intend sales to discretionary accounts to exceed % of the total number of ADSs offered by them.

The address of Goldman Sachs (Asia) L.L.C. is 68th Floor, Cheung Kong Center, 2 Queen's Road Central, Hong Kong. The address of Morgan Stanley & Co. LLC is 1585 Broadway Avenue, New York, New York 10036, United States. The address of Jefferies LLC is 520 Madison Avenue, New York, New York 10022, United States.

Selling Restrictions

No action may be taken in any jurisdiction other than the United States that would permit a public offering of the ADSs or the possession, circulation or distribution of this prospectus in any jurisdiction where action for that purpose is required. Accordingly, the ADSs may not be offered or sold, directly or indirectly, and neither the prospectus nor any other offering material or advertisements in connection with the ADSs may be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any applicable laws, rules and regulations of any such country or 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.

Australia

This document has not been lodged with the Australian Securities & Investments Commission and is only directed to certain categories of exempt persons. Accordingly, if you receive this document in Australia:

(a) you confirm and warrant that you are either:

(i) "sophisticated investor" under section 708(8)(a) or (b) of the Corporations Act 2001 (Cth) of Australia, or the Corporations Act;

(ii) "sophisticated investor" under section 708(8)(c) or (d) of the Corporations Act and that you have provided an accountant's certificate to the company which complies with the

requirements of section 708(8)(c)(i) or (ii) of the Corporations Act and related regulations before the offer has been made;

(iii) person associated with the company under section 708(12) of the Corporations Act; or

(iv) "professional investor" within the meaning of section 708(11)(a) or (b) of the Corporations Act;

and to the extent that you are unable to confirm or warrant that you are an exempt sophisticated investor, associated person or professional investor under the Corporations Act, any offer made to you under this document is void and incapable of acceptance;

(b) you warrant and agree that you will not offer any of the ADSs issued to you pursuant to this document for resale in Australia within 12 months of those ADSs being issued unless any such resale offer is exempt from the requirement to issue a disclosure document under section 708 of the Corporations Act

Bermuda

The 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.

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 us or on our behalf. The ADSs may be offered to companies incorporated under the BVI Business Companies Act, 2004 (British Virgin Islands) (each a BVI Company), but only where the offer will be made to, and received by, the relevant BVI Company entirely outside of the British Virgin Islands.

This prospectus has not been, and will not be, registered with the Financial Services Commission of the British Virgin Islands. No registered prospectus has been or will be prepared in respect of the ADSs for the purposes of the Securities and Investment Business Act 2010, or SIBA, or the Public Issuers Code of the British Virgin Islands.

The ADSs may be offered to persons located in the British Virgin Islands who are "qualified investors" for the purposes of SIBA. Qualified investors include (i) certain entities which are regulated by the Financial Services Commission in the British Virgin Islands, including banks, insurance companies, licensees under SIBA and public, professional and private mutual funds; (ii) a company, any securities of which are listed on a recognized exchange; and (iii) persons defined as "professional investors" under SIBA, which is any person (a) whose ordinary business involves, whether for that person's own account or the account of others, the acquisition or disposal of property of the same kind as the property, or a substantial part of our property; or (b) who has signed a declaration that he, whether individually or jointly with his spouse, has a net worth in excess of US$1,000,000 and that he consents to being treated as a professional investor.

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 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 Underwriting Conflicts , or 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.

Cayman Islands

This prospectus does not constitute an invitation or offer to the public in the Cayman Islands of the ADSs, whether by way of sale or subscription. ADSs or Class A ordinary shares have not been offered or sold, and will not be offered or sold, directly or indirectly, in the Cayman Islands.

Dubai International Finance Center

This document relates to an Exempt Offer, as defined in the Offered Securities Rules module of the DFSA Rulebook, or the OSR, in accordance with the Offered Securities Rules of the Dubai Financial Services Authority. This document is intended for distribution only to Persons, as defined in the OSR, of a type specified in those rules. It must not be delivered to, or relied on by, any other Person. The Dubai Financial Services Authority has no responsibility for reviewing or verifying any documents in connection with Exempt Offers. The Dubai Financial Services Authority has not approved this document nor taken steps to verify the information set out in it, and has no responsibility for it. The ADSs to which this document relates may be illiquid and/or subject to restrictions on their resale. Prospective purchasers of the ADSs offered should conduct their own due diligence on the ADSs. If you do not understand the contents of this document you should consult an authorized financial adviser.

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), each underwriter represents and agrees that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State, it has not made and will not make an offer of ADSs which are the subject of the offering contemplated by this prospectus to the public in that Relevant Member State other than:

- to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the representatives for any such offer; or
- 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.

For the purposes of this provision, the expression an "offer to the public" in relation to any ADSs in any Relevant Member State means the communication in any form and by any 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 or subscribe the 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 (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression "2010 PD Amending Directive" means Directive 2010/73/EU.

Hong Kong

The ADSs may not be offered or sold in Hong Kong by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap.32, Laws of Hong Kong), or (ii) to "professional investors" within the meaning of the Securities and Futures Ordinance (Cap.571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a "prospectus" within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap.32, Laws of Hong Kong), and no advertisement, invitation or document relating to the ADSs may be issued or may be in the possession of any person for the purpose of issue (in each case 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 in Hong Kong (except if permitted to do so under the 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" within the meaning of the Securities and Futures Ordinance (Cap.571, Laws of Hong Kong) and any rules made thereunder.

Israel

This document does not constitute a prospectus under the Israeli Securities Law, 5728-1968, and has not been filed with or approved by the Israel Securities Authority. In Israel, this prospectus may be distributed only to, and is directed only at, investors listed in the first addendum, or the Addendum, to the Israeli Securities Law, consisting primarily of joint investment in trust funds; provident funds; insurance companies; banks, portfolio managers, investment advisors, members of the Tel Aviv Stock Exchange Ltd., underwriters, each purchasing for their own account; venture capital funds; entities with equity in excess of NIS 50 million and "qualified individuals," each as defined in the Addendum (as it may be amended from time to time), collectively referred to as qualified investors. Qualified investors shall be required to submit written confirmation that they fall within the scope of the Addendum.

Japan

The ADSs have not been and will not be registered under the Financial Instruments and Exchange Law of Japan, and ADSs will not 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 a resident of Japan, except pursuant to any exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

Korea

The ADSs may not be offered, sold and delivered directly or indirectly, or offered or sold to any person for reoffering 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 Korea Securities and Exchange Act and the Foreign Exchange Transaction Law and the decrees and regulations thereunder. The ADSs have not been registered with the Financial Services Commission of Korea for public offering in Korea. Furthermore, the ADSs may not be resold to Korean residents unless the purchaser of the ADSs complies with all applicable regulatory requirements (including but not limited to government approval requirements under the Foreign Exchange Transaction Law and its subordinate decrees and regulations) in connection with the purchase of the ADSs.

Kuwait

Unless all necessary approvals from the Kuwait Ministry of Commerce and Industry required by Law No. 31/1990 "Regulating the Negotiation of Securities and Establishment of Investment Funds," its Executive Regulations and the various Ministerial Orders issued pursuant thereto or in connection therewith, have been given in relation to the marketing and sale of the ADSs, these may not be marketed, offered for sale, nor sold in the State of Kuwait. Neither this prospectus (including any related document), nor any of the information contained therein is intended to lead to the conclusion of any contract of whatsoever nature within Kuwait.

Malaysia

No prospectus or other offering material or document in connection with the offer and sale of the securities has been or will be registered with the Securities Commission of Malaysia, or 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 securities may not be circulated or distributed, nor may the securities 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 License; (iii) a person who acquires the securities as principal, if the offer is on terms that the securities 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 securities is made by a holder of a Capital Markets Services License 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.

People's Republic of China

This prospectus has not been and will not be circulated or distributed in China, and ADSs may not be offered or sold, and will not be offered or sold to any person for re-offering or resale, directly or indirectly, to any PRC resident except pursuant to applicable PRC laws and regulations.

Qatar

In the State of Qatar, the offer contained herein is made on an exclusive basis to the specifically intended recipient thereof, upon that person's request and initiative, for personal use only and shall in no way be construed as a general offer for the sale of securities to the public or an attempt to do business as a bank, an investment company or otherwise in the State of Qatar. This prospectus and the underlying securities have not been approved or licensed by the Qatar Central Bank or the Qatar Financial Centre Regulatory Authority or any other regulator in the State of Qatar. The information contained in this prospectus shall only be shared with any third parties in Qatar on a need to know basis for the purpose of evaluating the contained offer. Any distribution of this prospectus by the recipient to third parties in Qatar beyond the terms hereof is not permitted and shall be at the liability of such recipient.

Saudi Arabia

This prospectus may not be distributed in the Kingdom of Saudi Arabia except to such persons as are permitted under the Offers of Securities Regulations issued by the Capital Market Authority. The Capital Market Authority does not make any representation as to the accuracy or completeness of this prospectus, and expressly disclaims any liability whatsoever for any loss arising from, or incurred in reliance upon, any part of this prospectus. 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 prospectus you should consult an authorized financial adviser.

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 our ADSs may not be circulated or distributed, nor may our 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, or the SFA, (ii) to a relevant person or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275 of the SFA, 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, in each case subject to compliance with conditions set forth in the SFA.

Where our ADSs are subscribed or purchased under Section 275 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; shares, debentures and units of shares and debentures 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 under Section 275 of the SFA, except: (1) to an institutional investor (for corporations under Section 274 of the SFA) or to a relevant person defined in Section 275(2) of the SFA, or to any person pursuant to an

offer that is made on terms that such shares, debentures and units of shares and debentures of that corporation or such rights and interest in that trust are acquired at a consideration of not less than S$200,000 (or its equivalent in a foreign currency) for each transaction, whether such amount is to be paid for in cash or by exchange of securities or other assets, and further for corporations, in accordance with the conditions, specified in Section 275 of the SFA; (2) where no consideration is or will be given for the transfer; or (3) where the transfer is by operation of law.

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:

(a) the offer, transfer, sale, renunciation or delivery is to:

(i) persons whose ordinary business is to deal in securities, as principal or agent;

(ii) the South African Public Investment Corporation;

(iii) persons or entities regulated by the Reserve Bank of South Africa;

(iv) authorized financial service providers under South African law;

(v) financial institutions recognized as such under South African law;

(vi) a wholly-owned subsidiary of any person or entity contemplated in (c), (d) or (e), acting as agent in the capacity of an authorized portfolio manager for a pension fund or collective investment scheme (in each case duly registered as such under South African law); or

(vii) any combination of the person in (i) to (vi); or

(b) 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.

Switzerland

The ADSs will not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange, or SIX, or on any other stock exchange or regulated trading facility in Switzerland. This prospectus 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 prospectus nor any other offering or marketing material relating to our company or the ADSs have been or will be filed with or approved by any Swiss regulatory authority. In particular, this prospectus will not be filed with, and the offer of the ADSs will not be supervised by, the Swiss Financial Market Supervisory Authority, and the offer of the ADSs has not been and will not be authorized under the Swiss Federal Act on Collective Investment Schemes (the "CISA"). The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of the ADSs.

Taiwan

The ADSs have not been and will not be registered or filed with, or approved by, the Financial Supervisory Commission of Taiwan pursuant to relevant securities laws and regulations and may not be offered or sold in Taiwan through a public offering or in circumstances which constitute an offer within the meaning of the Securities and Exchange Act of Taiwan or relevant laws and regulations that require a registration, filing or approval of the Financial Supervisory Commission of Taiwan. No person or entity in Taiwan has been authorized to offer or sell the ADSs in Taiwan.

United Arab Emirates

This prospectus is not intended to constitute an offer, sale or delivery of shares or other securities under the laws of the United Arab Emirates, or the UAE. The ADSs have not been and will not be registered under Federal Law No. 4 of 2000 Concerning the Emirates Securities and Commodities Authority and the Emirates Security and Commodity Exchange, or with the UAE Central Bank, the Dubai Financial Market, the Abu Dhabi Securities Market or with any other UAE exchange.

The offering, the ADSs and interests therein have not been approved or licensed by the UAE Central Bank or any other relevant licensing authorities in the UAE, and do not constitute a public offer of securities in the UAE in accordance with the Commercial Companies Law, Federal Law No. 8 of 1984 (as amended) or otherwise.

In relation to its use in the UAE, this prospectus is strictly private and confidential and is being distributed to a limited number of investors and must not be provided to any person other than the original recipient, and may not be reproduced or used for any other purpose. The interests in the ADSs may not be offered or sold directly or indirectly to the public in the UAE.

United Kingdom

This prospectus is only being distributed to and is only directed at: (1) persons who are outside the United Kingdom; (2) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order"); or (3) high net worth companies, and other persons to whom it may lawfully be communicated, falling within Article 49(2)(a) to (d) of the Order (all such persons falling within (1)-(3) together being referred to as "relevant persons"). The ADSs are only available to, and any invitation, offer or agreement to subscribe, purchase or otherwise acquire the ADSs will be engaged in only with, relevant persons. Any person who is not a relevant person should not act or rely on this prospectus or any of its contents.

EXPENSES RELATING TO THIS OFFERING

Set forth below is an itemization of the total expenses, excluding underwriting discounts and commissions, that we expect to incur in connection with this offering. With the exception of the SEC registration fee, the FINRA filing fee and the Nasdaq listing fee, all amounts are estimates.

SEC Registration Fee	US$
Nasdaq Listing Fee	US$
FINRA Filing Fee	US$
Printing and Engraving Expenses	US$
Legal Fees and Expenses	US$
Accounting Fees and Expenses	US$
Miscellaneous	US$
Total	US$

LEGAL MATTERS

We are being represented by Davis Polk & Wardwell LLP with respect to certain legal matters of U.S. federal securities and New York state law. Certain legal matters with respect to U.S. federal and New York State law in connection with this offering will be passed upon for the underwriters by Latham & Watkins LLP. The validity of the ordinary shares represented by the ADSs offered in this offering and other certain legal matters as to Cayman Islands law will be passed upon for us by Walkers (Hong Kong). Legal matters as to PRC law will be passed upon for us by Tian Yuan Law Firm and for the underwriters by Commerce & Finance Law Offices. Davis Polk & Wardwell LLP may rely upon Walkers (Hong Kong) with respect to matters governed by Cayman Islands law and Tian Yuan Law Firm with respect to matters governed by PRC law. Latham & Watkins LLP may rely upon Commerce & Finance Law Offices with respect to matters governed by PRC law.

EXPERTS

The financial statements as of December 31, 2018 and 2019 and for the years then ended included in this Prospectus have been so included in reliance on the report of PricewaterhouseCoopers Zhong Tian LLP, an independent registered public accounting firm, given on the authority of said firm as experts in auditing and accounting.

The offices of PricewaterhouseCoopers Zhong Tian LLP are located at 11th Floor, PricewaterhouseCoopers Center, Link Square 2, 202 Hu Bin Road, Huangpu District, Shanghai 200021, the People's Republic of China.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

We have filed with the SEC a registration statement (including amendments and exhibits to the registration statement) on Form F-1 under the Securities Act. This prospectus, which is part of the registration statement, does not contain all of the information set forth in the registration statement and the exhibits and schedules to the registration statement. For further information, we refer you to the registration statement and the exhibits and schedules filed as part of the registration statement. If a document has been filed as an exhibit to the registration statement, we refer you to the copy of the document that has been filed. Each statement in this prospectus relating to a document filed as an exhibit is qualified in all respects by the filed exhibit.

Upon completion of this offering, we will become subject to the informational requirements of the Exchange Act. Accordingly, we will be required to file reports and other information with the SEC, including annual reports on Form 20-F and reports on Form 6-K. The SEC maintains an Internet site at www.sec.gov that contains reports, proxy and information statements and other information we have filed electronically with the SEC.

As a foreign private issuer, we are exempt under the Exchange Act from, among other things, the rules prescribing the furnishing and content of proxy statements, and our executive officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. In addition, we will not be required under the Exchange Act to file periodic reports and financial statements with the SEC as frequently or as promptly as U.S. companies whose securities are registered under the Exchange Act.

ADAGENE INC.

INDEX TO THE CONSOLIDATED FINANCIAL STATEMENTS

INDEX TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Adagene Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Adagene Inc. and its subsidiaries (the "Company") as of December 31, 2019 and 2018, and the related consolidated statements of comprehensive loss, of changes in shareholders' deficit and of cash flows for the years then ended, including the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these consolidated financial statements in accordance with the standards of the PCAOB and in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers Zhong Tian LLP

Shanghai, the People's Republic of China
September 22, 2020

We have served as the Company's auditor since 2020.

ADAGENE INC.

CONSOLIDATED BALANCE SHEETS

AS OF DECEMBER 31, 2018 AND 2019

	Notes	As of December 31, 2018	2019
		US$	US$
ASSETS			
Current assets:			
Cash and cash equivalents		16,058,455	92,532,788
Short-term investments		33,000,000	8,000,000
Accounts receivable, net	3	—	480,000
Amounts due from related parties	14	1,170,029	1,433,186
Prepayments and other current assets	4	1,588,489	1,476,973
Total current assets		51,816,973	103,922,947
Property, equipment and software, net	5	2,550,756	1,879,325
Other non-current assets		49,187	87,227
TOTAL ASSETS		**54,416,916**	**105,889,499**
LIABILITIES, MEZZANINE EQUITY AND SHAREHOLDERS' DEFICIT			
Current liabilities:			
Accounts payable		558,977	712,714
Contract liabilities		—	993,378
Amounts due to related parties	14	3,674,248	1,895,779
Accruals and other current liabilities	6	2,574,441	2,540,164
Warrant liabilities	8	1,207,415	—
Short-term borrowings	7	2,331,274	716,723
Current portion of long-term borrowings	7	—	322,525
Total current liabilities		10,346,355	7,181,283
Long-term borrowings	7	—	1,515,868
Other non-current liabilities		142,114	—
TOTAL LIABILITIES		**10,488,469**	**8,697,151**
Commitments and contingencies	15		
LIABILITIES, MEZZANINE EQUITY AND SHAREHOLDERS' DEFICIT (CONTINUED)			
Mezzanine equity:	8		
Series A-1 convertible redeemable preferred shares (par value of US$0.0001 per share; 5,473,957 and 5,473,957 shares authorized, issued and outstanding as of December 31, 2018 and 2019, respectively)		5,473,957	5,473,957
Series A-2 convertible redeemable preferred shares (par value of US$0.0001 per share; 2,370,414 and 2,370,414 shares authorized, issued and outstanding as of December 31, 2018 and 2019, respectively)		3,000,000	3,000,000
Series B convertible redeemable preferred shares (par value of US$0.0001 per share; 7,494,537 and 7,494,537 shares authorized, issued and outstanding as of December 31, 2018 and 2019, respectively)		27,999,995	27,999,995
Series C-1 convertible redeemable preferred shares (par value of US$0.0001 per share; 5,597,354 and 5,597,354 shares authorized, issued and outstanding as of December 31, 2018 and 2019, respectively)		48,481,159	48,727,343
Series C-2 convertible redeemable preferred shares (par value of US$0.0001 per share; nil and 1,861,121 shares authorized, issued and outstanding as of December 31, 2018 and 2019, respectively)		—	18,999,999
Series C-3 convertible redeemable preferred shares (par value of US$0.0001 per share; nil and 4,452,441 shares authorized, issued and outstanding as of December 31, 2018 and 2019, respectively)		—	50,000,000
Total mezzanine equity		**84,955,111**	**154,201,294**
Shareholders' deficit:			
Ordinary shares (par value of US$0.0001 per share; 500,000,000 and 500,000,000 shares authorized; 15,159,136 and 15,193,136 shares issued and outstanding as of December 31, 2018 and 2019, respectively)		1,516	1,519
Subscriptions receivable from shareholders		(197,068)	(197,068)
Additional paid-in capital		6,405,318	6,789,542
Accumulated other comprehensive loss		(410,693)	(344,894)
Accumulated deficit		(46,825,737)	(63,258,045)
Total shareholders' deficit		**(41,026,664)**	**(57,008,946)**
TOTAL LIABILITIES, MEZZANINE EQUITY AND SHAREHOLDERS' DEFICIT		**54,416,916**	**105,889,499**

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

ADAGENE INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2019

	Notes	For the years ended December 31, 2018 US$	2019 US$
Revenues			
Licensing revenue	10	1,511,168	480,000
Expenses			
Research and development expenses		(16,080,560)	(16,211,750)
Administrative expenses		(2,765,134)	(3,437,900)
Loss from operations		(17,334,526)	(19,169,650)
Interest income		619,626	784,584
Other income		901,713	723,476
Foreign exchange gain, net		12,698	21,867
Change in fair value of warrant liabilities		534,305	1,207,415
Loss before income tax		(15,266,184)	(16,432,308)
Income tax expense	11	—	—
Net loss attributable to Adagene Inc.'s shareholders		(15,266,184)	(16,432,308)
Other comprehensive income (loss)			
Foreign currency translation adjustments, net of nil tax		(11,288)	65,799
Total comprehensive loss attributable to Adagene Inc.'s shareholders		(15,277,472)	(16,366,509)
Net loss attributable to Adagene Inc.'s shareholders		(15,266,184)	(16,432,308)
Deemed contribution from convertible redeemable preferred shareholders	8	1,186,187	—
Accretion of convertible redeemable preferred shares to redemption value	8	(222,846)	(246,184)
Net loss attributable to ordinary shareholders		(14,302,843)	(16,678,492)
Weighted average number of ordinary shares used in per share calculation:			
—Basic	12	15,159,136	15,178,232
—Diluted	12	15,159,136	15,178,232
Net loss per ordinary share			
—Basic	12	(0.94)	(1.10)
—Diluted	12	(0.94)	(1.10)

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

ADAGENE INC.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIT

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2019

	Ordinary shares		Subscriptions receivable from shareholders	Additional paid-in capital	Accumulated other comprehensive loss	Accumulated deficit	Total shareholders' deficit
	Number of shares	Amount					
		US$	US$	US$	US$	US$	US$
Balance as of January 1, 2018	**15,159,136**	**1,516**	**(197,068)**	**7,687,811**	**(399,405)**	**(32,745,740)**	**(25,652,886)**
Net loss	—	—	—	—	—	(15,266,184)	(15,266,184)
Other comprehensive loss	—	—	—	—	(11,288)	—	(11,288)
Share-based compensation	—	—	—	126,540	—	—	126,540
Modification of convertible redeemable preferred shares	—	—	—	(1,186,187)	—	1,186,187	—
Accretion of convertible redeemable preferred shares to redemption value	—	—	—	(222,846)	—	—	(222,846)
Balance as of December 31, 2018	**15,159,136**	**1,516**	**(197,068)**	**6,405,318**	**(410,693)**	**(46,825,737)**	**(41,026,664)**
Net loss	—	—	—	—	—	(16,432,308)	(16,432,308)
Other comprehensive income	—	—	—	—	65,799	—	65,799
Exercise of share options (Note 9)	34,000	3	—	18,697	—	—	18,700
Share-based compensation	—	—	—	611,711	—	—	611,711
Accretion of convertible redeemable preferred shares to redemption value	—	—	—	(246,184)	—	—	(246,184)
Balance as of December 31, 2019	**15,193,136**	**1,519**	**(197,068)**	**6,789,542**	**(344,894)**	**(63,258,045)**	**(57,008,946)**

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

ADAGENE INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2019

	For the years ended December 31,	
	2018	2019
	US$	US$
Cash flows from operating activities:		
Net loss	(15,266,184)	(16,432,308)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	909,002	816,686
Gain on disposal of property, equipment and software	(846)	(1,841)
Share-based compensation	126,540	611,711
Change in fair value of warrant liabilities	(534,305)	(1,207,415)
Foreign exchange gain, net	(12,698)	(21,867)
Changes in operating assets and liabilities:		
Accounts receivable, net	—	(480,000)
Prepayments and other current assets	(1,337,063)	111,516
Amount due from related parties	268,671	(704,253)
Other non-current assets	(28,808)	(38,040)
Accounts payable	389,124	153,737
Contract liabilities	—	993,378
Amount due to related parties	2,135,397	(1,778,469)
Accruals and other current liabilities	(913,495)	(34,277)
Other non-current liabilities	—	(142,114)
Net cash used in operating activities	(14,264,665)	(18,153,556)
Cash flows from investing activities:		
Placement of short-term investments	(58,000,000)	(19,000,000)
Withdrawal of short-term investments	29,000,000	44,000,000
Proceeds from disposal of property, equipment and software	5,166	7,697
Purchase of property, equipment and software	(514,703)	(151,829)
Net cash (used in) generated from investing activities	(29,509,537)	24,855,868
Cash flows from financing activities:		
Proceeds from borrowings	2,417,868	2,651,874
Proceeds from issuance of convertible redeemable preferred shares and warrants	50,000,033	68,999,999
Proceeds from exercise of share options	—	459,796
Repayment of borrowings	(1,360,051)	(2,417,192)
Net cash generated from financing activities	51,057,850	69,694,477
Effect of exchange rate on cash and cash equivalents	38,703	77,544
Net increase in cash and cash equivalents	7,322,351	76,474,333
Cash and cash equivalents at the beginning of year	8,736,104	16,058,455
Cash and cash equivalents at the end of year	16,058,455	92,532,788
Supplemental cashflow disclosures:		
Interest paid	91,085	142,058
Non-cash activities:		
Accretion of convertible redeemable preferred shares to redemption value	222,846	246,184
Deemed contribution from convertible redeemable preferred shareholders	1,186,187	—

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

ADAGENE INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2019

1. ORGANIZATION AND BASIS OF PRESENTATION

Adagene Inc. (the "Company") is a limited liability company incorporated in the Cayman Islands on February 25, 2011. The Company, together with its subsidiaries (collectively, the "Group") are principally engaged in research, development and production of monoclonal antibody drugs for cancers.

As of December 31, 2019, the Company's principal subsidiaries are as follows:

Entity	Date of incorporation	Place of incorporation	Percentage of legal ownership by the Company	Principal activities
Adagene (Hong Kong) Limited	December 12, 2011	Hong Kong	100%	Investment holding
Adagene Incorporated	September 20, 2017	The United States of America	100%	Research and development of innovative medicines
Adagene (Suzhou) Limited	February 28, 2012	The People's Republic of China ("PRC" or "China")	100%	Research and development of innovative medicines
Adagene Australia PTY Ltd.	May 30, 2018	Australia	100%	Research and development of innovative medicines

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The accompany consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP").

Principles of Consolidation

The consolidated financial statements of the Group include the financial statements of the Company and its subsidiaries. All significant intercompany balances and transactions have been eliminated upon consolidation.

Use of estimates

The preparation of 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, disclosures of contingent assets and liabilities at the balance sheet dates and the reported amounts of expenses during the reporting periods. Significant estimates and assumptions reflected in the Group's consolidated financial statements include, but are not limited to, the useful lives and impairment of long-lived assets, tax valuation allowance, share-based compensation expenses and the fair value of warrant liabilities. 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 materially differ from those estimates.

ADAGENE INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currency translation

The functional currency of the Company, Adagene (Hong Kong) Limited and Adagene Incorporated is the United States dollar ("US$"). The functional currency of the Company's PRC subsidiary is Renminbi ("RMB"). The functional currency of the Company's Australia subsidiary is Australian dollar ("AU$"). The determination of the respective functional currency is based on the criteria stated in Accounting Standard Codification ("ASC") 830, *Foreign Currency Matters*. The Company uses US$ as its reporting currency. The financial statements of the Company's PRC and Australia subsidiaries are translated from the functional currency to the reporting currency.

Transactions denominated in foreign currencies are remeasured into the functional currency at the exchange rates quoted by the People's Bank of China (the "PBOC") prevailing on the transaction dates. Monetary assets and liabilities denominated in foreign currencies are re-measured at the exchange rates prevailing at the balance sheet date. Non-monetary items that are measured in terms of historical costs in foreign currency are re-measured using the exchange rates at the dates of the initial transactions. Exchange gains and losses are included in the consolidated statements of comprehensive loss.

Assets and liabilities are translated at the exchange rates at the balance sheet date, equity accounts are translated at historical exchange rates and revenues, expenses, gains and losses are translated using the average rate for the year. Translation adjustments are reported as accumulated comprehensive loss and are shown as a separate component of other comprehensive loss in the consolidated statements of comprehensive loss.

Cash and cash equivalents

Cash and cash equivalents primarily consist of cash and demand deposits which are highly liquid. The Group considers highly liquid investments that are readily convertible to known amounts of cash and with original maturities from the date of purchase of three months or less to be cash equivalents. All cash and cash equivalents are unrestricted as to withdrawal and use.

Short-term investments

Short-term investments are deposits at bank with maturities of greater than three months, but less than twelve months. Short-term investments are stated at cost, which approximates fair value. Interest earned is included in interest income.

Accounts receivable and allowance for doubtful accounts

Account receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due. Accounts receivable are carried at net realizable value. An allowance for doubtful accounts is recorded in the period when collection of the amount is no longer probable. In evaluating the collectability of receivable balances, the Group considers specific evidence including the aging of the receivable, the customer's payment history, its current credit-worthiness and other factors. Accounts receivable are written off when management determines a balance is uncollectable after all collection efforts have ceased.

ADAGENE INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurements

The Group applies ASC 820, *Fair Value Measurements and Disclosures*. ASC 820 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. ASC 820 requires disclosures to be provided for fair value measurements. 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—Includes 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.

The carrying amounts of cash and cash equivalent, short-term investments, accounts receivable, amounts due to related parties and other current assets, accounts payable, amounts due to related parties, accrued liabilities and other current liabilities and short-term borrowings approximate their fair values because of their generally short maturities. The carrying amount of long-term borrowings approximate their fair values since they bear interest rates which approximate market interest rates.

As more fully described in Note 8, the Group has issued warrants to purchase its preferred shares. The Group measured its warrant liabilities at fair value on a recurring basis. As the Group's warrants are not traded in an active market with readily observable prices, the Group uses significant unobservable inputs to measure the fair value of warrant liabilities. These instruments are categorized in the Level 3 valuation hierarchy based on the significance of unobservable factors in the overall fair value measurement.

The following table presents a reconciliation of all financial instruments measured at fair value on a recurring basis using Level 3 unobservable inputs:

	Warrant liabilities
	US$
Initial recognition during the year ended December 31, 2018	1,741,720
Fair value change	(534,305)
Balance as of December 31, 2018	1,207,415
Fair value change	(1,207,415)
Balance as of December 31, 2019	—

ADAGENE INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Group did not transfer any assets or liabilities in or out of Level 3 during the years ended December 31, 2018 and 2019.

The Group had no financial assets and liabilities measured and recorded at fair value on a nonrecurring basis as of December 31, 2018 and 2019.

Property, equipment and software

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

Category	Estimated Useful Life
Machinery and laboratory equipment	5 years
Vehicles	4 years
Furniture and tools	3 - 5 years
Electronic equipment	3 years
Computer software	3 - 5 years
Leasehold improvements	Lesser of lease terms or estimated useful lives of the assets

Repair and maintenance costs are charged to expense as incurred, whereas the cost of renewals and betterments that extend the useful lives of property, equipment and software are capitalized as additions to the related assets. Retirements, sales and disposals of assets are recorded by removing the cost and accumulated depreciation and amortization from the asset and accumulated depreciation and amortization accounts with any resulting gain or loss reflected in the consolidated statements of comprehensive loss.

Impairment of long-lived assets

The Group evaluates the recoverability of its long-lived assets, including fixed assets and intangible assets with finite lives, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. When these events occur, the Group measures impairment by comparing the carrying amount of the assets to the estimated undiscounted future cash flows expected to result from the use of the assets and their eventual disposition. If the sum of the expected undiscounted cash flows is less than the carrying amount of the assets, the Group recognizes an impairment loss based on the excess of the carrying amount of the assets over their fair value. Fair value is generally determined by discounting the cash flows expected to be generated by the assets, when the market prices are not readily available. The adjusted carrying amount of the assets is the new cost basis and is depreciated over the assets' remaining useful lives. Long-lived assets are grouped with other assets and liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities.

No impairment loss was recorded for the years ended December 31, 2018 and 2019.

ADAGENE INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Segment reporting

In accordance with ASC 280, *Segment Reporting*, the Group's chief operating decision maker ("CODM") has been identified as the Chief Executive Officer. The Group's CODM reviews the consolidated results of operations when making decisions about allocating resources and assessing performance of the Group. The Group operates and manages it business as a single segment. No geographical segments are presented as substantially all of the Group's long-lived assets are located in the PRC.

Revenue recognition

At contract inception of collaboration and out-licensing arrangements, the Group analyzes its arrangements to assess whether they are within the scope of ASC 808, *Collaborative Arrangements* ("ASC 808") to determine whether such arrangements involve joint operating activities performed by parties that are both active participants in the activities and exposed to significant risks and rewards dependent on the commercial success of such activities. For collaboration arrangements within the scope of ASC 808 that contain multiple elements, the Group first determines which elements of the collaboration are deemed to be within the scope of ASC 808 and those that are reflective of a vendor-customer relationship and therefore within the scope of ASC 606. For elements of collaboration arrangements that are accounted for pursuant to ASC 808, an appropriate recognition method is determined and applied consistently. Under the criteria of Accounting Standard Codification ("ASC") 606, *Revenue from Contracts with Customers* (Topic 606) ("ASC 606"), the Group recognizes revenue to depict the transfer of control of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to receive in exchange for those goods or services.

The Group adopted ASC 606 for all periods presented. To determine revenue recognition for arrangements that an entity determines are within the scope of ASC 606, the entity performs the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price, including variable consideration, if any; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the entity satisfies a performance obligation. The Group only applies the five-step model to contracts when it is probable that the entity will collect substantially all the consideration to which it is entitled in exchange for the goods or services it transfers to the customer. The Group reviews the contract to determine which performance obligations are distinct and represent a promise to provide distinct goods or services or a series of distinct goods or services as defined by the standard. The Group recognizes as revenue the amount of the transaction price that is allocated to each performance obligation as and when that performance obligation is satisfied.

Licenses of Intellectual Property: Upfront non-refundable payments for licensing the Group's intellectual property are evaluated to determine if the license is distinct from the other performance obligations identified in the arrangement. For licenses determined to be distinct, the Group recognizes revenues from non-refundable, up-front fees allocated to the license at a point in time, when the transfer of control of the license to the licensee occurs and the licensee is able to use and benefit from the license.

ADAGENE INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Milestone Payments: At the inception of each arrangement that includes development, commercialization, and regulatory milestone payments, the Group evaluates whether the milestones are considered probable of being reached and to the extent that a significant reversal of cumulative revenue would not occur in future periods, estimates the amount to be included in the transaction price using the most likely amount method. The transaction price is then allocated to each performance obligation on a relative stand-alone selling price basis, for which the Group recognizes revenue as or when the performance obligations under the contract are satisfied. At the end of each subsequent reporting period, the Group re-evaluates the probability of achieving such development milestones and any related constraint, and if necessary, adjust the estimate of the overall transaction price. Any such adjustments are recorded on a cumulative catch-up basis, which would affect revenues and earnings in the period of adjustment.

Royalties: For arrangements that include sales-based royalties, including milestone payments based on the level of sales, and the license is deemed to be the predominant item to which the royalties relate, the Group recognizes revenue at the later of (i) when the related sales occur, or (ii) when the performance obligation to which some or all of the royalty has been allocated has been satisfied (or partially satisfied).

To date, no milestone payments or royalty payments were received. Substantially all of the Group's revenue has been derived from its out-licensing agreements with respect to licensed products such as DNA sequences, cell lines, etc., and such revenues are recognized when the customer obtains control of the licensed product, which occurs at a point in time, upon delivery to the customer.

Contract assets and contract liabilities

When a customer pays consideration before the Group transfers products or services, the Group records its obligation as a contract liability; When the Group satisfies its performance obligations by providing products or services to a customer before the customer pays consideration and before payment is due, the Group recognizes its rights to consideration as a contract asset.

Research and development expenses

Elements of research and development expenses primarily include (1) payroll and other related costs of personnel engaged in research and development activities, (2) costs related to pre-clinical testing of the Group's technologies under development and clinical trials such as payments to contract research organizations ("CRO") and contract manufacturing organizations ("CMO"), investigators and clinical trial sites that conduct the clinical studies; (3) costs to develop the product candidates, including raw materials and supplies, product testing, depreciation and amortization, and facility related expenses, (4) 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. As of December 31, 2019, the Group has several ongoing clinical studies in various clinical trial stages. The contracts with CRO and CMO are generally cancellable, with notice, at the Group's option. The Group did not record any accrued expenses related to cancellation of CRO or CMO contracts as of December 31, 2019 as the Group did not have any plan to cancel the existing CRO or CMO contracts.

ADAGENE INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government subsidies

Government subsidies primarily consist of financial subsidies received from provincial and local governments for operating a business in their jurisdictions and compliance with specific policies promoted by the governments. The Group's PRC based subsidiary received government subsidies from certain local government. The Group's government subsidies consist of specific subsidies and other subsidies. Specific subsidies are subsidies that the local government has set certain conditions for the subsidies. Other subsidies are the subsidies that the local government has not set any conditions and are not tied to future trends or performance of the Group, receipt of such subsidy income is not contingent upon any further actions or performance of the Group and the amounts do not have to be refunded under any circumstances. The Group recorded specific subsidies as other non-current liabilities when received and recognized as other income when the conditions are met. Other subsidies are recognized as other income upon receipt as further performance by the Group is not required.

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 exists: 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.

All other leases are accounted for as operating leases wherein rental payments are expensed on a straight-line basis over their respective lease terms. The Group leases certain office space under non-cancelable operating lease agreements. Certain 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 leased property for purpose of recognizing lease expense on straight-line basis over the term of the lease.

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 shareholders and distributions to shareholders. Accumulated other comprehensive loss of the Group includes foreign currency translation adjustments related to the Group and its subsidiaries whose functional currency is not US$.

Income taxes

The Group follows the liability method of accounting for income taxes in accordance with ASC 740, *Income Taxes* ("ASC 740"). Under this method, deferred tax assets and liabilities are determined based on the difference between the financial reporting and tax bases of assets and liabilities using enacted tax rates that will be in effect in the period in which the differences are expected to reverse. The Group records a valuation allowance to offset deferred tax assets if based on

ADAGENE INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 tax expense in the period that includes the enactment date of the change in tax rate.

The Group evaluates its uncertain tax positions using the provisions of ASC 740, which prescribes a recognition threshold that a tax position is required to meet before being recognized in the consolidated financial statements.

The Group recognizes in the consolidated financial statements the benefit of a tax position which is "more likely than not" to be sustained under examination based solely on the technical merits of the position assuming a review by tax authorities having all relevant information. Tax positions that meet the recognition threshold are measured using a cumulative probability approach, at the largest amount of tax benefit that has a greater than fifty percent likelihood of being realized upon settlement. 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.

Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statements of comprehensive loss over the period of the borrowings using the effective interest method.

Share-based compensation

The Company grants restricted shares and stock options to eligible employees and accounts for share-based compensation in accordance with ASC 718, *Compensation—Stock Compensation*.

Employees' share-based compensation awards are measured at the grant date fair value of the awards and recognized as expenses a) immediately at the grant date if no vesting conditions are required; or b) for share-based awards granted with only service conditions, using the graded vesting method net of estimated forfeitures over the vesting period; or c) for share-based awards granted with service conditions and the occurrence of an initial public offering ("IPO") as performance condition cumulative share-based compensation expenses for the options that have satisfied the service condition should be recorded upon the completion of the IPO using the graded vesting method.

A change in any of the terms or conditions of share-based awards is accounted for as a modification of the awards. The Group calculates incremental compensation expense of a modification as the excess of the fair value of the modified awards over the fair value of the original awards immediately before its terms are modified at the modification date. For vested awards, the Group recognizes incremental compensation cost in the period when the modification occurs. For awards not being fully vested, the Group recognizes the sum of the incremental compensation expense and the remaining unrecognized compensation expense for the original awards over the remaining requisite service period after modification.

ADAGENE INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net loss per share

In accordance with ASC 260, *Earnings Per Share*, basic net loss per share is computed by dividing net loss attributable to ordinary shareholders by the weighted average number of unrestricted ordinary shares outstanding during the year using the two-class method. Under the two-class method, net loss is allocated between ordinary shares and other participating securities based on dividends declared (or accumulated) and participating rights in undistributed earnings as if all the earnings for the reporting period had been distributed. The Company's convertible redeemable preferred shares are participating securities because they are entitled to receive dividends or distributions on an as converted basis. Diluted net loss per share is calculated by dividing net loss attributable to ordinary shareholders, as adjusted for the effect of dilutive ordinary equivalent shares, if any, by the weighted average number of ordinary and dilutive ordinary equivalent shares outstanding during the period. Ordinary equivalent shares include ordinary shares issuable upon the conversion of the convertible redeemable preferred shares using the if-converted method, and ordinary shares issuable upon the exercise of share options, using the treasury stock method. Ordinary share equivalents are excluded from the computation of diluted earnings per share if their effects are anti-dilutive. For the periods presented herein, the computation of basic net loss per share using the two-class method is not applicable as the Group is in a net loss position and the participating securities do not have contractual rights and obligations to share in the losses of the Group.

Employee defined contribution plan

As stipulated by the regulations of the PRC, full-time employees of the Group are entitled to staff welfare benefits including medical care, welfare subsidies, unemployment insurance and pension benefits through a PRC government-mandated multi-employer defined contribution plan. The Group is required to accrue for these benefits based on certain percentages of the qualified employees' salaries. The Group is required to make contributions to the plans out of the amounts accrued. The PRC government is responsible for the medical benefits and the pension liability to be paid to these employees and the Group's obligations are limited to the amounts contributed. The Group has no further payment obligations once the contributions have been paid. The Group recorded employee benefit expenses of US$947,244 and US$1,145,165 for the years ended December 31, 2018 and 2019, respectively.

Concentration of risks

Concentration of credit risk

As of December 31, 2018 and 2019, the aggregate amount of cash and cash equivalents and short-term investments of US$422,210 and US$801,923 respectively, were held at major financial institutions located in the PRC, and US$48,636,245 and US$99,730,865, respectively, were deposited with major financial institutions located outside the PRC. Management believes that these financial institutions are of high credit quality and continually monitors the credit worthiness of these financial institutions.

Accounts receivable are typically unsecured and denominated in US$ and are derived from revenues earned from customers. As of December 31, 2019, the accounts receivable balance is from

ADAGENE INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

one customer. The Group manages credit risk of accounts receivable through ongoing monitoring of the outstanding balances.

Concentration of suppliers

A significant portion of the Group's research and development services were purchased from its one supplier, who collectively accounted for 40.67% and 23.13% of the Group's total research and development services purchases for the years ended December 31, 2018 and 2019, respectively.

Business and economic risk

The Group believes that changes in any of the following areas could have a material adverse effect on the Group's future consolidated financial position, results of operations or cash flows: changes in the overall demand for services; competitive pressures due to new entrants; advances and new trends in new technologies and industry standards; changes in certain strategic relationships; regulatory considerations and risks associated with the Group's ability to attract employees necessary to support its growth. The Group's operations could also be adversely affected by significant political, regulatory, economic and social uncertainties in the PRC.

Foreign currency exchange rate risk

A significant portion of the Group's businesses are transacted in RMB, which is not a freely convertible currency. On January 1, 1994, the PRC government abolished the dual rate system and introduced a single rate of exchange as quoted daily by the People's Bank of China (the "PBOC"). However, the unification of the exchange rates does not imply that the RMB may be readily convertible into US$ or other foreign currencies. All foreign exchange transactions continue to take place either through the PBOC or other banks authorized to buy and sell foreign currencies at the exchange rates quoted by the PBOC. Approval of foreign currency payments by the PBOC or other institutions requires submitting a payment application form together with suppliers' invoices, shipping documents and signed contracts.

From July 21, 2005, the RMB is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. For U.S. dollar against RMB, there was appreciation of approximately 5.7% and 1.3% in the years ended December 31, 2018 and 2019, respectively. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between the RMB and the U.S. dollar in the future.

The functional currency and the reporting currency of the Company are the US$. However, most of the expenses of the Group are denominated in RMB. Any significant fluctuation of the valuation of RMB may materially affect the Group's cash flows, expenses, losses and financial position, and the value of any dividends payable on the American Depositary Shares in US$.

Recently issued accounting pronouncements

The Group is an emerging growth company ("EGC") as defined by the Jumpstart Our Business Startups Act ("JOBS Act"). The JOBS Act provides that an EGC can take advantage of extended transition periods for complying with new or revised accounting standards. This allows an EGC to delay

ADAGENE INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

adoption of certain accounting standards until those standards would otherwise apply to private companies. The Group elected to take advantage of the extended transition periods. However, this election will not apply should the Group cease to be classified as an EGC.

In February 2016, the FASB issued ASU No. 2016-02 ("ASU 2016-02"), Leases (Topic 842), which modifies lease accounting for lessees to increase transparency and comparability by recording lease assets and liabilities for operating leases and disclosing key information about leasing arrangements. In July 2018, the FASB issued ASU No. 2018-10 ("ASU 2018-10"), Codification Improvements to Topic 842, Leases, which clarifies certain aspects of the guidance issued in ASU 2016-02; and ASU No. 2018-11 ("ASU 2018-11"), Leases (Topic 842): Targeted Improvements, which provides entities with an additional (and optional) transition method to adopt the new leases standard. Under this new transition method, an entity initially applies the new leases standard at the adoption date and recognizes a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. Consequently, an entity's reporting for the comparative periods presented in the financial statements in which it adopts the new leases standard will continue to be in accordance with current GAAP (Topic 840, Leases). In November 2019, the FASB issued ASU No. 2019-10, Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842), Effective Dates ("ASU 2019-10"), which extends the adoption date for certain registrants. The updated guidance is effective for the Group for annual reporting periods beginning January 1, 2021 and interim periods within annual periods beginning January 1, 2022. Early adoption is permitted. The Group does not plan to early adopt the new lease standards and the Group expects that applying the ASU 2016-02 would materially increase the assets and liabilities due to the recognition of right-of-use assets and lease liabilities on its consolidated balance sheets, with an immaterial impact on its consolidated statements of comprehensive loss and consolidated statements of cash flows.

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments ("ASU 2016-13"). ASU 2016-13 is intended to improve financial reporting by requiring timelier recording of credit losses on loans and other financial instruments held by financial institutions and other organizations. This ASU requires the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. This ASU requires enhanced disclosures to help investors and other financial statement users better understand significant estimates and judgments used in estimating credit losses, as well as the credit quality and underwriting standards of the Group's portfolio. These disclosures include qualitative and quantitative requirements that provide additional information about the amounts recorded in the financial statements. In November 2019, the FASB issued ASU 2019-10, which extends the adoption date for certain registrants. The amendments in ASU 2016-13 are effective for fiscal years beginning after December 15, 2022, including interim periods within fiscal years beginning after December 15, 2023. The Group does not plan to early adopt ASU 2016-13 and is currently in the process of evaluating the impact of adoption of this guidance on its consolidated financial statements.

ADAGENE INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In June 2018, the FASB issued ASU No. 2018-07, Compensation—Stock Compensation (Topic 718): Improvements to nonemployee share-based payment accounting ("ASU 2018-07"). The amendments in this update expand the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from nonemployees. The amendments are effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early adoption is permitted, but no earlier than an entity's adoption date of Topic 606. The Group adopted on January 1, 2018 this guidance which do not have a significant impact on the consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement ("ASU 2018-13"). ASU 2018-13 modifies the disclosure requirements for fair value measurements by removing, modifying, or adding certain disclosures. The amendments in ASU 2018-13 are effective for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The amendments on changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty should be applied prospectively for only the most recent interim or annual period presented in the initial fiscal year of adoption. All other amendments should be applied retrospectively to all periods presented upon their effective date. Early adoption is permitted upon issuance of ASU 2018-13. An entity is permitted to early adopt any removed or modified disclosures upon issuance of ASU 2018-13 and delay adoption of the additional disclosures until their effective date. The Group elected to early adopt this ASU and applied this guidance retrospectively to all periods presented. The impact of this ASU to the consolidated financial statements is immaterial.

In November 2018, the FASB issued ASU 2018-18, Collaborative Arrangements (Topic 808): Clarifying the Interaction between Topic 808 and Topic 606. This update clarifies that certain transactions between participants in a collaborative arrangement should be accounted for under ASC 606 when the counterparty is a customer and precludes an entity from presenting consideration from a transaction in a collaborative arrangement as revenue from contracts with customers if the counterparty is not a customer for that transaction. The update is effective in fiscal years beginning after December 15, 2021, and interim periods therein, and early adoption is permitted for entities that have adopted ASC 606. This guidance should be applied retrospectively to the date of initial application of Topic 606. The Group elected to early adopt this ASU and applied this guidance retrospectively to all periods presented. The impact of this ASU to the consolidated financial statements is immaterial.

In December 2019, the FASB issued ASU 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes. This update simplifies the accounting for income taxes as part of the FASB's overall initiative to reduce complexity in accounting standards. The amendments include removal of certain exceptions to the general principles of ASC 740, *Income taxes*, and simplification in several other areas such as accounting for a franchise tax (or similar tax) that is partially based on income. The update is effective in fiscal years beginning after December 15, 2022, and interim periods therein, and early adoption is permitted. Certain amendments in this update should be applied retrospectively or modified retrospectively, all other amendments should be applied prospectively. The

ADAGENE INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Group does not plan to early adopt ASU 2019-12 and is currently evaluating the impact on its financial statements of adopting this guidance.

3. ACCOUNTS RECEIVABLE, NET

	As of December 31,	
	2018	2019
	US$	US$
Accounts receivable	—	480,000
Allowance for doubtful accounts	—	—
	—	480,000

4. PREPAYMENTS AND OTHER CURRENT ASSETS

Prepayments and other current assets consist of the following:

	As of December 31,	
	2018	2019
	US$	US$
Deposits(a)	970,407	970,394
Interest receivables	260,173	227,278
Prepayments	295,476	211,435
Others	62,433	67,866
	1,588,489	1,476,973

Note (a): The deposits represented the amounts that the Group paid to its CRO vendors for various outsourced research and development programs according to the terms of respective CRO agreement. The Group expects to recover the deposits when the programs end.

ADAGENE INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2019

5. PROPERTY, EQUIPMENT AND SOFTWARE

Property, equipment and software consist of the following:

	As of December 31,	
	2018	2019
	US$	US$
Machinery and laboratory equipment	3,408,277	3,462,343
Leasehold improvements	779,837	767,205
Electronic equipment	576,421	605,882
Furniture and tools	100,016	98,396
Vehicles	81,452	80,133
Software	64,761	71,056
Total property, equipment and software	5,010,764	5,085,015
Less: accumulated depreciation and amortization	(2,460,008)	(3,205,690)
Net book value	2,550,756	1,879,325

Depreciation and amortization expenses recognized for the years ended December 31, 2018 and 2019 were US$909,002 and US$816,686, respectively.

6. ACCRUALS AND OTHER CURRENT LIABILITIES

Accrued liabilities and other current liabilities consist of the following:

	As of December 31,	
	2018	2019
	US$	US$
Payroll and related liabilities	2,230,898	2,370,523
Professional service fees	93,801	145,157
Utility and maintenance	102,120	4,595
Other taxes and surcharge	32,982	—
Others	114,640	19,889
	2,574,441	2,540,164

ADAGENE INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2019

7. BORROWINGS

	As of December 31,	
	2018	2019
	US$	US$
Current		
Short-term borrowings:		
Bank loans	2,331,274	716,723
Current portion of long-term borrowings	—	322,525
Total current borrowings	2,331,274	1,039,248
Non-Current		
Long-term borrowings:		
Bank loans	—	1,515,868
Total non-current borrowings	—	1,515,868
Total borrowings	2,331,274	2,555,116

Short-term borrowings

In April 2017, the Group borrowed a loan with amount of RMB4,000,000 (equivalent to approximately US$612,164) from Agricultural Bank of China Limited for a term of one year and at the interest rate of 4.79% per annum. The borrowing was guaranteed by Peter Luo, who is the Chairman, Chief Executive Officer and a principal shareholder of the Company. The borrowing was repaid in March 2018.

In May 2017, the Group borrowed a loan with the amount of RMB3,000,000 (equivalent to approximately US$459,123) from Bank of Ningbo Co., Ltd. for a term of one year and at the interest rate of 4.79% per annum and the borrowing was repaid in May 2018. In June 2017, the Group borrowed a loan with the amount of RMB2,000,000 (equivalent to approximately US$306,082) from Bank of Ningbo Co., Ltd. for a term of one year and at the interest rate of 4.79% per annum. The borrowing was repaid in June 2018.

In March 2018, the Group borrowed a loan with the amount of RMB3,000,000 (equivalent to approximately US$437,114) from Bank of Jiangsu Co., Ltd. for a term of one year and at the interest rate of 5.22% per annum. The borrowing was repaid in March 2019. In June 2018, the Group borrowed a loan with the amount of RMB2,000,000 (equivalent to approximately US$291,409) from Bank of Jiangsu Co., Ltd. for a term of one year and at the interest rate of 5.22% per annum. The borrowing was repaid in June 2019. These borrowings with Bank of Jiangsu Co., Ltd were guaranteed by Peter Luo and Kristine She. Peter Luo is the Chairman, Chief Executive Officer and a principal shareholder of the Company. Kristine She is one of the senior management personnel of the Company.

In May 2018, the Group borrowed a loan with the amount of RMB3,000,000 (equivalent to approximately US$437,114) from Bank of Ningbo Co., Ltd. for a term of one year and at the interest rate of 5.00% per annum. The borrowing was repaid in May 2019. In June 2018, the Group borrowed a loan with the amount of RMB2,000,000 (equivalent to approximately US$291,409) from Bank of Ningbo Co., Ltd. for a term of one year and at the interest rate of 5.00% per annum. The borrowing was repaid in June 2019.

ADAGENE INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2019

7. BORROWINGS (Continued)

In July 2018, the Group borrowed a loan with amount of RMB6,000,000 (equivalent to approximately US$874,228) from Agricultural Bank of China Limited for a term of one year and at the interest rate of 5.22% per annum. The borrowing was guaranteed by Peter Luo, who is the Chairman, Chief Executive Officer and a principal shareholder of the Company. The borrowing was repaid in July 2019.

In September 2019, the Group borrowed a loan with amount of RMB5,000,000 (equivalent to approximately US$716,723) from Bank of Ningbo Co., Ltd. for a term of one year and at the interest rate of 4.35% per annum.

Long-term borrowings

In February 2019, the Group borrowed a loan with amount of RMB7,500,000 (equivalent to approximately US$1,075,084) from Shanghai Pudong Development Bank Co., Ltd. for a term of three years and at the interest rate of 5.46% per annum. The Group repaid RMB375,000 (equivalent to approximately US$53,754) in August 2019. As of December 31, 2019, RMB1,250,000 (equivalent to approximately US$179,181) repayable within twelve months for this agreement was classified as "Current portion of long-term borrowing".

In June 2019, the Group borrowed a loan with amount of RMB6,000,000 (equivalent to approximately US$860,067) from Shanghai Pudong Development Bank Co., Ltd. for a term of three years and at the interest rate of 5.23% per annum. The Group repaid RMB300,000 (equivalent to approximately US$43,004) in December 2019. As of December 31, 2019, RMB1,000,000 (equivalent to approximately US$143,344) repayable within twelve months for this agreement was classified as "Current portion of long-term borrowing".

Future maturities of short-term borrowings and long-term borrowings

Future principal maturities of short-term borrowings and long-term borrowings as of December 31, 2019 are as followings:

	US$
2020	1,039,248
2021	870,818
2022	645,050
	2,555,116

8. CONVERTIBLE REDEEMABLE PREFERRED SHARES AND WARRANTS

In November 2011, the Company issued convertible notes ("Series Pre-A Convertible Notes") to certain investors in the amount of 4,590,908. The notes carried a simple interest (non-compounding) of 6% per annum as set out in the note purchase agreement. All outstanding principal balance and accrued but unpaid interest of the notes should be automatically converted into the convertible redeemable preferred shares of the Company at a price no more than US$1 per share.

ADAGENE INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2019

8. CONVERTIBLE REDEEMABLE PREFERRED SHARES AND WARRANTS (Continued)

In November 2014, the Company issued 5,473,957 Series A-1 convertible redeemable preferred shares ("Series A-1 Preferred Shares") to certain investors upon conversion of the Company's Series Pre-A convertible notes at a conversion price of US$1 per share. Concurrently, the Company issued 2,370,414 Series A-2 convertible redeemable preferred shares ("Series A-2 Preferred Shares") to certain investors at US$1.27 per share for a total consideration of US$3,000,000. Series A-1 Preferred Shares and Series A-2 Preferred Shares are collectively referred to as the Series A Preferred Shares.

From January through June 2016, the Company issued 7,494,537 Series B convertible redeemable preferred shares ("Series B Preferred Shares") to certain investors at US$3.74 per share for a total consideration of US$27,999,995.

From February through May 2018, the Company issued 5,597,354 Series C-1 convertible redeemable preferred shares ("Series C-1 Preferred Shares") to certain investors at US$8.93 per share for a total consideration of US$50,000,033. Concurrently, in February 2018, the Company also issued warrants to two Series C-1 investors at nil consideration ("Series C-1 Warrants"). The Series C-1 Warrants allowed the holders to purchase Series C-2 Preferred Shares (defined below) at the exercise price of US$10.21 per share for a total consideration of up to US$7,500,000. Series C-1 Warrants were exercisable, in whole or in part, at any time from the warrant issuance date to the earlier of i) April 1, 2019, ii) a deemed liquidation event or iii) the closing of the Qualified IPO. Series C-1 Warrants expired on April 1, 2019.

From June through November 2019, the Company issued 1,861,121 Series C-2 convertible redeemable preferred shares ("Series C-2 Preferred Shares") to certain investors at US$10.21 per share for a total consideration of US$18,999,999.

In December 2019, the Company issued 4,452,441 Series C-3 convertible redeemable preferred shares ("Series C-3 Preferred Shares") to a certain investor at US$11.23 per share for a total consideration of US$50,000,000.

Series C-1 Preferred Shares, Series C-2 Preferred Shares and Series C-3 Preferred Shares are collectively referred to as the Series C Preferred Shares.

The key features of the Series A Preferred Shares, Series B Preferred Shares and Series C Preferred Shares (collectively the "Preferred Shares") are as follows:

Dividends

Each holder of the Preferred Shares will be entitled to receive non-cumulative dividends when declared by the Board of Directors prior and in preference to ordinary shareholders. The dividend should be paid at the rate of 6% of the original issue price per share per annum on each Preferred Shares in the sequence of Series C Preferred Shares and Preferred Shares other than the Series C Preferred Shares. After the preferential dividends relating to the Preferred Shares have been paid in full or declared and set apart in any fiscal year of the Company, any additional dividends out of funds or assets legally available therefore may be declared in that fiscal year for the Shares and, if such additional dividends are declared, the preferred shareholders shall be entitled to participate on an as converted-basis pro-rata in any dividends or distributions paid to the ordinary shareholders.

ADAGENE INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2019

8. CONVERTIBLE REDEEMABLE PREFERRED SHARES AND WARRANTS (Continued)

Voting

Each Preferred Share has voting rights equivalent to the number of ordinary shares to which it is convertible at the record date. The Preferred Shares shall vote separately as a class with respect to certain specified matters. Otherwise, the preferred shareholders and ordinary shareholders shall vote together as a single class.

Liquidation preference

In the event of any liquidation, dissolution or winding up of the Company, or the cessation of the business of the Company or of a substantial portion of the business of the Company, whether voluntary or involuntary, or any deemed liquidation event (unless waived by the preferred shareholders), the preferred shareholders shall be entitled to receive a per share amount equal to 100% of the original issue price of the respective series of the Preferred Shares, in the sequence of Series C Preferred Shares, Series B Preferred Shares and Series A Preferred Shares. After such liquidation amounts have been paid in full, the preferred shareholders are entitled to receive a simple interest accruing on each Preferred Share at 6% of its original issue price per annum from the date of issuance of such Preferred Share to the date of distribution of such amount, in the sequence of Series C Preferred Shares, Series B Preferred Shares and Series A Preferred Shares. After such interest amounts have been paid in full, any remaining funds or assets of the Company legally available for distribution to shareholders shall be distributed on a pro rata basis among the preferred shareholders, on an as-converted basis, together with the ordinary shareholders.

Conversion

Each Preferred Share may be converted at any time into ordinary shares at the option of the preferred shareholders based on the then-effective conversion price. The initial conversion ratio is 1:1, subject to adjustment in the event of share splits, share combinations, ordinary share dividends or distributions, other dividends, reorganizations, mergers, consolidations, reclassifications, exchanges, substitutions, or dilutive issuance.

All Preferred Shares are converted automatically into ordinary shares at the then effective applicable conversion price upon the earlier of a Qualified Public Offering (public offering of the Company's shares with an offering price (exclusive of underwriting commissions and expenses) that reflects a market capitalization (immediately prior to the public offering) of not less than US$650,000,000 and with an aggregate proceeds of no less than US$75 million)or a date specified by written consent or agreement of the holders of at least 80% of the voting power of the then outstanding Preferred Shares.

Redemption

The Preferred Shares are redeemable upon request by the holders of the majority outstanding Preferred Shares if the Company fails to consummate a Qualified Public Offering or complete a deemed liquidation event on or before March 31, 2025 at the redemption price equal to the original issue price plus any declared but unpaid dividends.

ADAGENE INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2019

8. CONVERTIBLE REDEEMABLE PREFERRED SHARES AND WARRANTS (Continued)

Accounting for Preferred Shares

The Preferred Shares are classified as mezzanine equity in the consolidated balance sheets because they are contingently redeemable upon the occurrence of an event outside of the Company's control (e.g. the Company not achieving a Qualified Public Offering or a deemed liquidation event before March 31, 2025 ("Target QIPO Date")). The Preferred Shares were determined to be mezzanine equity with no embedded feature to be bifurcated and no beneficial conversion features to be recognized. The Preferred Shares are initially recorded at their respective issuance date fair value, net of issuance cost and fair value allocated to the detachable warrants. The Company did not incur material issuance cost for any Preferred Shares issued.

The Company concluded that the Preferred Shares are not currently redeemable, but are probable to become redeemable. The Company accreted changes in the redemption value over the period from the date of issuance to the earliest redemption date using the interest method. No accretion charge was recorded as the redemption value is fixed to original issue price for the years presented, except for Series C-1 Preferred Shares issued with detachable warrants.

Modification of Preferred Shares

The Company made several amendments to the Preferred Shares, mainly including: 1) added redemption rights for Series A Preferred Shares upon the issuance of the Series B Preferred Shares; 2) extended the Target QIPO Date upon the issuance of the Series C-1 Preferred Shares and the Series C-3 Preferred Shares. These amendments are accounted for as modifications rather than extinguishments as the fair values of these Preferred Shares immediately after the amendments were not significantly different from their respective fair values immediately before the amendment. When Preferred Shares are modified and such modification results in value transfer between preferred shareholders and ordinary shareholders, the value transferred is treated as a deemed dividend to or deemed contribution from the preferred shareholders.

On February 2, 2018, the Target QIPO Date was extended from January 19, 2023 to February 2, 2025 (7th anniversary of Series C-1 closing) upon issuance of Series C-1 Preferred Shares. On the date of the modifications, the Company assessed the total fair value of preferred shares immediately before and after the change of the terms with the assistance from an independent third-party appraiser. The combined change in fair value of Preferred Shares immediately before and after the modification was US$1,186,187. The increase in fair value of the ordinary shares of is US$1,186,187, in substance, a transfer of wealth mostly from the preferred shareholders to the ordinary shareholder, and therefore are recorded as deemed contribution from the Preferred Shareholders.

ADAGENE INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2019

8. CONVERTIBLE REDEEMABLE PREFERRED SHARES AND WARRANTS (Continued)

The Company's Preferred Shares activities for the periods presented are summarized below:

Mezzanine equity	Series A-1 US$	Series A-2 US$	Series B US$	Series C-1 US$	Series C-2 US$	Series C-3 US$	Total US$
Balance as of December 31, 2017	5,473,957	3,000,000	27,999,995	—	—	—	36,473,952
Issuance of Series C-1 Preferred Shares	—	—	—	48,258,313	—	—	48,258,313
Accretion of Series C-1 Preferred Shares to redemption value	—	—	—	222,846	—	—	222,846
Balance as of December 31, 2018	5,473,957	3,000,000	27,999,995	48,481,159	—	—	84,955,111
Issuance of Series C-2 Preferred Shares	—	—	—	—	18,999,999	—	18,999,999
Issuance of Series C-3 Preferred Shares	—	—	—	—	—	50,000,000	50,000,000
Accretion of Series C-1 Preferred Shares to redemption value	—	—	—	246,184	—	—	246,184
Balance as of December 31, 2019	5,473,957	3,000,000	27,999,995	48,727,343	18,999,999	50,000,000	154,201,294

The warrants are freestanding instruments and classified as liabilities in accordance with ASC 480. The warrants are initially recognized at fair value, with subsequent changes in fair value recorded currently in earnings. The Company recognized gains from the decrease in fair value of the warrants of US$534,305 and US$1,207,415 for the years ended December 31, 2018 and 2019, respectively.

The Company has measured the warrant liabilities at fair values on a recurring basis using significant unobservable inputs (Level 3) for the years ended December 31, 2018. The Group used the Black-Scholes option pricing model to estimate the fair value of warrant liabilities using the following assumptions:

	For the year ended December 31, 2018
Risk-free interest rate	1.92%, 2.37%
Exercise price	US$10.2089
Maturity date	01/04/2019
Estimated volatility rate	63.78%, 71.00%

The model requires the input of highly subjective assumptions including the risk-free rate interest rate, 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 strip bond with maturity similar to the maturity of the warrants as of valuation dates. For expected volatilities, the Company has made reference to the historical daily stock prices volatilities of ordinary shares of several comparable companies in the same industry as the Company. The estimated fair value of the preferred shares was determined with assistance from an independent third-party valuation firm.

The significant unobservable inputs used in the fair value measurement of the warrant liabilities include risk-free interest rate, interval between valuation date and maturity date, estimated volatility rate and fair value of underlying preferred shares. Significant decreases in interval between valuation 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 interest rate would result in a significantly lower fair value measurement.

ADAGENE INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2019

9. SHARE-BASED COMPENSATION

On November 7, 2015, the Company adopted a share incentive plan ("2015 Plan").

Under the 2015 Plan, the Company's Board of Directors has approved that a maximum aggregate number of shares that may be issued pursuant to all awards granted shall be 4,336,126. In September 2017, the Company increased the maximum number of shares available to 6,336,126. In December 2019, the Company further increased the maximum number of shares available to 11,391,131.

Share options granted to each grantee under the Share Inventive Plan will generally be exercisable upon the grantee renders service to the Company in accordance with a stipulated vesting schedule. Grantees are generally subject to a vesting schedule of no longer than five years, under which the grantee earns an entitlement to vest a certain percentage of his option grants at the end of each month or year of completed service. The share option awards shall expire no more than 10 years from their grant dates.

	Number of Options	Weighted-Average Exercise Price	Weighted-Average Grant Date Fair Value	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
		US$ per option	US$ per option	Years	US$
Outstanding at January 1, 2018	848,828	0.38	3.75	8.56	2,858,093
Forfeited	(274,500)	0.55	5.71	—	—
Outstanding at January 1, 2019	574,328	0.30	2.80	7.14	1,440,734
Granted	372,500	1.26	5.46	—	—
Exercised	(34,000)	0.55	5.71	—	—
Forfeited	(46,800)	1.22	5.75	—	—
Outstanding at December 31, 2019	866,028	0.65	3.67	7.27	2,807,806
Vested and expected to vest at December 31, 2019	866,028	0.65	3.67	7.27	2,807,806
Exercisable at December 31, 2019	527,278	0.34	2.60	6.26	1,263,717

The aggregate intrinsic value in the table above represents the difference between the exercise price of the awards and the fair value of the underlying ordinary shares at each reporting date, for those awards that had exercise price below the estimated fair value of the relevant ordinary shares.

The aggregate fair value of the equity awards vested during the years ended December 31, 2018 and 2019 was US$165,609 and US$366,113, respectively. As of December 31, 2019, there was US$1,554,053 of total unrecognized employee share-based compensation expense related to unvested share options, may be adjusted for actual forfeitures occurring in the future. Total unrecognized compensation cost will be recognized over a weighted-average period of 3.32 years.

Fair value of share options

The fair value of share options was determined using the binomial option valuation model, with the assistance from an independent third-party appraiser. The binomial model requires the input of highly subjective assumptions, including the expected volatility, the exercise multiple, the risk-free rate

ADAGENE INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2019

9. SHARE-BASED COMPENSATION (Continued)

and the dividend yield. For expected volatility, the Group has made reference to historical volatility of several comparable companies in the same industry. The exercise multiple was estimated as the average ratio of the stock price to the exercise price of when employees would decide to voluntarily exercise their vested share options. The risk-free rate for periods within the contractual life of the share options is based on the market yield of U.S. Treasury Bonds in effect at the time of grant. The dividend yield is based on the expected dividend policy over the contractual life of the share options. The estimated fair value of the ordinary shares, at the share option grant dates, was determined with the assistance from an independent third-party appraiser.

The assumptions used to estimate the fair value of the share options granted are as follows:

	For the year ended December 31, 2019
Risk-free interest rate	1.78% - 2.73%
Dividend yield	0%
Expected volatility range	67.5% - 71.0%
Exercise multiple	2.2 - 2.8
Contractual life	10 years

Total share-based compensation expenses recognized for the years ended December 31, 2018 and 2019 were as follows:

	For the years ended December 31,	
	2018	2019
	US$	US$
Research and development expenses	126,540	404,620
Administrative expenses	—	207,091
Total share-based compensation expenses	126,540	611,711

Up to the date of the issuance of these consolidated financial statements, some proceeds of the subscription capital arising from the exercise of vested share options by certain employees remained outstanding and such amount was presented as subscriptions receivable, a contra-equity balance on the consolidated balance sheets as of December 31, 2018 and 2019, respectively.

ADAGENE INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2019

10. COLLABORATION ARRANGEMENTS

Guilin Sanjin Pharmaceutical Co., Ltd. License Agreement

In December 2018, the Group entered into (i) a collaboration agreement (the "Sanjin Greater China Agreement") that covers Greater China with Guilin Sanjin Pharmaceutical Co., Ltd. ("Sanjin") and certain of its subsidiaries (collectively, "Sanjin Parties") and (ii) a collaboration agreement (the "Sanjin ROW Agreement", together with the Sanjin Greater China Agreement, the "2018 Sanjin Agreements") that covers the regions other than Greater China with Sanjin. Pursuant to the Sanjin Greater China Agreement, the Group licensed the Chinese intellectual property directly related to a monospecific antibody molecule that binds to the PD-L1 target (the "PD-L1 Project"), including patent rights, patent application rights and technologies based on the core sequence of the molecule, to Sanjin Parties. Sanjin Parties will own all the Chinese intellectual property developed in the exercise of Sanjin Parties' rights under the agreement, including but not limited to improvements (including combination products), clinical trials, regulatory filings, and commercialization rights relating thereto. The Group also granted Sanjin Parties a royalty-free license to use our other existing intellectual property and improvements thereto which are related to the PD-L1 Project for the purposes of exploiting its rights and performing its obligations under the agreement. Sanjin Parties will enjoy all the economic benefits deriving from the PD-L1 Project in Greater China, including but not limited to patent transfer fee, licensing fee, sales revenue and sales commission, etc. Sanjin Parties will pay the Group (i) single-digit percentage of net sales of the products that use the licensed antibody after such products enter the market and (ii) a low to mid-low double-digit percentage of the profits resulting from any transfer of the license to any third parties depending on the timing of the transfer relative to the development stage of the product. The Group also received RMB10,000,000 (equivalent to approximately US$1,511,168) upfront fee upon the effectiveness of the agreement from Sanjin Parties.

Pursuant to the Sanjin ROW Agreement, the Group granted Sanjin a royalty-free license to use all intellectual property relating to (i) the collaboration under the agreement that the Group controlled before the Group entered into the agreement or acquired independently of the agreement and (ii) improvements thereto for the purposes of exploiting its rights and performing its obligations under the agreement. Any intellectual property generated independently by a party under the agreement will be solely owned by that party who generated such intellectual property, and any intellectual property generated from cooperation between the Group and Sanjin's affiliates in connection with the collaboration will be jointly owned. The Group retain the ownership of patent rights of key intellectual property pertaining to PD-L1 outside of the Greater China. In addition, all the results obtained by Sanjin relating to the research and development of any new antibody developed under the agreement will be owned by Sanjin. The Group retain a majority of the economic benefits derived from the Sanjin ROW Agreement, including but not limited to any patent transfer fee, licensing fee and gains realized under such transfer. In case the Group intend to transfer to a third party our share of economic interests in any country outside of Greater China, the Group must notify Sanjin and Sanjin will receive a right of first refusal if it pays the Group a deposit equal to a low double-digit percentage of the consideration that the Group expect to receive from such third party. If Sanjin waives the right of first refusal, the Group can proceed with the transfer, provided that the final transaction price with the third party is not lower than the amount of the offering price that was included in our notice to Sanjin.

The Group agreed not to (i) independently develop any monospecific antibodies that bind to the PD-L1 target or (ii) grant any rights associated with such antibodies to any third parties during the

ADAGENE INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2019

10. COLLABORATION ARRANGEMENTS (Continued)

three-year period from the effective date of the agreement. The exclusivity obligation does not prevent the Group from (i) developing or granting any licenses to third parties for intellectual property that covers bispecific antibodies, ADCs, diagnostic antibodies, nano-particles and masked antibody against PD-L1 target and (ii) continuing to provide antibody screening service that were commenced before the execution of the Sanjin Greater China Agreement and either party has the independent right to conduct combination therapy studies outside of the Greater China. Either non-breaching party may terminate the 2018 Sanjin Agreements if the other party's ability to comply with its respective obligations under the agreements is negatively affected by contingencies such as failure to maintain operation or changes in core project management and the other party fails to take effective remedial measures. Each agreement automatically terminates upon the termination of the other agreement. Upon the rescission or termination, Sanjin Parties will return to the Group all the intellectual property, documents and data provided by the Group under the 2018 Sanjin Agreements.

In the event that the failure of the development of the product candidate solely arises from the Group's research and development basis specified under this agreement, Sanjin has the right to claim back all the payment made to the Group. The Group considers the possibility of occurrence of such event is very remote.

For the year ended December 31, 2018, the Group recognized revenue of RMB10,000,000 (equivalent to approximately US$1,511,168) for this agreement.

Dragon Boat Biopharmaceutical (Shanghai) Limited License Agreement

In May 2019, the Group entered into (i) a collaboration agreement that covers Greater China (the "Dragon Boat Greater China Agreement") and (ii) a collaboration agreement that covers the regions other than Greater China (the "Dragon Boat ROW Agreement," together with the Dragon Boat Greater China Agreement, the "2019 Dragon Boat Agreements"), with Dragon Boat Biopharmaceutical (Shanghai) Limited ("Dragon Boat"), a subsidiary of Sanjin. Pursuant to the Dragon Boat Greater China Agreement, the Group will license the Chinese intellectual property directly related to a certain monospecific antibody molecule that binds to a specified target (the "Specified Project"), including the patent rights, patent application rights and technologies based on the core sequence of the molecule, to Dragon Boat. Dragon Boat will own all the Chinese intellectual property developed in the exercise of Dragon Boat's rights under the agreement, including but not limited to improvements (including combination products), clinical trials, regulatory filings, and commercialization rights relating thereto. The Group also granted Dragon Boat a royalty-free license to use our other existing intellectual property and improvements thereto which are related to the Specified Project for the purposes of exploiting its rights and performing its obligations under the agreement. Dragon Boat will enjoy all the economic benefits deriving from the Specified Project in Greater China, including but not limited to patent transfer fee, licensing fee, sales revenue and sales commission, etc. and will pay the Group (i) certain high-six figure dollar milestone payments and (ii) a single-digit percentage of net sales of the products that use the licensed antibody after such products enter the market. Dragon Boat also paid the Group a mid-six figure dollar upfront fee upon the signing of the agreement.

Pursuant to the Dragon Boat ROW Agreement, the Group granted Dragon Boat a royalty-free license to use all intellectual property relating to (i) the collaboration under the agreement that the Group controlled before the Group entered into the agreement or acquired independently of the

10. COLLABORATION ARRANGEMENTS (Continued)

agreement and (ii) improvements thereto for the purposes of exploiting its rights and performing its obligations under the agreement. Any intellectual property generated independently by a party under the agreement will be solely owned by that party who generated such intellectual property, and any intellectual property generated from cooperation between the Group and Dragon Boat in connection with the collaboration will be jointly owned. The Group retain the ownership of patent rights of key intellectual property pertaining to the specified target outside of the Greater China. In addition, all the results obtained by Dragon Boat relating to the research and development of any new antibody developed under the agreement will be owned by Dragon Boat. The Group retains a majority of the economic benefits derived from the Dragon Boat ROW Agreement, including but not limited to any patent transfer fee, licensing fee and gains realized under such transfer. In case the Group intend to transfer to a third party our share of economic interests in any country outside of Greater China, the Group must notify Dragon Boat and Dragon Boat will receive a right of first refusal if it pays the Group a deposit equal to a low double-digit percentage of the consideration that the Group expects to receive from such third party. If Dragon Boat waives the right of first refusal, the Group can proceed with the transfer, provided that the final transaction price with the third party is not lower than the amount of the offering price that was included in our notice to Dragon Boat.

Under the 2019 Dragon Boat Agreements, the Group agreed not to (i) independently develop any monospecific antibodies that bind to the specified target or (ii) grant any rights associated with such antibodies to any third parties during the three-year period from the effective date of the agreements. The exclusivity obligation does not prevent the Group from (i) developing or granting any licenses to third parties for intellectual property that covers bispecific antibodies, ADCs, diagnostic antibodies, nano-particles and masked antibody against the specific target and (ii) continuing to provide antibody screening service that were commenced before the execution of the Dragon Boat Greater China Agreement and either party has the independent right to conduct combination therapy studies outside of the Greater China. Either nonbreaching party may terminate the 2019 Dragon Boat Agreements if the other party's ability to comply with its obligations under the agreements is negatively affected by contingencies such as failure to maintain operation or changes in core project management and the other party fails to take effective remedial measures. Each agreement automatically terminates upon the termination of the other agreement. Upon the rescission or termination, Dragon Boat will return to the Group all the intellectual property, documents and data provided by the Group under the 2019 Dragon Boat Agreements.

In the event that the failure of the development of the product candidate solely arises from the Group's research and development basis specified under this agreement, Dragon Boat has the right to claim back all the payment made to the Group.

For the year ended December 31, 2019, no revenue was recognized for this agreement since the licensed product has not been transferred to Dragon Boat.

As of December 31, 2019, upfront fee of RMB4,000,000 that received by the Group was recorded as contract liabilities in the consolidated balance sheets, as the performance obligation had not been satisfied by the Group.

ADAGENE INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2019

10. COLLABORATION ARRANGEMENTS (Continued)

ADC Therapeutics SA License and Collaboration Agreement

In April 2019, the Group entered into a material transfer and collaboration agreement (the "ADCT Collaboration Agreement") and a license agreement (the "ADCT License Agreement") with ADC Therapeutics SA ("ADC Therapeutics").

ADCT Collaboration Agreement

Pursuant to the ADCT Collaboration Agreement, the Group agreed to generate masked antibodies with respect to up to two exclusive targets selected by ADC Therapeutics. Upon our delivery of certain initial results, ADC Therapeutics has the option to license the Group's technology with respect to one or both targets as further detailed below. ADC Therapeutics has not yet exercised such options as of December 31, 2019.

Under the ADCT Collaboration Agreement, the Group is eligible to receive up to a low-seven-figure dollar amount in consideration for the Group's exclusivity obligations, upon achievement of certain development milestones and upon ADC Therapeutics' election to proceed with development for the two elected targets. ADC Therapeutics has the right to terminate the ADCT Collaboration Agreement at any time and for any reason in its entirety or on a target-by-target basis upon thirty days' prior written notice to the Group. Either party may terminate the ADCT Collaboration Agreement, in its entirety or on a target-by-target basis, upon the other party's uncured material breach of the agreement or the other party's insolvency-related events.

The Group also granted ADC Therapeutics an exclusive target reservation right for one year from the commencement of the agreement and an option to renewal for another year with a consideration of low-six-figure dollar amount.

ADCT License Agreement

Subject to the exercise of the options contained in the ADCT Collaboration Agreement, the Group has granted ADC Therapeutics, with respect to each elected target, an exclusive, worldwide, perpetual and irrevocable (subject only to the termination provisions) license (with the right to grant sublicenses) to develop, make, use, commercialize and import the antibody drug conjugates that comprise masked antibodies generated by the Group under these programs.

Under the ADCT License Agreement, if ADC Therapeutics exercises both of its options granted thereunder, the Group could be eligible to receive up to a low-nine-figure dollar amount in development and regulatory milestone payments and up to a mid-eight-figure dollar amount in sales milestone payments, in addition to mid-single-digit percentage net sales-based tiered royalties on products licensed under the ADCT License Agreement, subject to certain reductions. Royalties, if any, will be payable on a country-by-country and product-by-product basis, until the earlier of (i) the tenth anniversary of the first commercial sale of such product or (ii) the expiration of the last-to-expire patent licensed under the agreement in such country, unless earlier terminated by the parties, following which any licenses granted to ADC Therapeutics under the ADCT License Agreement shall become fully paid up, perpetual and irrevocable.

ADAGENE INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2019

10. COLLABORATION ARRANGEMENTS (Continued)

ADC Therapeutics has the right to terminate the ADCT License Agreement before the expiration of the royalty term on a product-by-product basis or in its entirety (i) for any reason or no reason upon thirty days' written notice to the Group, or (ii) if ADC Therapeutics chooses to discontinue the development or sale of the applicable licensed product worldwide. Each party has certain rights to terminate the ADCT License Agreement with prior written notice upon the other party's uncured material breach or insolvency.

For the years ended December 31, 2018 and 2019, no revenue was recognized for this agreement since the licensed product has not been transferred to ADC Therapeutics.

Signal Pharmaceuticals LLC

In January 2019, the Group entered into an agreement with Signal Pharmaceuticals LLC for a purchase order of delivery of certain sequences with total consideration of US$480,000. For the year ended December 31, 2019, the Group recognized revenue of US$480,000 upon delivery of such sequences.

11. INCOME TAX EXPENSE

PRC

Effective from January 1, 2008, the PRC's statutory, Enterprise Income Tax ("EIT") rate is 25%. In accordance with the implementation rules of EIT Law, a qualified "Technology Advanced Service Enterprises" ("TASE") is eligible for a preferential tax rate of 15%. The TASE certificate is effective for three years. An entity must file required supporting documents with the tax authority and ensure fulfillment of the relevant TASE criteria before using the preferential rate. An entity could apply for the TASE certificate every year.

Adagene (Suzhou) Limited was first recognized as a qualified TASE in March 2015 and renewed in December 2018. Adagene (Suzhou) Limited was authorized to enjoy the preferential tax rate of 15% from 2015 to 2021.

Cayman Islands

Adagene Inc. is incorporated in the Cayman Islands. Under the current laws of the Cayman Islands Adagene Inc. 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.

Hong Kong

Adagene (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 the relevant Hong Kong tax laws. The applicable tax rate in Hong Kong is 16.5%. For the years ended December 31, 2018 and 2019, Adagene (Hong Kong) Limited did not make any provisions for Hong Kong profit tax as there were no assessable profits derived from or earnings in Hong Kong for any of the periods presented. Under the Hong Kong tax law, Adagene (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.

ADAGENE INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2019

11. INCOME TAX EXPENSE (Continued)

Australia

Adagene Australia Pty Ltd. is incorporated in Australia. Companies registered in Australia are subject to Australia profits tax on the taxable income as reported in their respective statutory financial statements adjusted in accordance with the relevant Australia tax laws. The applicable tax rate in Australia is 30%. Adagene Australia Pty Ltd. has no taxable income for all periods presented, therefore, no provision for income taxes is required.

United States

Adagene Incorporated is incorporated in U.S. and is subject to U.S. federal corporate income tax at a rate of 21%. Adagene Incorporated is also subject to state income tax in California of 8.84%. Adagene Incorporated has no taxable income for all periods presented, therefore, no provision for income taxes is required. Reconciliation between the income tax expense computed by applying the statutory tax rate to loss before income tax and the actual provision for income tax is as follows:

	For the years ended December 31,	
	2018	2019
	US$	US$
Loss before income tax	(15,266,184)	(16,432,308)
Income tax computed at respective applicable tax rate	(30,560)	27,875
Research and development super-deduction[(a)]	(579,090)	(230,126)
Non-deductible expenses	4,010	3,306
Changes in valuation allowance	605,640	198,945
Income tax expense	—	—

Note (a): Due to the impacts of research and development super-deduction, the Group's subsidiary, Adagene (Suzhou) Limited did not have any taxable profit for the years ended December 31, 2018 and 2019.

ADAGENE INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2019

11. INCOME TAX EXPENSE (Continued)

Deferred tax assets and liabilities

Deferred taxes were measured using the enacted tax rates for the periods in which the temporary differences are expected to be reversed. The tax effects of temporary differences that give rise to the deferred tax balances as of December 31, 2018 and 2019 are as follows:

	For the years ended December 31,	
	2018	2019
	US$	US$
Deferred tax assets:		
Net operating loss carry forward	735,717	928,989
Depreciation and amortization of property, equipment and software	4,213	9,886
Gross deferred tax assets	739,930	938,875
Less: valuation allowance	(739,930)	(938,875)
Total deferred tax assets, net	—	—

Movement of the valuation allowance is as follows:

	For the years ended December 31,	
	2018	2019
	US$	US$
Balance as of January 1	134,290	739,930
Addition	605,640	198,945
Balance as of December 31	739,930	938,875

A valuation allowance is provided to reduce the amount of deferred tax assets if it is considered more likely than not that some portion or all of the deferred tax assets will not be realized in the foreseeable future. In making such determination, the Group evaluates a variety of positive and negative factors including the Group's operating history, accumulated deficit, the existence of taxable temporary differences and reversal periods.

The Group has incurred net accumulated operating losses for income tax purposes since its inception. The Group believes that it is more likely than not that these net accumulated operating losses will not be utilized in the future. Therefore, the Group has provided full valuation allowances for the deferred tax assets as of December 31, 2018 and 2019.

The Group evaluates each uncertain tax position (including the potential application of interest and penalties) based on the technical merits, and measure the unrecognized benefits associated with the tax positions. As of December 31, 2018 and 2019, the Group did not have any significant unrecognized uncertain tax positions.

ADAGENE INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2019

12. NET LOSS PER SHARE

Basic and diluted net loss per share for the years ended December 31, 2018 and 2019 are calculated as follows:

	For the years ended December 31,	
	2018	2019
	US$	US$
Numerator:		
Net loss attributable to Adagene Inc.'s shareholders	(15,266,184)	(16,432,308)
Deemed contribution from convertible redeemable preferred shareholders	1,186,187	—
Accretion of convertible redeemable preferred shares to redemption value	(222,846)	(246,184)
Net loss attributable to ordinary shareholders	(14,302,843)	(16,678,492)
Denominator:		
Weighted-average number of ordinary shares outstanding—basic and diluted	15,159,136	15,178,232
Net Loss per share—basic and diluted	(0.94)	(1.10)

The effects of all outstanding convertible redeemable preferred shares and share options have been excluded from the computation of diluted loss per share for the years ended December 31, 2018 and 2019 as their effects would be anti-dilutive.

The potentially dilutive securities that have not been included in the calculation of diluted net loss per share as their inclusion would be anti-dilutive are as follows:

	For the years ended December 31,	
	2018	2019
Convertible redeemable preferred shares	20,430,200	25,041,901
Share options	293,133	582,526

13. UNAUDITED PRO FORMA NET LOSS PER SHARE

The unaudited pro forma net loss per ordinary share is computed using the weighted-average number of ordinary shares outstanding and the automatic conversion of all of the Group's outstanding mezzanine equity into ordinary shares upon the closing of the Group's Qualified Public Offering, as if it had occurred on January 1, 2019. The Group believes the unaudited pro forma net loss per share provides material information to investors, as the automatic conversion of the Group's outstanding mezzanine equity. The disclosure of pro forma net loss per ordinary share provides an indication of net loss per ordinary share that is comparable to what will be reported by the Group as a public company following the closing of the Qualified Public Offering.

ADAGENE INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2019

13. UNAUDITED PRO FORMA NET LOSS PER SHARE (Continued)

The unaudited basic and diluted pro forma net loss per share is calculated as follows:

	For the year ended December 31, 2019 US$ (Unaudited)
Numerator:	
Net loss attributable to ordinary shareholders in computing pro forma net loss per share—basic and diluted	(16,678,492)
Add back accretion of convertible redeemable preferred shares to redemption value	246,184
Numerator for pro-forma basic and diluted net loss per share	(16,432,308)
Denominator:	
Weighted-average number of ordinary shares outstanding—basic and diluted	15,178,232
Add: adjustment to reflect assumed effect of automatic conversion of convertible redeemable preferred shares	25,041,901
Pro forma weighted average number of shares outstanding—basic and diluted	40,220,133
Pro forma net loss per share—basic and diluted	(0.41)

14. RELATED PARTY TRANSACTIONS

a) Related Parties

Name of related parties	Relationship
Peter Luo	Chairman, Chief Executive Officer and a principal shareholder of the Company
Four senior management personnel	Management and ordinary shareholders of the Company
WuXi AppTec Co., Ltd. ("WuXi AppTec Group")	A principal shareholder of the Group
WuXi Biologics (Shanghai) Co., Ltd.	Controlled by the ultimate controlling party of a principal shareholder of the Group

b) The Group had the following related party balances at the end of the year:

	As of December 31,	
	2018 US$	2019 US$
WuXi AppTec Group	39,250	739,051
Four senior management personnel(i)	622,420	350,865
Peter Luo(i)	508,359	338,818
WuXi Biologics (Shanghai) Co., Ltd.	—	4,452
Total amounts due from related parties	1,170,029	1,433,186

ADAGENE INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2019

14. RELATED PARTY TRANSACTIONS (Continued)

	As of December 31,	
	2018	2019
	US$	US$
WuXi Biologics (Shanghai) Co., Ltd.	3,368,735	1,379,741
WuXi AppTec Group	220,888	432,784
Peter Luo(ii)	84,625	83,254
Total amounts due to related parties	3,674,248	1,895,779

c) The Group had the following related party transactions:

	For the years ended December 31,	
	2018	2019
	US$	US$
Receipt of CRO and CMO services:		
WuXi Biologics (Shanghai) Co., Ltd.	6,535,512	3,567,962
WuXi AppTec Group	969,079	2,136,344
	7,504,591	5,704,306

(i) In October and November 2017, Peter Luo and other four senior management personnel elected to exercise the vested share options that granted under 2015 Plan. As of December 31, 2018, the balance of amounts due from Peter Luo and other four senior management personnel represented the receivables arising from the exercise of share options and related withholding individual income tax amounts. The receivables arising from the exercise of share options were subsequently received in the year ended December 31, 2019. As of December 31, 2019, the balance of amounts due from Peter Luo and other four senior management personnel represented withholding individual income tax amounts.

(ii) As of December 31, 2018 and 2019, the balance of amounts due to Peter Luo represented the Group's receipt of personal subsidy on behalf of Peter Luo, which was subsequently remitted to Peter Luo in May 2020.

15. COMMITMENTS AND CONTINGENCIES

Operating lease commitments

Future minimum payments under non-cancelable operating leases with initial terms in excess of one year consist of the following as of December 31, 2019:

	US$
For the years ending:	
2020	173,854
2021	83,305
Total	257,159

Payments under operating leases are expensed on a straight-line basis over the periods of their respective leases. The Group's lease arrangements have no renewal options, rent escalation clauses, restrictions or contingent rents and are all executed with third parties. For the years ended

ADAGENE INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2019

15. COMMITMENTS AND CONTINGENCIES (Continued)

December 31, 2018 and 2019, total rental related expenses for all operating leases amounted to US$176,268 and US$175,812, respectively.

Contingencies

The Group is currently not involved in any legal or administrative proceedings that may have a material adverse impact on the Group's business, financial position or results of operations.

16. 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.

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.

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 regulations in the PRC further restrict the Company's PRC subsidiaries from transferring funds to the Company in the form of dividends, loans and advances.

Since the Group has a consolidated shareholders' deficit, its net asset base for purposes of calculating the proportionate share of restricted net assets of consolidated subsidiaries should be zero. Therefore, the restrictions placed on the net assets of the Company's PRC subsidiaries with positive equity would result in the 25 percent threshold being exceeded and a corresponding requirement to provide parent company financial information (Note 18).

17. SUBSEQUENT EVENTS

The Group evaluated subsequent events through September 22, 2020, the date these consolidated financial statements were issued.

In March and August 2020, pursuant to the 2015 Plan, the Board of Directors of the Company passed resolutions and granted 1,944,565 and 4,028,808 share options to certain employees, respectively.

ADAGENE INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2019

17. SUBSEQUENT EVENTS (Continued)

In June 2020, the Group borrowed a loan with amount of RMB10,000,000 (equivalent to approximately US$1,412,529) from Agricultural Bank of China Limited for a term of one year and at the interest rate of 4.20% per annum.

Beginning in January 2020, the emergence and wide spread of the novel Coronavirus ("COVID-19") has resulted in quarantines, travel restrictions, and the temporary closure of stores and facilities in China, US and elsewhere. Substantially all of the Group's operating and workforce are concentrated in China and US. Consequently, the COVID-19 outbreak could potentially delay patient's access to hospital and the progress of clinical trials of the Group, which may adversely affect the Group's business operations, financial condition and operating results for 2020. The extent to which COVID-19 impacts the business and financial results of the Group in the longer term will depend on future developments, which are uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions to contain the coronavirus or treat its impact, among others. The Group will continue to evaluate the impact on the results of operation, financial position and cash flows of the Group and react actively as the situation evolves.

18. CONDENSED FINANCIAL INFORMATION OF THE PARENT COMPANY

The Company performed a test on the restricted net assets of consolidated subsidiaries in accordance with Securities and Exchange Commission Regulation S-X Rule 4-08 I(3), "General Notes to Financial Statements" and concluded that it was applicable for the Company to disclose the financial statements for the parent company.

The subsidiaries did not pay any dividends to the Company for the years presented. For the purpose of presenting parent company only financial information, the Company records its investments in its subsidiaries under the equity method of accounting. Such investments are presented on the separate condensed balance sheets of the Company as "Investments (deficit) in subsidiaries" and the loss of the subsidiaries is presented as "share of losses of subsidiaries". Certain information and footnote disclosures generally included in financial statements prepared in accordance with U.S. GAAP have been condensed and omitted. The footnote disclosures contain supplemental information relating to the operations of the Company, as such, these statements should be read in conjunction with the notes to the consolidated financial statements of the Company.

The Company did not have significant capital and other commitments, long-term obligations, other long-term debt, or guarantees as of December 31, 2018 and 2019.

ADAGENE INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2019

18. CONDENSED FINANCIAL INFORMATION OF THE PARENT COMPANY (Continued)

Balance sheets

	Notes	As of December 31, 2018 US$	As of December 31, 2019 US$
ASSETS			
Current assets:			
Cash and cash equivalents		10,748,281	91,168,159
Short-term investments		33,000,000	8,000,000
Amounts due from related parties		7,822,425	6,362,724
Prepayments and other current assets		1,237,469	1,211,891
Total current assets		52,808,175	106,742,774
Investments in subsidiaries		2,172,601	2,507,052
Other non-current assets		9,916	4,299
TOTAL ASSETS		54,990,692	109,254,125
LIABILITIES, MEZZANINE EQUITY AND SHAREHOLDERS' DEFICIT			
Current liabilities:			
Accounts payable		391,385	326,762
Contract liabilities		—	325,000
Amounts due to related parties		9,383,956	11,247,674
Accruals and other current liabilities		79,489	162,341
Warrant liabilities		1,207,415	—
Total current liabilities		11,062,245	12,061,777
TOTAL LIABILITIES		11,062,245	12,061,777

ADAGENE INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2019

18. CONDENSED FINANCIAL INFORMATION OF THE PARENT COMPANY (Continued)

Balance sheets (Continued)

	As of December 31,	
	2018	2019
	US$	US$
LIABILITIES, MEZZANINE EQUITY AND SHAREHOLDERS' DEFICIT (CONTINUED)		
Mezzanine equity:		
Series A-1 convertible redeemable preferred shares (par value of US$0.0001 per share; 5,473,957 and 5,473,957 shares authorized, issued and outstanding as of December 31, 2018 and 2019, respectively)	5,473,957	5,473,957
Series A-2 convertible redeemable preferred shares (par value of US$0.0001 per share; 2,370,414 and 2,370,414 shares authorized, issued and outstanding as of December 31, 2018 and 2019, respectively)	3,000,000	3,000,000
Series B convertible redeemable preferred shares (par value of US$0.0001 per share; 7,494,537 and 7,494,537 shares authorized, issued and outstanding as of December 31, 2018 and 2019, respectively)	27,999,995	27,999,995
Series C-1 convertible redeemable preferred shares (par value of US$0.0001 per share; 5,597,354 and 5,597,354 shares authorized, issued and outstanding as of December 31, 2018 and 2019, respectively)	48,481,159	48,727,343
Series C-2 convertible redeemable preferred shares (par value of US$0.0001 per share; nil and 1,861,121 shares authorized, issued and outstanding as of December 31, 2018 and 2019, respectively)	—	18,999,999
Series C-3 convertible redeemable preferred shares (par value of US$0.0001 per share; nil and 4,452,441 shares authorized, issued and outstanding as of December 31, 2018 and 2019, respectively)	—	50,000,000
Total mezzanine equity	84,955,111	154,201,294
Shareholders' deficit:		
Ordinary shares (par value of US$0.0001 per share; 500,000,000 and 500,000,000 shares authorized; 15,159,136 and 15,193,136 shares issued and outstanding as of December 31, 2018 and 2019, respectively)	1,516	1,519
Subscriptions receivable from shareholders	(197,068)	(197,068)
Additional paid-in capital	6,405,318	6,789,542
Accumulated other comprehensive loss	(410,693)	(344,894)
Accumulated deficit	(46,825,737)	(63,258,045)
Total shareholders' deficit	(41,026,664)	(57,008,946)
TOTAL LIABILITIES, MEZZANINE EQUITY AND SHAREHOLDERS' DEFICIT	54,990,692	109,254,125

ADAGENE INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2019

18. CONDENSED FINANCIAL INFORMATION OF THE PARENT COMPANY (Continued)

Statements of comprehensive loss

	For the years ended December 31,	
	2018	2019
	US$	US$
Revenues		
Service revenue from a related party	—	288,983
Expenses		
Research and development expenses	(15,803,341)	(18,318,724)
Administrative expenses	(556,382)	(787,568)
Loss from operations	(16,359,723)	(18,817,309)
Interest income	691,448	908,981
Foreign exchange loss, net	—	(47)
Change in fair value of warrant liabilities	534,305	1,207,415
Equity in income (share of losses) of subsidiaries	(132,214)	268,652
Loss before income tax	(15,266,184)	(16,432,308)
Income tax expense	—	—
Net loss attributable to Adagene Inc.'s shareholders	(15,266,184)	(16,432,308)
Other comprehensive income (loss)		
Foreign currency translation adjustments, net of nil tax	(11,288)	65,799
Total comprehensive loss attributable to Adagene Inc.'s shareholders	(15,277,472)	(16,366,509)
Net loss attributable to Adagene Inc.'s shareholders	(15,266,184)	(16,432,308)
Deemed contribution from convertible redeemable preferred shareholders	1,186,187	—
Accretion of convertible redeemable preferred shares to redemption value	(222,846)	(246,184)
Net loss attributable to ordinary shareholders	(14,302,843)	(16,678,492)

Statements of cash flows

	For the years ended December 31,	
	2018	2019
	US$	US$
Net cash used in operating activities	(16,346,700)	(14,521,997)
Net cash generated from (used in) investing activities	(28,535,658)	25,941,876
Net cash generated from financing activities	50,018,733	68,999,999
Net increase in cash and cash equivalents	5,136,375	80,419,878
Cash and cash equivalents at the beginning of year	5,611,906	10,748,281
Cash and cash equivalents at the end of year	10,748,281	91,168,159

ADAGENE INC.

CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2019 AND

UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

AS OF JUNE 30, 2020

	Notes	As of December 31, 2019	As of June 30, 2020	As of June 30, 2020
		US$	US$	US$ (Pro forma) (Note 12)
ASSETS				
Current assets:				
Cash and cash equivalents		92,532,788	92,840,602	92,840,602
Short-term investments		8,000,000	—	—
Accounts receivable, net	3	480,000	—	—
Amounts due from related parties	14	1,433,186	1,341,532	1,341,532
Prepayments and other current assets	4	1,476,973	2,444,186	2,444,186
Total current assets		103,922,947	96,626,320	96,626,320
Property, equipment and software, net	5	1,879,325	1,675,027	1,675,027
Other non-current assets		87,227	22,827	22,827
TOTAL ASSETS		105,889,499	98,324,174	98,324,174
LIABILITIES, MEZZANINE EQUITY AND SHAREHOLDERS' DEFICIT				
Current liabilities:				
Accounts payable		712,714	1,155,707	1,155,707
Contract liabilities		993,378	865,012	865,012
Amounts due to related parties	14	1,895,779	3,982,649	3,982,649
Accruals and other current liabilities	6	2,540,164	2,345,951	2,345,951
Short-term borrowings	7	716,723	2,118,794	2,118,794
Current portion of long-term borrowings	7	322,525	444,947	444,947
Total current liabilities		7,181,283	10,913,060	10,913,060
Long-term borrowings	7	1,515,868	1,271,276	1,271,276
TOTAL LIABILITIES		8,697,151	12,184,336	12,184,336
Commitments and contingencies	15			
LIABILITIES, MEZZANINE EQUITY AND SHAREHOLDERS' DEFICIT (CONTINUED)				
Mezzanine equity:	8			
Series A-1 convertible redeemable preferred shares (par value of US$0.0001 per share; 5,473,957 and 5,473,957 shares authorized, issued and outstanding as of December 31, 2019 and June 30, 2020 respectively; and none outstanding on a pro-forma basis as of June 30, 2020)		5,473,957	5,473,957	—
Series A-2 convertible redeemable preferred shares (par value of US$0.0001 per share; 2,370,414 and 2,370,414 shares authorized, issued and outstanding as of December 31, 2019 and June 30, 2020 respectively; and none outstanding on a pro-forma basis as of June 30, 2020)		3,000,000	3,000,000	—
Series B convertible redeemable preferred shares (par value of US$0.0001 per share; 7,494,537 and 7,494,537 shares authorized, issued and outstanding as of December 31, 2019 and June 30, 2020 respectively; and none outstanding on a pro-forma basis as of June 30, 2020)		27,999,995	27,999,995	—
Series C-1 convertible redeemable preferred shares (par value of US$0.0001 per share; 5,597,354 and 5,597,354 shares authorized, issued and outstanding as of December 31, 2019 and June 30, 2020 respectively; and none outstanding on a pro-forma basis as of June 30, 2020)		48,727,343	48,850,564	—
Series C-2 convertible redeemable preferred shares (par value of US$0.0001 per share; 1,861,121 and 1,861,121 shares authorized, issued and outstanding as of December 31, 2019 and June 30, 2020 respectively; and none outstanding on a pro-forma basis as of June 30, 2020)		18,999,999	18,999,999	—
Series C-3 convertible redeemable preferred shares (par value of US$0.0001 per share; 4,452,441 and 4,452,441 shares authorized, issued and outstanding as of December 31, 2019 and June 30, 2020 respectively; and none outstanding on a pro-forma basis as of June 30, 2020)		50,000,000	50,000,000	—
Total mezzanine equity		154,201,294	154,324,515	—
Shareholders' deficit:				
Ordinary shares (par value of US$0.0001 per share; 500,000,000 and 500,000,000 shares authorized; 15,193,136 and 16,164,433 shares issued and outstanding as of December 31, 2019 and June 30, 2020)		1,519	1,616	4,341
Subscriptions receivable from shareholders		(197,068)	(1,974,542)	(1,974,542)
Additional paid-in capital		6,789,542	15,536,705	169,858,495
Accumulated other comprehensive loss		(344,894)	(305,065)	(305,065)
Accumulated deficit		(63,258,045)	(81,443,391)	(81,443,391)
Total shareholders' equity (deficit)		(57,008,946)	(68,184,677)	86,139,838
TOTAL LIABILITIES, MEZZANINE EQUITY AND SHAREHOLDERS' DEFICIT		105,889,499	98,324,174	98,324,174

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

ADAGENE INC.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND 2020

	Notes	For the six months ended June 30, 2019 US$	2020 US$
Revenues			
Licensing revenue	10	—	309,500
Expenses			
Research and development expenses		(7,409,221)	(14,913,987)
Administrative expenses		(1,403,700)	(4,733,496)
Loss from operations		(8,812,921)	(19,337,983)
Interest income		356,256	523,557
Other income		70,673	629,672
Foreign exchange loss, net		(8,907)	(592)
Change in fair value of warrant liabilities		1,207,415	—
Loss before income tax		(7,187,484)	(18,185,346)
Income tax expense	11	—	—
Net loss attributable to Adagene Inc.'s shareholders		(7,187,484)	(18,185,346)
Other comprehensive income			
Foreign currency translation adjustments, net of nil tax		25,246	39,829
Total comprehensive loss attributable to Adagene Inc.'s shareholders		(7,162,238)	(18,145,517)
Net loss attributable to Adagene Inc.'s shareholders		(7,187,484)	(18,185,346)
Accretion of convertible redeemable preferred shares to redemption value	8	(121,924)	(123,221)
Net loss attributable to ordinary shareholders		(7,309,408)	(18,308,567)
Weighted average number of ordinary shares used in per share calculation:			
—Basic	12	15,163,081	15,948,252
—Diluted	12	15,163,081	15,948,252
Net loss per ordinary share			
—Basic	12	(0.48)	(1.15)
—Diluted	12	(0.48)	(1.15)

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

ADAGENE INC.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' DEFICIT

FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND 2020

	Ordinary shares		Subscriptions receivable from shareholders	Additional paid-in capital	Accumulated other comprehensive loss	Accumulated deficit	Total shareholders' deficit
	Number of shares	Amount					
		US$	US$	US$	US$	US$	US$
Balance as of January 1, 2019	**15,159,136**	**1,516**	**(197,068)**	**6,405,318**	**(410,693)**	**(46,825,737)**	**(41,026,664)**
Net loss	—	—	—	—	—	(7,187,484)	(7,187,484)
Other comprehensive income	—	—	—	—	25,246	—	25,246
Exercise of share options (Note 9)	34,000	3	—	18,697	—	—	18,700
Share-based compensation	—	—	—	202,287	—	—	202,287
Accretion of convertible redeemable preferred shares to redemption value	—	—	—	(121,924)	—	—	(121,924)
Balance as of June 30, 2019	**15,193,136**	**1,519**	**(197,068)**	**6,504,378**	**(385,447)**	**(54,013,221)**	**(48,089,839)**
Balance as of January 1, 2020	**15,193,136**	**1,519**	**(197,068)**	**6,789,542**	**(344,894)**	**(63,258,045)**	**(57,008,946)**
Net loss	—	—	—	—	—	(18,185,346)	(18,185,346)
Other comprehensive income	—	—	—	—	39,829	—	39,829
Exercise of share options (Note 9)	971,297	97	(1,777,474)	1,777,377	—	—	—
Share-based compensation	—	—	—	7,093,007	—	—	7,093,007
Accretion of convertible redeemable preferred shares to redemption value	—	—	—	(123,221)	—	—	(123,221)
Balance as of June 30, 2020	**16,164,433**	**1,616**	**(1,974,542)**	**15,536,705**	**(305,065)**	**(81,443,391)**	**(68,184,677)**

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

ADAGENE INC.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND 2020

	For the six months ended June 30,	
	2019	2020
	US$	US$
Cash flows from operating activities:		
Net loss	(7,187,484)	(18,185,346)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	419,160	418,018
Gain on disposal of property, equipment and software	—	(9,423)
Share-based compensation	202,287	7,093,007
Change in fair value of warrant liabilities	(1,207,415)	—
Foreign exchange loss, net	8,907	592
Changes in operating assets and liabilities:		
Accounts receivable, net	—	480,000
Prepayments and other current assets	(203,715)	(967,213)
Amounts due from related parties	(80,300)	91,654
Other non-current assets	3,886	64,400
Accounts payable	(215,920)	442,993
Contract liabilities	676,844	(128,366)
Amounts due to related parties	1,569,572	2,086,870
Accruals and other current liabilities	(57,036)	(194,213)
Net cash used in operating activities	(6,071,214)	(8,807,027)
Cash flows from investing activities:		
Placement of short-term investments	(19,000,000)	—
Withdrawal of short-term investments	35,000,000	8,000,000
Proceeds from disposal of property, equipment and software	—	11,250
Purchase of property, equipment and software	(11,627)	(241,955)
Net cash generated from investing activities	15,988,373	7,769,295
Cash flows from financing activities:		
Proceeds from borrowings	1,963,722	1,412,529
Proceeds from issuance of convertible redeemable preferred shares and warrants	16,000,001	—
Repayment of borrowings	(1,454,609)	(95,346)
Net cash generated from financing activities	16,509,114	1,317,183
Effect of exchange rate on cash and cash equivalents	10,906	28,363
Net increase in cash and cash equivalents	26,437,179	307,814
Cash and cash equivalents at the beginning of period	16,058,455	92,532,788
Cash and cash equivalents at the end of period	42,495,634	92,840,602
Supplemental cashflow disclosures:		
Interest paid	75,368	67,959
Non-cash activities:		
Accretion of convertible redeemable preferred shares to redemption value	121,924	123,221

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

ADAGENE INC.

NOTES TO THE UNAUDITED INTERIM CONDENSED

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND 2020

1. ORGANIZATION

Adagene Inc. (the "Company") is a limited liability company incorporated in the Cayman Islands on February 25, 2011. The Company, together with its subsidiaries (collectively, the "Group") are principally engaged in research, development and production of monoclonal antibody drugs for cancers.

As of June 30, 2020, the Company's principal subsidiaries are as follows:

Entity	Date of incorporation	Place of incorporation	Percentage of legal ownership by the Company	Principal activities
Adagene (Hong Kong) Limited	December 12, 2011	Hong Kong	100%	Investment holding
Adagene Incorporated	September 20, 2017	The United States of America	100%	Research and development of innovative medicines
Adagene (Suzhou) Limited	February 28, 2012	The People's Republic of China ("PRC" or "China")	100%	Research and development of innovative medicines
Adagene Australia PTY Ltd.	May 30, 2018	Australia	100%	Research and development of innovative medicines
Adagene PTE. Ltd.	March 27, 2020	Singapore	100%	Research and development of innovative medicines

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") and applicable rules and regulations of the Securities and Exchange Commission regarding financial reporting that are consistent with those used in the preparation of the Company's audited consolidated financial statements for the year ended December 31, 2019. Accordingly, these unaudited interim condensed consolidated financial statements do not include all of the information and footnotes required by U.S. GAAP for annual financial statements.

In the opinion of management, the Group's unaudited interim condensed consolidated financial statements and accompanying notes include all adjustments (consisting of normal recurring adjustments) considered necessary for the fair statement of the Group's financial position as of June 30, 2020, and results of operations and cash flows for the six months ended June 30, 2019 and 2020. Interim results of operations are not necessarily indicative of the results for the full year or for any future period. These unaudited interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements as of and for the year ended December 31, 2019, and related notes included in the Group's audited consolidated financial statements. The financial information as of December 31, 2019 presented in the unaudited interim condensed consolidated financial statements is derived from the audited consolidated financial

ADAGENE INC.

NOTES TO THE UNAUDITED INTERIM CONDENSED

CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

statements as of December 31, 2019. Significant accounting policies followed by the Group in the preparation of the accompanying unaudited interim condensed consolidated financial statements are summarized below.

Revenue recognition

At contract inception of collaboration and out-licensing arrangements, the Group analyzes its arrangements to assess whether they are within the scope of ASC 808, Collaborative Arrangements ("ASC 808") to determine whether such arrangements involve joint operating activities performed by parties that are both active participants in the activities and exposed to significant risks and rewards dependent on the commercial success of such activities. For collaboration arrangements within the scope of ASC 808 that contain multiple elements, the Group first determines which elements of the collaboration are deemed to be within the scope of ASC 808 and those that are reflective of a vendor-customer relationship and therefore within the scope of ASC 606. For elements of collaboration arrangements that are accounted for pursuant to ASC 808, an appropriate recognition method is determined and applied consistently. Under the criteria of Accounting Standard Codification ("ASC") 606, Revenue from Contracts with Customers (Topic 606) ("ASC 606"), the Group recognizes revenue to depict the transfer of control of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to receive in exchange for those goods or services.

The Group adopted ASC 606 for all periods presented. To determine revenue recognition for arrangements that an entity determines are within the scope of ASC 606, the entity performs the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price, including variable consideration, if any; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the entity satisfies a performance obligation. The Group only applies the five-step model to contracts when it is probable that the entity will collect substantially all the consideration to which it is entitled in exchange for the goods or services it transfers to the customer. The Group reviews the contract to determine which performance obligations are distinct and represent a promise to provide distinct goods or services or a series of distinct goods or services as defined by the standard. The Group recognizes as revenue the amount of the transaction price that is allocated to each performance obligation as and when that performance obligation is satisfied.

Licenses of Intellectual Property: Upfront non-refundable payments for licensing the Group's intellectual property are evaluated to determine if the license is distinct from the other performance obligations identified in the arrangement. For licenses determined to be distinct, the Group recognizes revenues from non-refundable, up-front fees allocated to the license at a point in time, when the transfer of control of the license to the licensee occurs and the licensee is able to use and benefit from the license.

Milestone Payments: At the inception of each arrangement that includes development, commercialization, and regulatory milestone payments, the Group evaluates whether the milestones are considered probable of being reached and to the extent that a significant reversal of cumulative revenue would not occur in future periods, estimates the amount to be included in the transaction price

ADAGENE INC.

NOTES TO THE UNAUDITED INTERIM CONDENSED

CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

using the most likely amount method. The transaction price is then allocated to each performance obligation on a relative stand-alone selling price basis, for which the Group recognizes revenue as or when the performance obligations under the contract are satisfied. At the end of each subsequent reporting period, the Group re-evaluates the probability of achieving such development milestones and any related constraint, and if necessary, adjust the estimate of the overall transaction price. Any such adjustments are recorded on a cumulative catch-up basis, which would affect revenues and earnings in the period of adjustment.

Royalties: For arrangements that include sales-based royalties, including milestone payments based on the level of sales, and the license is deemed to be the predominant item to which the royalties relate, the Group recognizes revenue at the later of (i) when the related sales occur, or (ii) when the performance obligation to which some or all of the royalty has been allocated has been satisfied (or partially satisfied).

To date, no milestone payments or royalty payments were received. Substantially all of the Group's revenue has been derived from its out-licensing agreements with respect to licensed products such as DNA sequences, cell lines, etc., and such revenues are recognized when the customer obtains control of the licensed product, which occurs at a point in time, upon delivery to the customer.

Contract assets and contract liabilities

When a customer pays consideration before the Group transfers products or services, the Group records its obligation as a contract liability; When the Group satisfies its performance obligations by providing products or services to a customer before the customer pays consideration and before payment is due, the Group recognizes its rights to consideration as a contract asset.

Research and development expenses

Elements of research and development expenses primarily include (1) payroll and other related costs of personnel engaged in research and development activities, (2) costs related to pre-clinical testing of the Group's technologies under development and clinical trials such as payments to contract research organizations ("CRO") and contract manufacturing organization ("CMO"), investigators and clinical trial sites that conduct the clinical studies; (3) costs to develop the product candidates, including raw materials and supplies, product testing, depreciation and amortization, and facility related expenses, (4) 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.

Share-based compensation

The Group applies ASC 718, *Compensation—Stock Compensation* ("ASC 718"), to account for its employee share-based payments awards granted to certain directors, executives and employees. Share options granted are classified as equity awards and are measured based on the grant date fair value of the equity instrument issued, and recognized as compensation costs using the straight-line method over

ADAGENE INC.

NOTES TO THE UNAUDITED INTERIM CONDENSED

CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

the requisite service period, which is generally the vesting period of the share options, with a corresponding impact reflected in additional paid-in capital.

Employee defined contribution plan

As stipulated by the regulations of the PRC, full-time employees of the Group are entitled to staff welfare benefits including medical care, welfare subsidies, unemployment insurance and pension benefits through a PRC government-mandated multi-employer defined contribution plan. The Group is required to accrue for these benefits based on certain percentages of the qualified employees' salaries. The Group is required to make contributions to the plans out of the amounts accrued. The PRC government is responsible for the medical benefits and the pension liability to be paid to these employees and the Group's obligations are limited to the amounts contributed. The Group has no further payment obligations once the contributions have been paid. The Group recorded employee benefit expenses of US$608,727 and US$554,445 for the six months ended June 30, 2019 and 2020, respectively.

Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the consolidated statements of comprehensive loss over the period of the borrowings using the effective interest method.

Recently issued accounting pronouncements

The Group is an emerging growth company ("EGC") as defined by the Jumpstart Our Business Startups Act ("JOBS Act"). The JOBS Act provides that an EGC can take advantage of extended transition periods for complying with new or revised accounting standards. This allows an EGC to delay adoption of certain accounting standards until those standards would otherwise apply to private companies. The Group elected to take advantage of the extended transition periods. However, this election will not apply should the Group cease to be classified as an EGC.

In February 2016, the FASB issued ASU No. 2016-02 ("ASU 2016-02"), Leases (Topic 842), which modifies lease accounting for lessees to increase transparency and comparability by recording lease assets and liabilities for operating leases and disclosing key information about leasing arrangements. In July 2018, the FASB issued ASU No. 2018-10 ("ASU 2018-10"), Codification Improvements to Topic 842, Leases, which clarifies certain aspects of the guidance issued in ASU 2016-02; and ASU No. 2018-11 ("ASU 2018-11"), Leases (Topic 842): Targeted Improvements, which provides entities with an additional (and optional) transition method to adopt the new leases standard. Under this new transition method, an entity initially applies the new leases standard at the adoption date and recognizes a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption. Consequently, an entity's reporting for the comparative periods presented in the financial statements in which it adopts the new leases standard will continue to be in accordance with current GAAP (Topic 840, Leases). In November 2019, the FASB issued ASU No. 2019-10, Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842),

ADAGENE INC.

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CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Effective Dates ("ASU 2019-10"), which extends the adoption date for certain registrants. The updated guidance is effective for the Group for annual reporting periods beginning January 1, 2021 and interim periods within annual periods beginning January 1, 2022. Early adoption is permitted. The Group does not plan to early adopt the new lease standards and the Group expects that applying the ASU 2016-02 would materially increase the assets and liabilities due to the recognition of right-of-use assets and lease liabilities on its interim condensed consolidated balance sheets, with an immaterial impact on its interim condensed consolidated statements of comprehensive loss and interim condensed consolidated statements of cash flows.

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments ("ASU 2016-13"). ASU 2016-13 is intended to improve financial reporting by requiring timelier recording of credit losses on loans and other financial instruments held by financial institutions and other organizations. This ASU requires the measurement of all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. This ASU requires enhanced disclosures to help investors and other financial statement users better understand significant estimates and judgments used in estimating credit losses, as well as the credit quality and underwriting standards of the Group's portfolio. These disclosures include qualitative and quantitative requirements that provide additional information about the amounts recorded in the financial statements. In November 2019, the FASB issued ASU 2019-10, which extends the adoption date for certain registrants. The amendments in ASU 2016-13 are effective for fiscal years beginning after December 15, 2022, including interim periods within fiscal years beginning after December 15, 2023. The Group does not plan to early adopt ASU 2016-13 and is currently in the process of evaluating the impact of adoption of this guidance on its interim condensed consolidated financial statements.

In June 2018, the FASB issued ASU No. 2018-07, Compensation—Stock Compensation (Topic 718): Improvements to nonemployee share-based payment accounting ("ASU 2018-07"). The amendments in this update expand the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from nonemployees. The amendments are effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early adoption is permitted, but no earlier than an entity's adoption date of Topic 606. The Group adopted on January 1, 2018 this guidance which do not have a significant impact on the interim condensed consolidated financial statements.

In November 2018, the FASB issued ASU 2018-18, Collaborative Arrangements (Topic 808): Clarifying the Interaction between Topic 808 and Topic 606. This update clarifies that certain transactions between participants in a collaborative arrangement should be accounted for under ASC 606 when the counterparty is a customer and precludes an entity from presenting consideration from a transaction in a collaborative arrangement as revenue from contracts with customers if the counterparty is not a customer for that transaction. The update is effective in fiscal years beginning after December 15, 2021, and interim periods therein, and early adoption is permitted for entities that have adopted ASC 606. This guidance should be applied retrospectively to the date of initial application of Topic 606. The Group does not plan to early adopt ASU 2018-18 and is currently evaluating the impact on its financial statements of adopting this guidance.

ADAGENE INC.

NOTES TO THE UNAUDITED INTERIM CONDENSED

CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In December 2019, the FASB issued ASU 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes. This update simplifies the accounting for income taxes as part of the FASB's overall initiative to reduce complexity in accounting standards. The amendments include removal of certain exceptions to the general principles of ASC 740, *Income taxes*, and simplification in several other areas such as accounting for a franchise tax (or similar tax) that is partially based on income. The update is effective in fiscal years beginning after December 15, 2022, and interim periods therein, and early adoption is permitted. Certain amendments in this update should be applied retrospectively or modified retrospectively, all other amendments should be applied prospectively. The Group does not plan to early adopt ASU 2019-12 and is currently evaluating the impact on its financial statements of adopting this guidance.

3. ACCOUNTS RECEIVABLE, NET

	As of December 31, 2019 US$	As of June 30, 2020 US$
Accounts receivable	480,000	—
Allowance for doubtful accounts	—	—
	480,000	—

4. PREPAYMENTS AND OTHER CURRENT ASSETS

Prepayments and other current assets consist of the following:

	As of December 31, 2019 US$	As of June 30, 2020 US$
Prepayments(a)	211,435	1,167,499
Deposits	970,394	989,418
Interest receivables	227,278	154,889
Others	67,866	132,380
	1,476,973	2,444,186

Note (a): The prepayments mainly represented the Group's prepaid service fees to its CRO and CMO vendors.

ADAGENE INC.

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CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND 2020

5. PROPERTY, EQUIPMENT AND SOFTWARE

Property, equipment and software consist of the following:

	As of December 31, 2019	As of June 30, 2020
	US$	US$
Machinery and laboratory equipment	3,462,343	3,509,905
Leasehold improvements	767,205	756,010
Electronic equipment	605,882	696,234
Furniture and tools	98,396	96,960
Computer software	71,056	95,928
Vehicles	80,133	78,963
	5,085,015	5,234,000
Accumulated depreciation and amortization	(3,205,690)	(3,558,973)
	1,879,325	1,675,027

Depreciation and amortization expenses recognized for the six months ended June 30, 2019 and 2020 were US$419,160 and US$418,018, respectively.

6. ACCRUALS AND OTHER CURRENT LIABILITIES

Accrued liabilities and other current liabilities consist of the following:

	As of December 31, 2019	As of June 30, 2020
	US$	US$
Payroll and related liabilities	2,370,523	1,966,316
Professional service fees	145,157	179,264
Utility and maintenance	4,595	4,841
Others	19,889	195,530
	2,540,164	2,345,951

ADAGENE INC.

NOTES TO THE UNAUDITED INTERIM CONDENSED

CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND 2020

7. BORROWINGS

	As of December 31, 2019 US$	As of June 30, 2020 US$
Current		
Short-term borrowings:		
Bank loans	716,723	2,118,794
Current portion of long-term borrowings	322,525	444,947
Total current borrowings	1,039,248	2,563,741
Non-Current		
Long-term borrowings:		
Bank loans	1,515,868	1,271,276
Total non-current borrowings	1,515,868	1,271,276
Total borrowings	**2,555,116**	**3,835,017**

Short-term borrowing

In March 2018, the Group borrowed a loan with the amount of RMB3,000,000 (equivalent to approximately US$437,114) from Bank of Jiangsu Co., Ltd. for a term of one year and at the interest rate of 5.22% per annum. The borrowing was repaid in March 2019. In June 2018, the Group borrowed a loan with the amount of RMB2,000,000 (equivalent to approximately US$291,409) from Bank of Jiangsu Co., Ltd. for a term of one year and at the interest rate of 5.22% per annum. The borrowing was repaid in June 2019. These borrowings with Bank of Jiangsu Co., Ltd were guaranteed by Peter Luo and Kristine She. Peter Luo is the Chairman, Chief Executive Officer and a principal shareholder of the Company. Kristine She is one of the senior management personnel of the Company.

In May 2018, the Group borrowed a loan with the amount of RMB3,000,000 (equivalent to approximately US$437,114) from Bank of Ningbo Co., Ltd. for a term of one year and at the interest rate of 5.00% per annum. The borrowing was repaid in May 2019. In June 2018, the Group borrowed a loan with the amount of RMB2,000,000 (equivalent to approximately US$291,409) from Bank of Ningbo Co., Ltd. for a term of one year and at the interest rate of 5.00% per annum. The borrowing was repaid in June 2019.

In July 2018, the Group borrowed a loan with amount of RMB6,000,000 (equivalent to approximately US$874,228) from Agricultural Bank of China Limited for a term of one year and at the interest rate of 5.22% per annum. The borrowing was guaranteed by Peter Luo, who is the Chairman, Chief Executive Officer and a principal shareholder of the Company. The borrowing was repaid in July 2019.

In September 2019, the Group borrowed a loan with amount of RMB5,000,000 (equivalent to approximately US$716,723) from Bank of Ningbo Co., Ltd. for a term of one year and at the interest rate of 4.35% per annum.

ADAGENE INC.

NOTES TO THE UNAUDITED INTERIM CONDENSED

CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND 2020

7. BORROWINGS (Continued)

In June 2020, the Group borrowed a loan with amount of RMB10,000,000 (equivalent to approximately US$1,412,529) from Agricultural Bank of China Limited for a term of one year and at the interest rate of 4.20% per annum.

Long-term borrowings

In February 2019, the Group borrowed a loan with amount of RMB7,500,000 (equivalent to approximately US$1,075,084) from Shanghai Pudong Development Bank Co., Ltd. for a term of three years and at the interest rate of 5.46% per annum. The Group repaid RMB375,000 (equivalent to approximately US$53,754) and RMB375,000 (equivalent to approximately US$52,970) in August 2019 and February 2020, respectively. As of December 31, 2019 and June 30, 2020, RMB1,250,000 (equivalent to approximately US$179,181) and RMB1,750,000 (equivalent to approximately US$247,193) repayable within twelve months for this agreement was classified as "Current portion of long-term borrowing", respectively.

In June 2019, the Group borrowed a loan with amount of RMB6,000,000 (equivalent to approximately US$860,067) from Shanghai Pudong Development Bank Co., Ltd. for a term of three years and at the interest rate of 5.23% per annum. The Group repaid RMB300,000 (equivalent to approximately US$43,003) and RMB300,000 (equivalent to approximately US$42,376) in December 2019 and June 2020, respectively. As of December 31, 2019 and June 30, 2020, RMB1,000,000 (equivalent to approximately US$143,344) and RMB1,400,000 (equivalent to approximately US$197,754) repayable within twelve months for this agreement was classified as "Current portion of long-term borrowing", respectively.

Future maturities of short-term borrowings and long-term borrowings

Future principal maturities of short-term borrowings and long-term borrowings as of June 30, 2020 are as followings:

	US$
Remaining six months of 2020	928,738
2021	2,270,640
2022	635,639
Total	3,835,017

8. CONVERTIBLE REDEEMABLE PREFERRED SHARES AND WARRANTS

In November 2011, the Company issued convertible notes ("Series Pre-A Convertible Notes") to certain investors in the amount of 4,590,908. The notes carried a simple interest (non-compounding) of 6% per annum as set out in the note purchase agreement. All outstanding principal balance and accrued but unpaid interest of the notes should be automatically converted into the convertible redeemable preferred shares of the Company at a price no more than US$1 per share.

ADAGENE INC.

NOTES TO THE UNAUDITED INTERIM CONDENSED

CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND 2020

8. CONVERTIBLE REDEEMABLE PREFERRED SHARES AND WARRANTS (Continued)

In November 2014, the Company issued 5,473,957 Series A-1 convertible redeemable preferred shares ("Series A-1 Preferred Shares") to certain investors upon conversion of the Company's Series Pre-A convertible notes at a conversion price of US$1 per share. Concurrently, the Company issued 2,370,414 Series A-2 convertible redeemable preferred shares ("Series A-2 Preferred Shares") to certain investors at US$1.27 per share for a total consideration of US$3,000,000. Series A-1 Preferred Shares and Series A-2 Preferred Shares are collectively referred to as the Series A Preferred Shares.

From January through June 2016, the Company issued 7,494,537 Series B convertible redeemable preferred shares ("Series B Preferred Shares") to certain investors at US$3.74 per share for a total consideration of US$27,999,995.

From February through May 2018, the Company issued 5,597,354 Series C-1 convertible redeemable preferred shares ("Series C-1 Preferred Shares") to certain investors at US$8.93 per share for a total consideration of US$50,000,033. Concurrently, in February 2018, the Company also issued warrants to two Series C-1 investors at nil consideration ("Series C-1 Warrants"). The Series C-1 Warrants allowed the holders to purchase Series C-2 Preferred Shares (defined below) at the exercise price of US$10.21 per share for a total consideration of up to US$7,500,000. Series C-1 Warrants were exercisable, in whole or in part, at any time from the warrant issuance date to the earlier of i) April 1, 2019, ii) a deemed liquidation event or iii) the closing of the Qualified IPO. Series C-1 Warrants expired on April 1, 2019.

From June through November 2019, the Company issued 1,861,121 Series C-2 convertible redeemable preferred shares ("Series C-2 Preferred Shares") to certain investors at US$10.21 per share for a total consideration of US$18,999,999.

In December 2019, the Company issued 4,452,441 Series C-3 convertible redeemable preferred shares ("Series C-3 Preferred Shares") to a certain investor at US$11.23 per share for a total consideration of US$50,000,000.

Series C-1 Preferred Shares, Series C-2 Preferred Shares and Series C-3 Preferred Shares are collectively referred to as the Series C Preferred Shares.

The key features of the Series A Preferred Shares, Series B Preferred Shares and Series C Preferred Shares (collectively the "Preferred Shares") are as follows:

Dividends

Each holder of the Preferred Shares will be entitled to receive non-cumulative dividends when declared by the Board of Directors prior and in preference to ordinary shareholders. The dividend should be paid at the rate of 6% of the original issue price per share per annum on each Preferred Shares in the sequence of Series C Preferred Shares and Preferred Shares other than the Series C Preferred Shares. After the preferential dividends relating to the Preferred Shares have been paid in full or declared and set apart in any fiscal year of the Company, any additional dividends out of funds or assets legally available therefore may be declared in that fiscal year for the Shares and, if such additional dividends are declared, the preferred shareholders shall be entitled to participate on an as converted-basis pro-rata in any dividends or distributions paid to the ordinary shareholders.

ADAGENE INC.

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CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND 2020

8. CONVERTIBLE REDEEMABLE PREFERRED SHARES AND WARRANTS (Continued)

Voting

Each Preferred Share has voting rights equivalent to the number of ordinary shares to which it is convertible at the record date. The Preferred Shares shall vote separately as a class with respect to certain specified matters. Otherwise, the preferred shareholders and ordinary shareholders shall vote together as a single class.

Liquidation preference

In the event of any liquidation, dissolution or winding up of the Company, or the cessation of the business of the Company or of a substantial portion of the business of the Company, whether voluntary or involuntary, or any deemed liquidation event (unless waived by the preferred shareholders), the preferred shareholders shall be entitled to receive a per share amount equal to 100% of the original issue price of the respective series of the Preferred Shares, in the sequence of Series C Preferred Shares, Series B Preferred Shares and Series A Preferred Shares. After such liquidation amounts have been paid in full, the preferred shareholders are entitled to receive a simple interest accruing on each Preferred Share at 6% of its original issue price per annum from the date of issuance of such Preferred Share to the date of distribution of such amount, in the sequence of Series C Preferred Shares, Series B Preferred Shares and Series A Preferred Shares. After such interest amounts have been paid in full, any remaining funds or assets of the Company legally available for distribution to shareholders shall be distributed on a pro rata basis among the preferred shareholders, on an as-converted basis, together with the ordinary shareholders.

Conversion

Each Preferred Share may be converted at any time into ordinary shares at the option of the preferred shareholders based on the then-effective conversion price. The initial conversion ratio is 1:1, subject to adjustment in the event of share splits, share combinations, ordinary share dividends or distributions, other dividends, reorganizations, mergers, consolidations, reclassifications, exchanges, substitutions, or dilutive issuance.

All Preferred Shares are converted automatically into ordinary shares at the then effective applicable conversion price upon the earlier of a Qualified Public Offering (public offering of the Company's shares with an offering price (exclusive of underwriting commissions and expenses) that reflects a market capitalization (immediately prior to the public offering) of not less than US$650,000,000 and with an aggregate proceeds of no less than US$75 million)or a date specified by written consent or agreement of the holders of at least 80% of the voting power of the then outstanding Preferred Shares.

Redemption

The Preferred Shares are redeemable upon request by the holders of the majority outstanding Preferred Shares if the Company fails to consummate a Qualified Public Offering or complete a deemed liquidation event on or before March 31, 2025 at the redemption price equal to the original issue price plus any declared but unpaid dividends.

ADAGENE INC.

NOTES TO THE UNAUDITED INTERIM CONDENSED

CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND 2020

8. CONVERTIBLE REDEEMABLE PREFERRED SHARES AND WARRANTS (Continued)

Accounting for Preferred Shares

The Preferred Shares are classified as mezzanine equity in the consolidated balance sheets because they are contingently redeemable upon the occurrence of an event outside of the Company's control (e.g. the Company not achieving a Qualified Public Offering or a deemed liquidation event before March 31, 2025 ("Target QIPO Date")). The Preferred Shares were determined to be mezzanine equity with no embedded feature to be bifurcated and no beneficial conversion features to be recognized. The Preferred Shares are initially recorded at their respective issuance date fair value, net of issuance cost and fair value allocated to the detachable warrants. The Company did not incur material issuance cost for any Preferred Shares issued.

The Company concluded that the Preferred Shares are not currently redeemable, but are probable to become redeemable. The Company accreted changes in the redemption value over the period from the date of issuance to the earliest redemption date using the interest method. No accretion charge was recorded as the redemption value is fixed to original issue price for the years presented, except for Series C-1 Preferred Shares issued with detachable warrants.

Modification of Preferred Shares

The Company made several amendments to the Preferred Shares, mainly including: 1) added redemption rights for Series A Preferred Shares upon the issuance of the Series B Preferred Shares; 2) extended the Target QIPO Date upon the issuance of the Series C-1 Preferred Shares and the Series C-3 Preferred Shares. These amendments are accounted for as modifications rather than extinguishments as the fair values of these Preferred Shares immediately after the amendments were not significantly different from their respective fair values immediately before the amendment. When Preferred Shares are modified and such modification results in value transfer between preferred shareholders and ordinary shareholders, the value transferred is treated as a deemed dividend to or deemed contribution from the preferred shareholders.

ADAGENE INC.

NOTES TO THE UNAUDITED INTERIM CONDENSED

CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND 2020

8. CONVERTIBLE REDEEMABLE PREFERRED SHARES AND WARRANTS (Continued)

The Company's Preferred Shares activities for the periods presented are summarized below:

Mezzanine equity	Series A-1	Series A-2	Series B	Series C-1	Series C-2	Series C-3	Total
	US$	US$	US$	US$	US$	US$	US$
Balance as of December 31, 2018	5,473,957	3,000,000	27,999,995	48,481,159	—	—	84,955,111
Issuance of Series C-2 Preferred Shares	—	—	—	—	16,000,001	—	16,000,001
Accretion of Series C-1 Preferred Shares to redemption value	—	—	—	121,924	—	—	121,924
Balance as of June 30, 2019	5,473,957	3,000,000	27,999,995	48,603,083	16,000,001	—	101,077,036
Balance as of December 31, 2019	5,473,957	3,000,000	27,999,995	48,727,343	18,999,999	50,000,000	154,201,294
Accretion of Series C-1 Preferred Shares to redemption value	—	—	—	123,221	—	—	123,221
Balance as of June 30, 2020	5,473,957	3,000,000	27,999,995	48,850,564	18,999,999	50,000,000	154,324,515

9. SHARE-BASED COMPENSATION

On November 7, 2015, the Company adopted a share incentive plan ("2015 Plan ").

Under the 2015 Plan, the Company's Board of Directors has approved that a maximum aggregate number of shares that may be issued pursuant to all awards granted shall be 4,336,126. In September 2017, the Company increased the maximum number of shares available to 6,336,126. In December 2019, the Company further increased the maximum number of shares available to 11,391,131.

On March 26, 2020, pursuant to the 2015 Plan, the Board of Directors passed a resolution to grant 1,944,565 share options. The share-based awards are accounted for as equity awards and contain only

ADAGENE INC.

NOTES TO THE UNAUDITED INTERIM CONDENSED

CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND 2020

9. SHARE-BASED COMPENSATION (Continued)

service vesting conditions. The share-based awards are generally vested immediately or over a period of one to five years.

	Number of Options	Weighted-Average Exercise Price	Weighted-Average Grant Date Fair Value	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
		US$ per option	US$ per option	Years	US$
Outstanding, January 1, 2019	574,328	0.30	2.80	7.14	1,440,734
Granted	372,500	1.26	5.46	—	—
Exercised	(34,000)	0.55	5.71	—	—
Forfeited	(46,800)	1.22	5.75	—	—
Outstanding, December 31, 2019	866,028	0.65	3.67	7.27	2,807,806
Granted	1,944,565	1.75	6.80	—	—
Exercised	(971,297)	1.83	6.61	—	—
Forfeited	(6,000)	1.48	7.15	—	—
Outstanding, June 30, 2020	1,833,296	1.19	5.43	8.34	7,951,943
Vested and expected to vest at June 30, 2020	1,833,296	1.19	5.43	8.34	7,951,943
Exercisable at June 30, 2020	617,778	0.48	3.22	6.20	1,692,891

The aggregate intrinsic value in the table above represents the difference between the exercise price of the awards and the fair value of the underlying ordinary shares at each reporting date, for those awards that had exercise price below the estimated fair value of the relevant ordinary shares.

The aggregate fair value of the equity awards vested during the years ended the six months ended June 30, 2019 and 2020 was US$31,030 and US$7,026,413, respectively. As of June 30, 2020, there was US$7,642,375 of total unrecognized employee share-based compensation expense related to unvested options, may be adjusted for actual forfeitures occurring in the future. Total unrecognized compensation cost will be recognized over a weighted-average period of 3.06 years.

Fair value of share options

The fair value of share options was determined using the binomial option valuation model, with the assistance from an independent third-party appraiser. The binomial model requires the input of highly subjective assumptions, including the expected volatility, the exercise multiple, the risk-free rate and the dividend yield. For expected volatility, the Group has made reference to historical volatility of several comparable companies in the same industry. The exercise multiple was estimated as the average ratio of the stock price to the exercise price of when employees would decide to voluntarily exercise their vested share options. The risk-free rate for periods within the contractual life of the share options is based on the market yield of U.S. Treasury Bonds in effect at the time of grant. The dividend yield is based on the expected dividend policy over the contractual life of the share options. The estimated fair

ADAGENE INC.

NOTES TO THE UNAUDITED INTERIM CONDENSED

CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND 2020

9. SHARE-BASED COMPENSATION (Continued)

value of the ordinary shares, at the share option grant dates, was determined with the assistance from an independent third-party appraiser.

The assumptions used to estimate the fair value of the share options granted are as follows:

	For the six months ended June 30,	
	2019	2020
Risk-free interest rate	2.73%	0.83%
Dividend yield	—	—
Expected volatility range	71.0%	72.3%
Exercise multiple	2.2	2.8
Contractual life	10 years	10 years

Total share-based compensation expenses recognized for the six months ended June 30, 2019 and 2020 were as follows:

	For the six months ended June 30,	
	2019	2020
	US$	US$
Research and development expenses	147,004	4,524,148
Administrative expenses	55,283	2,568,859
Total share-based compensation expenses	202,287	7,093,007

10. COLLABORATION ARRANGEMENTS

Dragon Boat Biopharmaceutical (Shanghai) Limited License Agreement

In May 2019, the Group entered into (i) a collaboration agreement that covers Greater China (the "Dragon Boat Greater China Agreement") and (ii) a collaboration agreement that covers the regions other than Greater China (the "Dragon Boat ROW Agreement," together with the Dragon Boat Greater China Agreement, the "2019 Dragon Boat Agreements"), with Dragon Boat Biopharmaceutical (Shanghai) Limited ("Dragon Boat"), a subsidiary of Sanjin. Pursuant to the Dragon Boat Greater China Agreement, the Group will license the Chinese intellectual property directly related to a certain monospecific antibody molecule that binds to a specified target (the "Specified Project"), including the patent rights, patent application rights and technologies based on the core sequence of the molecule, to Dragon Boat. Dragon Boat will own all the Chinese intellectual property developed in the exercise of Dragon Boat's rights under the agreement, including but not limited to improvements (including combination products), clinical trials, regulatory filings, and commercialization rights relating thereto. The Group also granted Dragon Boat a royalty-free license to use our other existing intellectual property and improvements thereto which are related to the Specified Project for the purposes of exploiting its rights and performing its obligations under the agreement. Dragon Boat will enjoy all the

10. COLLABORATION ARRANGEMENTS (Continued)

economic benefits deriving from the Specified Project in Greater China, including but not limited to patent transfer fee, licensing fee, sales revenue and sales commission, etc. and will pay the Group (i) certain high-six figure dollar milestone payments and (ii) a single-digit percentage of net sales of the products that use the licensed antibody after such products enter the market. Dragon Boat also paid the Group a mid-six figure dollar upfront fee upon the signing of the agreement.

Pursuant to the Dragon Boat ROW Agreement, the Group granted Dragon Boat a royalty-free license to use all intellectual property relating to (i) the collaboration under the agreement that the Group controlled before the Group entered into the agreement or acquired independently of the agreement and (ii) improvements thereto for the purposes of exploiting its rights and performing its obligations under the agreement. Any intellectual property generated independently by a party under the agreement will be solely owned by that party who generated such intellectual property, and any intellectual property generated from cooperation between the Group and Dragon Boat in connection with the collaboration will be jointly owned. The Group retain the ownership of patent rights of key intellectual property pertaining to the specified target outside of the Greater China. In addition, all the results obtained by Dragon Boat relating to the research and development of any new antibody developed under the agreement will be owned by Dragon Boat. The Group retains a majority of the economic benefits derived from the Dragon Boat ROW Agreement, including but not limited to any patent transfer fee, licensing fee and gains realized under such transfer. In case the Group intend to transfer to a third party our share of economic interests in any country outside of Greater China, the Group must notify Dragon Boat and Dragon Boat will receive a right of first refusal if it pays the Group a deposit equal to a low double-digit percentage of the consideration that the Group expects to receive from such third party. If Dragon Boat waives the right of first refusal, the Group can proceed with the transfer, provided that the final transaction price with the third party is not lower than the amount of the offering price that was included in our notice to Dragon Boat.

Under the 2019 Dragon Boat Agreements, the Group agreed not to (i) independently develop any monospecific antibodies that bind to the specified target or (ii) grant any rights associated with such antibodies to any third parties during the three-year period from the effective date of the agreements. The exclusivity obligation does not prevent the Group from (i) developing or granting any licenses to third parties for intellectual property that covers bispecific antibodies, ADCs, diagnostic antibodies, nano-particles and masked antibody against the specific target and (ii) continuing to provide antibody screening service that were commenced before the execution of the Dragon Boat Greater China Agreement and either party has the independent right to conduct combination therapy studies outside of the Greater China. Either nonbreaching party may terminate the 2019 Dragon Boat Agreements if the other party's ability to comply with its obligations under the agreements is negatively affected by contingencies such as failure to maintain operation or changes in core project management and the other party fails to take effective remedial measures. Each agreement automatically terminates upon the termination of the other agreement. Upon the rescission or termination, Dragon Boat will return to the Group all the intellectual property, documents and data provided by the Group under the 2019 Dragon Boat Agreements.

For the six months ended June 30, 2019 and 2020, no revenue was recognized for this agreement respectively since the licensed product has not been transferred to Dragon Boat.

ADAGENE INC.

NOTES TO THE UNAUDITED INTERIM CONDENSED

CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND 2020

10. COLLABORATION ARRANGEMENTS (Continued)

As of June 30, 2020, upfront fee of RMB4,000,000 that received by the Group was recorded as contract liabilities in the consolidated balance sheets, as the performance obligation had not been satisfied by the Group.

ADC Therapeutics SA License and Collaboration Agreement

In April 2019, the Group entered into a material transfer and collaboration agreement (the "ADCT Collaboration Agreement") and a license agreement (the "ADCT License Agreement") with ADC Therapeutics SA ("ADC Therapeutics").

ADCT Collaboration Agreement

Pursuant to the ADCT Collaboration Agreement, the Group agreed to generate masked antibodies with respect to up to two exclusive targets selected by ADC Therapeutics. Upon our delivery of certain initial results, ADC Therapeutics has the option to license the Group's technology with respect to one or both targets as further detailed below. ADC Therapeutics has not yet exercised such options as of June 30, 2020.

Under the ADCT Collaboration Agreement, the Group is eligible to receive up to a low-seven-figure dollar amount in consideration for the Group's exclusivity obligations, upon achievement of certain development milestones and upon ADC Therapeutics' election to proceed with development for the two elected targets. ADC Therapeutics has the right to terminate the ADCT Collaboration Agreement at any time and for any reason in its entirety or on a target-by-target basis upon thirty days' prior written notice to the Group. Either party may terminate the ADCT Collaboration Agreement, in its entirety or on a target-by-target basis, upon the other party's uncured material breach of the agreement or the other party's insolvency-related events.

The Group also granted ADC Therapeutics an exclusive target reservation right for one year from the commencement of the agreement and an option to renewal for another year with a consideration of low-six-figure dollar amount.

ADCT License Agreement

Subject to the exercise of the options contained in the ADCT Collaboration Agreement, the Group has granted ADC Therapeutics, with respect to each elected target, an exclusive, worldwide, perpetual and irrevocable (subject only to the termination provisions) license (with the right to grant sublicenses) to develop, make, use, commercialize and import the antibody drug conjugates that comprise masked antibodies generated by the Group under these programs.

Under the ADCT License Agreement, if ADC Therapeutics exercises both of its options granted thereunder, the Group could be eligible to receive up to a low-nine-figure dollar amount in development and regulatory milestone payments and up to a mid-eight-figure dollar amount in sales milestone payments, in addition to mid-single-digit percentage net sales-based tiered royalties on products licensed under the ADCT License Agreement, subject to certain reductions. Royalties, if any, will be payable on a country-by-country and product-by-product basis, until the earlier of (i) the tenth

ADAGENE INC.

NOTES TO THE UNAUDITED INTERIM CONDENSED

CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND 2020

10. COLLABORATION ARRANGEMENTS (Continued)

anniversary of the first commercial sale of such product or (ii) the expiration of the last-to-expire patent licensed under the agreement in such country, unless earlier terminated by the parties, following which any licenses granted to ADC Therapeutics under the ADCT License Agreement shall become fully paid up, perpetual and irrevocable.

ADC Therapeutics has the right to terminate the ADCT License Agreement before the expiration of the royalty term on a product-by-product basis or in its entirety (i) for any reason or no reason upon thirty days' written notice to the Group, or (ii) if ADC Therapeutics chooses to discontinue the development or sale of the applicable licensed product worldwide. Each party has certain rights to terminate the ADCT License Agreement with prior written notice upon the other party's uncured material breach or insolvency.

For the six months ended June 30, 2019 and 2020, no revenue was recognized for this agreement respectively since the licensed product has not been transferred to ADC Therapeutics. For the six months ended June 30, 2020, the Group recognized $100,000 as other income due to the expiration of exclusive target reservation right, which is not related to the Group's major operation activity.

11. INCOME TAX EXPENSE

The Group has incurred net accumulated operating losses for income tax purposes since its inception. The Group believes that it is more likely than not that these net accumulated operating losses will not be utilized in the future. Therefore, the Group has provided full valuation allowances for the deferred tax assets as of December 31, 2019 and June 30, 2020.

12. NET LOSS PER SHARE

Basic and diluted net loss per share for the six months ended June 30, 2019 and 2020 are calculated as follows:

	For the six months ended June 30,	
	2019	2020
	US$	US$
Numerator:		
Net loss attributable to Adagene Inc.'s shareholders	(7,187,484)	(18,185,346)
Accretion of convertible redeemable preferred shares to redemption value	(121,924)	(123,221)
Net loss attributable to ordinary shareholders	(7,309,408)	(18,308,567)
Denominator:		
Weighted-average number of ordinary shares outstanding—basic and diluted	15,163,081	15,948,252
Net loss per share—basic and diluted	(0.48)	(1.15)

The effects of all outstanding convertible redeemable preferred shares and share options were excluded from the computation of diluted net loss per share for the six months ended June 30, 2019 and 2020 as their effects would be anti-dilutive.

ADAGENE INC.

NOTES TO THE UNAUDITED INTERIM CONDENSED

CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND 2020

12. NET LOSS PER SHARE (Continued)

The potentially dilutive securities that have not been included in the calculation of diluted net loss per share as their inclusion would be anti-dilutive are as follows:

	For the six months ended June 30,	
	2019	2020
Convertible redeemable preferred shares	22,797,383	27,249,824
Share options	336,222	804,803

13. UNAUDITED PRO FORMA BALANCE SHEET AND NET LOSS PER SHARE

The unaudited pro forma balance sheet information as of June 30, 2020 assumes the automatic conversion of all of the outstanding convertible redeemable preferred shares into ordinary shares at a conversion ratio of 1:1, as if the conversion and expiry had occurred as of June 30, 2020.

The unaudited pro forma net loss per ordinary share is computed using the weighted-average number of ordinary shares outstanding and the automatic conversion of all of the Group's outstanding mezzanine equity into ordinary shares upon the closing of the Group's Qualified Public Offering, as if it had occurred on January 1, 2020. The Group believes the unaudited pro forma net loss per share provides material information to investors, as the automatic conversion of the Group's outstanding mezzanine equity. The disclosure of pro forma net loss per ordinary share provides an indication of net loss per ordinary share that is comparable to what will be reported by the Group as a public company following the closing of the Qualified Public Offering.

The unaudited basic and diluted pro forma net loss per share is calculated as follows:

	For the six months ended June 30, 2020 US$
Numerator:	
Net loss attributable to ordinary shareholders in computing pro forma net loss per share—basic and diluted	(18,308,567)
Add back accretion of convertible redeemable preferred shares to redemption value	123,221
Numerator for pro-forma basic and diluted net loss per share	(18,185,346)
Denominator:	
Weighted-average number of ordinary shares outstanding—basic and diluted	15,948,252
Add:adjustment to reflect assumed effect of automatic conversion of convertible redeemable preferred shares	27,249,824
Pro forma weighted average number of shares outstanding—basic and diluted	43,198,076
Pro forma net loss per share—basic and diluted	(0.42)

ADAGENE INC.

NOTES TO THE UNAUDITED INTERIM CONDENSED

CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND 2020

14. RELATED PARTY TRANSACTIONS

a) Related Parties

Name of related parties	Relationship
Peter Luo	Chairman, Chief Executive Officer and a principal shareholder of the Company
Four senior management personnel	Management and ordinary shareholders of the Company
WuXi AppTec Co., Ltd. ("WuXi AppTec Group")	A principal shareholder of the Group
WuXi Biologics (Shanghai) Co., Ltd.	Controlled by the ultimate controlling party of a principal shareholder of the Group

b) The Group had the following related party balances at the end of the year/period:

	As of December 31, 2019 US$	As of June 30, 2020 US$
WuXi AppTec Group	739,051	651,849
Four senior management personnel(i)	350,865	350,865
Peter Luo(i)	338,818	338,818
WuXi Biologics (Shanghai) Co., Ltd.	4,452	—
Total amounts due from related parties	1,433,186	1,341,532

	As of December 31, 2019 US$	As of June 30, 2020 US$
WuXi Biologics (Shanghai) Co., Ltd.	1,379,741	3,921,111
WuXi AppTec Group	432,784	61,538
Peter Luo(ii)	83,254	—
Total amounts due to related parties	1,895,779	3,982,649

ADAGENE INC.

NOTES TO THE UNAUDITED INTERIM CONDENSED

CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND 2020

14. RELATED PARTY TRANSACTIONS (Continued)

c) The Group had the following related party transactions during the periods:

	For the six months ended June 30,	
	2019	2020
	US$	US$
Receipt of CRO and CMO services:		
WuXi Biologics (Shanghai) Co., Ltd.	2,211,060	3,949,926
WuXi AppTec Group	712,631	485,413
	2,923,691	4,435,339

(i) In October and November 2017, Peter Luo and other four senior management personnel elected to exercise the vested share options that granted under 2015 Plan. As of December 31, 2019 and June 30, 2020, the balance of amounts due from Peter Luo and other four senior management personnel represented the receivables arising from withholding individual income tax amounts.

(ii) In May 2014 the Group received a subsidy from the local government for attracting high skilled personnel on behalf of Peter Luo, which was settled in May 2020.

15. COMMITMENTS AND CONTINGENCIES

Operating lease commitments

Future minimum payments under non-cancelable operating leases with initial terms in excess of one year consist of the following as of June 30, 2020:

	US$
Remaining six months of 2020	89,344
2021	85,022
Total	174,366

Payments under operating leases are expensed on a straight-line basis over the periods of their respective leases. The Group's lease arrangements have no renewal options, rent escalation clauses, restrictions or contingent rents and are all executed with third parties. For the six months ended June 30, 2019 and 2020, total rental related expenses for all operating leases amounted to US$89,432 and US$86,996, respectively.

Contingencies

The Group is currently not involved in any legal or administrative proceedings that may have a material adverse impact on the Group's business, financial position or results of operations

16. SUBSEQUENT EVENT

The Group evaluated subsequent event through September 22, 2020, the date these interim condensed consolidated financial statements were issued.

ADAGENE INC.

NOTES TO THE UNAUDITED INTERIM CONDENSED

CONSOLIDATED FINANCIAL STATEMENTS (Continued)

FOR THE SIX MONTHS ENDED JUNE 30, 2019 AND 2020

16. SUBSEQUENT EVENT (Continued)

Beginning in January 2020, the emergence and wide spread of the novel Coronavirus ("COVID-19") has resulted in quarantines, travel restrictions, and the temporary closure of stores and facilities in China, US and elsewhere. Substantially all of the Group's operating and workforce are concentrated in China and US. Consequently, the COVID-19 outbreak could potentially delay patient's access to hospital and the progress of clinical trials of the Group, which may adversely affect the Group's business operations, financial condition and operating results for 2020. The extent to which COVID-19 impacts the business and financial results of the Group in the longer term will depend on future developments, which are uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions to contain the coronavirus or treat its impact, among others. The Group will continue to evaluate the impact on the results of operation, financial position and cash flows of the Group and react actively as the situation evolves.

In August 2020, pursuant to the 2015 Plan, the Board of Directors of the Company passed resolutions and granted 4,028,808 share options to certain employees.

PART II

INFORMATION NOT REQUIRED IN THE 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 or committing a crime. Under our post-offering memorandum and articles of association, which will become effective immediately prior to the completion of this offering, to the fullest extent permissible under Cayman Islands law every director and officer of our company shall be indemnified 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 our 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 our company or its affairs in any court whether in the Cayman Islands or elsewhere.]

Pursuant to the form of indemnification agreements to be filed as Exhibit 10.2 to this Registration Statement, we will agree to indemnify our directors and executive officers against certain liabilities and expenses that they incur in connection with claims made by reason of their being a director or officer of our company.

The Underwriting Agreement, the form of which will be filed as Exhibit 1.1 to this Registration Statement, will also provide for indemnification of us and our officers and directors.

Insofar as indemnification for liabilities arising under the Securities Act of 1933, as amended, 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

During the past three years, we have issued the following securities (including options to acquire our ordinary shares) without registering the securities 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 or pursuant to Section 4(a)(2) of the Securities Act regarding transactions not involving a public offering. None of the transactions involved an underwriter.

Purchaser	Date of Issuance	Title and Number of Securities	Consideration
SCC Venture VI Holdco, Ltd.	February 2, 2018	1,679,206 series C-1 preferred shares	US$15,000,011.36
Gopher Harvest Co-Investment Fund LP	February 2, 2018	559,735 series C-1 preferred shares	US$5,000,000.80
AVICT Global Holdings Limited 航信环球控股有限公司	February 2, 2018	1,119,471 series C-1 preferred shares	US$10,000,010.55
King Star Med LP	March 19, 2018	1,119,471 series C-1 preferred shares	US$10,000,000.00
WEALTHY TECHNOLOGIES LIMITED	March 19, 2018	559,735 series C-1 preferred shares	US$5,000,000.00

Purchaser	Date of Issuance	Title and Number of Securities	Consideration
Chief Strategic International Limited	May 16, 2018	559,736 series C-1 preferred shares	US$5,000,010.00
Mega Prime Development Limited	June 13, 2019	685,676 series C-2 preferred shares	US$6,999,998.00
Poly Platinum Enterprises Limited	June 13, 2019	489,769 series C-2 preferred shares	US$5,000,003.00
Chief Strategic International Limited	June 13, 2019	391,815 series C-2 preferred shares	US$4,000,000.00
MODEST CHAMPION LIMITED 冠謙有限公司	November 21, 2019	293,861 series C-2 preferred shares	US$2,999,998.00
General Atlantic Singapore AI Pte. Ltd.	December 19, 2019	4,452,441 series C-3 preferred shares	US$50,000,000.00
Certain directors, officers and employees	From August 16, 2017 to September 16, 2020	4,192,361 ordinary shares	US$2,561,069.36
Options and Warrants			
SCC Venture VI Holdco, Ltd.	February 2, 2018	Warrant to purchase up to US$5,625,000 worth of series C-2 preferred shares*	N/A
Gopher Harvest Co-Investment Fund LP	February 2, 2018	Warrant to purchase up to US$1,875,000 worth of series C-2 preferred shares*	N/A
Certain directors, officers and employees	From August 16, 2017 to September 16, 2020	Option to purchase 6,323,873 ordinary shares	Past and future services provided by these individuals to us

Note:

* These warrants expired on April 1, 2019.

Item 8. Exhibits and Financial Statement Schedules

(a) Exhibits:

See Exhibit Index for a complete list of all exhibits filed as part of this registration, which Exhibit Index is incorporated herein by reference.

(b) Financial Statement Schedules

Schedules have been omitted because the information required to be set forth therein is not applicable or is shown in the consolidated financial statements and the notes thereto.

Item 9. Undertakings

The undersigned hereby undertakes:

(a) The undersigned registrant hereby undertakes to provide to the underwriters at the closing specified in the underwriting agreements, certificates in such denominations and registered in such names as required by the underwriters to permit prompt delivery to each purchaser.

(b) 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 U.S. 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 of 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.

(c) The undersigned registrant hereby undertakes that:

(1) 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) 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.

ADAGENE INC.

EXHIBIT INDEX

Exhibit Number	Description of Document
1.1*	Form of Underwriting Agreement
3.1	Sixth Amended and Restated Memorandum and Articles of Association of the Registrant, as currently in effect
3.2*	Form of Seventh Amended and Restated Memorandum and Articles of Association of the Registrant, as effective immediately prior to the completion of this offering
4.1*	Form of Registrant's Specimen American Depositary Receipt (included in Exhibit 4.3)
4.2*	Registrant's Specimen Certificate for Ordinary Shares
4.3*	Form of Deposit Agreement between the Registrant, the depositary and holders of the American Depositary Shares
4.4	Fifth Amended and Restated Shareholders Agreement by and among Adagene Inc. and shareholders of Adagene Inc. named therein dated December 19, 2019
4.5	Fourth Amended and Restated Right of First Refusal and Co-Sale Agreement by and between Adagene Inc., non-investor shareholders and investors named therein dated December 19, 2019
5.1*	Opinion of Walkers (Hong Kong) regarding the validity of the ordinary shares being registered
8.1*	Opinion of Walkers (Hong Kong) regarding certain Cayman Island tax matters (included in Exhibit 5.1)
8.2*	Opinion of Tian Yuan Law Firm regarding certain PRC tax matters (included in Exhibit 99.2)
8.3*	Opinion of Davis Polk & Wardwell LLP regarding material U.S. federal income tax consequences
10.1	Adagene Inc. Second Amended and Restated Share Incentive Plan
10.2*	Form of Indemnification Agreement between the Registrant and each of its directors and executive officers
10.3	Form of Employment Agreement between the Registrant and an executive officer of the Registrant
10.4	Shares Purchase Agreement by and among Adagene Inc., its subsidiaries and General Atlantic Singapore AI Pte. Ltd. dated October 15, 2019
10.5	Shares Purchase Agreement by and among Adagene Inc., its subsidiaries and certain investors of Adagene Inc. named therein dated June 9, 2019
10.6	Shares Purchase Agreement by and among Adagene Inc., its subsidiaries and certain investors of Adagene Inc. named therein dated February 2, 2018
10.7#	English translation of Cooperation Agreement on the PD-L1 Project by and among Guilin Sanjin Pharmaceutical Co., Ltd. and its affiliates and Adagene (Suzhou) Limited dated December 2018
10.8#	English translation of Cooperation Agreement on International Interests of PD-L1 Project between Guilin Sanjin Pharmaceutical Co., Ltd. and Adagene Inc. dated December 2018

Exhibit Number	Description of Document
10.9#	English translation of Cooperation Agreement on the Undisclosed Project between Dragon Boat Biopharmaceutical (Shanghai) Limited and Adagene (Suzhou) Limited dated May 2019
10.10#	English translation of Cooperation Agreement on International Interests of Undisclosed Project between Dragon Boat Biopharmaceutical (Shanghai) Limited and Adagene Inc. dated May 2019
21.1	List of subsidiaries of the Registrant
23.1*	Consent of PricewaterhouseCoopers Zhong Tian LLP, Independent Registered Public Accounting Firm
23.2*	Consent of Walkers (Hong Kong) (included in Exhibit 5.1)
23.3*	Consent of Tian Yuan Law Firm (included in Exhibit 99.2)
24.1*	Powers of Attorney (included on signature page)
99.1*	Code of Business Conduct and Ethics of the Registrant
99.2*	Opinion of Tian Yuan Law Firm regarding certain PRC law matters
99.3*	Consent of Frost & Sullivan

* To be filed by amendment.

\# Portions of this exhibit have been omitted because they are both (i) not material and (ii) would likely cause competitive harm to the Company if publicly disclosed.

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 San Francisco, State of California, on , 2020.

Adagene Inc.

By: _____

Name: Peter (Peizhi) Luo
Title: *Chief Executive Officer*

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints and and each of them, individually, as his true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him and in his name, place and stead in any and all capacities, in connection with this registration statement, including to sign in the name and on behalf of the undersigned, this registration statement and any and all amendments thereto, including post-effective amendments and registrations filed pursuant to Rule 462 under the U.S. Securities Act of 1933, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the U.S. Securities and Exchange Commission, granting unto such attorneys-in-fact and agents full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or his substitute, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, as amended, this registration statement has been signed by the following persons on , 2020 in the capacities indicated:

Signature	Title
_____ Peter (Peizhi) Luo	Chief Executive Officer, Director (principal executive officer)
_____ Yunxia Yang	Director
_____ Yu Miao	Director
_____ Lefei Sun	Director
_____ Raymond Tam	Chief Financial Officer (principal financial officer and principal accounting officer)

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 Adagene Inc., has signed this registration statement or amendment thereto in New York on , 2020.

Authorized U.S. Representative

By: _____

Name:
Title:

Exhibit 3.1

THE COMPANIES LAW (REVISED)

OF THE CAYMAN ISLANDS

COMPANY LIMITED BY SHARES

SIXTH AMENDED AND RESTATED MEMORANDUM AND ARTICLES

OF

ASSOCIATION

OF

ADAGENE INC.

(adopted by a special resolution passed on December 19, 2019)

THE COMPANIES LAW (REVISED)

OF THE CAYMAN ISLANDS

COMPANY LIMITED BY SHARES

SIXTH AMENDED AND RESTATED MEMORANDUM OF ASSOCIATION

OF

ADAGENE INC.

(adopted by a special resolution passed on December 19, 2019)

1. The name of the Company is Adagene Inc..

2. The Registered Office of the Company shall be at 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 in the Cayman Islands 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 (Revised) or as the same may be revised from time to time, or any other law of the Cayman Islands.

4. The Company has unrestricted corporate capacity. Without limitation to the foregoing, as provided by Section 27(2) of the Companies Law (Revised), the Company has and is capable of exercising all the functions of a natural person of full capacity irrespective of any question of corporate benefit. Without in any way limiting the unrestricted nature of its objects, the Company may accept mortgages over land or any other property irrespective of location.

5. Nothing in any of the preceding paragraphs permits the Company to carry on any of the following businesses without being duly licensed, namely:

a. the business of a bank or trust company without being licensed in that behalf under the Banks and Trust Companies Law (Revised); or

b. insurance business from within the Cayman Islands or the business of an insurance manager, agent, sub-agent or broker without being licensed in that behalf under the Insurance Law (Revised); or

c. the business of company management without being licensed in that behalf under the Companies Management Law (Revised).

6. The liability of each Member is limited to the amount from time to time unpaid on such Member's Shares.

7. The authorized share capital of the Company is US$50,000 divided into (i) 472,750,176 Ordinary Shares of par value US$0.0001 each, (ii) 7,844,371 Series A Preferred Shares of par value US$0.0001 each (the "**Series A Preferred Shares**"), which are further divided into 5,473,957 Series A-1 Preferred Shares of par value of US$0.0001 each (the "**Series A-1 Preferred Shares**"), 2,370,414 Series A-2 Preferred Shares of par value of US$0.0001 each (the "**Series A- 2 Preferred Shares**"), (iii) 7,494,537 Series B Preferred Shares of par value US$0.0001 each (the "**Series B Preferred Shares**"), and (iv) 11,910,916 authorized Series C Preferred Shares with par value of US$0.0001 each (the "**Series C Preferred Shares**"), which are further divided into 5,597,354 Series C-1 Preferred Shares with par value of US$0.0001 each (the "**Series C-1 Preferred Shares**"), 1,861,121 Series C-2 Preferred Shares with par value of US$0.0001 each (the "**Series C-2 Preferred Shares**") and 4,452,441 Series C-3 Preferred Shares with par value of US$0.0001 each (the "**Series C-3 Preferred Shares**").

8. If the Company is registered as exempted, its operations will be carried on subject to the provisions of Section 193 of the Companies Law (Revised) and, subject to the provisions of the Companies Law (Revised) and the Articles of Association, it shall have 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.

9. Capitalised 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 (REVISED)

OF THE CAYMAN ISLANDS

COMPANY LIMITED BY SHARES

SIXTH AMENDED AND RESTATED ARTICLES OF ASSOCIATION

OF

ADAGENE INC.

(adopted by a special resolution passed on December 19, 2019)

INTERPRETATION

1. In these Articles Table A in the First Schedule to the Statute does not apply and, unless there is something in the subject or context inconsistent therewith:

"**Additional Consideration**"	shall have the meaning set forth in Article 7.2D hereof.
"**Affiliate**"	shall have the meaning set forth in the Restated Shareholders Agreement.
"**Articles**"	means these articles of association of the Company as originally formed or as from time to time altered by Special Resolution.
"**Auditor**"	means the Person for the time being performing the duties of auditor of the Company (if any).
"**Automatic Conversion**"	shall have the meaning set forth in Article 7.3C hereof.
"**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, Singapore, Hong Kong, the Cayman Islands or the United States.

“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.
“**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.
“**Company**”	means the above named company.
“**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.
“**Conversion Price**”	with respect to a series of Preferred Shares, initially means the applicable Original Issue Price for such series of Preferred Shares (such initial Conversion Price and the rate at which a series of Preferred Shares may be converted into Ordinary Shares, shall be subject to adjustment from time to time as provided in Article 7.3E hereof).

"**Convertible Securities"**	shall have the meaning set forth in Article 7.3E(5)(a)(ii) hereof.
"**Deemed Liquidation Event**"	means any of the following events: (1) (A) any consolidation, amalgamation, scheme of arrangement or merger of a Group Company with or into any other Person or other reorganization in which the Members or shareholders of the Company immediately prior to such consolidation, amalgamation, merger, scheme of arrangement or reorganization own less than a majority of such Group Company's voting power in the aggregate immediately after such consolidation, merger, amalgamation, scheme of arrangement or reorganization, or (B) any transaction or series of related transactions to which a Group Company is a party in which in excess of fifty percent (50%) of such Group Company's voting power is transferred; or (2) a sale, transfer, lease or other disposition of all or substantially all of the assets or business of any Group Company (or any series of related transactions resulting in such sale, transfer, lease or other disposition of all or substantially all of the assets of such Group Company), or entering into a license granting exclusive rights for substantially all of a Group Company's intellectual property in substantially all of the world; provided that corporate activities taken solely for the purpose of achieving a Qualified IPO that has been duly approved in accordance with the Restated Shareholders Agreement and these Articles shall not in any case be a "Deemed Liquidation Event."
"**Director**"	means a director serving on the Board for the time being of the Company and shall include an alternate Director appointed in accordance with these Articles.
"**Drag Holder**"	shall have the meaning ascribed to such term in Article 117.
"**Electronic Record**"	has the same meaning as given in the Electronic Transactions Law (Revised).

"**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, or any contract providing for the acquisition of any of the foregoing.
"**ESOP**"	means the Company's Second Amended and Restated Share Incentive Plan (as amended) duly approved by the Board covering the grant or issuance of up to 11,391,131 Ordinary Shares (or options therefor) (as adjusted in connection with share splits or share consolidation, reclassification or other similar event) to employees, officers, directors, or consultants of a Group Company.
"**Exempted Distribution**"	means (a) a dividend payable solely in Ordinary Shares, (b) the purchase, repurchase or redemption of Ordinary Shares by the Company at no more than the original issuance price from terminated employees, officers or consultants upon such termination in accordance with the ESOP, or pursuant to the exercise of a contractual right of first refusal held by the Company, if any, or pursuant to written contractual arrangements with the Company approved by the Board, and (c) the redemption of the Preferred Shares in connection with the conversion of such Preferred Shares into Ordinary Shares pursuant to these Articles.
"**Founder Director**"	shall have the meaning ascribed to such term in Article 61.D.
"**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.

"**Group Company**"	means each of the Company and all of its direct or indirect Subsidiaries, and "**Group**" refers to all of the Group Companies collectively.
"**Initial Consideration**"	shall have the meaning set forth in Article 7.2D hereof.
"**Interested Transaction**"	shall have the meaning set forth in Article 80 hereof.
"**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 United States Securities Act of 1933, as amended, or another Governmental Authority for a public offering in a jurisdiction other than the United States.
"**Liquidation Event**"	shall have the meaning set forth in Article 7.2A.
"**Majority Preferred Holders**"	means the holders of at least a majority of the voting power of the then outstanding Preferred Shares (voting together as a single class and on an as converted basis).
"**Member**"	has the same meaning as in the Statute.
"**Memorandum**"	means the memorandum of association of the Company as originally formed or as from time to time altered by Special Resolution.
"**New Securities**"	shall have the meaning set forth in Article 7.3E(5)(a)(iii) hereof.
"**ODI Approvals**"	means the examination, approval and/or recordal procedures required by the relevant PRC governmental authorities with respect to the overseas investment by an enterprise established under the laws of the PRC, including without limitation approvals from competent authorities in charge of the overseas investment by PRC entities and the registrations with competent Ministry of Commerce of the People's Republic of China, National Development and Reform Commission and State Administration of Foreign Exchange office (if applicable).
"**Options**"	shall have the meaning set forth in Article 7.3E(5)(a)(i) hereof.

"**Ordinary Resolution**"	means a resolution of a duly constituted general meeting of the Company passed by a simple majority of the votes cast by, or on behalf of, the Members entitled to vote present in person or by proxy and voting at the meeting, or a written resolution as provided in Article 39.
"**Ordinary Share**"	means an ordinary share of US$0.0001 par value per share in the capital of the Company having the rights attaching to it as set out herein.
"**Original Issue Date**"	with respect to a series of Preferred Shares, means the date on which the first share of such series of Preferred Shares was issued.
"**Original Issue Price**"	means (i) US$1.00 for Series A-1 Preferred Shares (ii) US$1.265601 for Series A-2 Preferred Shares, (iii) US$3.736054 for Series B Preferred Shares, (iv) US$8.9328 for Series C-1 Preferred Shares, (v) US$10.2089 for Series C-2 Preferred Shares, or (vi) US$11.2298 for Series C-3 Preferred Shares, in each case as adjusted for share splits, share dividends, combinations, recapitalizations and similar events.
"**Person**"	means any individual, sole proprietorship, partnership, limited partnership, limited liability company, firm, joint venture, estate, trust, unincorporated organization, association, corporation, institution, public benefit corporation, entity or governmental or regulatory authority or other enterprise or entity of any kind or nature.
"**PRC**"	means the People's Republic of China, but solely for the purposes hereof excludes the Hong Kong Special Administrative Region, Macau Special Administrative Region and the island of Taiwan.
"**Preferred Directors**"	means the directors elected pursuant to sections A, B, C, E, F and G of Article 61 hereof.
"**Preferred Shares**"	means the Series A Preferred Shares, the Series B Preferred Shares and the Series C Preferred Shares.
"**Qualified IPO**"	means the closing of a firm commitment underwritten public offering of the Ordinary Shares (or depositary receipts or depositary shares therefor) in the United States pursuant to an effective registration statement under the United States Securities Act of 1933, as amended, with an implied pre-offering market capitalization of the Company (based on the last pre- effectiveness pricing or low-end of the price range information contained in the final draft of such registration statement filed with the Commission) of no less than six hundred and fifty million US Dollars (US$650,000,000) and an aggregate proceeds of no less than US$75 million, before deduction of underwriting discounts and registration expenses, or in an underwritten public offering of the Ordinary Shares (or depositary receipts or depositary shares therefor) in another jurisdiction which results in the Ordinary Shares trading publicly on a recognized international securities exchange approved by the Majority Preferred Holders, voting as a single class, so long as such offering satisfies the foregoing pre-offering valuation and gross proceeds requirements.

"**Register of Members**"	means the register maintained in accordance with the Statute and includes (except where otherwise stated) any duplicate Register of Members.
"**Registered Office**"	means the registered office for the time being of the Company.
"**Related Party**"	means any Affiliate, officer, director, supervisory board member, employee, or holder of any Equity Security of any Group Company, and any Affiliate of any of the foregoing.
"**Repurchased Shares**"	shall have the meaning in Article 7.5A.
"**Repurchase Date**"	shall have the meaning in Article 7.5A.
"**Repurchase Price**"	shall have the meaning in Article 7.5C.
"**Repurchase Request**"	shall have the meaning in Article 7.5A.
"**Requesting Series A Holders**"	shall have the meaning in Article 7.5A.
"**Requesting Series B Holders**"	shall have the meaning in Article 7.5A.
"**Requesting Series C Holders**"	shall have the meaning in Article 7.5A.

"**Restated ROFR Agreement**"	means the Fourth Amended and Restated Right of First Refusal and Co-Sale Agreement among the Company and certain Members dated December 19, 2019, as amended from time to time.
"**Restated Shareholders Agreement**"	means the Fifth Amended and Restated Shareholders Agreement entered into by and among the Company and certain Members on December 19, 2019, as amended from time to time.
"**Seal**"	means the common seal of the Company and includes every duplicate seal.
"**Series A Preferred Shares**"	means, collectively, the Series A-1 Preferred Shares and the Series A-2 Preferred Shares, and each a Series A Preferred Share.
"**Series A-1 Preferred Share**"	means a Series A-1 Preferred Share of US$0.0001 par value per share in the capital of the Company having the rights, preference and privileges attaching to it as set out herein.
"**Series A-2 Preferred Share**"	means a Series A-2 Preferred Share of US$0.0001 par value per share in the capital of the Company having the rights, preference and privileges attaching to it as set out herein.
"**Series B Preferred Share**"	means a Series B Preferred Share of US$0.0001 par value per share in the capital of the Company having the rights, preference and privileges attaching to it as set out herein.
"**Series C Preferred Shares**"	means, collectively, the Series C-1 Preferred Shares, the Series C-2 Preferred Shares and the Series C-3 Preferred Shares, and each a Series C Preferred Share.
"**Series C Repurchase Notice**"	shall have the meaning in Article 7.5A.
"**Series C-1 Preferred Shares**"	means a Series C-1 Preferred Share of US$0.0001 par value per share in the capital of the Company having the rights, preference and privileges attaching to it as set out herein.
"**Series C-2 Preferred Shares**"	means a Series C-2 Preferred Share of US$0.0001 par value per share in the capital of the Company having the rights, preference and privileges attaching to it as set out herein.

"**Series C-3 Preferred Shares**"	means a Series C-3 Preferred Share of US$0.0001 par value per share in the capital of the Company having the rights, preference and privileges attaching to it as set out herein.
"**Series C-3 Shareholder**"	means General Atlantic Singapore AI Pte. Ltd. and any Affiliate thereof that holds any Series C-3 Preferred Shares.
"**Share**" and "**Shares**"	means a share or shares in the capital of the Company and includes a fraction of a share.
"**Special Resolution**"	has the same meaning as in the Statute.
"**Statute**"	means the Companies Law of the Cayman Islands as amended and every statutory modification or re- enactment thereof for the time being in effect.
"**Subsidiary**"	means, with respect to any given Person, any other Person that is Controlled directly or indirectly by such given Person.
"**Target QIPO Date**"	shall have the meaning in Article 7.5A.

2. In the Articles:

2.1 words importing the singular number include the plural number and vice-versa;

2.2 words importing the masculine gender include the feminine gender;

2.3 "written" and "in writing" include all modes of representing or reproducing words in visible form, including in the form of an Electronic Record;

2.4 references to provisions of any law or regulation shall be construed as references to those provisions as amended, modified, re-enacted or replaced from time to time;

2.5 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;

2.6 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 these Articles;

2.7 the term "day" means "calendar day" (unless the term "Business Day" is used), and "month" means calendar month;

2.8 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;

2.9 references to any documents shall be construed as references to such document as the same may be amended, supplemented or novated from time to time;

2.10 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); and

2.11 headings are inserted for reference only and shall be ignored in construing these Articles.

2.12 For purposes of these Articles, the Series A-1 Preferred Shares, the Series A-2 Preferred Shares, Series C-1 Preferred Shares, Series C-2 Preferred Shares and Series C-3 Preferred Shares shall be deemed to be separate series of Preferred Shares.

2.13 For the avoidance of doubt, each other Article herein is subject to the provisions of Article 7, and subject to the requirements of the Statute, in the event of any conflict, the provisions of Article 7 shall prevail over any other Article herein.

COMMENCEMENT OF BUSINESS

3. The business of the Company may be commenced as soon after incorporation as the Directors shall see fit notwithstanding that any part of the Shares may not have been allotted. The Company shall have perpetual existence until wound up or struck off in accordance with the Statute and these Articles.

4. The Directors may pay, out of the capital or any other monies of the Company, all expenses incurred in or about the formation and establishment of the Company, including the expenses of registration.

ISSUE OF SHARES

5. Subject to the provisions, if any, in the Memorandum (and to any direction that may be given by the Company in a general meeting) and to the provisions of the Memorandum and these Articles (including Article 7) and without prejudice to any rights, preferences and privileges attached to any existing Shares, the Directors may allot, issue, grant options or warrants over or otherwise dispose of the Shares and may designate, allot and issue the Shares from time to time in one or more series/classes. In the event that any Preferred Shares shall be converted pursuant to Article 7.3 hereof, the Preferred Shares so converted shall be cancelled and shall not be re-issuable by the Company.

6. The Company shall not issue Shares to bearer.

RIGHTS, PREFERENCES AND PRIVILEGES OF SHARES

7. Certain rights, preferences and privileges of the Preferred Shares of the Company are as follows:

7.1 Dividends Rights.

A. **Preference**.

(1) Each holder of Series C Preferred Shares shall be entitled to receive dividends at the rate of 6% per year of its Original Issue Price per annum for each Series C Preferred Share held by such holder, payable out of funds or assets when and as such funds or assets become legally available therefor on parity with each other, prior and in preference to and satisfied before, any dividend or distribution on any other Preferred Share and Ordinary Share except for an Exempted Distribution. Such dividends shall accrue from day to day based on the actual issuance date of such Series C Preferred Share and shall be non-cumulative; however, such dividends shall be payable only when, as, and if, declared by the Board of Directors.

(2) After the preferential dividends relating to the Series C Preferred Shares under Article 7.1A(1) above have been paid in full or declared and set apart in any fiscal year of the Company, any additional dividends out of funds or assets legally available therefore may be declared in that fiscal year for each holder of each series of Preferred Shares (other than the Series C Preferred Shares) at the rate of 6% per year of its Original Issue Price per annum for each such series of Preferred Shares held by such holder, payable on parity with each other, prior and in preference to and satisfied before, any dividend or distribution on any Ordinary Shares except for an Exempted Distribution. Such dividends shall accrue from day to day based on the actual issuance date of such other Preferred Share and shall be non- cumulative; however, such dividends shall be payable only when, as, and if, declared by the Board of Directors.

(3) After the preferential dividends relating to the Preferred Shares under Articles 7.1A(1) and 7.1A(2) above have been paid in full or declared and set apart in any fiscal year of the Company, any additional dividends out of funds or assets legally available therefore may be declared in that fiscal year for the Shares and, if such additional dividends are declared, the holders of each series of Preferred Shares shall be entitled to participate on an as converted-basis pro-rata in any dividends or distributions paid to the holders of Ordinary Shares.

B. **Restriction; Participation**. Except for an Exempted Distribution, no dividend or distribution, whether in cash, in property, or in any other shares of the Company, shall be declared, paid, set aside or made with respect to the Ordinary Shares at any time unless (i) all declared but unpaid dividends on the Preferred Shares set forth in Article 7.1A (if any) have been paid in full, and (ii) a dividend or distribution is likewise declared, paid, set aside or made, respectively, at the same time with respect to each outstanding Preferred Share such that the dividend or distribution declared, paid, set aside or made to the holder thereof shall be equal to the dividend or distribution that such holder would have received pursuant to this Article 7.1B if such Preferred Share had been converted into Ordinary Shares immediately prior to the record date for such dividend or distribution, or if no such record date is established, the date such dividend or distribution is made, and if such share then participated in and the holder thereof received such dividend or distribution.

7.2 Liquidation Rights.

A. **Liquidation Preferences**. In the event of any liquidation, dissolution or winding up of the Company, or the cessation of the business of the Group or of a substantial portion of the business of the Group (the "**Liquidation Event**"), whether voluntary or involuntary, or any Deemed Liquidation Event (unless waived in writing by the holders of at least 75% of the voting power of the then outstanding Preferred Shares (voting together as a single class and on an as converted basis)), all assets and funds resulting from such Liquidation Event or Deemed Liquidation Event that are legally available for distribution to the Members (after satisfaction of all creditors' claims and claims that may be preferred by law including those related to employees and taxation) shall be distributed to the Members of the Company as follows:

(1) First, the holders of the Series C Preferred Shares then outstanding shall be entitled to receive with respect to each Series C Preferred Share held by such holder, on parity with each other and prior and in preference to any distribution of any of the assets or funds of the Company to the holders of Series B Preferred Shares, Series A Preferred Shares or Ordinary Shares by reason of their ownership of such shares, the amount equal to 100% of its Original Issue Price. If the assets and funds thus distributed among the holders of the Series C Preferred Shares shall be insufficient to permit the payment to such holders of the full amounts payable pursuant to this subparagraph (1), then the entire assets and funds of the Company legally available for distribution shall be distributed ratably among the holders of the Series C Preferred Shares in proportion to the amount each such holder is otherwise entitled to receive pursuant to this subparagraph (1).

(2) Second, if there are any assets or funds remaining after the payment has been distributed or paid in full to the holders of the Series C Preferred Shares pursuant to Article 7.2A(1), the holders of the Series B Preferred Shares then outstanding shall be entitled to receive with respect to each Series B Preferred Share held by such holder, on parity with each other and prior and in preference to any distribution of any of the assets or funds of the Company to the holders of Series A Preferred Shares or Ordinary Shares by reason of their ownership of such shares, the amount equal to 100% of its Original Issue Price. If the assets and funds thus distributed among the holders of the Series B Preferred Shares shall be insufficient to permit the payment to such holders of the full amounts payable pursuant to this subparagraph (2), then the entire assets and funds of the Company legally available for distribution shall be distributed ratably among the holders of the Series B Preferred Shares in proportion to the amount each such holder is otherwise entitled to receive pursuant to this subparagraph (2).

(3) Third, if there are any assets or funds remaining after the payment has been distributed or paid in full to the holders of the Series B Preferred Shares pursuant to Article 7.2A(2), the holders of the Series A Preferred Shares then outstanding shall be entitled to receive with respect to each Series A Preferred Share held by such holder, on parity with each other and prior and in preference to any distribution of any of the assets or funds of the Company to the holders of Ordinary Shares by reason of their ownership of such shares, the amount equal to 100% of its Original Issue Price. If the assets and funds thus distributed among the holders of the Series A Preferred Shares shall be insufficient to permit the payment to such holders of the full amounts payable pursuant to this subparagraph (3), then the entire assets and funds of the Company legally available for distribution shall be distributed ratably among the holders of the Series A Preferred Shares in proportion to the amount each such holder is otherwise entitled to receive pursuant to this subparagraph (3).

(4) Fourth, if there are any assets or funds remaining after the payment has been distributed or paid in full to the holders of the Series A Shares pursuant to Article 7.2A(3), the holders of the Series C Preferred Shares shall be entitled to receive with respect to each Series C Preferred Share by reason of their ownership of such shares a simple interest accruing on such Series C Preferred Share at 6% of its Original Issue Price per annum from the date of issuance of such Series C Preferred Share to the date of distribution of such amount. If the assets and funds thus distributed among the holders of the Series C Preferred Shares shall be insufficient to permit the payment to such holders of the full amounts payable pursuant to this subparagraph (4), then the entire assets and funds of the Company legally available for distribution shall be distributed ratably among the holders of the Series C Preferred Shares in proportion to the amount each such holder is otherwise entitled to receive pursuant to this subparagraph (4).

(5) Fifth, if there are any assets or funds remaining after the payment has been distributed or paid in full to the holders of the Series C Shares pursuant to Article 7.2A(4), the holders of the Series B Preferred Shares shall be entitled to receive with respect to each Series B Preferred Share by reason of their ownership of such shares a simple interest accruing on such Series B Preferred Share at 6% of its Original Issue Price per annum from the date of issuance of such Series B Preferred Share to the date of distribution of such amount. If the assets and funds thus distributed among the holders of the Series B Preferred Shares shall be insufficient to permit the payment to such holders of the full amounts payable pursuant to this subparagraph (5), then the entire assets and funds of the Company legally available for distribution shall be distributed ratably among the holders of the Series B Preferred Shares in proportion to the amount each such holder is otherwise entitled to receive pursuant to this subparagraph (5).

(6) Sixth, if there are any assets or funds remaining after the payment has been distributed or paid in full to the holders of the Series B Shares pursuant to Article 7.2A(5), the holders of the Series A Preferred Shares shall be entitled to receive with respect to each Series A Preferred Share by reason of their ownership of such shares a simple interest accruing on such Series A Preferred Share at 6% of its Original Issue Price per annum from the date of issuance of such Series A Preferred Share to the date of distribution of such amount. If the assets and funds thus distributed among the holders of the Series A Preferred Shares shall be insufficient to permit the payment to such holders of the full amounts payable pursuant to this subparagraph (6), then the entire assets and funds of the Company legally available for distribution shall be distributed ratably among the holders of the Series A Preferred Shares in proportion to the amount each such holder is otherwise entitled to receive pursuant to this subparagraph (6).

(7) Seventh, if there are any assets or funds remaining after the payment has been distributed or paid in full to the applicable holders of each series of Preferred Shares pursuant to Articles 7.2A(1) through 7.2A(6), the remaining assets and funds of the Company available for distribution to the Members shall be distributed ratably among all Members according to the relative number of Ordinary Shares held by such Member (treating for this Article 7.2A(7) all Preferred Shares as if they had been converted to Ordinary Shares immediately prior to such Liquidation Event or Deemed Liquidation Event of the Company). If the assets and funds thus distributed among all Members shall be insufficient to permit the payment to such holders of the full amounts payable pursuant to this subparagraph (7), then the entire assets and funds of the Company legally available for distribution shall be distributed ratably among all Members in proportion to amount each such Member is otherwise entitled to receive pursuant to this subparagraph (7).

B. **Trade Sale**. Notwithstanding Article 7.2A above, in the event that the valuation of the Company implied in a Deemed Liquidation Event or Liquidation Event is no less than US$650 million, all assets and funds resulting from such Liquidation Event or Deemed Liquidation Event that are legally available for distribution to the Members (after satisfaction of all creditors' claims and claims that may be preferred by law including those related to employees and taxation) shall be distributed ratably among all Members of the Company according to the relative number of Ordinary Shares held by such Member (treating for this Article 7.2B all Preferred Shares as if they had been converted to Ordinary Shares immediately prior to such Deemed Liquidation Event or Liquidation Event of the Company) without applying to liquidation distribution method set forth in Article 7.2A.

C. **Valuation of Properties**. In the event the Company proposes to distribute assets other than cash in connection with a Liquidation Event or a Deemed Liquidation Event, the value of the assets to be distributed to the Members shall be determined in good faith by the Board; provided that any securities not subject to investment letter or similar restrictions on free marketability shall be the fair market value thereof as determined in good faith by the Board; provided further that the method of valuation of securities subject to investment letter or other restrictions on free marketability shall be adjusted to make an appropriate discount from the market value of the securities not subject to investment letter or similar restrictions on free marketability to reflect the fair market value thereof as determined in good faith by the Board. Regardless of the foregoing, the Majority Preferred Holders shall have the right to challenge any determination by the Board of value pursuant to this Article 7.2C, in which case the determination of value shall be made by an independent appraiser selected jointly by the Board and the Majority Preferred Holders, with the cost of such appraisal to be borne by the Company.

D. **Allocation of Escrow and Contingent Consideration**. In the event of a Deemed Liquidation Event, if any portion of the consideration payable to the Members is payable only upon satisfaction of contingencies (the "**Additional Consideration**"), the agreement entered into with the Persons providing the consideration in connection with such Deemed Liquidation Event shall provide that (a) the portion of such consideration that is not Additional Consideration (such portion, the "**Initial Consideration**") shall be allocated among the Members in accordance with Article 7.2A as if the Initial Consideration were the only consideration payable in connection with such Deemed Liquidation Event; and (b) any Additional Consideration which becomes payable to the Members upon satisfaction of such contingencies shall be allocated among the Members in accordance with Article 7.2A after taking into account the previous payment of the Initial Consideration as part of the same transaction. For the purposes of this Article 7.2D, consideration placed into escrow or retained as holdback to be available for satisfaction of indemnification or similar obligations in connection with such Deemed Liquidation Event shall be deemed to be Additional Consideration.

E. **Notices**. In the event that the Company shall propose at any time to consummate a Liquidation Event of the Company or a Deemed Liquidation Event, then, in connection with each such event, subject to any necessary approval required in the Statute and these Articles, the Company shall send to all holders of the Preferred Shares at least ten (10) days prior written notice of the date when the same shall take place; provided, however, that the foregoing notice periods may be shortened or waived with the vote or written consent of the Majority Preferred Holders.

F. **Enforcement**. In the event the requirements of this Article 7.2 are not complied with, the Company shall, to the extent permitted by the Statute, forthwith either (i) cause the closing of the applicable transaction to be postponed until such time as the requirements of this Article 7.2 have been complied with, or (ii) cancel such transaction.

G. **Cancellation of Dividend**. In the event of a Liquidation Event or a Deemed Liquidation Event, all declared and unpaid dividend to the members of the Company shall be cancelled and no member shall be entitled to payment of any such dividends.

7.3 Conversion Rights

The holders of the Preferred Shares shall have the rights described below with respect to the conversion of the Preferred Shares into Ordinary Shares:

A. **Conversion Ratio**. Each series of Preferred Share shall be convertible, at the option of the holder thereof, at any time after the applicable Original Issue Date into such number of fully paid and non-assessable Ordinary Shares as determined by dividing the applicable Original Issue Price for such series of Preferred Shares by the then-effective Conversion Price for such series Preferred Shares. The Conversion Price for a series of Preferred Shares shall be subject to adjustment as hereinafter provided.

B. **Optional Conversion**. Subject to the Statute and these Articles, any series of Preferred Share may, at the option of the holder thereof, be converted at any time after the date of issuance of such shares, without the payment of any additional consideration, into fully-paid and non-assessable Ordinary Shares based on the then-effective Conversion Price with respect to such series of Preferred Shares.

C. **Automatic Conversion**. Each series of Preferred Shares shall automatically be converted, based on the then-effective Conversion Price with respect to such Preferred Shares, without the payment of any additional consideration, into fully-paid and non-assessable Ordinary Shares upon the earlier of (i) the closing of a Qualified IPO, or (ii) the date specified by written consent or agreement of the holders of at least 80% of the voting power of the then outstanding Preferred Shares (voting together as a single class and on an as converted basis). Any conversion pursuant to this Article 7.3C shall be referred to as an "**Automatic Conversion**".

D. **Conversion Mechanism**. The conversion hereunder of any applicable Preferred Shares shall be effected in the following manner:

(1) Except as provided in Articles 7.3D(2) and 7.3D(3) below, before any holder of any Preferred Shares shall be entitled to convert the same into Ordinary Shares, such holder shall surrender the certificate or certificates therefor duly endorsed (or in lieu thereof shall deliver an affidavit of lost certificate and indemnity therefor) (if any), at the office of the Company or of any transfer agent for such share to be converted, and shall give notice to the Company at its principal corporate office, of the election to convert the same and shall state therein the name or names in which the certificate or certificates for Ordinary Shares (if applicable) are to be issued. The Company shall, as soon as practicable thereafter, issue and deliver to such holder of applicable Preferred Shares, or to the nominee or nominees of such holder, a certificate or certificates (if applicable) for the number of Ordinary Shares to which such holder shall be entitled as aforesaid, and such conversion shall be deemed to have been made immediately prior to the close of business on the date of such notice and such surrender of the certificates representing the Preferred Shares, or affidavits of lost certificate, to be converted, the Register of Members of the Company shall be updated accordingly to reflect the same, and the Person or Persons entitled to receive the Ordinary Shares issuable upon such conversion shall be treated for all purposes as the record holder or holders of such Ordinary Shares as of such date.

(2) If the conversion is in connection with an underwritten public offering of securities, the conversion will be conditioned upon the closing with the underwriter(s) of the sale of securities pursuant to such offering and the Person(s) entitled to receive the Ordinary Shares issuable upon such conversion shall not be deemed to have converted the applicable Preferred Shares until immediately prior to the closing of such sale of securities.

(3) Upon the occurrence of an event of Automatic Conversion, the Company shall give all holders of Preferred Shares to be automatically converted at least ten (10) days' prior written notice of the date fixed (which date shall in the case of a Qualified IPO be the latest practicable date immediately prior to the closing of a Qualified IPO) and the place designated for automatic conversion of all such Preferred Shares pursuant to this Article 7.3D. Such notice shall be given pursuant to Articles 105 through 109 to each record holder of such Preferred Shares at such holder's address appearing on the Register of Members. On or before the date fixed for conversion, each holder of such Preferred Shares shall surrender the applicable certificate or certificates duly endorsed (or in lieu thereof shall deliver an affidavit of lost certificate and indemnity therefor) (if any) for all such shares to the Company at the place designated in such notice. On the date fixed for conversion, the Company shall effect such conversion and update its Register of Members to reflect such conversion, and upon surrender of the certificate or certificates of the shares to be converted, duly endorsed (or in lieu thereof upon delivery of an affidavit of lost certificate and indemnity therefor) (if any), the holder thereof shall be entitled to receive certificates (if applicable) for the number of Ordinary Shares into which such Preferred Shares have been converted. All certificates evidencing such Preferred Shares shall, from and after the date of conversion, be deemed to have been retired and cancelled and the Preferred Shares represented thereby converted into Ordinary Shares for all purposes, notwithstanding the failure of the holder or holders thereof to surrender such certificates on or prior to such date.

(4) The Company may effect the conversion of Preferred Shares in any manner available under applicable law, including redeeming or repurchasing the relevant Preferred Shares and applying on behalf of the holders thereof the proceeds thereof towards payment for the new Ordinary Shares. For purposes of the repurchase or redemption, the Company may, subject to the Company being able to pay its debts in the ordinary course of business, make payments out of its capital.

(5) No fractional Ordinary Shares shall be issued upon conversion of any Preferred Shares. In lieu of any fractional shares to which the holder would otherwise be entitled, the Company shall at the discretion of the Board of Directors either (i) pay cash equal to such fraction multiplied by the fair market value for the applicable Preferred Share as determined and approved by the Board of Directors, or (ii) issue one whole Ordinary Share for each fractional share to which the holder would otherwise be entitled.

(6) Upon conversion, all declared but unpaid share dividends on the applicable Preferred Shares shall be paid in shares and all declared but unpaid cash dividends on the applicable Preferred Shares shall be paid either in cash or by the issuance of such number of further Ordinary Shares as equal to the value of such cash amount divided by the applicable conversion price, at the option of the holder of the applicable Preferred Shares.

E. **Adjustment of Conversion Price**. The Conversion Price shall be adjusted and re-adjusted from time to time prior to a Qualified IPO as provided below:

(1) **Adjustment for Share Splits and Combinations**. If the Company shall at any time, or from time to time, effect a subdivision of the outstanding Ordinary Shares, the Conversion Price of each class or series of Preferred Shares in effect immediately prior to such subdivision shall be proportionately decreased. Conversely, if the Company shall at any time, or from time to time, combine the outstanding Ordinary Shares into a smaller number of shares, the Conversion Price of each class or series of Preferred Shares in effect immediately prior to such combination shall be proportionately increased. Any adjustment under this paragraph shall become effective at the close of business on the date the subdivision or combination becomes effective.

(2) **Adjustment for Ordinary Share Dividends and Distributions.** If the Company makes (or fixes a record date for the determination of holders of Ordinary Shares entitled to receive) a dividend or other distribution to the holders of Ordinary Shares payable in additional Ordinary Shares, the Conversion Price of each class or series of Preferred Shares then in effect shall be decreased as of the time of such issuance (or in the event such record date is fixed, as of the close of business on such record date) by multiplying such Conversion Price immediately prior to such dividend or distribution by a fraction (i) the numerator of which is the total number of Ordinary Shares issued and outstanding immediately prior to the time of such issuance or the close of business on such record date, and (ii) the denominator of which is the total number of Ordinary Shares issued and outstanding immediately prior to the time of such issuance or the close of business on such record date plus the number of Ordinary Shares issuable in payment of such dividend or distribution.

(3) **Adjustments for Other Dividends.** If the Company at any time, or from time to time, makes (or fixes a record date for the determination of holders of Ordinary Shares entitled to receive) a dividend or other distribution payable in securities of the Company other than Ordinary Shares or payable in any other asset or property (other than cash), then, and in each such event subject to compliance with Article 7.1A and to the extent not duplicative with Article 7.1A, provision shall be made so that, upon conversion of any Preferred Share thereafter, the holder thereof shall receive, in addition to the number of Ordinary Shares issuable thereon, the amount of securities of the Company or other asset or property which the holder of such share would have received in connection with such event had the Preferred Shares been converted into Ordinary Shares immediately prior to such event, all subject to further adjustment as provided herein.

(4) **Adjustments for Reorganizations, Mergers, Consolidations, Reclassifications, Exchanges, Substitutions.** If at any time, or from time to time, any capital reorganization or reclassification of the Ordinary Shares (other than as a result of a share dividend, subdivision, split or combination otherwise treated above) occurs or the Company is consolidated, merged or amalgamated with or into another Person (other than a consolidation, merger or amalgamation treated as a liquidation in Article 7.2B), then in any such event, provision shall be made so that, upon conversion of any Preferred Share thereafter, the holder thereof shall receive the kind and amount of shares and other securities and property which the holder of such shares would have received in connection with such event had the relevant Preferred Shares been converted into Ordinary Shares immediately prior to such event, all subject to further adjustment as provided herein, or with respect to such other securities or property, in accordance with any terms applicable hereto.

(5) Adjustments to Conversion Price for Dilutive Issuance.

(a) **Special Definition**. For purpose of this Article 7.3E(5), the following definitions shall apply:

(i) "**Options**" mean rights, options or warrants to subscribe for, purchase or otherwise acquire either Ordinary Shares or Convertible Securities approved in accordance with the Restated Shareholders Agreement and these Articles.

(ii) "**Convertible Securities**" shall mean any indebtedness, shares or other securities directly or indirectly convertible into or exchangeable for Ordinary Shares.

(iii) "**New Securities**" shall mean all Ordinary Shares issued (or, pursuant to Article 7.3E(5)(c), deemed to be issued) by the Company after the date on which these Articles are adopted, other than the following issuances, each duly approved in accordance with the Restated Shareholders Agreement and these Articles:

a). Ordinary Shares (or Options exercisable for such Ordinary Shares) (as appropriately adjusted for with share splits or share consolidation, share dividends, recapitalization, deduction, reclassification or other similar event) to the Group Companies' employees, officers, directors, consultants or any other Persons qualified pursuant to the ESOP with each grant duly approved by the Board;

b). Ordinary Shares issued or issuable pursuant to a share split or sub-division, share dividend, combination, recapitalization or other similar transaction of the Company, as described in Article 7.3E(1) through Article 7.3E(4);

c). any Ordinary Shares issued pursuant to *bona fide* transactions with commercial lenders or lessors in connection with loans, credit arrangements, equipment financings or similar transactions, each such transaction having been duly approved by the Board or the Members in accordance with the Restated Shareholders Agreement and these Articles;

d). any Ordinary Shares issued pursuant to bona fide transactions with licensors, collaborator or strategic partners in connection with technology licensing, research, development or commercialization collaboration, strategic partnership or similar transactions, each such transaction having been duly approved by the Board or the Members in accordance with the Restated Shareholders Agreement and these Articles;

e). 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, in any case, duly approved in accordance with Article 7.4B;

f). any Series C-2 Preferred Shares issued under that certain Share Purchase Agreement among the Company and certain other parties thereto dated June 9, 2019 in accordance with the terms therein, and any Series C-3 Preferred Shares issued under pursuant to certain Share Purchase Agreement among the Company and certain other parties thereto dated October 15, 2019 in accordance with the terms therein;

g). Ordinary Shares issued upon the conversion of Preferred Shares;

h). any Equity Securities of the Company issued pursuant to a Qualified IPO.

(b) **Waiver of Adjustment**. No adjustment in the Conversion Price with respect to any series of Preferred Shares shall be made as the result of the issuance or deemed issuance of New Securities if the Company receives written notice from the Majority Preferred Holders agreeing that no such adjustment shall be made as the result of the issuance or deemed issuance of such New Issuance.

(c) **Deemed Issuance of New Securities**. In the event the Company at any time or from time to time after the applicable Original Issue Date for a series of Preferred Shares shall issue any Options or Convertible Securities or shall fix a record date for the determination of holders of any series or class of securities entitled to receive any such Options or Convertible Securities, then the maximum number of Ordinary Shares (as set forth in the instrument relating thereto without regard to any provisions contained therein for a subsequent adjustment of such number for anti-dilution adjustments) issuable upon the exercise of such Options or, in the case of Convertible Securities and Options therefor, the conversion or exchange of such Convertible Securities or the exercise of such Options, shall be deemed to be New Securities issued as of the time of such issue or, in case such a record date shall have been fixed, as of the close of business on such record date, provided that in any such case in which New Securities are deemed to be issued:

(i) no further adjustment in the Conversion Price with respect to such series of Preferred Shares shall be made upon the subsequent issue of Convertible Securities or Ordinary Shares upon the exercise of such Options or conversion or exchange of such Convertible Securities or upon the subsequent issue of Options for Convertible Securities or Ordinary Shares;

(ii) if such Options or Convertible Securities by their terms provide, with the passage of time or otherwise, for any change in the consideration payable to the Company, or change in the number of Ordinary Shares issuable, upon the exercise, conversion or exchange thereof, any then effective Conversion Price with respect to any series of Preferred Shares computed upon the original issue thereof (or upon the occurrence of a record date with respect thereto), and any subsequent adjustments based thereon, shall, upon any such change becoming effective, be recomputed to reflect such change insofar as it affects such Options or the rights of conversion or exchange under such Convertible Securities;

(iii) no readjustment pursuant to Article 7.3E(5)(c)(ii) shall have the effect of increasing the then effective applicable Conversion Price with respect to any Preferred Share to an amount which exceeds the applicable Conversion Price with respect to such Preferred Share that would have been in effect had no adjustments in relation to the issuance of such Options or Convertible Securities as referenced in Article 7.3E(5)(c)(ii) been made.

(iv) upon the expiration of any such Options or any rights of conversion or exchange under such Convertible Securities that have not been exercised, the then effective Conversion Price with respect to any series of Preferred Shares computed upon the original issue thereof (or upon the occurrence of a record date with respect thereto) and any subsequent adjustments based thereon shall, upon such expiration, be recomputed as if:

(x) in the case of Convertible Securities or Options for Ordinary Shares, the only New Securities issued were the Ordinary Shares, if any, actually issued upon the exercise of such Options or the conversion or exchange of such Convertible Securities and the consideration received therefor was the consideration actually received by the Company for the issue of such exercised Options plus the consideration actually received by the Company upon such exercise or for the issue of all such Convertible Securities that were actually converted or exchanged, plus the additional consideration, if any, actually received by the Company upon such conversion or exchange, and

(y) in the case of Options for Convertible Securities, only the Convertible Securities, if any, actually issued upon the exercise thereof were issued at the time of issue of such Options, and the consideration received by the Company for the New Securities deemed to have been then issued was the consideration actually received by the Company for the issue of such exercised Options, plus the consideration deemed to have been received by the Company (determined pursuant to Article 7.3E(5)(e)) upon the issue of the Convertible Securities with respect to which such Options were actually exercised; and

(v) if such record date shall have been fixed and such Options or Convertible Securities are not issued on the date fixed therefor, the adjustment previously made in the Conversion Price with respect to any series of Preferred Shares which became effective on such record date shall be cancelled as of the close of business on such record date, and thereafter the Conversion Price with respect to any series of Preferred Shares shall be adjusted pursuant to this Article 7.3E(5)(c) as of the actual date of their issuance.

(d) **Adjustment of Conversion Price upon Issuance of New Securities**. In the event of an issuance of New Securities, at any time after the Original Issue Date of a series Preferred Shares, for a consideration per Ordinary Share received by the Company (net of any selling concessions, discounts or commissions) less than the Conversion Price with respect to such series of Preferred Shares as in effect immediately prior to such issue, then and in such event, the Conversion Price with respect to such series of Preferred Shares shall be reduced, concurrently with such issue, to a price determined as set for the below:

NCP = OCP * (OS + (NP/OCP))/(OS + NS)

WHERE:

NCP = the new Conversion Price with respect to such series of Preferred Shares,

OCP = the Conversion Price with respect to such series of Preferred Shares in effect immediately before the issuance of the New Securities,

OS = the total outstanding Ordinary Shares immediately before the issuance of the New Securities plus the total Ordinary Shares issuable upon conversion of outstanding Convertible Securities and exercise of outstanding Options,

NP = the total consideration received for the issuance or sale of the New Securities, and

NS = the number of New Securities issued or sold or deemed issued or sold.

(e) **Determination of Consideration**. For purposes of this Article 7.3E(5), the consideration received by the Company for the issuance of any New Securities shall be computed as follows:

(i) **Cash and Property**. Such consideration shall:

(1) insofar as it consists of cash, be computed at the aggregate amount of cash received by the Company excluding amounts paid or payable for accrued interest or accrued dividends and excluding any discounts, commissions or placement fees payable by the Company to any underwriter or placement agent in connection with the issuance of any New Securities;

(2) insofar as it consists of property other than cash, be computed at the fair market value thereof at the time of such issue, as determined and approved in good faith by the Board of Directors (so long as such approval includes the approval of at least three

(3) Preferred Directors); provided, however, that no value shall be attributed to any services performed by any employee, officer or director of any Group Company; (3) in the event New Securities are issued together with other Shares or securities or other assets of the Company for consideration which covers both, be the proportion of such consideration so received which relates to such New Securities, computed as provided in clauses (1) and (2) above, as reasonably determined in good faith by the Board of Directors including the approval of at least three (3) Preferred Directors.

(ii) **Options and Convertible Securities**. The consideration per Ordinary Share received by the Company for New Securities deemed to have been issued pursuant to Article 7.3E(5)(c) hereof relating to Options and Convertible Securities, shall be determined by dividing (x) the total amount, if any, received or receivable by the Company as consideration for the issue of such Options or Convertible Securities (determined in the manner described in paragraph (i) above), plus the minimum aggregate amount of additional consideration (as set forth in the instruments relating thereto, without regard to any provision contained therein for a subsequent adjustment of such consideration) payable to the Company upon the exercise of such Options or the conversion or exchange of such Convertible Securities, or in the case of Options for Convertible Securities, the exercise of such Options for Convertible Securities and the conversion or exchange of such Convertible Securities by (y) the maximum number of Ordinary Shares (as set forth in the instruments relating thereto, without regard to any provision contained therein for a subsequent adjustment of such number) issuable upon the exercise of such Options or the conversion or exchange of such Convertible Securities.

(6) **No Impairment**. The Company will not, by amendment of these Articles, by taking any other corporate action or through any reorganization, recapitalization, transfer of assets, consolidation, merger, amalgamation, scheme of arrangement, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms to be observed or performed hereunder by the Company, but will at all times in good faith assist in the carrying out of all the provisions of this Article 7.3 and in the taking of all such action as may be necessary or appropriate to protect the conversion rights of the holders of Preferred Shares against impairment.

(7) **Certificate of Adjustment**. In the case of any adjustment or readjustment of the Conversion Price with respect to any series of Preferred Shares, the Company, at its sole expense, shall compute such adjustment or readjustment in accordance with the provisions hereof and prepare a certificate showing such adjustment or readjustment, and shall deliver such certificate by notice to each registered holder of such series of Preferred Shares, at the holder's address as shown in the Company's books. The certificate shall set forth such adjustment or readjustment, showing in detail the facts upon which such adjustment or readjustment is based, including a statement of (i) the consideration received or deemed to be received by the Company for any New Securities issued or sold or deemed to have been issued or sold, (ii) the number of New Securities issued or sold or deemed to be issued or sold, (iii) the Conversion Price with respect to such series of Preferred Shares in effect before and after such adjustment or readjustment, and (iv) the type and number of Equity Securities of the Company, and the type and amount, if any, of other property which would be received upon conversion of such Preferred Shares after such adjustment or readjustment.

(8) **Notice of Record Date**. In the event the Company shall propose to take any action of the type or types requiring an adjustment set forth in this Article 7.3E, the Company shall give notice to the holders of the relevant Preferred Shares, which notice shall specify the record date, if any, with respect to any such action and the date on which such action is to take place. Such notice shall also set forth such facts with respect thereto as shall be reasonably necessary to indicate the effect of such action (to the extent such effect may be known at the date of such notice) on the applicable Conversion Price with respect to the relevant Preferred Share, and the number, kind or class of shares or other securities or property which shall be deliverable upon the occurrence of such action or deliverable upon the conversion of the relevant Preferred Shares. In the case of any action which would require the fixing of a record date, such notice shall be given at least twenty (20) days prior to the date so fixed, and in the case of all other actions, such notice shall be given at least thirty (30) days prior to the taking of such proposed action.

(9) **Reservation of Shares Issuable Upon Conversion**. The Company shall at all times reserve and keep available out of its authorized but unissued Ordinary Shares, solely for the purpose of effecting the conversion of the Preferred Shares, such number of its Ordinary Shares as shall from time to time be sufficient to effect the conversion of all outstanding Preferred Shares. If at any time the number of authorized but unissued Ordinary Shares shall not be sufficient to effect the conversion of all then outstanding Preferred Shares, in addition to such other remedies as shall be available to the holders of Preferred Shares, the Company and its Members will take such corporate action as may, in the opinion of its counsel, be necessary to increase its authorized but unissued Ordinary Shares to such number of shares as shall be sufficient for such purpose.

(10) **Notices**. Any notice required or permitted pursuant to this Article 7.3 shall be given in writing and shall be given in accordance with Articles 105 through 109.

(11) **Payment of Taxes**. The Company will pay all taxes (other than taxes based upon income) and other governmental charges that may be imposed with respect to the issue or allotment of Ordinary Shares upon conversion of the Preferred Shares, excluding any tax or other charge imposed in connection with any transfer involved in the issue and allotment of Ordinary Shares in a name other than that in which such Preferred Shares so converted were registered.

7.4 Voting Rights.

A. **General Rights**. Subject to the provisions of the Memorandum and these Articles (including any Article providing for special voting rights), at all general meetings of the Company: (a) the holder of each Ordinary Share issued and outstanding shall have one vote in respect of each Ordinary Share held, and (b) the holder of a Preferred Share shall be entitled to such number of votes as equals the whole number of Ordinary Shares into which such holder's collective Preferred Shares are convertible immediately after the close of business on the record date of the determination of the Company's Members entitled to vote or, if no such record date is established, at the date such vote is taken or any written consent of the Company's Members is first solicited. Fractional votes shall not, however, be permitted and any fractional voting rights available on an as converted basis (after aggregating all shares into which the Preferred Shares held by each holder could be converted) shall be rounded to the nearest whole number (with one-half being rounded upward). To the extent that the Statute or the Articles allow the Series A Preferred Shares, Series B Preferred Shares and Series C Preferred Shares to vote separately as a class or series with respect to any matters, the Series A Preferred Shares, Series B Preferred Shares and Series C Preferred Shares, shall have the right to vote separately as a class or series with respect to such matters.

B. **Protective Provisions**.

(1) **Approval by Majority Preferred Holders**. So long as no less than twenty-five percent (25%) of the Preferred Shares originally issued at the respective closings are outstanding, the Company shall not take, permit to occur, approve, authorize, or agree or commit to do any of the following, and each Member shall procure the Company not to, take, permit to occur, approve, authorize, or agree or commit to do any of the following, and the Company shall not permit any other Group 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 in writing by the Majority Preferred Holders in advance:

(a) any amendment or change of the rights, preferences, privileges or powers of, or restrictions provided for the benefit of, any of the Preferred Shares;

(b) any creation, increase or decrease in the authorized number, or repurchase or redemption, of Preferred Shares, Ordinary Shares or any Equity Securities of any Group Company other than (w) the purchase, repurchase or redemption of Ordinary Shares by the Company at no more than the original issuance price from terminated employees, officers or consultants upon such termination in accordance with the ESOP, or pursuant to the exercise of a contractual right of first refusal held by the Company, if any, or pursuant to any share incentive plan option agreement or share incentive plan option exercise and ordinary share purchase agreement with the Company as approved by the Board, (x) the redemption of the Preferred Shares in connection with the conversion of such Preferred Shares into Ordinary Shares pursuant to these Articles (y) the redemption or repurchase of any Preferred Shares by the Company at the request of any holder of Preferred Shares in accordance with these Articles and the Restated Shareholders Agreement, and (z) increase or issuance of Equity Securities of a Group Company after which the Group Company remains a wholly owned subsidiary of the Company, directly or indirectly;

(c) authorize, create, issue, or reclassify (or grant any right or entitlement for acquiring or subscribing for or reclassifying) (x) any Equity Securities of the Company having any preference or priority as to rights or privileges superior to or on parity with any such preference or priority of any of the Preferred Shares, other than such exclusions specified in Articles 7.3E(5)(a)(iii)a) to 7.3E(5)(a)(iii)h), or (y) any Equity Securities of any other Group Company;

(d) any change of the size of the board of directors of any Group Company or change the manner in which the directors are appointed, other than changes pursuant to and in compliance with these Articles;

(e) a Deemed Liquidation Event or Liquidation Event;

(f) any amendment or modification to, or waiver under, the Charter Documents, other than amendments pursuant to and in compliance with Section 13.17 of the Restated Shareholders Agreement;

(g) any declaration, set aside or payment of a dividend or other distribution by the Company, or the adoption of or any change to the dividend policy;

(h) any merger, amalgamation, scheme of arrangement, reorganization, restructuring, or consolidation of any Group Company with any Person, or the purchase or other acquisition by any Group Company of assets, equity or business of another Person, or any sale, transfer or other disposal of all or substantially part of any Group Company's assets or business, or sale or exclusive license of all or substantially all of the intellectual property of any Group Company, unless such matter is approved by the Board which shall include the consent of at least four (4) Preferred Directors and such matter does not constitute a Deemed Liquidation Event;

(i) the entry into any contract or commitment by any Group Company with any Related Party that is not on arm's length terms or with a value in excess of US$5,000,000 in a single transaction or a series of transactions (provided that transactions with WuXi AppTec Co., Ltd. or its Affiliates would not be subject to this cap if such transaction or a series of transactions are on arm's length terms and in the ordinary course of business of the Group Companies), or the termination or material amendment of or waiver under any such contract or commitment, unless such matter is approved by the Board which shall include the consent of at least four (4) Preferred Directors (or a majority of the Preferred Directors if any director is recused from voting on such matter); and

(j) any action by any Group Company to authorize, approve or enter into any agreement or obligation with respect to any action listed above.

7.5 Repurchase Right.

A. **Request for Repurchase**. Subject to the terms and conditions of this Article 7.5 and the provisions of applicable law, if the Company fails to consummate a Qualified IPO or complete a Deemed Liquidation Event, each duly approved in accordance with the Restated Shareholders Agreement and these Articles on or before March 31, 2025 (the "**Target QIPO Date**"), upon the written request issued within one hundred and eighty (180) days after the Target QIPO Date by the holders of the majority of outstanding Series A Preferred Shares with respect to the shares of Series A Preferred Shares held by such holders (such holders, the "**Requesting Series A Holders**"), holders of the majority of the outstanding Series B Preferred Shares with respect to the shares of Series B Preferred Shares held by such holders (such holders, the "**Requesting Series B Holders**"),or holders of the majority of the outstanding Series C Preferred Shares with respect to the shares of Series C Preferred Shares held by such holders (such holders, the "**Requesting Series C Holders**") (each such repurchase request, a "**Repurchase Request**"), the Company shall, on the date within sixty (60) Business Days upon receipt of any Repurchase Request (the "**Repurchase Date**"), repurchase out of funds legally available thereof, such number of Preferred Shares that such Requesting Series A Holders, Requesting Series B Holders or Requesting Series C Holders (as applicable) request to be repurchased which have not been converted into Ordinary Shares (the "**Repurchased Shares**"); provided that, (i) the Company shall, within ten (10) Business Days following the receipt of such Repurchase Request made by the Requesting Series A Holders, provide a notice (the "**Series A Repurchase Notice**") to each of the other holders of the outstanding Series A Preferred Shares, and each such other holder of outstanding Series A Preferred Shares shall have a right to elect to have any or all of its Series A Preferred Shares to be repurchased by the Company on the Repurchase Date by delivering to the Company a written notice requesting such repurchase no later than ten (10) Business Days following its receipt of the Series A Repurchase Notice, and the Company shall be obligated to repurchase such shares on the Repurchase Date on the same terms and conditions of the repurchase of the Series A Preferred Shares held by the Requesting Series A Holders; (ii) the Company shall, within ten (10) Business Days following the receipt of such Repurchase Request made by the Requesting Series B Holders, provide a notice (the "**Series B Repurchase Notice**") to each of the other holders of the outstanding Series B Preferred Shares, and each such other holder of outstanding Series B Preferred Shares shall have a right to elect to have any or all of its Series B Preferred Shares to be repurchased by the Company on the Repurchase Date by delivering to the Company a written notice requesting such repurchase no later than ten (10) Business Days following its receipt of the Series B Repurchase Notice, and the Company shall be obligated to repurchase such shares on the Repurchase Date on the same terms and conditions of the repurchase of the Series B Preferred Shares held by the Requesting Series B Holders; and (iii) the Company shall, within ten (10) Business Days following the receipt of such Repurchase Request made by the Requesting Series C Holders, provide a notice (the "**Series C Repurchase Notice**") to each of the other holders of the outstanding Series C Preferred Shares, and each such other holder of outstanding Series C Preferred Shares shall have a right to elect to have any or all of its Series C Preferred Shares to be repurchased by the Company on the Repurchase Date by delivering to the Company a written notice requesting such repurchase no later than ten (10) Business Days following its receipt of the Series C Repurchase Notice, and the Company shall be obligated to repurchase such shares on the Repurchase Date on the same terms and conditions of the repurchase of the Series C Preferred Shares held by the Requesting Series C Holders.

Each such series of Preferred Shares called for repurchase as provided above shall be repurchased in cash at the Repurchase Price of such series of Preferred Shares and shall be paid from any source of funds legally available therefor.

B. **Withdrawal or Termination of Request**. A Repurchase Request may be withdrawn or terminated by the requesting Shareholders, but only with respect to the Shares of such series of Preferred Shares that had not been repurchased in full in cash as of the date such request for withdrawal or termination is made.

C. **Repurchase Price**. The repurchase price for each Preferred Share shall be an amount in cash equal to 100% of the applicable Original Issue Price for the applicable series of Preferred Shares plus any declared but unpaid dividends thereon (the "**Repurchase Price**").

D. **Insufficient Legally Available Fund**. Notwithstanding any other provision set forth in this Article 7.5, if upon any Repurchase Date scheduled for the repurchase of Preferred Shares, the funds and assets of the Company legally available to repurchase such Shares shall be insufficient to repurchase all such Preferred Shares then scheduled to be repurchased, then:

(1) the holders of such Preferred Shares to be repurchased shall share ratably in any repurchase in proportion to the respective Repurchase Prices that would otherwise be payable in respect of such Preferred Shares held and elected to be repurchased by them upon such repurchase if all amounts payable on or with respect to such Preferred Shares were paid in full; and

(2) any Preferred Shares not repurchased shall be carried forward and shall be repurchased (together with any other Preferred Shares then scheduled to be repurchased) at the next such scheduled Repurchase Date to the full extent of legally available funds of the Company at such time.

Any such Preferred Shares not repurchased shall continue to be so carried forward until repurchased. Preferred Shares that are subject to repurchase hereunder but have not been repurchased due to insufficient legally available funds and assets of the Company shall continue to be outstanding and entitled to all dividend, liquidation, conversion and other rights, powers and preferences of the Preferred Shares respectively until three (3) days prior to the Repurchase Date upon which such Preferred Shares have been converted or repurchased.

E. **Repurchase Notice.** At least twenty (20) days prior to the Repurchase Date, written notice in accordance with the provisions hereof shall be given by the Company to each Shareholder (at the close of business on the Business Day next preceding the day on which notice is given), notifying such Shareholder of (a) the repurchase to be effected, (b) specifying the Repurchase Date(s), the applicable Repurchase Price, the number of Repurchased Shares, the place at which payment may be obtained and the date on which such holder's conversion rights as to such Preferred Shares terminate (which date shall be three (3) days prior to each Repurchase Date with respect to the Preferred Shares to be repurchased on that date) and (c) calling upon holders of Repurchased Shares to surrender to the Company, in the manner and at the place designated, the certificate or certificates representing the Repurchased Shares (the "**Repurchase Notice**").

F. **Surrender of Certificates.** On or before each designated Repurchase Date, each holder of a series of Preferred Shares to be repurchased shall (unless such holder has previously exercised such holder's right to convert such Preferred Shares into Ordinary Shares as provided in Article 7.3 hereof), surrender the certificate(s) representing such Shares of such series of Preferred Shares to be repurchased to the Company, in the manner and at the place designated in the Repurchase Notice, and thereupon the Repurchase Price for such Preferred Shares shall be payable to the order of the person whose name appears in the Register of Members as the owner thereof, and each surrendered certificate shall be cancelled and retired. If less than all of the Preferred Shares represented by such certificate are repurchased, then the Company shall promptly issue a new certificate representing the Preferred Shares not repurchased.

G. **Effect of Repurchase.** If the Repurchase Notice shall have been duly given for a series of Preferred Shares, and if on any Repurchase Date the Repurchase Price for such series of Preferred Shares to be repurchased thereon is either paid or made available for payment through the deposit arrangements specified in Article 7.5H hereof, then notwithstanding that the certificates evidencing any of the such Preferred Shares so called for repurchase on such Repurchase Date shall not have been surrendered, such Preferred Shares shall not thereafter be transferred on the Company's books and the rights of all of the holders of such Preferred Shares with respect to such Preferred Shares shall terminate on such Repurchase Date, except only the right of the holders to receive the Repurchase Price from the Company or the payment agent, without interest, upon surrender of their certificate(s) therefor.

H. **Deposit of Repurchase Price.** On or prior to the Repurchase Date for any Preferred Shares, the Company may, at its option, deposit with an independent payment agent, a sum equal to the aggregate Repurchase Price for all Shares of each series of Preferred Shares called for repurchase on that Repurchase Date and not yet repurchased, with irrevocable instructions and authority to the payment agent to pay, on or after the Repurchase Date, the Repurchase Price to the respective holders of Preferred Shares upon the surrender of their share certificates. The deposit shall constitute full payment of the Preferred Shares called for repurchase on that Repurchase Date to their holders, and from and after the such Repurchase Date, such Preferred Shares shall be deemed to be repurchased and no longer outstanding, provided that the terms and conditions of such deposit and irrevocable instructions and authority to the payment agent are to the reasonable satisfaction of the holder(s) of the Repurchase Shares. Any funds so deposited and unclaimed at the end of one (1) year from such Repurchase Date shall be released or repaid to the Company, after which time the holders of Preferred Shares called for repurchase who have not claimed such funds shall be entitled to receive payment of the Repurchase Price only from the Company.

I. **Alternative to Company Repurchase**. Notwithstanding the provisions of this Article 7.5, the Company is entitled to satisfy its repurchase obligations with respect to any portion of the Preferred Shares subject to a Repurchase Request pursuant to this Article 7.5 by causing one or more third party Persons to purchase such Preferred Shares at the Repurchase Price within sixty (60) Business Days upon the receipt of the Repurchase Request.

REGISTER OF MEMBERS

8. The Company shall maintain or cause to be maintained the Register of Members in accordance with the Statute. The Register of Members shall be the only evidence as to who are the Members entitled to examine the Register of Members or to vote in person or by proxy at any meeting of Members.

FIXING RECORD DATE

9. The Directors may fix in advance a date as the record date for any determination of Members entitled to notice of or to vote at a meeting of the Members, or any adjournment thereof, and for the purpose of determining the Members entitled to receive payment of any dividend the Directors may, at or within ninety (90) days prior to the date of declaration of such dividend, fix a subsequent date as the record date for such determination.

10. If no record date is fixed for the determination of Members entitled to notice of, or to vote at, a meeting of Members or Members entitled to receive payment of a dividend, the date on which notice of the meeting is sent 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 Members entitled to vote at any meeting of Members has been made as provided in this Article, such determination shall apply to any adjournment thereof.

CERTIFICATES FOR SHARES

11. A Member shall only be entitled to a share certificate if the Directors resolve that share certificates shall be issued. Share certificates representing Shares, if any, shall be in such form as the Directors may determine. Share certificates shall be signed by one or more Directors or other Person authorised by the Directors. The Directors may authorise certificates to be issued with the authorised signature(s) affixed by mechanical process. All certificates for Shares shall be consecutively numbered or otherwise identified and shall specify the Shares to which they relate. All certificates surrendered to the Company for transfer shall be cancelled and, subject to these Articles, no new certificate shall be issued until the former certificate representing a like number of relevant Shares shall have been surrendered and cancelled.

12. The Company shall not be bound to issue more than one certificate for Shares held jointly by more than one Person and delivery of a certificate to one joint holder shall be a sufficient delivery to all of them.

13. If a share certificate is defaced, worn out, lost or destroyed, it may be renewed on such terms (if any) as to evidence and indemnity and on the payment of such expenses reasonably incurred by the Company in investigating evidence, as the Directors may prescribe, and (in the case of defacement or wearing out) upon delivery of the old certificate.

TRANSFER OF SHARES

14. The Shares of the Company are subject to transfer restrictions as set forth in the Restated Shareholders Agreement and the Restated ROFR Agreement, by and among the Company and certain of its Members. The Company will register transfers of Shares that are made in accordance with such agreements and will not register transfers of Shares that are made in violation of such agreements. The instrument of transfer of any Share shall be in writing and shall be 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 the holder of a Share until the name of the transferee is entered in the Register of Members.

REDEMPTION AND REPURCHASE OF SHARES

15. Subject to the provision of the Statute, the Company is permitted to redeem, purchase or otherwise acquire any of the Company's Shares, so long as such redemption, purchase or acquisition (i) is pursuant to any redemption provisions set forth in these Articles, (ii) is pursuant to the ESOP, or (iii) is as otherwise agreed by the holder of such Share and the Company, subject in the case of clause (ii) or (iii) to compliance with any applicable restrictions set forth in the Restated Shareholders Agreement, the Restated ROFR Agreement, the Memorandum and these Articles.

16. Subject to the provisions of the Statute and these Articles, the Company may issue Shares that are to be redeemed or are liable to be redeemed at the option of the Member or the Company. Subject to the provisions of the Statute and these Articles, the Directors may authorize the redemption or purchase by the Company of its own Shares in such manner and on such terms as they think fit and may make a payment in respect of the redemption or purchase of its own Shares in any manner permitted by the Statute, including out of capital.

VARIATION OF RIGHTS OF SHARES

17. Subject to Article 7, if at any time the share capital of the Company is divided into different classes of Shares, the rights attached to any class (unless otherwise provided by the terms of issue of the Shares of that class) may only be varied with the consent in writing of Members holding not less than a majority of the votes entitled to be cast by holders (in person or by proxy) of Shares on a poll at a general meeting of such class affected by the proposed variation of rights or with the sanction of a resolution of such Members holding not less than a majority of the votes which could be cast by holders (in person or by proxy) of Shares of such class on a poll at a general meeting but not otherwise.

18. For the purpose of the preceding Article, all of the provisions of these Articles relating to general meetings shall apply, to the extent applicable, *mutatis mutandis*, to every such separate meeting except that the necessary quorum shall be one or more Persons holding or representing by proxy at least a majority of the issued Shares of such class and that any Member holding Shares of such class, present in person or by proxy, may demand a poll.

19. Subject to Article 7, the rights conferred upon the holders of Shares or any class of Shares shall not, unless otherwise expressly provided by the terms of issue of such Shares, be deemed to be varied by the creation, re-designation, or issue of Shares ranking senior or pari passu therewith.

COMMISSION ON SALE OF SHARES

20. The Company may, with the approval of the Board, so far as the Statute permits, pay a commission to any Person in consideration of his or her 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 and/or the issue of fully or partly paid-up Shares. The Company may also on any issue of Shares pay such brokerage as may be lawful.

NON-RECOGNITION OF INTERESTS

21. The Company shall not be bound by or compelled to recognise in any way (even when having notice thereof) any equitable, contingent, future or partial interest in any Share, or (except only as is otherwise provided by these Articles or the Statute) any other rights in respect of any Share other than an absolute right to the entirety thereof in the registered holder.

TRANSMISSION OF SHARES

22. If a Member dies, the survivor or survivors where such Member was a joint holder, and his or her legal personal representatives where such Member was a sole holder, shall be the only Persons recognised by the Company as having any title to such Member's interest. The estate of a deceased Member is not thereby released from any liability in respect of any Share that had been jointly held by such Member.

23. Any Person becoming entitled to a Share in consequence of the death or bankruptcy or liquidation or dissolution of a Member (or in any other way than by transfer) may, upon such evidence being produced as may from time to time be required by the Directors, elect either to become the holder of the Share or to have some Person nominated by him or her as the transferee, but the Directors shall, in any case, have the same right to decline or suspend registration as they would have had in the case of a transfer by that Member before his death or bankruptcy pursuant to Article 14. If he or she elects to become the holder, he or she shall give written notice to the Company to that effect.

24. If the Person so becoming entitled shall elect to be registered as the holder, such Person shall deliver or send to the Company a notice in writing signed by such Person stating that he or she so elects.

AMENDMENTS OF MEMORANDUM AND ARTICLES OF ASSOCIATION AND ALTERATION OF CAPITAL

25. Subject to Article 7, the Company may by Ordinary Resolution:

A. increase the share capital by such sum as the resolution shall prescribe and with such rights, priorities and privileges annexed thereto, as the Company in general meeting may determine;

B. consolidate and divide all or any of its share capital into Shares of larger amount than its existing Shares;

C. by subdivision of its existing Shares or any of them divide the whole or any part of its share capital into Shares of smaller amount than is fixed by the Memorandum or into Shares without par value;

D. cancel any Shares that at the date of the passing of the resolution have not been taken or agreed to be taken by any Person; and

E. perform any action not required to be performed by Special Resolution.

26. Subject to the provisions of the Statute and the provisions of these Articles as regards the matters to be dealt with by Ordinary Resolution, and subject further to Article 7, the Company may by Special Resolution:

A. change its name;

B. alter or add to these Articles;

C. alter or add to the Memorandum with respect to any objects, powers or other matters specified therein; and.

D. reduce its share capital and any capital redemption reserve fund.

REGISTERED OFFICE

27. Subject to the provisions of the Statute, the Company may by resolution of the Directors change the location of its Registered Office.

GENERAL MEETINGS

28. All general meetings other than annual general meetings shall be called extraordinary general meetings.

29. The Company shall, if required by the Statute, in each year hold a general meeting as its 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 appoint. At these meetings, the report of the Directors (if any) shall be presented.

30. The Directors may call general meetings, and they shall on a Members requisition forthwith proceed to convene an extraordinary general meeting of the Company.

31. A Members requisition is a requisition of Members of the Company holding, on the date of deposit of the requisition, not less than ten percent (10%) of the paid up capital of the Company as at the date of the deposit carries the right of voting at general meetings of the Company.

32. The requisition must state the objects of the meeting and must be signed by the requisitionists and deposited at the Registered Office, and may consist of several documents in like form each signed by one or more requisitionists.

33. If the Directors do not within twenty-one (21) days from the date of the deposit of the requisition duly proceed to convene a general meeting to be held within a further twenty- one (21) 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 (3) months after the expiration of the said twenty-one (21) days.

34. 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

35. At least ten (10) days' notice shall be given of any general meeting unless such notice is waived either before, at or after such meeting both (i) by the Members (or their proxies) holding a majority of the aggregate voting power of all of the Ordinary Shares entitled to attend and vote thereat (including the Preferred Shares on an as converted basis), and (ii) by the Majority Preferred Holders (or their proxies), which shall include holders of a majority of Series C Preferred Shares. Every notice shall be exclusive of the day on which it is given or deemed to be 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 the Articles regarding general meetings have been complied with, be deemed to have been duly convened if it is so agreed both (i) by the Members (or their proxies) holding a majority of the aggregate voting power of all of the Ordinary Shares entitled to attend and vote thereat (including the Preferred Shares on an as converted basis), and (ii) by the Majority Preferred Holders (or their proxies), which shall include holders of a majority of Series C Preferred Shares.

36. The officer of the Company who has charge of the Register of Members of the Company shall prepare and make, at least two (2) days before every general meeting, a complete list of the Members entitled to vote at the general meeting, arranged in alphabetical order, and showing the address of each Member and the number of shares registered in the name of each Member. Such list shall be open to examination by any Member for any purpose germane to the meeting, during ordinary business hours, for a period of at least two (2) days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any Member of the Company who is present.

PROCEEDINGS AT GENERAL MEETINGS

37. The holders of (i) a majority of the aggregate voting power of all of the Ordinary Shares entitled to notice of and to attend and vote at such general meeting (including the Preferred Shares on an as converted basis) and (ii) holders of at least 70% of all of the then issued and outstanding Preferred Shares, together present in person or by proxy or if a company or other non-natural Person by its duly authorised representative shall be a quorum. Subject to Article 40, no business shall be transacted at any general meeting unless a quorum is present at the time when the meeting proceeds to business.

38. 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.

39. Subject to these Articles (including without limitation, Article 7.4(B)), a resolution in writing (in one or more counterparts) shall be as valid and effective as if the resolution had been passed at a duly convened and held general meeting of the Company if:

A. in the case of a Special Resolution, it is signed by all Members required for such Special Resolution to be deemed effective under the Statute; or

B. in the case of any resolution passed other than as a Special Resolution, it is signed by Members for the time being holding Shares carrying in aggregate not less than the minimum number of votes that would be necessary to authorize or take such action at a general meeting at which all Shares entitled to vote thereon were present and voted (calculated in accordance with Article 7.4(A)) (or, being companies, signed by their duly authorised representative);

provided that (i) all resolutions proposed to be approved pursuant to this Article 39 shall be delivered to Members then each holding at least 2% of the Company on a fully-diluted basis; and (ii) any resolution passed by written consent of the Members in lieu of meeting shall be delivered to Members then each holding at least 2% of the Company on a fully- diluted basis within two (2) days after such resolution has been passed.

40. A quorum, once established, shall not be broken by the withdrawal of enough votes to leave less than a quorum and the votes present may continue to transact business until adjournment. If, however, such quorum shall not be present or represented at any general meeting, the Members (or their proxies) holding a majority of the aggregate voting power of all of the Shares of the Company represented at the meeting may adjourn the meeting from time to time, until a quorum shall be present or represented.

41. The chairman, if any, of the Board of Directors shall preside as chairman at every general meeting of the Company, or if there is no such chairman, or if he or she shall not be present within ten (10) minutes after the time appointed for the holding of the meeting, or is unwilling or unable to act, the Directors present shall elect one of their number, or shall designate a Member, to be chairman of the meeting.

42. With the consent of a general meeting at which a quorum is present, the chairman may (and shall if so directed by the meeting), adjourn the 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 general meeting is adjourned, notice of the adjourned meeting shall be given as in the case of an original meeting.

43. A resolution put to the vote of the meeting shall be decided by poll and not on a show of hands.

44. On a poll a Member shall have one vote for each Ordinary Share he holds on an as converted basis, unless any Share carries special voting rights.

45. Except on a poll on a question of adjournment, a poll shall be taken as the chairman directs, and the result of the poll shall be deemed to be the resolution of the general meeting at which the poll was demanded.

46. A poll on a question of adjournment shall be taken forthwith.

47. A poll on any other question shall be taken at such time as the chairman of the general meeting directs, and any business other than that upon which a poll has been demanded or is contingent thereon may proceed pending the taking of the poll.

VOTES OF MEMBERS

48. Except as otherwise required by law or these Articles or the Restated Shareholders Agreement, the Ordinary Shares and the Preferred Shares shall vote together on an as converted basis on all matters submitted to a vote of Members.

49. In the case of joint holders of record, the vote of the senior holder who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and seniority shall be determined by the order in which the names of the holders stand in the Register of Members.

50. A Member of unsound mind, or in respect of whom an order has been made by any court, having jurisdiction in lunacy, may vote by his or her committee, receiver, or other Person on such Member's behalf appointed by that court, and any such committee, receiver, or other Person may vote by proxy.

51. No Person shall be entitled to vote at any general meeting or at any separate meeting of the holders of a class or series of Shares unless he or she is registered as a Member (or is acting by proxy for a Member) on the record date for such meeting nor unless all calls or other monies then payable by such Member in respect of Shares have been paid.

52. No objection shall be raised to the qualification of any voter except at the general meeting or adjourned general meeting at which the vote objected to is given or tendered and every vote not disallowed at the meeting shall be valid. Any objection made in due time shall be referred to the chairman whose decision shall be final and conclusive.

53. Votes may be cast either personally or by proxy. A Member may appoint more than one proxy or the same proxy under one or more instruments to attend and vote at a meeting.

54. A Member holding more than one Share need not cast the votes in respect of his or her Shares in the same way on any resolution and therefore may vote a Share or some or all such Shares either for or against a resolution and/or abstain from voting a Share or some or all of the Shares and, subject to the terms of the instrument appointing him or her, a proxy appointed under one or more instruments may vote a Share or some or all of the Shares in respect of which he or she is appointed either for or against a resolution and/or abstain from voting.

PROXIES

55. The instrument appointing a proxy shall be in writing, be executed under the hand of the appointor or of his or her attorney duly authorised in writing, or, if the appointor is a corporation, under the hand of an officer or attorney duly authorised for that purpose. A proxy need not be a Member of the Company.

56. 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, no later than the time for holding the meeting or adjourned meeting.

57. The instrument appointing a proxy may be in any usual or common form and may be expressed to be for a particular meeting or any adjournment thereof or generally until revoked. An instrument appointing a proxy shall be deemed to include the power to demand or join or concur in demanding a poll.

58. 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 at the Registered Office before the commencement of the general meeting or adjourned meeting at which it is sought to use the proxy.

CORPORATE MEMBERS

59. Any corporation or other non-natural Person that is a Member may in accordance with its constitutional documents, or in the absence of such provision 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 any class of Members, and the Person so authorised shall be entitled to exercise the same powers on behalf of the corporation which he or she represents as the corporation could exercise if it were an individual Member.

SHARES THAT MAY NOT BE VOTED

60. Shares in the Company that are beneficially owned by the Company or held by it in a fiduciary capacity shall not be voted, directly or indirectly, at any meeting and shall not be counted in determining the total number of outstanding Shares at any given time.

APPOINTMENT OF DIRECTORS

61. The Company shall have a Board consisting of up to seven (7) authorized directors:

A. as long as Asia Ventures II L.P. holds at least five percent (5%) of the Shares outstanding on a fully-diluted basis, it shall have the right to designate, appoint, remove and replace and reappoint one individual to occupy one (1) seat on the Board;

B. as long as F-Prime Capital Partners Healthcare Fund III LP holds at least five percent (5%) of the Shares outstanding on a fully-diluted basis, it shall have the right to designate, appoint, remove and replace and reappoint one individual to occupy one (1) seat on the Board;

C. as long as Wuxi Pharmatech Healthcare Fund I L.P. holds at least five percent (5%) of the Shares outstanding on a fully-diluted basis, it shall have the right to nominate one (1) independent non-executive director and such one (1) independent non- executive director shall be appointed and agreed by the Board;

D. as long as Peter Peizhi Luo holds any Shares of the Company or is employed by the Company or any of its Controlled Affiliates, Peter Peizhi Luo shall have the right to designate, appoint, remove and replace and reappoint one individual to occupy one (1) seat on the Board (the "**Founder Director**");

E. as long as JSR limited holds at least five percent (5%) of the Shares outstanding on a fully-diluted basis, it shall have the right to designate, appoint, remove and replace and reappoint one individual to occupy one (1) seat on the Board;

F. as long as SCC Venture VI Holdco, Ltd. and Gopher Harvest Co-Investment Fund LP collectively hold at least five percent (5%) of the Shares outstanding on a fully- diluted basis, SCC Venture VI Holdco, Ltd. shall have the right to designate, appoint, remove and replace and reappoint one individual to occupy one (1) seat on the Board, provided, however, that so long as each of SCC Venture VI Holdco, Ltd. (and its Affiliate) and Gopher Harvest Co-Investment Fund LP (and its Affiliate) holds the same number of Shares it holds as of the date hereof, the foregoing five percent (5%) threshold in this Article 61(F) shall not apply from the date hereof until the closing of next round of equity financing of the Company; and

G. as long as the Series C-3 Shareholder holds at least five percent (5%) of the Shares outstanding on a fully-diluted basis, the Series C-3 Shareholder shall have the right to designate, appoint, remove and replace and reappoint one individual to occupy one (1) seat on the Board

POWERS OF DIRECTORS

62. Subject to the provisions of the Statute, the Memorandum and these Articles and to any directions given by Special Resolution, the business of the Company shall be managed by or under the direction of the Directors who may exercise all the powers of the Company; provided, however, that the Company shall not carry out any action inconsistent with Article 7. No alteration of the Memorandum or these Articles and no such direction shall invalidate any prior act of the Directors that would have been valid if that alteration had not been made or that direction had not been given. A duly convened meeting of Directors at which a quorum is present may exercise all powers exercisable by the Directors.

63. All cheques, promissory notes, drafts, bills of exchange and other negotiable instruments and all receipts for monies paid to the Company shall be signed, drawn, accepted, endorsed or otherwise executed as the case may be in such manner as the Directors shall determine.

64. Subject to Article 7, the Directors on behalf of the Company may pay a gratuity or pension or allowance on retirement to any Director who has held any other salaried office or place of profit with the Company or to his or her spouse or dependants and may make contributions to any fund and pay premiums for the purchase or provision of any such gratuity, pension or allowance.

65. Subject to Article 7, 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 and to issue debentures, debenture shares, mortgages, bonds and other such securities whether outright or as security for any debt, liability or obligation of the Company or of any third party.

VACATION OF OFFICE AND REMOVAL OF DIRECTOR

66. The office of a Director shall be vacated if:

A. such Director gives notice in writing to the Company that he or she resigns the office of Director; or

B. such Director dies, becomes bankrupt or makes any arrangement or composition with such Director's creditors generally; or

C. such Director is found to be or becomes of unsound mind.

67. Subject to Article 67B, any Director who shall have been elected by a specified group of Members may be removed during the aforesaid term of office, either for or without cause, by, and only by, the affirmative vote of the group of Members then entitled to elect such Director in accordance with Article 61, given at a special meeting of such Members duly called or by an action by written consent for that purpose. Any vacancy in the Board of Directors caused as a result of such removal or one or more of the events set out in Article 66 of any Director who shall have been elected by a specified group of Members, may be filled by, and only by, the affirmative vote of the group of Members then entitled to elect such Director in accordance with Article 61, given at a special meeting of such Members duly called or by an action by written consent for that purpose, unless otherwise agreed upon among such Members; provided further that the said approval process by the majority of the Board shall in no event unfairly deprive a specified group's right to appoint a replacement director in accordance with Article 61.

A. Notwithstanding anything contained to the contrary herein, the office of a director shall be vacated if the director is removed from office by notice addressed to him or her at his or her last known address and signed by all of his or her co-directors for such director's failure to act for the best interest of the Company and after a warning from his or her co- directors, failure to cure within thirty (30) days upon the receipt of the warning. Any director removed from office hereunder cannot be re-designated as a director. For the avoidance of doubt, the removal of a director pursuant to this Article 67B shall not affect the right of the specified group of Members to appoint a director to replace such removed director.

PROCEEDINGS OF DIRECTORS

68. A. A Director may by a written instrument appoint an alternate who need not be a Director, and an alternate is entitled to attend meetings in the absence of the Director who appointed him and to vote or consent in place of the Director. At all meetings of the Board of Directors, four (4) Preferred Directors (which shall include the Directors designated and appointed pursuant to Article 61.F and Article 61.G) and one (1) Founder Director shall be necessary and sufficient to constitute a quorum for the transaction of business. The vote of a majority of the Directors present (in person or in alternate) at any meeting at which there is a quorum, shall be the act of the Board of Directors, except as may be otherwise specifically provided by the Statute, the Memorandum or these Articles. If within half an hour from the time appointed for the meeting a quorum is not present, the meeting shall stand adjourned to the next Business Day at the same time and place or to such other time or such other place as the Directors may determine, and if a quorum is still not satisfied due to the absence of same Preferred Director(s), the quorum shall be deemed satisfied for this meeting.

B. Notwithstanding anything to the contrary in these Articles, and without limiting any requirements under applicable law, neither the officers of the Group Companies nor any Director shall take, permit to occur, approve, authorize, or agree or commit to do any of the following, or cause any Group Company to take, permit to occur, approve, authorize, or agree or commit to do any of the following , any of the following without the approval of the Board, including the affirmative vote or consent of at least two thirds of the Preferred Directors:

(1) authorizing or consummating any merger, consolidation, share acquisition or other corporate reorganization, or any transaction or series of transaction in which in excess of 50% of the Company's voting power is transferred;

(2) authorizing or consummating a public offering of any securities of any Group Company; or

(3) liquidating, winding up, or proceeding with other voluntary proceeding seeking liquidation, administration (whether out of court or otherwise), readjustment or other relief under any bankruptcy, insolvency or similar law or the appointment of a trustee, receiver, administrator (whether out of court or otherwise) of liquidator or similar officers.

C. In the event of deadlock on any decision of the Directors, the Founder Director shall have a casting vote.

69. Subject to the provisions of these Articles, the Directors may regulate their proceedings as they think fit, provided however that the board meetings shall be held at least twice for each financial quarter unless the Board otherwise approves and that the written notice of each meeting given to the Directors shall include an agenda of the business to be transacted at the meeting.

70. A Person may participate in a meeting of the Directors or committee of the Board of Directors by conference telephone or other communications equipment by means of which all the Persons participating in the meeting can communicate with each other at the same time. Participation by a Person in a meeting in this manner is treated as presence in person at that meeting. Unless otherwise determined by the Directors, the meeting shall be deemed to be held at the place where the chairman is at the start of the meeting.

71. A resolution in writing (in one or more counterparts) signed by all the Directors or all the members of a committee of the Board of Directors shall be as valid and effectual as if it had been passed at a meeting of the Directors, or committee of the Board of Directors as the case may be, duly convened and held.

72. Meetings of the Board of Directors may be called by any Director on forty-eight (48) hours' notice to each Director in accordance with Articles 105 through 109.

73. The continuing Directors may act notwithstanding any vacancy in their body, but if and so long as their number is reduced below the number fixed by or pursuant to these Articles as the necessary quorum of Directors, the continuing Directors or Director may act for the purpose of increasing the number of Directors to that number, or of summoning a general meeting of the Company, but for no other purpose.

74. The Directors may elect a chairman of their board and determine the period for which he or she is to hold office; but if no such chairman is elected, or if at any meeting the chairman shall not be present within ten (10) minutes after the time appointed for holding the same, the Directors present may choose one of their members to be chairman of the meeting.

75. All acts done by any meeting of the Directors or of a committee of the Board of Directors shall, notwithstanding that it be afterwards discovered that there was some defect in the appointment of any Director or that they or any of them were disqualified, be as valid as if every such Person had been duly appointed and qualified to be a Director.

PRESUMPTION OF ASSENT

76. A Director of the Company who is present at a meeting of the Directors at which action on any Company matter is taken shall be presumed to have assented to the action taken unless the Director's dissent shall be entered in the minutes of the meeting or unless the Director shall file his or her 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.

DIRECTORS' INTERESTS

77. Subject to Article 80, a Director may hold any other office or place of profit under the Company (other than the office of Auditor) in conjunction with his or her office of Director for such period and on such terms as to remuneration and otherwise as the Directors may determine.

78. Subject to Article 80, a Director may act by himself or herself or his or her firm in a professional capacity for the Company and such Director or firm shall be entitled to remuneration for professional services as if such Director were not a Director.

79. Subject to Article 80, a Director of the Company may be or become a director or other officer of or otherwise interested in any company promoted by the Company or in which the Company may be interested as Member or otherwise, and no such Director shall be accountable to the Company for any remuneration or other benefits received by such Director as a director or officer of, or from his or her interest in, such other company.

80. In addition to any further restrictions set forth in these Articles, no Person shall be disqualified from the office of Director or prevented by such office from contracting with the Company, either as vendor, purchaser or otherwise, nor shall any such contract or any contract or transaction entered into by or on behalf of the Company in which any Director shall be in any way interested (each, an "**Interested Transaction**") be or 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 Interested Transaction by reason of such Director holding office or of the fiduciary relation thereby established, and any such director may vote at a meeting of directors on any resolution concerning a matter in which that director has an interest (and if he votes his vote shall be counted) and shall be counted towards a quorum of those present at such meeting, in each case so long as the material facts of the interest of each Director in the agreement or transaction and his interest in or relationship to any other party to the agreement or transaction are disclosed in good faith to and are known by the other Directors. A general notice or disclosure to the Directors or otherwise contained in the minutes of a meeting or a written resolution of the directors or any committee thereof that a Director is a member of any specified firm or company and is to be regarded as interested in any transaction with such firm or company shall be sufficient disclosure under this Article 80.

MINUTES

81. The Directors shall cause minutes to be made in books kept for the purpose of all appointments of officers made by the Directors, all proceedings at meetings of the Company or the holders of any series of Shares and of the Directors, and of committees of the Board of Directors including the names of the Directors present at each meeting.

DELEGATION OF DIRECTORS' POWERS

82. Subject to these Articles, the Board of Directors may establish any committees and approve the delegation of any of their powers to any committee consisting of one or more Directors. The Board of Directors may designate one or more Directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of any such committee.

83. The Board of Directors, including the approval of at least three (3) Preferred Directors, may also delegate to any managing Director or any Director holding any other executive office such of their powers as they consider desirable to be exercised by such Person provided that the appointment of a managing Director shall be revoked forthwith if he or she ceases to be a Director. Any such delegation may be made subject to any conditions the Board of Directors may impose, and either collaterally with or to the exclusion of their own powers and may be revoked or altered.

84. Subject to these Articles, the Directors may by power of attorney or otherwise appoint any company, firm, Person or body of Persons, whether nominated directly or indirectly by the Directors, to be the attorney or authorised signatory of the Company for such purpose and with such powers, authorities and discretions (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 powers of attorney or other appointment may contain such provisions for the protection and convenience of Persons dealing with any such attorneys or authorised signatories as the Directors may think fit and may also authorise any such attorney or authorised signatory to delegate all or any of the powers, authorities and discretions vested in him or her.

85. Subject to these Articles, the Directors may appoint such officers as they consider necessary on such terms, at such remuneration and to perform such duties, and subject to such provisions as to disqualification and removal as the Directors may think fit. Unless otherwise specified in the terms of an officer's appointment, an officer may be removed by resolution of the Directors or Members.

NO MINIMUM SHAREHOLDING

86. There is no minimum shareholding required to be held by a Director.

REMUNERATION OF DIRECTORS

87. The remuneration to be paid to the Directors, if any, shall be such remuneration as determined by the Board, including the approval of at least three (3) Preferred Directors. The Directors shall also be entitled to be paid all reasonable travelling, hotel and other out- of-pocket expenses properly incurred by them in connection with their attendance at meetings of the Board of Directors or committees of the Board of Directors, or general meetings of the Company, or separate meetings of the holders of any series of Shares or debentures of the Company, or otherwise in connection with the business of the Company.

88. The Directors may by resolution of the majority of the Board, including the approval of at least three (3) Preferred Directors, approve additional remuneration to any Director for any services other than his or her ordinary routine work as a Director. Any fees paid to a Director who is also counsel or solicitor to the Company, or otherwise serves it in a professional capacity, shall be in addition to his or her remuneration as a Director.

SEAL

89. The Company may, if the Directors so determine, have a Seal. The Seal shall only be used by the authority of the Directors or of a committee of the Board of Directors authorised by the Board of Directors. Every instrument to which the Seal has been affixed shall be signed by at least one Person who shall be either a Director or some officer or other Person appointed by the Directors for the purpose.

90. The Company may have for use in any place or places outside the Cayman Islands a duplicate Seal or Seals each of which shall be a facsimile of the common Seal of the Company and, if the Directors so determine, with the addition on its face of the name of every place where it is to be used.

91. A Director or officer, representative or attorney of the Company may without further authority of the Directors affix the Seal over his or her signature alone to any document of the Company required to be authenticated by him or her under seal or to be filed with the Registrar of Companies in the Cayman Islands or elsewhere wheresoever.

DIVIDENDS, DISTRIBUTIONS AND RESERVE

92. Subject to the Statute and these Articles (including Article 7), the Directors may declare dividends and distributions on Shares in issue and authorise payment of the dividends or distributions out of the assets of the Company lawfully available therefor. No dividend or distribution shall be paid except out of the realised or unrealised profits of the Company, or out of the share premium account or as otherwise permitted by the Statute.

93. All dividends and distributions shall be declared and paid according to the provisions of Article 7.

94. The Directors may deduct from any dividend or distribution payable to any Member all sums of money (if any) then payable by such Member to the Company on account of calls or otherwise.

95. Subject to the provisions of Article 7, the Directors may declare that any dividend or distribution be paid wholly or partly by the distribution of specific assets and in particular of shares, debentures or securities of any other company or in any one or more of such ways and where any difficulty arises in regard to such distribution, the Directors may settle the same as they think expedient and in particular may issue fractional Shares and fix the value for distribution of such specific assets or any part thereof and may determine that cash payments shall be made to any Members upon the basis of the value so fixed in order to adjust the rights of all Members and may vest any such specific assets in trustees as may seem expedient to the Directors.

96. Any dividend, distribution, interest or other monies payable in cash in respect of Shares may be paid by wire transfer to the holder or by cheque or warrant sent through the post directed to the registered address of the holder or, in the case of joint holders, to the registered address of the holder who is first named on the Register of Members or to such Person and to such address as such holder or joint holders may in writing direct. Every such cheque or warrant shall be made payable to the order of the Person to whom it is sent. Any one of two or more joint holders may give effectual receipts for any dividends, bonuses or other monies payable in respect of the Share held by them as joint holders.

97. No dividend or distribution shall bear interest against the Company, except as expressly provided in these Articles.

98. Any dividend that cannot be paid to a Member and/or that remains unclaimed after six (6) months from the date of declaration of such dividend may, in the discretion of the Directors, be paid into a separate account in the Company's name, provided that the Company shall not be constituted as a trustee in respect of that account and the dividend shall remain as a debt due to the Member. Any dividend that remains unclaimed after a period of six (6) years from the date of declaration of such dividend shall be forfeited and shall revert to the Company.

CAPITALIZATION

99. Subject to these Articles, including but not limited to Article 7, the Directors may capitalise any sum standing to the credit of any of the Company's reserve accounts (including share premium account and capital redemption reserve fund) or any sum standing to the credit of profit and loss account or otherwise available for distribution and to appropriate such sum to Members in the proportions in which such sum would have been divisible amongst them had the same been a distribution of profits by way of dividend as set forth in Article 7 hereof and to apply such sum on their behalf in paying up in full unissued Shares for allotment and distribution credited as fully paid-up to and amongst them in the proportion aforesaid. In such event, the Directors shall do all acts and things required to give effect to such capitalization, with full power to the Directors to make such provisions as they think fit for the case of Shares becoming distributable in fractions (including provisions whereby the benefit of fractional entitlements accrue to the Company rather than to the Members concerned). The Directors may authorise any Person to enter on behalf of all of the Members interested into an agreement with the Company providing for such capitalization and matters incidental thereto and any agreement made under such authority shall be effective and binding on all concerned.

BOOKS OF ACCOUNT

100. The Directors shall cause proper books of account to be kept at such place as they may from time to time designate with respect to all sums of money received and expended by the Company and the matters in respect of which the receipt or expenditure takes place, all sales and purchases of goods by the Company and the assets and liabilities of the Company. Proper books shall not be deemed to be kept if there are not kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to explain its transactions. 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 inspection of Members not being Directors and no such Member shall have any right of inspecting any account or book or document of the Company except as conferred by the Statute or authorized by the Directors or the Company in general meeting or in a written agreement binding on the Company. The Company shall cause all books of account to be maintained for a minimum period of five years from the date on which they were prepared.

101. The Directors may from time to time cause to be prepared and to be laid before the Company in general meeting profit and loss accounts, balance sheets, group accounts (if any) and such other reports and accounts as may be required by law.

AUDIT

102. 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 the Auditor's remuneration.

103. 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 Auditor.

104. 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 that is registered with the Registrar of Companies as an ordinary company, and at the next extraordinary general meeting following their appointment in the case of a company that is registered with the Registrar of Companies as an exempted company and at any other time during their term of office, upon request of the Directors or any general meeting of the Members.

NOTICES

105. Except as otherwise provided in these Articles, notices shall be in writing. Notice may be given by the Company to any Member or Director either personally or by sending it by next-day or second-day courier service, fax, electronic mail or similar means to such Member or Director (as the case may be) or to the address of such Member or Director as shown in the Register of Members or the Register of Directors (as the case may be) (or where the notice is given by electronic mail by sending it to the electronic mail address provided by such Member or Director).

106. 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 confirmation of delivery, and to have been effected at the expiration of two (2) days (not including Saturdays or Sundays or public holidays) after the letter containing the same is sent as aforesaid. Where a notice is sent by fax to a fax number provided by the intended recipient, service of the notice shall be deemed to be effected when the receipt of the fax is acknowledged by the recipient. Where a notice is given by electronic mail to the electronic mail address provided by the intended recipient, service shall be deemed to be effected when the receipt of the electronic mail is acknowledged by the recipient.

107. A notice may be given by the Company to the Person or Persons that the Company has been advised are entitled to a Share or Shares in consequence of the death or bankruptcy of a Member in the same manner as other notices that are required to be given under these Articles and shall be addressed to them by name, or by the title of representatives of the deceased, or trustee of the bankrupt, or by any like description at the address supplied for that purpose by the Persons claiming to be so entitled, or at the option of the Company, by giving the notice in any manner in which the same might have been given if the death or bankruptcy had not occurred.

108. Notice of every general meeting shall be given in any manner hereinbefore authorised to every Person shown as a Member in the Register of Members on the record date for such meeting except that in the case of joint holders the notice shall be sufficient if given to the joint holder first named in the Register of Members and every Person upon whom the ownership of a Share devolves by reason of his or her being a legal personal representative or a trustee in bankruptcy of a Member of record where the Member of record but for his or her death or bankruptcy would be entitled to receive notice of the meeting, and no other Person shall be entitled to receive notices of general meetings.

109. Whenever any notice is required by law or these Articles to be given to any Director, member of a committee or Member, a waiver thereof in writing, signed by the Person or Persons entitled to said notice, whether before or after the time stated therein, shall be deemed equivalent thereto.

WINDING UP

110. If the Company shall be wound up, assets available for distribution amongst the Members shall be distributed, in accordance with Article 7.

111. If the Company shall be wound up, the liquidator may, with the sanction of a Special Resolution of the Company and any other sanction required by the Statute, divide amongst the Members in 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 that purpose value any assets and, subject to Article 7, determine how the 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 Members as the liquidator, with the like sanction, shall think fit, but so that no Member shall be compelled to accept any asset upon which there is a liability.

INDEMNITY AND INSURANCE

112. To the maximum extent permitted by applicable law, the Directors and officers for the time being of the Company and any trustee for the time being acting in relation to any of the affairs of the Company and their heirs, executors, administrators and personal representatives respectively shall be indemnified out of the assets of the Company from and against all actions, proceedings, costs, charges, losses, damages and expenses that they or any of them shall or may incur or sustain by reason of any act done or omitted in or about the execution of their duty in their respective offices or trusts, except such (if any) as they shall incur or sustain by or through their own fraud or dishonesty, and no such Director or officer or trustee shall be answerable for the acts, receipts, neglects or defaults of any other Director or officer or trustee or for joining in any receipt for the sake of conformity or for the solvency or honesty of any banker or other Persons with whom any monies or effects belonging to the Company may be lodged or deposited for safe custody or for any insufficiency of any security upon which any monies of the Company may be invested or for any other loss or damage due to any such cause as aforesaid or which may happen in or about the execution of his or her office or trust unless the same shall happen through the fraud or dishonesty of such Director or officer or trustee. Except with respect to proceedings to enforce rights to indemnification pursuant to this Article, the Company shall indemnify any such indemnitee pursuant to this Article in connection with a proceeding (or part thereof) initiated by such indemnitee only if such proceeding (or part thereof) was authorized by the Board of Directors. The right to indemnification conferred in this Article shall include the right to be paid by the Company the expenses incurred in defending any such proceeding in advance of its final disposition to the maximum extent provided by, and subject to the requirements of, applicable law, so long as the indemnitee agrees with the Company to repay all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no further right to appeal that such indemnitee is not entitled to be indemnified for such expenses under this Article.

113. To the maximum extent permitted by applicable law, the Directors and officers for the time being of the Company and any trustee for the time being acting in relation to any of the affairs of the Company and their heirs, executors, administrators and personal representatives respectively shall not be personally liable to the Company or its Members for monetary damages for breach of their duty in their respective offices, except such (if any) as they shall incur or sustain by or through their own fraud or dishonesty respectively.

114. The Board, on behalf of the Company, may purchase and maintain insurance for the benefit of any Director or other officer of the Company against any liability which, by virtue of any rule of law, would otherwise attach to such person in respect of any negligence, default, breach of duty or breach of trust of which such person may be guilty in relation to the Company.

FINANCIAL YEAR

115. Unless the Directors otherwise prescribe, the financial year of the Company shall end on the 31st of December in each year and, following the year of incorporation, shall begin on the 1st of January in each year.

TRANSFER BY WAY OF CONTINUATION

116. If the Company is exempted as defined in the Statute, it shall, subject to the provisions of the Statute and with the approval of a Special Resolution and the written consent of the Majority Preferred Holders, have the power to register by way of continuation as a body corporate under the laws of any jurisdiction outside the Cayman Islands and to be deregistered in the Cayman Islands.

DRAG-ALONG

117. If (i) the holders of a majority of the voting power of the then outstanding Ordinary Shares and (ii) the holders of more than fifty percent (50%) of the voting power of all Preferred Shares outstanding (on an as converted basis) (the "**Drag Holders**") approve in writing a proposed Deemed Liquidation Event which implies a valuation of the Company of no less than US$650 million, then the Company shall promptly notify each other Member in writing of such approval and the material terms and conditions of such proposed Deemed Liquidation Event, whereupon each such shareholder shall, in accordance with instructions received from the Company, (i) vote all of such shareholder's voting Equity Securities of the Company in favor of the Deemed Liquidation Event; (ii) otherwise consent in writing to the Deemed Liquidation Event; and (iii) sell or transfer all of its Equity Securities or the same percentage of its Equity Securities of the Company as the Drag Holders sell on the same terms and conditions as were agreed to by the Drag Holders; provided, however, that such terms and conditions, including with respect to price paid or received per Equity Security of the Company, may differ as between different classes of Equity Securities of the Company in accordance with their relative liquidation preferences as set forth in these Articles. Each shareholder furthermore agrees to make other customary covenants on a several but not joint and several basis and take all necessary actions in connection with the consummation of such Deemed Liquidation Event and to effect the sale and transfer under this Article 117 as reasonably requested by the Drag Holders, provided that it shall be liable only up to the net proceeds paid to such Member in connection with such Deemed Liquidation Event. Without limiting the foregoing sentence, no Member who is not an employee, officer, principal, founder or Controlling Member of a Group Company shall be required to make any representations or warranties other than with respect to itself (including without limitation due authorization, title to shares, enforceability of applicable agreements, and similar representations and warranties), and shall not be liable for the breach of any representation, warranty or covenant made by any other Person in connection with such Deemed Liquidation Event (except to the extent that (A) a Member may be liable, pro rata based on its share ownership and total amount of consideration in respect thereof in such Deemed Liquidation Event in proportion to, and does not exceed, the amount of consideration paid to such Member in connection with such Deemed Liquidation Event, to cover breach of representations and warranties of the Company and (B) funds may be paid out of an escrow established to cover breach of representations, warranties and covenants of the Company as well as breach by any Member of any of identical representations, warranties and covenants provided by all Members with respect to the Company).

REDEMPTION FOR NON-COMPLIANCE

118. In the event that any Member that is a PRC individual or an entity incorporated or established in the PRC fails to obtain all approvals from Governmental Authority in connection with its holding of any Shares (including the ODI Approvals) where such failure could reasonably be expected to have a material adverse impact on any IPO of the Company (as determined by the Company) and such Member fails to cure such situation within 30 days after receiving written notice from the Company, then to the extent necessary to eliminate such potential material adverse impact on the IPO of the Company, the Company shall at the request of the Majority Preferred Holders and the majority of the holders of Ordinary Shares repurchase all of such Shares (the "**Non-Compliance Redeemed Shares**") at the original subscription price thereof (as adjusted for any share dividends, combinations, splits, recapitalizations and the like). A repurchase pursuant to this Article shall be deemed an Exempted Distribution.

119. A written notice of redemption shall be given by the Company to such Member at its address listed on the Register of Members at least seven (7) days before the date for redemption (the "**Non-Compliance Redemption Date**") set forth in the notice. The notice shall also set forth the applicable redemption price and the mechanics of redemption.

120. At the Non-Compliance Redemption Date, the Company shall pay the aggregate redemption price to such Member, and such Member shall surrender the share certificate(s) evidencing the Non-Compliance Redeemed Shares (or in lieu thereof shall deliver an affidavit of lost certificate and indemnity therefor). From and after the Non-Compliance Redemption Date, so long as the Company has made available such redemption price to such Member, the Non-Compliance Redeemed Shares shall, following the updating of the Register of Members, be treated as redeemed and shall be deemed to be no longer outstanding, and the holders thereof shall cease to be Members with respect to such shares or have any rights or remedies with respect thereto (other than the right to receive the aggregate redemption price therefor).

121. Notwithstanding anything to the contrary contained herein, any Non-Compliance Redeemed Shares with respect to which the Company has failed to pay the redemption price as required shall continue to have all the powers, designations, preferences and other rights which such Shares enjoyed prior to the Non-Compliance Redemption Date until such time as the redemption price in respect of such Non-Compliance Redeemed Shares shall have been paid in full. If the Company cannot consummate the redemption of the Non- Compliance Redeemed Shares because of insufficient funds or limitations under applicable Law, the Company may, and shall at the request of the Majority Preferred Holders and the majority of the holders of Ordinary Shares, request the such Member to transfer the Non- Compliance Redeemed Shares to the other Members of the Company pro rata at a price equal to the original subscription price thereof, and the provisions above shall apply, mutatis mutandis.

Exhibit 4.4

FIFTH AMENDED AND RESTATED SHAREHOLDERS AGREEMENT

by and among

ADAGENE INC. AND ITS SUBSIDIARIES

ORDINARY SHAREHOLDERS NAMED HEREIN

SERIES A SHAREHOLDERS NAMED HEREIN

SERIES B SHAREHOLDERS NAMED HEREIN

AND

SERIES C SHAREHOLDERS NAMED HEREIN

DECEMBER 19, 2019

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FIFTH AMENDED AND RESTATED SHAREHOLDERS AGREEMENT

THIS FIFTH AMENDED AND RESTATED SHAREHOLDERS AGREEMENT (this "Agreement") is entered into on December 19, 2019, by and among:

1. Adagene Inc., an exempted company organized under the laws of the Cayman Islands (the "Company"),

2. Adagene (Hong Kong) Limited (□□□□(□□)□□□□), a company organized under the laws of Hong Kong (the "Holdco Subsidiary");

3. Adagene (Suzhou) Limited (□□□□□□□□□□□□□), a company organized under the laws of the PRC (the "WFOE");

4. Adagene Incorporated, a company organized under the laws of the State of Delaware (the "US Subsidiary");

5. ADAGENE AUSTRALIA PTY LTD, a company incorporated and organized under the laws of Australia (the "Australian Subsidiary");

6. each of the Persons named on Schedule A-1 hereto (collectively, the "Ordinary Shareholders", and each an "Ordinary Shareholder"),

7. each of the Persons listed in Schedule A-2 and Schedule A-3 attached hereto (collectively, the "Series A Shareholders"),

8. each of the Persons listed in Schedule A-4 attached hereto (collectively, the "Series B Shareholders"); and

9. each of the Persons named on Schedule A-5, Schedule A-6 and Schedule A-7 hereto (collectively, the "Series C Shareholders", and collectively with the Series A Shareholders and Series B Investors, the "Investors", and each an "Investor").

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 Share Purchase Agreement (as defined below).

RECITALS

A The Company holds 100% issued and outstanding share capital of the Holdco Subsidiary, which holds 100% registered capital of the WFOE. The Company also holds 100% issued and outstanding shares of the US Subsidiary, which holds 100% issued and outstanding shares of the Australian Subsidiary.

B The Company entered into that certain Share Purchase Agreement with certain Series C Shareholder on October 15, 2019 with respect to the sale and purchase of Series C-3 Preferred Shares of the Company (the "Share Purchase Agreement").

C The Share Purchase Agreement provides that the execution and delivery of this Agreement shall be a condition precedent to the consummation of the transactions contemplated under the Share Purchase Agreement.

D 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 agree as follows:

1. Definitions.

1.1 Defined Terms.

Capitalized terms used and not otherwise defined herein shall have the meaning ascribed to them below:

"Accounting Standards" means standards as close as possible to the generally accepted accounting principles in the United States, applied on a consistent basis, or other intentional accounting principles approved by the Investors applied on a consistent basis.

"Affiliate" means, (i) with respect to a Person that is a natural person, such Person's Relatives and any Person Controlled, directly or indirectly, by such Person or his/her Relatives, and (ii) with respect to a Person that is not a natural person, any Person which, directly or indirectly, Controls, is Controlled by or is under common Control with such Person, including, without limitation any member, managing member, general partner, limited partner, officer, employee, trustee or director of such Person or any trust for the benefit of any of the foregoing or any Affiliate of the foregoing and any venture capital fund now or hereafter existing which is Controlled by or under common Control with one or more general partners or shares the same management company with such Person. Notwithstanding the foregoing, the Parties acknowledge and agree that (a) the name "Sequoia Capital" is commonly used to describe a variety of entities (collectively, the "Sequoia Entities") that 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 (i) Sequoia Entity outside of the Sequoia China Sector Group, (ii) entity primarily engaged in investment and trading in the secondary securities market; (iii) the ultimate beneficial owner of an Sequoia Entity (or its general partner or ultimate general partner) who is a natural Person, and such Person's relatives (including but without limitation, such Person's spouse, parents, children, siblings, mother-in-law and father-in-law and brothers and sisters-in-law), (iv) any officer, director or employee of a Sequoia Entity (or its general partner or ultimate general partner) and such Person's relatives, and (v) for the avoidance of doubt, any portfolio companies of any Sequoia Entity and portfolio companies of any affiliated investment fund or investment vehicle of any Sequoia Entity. 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 People's Republic of China that are exclusively managed by Sequoia Capital. For the avoidance of doubt, each of SCC Venture VI Holdco, Ltd. and Gopher Harvest Co-Investment Fund LP shall be deemed as an Affiliate of each other. For the avoidance of doubt, with respect to Asia Ventures II L.P. and F-Prime Capital Partners Healthcare Fund III LP, an Affiliate means (1) Eight Roads Holdings Limited ("ERHL"), a company incorporated in Bermuda, and any parent or subsidiary undertaking of, or entity under common control, with ERHL from time to time (ERHL and its subsidiary undertakings being the "ERHL Group"); (2) FIL Limited ("FIL"), a company incorporated in Bermuda, and any subsidiary undertaking of FIL from time to time (FIL and its subsidiary undertakings being the "FIL Group"); (3) FMR LLC ("FMR"), a Delaware corporation, and any subsidiary undertaking of FMR from time to time (FMR and its subsidiary undertakings being the "FMR Group"); (4) any director, officer, employee or shareholder of the ERHL Group, the FIL Group and/or the FMR Group or members of his family and any company, trust, partnership or other entity formed for his or any of their benefit from time to time (any or all of such individuals and entities being the "Closely Related Shareholders"); (5) any entity controlled by Closely Related Shareholders where control shall mean the power to direct the management and policies or appoint or remove members of the board of directors or other governing body of the entity, directly or indirectly, whether through the ownership of voting securities, contract or otherwise, and controlled shall be construed accordingly; (6) any affiliate of any member of the ERHL Group, the FIL Group and/or the FMR Group (where "affiliate", for the purposes of this provision only, means (a) any entity controlled by any combination of any Closely Related Shareholders and, for purposes of this provision only, any member of the ERHL Group, the FIL Group and/or the FMR Group, and (b) the officers, partners and directors of any affiliate); and (7) any fund in which any member of the ERHL Group, the FIL Group and/or the FMR Group or any Closely Related Shareholder is a partner. For the avoidance of doubt, with respect to General Atlantic Singapore AI Pte. Ltd., "Affiliate" also includes (i) any direct or indirect shareholder of General Atlantic Singapore AI Pte. Ltd., (ii) any of such shareholder's general partners, (iii) the fund manager managing such shareholder (and general partners, and officers thereof) and (iv) trusts controlled by or for the benefit of any natural person referred to in (ii) or (iii) above; provided that in no event shall any portfolio company owned, directly or indirectly, by investment funds managed by General Atlantic Service Company, L.P., be deemed an Affiliate of General Atlantic Singapore AI Pte. Ltd..

"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.

"Board" means the board of directors of the Company.

"Business" means the research, development, service, consulting, commercialization, transfer and license of technology relating to biologics including antibodies for therapeutic and/or diagnostic applications.

"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, Hong Kong, Singapore, the Cayman Islands or the United States.

"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.

"Closing" means the Closing as defined in the Share Purchase Agreement.

"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, release, 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.

"Control" of a given Person shall mean 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.

"Deemed Liquidation Event" means any of the following events:

(1) (A) any consolidation, amalgamation, scheme of arrangement or merger of a Group Company with or into any other Person or other reorganization in which the Members or shareholders of the Company immediately prior to such consolidation, amalgamation, merger, scheme of arrangement or reorganization own less than a majority of such Group Company's voting power in the aggregate immediately after such consolidation, merger, amalgamation, scheme of arrangement or reorganization, or (B) any transaction or series of related transactions to which a Group Company is a party in which in excess of fifty percent (50%) of such Group Company's voting power is transferred; or

(2) a sale, transfer, lease or other disposition of all or substantially all of the assets or business of any Group Company (or any series of related transactions resulting in such sale, transfer, lease or other disposition of all or substantially all of the assets of such Group Company), or entering into an exclusive license granting rights for substantially all of a Group Company's intellectual property in substantially all of the world;

provided that corporate activities taken solely for the purpose of achieving a Qualified IPO that has been duly approved in accordance with this Agreement and the Restated Memorandum and Articles shall not in any case be a "Deemed Liquidation Event."

"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, or any contract providing for the acquisition of any of the foregoing.

"ESOP" means the Company's Second Amended and Restated Share Incentive Plan (as amended) duly approved by the Board covering the grant or issuance of up to 11,391,131 Ordinary Shares (or options therefor) (as amended from time to time and as adjusted in connection with share splits or share consolidation, reclassification or other similar event) to employees, officers, directors, contractors, advisors or consultants of the Group Companies.

"Exchange Act" means the United States Securities Exchange Act of 1934, as amended.

"FCPA" means Foreign Corrupt Practices Act of the United States of America, as amended from time to time.

"Form F-1" means Form F-1 promulgated by the Commission under the Securities Act or any successor form or substantially similar form then in effect.

"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-1" means Form S-1 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, the Holdco Subsidiary, the WFOE, the US Subsidiary and the Australian Subsidiary, together with each Subsidiary of any of the foregoing, 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.

"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.

"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.

"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 formally issued written interpretation or administration of any of the foregoing by, any Governmental Authority, in each case as amended, and any and all applicable Governmental Orders.

"Majority Investors" means the holders of at least a majority of the voting power of the then outstanding Preferred Shares (voting together as a single class and calculated on as-converted basis).

"Member" has the meaning as in the Statute.

"Ordinary Share Equivalents" means any Equity Security which is by its terms convertible into or exchangeable or exercisable for Ordinary Shares, including without limitation, the Preferred Shares.

"OFAC" means the Treasury Department's Office of Foreign Assets Control of the United States.

"Ordinary Shares" means the Company's ordinary shares, par value US$0.0001 per share.

"Original Issue Price" has the meaning ascribed to such term in the Restated Memorandum and Articles.

"Person" means any individual, sole proprietorship, partnership, limited partnership, limited liability company, firm, joint venture, estate, trust, unincorporated organization, association, corporation, institution, public benefit corporation, entity or governmental or regulatory authority or other enterprise or entity of any kind or nature.

"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 Director" means each director of the Company other than the Founder Director.

"Preferred Shares" means, collectively, the Series A Preferred Shares, the Series B Preferred Shares and the Series C Preferred Shares.

"Prior Agreement" means the Fourth Amended and Restated Shareholders Agreement entered into by and among the Company and certain of its Members dated June 12, 2019.

"Qualified IPO" means the closing of a firm commitment underwritten public offering of the Ordinary Shares of the Company (or depositary receipts or depositary shares therefor) in the United States pursuant to an effective registration statement under the United States Securities Act of 1933, as amended, with an implied pre-offering market capitalization of the Company (based on the last pre-effectiveness pricing or low-end of the price range information contained in the final draft of such registration statement filed with the Commission) of no less than six hundred and fifty million US Dollars (US$650,000,000) and an aggregate gross proceeds of no less than US$75 million, before deduction of underwriting discounts and registration expenses, or in an underwritten public offering of the Ordinary Shares of the Company (or depositary receipts or depositary shares therefor) in another jurisdiction which results in the Ordinary Shares trading publicly on a recognized international securities exchange approved by the Majority Investors, voting as a single class, so long as such offering satisfies the foregoing pre-offering valuation and gross proceeds requirements.

"Register of Members" has the meaning ascribed to such term in the Restated Memorandum and Articles.

"Registrable Securities" means (i) the Ordinary Shares issued or issuable upon conversion of the Preferred Shares and (ii) any Ordinary Shares of the Company issued or issuable as a dividend or other distribution with respect to, in exchange for, or in replacement of, the shares referenced in (i) herein; excluding in all cases, however, any of the foregoing sold by a Person in a transaction other than an assignment pursuant to Section 13.3. For purposes of this Agreement, Registrable Securities shall cease to be Registrable Securities when such Registrable Securities have been disposed of pursuant to an effective Registration Statement.

"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.

"Related Party" means any Affiliate, officer, director, supervisory board member, employee, or holder of any Equity Security of any Group Company, and any Affiliate of any of the foregoing.

"Relative" of a natural person means the spouse of such person and any parent, grandparent, child, grandchild, sibling, cousin, in-law, uncle, aunt, nephew or niece of such person or spouse.

"Restated Memorandum and Articles" means the Sixth Amended and Restated Memorandum of Association and the Sixth Amended and Restated Articles of Association of the Company, as each may be amended and/or restated from time to time.

"Restated Right of First Refusal & Co-Sale Agreement" means the Fourth Amended and Restated Right of First Refusal and Co-Sale Agreement among the Company and certain Investors dated on or about the date of this Agreement, as amended from time to time.

"SAFE" means the State Administration of Foreign Exchange of the PRC.

"SAFE Regulation" means any Law promulgate by SAFE, including without limitation, the Circular 37 issued by SAFE on July 4, 2014, titled "Circular on Relevant Issues Relating to Domestic Residents' Investment and Financing and Roundtrip Investment through Special Purpose Vehicles (Hui Fa [2014] No. 37)," effective on the same date.

"Securities Act" means the United States Securities Act of 1933, as amended.

"Series A Preferred Shares" means the Series A-1 Preferred Shares and the Series A-2 Preferred Shares.

"Series A-1 Preferred Shares" means the Series A-1 Preferred Shares of the Company, par value US$0.0001 per share, with the rights and privileges as set forth in the Restated Memorandum and Articles.

"Series A-2 Preferred Shares" means the Series A-2 Preferred Shares of the Company, par value US$0.0001 per share, with the rights and privileges as set forth in the Restated Memorandum and Articles.

"Series B Preferred Shares" means the Series B Preferred Shares of the Company, par value US$0.0001 per share, with the rights and privileges as set forth in the Restated Memorandum and Articles.

"Series C Preferred Shares" means, collectively, the Series C-1 Preferred Shares, the Series C-2 Preferred Shares and the Series C-3 Preferred Shares, and each a "Series C Preferred Share".

"Series C-1 Preferred Shares" means the Series C-1 Preferred Shares of the Company, par value US$0.0001 per share, with the rights and privileges as set forth in the Restated Memorandum and Articles.

"Series C-2 Preferred Shares" means the Series C-2 Preferred Shares of the Company, par value US$0.0001 per share, with the rights and privileges as set forth in the Restated Memorandum and Articles.

"Series C-3 Preferred Shares" means the Series C-3 Preferred Shares of the Company, par value US$0.0001 per share, with the rights and privileges as set forth in the Restated Memorandum and Articles.

"Series C-3 Shareholder" means General Atlantic Singapore AI Pte. Ltd. and any Affiliate thereof that holds any Series C-3 Preferred Shares.

"Shares" means the Ordinary Shares and the Preferred Shares.

"Statute" means the Companies Law of the Cayman Islands as amended and every statutory modification or re-enactment thereof for the time being in effect.

"Subsidiary" means, with respect to any given Person, any other Person that is Controlled directly or indirectly by such given Person.

"Tax" means (i) in the PRC: (a) any national, provincial, municipal, or local taxes, charges, fees, levies, or other assessments, including, without limitation, all net income (including enterprise income tax and individual income withholding tax), turnover (including value-added tax, business tax, and consumption tax), resource (including urban and township land use tax), special purpose (including land value-added tax, urban maintenance and construction tax, and additional education fees), property (including urban real estate tax and land use fees), documentation (including stamp duty and deed tax), filing, recording, social insurance (including pension, medical, unemployment, housing, and other social insurance withholding), tariffs (including import duty and import value-added tax), and estimated and provisional taxes, charges, fees, levies, or other assessments of any kind whatsoever, (b) all interest, penalties (administrative, civil or criminal), or additional amounts imposed by any Governmental Authority in connection with any item described in clause (a) above, and (c) any form of transferee liability imposed by any Governmental Authority in connection with any item described in clauses (a) and (b) above and (ii) in any jurisdiction other than the PRC: all similar liabilities as described in clause (i)(a) and (i)(b) above.

"Transaction Documents" has the meaning set forth in the Share Purchase Agreement.

"US" means the United States of America.

1.2 Other Defined Terms.

The following terms shall have the meanings defined for such terms in the Sections set forth below:

Additional Consideration	Section 12.11(iv)
Agreement	Preamble
Arbitration Notice	Section 13.5(i)
Australian Subsidiary	Recitals
CFC	Section 12.5
Company	Preamble
Confidential Information	Section 12.4(i)
Dispute	Section 13.5(i)
Exempt Registrations	Section 3.4

Extended Participation Period	Section 7.4
Founder	Section 10.1(i)(d)
Founder Director	Section 10.1(i)(d)
Fully Exercising Investor	Section 7.4
HKIAC	Section 13.5(ii)
HKIAC Rules	Section 13.5(ii)
Holdco Subsidiary	Preamble
Indirect United States Shareholder	Section 12.5
Initial Consideration	Section 12.11(iv)
Investor(s)	Preamble
Investor's Partners	Section 12.5
Liquidation Event	Section 12.11(i)
New Financing	Section 10.1(iv)
New Securities	Section 7.3
Non-Competition Period	Section 12.15
Ordinary Shareholders	Preamble
Participation Notice	Section 7.4
Participation Period	Section 7.4
Party(ies)	Preamble
Preemptive Right	Section 7.1
Prohibited Payment	Section 12.10
Pro Rata Share	Section 7.2
Public Official	Section 12.10
QIPO Date	Section 12.12(i)
Repurchase Date	Section 12.12(i)
Repurchase Notice	Section 12.12(v)
Repurchase Price	Section 12.12(iii)
Repurchase Request	Section 12.12(i)
Requesting Series A Holders	Section 12.12(1)
Requesting Series B Holders	Section 12.12(i)
Requesting Series C Holders	Section 12.12(i)
Rights Holder	Section 7.1
Series A Repurchase Notice	Section 12.12(i)
Series A Shareholders	Preamble
Series B Repurchase Notice	Section 12.12(i)
Series B Shareholders	Preamble
Series C Repurchase Notice	Section 12.12(i)
Series C Shareholders	Preamble
Share Purchase Agreement	Recitals
Subpart F Income	Section 12.5
Subsidiary Board	Section 10.1(ii)
US Subsidiary	Preamble
United States Shareholder	Section 12.5
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 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, (ix) 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 Restated Memorandum and Articles, (x) the headings used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement, (xi) 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 (xii) 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 date that is six (6) months after the closing of the IPO, Holders holding thirty percent (30%) or more of the voting power of the then outstanding Registrable Securities held by all Holders may request in writing that the Company effect a Registration on any internationally recognized exchange that is reasonably acceptable to such requesting Holders. 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 good

faith 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 two (2) Registrations pursuant to this Section 2.1 that have been declared and ordered effective; provided that if the Registrable Securities sought to be included in the Registration pursuant to this Section 2.1 are not fully included in the Registration for any reason other than solely due to the action or inaction of the Holders including Registrable Securities in such Registration, such Registration shall not be deemed to constitute one of the Registration rights granted pursuant to this Section 2.1. The Company shall not be obligated to take any action to effect any Registration pursuant to this Section 2.1 unless the aggregate proceeds from the offering that is the subject of the Registration exceeds US$5,000,000 and at least 40% of the Registrable Securities then outstanding shall participate in such Registration.

2.2 Registration on Form F-3 or Form S-3.

The Company shall use its good faith commercially reasonable 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), Holders holding ten percent (10%) or more of the voting power of the then outstanding Registrable Securities held by all Holders may request the Company in writing 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 good faith 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 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; provided that if the Registrable Securities sought to be included in the Registration pursuant to this Section 2.2 are not fully included in such Registration for any reason other than solely due to the action or inaction of the Holders including Registrable Securities in such Registration, such Registration shall not be deemed to constitute one of the Registration rights granted pursuant to this Section 2.2. The Company shall not be obligated to take any action to effect any Registration pursuant to this Section 2.2 unless the aggregate proceeds from the offering that is the subject of the Registration exceeds US$5,000,000.

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 commercially reasonable 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) in any jurisdiction in which the Company would be required to 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; or

(4) 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 Form F-3 or Form S-3 (or any comparable form for Registration in a jurisdiction other than the United States) (as the case may be) is not available for such offering by the Holders.

(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 its 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 herein. All Holders proposing to distribute their 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 a majority 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 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 non-excluded Holders is allocated among all Holders in proportion, as nearly as practicable, to the respective amounts of Registrable Securities requested by such Holders to be included; provided that 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. 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 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 (other than a Holder) of Equity Securities any of such holder's Equity Securities, in connection with the public offering of such securities (except for Exempt Registrations), 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 good faith commercially reasonable 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 all or such portion of the Registrable Securities which were requested to be Registered, but 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 non-excluded Holders are allocated among all 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, (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), or (iii) on any form that does not include substantially the same information as would be required to be included in a registration statement covering the sale of the Registrable Securities and does not permit secondary sales. (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 good faith commercially reasonable efforts to cause that Registration Statement to become effective, and, upon the request of the Holders holding a majority in voting power of the Registrable Securities Registered thereunder, keep the Registration Statement effective 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 comply with the provisions of Applicable Securities Laws with respect to the disposition of all securities covered by the Registration Statement;

(iii) Furnish to the 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 owned by them;

(iv) Use its good faith commercially reasonable efforts to Register and qualify the securities covered by the Registration Statement under the Applicable Securities Laws of any jurisdiction, as reasonably requested by the Holders, provided, that the Company shall not be required to qualify to do business 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 Holder of Registrable Securities covered by 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 Holder promptly prepare and furnish to such 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 or such prospectus, as supplemented or amended, shall comply with law;

(vii) Furnish, at the request of any Holder requesting Registration of Registrable Securities pursuant to this Agreement, 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 counsel 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 final registration statement covering such Registrable Securities, and (y) the closing date of the sale of the Registrable Securities, 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, addressed to the underwriters;

(viii) Otherwise comply with all applicable rules and regulations of the Commission to the extent applicable to the applicable registration statement and use its commercially reasonable 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) 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; and

(x) Take all reasonable action necessary to list the Registrable Securities on the primary exchange on which the Company's securities are then traded or, in connection with a Qualified IPO, the primary exchange on which the Company's securities will be 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 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 the Holders holding a majority of the voting power of the Registrable Securities requested to be Registered by all Holder in such Registration (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 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 (in which case such registration shall also constitute the use by all Holders of Registrable Securities of one (1) such demand registration); provided, however, that if at the time of such withdrawal, the Holders have learned of a material adverse change in the condition, business or prospects of the Company from that known to the Holders at the time of their request and have withdrawn the request with reasonable promptness following disclosure by the Company of such material adverse change, then the Holders shall not be required to pay any of such expenses and the Company shall pay any and all such expenses.

5. Registration-Related Indemnification.

5.1 Company Indemnity.

(i) To the maximum extent permitted by Law, the Company will indemnify and hold harmless each Holder, such Holder's partners, officers, 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 they may become subject under Laws which are applicable to the Company and relate to action or inaction required of the Company in connection with any Registration, qualification, or compliance, 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. The Company will reimburse, as incurred, each such Holder, underwriter or controlling person (within the meaning of the Securities Act) for any legal or other expenses reasonably incurred by them 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) 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, any other Holder selling securities in connection with such Registration, any underwriter (as defined in the Securities Act) 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 of the foregoing persons may become subject, under Applicable Securities Laws, or any rule or regulation promulgated under Applicable Securities Laws, 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 written information furnished by such Holder for use in connection with such Registration; 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 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 within a reasonable time of the commencement of any such action, if prejudicial to its ability to defend such action, shall relieve such indemnifying party, to the extent so prejudiced, of any liability to the indemnified party under this Section 5, but the omission 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. 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 such 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 a majority 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) 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 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. In order to enforce the foregoing covenant, the Company may place restrictive legends on the certificates and impose stop-transfer instructions with respect to the Registrable Securities of each shareholder (and the shares or securities of every other Person subject to the foregoing restriction) until the end of such period.

6.4 Termination of Registration Rights.

The registration rights set forth in Section 2 and Section 3 of this Agreement shall terminate on the earlier of (i) the date that is five (5) years from the date of closing of an IPO, and (ii) with respect to any Holder, the date on which such Holder may sell all of such Holder's Registrable Securities under Rule 144 of the Securities Act in any ninety (90)-day period without restriction.

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 Majority Investors 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 (each, 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 an as-converted basis) held by such Rights Holder, to (b) the total number of Ordinary Shares (including Preferred Shares on an 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 Closing, except for:

(i) the option reserved by the Company and granted by the Board pursuant to the ESOP or the Ordinary Shares (as appropriately adjusted for share splits or share consolidation, share dividends, recapitalization, reduction, reclassification or other similar event) issuable to employees, officers, directors, contractor, advisors or consultants of the Group Companies upon exercise of the option pursuant to the ESOP as granted by Board;

(ii) any Equity Securities of the Company issued in connection with any share split, share dividend, reclassification or other similar event;

(iii) any Ordinary Shares issued pursuant to bona fide transactions with commercial lenders or lessors in connection with loans, credit arrangements, equipment financings or similar transactions, each such transaction having been duly approved by the Board or the Members in accordance with this Agreement and the Restated Memorandum and Articles;

(iv) any Ordinary Shares issued pursuant to bona fide transactions with licensors, collaborator or strategic partners in connection with technology licensing, research, development or commercialization collaboration, strategic partnership or similar transactions, each such transaction having been duly approved by the Board or the Members in accordance with this Agreement and the Restated Memorandum and Articles;

(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, in any case, duly approved in accordance with Section 11;

(vi) any Equity Securities of the Company issued pursuant to a Qualified IPO;

(vii) any Ordinary Shares issued upon the conversion of the Preferred Shares; and

(viii) any Series C-2 Preferred Shares of the Company issued pursuant to the Share Subscription Agreement dated June 9, 2019 among the Company and other parties thereto, and any Series C-3 Preferred Shares of the Company issued pursuant to the Share Purchase Agreement.

7.4 Procedures.

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 "Participation Notice"), describing the amount and type of New Securities, 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 Participation Notice (the "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 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). 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. At the expiration of such ten (10) days period, the Company shall promptly notify each Rights Holder that elects to purchase or acquire all the shares available to it (each, a "Fully Exercising Investor") of any other Rights Holder's failure to do likewise. During the ten (10) day period commencing after the Company has given such notice (the "Extended Participation Period"), each Fully Exercising Investor may, by giving notice to the Company, elect to purchase or acquire, in addition to the number of shares specified above, up to that portion of the New Securities for which Rights Holders were entitled to subscribe but that were not subscribed for by the Rights Holders which is equal to the proportion that the Ordinary Shares issued and held, or issuable (directly or indirectly) upon conversion and/or exercise, as applicable, of Preferred Shares, by such Fully Exercising Investor bears to the Ordinary Shares issued and held, or issuable (directly or indirectly) upon conversion and/or exercise, as applicable, of the Preferred Shares then held, by all Fully Exercising Investors who wish to purchase such unsubscribed shares. The closing of any sale pursuant to this Section 7.4 shall occur within the later of ninety (90) days of the date that the Participation Notice is given and the date of initial sale of New Securities pursuant to Section 7.5.

7.5 Failure to Exercise.

Upon the expiration of the Participation Period (or the Extended Participation Period, as applicable), the Company shall have ninety (90) days thereafter to complete the sale of the New Securities described in the 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 Participation Notice. In the event that the Company has not issued and sold such New Securities within such ninety (90) day period, then the Company shall not thereafter issue or sell any New Securities without again first offering such New Securities to the Rights Holders pursuant to this Section 7.

7.6 Optional Procedure.

Notwithstanding any provision hereof to the contrary, in lieu of complying with the provisions of Sections 7.4 and 7.5, the Company may elect to give notice to the Rights Holders within thirty (30) days after the issuance of New Securities. Such notice shall describe the type, price, and terms of the New Securities. Each Rights Holder shall have twenty (20) days from the date notice is given to elect to purchase up to the number of New Securities that would, if purchased by such Rights Holder, maintain such Rights Holder's percentage-ownership position, calculated as set forth in Section 7.2, before giving effect to the issuance of such New Securities. The closing of such sale shall occur within sixty (60) days of the date notice is given to the Rights Holders.

7.7 Termination of Preemptive Rights.

The rights and covenants set forth in this Section 7 shall terminate and be of no force and effect upon the earlier to occur of (a) immediately before the consummation of a Qualified IPO, (b) the consummation of a Deemed Liquidation Event, or (c) with respect to any Right Holder, when such Right Holder ceases to hold at least 0.5% of Ordinary Shares of the Company on a fully diluted and as converted to Ordinary Shares basis (including all Preferred Shares held by such holder of Preferred Shares on an as-converted to Ordinary Share basis).

8. Information Rights.

8.1 Delivery of Financial Statements.

The Company shall deliver to each Rights Holder who holds at least 0.5% of Ordinary Shares of the Company on a fully diluted and as converted to Ordinary Shares basis (including all Preferred Shares held by such holder of Preferred Shares on an as-converted to Ordinary Share basis) 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, all prepared in English and in accordance with the Accounting Standards consistently applied, such financial statements shall be audited and certified by a "Big 4" accounting firm or such other independent public accountants selected by the Board of Directors;

(ii) within thirty (30) days of the end of each quarter, a consolidated unaudited income statement and a statement of cash flows for such quarter and a consolidated balance sheet for the Company as of the end of such quarter, in accordance with the Accounting Standards consistently applied throughout the period (except for customary year-end adjustments and except for the absence of notes);

(iii) an annual business and financial plan and budget of the Company for the following fiscal year thirty (30) days prior to the beginning of such fiscal year in reasonable detail; and

(iv) as soon as practicable, any other information reasonably requested by any such Rights Holder, provided that such requests shall not be more frequent than twice a year.

8.2 Termination of Information Rights.

The rights and covenants set forth in this Section 8 shall terminate and be of no force and effect upon the earlier to occur of (a) immediately before the consummation of a Qualified IPO, or (b) the consummation of a Deemed Liquidation Event.

9. Inspection Rights.

The Group Companies covenant and agree that each Rights Holder shall have the right, and they shall permit each Rights Holder and its advisors and auditors, to reasonably inspect the facilities, books and records of each Group Company at any time during regular working hours and in a manner so as not to interfere with the normal business operations of the Group Company on reasonable prior notice to such Group Company and to discuss the business, operation and conditions of any Group Company with any Group Company's directors, employees, accountants, legal counsels and investment bankers, provided that such Rights Holder shall bear the costs for its own representatives and that such inspection shall not be more frequent than twice a year. The rights and covenants set forth in this Section 9 shall terminate and be of no force and effect upon the earlier to occur of (a) immediately before the consummation of a Qualified IPO, (b) the consummation of a Deemed Liquidation Event, or (c) with respect to any Right Holder, when such Right Holder ceases to hold at least 0.5% of Ordinary Shares of the Company on a fully diluted and as converted to Ordinary Shares basis (including all Preferred Shares held by such holder of Preferred Shares on an as-converted to Ordinary Share basis).

10. Election of Directors.

10.1 Board of Directors.

(i) The Company shall have, and the Parties hereto agree to cause the Company to have, a Board consisting of up to seven (7) directors, and:

(a) as long as Asia Ventures II L.P. holds at least five percent (5%) of the Shares outstanding on a fully-diluted basis, it shall have the right to designate, appoint, remove and replace and reappoint one individual to occupy one (1) seat on the Board;

(b) as long as F-Prime Capital Partners Healthcare Fund III LP holds at least five percent (5%) of the Shares outstanding on a fully-diluted basis, it shall have the right to designate, appoint, remove and replace and reappoint one individual to occupy one (1) seat on the Board;

(c) as long as Wuxi Pharmatech Healthcare Fund I L.P. holds at least five percent (5%) of the Shares outstanding on a fully-diluted basis, it shall have the right to nominate one independent non-executive director and such one independent non-executive director shall be appointed and agreed by the Board;

(d) as long as Peter Peizhi Luo (the "Founder") holds any Shares in the Company or is employed by the Company or any of its Controlled Affiliates, the Founder shall have the right to designate, appoint, remove and replace and reappoint one individual to occupy one (1) seat on the Board (the "Founder Director");

(e) as long as JSR Limited holds at least five percent (5%) of the Shares outstanding on a fully-diluted basis, it shall have the right to designate, appoint, remove and replace and reappoint one individual to occupy one (1) seat on the Board;

(f) as long as SCC Venture VI Holdco, Ltd. and Gopher Harvest Co-Investment Fund LP collectively hold at least five percent (5%) of the Shares outstanding on a fully-diluted basis, SCC Venture VI Holdco, Ltd. shall have the right to designate, appoint, remove and replace and reappoint one individual to occupy one (1) seat on the Board, provided, however, that so long as each of SCC Venture VI Holdco, Ltd. (and its Affiliate) and Gopher Harvest Co-Investment Fund LP (and its Affiliate) holds the same number of Shares it holds as of the date hereof, the foregoing five percent (5%) threshold in this Section 10.1(i)(f) shall not apply from the date hereof until the closing of next round of equity financing of the Company; and

(g) as long as the Series C-3 Shareholder holds at least five percent (5%) of the Shares outstanding on a fully-diluted basis, the Series C-3 Shareholder shall have the right to designate, appoint, remove and replace and reappoint one individual to occupy one (1) seat on the Board.

(ii) If requested by any Party entitled to appoint director to the Board pursuant to Section 10.1(i) hereof, the applicable Group Company shall, and the Parties hereto shall cause such Group Company to (i) no later than forty-five (45) days after the date of such request to have a board of directors or similar governing body (in each case, the "Subsidiary Board"), (ii) to ensure that the authorized size of each Subsidiary Board at all times be the same authorized size as the Board, and (iii) to ensure that the composition of such Subsidiary Board to at all times consist of the same persons as directors as those then on the Board.

(iii) In the event of a deadlock of any decision of the Board, the Founder Director shall have a casting vote.

(iv) Unless otherwise agreed to by the Company, the Series C-3 Shareholder shall lead or participate in the next round of equity financing of the Company (the "New Financing"), provided that (x) the terms of the New Financing shall be satisfactory to and approved by the Series C-3 Shareholder, (y) the New Financing shall consummate within twelve (12) months after the Closing, and (z) there has not been any breach of any Transaction Document by any Group Company or the Founder. If the Series C-3 Shareholder leads or participates in the New Financing, save for the director designated in accordance with Section 10.1(i)(g), the Series C-3 Shareholder shall not be entitled to appoint any additional director to the Board.

10.2 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 up to seven (7) 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 10.1, and (iii) against any nominees not designated pursuant to Section 10.1.

(ii) Any director designated pursuant to Section 10.1 may be removed from the Board, either for or without cause, upon written request of the Person or class of Persons then entitled to designate such director pursuant to Section 10.1 or by the holders of a majority of the then outstanding voting power of the Shares at any time when the Person or class of Persons are no longer entitled to designate such director pursuant to Section 10.1(i), and the Parties agree not to seek, vote for or otherwise effect the removal of any such director without such written request. Any Person or group 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 fill any vacancy caused by the death, disability, retirement, resignation or removal of any director occupying such position or any other vacancy therein. 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 designation, appointment, removal, replacement and reappointment of directors to each Subsidiary Board shall be determined mutatis mutandis by the provisions of Sections 10.1 and 10.2.

10.3 Quorum.

The Board shall hold no less than two (2) Board meetings during each fiscal year. A meeting of the 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) five (5) directors designated and appointed pursuant to Section 10.1, including at least four (4) Preferred Directors (which shall include the directors designated and appointed pursuant to Section 10.1(i)(f) and Section 10.1(i)(g)) and one (1) Founder Director. If within half an hour from the time appointed for the meeting a quorum is not present, the meeting shall stand adjourned to the next Business Day at the same time and place or to such other time or such other place as the directors of the Company may determine, and if a quorum is still not satisfied due to the absence of same Preferred Director, the quorum shall be deemed satisfied for this meeting.

10.4 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.

10.5 Alternates.

Subject to applicable Law, each director of the Company 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.

10.6 Board Proceedings

Notwithstanding anything to the contrary in this Agreement and the Restated Memorandum and Articles, and without limiting any requirements under applicable law, neither the officers or directors of the Group Companies shall take, permit to occur, approve, authorize, or agree or commit to do any of the following, or cause any Group Company to take, permit to occur, approve, authorize, or agree or commit to do any of the following, without the approval of the Board, including the affirmative vote or consent of at least two thirds of the Preferred Directors:

(i) authorizing or consummating any merger, consolidation, share acquisition or other corporate reorganization, or any transaction or series of transaction in which in excess of 50% of the Company's voting power is transferred;

(ii) authorizing or consummating a public offering of any securities of any Group Company; or

(iii) liquidating, winding up, or proceeding with other voluntary proceeding seeking liquidation, administration (whether out of court or otherwise), readjustment or other relief under any bankruptcy, insolvency or similar law or the appointment of a trustee, receiver, administrator (whether out of court or otherwise) of liquidator or similar officers.

11. Protective Provisions.

So long as no less than twenty-five percent (25%) of the Preferred Shares originally issued at the respective closings are outstanding, no Group Company shall take, permit to occur, approve, authorize, or agree or commit to do any of the following, and each Party shall procure the Group Companies 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 writing by the Majority Investors in advance:

(i) any amendment or change of the rights, preferences, privileges or powers of, or restrictions provided for the benefit of, any of the Preferred Shares;

(ii) any creation, increase or decrease in the authorized number, or repurchase or redemption, of Preferred Shares, Ordinary Shares or any Equity Securities of any Group Company other than (w) the purchase, repurchase or redemption of Ordinary Shares by the Company at no more than the original issuance price from terminated employees, officers or consultants upon such termination in accordance with the ESOP, or pursuant to the exercise of a contractual right of first refusal held by the Company, if any, or pursuant to any share incentive plan option agreement or share incentive plan option exercise and ordinary share purchase agreement with the Company as approved by the Board, (x) the redemption of the Preferred Shares in connection with the conversion of such Preferred Shares into Ordinary Shares pursuant to the Restated Memorandum and Articles, (y) the redemption or repurchase of any Preferred Shares by the Company at the request of any Investor in accordance with the Restated Memorandum and Articles or this Agreement, and (z) increase or issuance of Equity Securities of a Group Company after which the Group Company remains a wholly owned subsidiary of the Company, directly or indirectly;

(iii) authorize, create, issue, or reclassify (or grant any right or entitlement for acquiring or subscribing for or reclassifying) (x) any Equity Securities of the Company having any preference or priority as to rights or privileges superior to or on parity with any such preference or priority of the Preferred Shares, other than such exclusions specified in Articles 7.3E(5)(a)(iii)a) to 7.3E(5)(a)(iii)h) of the Restated Memorandum and Articles, or (y) any Equity Securities of any other Group Company;

(iv) any change of the size of the board of directors of any Group Company or change the manner in which the directors are appointed, other than changes pursuant to and in compliance with this Agreement;

(v) a Deemed Liquidation Event or Liquidation Event;

(vi) any amendment or modification to, or waiver under, the Charter Documents, other than amendments pursuant to and in compliance with Section 13.17 hereof;

(vii) any declaration, set aside or payment of a dividend or other distribution by the Company, or the adoption of or any change to the dividend policy;

(viii) any merger, amalgamation, scheme of arrangement, reorganization, restructuring, or consolidation of any Group Company with any Person, or the purchase or other acquisition by any Group Company of assets, equity or business of another Person, or any sale, transfer or other disposal of all or substantially part of any Group Company's assets or business, or sale or exclusive license of all or substantially all of the intellectual property of any Group Company, unless such matter is approved by the Board which shall include the consent of at least four (4) Preferred Directors and such matter does not constitute a Deemed Liquidation Event;

(ix) the entry into any contract or commitment by any Group Company with any Related Party that is not on arm's length terms or with a value in excess of US$5,000,000 in a single transaction or a series of transactions (provided that transactions with WuXi AppTec Co., Ltd. or its Affiliates would not be subject to this cap if such transaction or a series of transactions are on arm's length terms and in the ordinary course of business of the Group Companies), or the termination or material amendment of or waiver under any such contract or commitment, unless such matter is approved by the Board which shall include the consent of at least four (4) Preferred Directors (or a majority of the Preferred Directors if any director is recused from voting on such matter);

(x) any action by any Group Company to authorize, approve or enter into any agreement or obligation with respect to any action listed above.

The rights and covenants set forth in this Section 11 shall terminate and be of no force and effect upon the earlier to occur of (a) immediately before the consummation of a Qualified IPO; or (b) the closing of a Deemed Liquidation Event.

12. Additional Covenants.

12.1 Business of the Group Companies.

The business of each Group Company shall be restricted to the Business, except with the approval of the Board.

12.2 Accounting Standards; Fiscal Year; Internal Controls.

The Company shall cause the Group Companies to adopt and maintain December 31 as their fiscal year end and will 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, accounting, and anti-corruption compliance that meets international standards of good practice and is reasonably satisfactory to the Majority Investors to provide reasonable assurance 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) access to assets of it is permitted only in accordance with management's general or specific authorization, (iv) the recorded inventory of assets is compared with the existing tangible assets at reasonable intervals and appropriate action is taken with respect to any material differences, (v) segregating duties for cash deposits, cash reconciliation, cash payment, proper approval is established, and (vi) 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.

12.3 No Avoidance; Voting Trust.

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. Except any arrangement between SCC Venture VI Holdco, Ltd. and Gopher Harvest Co-Investment Fund LP, each holder of Shares agrees that it shall not enter into any other agreements or arrangements of any kind with respect to the voting of any Shares or deposit any Shares in a voting trust or other similar arrangement.

12.4 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 including their Affiliates (which, for purposes of this Section 12.4, the term "Affiliate" shall not include any limited partner of such Party) and consultants, board of directors, senior management and representatives to any other Person unless such Confidential Information (a) is disclosed to agencies and advisors of the Company as long as such Persons are subject to the same confidential treatment of the disclosed information, or (b) is known or becomes known to the public in general (other than as a result of a breach of this Section 12.4(i) by such Investor), (c) is or has been independently developed or conceived by the Investor without use of the Company's Confidential Information, or (d) is or has been made known or disclosed to the Investor by a third party without a breach of any obligation of confidentiality such third party may have to the Company, or (e) written consent is acquired from the Majority Investors. Notwithstanding the foregoing: (i) each Party, as appropriate, may disclose any of the Confidential Information to its Affiliate and its and its Affiliates' respective 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 and the employees thereof so long as such Persons are under appropriate nondisclosure obligations; (iii) if any Party is requested or becomes legally compelled (including without limitation, pursuant to the Applicable 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; (iv) the Series C-3 Shareholder may disclose its investment in the Company on General Atlantic's website in substantially the same form and substance as the other disclosures made by General Atlantic with respect to its other portfolio company investments; and (v) the Company and its Affiliates may disclose the Series C-3 Shareholder's investments in the Company (without referencing or disclosing any Financing Terms) on the Group Companies' website in substantially the same form and substance as the other disclosures made by the Company with respect to its other financings.

(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 entered into by the Company and the Investors in respect of the transactions contemplated hereby.

12.5 Controlled Foreign Corporation.

Each year, based on and in reliance of the information provided by the Investors, the Company shall make due inquiry with its tax advisors regarding whether the Company or any of its subsidiaries is treated as a "Controlled Foreign Corporation" ("CFC") as defined in the Code, whether any portion of the Company's or any of its subsidiaries' income is "Subpart F Income" (as defined in Section 952 of the Code) ("Subpart F Income") and each Investor's share, if any, of such Subpart F Income. The Company shall furnish the results of such inquiry to each Investor that is a United States Shareholder or has a beneficial owner that is a United States Shareholder ("Indirect United States Shareholder") no later than sixty (60) days following the end of the Company's or applicable subsidiary's taxable year. In addition, for each year the Company determines that the Company or any of its subsidiaries is treated as a CFC, the Company shall furnish to such Investor, no later than sixty (60) days following the end of the Company's or applicable subsidiary's taxable year, any information reasonably necessary for such Investor (or its beneficial owner) to calculate its global intangible low-taxed income (as defined in Section 951A of the Code). Each Investor shall reasonably cooperate with the Company to provide information necessary for the Company's tax advisors to determine the status of such Investor, or such Investor's Partners, as a "United States Shareholder" within the meaning of Section 951(b) of the Code, provided, however, that no Investor shall be required to provide any confidential information in connection with this determination. The Company shall make reasonable commercial efforts, and shall cause each of its subsidiaries to make reasonable commercial efforts, to provide each Investor in a timely manner (no later than seventy-five (75) days following the end of each taxable year commencing with the first taxable year for which the Company or any of its subsidiaries is a CFC) with the information in its possession or reasonably obtainable that is necessary to allow such Investor or such Investor's Partners to comply with its U.S. tax filing and reporting obligations as a result of any of the Company and its subsidiaries being treated as a CFC. For purposes of this Agreement, the term "Investor's Partners" shall mean each of the Investor partners, members, shareholders and other equity holders and any direct or indirect owners of such partners, members, shareholders and other equity holders. The Company shall be deemed to satisfy its obligations set forth in this Section 12.5 in the event that it is unable to provide the information related to the CFC status of the Company or any of its subsidiaries solely as the result of the failure of an Investor to provide any relevant information. The Company shall be required to provide the information described in this Section 12.5 to an Investor with an Indirect United States Shareholder only if the Investor requests in writing that the Company provide such information.

12.6 Passive Foreign Investment Company.

Each year, the Company shall make due inquiry with its tax advisors regarding the status of the Company and each of its Subsidiaries as a PFIC. The Company shall notify the Investors of the results of such determination no later than sixty (60) days following the end of the Company's or applicable subsidiary's taxable year. Without limiting the Company's obligations pursuant to this Section 12.6, in connection with a "Qualified Electing Fund" election made by an Investor or any of an Investor's Partners pursuant to Section 1295 of the Code with respect to the Company or any of its subsidiaries or a "Protective Statement" filed by an Investor or any of an Investor's Partners pursuant to Treasury Regulation Section 1.1295-3, as amended (or any successor thereto), with respect to the Company or any of its subsidiaries, the Company shall, and shall cause each of its subsidiaries to, provide the information requested by the Investor necessary for the Investor and the Investor's Partners to comply with the U.S. tax filing and reporting obligations with respect to such Qualified Electing Fund election or Protective Statement, including without limitation a PFIC Annual Information Statement under Section 1295(b) of the Code, and a completed IRS Form 8621, no later than seventy-five (75) days following the end of each taxable year commencing with the first taxable year for which the Company or any of its subsidiaries is a PFIC.

12.7 Provision of U.S. Tax Reporting Information.

The Company shall make commercially reasonable efforts, and shall cause its Subsidiaries to make commercially reasonable efforts, to provide as promptly as possible, an Investor with the information in the Company's or any of its Subsidiaries' possession or reasonably obtainable by the Company or any of its Subsidiaries as is reasonably requested by the Investor from time to time: (1) to establish whether the Company is or is likely to become a PFIC or CFC with respect to the Investors; (2) to allow such Investor or any of an Investor's Partners to comply with their U.S. tax filing and reporting obligations for the prior calendar year, including the reporting of their respective pro rata share of Subpart F Income of the Company and any other information required from time to time on annual IRS Form 5471 and 926 or any equivalent or successor form, if and as required; (3) generally to comply with all obligations imposed on any Investor under the Code with respect to the Company as a possible PFIC or CFC, including without limitation all obligations arising out of a Qualified Electing Fund election, if made; and (4) to enable the Investors (and its respective equity holders) to comply with applicable U.S. federal income tax Laws.

12.8 Costs.

Any and all costs incurred by any Group Company in providing the information that it is required to provide, or is required to cause to be provided, and the cost incurred by the Group Company in taking the action, or causing the action to be taken, described in Sections 12.5, 12.6 and 12.7 shall be borne by the relevant Investors.

12.9 U.S. Tax Classification.

The Company is intended to be classified and treated as an association taxable as a corporation for U.S. tax purposes. If necessary to ensure such classification, the Investors shall cooperate to cause the Company to timely execute and file United States Internal Revenue Form 8832 electing to treat the Company as a corporation for U.S. Federal income tax purposes pursuant to Section 301.7701-3 of the U.S. Treasury Regulations. In connection therewith, each of the Investors hereby consent to such election and agrees to cooperate to effect such election. The Company shall furnish a copy of such Form 8832 as requested by an Investor promptly after the filing thereof. The Company shall not elect to be treated as anything other than an association taxable as a corporation for U.S. federal, state or local income tax purposes under U.S. Treasury Regulations section 301.7701-3(a) or under any corresponding provision of state or local law, without the prior written consent of all the Investors.

12.10 Anti-Bribery Compliance.

The Group Companies agree and covenant to make reasonable efforts to ensure that each of the Group Companies: (i) 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 offer, promise, authorize or make any payment to, or otherwise contribute any item of value, directly or indirectly, to any third party, including any 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; (ii) 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 such Group 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; (iii) shall comply with all applicable anti-bribery and anti-corruption laws and regulations, including, but not limited to, the FCPA and the UK Bribery Act; (iv) 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; and (v) shall implement reasonable policies and procedures designed to prevent the Group Companies, or any person acting on its or their behalf, from making any Prohibited Payment in connection with the activities or operations of the Company. For purposes of this section "Prohibited Payment" means (a) any offer, gift, payment, promise to pay or authorization of the payment of any money or anything of value, directly or indirectly, to or for the use or benefit of any Public Official (including to or for the use or benefit of any other person if the Company knows, or has reasonable grounds for believing, that the other person would use such offer, gift, payment, promise or authorization of payment for the benefit of any such Public Official), for the purpose of influencing any act or decision or omission of any Public Official in order to obtain, retain or direct business to, or to secure any improper benefit or advantage for, the Company or any other person, or (b) any conduct constituting a violation of applicable law involving corruption or bribery; provided that any such offer, gift, payment, promise or authorization of payment shall not be considered a Prohibited Payment if it is lawful under applicable written laws and regulations, and "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.

12.11 Liquidation Rights.

(i) **Liquidation Preferences**. In the event of any liquidation, dissolution or winding up of any Group Company, or the cessation of the business of the Group or of a substantial portion of the business of the Group (the "Liquidation Event"), whether voluntary or involuntary, or any Deemed Liquidation Event (unless waived in writing by the holders of at least 75% of the voting power of the then outstanding Preferred Shares (voting together as a single class and on an as converted basis)), all assets and funds resulting from such Liquidation Event or Deemed Liquidation Event that are legally available for distribution to the Members of the Company (after satisfaction of all creditors' claims and claims that may be preferred by law including those related to employees and taxation) shall be distributed to the Members of the Company as follows:

(a) First, the holders of the Series C Preferred Shares then outstanding shall be entitled to receive with respect to each Series C Preferred Share held by such holder, on parity with each other and prior and in preference to any distribution of any of the assets or funds of the Company to the holders of Series B Preferred Shares, Series A Preferred Shares or Ordinary Shares by reason of their ownership of such shares, the amount equal to 100% of its Original Issue Price. If the assets and funds thus distributed among the holders of the Series C Preferred Shares shall be insufficient to permit the payment to such holders of the full amounts payable pursuant to this subparagraph (a), then the entire assets and funds of the Company legally available for distribution shall be distributed ratably among the holders of the Series C Preferred Shares in proportion to the amount each such holder is otherwise entitled to receive pursuant to this subparagraph (a).

(b) Second, if there are any assets or funds remaining after the payment has been distributed or paid in full to the holders of the Series C Preferred Shares pursuant to Section 12.11(i)(a), the holders of the Series B Preferred Shares then outstanding shall be entitled to receive with respect to each Series B Preferred Share held by such holder, on parity with each other and prior and in preference to any distribution of any of the assets or funds of the Company to the holders of Series A Preferred Shares or Ordinary Shares by reason of their ownership of such shares, the amount equal to 100% of its Original Issue Price. If the assets and funds thus distributed among the holders of the Series B Preferred Shares shall be insufficient to permit the payment to such holders of the full amounts payable pursuant to this subparagraph (b), then the entire assets and funds of the Company legally available for distribution shall be distributed ratably among the holders of the Series B Preferred Shares in proportion to the amount each such holder is otherwise entitled to receive pursuant to this subparagraph (b).

(c) Third, if there are any assets or funds remaining after the payment has been distributed or paid in full to the holders of the Series B Preferred Shares pursuant to Section 12.11(i)(b), the holders of the Series A Preferred Shares then outstanding shall be entitled to receive with respect to each Series A Preferred Share held by such holder, on parity with each other and prior and in preference to any distribution of any of the assets or funds of the Company to the holders of Ordinary Shares by reason of their ownership of such shares, the amount equal to 100% of its Original Issue Price. If the assets and funds thus distributed among the holders of the Series A Preferred Shares shall be insufficient to permit the payment to such holders of the full amounts payable pursuant to this subparagraph (c), then the entire assets and funds of the Company legally available for distribution shall be distributed ratably among the holders of the Series A Preferred Shares in proportion to the amount each such holder is otherwise entitled to receive pursuant to this subparagraph (c).

(d) Fourth, if there are any assets or funds remaining after the payment has been distributed or paid in full to the holders of the Series A Shares pursuant to Section 12.11(i)(c), the holders of the Series C Preferred Shares shall be entitled to receive with respect to each Series C Preferred Share by reason of their ownership of such shares a simple interest accruing on such Series C Preferred Share at 6% of its Original Issue Price per annum from the date of issuance of such Series C Preferred Share to the date of distribution of such amount. If the assets and funds thus distributed among the holders of the Series C Preferred Shares shall be insufficient to permit the payment to such holders of the full amounts payable pursuant to this subparagraph (d), then the entire assets and funds of the Company legally available for distribution shall be distributed ratably among the holders of the Series C Preferred Shares in proportion to the amount each such holder is otherwise entitled to receive pursuant to this subparagraph (d).

(e) Fifth, if there are any assets or funds remaining after the payment has been distributed or paid in full to the holders of the Series C Preferred Shares pursuant to Section 12.11(i)(d), the holders of the Series B Preferred Shares shall be entitled to receive with respect to each Series B Preferred Share by reason of their ownership of such shares a simple interest accruing on such Series B Preferred Share at 6% of its Original Issue Price per annum from the date of issuance of such Series B Preferred Share to the date of distribution of such amount. If the assets and funds thus distributed among the holders of the Series B Preferred Shares shall be insufficient to permit the payment to such holders of the full amounts payable pursuant to this subparagraph (e), then the entire assets and funds of the Company legally available for distribution shall be distributed ratably among the holders of the Series B Preferred Shares in proportion to the amount each such holder is otherwise entitled to receive pursuant to this subparagraph (e).

(f) Sixth, if there are any assets or funds remaining after the payment has been distributed or paid in full to the holders of the Series B Shares pursuant to Section 12.11(i)(e), the holders of the Series A Preferred Shares shall be entitled to receive with respect to each Series A Preferred Share by reason of their ownership of such shares a simple interest accruing on such Series A Preferred Share at 6% of its Original Issue Price per annum from the date of issuance of such Series A Preferred Share to the date of distribution of such amount. If the assets and funds thus distributed among the holders of the Series A Preferred Shares shall be insufficient to permit the payment to such holders of the full amounts payable pursuant to this subparagraph (f), then the entire assets and funds of the Company legally available for distribution shall be distributed ratably among the holders of the Series A Preferred Shares in proportion to the amount each such holder is otherwise entitled to receive pursuant to this subparagraph (f).

(g) Seventh, if there are any assets or funds remaining after the payment has been distributed or paid in full to the applicable holders of each series of Preferred Shares pursuant to Sections 12.11(i)(a) through 12.11(i)(f), the remaining assets and funds of the Company available for distribution to the Members of the Company shall be distributed ratably among all Members according to the relative number of Ordinary Shares held by such Member (treating for this Section 12.11(i)(g) all Preferred Shares as if they had been converted to Ordinary Shares immediately prior to such Liquidation Event or Deemed Liquidation Event of the Company). If the assets and funds thus distributed among all Members shall be insufficient to permit the payment to such holders of the full amounts payable pursuant to this subparagraph (g), then the entire assets and funds of the Company legally available for distribution shall be distributed ratably among all Members in proportion to amount each such Member is otherwise entitled to receive pursuant to this subparagraph (g).

(ii) **Trade Sale**. Notwithstanding Section 12.11(i) above, in the event that the valuation of the Company implied in a Deemed Liquidation Event or Liquidation Event is no less than US$650 million, all assets and funds resulting from such Liquidation Event or Deemed Liquidation Event that are legally available for distribution to the Members (after satisfaction of all creditors' claims and claims that may be preferred by law including those related to employees and taxation) shall be distributed ratably among all Members of the Company according to the relative number of Ordinary Shares held by such Member (treating for this Section 12.11(ii) all Preferred Shares as if they had been converted to Ordinary Shares immediately prior to such Deemed Liquidation Event or Liquidation Event of the Company) without applying to liquidation distribution method set forth in Section 12.11(i).

(iii) **Valuation of Properties**. In the event the Company proposes to distribute assets other than cash in connection with a Liquidation Event or a Deemed Liquidation Event, the value of the assets to be distributed to the Members shall be determined in good faith by the Board; provided that any securities not subject to investment letter or similar restrictions on free marketability shall be the fair market value thereof as determined in good faith by the Board; provided further that the method of valuation of securities subject to investment letter or other restrictions on free marketability shall be adjusted to make an appropriate discount from the market value of the securities not subject to investment letter or similar restrictions on free marketability to reflect the fair market value thereof as determined in good faith by the Board. Regardless of the foregoing, the Majority Investors shall have the right to challenge any determination by the Board of value pursuant to this Section 12.11(iii), in which case the determination of value shall be made by an independent appraiser selected jointly by the Board and the Majority Investors, with the cost of such appraisal to be borne by the Company.

(iv) **Allocation of Escrow and Contingent Consideration**. In the event of a Deemed Liquidation Event, if any portion of the consideration payable to the Members is payable only upon satisfaction of contingencies (the "Additional Consideration"), the agreement entered into with the Persons providing the consideration in connection with such Deemed Liquidation Event shall provide that (a) the portion of such consideration that is not Additional Consideration (such portion, the "Initial Consideration") shall be allocated among the Members in accordance with Section 12.11(i) as if the Initial Consideration were the only consideration payable in connection with such Deemed Liquidation Event; and (b) any Additional Consideration which becomes payable to the Members upon satisfaction of such contingencies shall be allocated among the Members in accordance with Section 12.11(i) after taking into account the previous payment of the Initial Consideration as part of the same transaction. For the purposes of this Section 12.11(iv), consideration placed into escrow or retained as holdback to be available for satisfaction of indemnification or similar obligations in connection with such Deemed Liquidation Event shall be deemed to be Additional Consideration.

(v) **Notices**. In the event that the Company shall propose at any time to consummate a Liquidation Event of the Company or a Deemed Liquidation Event, then, in connection with each such event, subject to any necessary approval required in the Statute, this Agreement and the Restated Memorandum and Articles, the Company shall send to all holders of the Preferred Shares at least ten (10) days prior written notice of the date when the same shall take place; provided, however, that the foregoing notice periods may be shortened or waived with the vote or written consent of the Majority Investors.

(vi) **Enforcement**. In the event the requirements of this Section 12.11 are not complied with, the Company shall, to the extent permitted by the Statute, forthwith either (i) cause the closing of the applicable transaction to be postponed until such time as the requirements of this Section 12.11 have been complied with, or (ii) cancel such transaction.

(vii) **Cancellation of Dividend**. In the event of a Liquidation Event or a Deemed Liquidation Event, all declared and unpaid dividend to the members of the Company shall be cancelled and no member shall be entitled to payment of any such dividends.

12.12 Repurchase Right.

(i) **Request for Repurchase**. Subject to the terms and conditions of this Section 12.12 and the provisions of applicable law, if the Company fails to consummate a Qualified IPO or complete a Deemed Liquidation Event, each duly approved in accordance with this Agreement and the Restated Memorandum and Articles on or before March 31, 2025 (the "QIPO Date"), upon the written request issued within one hundred and eighty (180) days after the QIPO Date by the holders of the majority of outstanding Series A Preferred Shares with respect to the shares of Series A Preferred Shares held by such holders (such holders, the "Requesting Series A Holders"), holders of the majority of the outstanding Series B Preferred Shares with respect to the shares of Series B Preferred Shares held by such holders (such holders, the "Requesting Series B Holders"), or holders of the majority of the outstanding Series C Preferred Shares with respect to the shares of Series C Preferred Shares held by such holders (such holders, the "Requesting Series C Holders") (each such repurchase request, a "Repurchase Request"), the Company shall, on the date within sixty (60) Business Days upon receipt of any Repurchase Request (the "Repurchase Date"), repurchase out of funds legally available thereof, such number of Preferred Shares that such Requesting Series A Holders, Requesting Series B Holders or Requesting Series C Holders (as applicable) request to be repurchased which have not been converted into Ordinary Shares (the "Repurchased Shares"); provided that, (i) the Company shall, within ten (10) Business Days following the receipt of such Repurchase Request made by the Requesting Series A Holders, provide a notice (the "Series A Repurchase Notice") to each of the other holders of the outstanding Series A Preferred Shares, and each such other holder of outstanding Series A Preferred Shares shall have a right to elect to have any or all of its Series A Preferred Shares to be repurchased by the Company on the Repurchase Date by delivering to the Company a written notice requesting such repurchase no later than ten (10) Business Days following its receipt of the Series A Repurchase Notice, and the Company shall be obligated to repurchase such shares on the Repurchase Date on the same terms and conditions of the repurchase of the Series A Preferred Shares held by the Requesting Series A Holders; (ii) the Company shall, within ten (10) Business Days following the receipt of such Repurchase Request made by the Requesting Series B Holders, provide a notice (the "Series B Repurchase Notice") to each of the other holders of the outstanding Series B Preferred Shares, and each such other holder of outstanding Series B Preferred Shares shall have a right to elect to have any or all of its Series B Preferred Shares to be repurchased by the Company on the Repurchase Date by delivering to the Company a written notice requesting such repurchase no later than ten (10) Business Days following its receipt of the Series B Repurchase Notice, and the Company shall be obligated to repurchase such shares on the Repurchase Date on the same terms and conditions of the repurchase of the Series B Preferred Shares held by the Requesting Series B Holders; and (iii) the Company shall, within ten (10) Business Days following the receipt of such Repurchase Request made by the Requesting Series C Holders, provide a notice (the "Series C Repurchase Notice") to each of the other holders of the outstanding Series C Preferred Shares, and each such other holder of outstanding Series C Preferred Shares shall have a right to elect to have any or all of its Series C Preferred Shares to be repurchased by the Company on the Repurchase Date by delivering to the Company a written notice requesting such repurchase no later than ten (10) Business Days following its receipt of the Series C Repurchase Notice, and the Company shall be obligated to repurchase such shares on the Repurchase Date on the same terms and conditions of the repurchase of the Series C Preferred Shares held by the Requesting Series C Holders.

Each such series of Preferred Shares called for repurchase as provided above shall be repurchased in cash at the Repurchase Price of such series of Preferred Shares and shall be paid from any source of funds legally available therefor.

(ii) **Withdrawal or Termination of Request**. A Repurchase Request may be withdrawn or terminated by the requesting Shareholders, but only with respect to the Shares of such series of Preferred Shares that had not been repurchased in full in cash as of the date such request for withdrawal or termination is made.

(iii) **Repurchase Price**. The repurchase price for each Preferred Share shall be an amount in cash equal to 100% of the applicable Original Issue Price for the applicable series of Preferred Shares plus any declared but unpaid dividends thereon (the "Repurchase Price").

(iv) **Insufficient Legally Available Fund**. Notwithstanding any other provision set forth in this Section 12.12, if upon any Repurchase Date scheduled for the repurchase of Preferred Shares, the funds and assets of the Company legally available to repurchase such Shares shall be insufficient to repurchase all such Preferred Shares then scheduled to be repurchased, then:

(1) the holders of such Preferred Shares to be repurchased shall share ratably in any repurchase in proportion to the respective Repurchase Prices that would otherwise be payable in respect of such Preferred Shares held and elected to be repurchased by them upon such repurchase if all amounts payable on or with respect to such Preferred Shares were paid in full; and

(2) any Preferred Shares not repurchased shall be carried forward and shall be repurchased (together with any other Preferred Shares then scheduled to be repurchased) at the next such scheduled Repurchase Date to the full extent of legally available funds of the Company at such time.

Any such Preferred Shares not repurchased shall continue to be so carried forward until repurchased. Preferred Shares that are subject to repurchase hereunder but have not been repurchased due to insufficient legally available funds and assets of the Company shall continue to be outstanding and entitled to all dividend, liquidation, conversion and other rights, powers and preferences of the Preferred Shares respectively until three (3) days prior to the Repurchase Date upon which such Preferred Shares have been converted or repurchased.

(v) **Repurchase Notice.** At least twenty (20) days prior to the Repurchase Date, written notice in accordance with the provisions hereof shall be given by the Company to each Shareholder (at the close of business on the Business Day next preceding the day on which notice is given), notifying such Shareholder of (a) the repurchase to be effected, (b) specifying the Repurchase Date(s), the applicable Repurchase Price, the number of Repurchased Shares, the place at which payment may be obtained and the date on which such holder's conversion rights as to such Preferred Shares terminate (which date shall be three (3) days prior to each Repurchase Date with respect to the Preferred Shares to be repurchased on that date) and (c) calling upon holders of Repurchased Shares to surrender to the Company, in the manner and at the place designated, the certificate or certificates representing the Repurchased Shares (the "Repurchase Notice").

(vi) **Surrender of Certificates.** On or before each designated Repurchase Date, each holder of a series of Preferred Shares to be repurchased shall (unless such holder has previously exercised such holder's right to convert such Preferred Shares into Ordinary Shares as provided in Article 7.3 of the Restated Memorandum and Articles), surrender the certificate(s) representing such Shares of such series of Preferred Shares to be repurchased to the Company, in the manner and at the place designated in the Repurchase Notice, and thereupon the Repurchase Price for such Preferred Shares shall be payable to the order of the person whose name appears in the Register of Members as the owner thereof, and each surrendered certificate shall be cancelled and retired. If less than all of the Preferred Shares represented by such certificate are repurchased, then the Company shall promptly issue a new certificate representing the Preferred Shares not repurchased.

(vii) **Effect of Repurchase.** If the Repurchase Notice shall have been duly given for a series of Preferred Shares, and if on any Repurchase Date the Repurchase Price for such series of Preferred Shares to be repurchased thereon is either paid or made available for payment through the deposit arrangements specified in Section 12.12(viii) hereof, then notwithstanding that the certificates evidencing any of the such Preferred Shares so called for repurchase on such Repurchase Date shall not have been surrendered, such Preferred Shares shall not thereafter be transferred on the Company's books and the rights of all of the holders of such Preferred Shares with respect to such Preferred Shares shall terminate on such Repurchase Date, except only the right of the holders to receive the Repurchase Price from the Company or the payment agent, without interest, upon surrender of their certificate(s) therefor.

(viii) **Deposit of Repurchase Price.** On or prior to the Repurchase Date for any Preferred Shares, the Company may, at its option, deposit with an independent payment agent, a sum equal to the aggregate Repurchase Price for all Shares of each series of Preferred Shares called for repurchase on that Repurchase Date and not yet repurchased, with irrevocable instructions and authority to the payment agent to pay, on or after the Repurchase Date, the Repurchase Price to the respective holders of Preferred Shares upon the surrender of their share certificates. The deposit shall constitute full payment of the Preferred Shares called for repurchase on that Repurchase Date to their holders, and from and after the such Repurchase Date, such Preferred Shares shall be deemed to be repurchased and no longer outstanding, provided that the terms and conditions of such deposit and irrevocable instructions and authority to the payment agent are to the reasonable satisfaction of the holder(s) of the Repurchase Shares. Any funds so deposited and unclaimed at the end of one (1) year from such Repurchase Date shall be released or repaid to the Company, after which time the holders of Preferred Shares called for repurchase who have not claimed such funds shall be entitled to receive payment of the Repurchase Price only from the Company.

(ix) **Alternative to Company Repurchase**. Notwithstanding the provisions of this Section 12.12, the Company is entitled to satisfy its repurchase obligations with respect to any portion of the Preferred Shares subject to a Repurchase Request pursuant to this Section 12.12 by causing one or more third party Persons to purchase such Preferred Shares at the Repurchase Price within sixty (60) Business Days upon the receipt of the Repurchase Request.

12.13 Compliance with Laws

The Group Companies agree and covenant to make reasonable efforts to ensure that each of the Group Companies shall, at their own costs and expenses, fully comply with all applicable Laws and regulations of the jurisdiction of its incorporation as well as all requirements of the competent Governmental Authorities with respect to their conducting of business in all material respects, on a continuing basis, including but not limited to, tax regulations, anti-money laundry laws and regulations, the SAFE Regulations, OFAC regulations and other applicable sanctions laws and regulations, as amended, and any similar statute or law, rule, regulation, official policy, interpretation or pronouncement of any Governmental Authority.

12.14 Role of Series C Shareholders

(i) **Use the name or brand of the Investors**. Without the written consent of the Series C Shareholders, the Company, its Subsidiaries and their shareholders (excluding the Series C Shareholders), shall not use the name or brand of any Series C Shareholder or its Affiliates, claim itself as a partner of such Series C Shareholder or its Affiliates, or make any similar representations. Without the written approval of the Series C Shareholders, the Company, its Subsidiaries and their shareholders (excluding the Series C Shareholders), shall not make or cause to be made, any press release, public announcement or other disclosure to any third party, whether in marketing materials or not, in respect of this Agreement or any Series C Shareholder's subscription of share interest of the Company.

(ii) **Conflicts of Interest**. Each Party hereto acknowledges that a representative of the relevant Series C Shareholders or their Affiliates is expected to serve as a director of the Board. Each Party hereto acknowledges that each Series C Shareholder and its Affiliates manage a separate investment business, such roles involve an inherent conflict of interest, and agree that each Series C Shareholder, its Affiliates and their representatives shall have no liability attributable to such conflicts of interest. Nevertheless, the Parties approve the roles of each Series C Shareholder and its Affiliates as described above.

12.15 Non-Competition

The Founder undertakes and covenants to the Investors that commencing from the date of this Agreement until the later of (x) the expiry of the twelve (12) months' period after the date he ceases to be employed by any Group Company, and (y) the expiry of the twelve (12) months' period after the date when he does not hold or beneficially own any shares or securities of any Group Company (the "Non-Competition Period"), he will not, without the prior written consent of the Investors, either on his own account or through any of his Affiliates, or in conjunction with or on behalf of any other Person: (i) carry out, be engaged, concerned or interested directly or indirectly whether as shareholder, director, employee, partner, agent or otherwise in any business in competition with, or otherwise related to, the Business engaged by any Group Company (except for a passive investment of less than two percent (2%) of the stock of any publicly traded company that engages in the foregoing); (ii) solicit or entice away or attempt to solicit or entice away from any Group Company, any Person, firm, company or organization who is an employee, customer, client, representative, agent or correspondent of such Group Company.

13. Miscellaneous.

13.1 Termination.

This Agreement shall terminate (i) upon mutual consent of the Parties hereto, or (ii) with respect to a Party which is a shareholder of the Company, when such shareholder no long holds any Shares. If this Agreement terminates, the Parties shall be released from their obligations under this Agreement, except in respect of any obligation stated, explicitly or otherwise, to continue to exist after the termination of this Agreement (including without limitation those under Sections 2 through 6, 12.14, Section 12.15 and Section 13). 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.

13.2 Further Assurances.

Upon the terms and subject to the conditions herein, each of the Parties hereto agrees to use its commercially reasonable 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.

13.3 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, assigns and legal representatives, but shall not otherwise be for the benefit of any third party. The Parties do not intend that any term of this Agreement should be enforceable, by virtue of the *Contracts (Rights of Third Parties) Ordinance* (Cap. 623 of the Laws of Hong Kong), by any Person who is not a party to this Agreement. The rights of any Investor hereunder (including, without limitation, the registration rights) are assignable (together with the related obligations) to a third party in connection with the transfer of Equity Securities of the Company held by such Investor, and any such transferee shall execute and deliver to the Company a deed of adherence or joinder becoming a party hereto as an "Investor" subject to the terms and conditions hereof (if not already so bound); provided, that in connection with any transfer of Preferred Shares by an Investor to a third party, such Investor's rights under Sections 10.1(i) and 10.1(ii) in this Agreement may not be assigned to such third party transferee without prior approval of the Board. Any holder of Ordinary Shares transferred pursuant to the Restated Right of First Refusal & Co-Sale Agreement shall execute and deliver to the Company a deed of adherence or joinder becoming a party hereto as an "Ordinary Shareholder" subject to the terms and conditions hereof (if not already so bound). This Agreement and the rights and obligations of each other Party hereunder shall not otherwise be assigned without the mutual written consent of the other Parties except as expressly provided herein.

13.4 Governing Law.

This Agreement and all actions arising out of or in connection with this Agreement shall be governed by and construed in accordance with the Laws of Hong Kong, without regard to the conflicts of law provisions of Hong Kong or of any other state.

13.5 Dispute Resolution.

(i) Any dispute, controversy, difference 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 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 administered by the Hong Kong International Arbitration Centre (the "HKIAC") in accordance with the Hong Kong International Arbitration Centre Administered Arbitration Rules (the "HKIAC Rules") in force when the Arbitration Notice is submitted. There shall be three (3) arbitrators. The HKIAC council shall select the arbitrators, who shall be qualified to practice law in Hong Kong.

(iii) The arbitral proceedings shall be conducted in English.

(iv) The costs of arbitration shall be borne by the losing party, unless otherwise determined by the arbitral tribunal.

(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 Laws of Hong Kong (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 interim measures of protection and emergency relief, if possible, from any court of competent jurisdiction in accordance with the applicable Laws of that jurisdiction.

(viii) When any Dispute occurs and when any Dispute is under arbitration, except for the matters in Dispute, the Parties shall continue to fulfill their respective obligations and shall be entitled to exercise their rights under this Agreement.

13.6 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 B (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.

13.7 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.

13.8 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 injunctive relief to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement.

13.9 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, in each case as duly approved by the Board and the Members in accordance with this Agreement and the Restated Memorandum and Articles, then to the extent necessary, 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 as in effect immediately before such transaction, whether such obligations are contained in the Restated Memorandum and Articles, or elsewhere, as the case may be.

13.10 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.

13.11 Amendments and Waivers.

Any provision in this Agreement may be amended and the observance thereof may be waived (either generally or in a particular instance and either retroactively or prospectively), only by the written consent of (i) the Company; (ii) the Majority Investors; and (iii) Persons holding at least a majority of the Ordinary Shares held by the Parties hereto; provided, however, that (1) no amendment or waiver shall be effective or enforceable in respect of a holder of any class or series of Shares 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 holder consents in writing to such amendment or waiver, (2) any provision that specifically and expressly gives a right to a named Investor shall not be amended or waived without the prior written consent of such named Investor, and (3) any amendment that imposes any additional obligation or restriction on the Series C-3 Shareholder, regardless of whether as a named Investor or by virtue of its holding of Shares in the Company, shall require the written consent of the Series C-3 Shareholder. Notwithstanding the foregoing, any Party hereunder may waive any of its/his rights hereunder without obtaining the consent of any other Parties. Any amendment or waiver effected in accordance with this Section shall be binding upon all the Parties hereto.

13.12 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.

13.13 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.

13.14 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.

13.15 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.

13.16 Entire Agreement.

This Agreement (including the Exhibits hereto) constitutes the full and entire understanding and agreement among the Parties with regard to the subjects hereof, and supersedes all other agreements between or among any of the Parties with respect to the subject matter hereof.

13.17 Agreement Controlling.

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, 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.

In the event of inconsistency between the Restated Memorandum and Articles, the Restated Right of First Refusal & Co-Sale Agreement and this Agreement, this Agreement shall prevail.

13.18 Aggregation of Shares.

All Shares held or acquired by any Affiliates shall be aggregated together for the purpose of determining the availability of any rights of any Investor under this Agreement.

13.19 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.

13.20 Effective Date.

This Agreement shall only take effect and become binding on and enforceable against the Parties subject to and upon the Closing as defined in the Share Purchase Agreement.

13.21 Amendment of Prior Agreement.

The Company, the Ordinary Shareholders, the Series A Shareholders, the Series B Shareholders, and the Series C Shareholders, consisting of all of the parties to the Prior Agreement, hereby amend and restate the Prior Agreement by entering this Agreement on the terms and conditions set forth herein, which shall amend, restate, supersede and replace in its entirety the Prior Agreement.

[*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 on the date and year first above written.

COMPANY:

Adagene Inc.

By: /s/ Peter Peizhi Luo
Name: Peter Peizhi Luo
Title: Director

HOLDCO SUBSIDIARY:

Adagene (Hong Kong) Limited (□□□□(□□)□□□□)

By: /s/ Peter Peizhi Luo
Name: Peter Peizhi Luo
Title: Director

WFOE:

Adagene (Suzhou) Limited
(Company Seal)
(□□□□(□□)□□□□)
(seal)

By: /s/ Peter Peizhi Luo
Name: Peter Peizhi Luo
Title:

IN WITNESS WHEREOF, the parties hereto have caused their respective duly authorized representatives to execute this Agreement on the date and year first above written.

US SUBSIDIARY:

Adagene Incorporated

By: /s/ Peter Peizhi Luo
Name: Peter Peizhi Luo
Title: Director

AUSTRALIAN SUBSIDIARY:

ADAGENE AUSTRALIA PTY LTD

By: /s/ Peter Peizhi Luo
Name: Peter Peizhi Luo
Title: Director

IN WITNESS WHEREOF, the parties hereto have caused their respective duly authorized representatives to execute this Agreement on the date and year first above written.

HOLDERS OF ORDINARY SHARES AND SERIES A-l PREFERRED SHARES:

/s/ Peter Peizhi Luo
Peter Peizhi Luo

IN WITNESS WHEREOF, the parties hereto have caused their respective duly authorized representatives to execute this Agreement on the date and year first above written.

HOLDERS OF ORDINARY SHARES AND SERIES A-l PREFERRED SHARES:

/s/ Ge Li
Ge Li

IN WITNESS WHEREOF, the parties hereto have caused their respective duly authorized representatives to execute this Agreement on the date and year first above written.

HOLDERS OF ORDINARY SHARES, SERIES A-l, SERIES A-2 AND SERIES B PREFERRED SHARES:

ASIA VENTURES II L.P.
By: Asia Partners II, L.P., its General Partner
By: Eight Roads GP. as General Partner

By: /s/ Matthew Heath
Name: Matthew Heath
Title: Director

IN WITNESS WHEREOF, the parties hereto have caused their respective duly authorized representatives to execute this Agreement on the date and year first above written.

HOLDERS OF ORDINARY SHARES. SERIES A-l. SERIES A-2 AND SERIES B PREFERRED SHARES:

F-Prime Capital Partners Healthcare Fund III LP
By: F-Prime Capital Partners Healthcare Advisors Fund III LP, its sole General Partner
By: Impresa Management LLC, its sole General Partner

By: /s/ Mary Bevelock Pendergast
Name: Mary Bevelock Pendergast
Title: Vice President

Address:
F-Prime Capital Partners Healthcare Fund III LP
c/o F-Prime Capital Partners
One Main Street, 13th Floor
Cambridge, MA 02142

IN WITNESS WHEREOF, the parties hereto have caused their respective duly authorized representatives to execute this Agreement on the date and year first above written.

HOLDERS OF ORDINARY SHARES. SERIES A-l, SERIES A-2 AND SERIES B PREFERRED SHARES:

WUXI PHARMATECH HEALTHCARE FUND I L.P.
By WuXi PharmaTech Fund I General Partner L.P., its general partner
By WuXi PharmaTech Investments (Cayman) Inc., its general partner

By: /s/ Edward Hu
Name: Edward Hu
Title: CFO / Authorized Signatory

IN WITNESS WHEREOF, the parties hereto have caused their respective duly authorized representatives to execute this Agreement on the date and year first above written.

SERIES B INVESTORS:

JSR LIMITED

By: /s/ Dongmei Ji
Name: Dongmei Ji
Title: Authorized Signatory

IN WITNESS WHEREOF, the parties hereto have caused their respective duly authorized representatives to execute this Agreement on the date and year first above written.

HOLDERS OF SERIES B AND SERIES C-l PREFERRED SHARES:

New World TMT Limited

By: /s/ Wong Chi Chiu Albert
Name: Wong Chi Chiu Albert
Title: Director

[Adagene Inc. — Fifth Amended and Restated Shareholders Agreement — Signature Page]

IN WITNESS WHEREOF, the parties hereto have caused their respective duly authorized representatives to execute this Agreement on the date and year first above written.

SERIES C SHAREHOLDERS:

SCC Venture VI Holdco, Ltd.

By: /s/ Ip Siu Wai Eva
Name: Ip Siu Wai Eva
Title: Authorized Signatory

[Adagene Inc. — Fifth Amended and Restated Shareholders Agreement — Signature Page]

IN WITNESS WHEREOF, the parties hereto have caused their respective duly authorized representatives to execute this Agreement on the date and year first above written.

SERIES C SHAREHOLDERS:

Gopher Harvest Co-Investment Fund LP

By: /s/ Yin Zhe
Name: Yin Zhe
Title: Director

IN WITNESS WHEREOF, the parties hereto have caused their respective duly authorized representatives to execute this Agreement on the date and year first above written.

SERIES C SHAREHOLDERS:

AVICT GLOBAL HOLDINGS LIMITED

For and on behalf of
AVICT Global Holdings Limited

By: /s/ Jing Xiong
Name: Jing Xiong
Title: Authorized Signatory

[Adagene Inc. — Fifth Amended and Restated Shareholders Agreement — Signature Page]

IN WITNESS WHEREOF, the parties hereto have caused their respective duly authorized representatives to execute this Agreement on the date and year first above written.

SERIES C SHAREHOLDERS:

KING STAR MED LP

By: /s/ Xianghong Lin
Name: Xianghong Lin
Title: Authorized Signatory

IN WITNESS WHEREOF, the parties hereto have caused their respective duly authorized representatives to execute this Agreement on the date and year first above written.

SERIES C SHAREHOLDERS:

Chief Strategic International Limited

By: /s/ Fu Chi Kong
Name: Fu Chi Kong
Title: Director

IN WITNESS WHEREOF, the parties hereto have caused their respective duly authorized representatives to execute this Agreement on the date and year first above written.

SERIES C SHAREHOLDERS:

Mega Prime Development Limited

By: /s/ Wang Jianping
Name: Wang Jianping
Title: Director

IN WITNESS WHEREOF, the parties hereto have caused their respective duly authorized representatives to execute this Agreement on the date and year first above written.

SERIES C SHAREHOLDERS:

Modest Champion Limited

By: /s/ Lin Lei /s/ Xie Jia
Name: Lin Lei, Xie Jia
Title: Authorized Signatories

IN WITNESS WHEREOF, the parties hereto have caused their respective duly authorized representatives to execute this Agreement on the date and year first above written.

SERIES C SHAREHOLDERS:

Poly Platinum Enterprises Limited

By: /s/ Yuezhong Li
Name:
Title:

IN WITNESS WHEREOF, the parties hereto have caused their respective duly authorized representatives to execute this Agreement on the date and year first above written.

SERIES C SHAREHOLDERS:

GENERAL ATLANTIC SINGAPORE AI PTE. LTD.

By: /s/ Ong Yu Huat
Name: Ong Yu Huat
Title: Director

[Adagene Inc. — Fifth Amended and Restated Shareholders Agreement — Signature Page]

SCHEDULE A-1

LIST OF ORDINARY SHAREHOLDERS

Schedule A-1 to Fifth Amended and Restated Shareholders Agreement

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SCHEDULE A-2

LIST OF SERIES A-1 SHAREHOLDERS

Schedule A-2 to Fifth Amended and Restated Shareholders Agreement

SCHEDULE A-3

LIST OF SERIES A-2 SHAREHOLDERS

Schedule A-3 to Fifth Amended and Restated Shareholders Agreement

SCHEDULE A-4

LIST OF SERIES B SHAREHOLDERS

Schedule A-4 to Fifth Amended and Restated Shareholders Agreement

SCHEDULE A-5

LIST OF SERIES C-1 SHAREHOLDERS

Schedule A-5 to Fifth Amended and Restated Shareholders Agreement

SCHEDULE A-6

LIST OF SERIES C-2 SHAREHOLDERS

Schedule A-6 to Fifth Amended and Restated Shareholders Agreement

SCHEDULE A-7

LIST OF SERIES C-3 SHAREHOLDER

Schedule A-7 to Fifth Amended and Restated Shareholders Agreement

SCHEDULE B

ADDRESS FOR NOTICE

Schedule B to Fifth Amended and Restated Shareholders Agreement

Exhibit 4.5

FOURTH AMENDED AND RESTATED RIGHT OF FIRST REFUSAL AND CO-SALE AGREEMENT

BY AND BETWEEN

ADAGENE INC.

NON-INVESTOR SHAREHOLDERS

AND

INVESTORS NAMED HEREIN

DECEMBER 19, 2019

Table of Contents

FOURTH AMENDED AND RESTATED RIGHT OF FIRST REFUSAL AND CO- SALE AGREEMENT

THIS FOURTH AMENDED AND RESTATED RIGHT OF FIRST REFUSAL AND CO-SALE AGREEMENT (this "Agreement") is entered into on December 19, 2019, by and among:

1. Adagene Inc., an exempted company organized under the laws of the Cayman Islands (the "Company"),

2. Each of the Persons named on Schedule A hereto (collectively, the "Non-Investor Shareholders", and each a "Non-Investor Shareholder"), and

3. each of the Persons listed in Schedule B attached hereto (collectively, the "Investors", and each an "Investor").

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 Restated Shareholders Agreement.

RECITALS

A. The Company holds 100% of the issued and outstanding share capital of Adagene (Hong Kong) Limited (□□□□(□□)□□□□), a company organized under the laws of Hong Kong (the "Holdco Subsidiary"), which holds an interest in 100% of the registered capital of Adagene (Suzhou) Limited (□□□□□□□□□□□□), a company organized under the laws of the PRC (the "WFOE"). The Company also holds 100% issued and outstanding shares of Adagene Incorporated, a company organized under the laws of the State of Delaware (the "US Subsidiary"), which holds 100% issued and outstanding shares of ADAGENE AUSTRALIA PTY LTD, a company incorporated and organized under the laws of Australia (the "Australian Subsidiary").

B. Certain Investor has agreed to purchase from the Company certain Series C-3 Preferred Shares pursuant to that certain Share Purchase Agreement dated October 15, 2019 by and among the Company and such Investor (the "Share Purchase Agreement").

C. The Share Purchase Agreement provides that it is a condition precedent to the consummation of the transactions contemplated under the Share Purchase Agreement that the Parties enter into this Agreement.

D. The Company, the Founder, and certain other parties entered into a Third Amended and Restated Right of First Refusal and Co-Sale Agreement on June 12, 2019 (the "Prior Agreement"), and the Parties hereof desire to enter into this Agreement to terminate, supersede and restate the Prior Agreement in its entirety.

E. 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 agree as follows:

1. Definitions.

1.1 Definitions. Capitalized terms used and not otherwise defined herein shall have the meaning ascribed to them below:

"Affiliate" means, (i) with respect to a Person that is a natural person, such Person's Relatives and any Person Controlled, directly or indirectly, by such Person or his/her Relatives, and (ii) with respect to a Person that is not a natural person, any Person which, directly or indirectly, Controls, is Controlled by or is under common Control with such Person, including, without limitation any member, managing member, general partner, limited partner, officer, employee, trustee or director of such Person or any trust for the benefit of any of the foregoing or any Affiliate of the foregoing and any venture capital fund now or hereafter existing which is Controlled by or under common Control with one or more general partners or shares the same management company with such Person. Notwithstanding the foregoing, the Parties acknowledge and agree that (a) the name "Sequoia Capital" is commonly used to describe a variety of entities (collectively, the "Sequoia Entities") that 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 (i) Sequoia Entity outside of the Sequoia China Sector Group, (ii) entity primarily engaged in investment and trading in the secondary securities market; (iii) the ultimate beneficial owner of an Sequoia Entity (or its general partner or ultimate general partner) who is a natural Person, and such Person's relatives (including but without limitation, such Person's spouse, parents, children, siblings, mother-in-law and father-in-law and brothers and sisters-in-law), (iv) any officer, director or employee of a Sequoia Entity (or its general partner or ultimate general partner) and such Person's relatives, and (v) for the avoidance of doubt, any portfolio companies of any Sequoia Entity and portfolio companies of any affiliated investment fund or investment vehicle of any Sequoia Entity. 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 People's Republic of China that are exclusively managed by Sequoia Capital. For the avoidance of doubt, each of SCC Venture VI Holdco, Ltd. and Gopher Harvest Co-Investment Fund LP shall be deemed as an Affiliate of each other. For the avoidance of doubt, with respect to Asia Ventures II L.P. and F-Prime Capital Partners Healthcare Fund III LP, an Affiliate means (1) Eight Roads Holdings Limited ("ERHL"), a company incorporated in Bermuda, and any parent or subsidiary undertaking of, or entity under common control, with ERHL from time to time (ERHL and its subsidiary undertakings being the "ERHL Group"); (2) FIL Limited ("FIL"), a company incorporated in Bermuda, and any subsidiary undertaking of FIL from time to time (FIL and its subsidiary undertakings being the "FIL Group"); (3) FMR LLC ("FMR"), a Delaware corporation, and any subsidiary undertaking of FMR from time to time (FMR and its subsidiary undertakings being the "FMR Group"); (4) any director, officer, employee or shareholder of the ERHL Group, the FIL Group and/or the FMR Group or members of his family and any company, trust, partnership or other entity formed for his or any of their benefit from time to time (any or all of such individuals and entities being the "Closely Related Shareholders"); (5) any entity controlled by Closely Related Shareholders where control shall mean the power to direct the management and policies or appoint or remove members of the board of directors or other governing body of the entity, directly or indirectly, whether through the ownership of voting securities, contract or otherwise, and controlled shall be construed accordingly; (6) any affiliate of any member of the ERHL Group, the FIL Group and/or the FMR Group (where "affiliate", for the purposes of this provision only, means (a) any entity controlled by any combination of any Closely Related Shareholders and, for purposes of this provision only, any member of the ERHL Group, the FIL Group and/or the FMR Group, and (b) the officers, partners and directors of any affiliate); and (7) any fund in which any member of the ERHL Group, the FIL Group and/or the FMR Group or any Closely Related Shareholder is a partner. For the avoidance of doubt, with respect to General Atlantic Singapore AI Pte. Ltd., "Affiliate" also includes (i) any direct or indirect shareholder of General Atlantic Singapore AI Pte. Ltd., (ii) any of such shareholder's general partners, (iii) the fund manager managing such shareholder (and general partners, and officers thereof) and (iv) trusts controlled by or for the benefit of any natural person referred to in (ii) or (iii) above; provided that in no event shall any portfolio company owned, directly or indirectly, by investment funds managed by General Atlantic Service Company, L.P., be deemed an Affiliate of General Atlantic Singapore AI Pte. Ltd..

"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, Hong Kong, Singapore, the Cayman Islands or the United States.

"Board of Directors" means the board of directors of the Company.

"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.

"Competitor" means each entity set forth in the list as attached hereto as Schedule C, which list may be updated by the Company no more than once every fiscal quarter as approved by the Board of Directors; provided, that none of the Sequoia Entities and their Affiliates (other than any portfolio companies controlled by the Sequoia Entities) shall be a Competitor.

"Control" or "control" of a given Person shall mean 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.

"Deemed Liquidation Event" means any of the following events:

(1) (A) any consolidation, amalgamation, scheme of arrangement or merger of a Group Company with or into any other Person or other reorganization in which the Members or shareholders of the Company immediately prior to such consolidation, amalgamation, merger, scheme of arrangement or reorganization own less than a majority of such Group Company's voting power in the aggregate immediately after such consolidation, merger, amalgamation, scheme of arrangement or reorganization, or (B) any transaction or series of related transactions to which a Group Company is a party in which in excess of fifty percent (50%) of such Group Company's voting power is transferred; or

(2) a sale, transfer, lease or other disposition of all or substantially all of the assets or business of any Group Company (or any series of related transactions resulting in such sale, transfer, lease or other disposition of all or substantially all of the assets of such Group Company), or entering into a license granting exclusive rights for substantially all of a Group Company's intellectual property in substantially all of the world;

provided that corporate activities taken solely for the purpose of achieving a Qualified IPO that has been duly approved in accordance with the Restated Shareholders Agreement and the Restated Memorandum and Articles shall not in any case be a "Deemed Liquidation Event."

"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, or any contract providing for the acquisition of any of the foregoing.

"ESOP" means the Company's Second Amended and Restated Share Incentive Plan (as amended) duly approved by the Board covering the grant or issuance of up to 11,391,131 Ordinary Shares (or options therefor) (as adjusted in connection with share splits or share consolidation, reclassification or other similar event) to employees, officers, directors, contractors, advisors or consultants of the Group Companies.

"Founder" means Peter Peizhi LUO.

"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 government 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, the Holdco Subsidiary, the WFOE, the US Subsidiary and the Australian Subsidiary, together with each Subsidiary of any of the foregoing, and "Group" refers to all of Group Companies collectively.

"Hong Kong" means the Hong Kong Special Administrative Region of the People's Republic of China.

"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.

"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 formally issued written interpretation or administration of any of the foregoing by, any Governmental Authority, in each case as amended, and any and all applicable Governmental Orders.

"Majority Investors" means the holders of a majority of the voting power of the outstanding Preferred Shares (voting together as a single class and on an as-converted basis) owned by the Investors.

"Ordinary Share Equivalents" means any Equity Security which is by its terms convertible into or exchangeable or exercisable for Ordinary Shares of the Company, including without limitation, the Preferred Shares.

"Ordinary Shares" means the Company's ordinary shares, par value US$0.0001 per share.

"Person" means any individual, sole proprietorship, partnership, limited partnership, limited liability company, firm, joint venture, estate, trust, unincorporated organization, association, corporation, institution, public benefit corporation, entity or governmental or regulatory authority or other enterprise or entity of any kind or nature.

"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 Shares" means the Series A Preferred Shares, Series B Preferred Shares and the Series C Preferred Shares.

"Qualified IPO" means the closing of a firm commitment underwritten public offering of the Ordinary Shares of the Company (or depositary receipts or depositary shares therefor) in the United States pursuant to an effective registration statement under the United States Securities Act of 1933, as amended, with an implied pre-offering market capitalization of the Company (based on the last pre-effectiveness pricing or low-end of the price range information contained in the final draft of such registration statement filed with the Commission) of no less than six hundred and fifty million US Dollars (US$650,000,000) and an aggregate gross proceeds of no less than US$75 million, before deduction of underwriting discounts and registration expenses, or in an underwritten public offering of the Ordinary Shares of the Company (or depositary receipts or depositary shares therefor) in another jurisdiction which results in the Ordinary Shares trading publicly on a recognized international securities exchange approved by the Majority Investors, voting as a single class, so long as such offering satisfies the foregoing pre-offering valuation and gross proceeds requirements.

"Restated Memorandum and Articles" means the Sixth Amended and Restated Memorandum of Association of the Company and the Sixth Amended and Restated Articles of Association of the Company, as each may be amended and/or restated from time to time.

"Restated Shareholders Agreement" means the Fifth Amended and Restated Shareholders Agreement entered into by and among the Company, the Founder, the Investors and any other parties thereto dated the date hereof, as amended from time to time.

"Series A Preferred Shares" means, collectively, the Series A-1 Preferred Shares and the Series A-2 Preferred Shares.

"Series A-1 Preferred Shares" means the Series A-1 Preferred Shares of the Company, par value US$0.0001 per share, with the rights and privileges as set forth in the Restated Memorandum and Articles.

"Series A-2 Preferred Shares" means the Series A-2 Preferred Shares of the Company, par value US$0.0001 per share, with the rights and privileges as set forth in the Restated Memorandum and Articles.

"Series B Preferred Shares" means the Series B Preferred Shares of the Company, par value US$0.0001 per share, with the rights and privileges as set forth in the Restated Memorandum and Articles.

"Series C Preferred Shares" means, collectively, the Series C-1 Preferred Shares, the Series C-2 Preferred Shares and the Series C-3 Preferred Shares.

"Series C-1 Preferred Shares" means the Series C-1 Preferred Shares of the Company, par value US$0.0001 per share, with the rights and privileges as set forth in the Restated Memorandum and Articles.

"Series C-2 Preferred Shares" means the Series C-2 Preferred Shares of the Company, par value US$0.0001 per share, with the rights and privileges as set forth in the Restated Memorandum and Articles.

"Series C-3 Preferred Shares" means the Series C-3 Preferred Shares of the Company, par value US$0.0001 per share, with the rights and privileges as set forth in the Restated Memorandum and Articles.

"Series C-3 Shareholder" means General Atlantic Singapore AI Pte. Ltd. and any Affiliate thereof that holds any Series C-3 Preferred Shares.

"Shareholder" means each Party to this Agreement that owns Shares.

"Shares" means the Ordinary Shares and the Preferred Shares.

"Subsidiary" means, with respect to any given Person, any other Person that is Controlled directly or indirectly by such given Person.

1.2 Other Defined Terms. The following terms shall have the meanings defined for such terms in the Sections set forth below:

Agreement	Preamble
Arbitration Notice	Section 4.5(i)
Australian Subsidiary	Recitals
Company	Preamble
Co-Sale Notice	Section 2.3(i)
Dispute	Section 4.5(i)
Drag Holder	Section 3
Exercising Notice	Section 2.2(ii)(a)
Exercising Investor	Section 2.2(ii)(a)
HKIAC	Section 4.5(ii)
HKIAC Rules	Section 4.5(ii)
Holdco Subsidiary	Recitals
Holding Company	Section 2.1(v)
Investors	Preamble
Non-Investor Shareholders	Preamble
Offered Shares	Section 2.2(i)
Option Period	Section 2.2(ii)(a)
Other Restriction Agreements	Section 2.1(vi)
Party(ies)	Preamble
Permitted Transferee(s)	Section 2.5
Prior Agreement	Recitals
Pro Rata Share	Section 2.2(ii)(b)
Proposed JSR Exit	Section 2.1(iii)
Remaining Shares	Section 2.2(ii)(a)
Selling Shareholder	Section 2.3(i)
Share Purchase Agreement	Recitals
Transfer	Section 2.1(i)
Transferor	Section 2.2(i)
Transfer Notice	Section 2.2(i)
US Subsidiary	Recitals
WFOE	Recitals

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 (as defined in the Restated Shareholders Agreement), (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, 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 terms "shall," "will," and "agrees" are mandatory, and the term "may" is permissive, (ix) 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, (x) 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 Restated Memorandum and Articles, (xi) the headings used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement, (xii) 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 (xiii) 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. Restriction on Transfers; Rights of First Refusal and Co-Sale Rights.

2.1 Restriction on Transfers.

(i) **Non-Investor Shareholders.** A Non-Investor Shareholder shall not directly or indirectly sell, assign, transfer, pledge, hypothecate, or otherwise encumber or dispose of in any way or otherwise grant any interest or right with respect to ("Transfer") all or any part of any interest in any Equity Securities of the Company now or hereafter owned or held by such Non-Investor Shareholder unless Sections 2.2, 2.3 and 2.4 are complied with.

(ii) **Investors.** For the avoidance of doubt, an Investor may freely Transfer any Equity Securities of the Company now or hereafter owned or held by it without limitation; provided that:

(a) such Transfer is effected in compliance with all applicable Laws;

(b) the transferee shall execute and deliver to the Company and other parties thereto a deed of adherence or joinder becoming a party to the Restated Shareholders Agreement and this Agreement as an "Investor" (if not already so bound) upon and after such Transfer; and

(c) with respect to the transfer by an Investor of any Preferred Share and if such transferee shall be a Competitor of the Company or other Group Companies, such transfer shall be approved by at least five (5) directors of the Company.

The Company will update its register of members upon the consummation of any such permitted Transfer.

(iii) **Transfer by JSR Limited**. In the event that JSR Limited intends to transfer (the "Proposed JSR Exit") all of its Shares by reason of the expiration of the operation term of Shanghai Jinsha River Equity Investment Enterprise (Limited Partnership), JSR Limited shall notify the Company in writing of such intent. The Company shall use commercially reasonable efforts to assist JSR Limited to accomplish the Proposed JSR Exit in the next equity financing of the Company to the extent such assistance does not adversely impact the Company's ability to complete such equity financing in a manner satisfactory to the Company. Notwithstanding the foregoing, nothing in this Section 2.1(iii) shall be construed to impose any obligation on the Company to guarantee the completion of the Proposed JSR Exit.

(iv) **Prohibited Transfers Void.** Any Transfer of Equity Securities of the Company not made in compliance with this Agreement shall be null and void as against the Company, shall not be recorded on the books of the Company and shall not be recognized by the Company or any other Party.

(v) **No Indirect Transfers.** Each Non-Investor Shareholder agrees not to circumvent or otherwise avoid the transfer restrictions or intent thereof set forth in this Agreement or any Other Restriction Agreements, whether by holding the Equity Securities of the Company indirectly through another Person or by causing or effecting, directly or indirectly, the Transfer or issuance of any Equity Securities by any such Person, or otherwise. Any purported Transfer, sale or issuance of any Equity Securities of any company held by a Non-Investor Shareholder holding Shares in the Company (the "Holding Company") in contravention of this Agreement shall be void and ineffective for any and all purposes and shall not confer on any transferee or purported transferee any rights whatsoever, and no Party (including without limitation, the Non-Investor Shareholder or Holding Company) shall recognize any such Transfer, sale or issuance.

(vi) **Cumulative Restrictions.** For purposes of clarity, the restrictions on Transfer set forth in this Agreement on a Party are cumulative with, and in addition to, the restrictions set forth in each other agreement imposing restrictions on Transfer by such Person of Equity Securities of the Company (collectively, the "Other Restriction Agreements"), including the Restated Shareholders Agreement, and not in lieu thereof.

2.2 Rights of First Refusal.

(i) **Transfer Notice.** If a Non-Investor Shareholder (each a "Transferor") proposes to sell any Equity Securities of the Company or any interest therein to one or more third parties, then the Transferor shall give (i) the Company and (ii) each Investor, written notice of the Transferor's intention to make the sale (the "Transfer Notice"), which shall include (i) a description of the Equity Securities to be sold (the "Offered Shares"), (ii) the identity and address of the prospective transferee and (iii) the consideration and the material terms and conditions upon which the proposed sale is to be made. The Transfer Notice shall certify that the Transferor has received a definitive offer from the prospective transferee and in good faith believes a binding agreement for the sale is obtainable on the terms set forth in the Transfer Notice. The Transfer Notice shall also include a copy of any written proposal, term sheet or letter of intent or other agreement relating to the proposed Transfer.

(ii) **Transfer by Transferors.**

(a) if a Transferor proposes to sell any Equity Securities of the Company or any interest therein to one or more third parties, each Investor other than the Transferor shall have an option for a period of fifteen (15) days following receipt of the Transfer Notice (the "Option Period") to apply to purchase the Offered Shares at the same price and subject to the same terms and conditions as described in the Transfer Notice, by notifying the Transferor and the Company in a written notice (the "Exercising Notice") before the expiration of the Option Period which shall specify the number of such Offered Shares that it wishes to purchase. Each Investor delivering such Exercising Notice within the Option Period (the "Exercising Investor") shall be entitled to purchase its Pro Rata Share of the Offered Shares at the same price and subject to the same terms and conditions as described in the Transfer Notice. If any Investor fails to deliver an Exercising Notice within the Option Period, such unexercised Pro Rata Share of the Offered Shares (the "Remaining Shares") shall be allocated among the Exercising Investors that applied for more than their respective Pro Rata Share of the Offered Shares up to their respective Pro Rata Share of the Remaining Shares.

(b) For the purposes of this Section 2.2(ii), an Investor's "Pro Rata Share" of such Offered Shares shall be equal to (i) the total number of such Offered Shares, multiplied by (ii) a fraction, the numerator of which shall be the aggregate number of Ordinary Shares held by such Investor on the date of the Transfer Notice (including all Preferred Shares held by such Investor on an as-converted to Ordinary Share basis) and the denominator of which shall be the total number of Ordinary Shares (including Preferred Shares on an as-converted to Ordinary Share basis) held by all Investors; and an Exercising Investor's "Pro Rata Share" of the Remaining Shares shall be equal to (i) the total number of such Remaining Shares, multiplied by (ii) a fraction, the numerator of which shall be the aggregate number of Ordinary Shares held by such Exercising Investor on the date of the Transfer Notice (including all Preferred Shares held by such Investor on an as-converted to Ordinary Share basis) and the denominator of which shall be the total number of Ordinary Shares (including Preferred Shares on an as-converted to Ordinary Share basis) held by all Exercising Investors.

(c) Subject to applicable securities Laws, each Investor shall be entitled to apportion Offered Shares to be purchased among its Affiliates, provided that such Investor notifies the Company and the Transferor in writing and such Affiliates shall execute and deliver to the Company and the other parties thereto a deed of adherence or joinder becoming a party to the Restated Shareholders Agreement as an "Investor" (if not already so bound) upon and after such sale.

(iii) **Procedure.** If any Investor gives the Transferor notice that it or he desires to purchase Offered Shares, then payment for the Offered Shares to be purchased shall be made by check (if agreeable to the Transferor), or by wire transfer in immediately available funds of the appropriate currency, against delivery of such Offered Shares to be purchased, at a place agreed to by the Transferor and all the Exercising Investors and at the time of the scheduled closing therefor, but if they cannot agree, then at the principal executive offices of the Company on the fortieth (40^{th}) day after the Company's receipt of the Transfer Notice, unless such notice contemplated a later closing date with the prospective third party transferee, or unless the value of the purchase price has not yet been established pursuant to Section 2.2(iv), in which case the closing shall be on such later date or as provided in Section 2.2(iv)(d). The Transferor shall have the right to terminate or withdraw any Transfer Notice and any intent to transfer Offered Shares at any time, whether or not any Investor has elected to purchase any Offered Shares offered hereby. The Company will update its register of members upon the consummation of any such sale.

(iv) **Valuation of Property.**

(a) Should the purchase price specified in the Transfer Notice be payable in property other than cash or evidences of indebtedness, the Investors (if any of the Investors exercised its right of first refusal above), shall have the right to pay the purchase price in the form of cash equal in amount to the fair market value of such property.

(b) If the Transferor and the Exercising Investors holding a majority of the Offered Shares elected to be purchased by all Exercising Investors cannot agree on such cash value within the Option Period or the Investor's Option Period, as applicable, the valuation shall be made by an appraiser of internationally recognized standing mutually selected by the Transferor and all the Exercising Investors or, if they cannot agree on an appraiser within the Option Period, then the Transferor or any Exercising Investor may request the HKIAC council to designate an appraiser of internationally recognized standing, whose appraisal shall be determinative of such value and shall be final and binding on the Transferor and the Exercising Investors.

(c) The cost of such appraisal (and the cost, if any, of securing the appointment thereof by the HKIAC council) shall be shared equally by the Transferor, on the one hand, and the Exercising Investors pro rata based on the number of Offered Shares each Exercising Investor is purchasing, on the other hand.

(d) If the value of the purchase price offered by the prospective transferee is not determined within forty (40) days following the Company's receipt of the Transfer Notice from the Transferor, the closing of the purchase of Offered Shares by the Exercising Investors shall be held on or prior to the fifth (5^{th}) Business Day after such valuation shall have been made pursuant to this Section 2.2(iv).

2.3 Right of Co-Sale.

(i) To the extent the Investors do not exercise their respective rights of first refusal under Section 2.2 as to all or any of the Offered Shares proposed to be sold by the Transferor to the third party transferee identified in the Transfer Notice, the Transferor shall give notice thereof to each Investor not exercising any right of first refusal pursuant to Section 2.2 (the "Co-Sale Notice") (specifying in such Co-Sale Notice the number of remaining Offered Shares as well as the number of Ordinary Shares that such Investor would be eligible to include in such sale pursuant to its co-sale right hereunder), and each such Investor shall have the right to participate in such sale, to the third party transferee identified in the Transfer Notice, of the remaining Offered Shares not purchased pursuant to Section 2.2, on the same terms and conditions as specified in the Transfer Notice (but in no event less favorable than the terms and conditions offered to the Transferor) (and for the same consideration on an as converted to ordinary share basis) by notifying the Transferor in writing within fifteen (15) days following the date of the Co-Sale Notice (each such electing Investor, a "Selling Shareholder"). Such Selling Shareholder's notice to the Transferor shall indicate the number of Equity Securities the Selling Shareholder wishes to sell under its right to participate. To the extent one or more Investors exercise such right of participation in accordance with the terms and conditions set forth below, the number of Offered Shares that the Transferor may sell in the Transfer to the third party transferee identified in the Transfer Notice shall be correspondingly reduced.

(ii) The total number of Equity Securities that each Selling Shareholder may elect to sell shall be equal to the product of (i) the aggregate number of the remaining Offered Shares being transferred to the third party transferee identified in the Transfer Notice after giving effect to the exercise of all rights of first refusal pursuant to Section 2.2 hereof, multiplied by (ii) a fraction, the numerator of which is the number of Ordinary Shares (including Preferred Shares on an as-converted to Ordinary Share basis) owned by such Selling Shareholder on the date of the Transfer Notice and the denominator of which is the total number of Ordinary Shares (including Preferred Shares on an as-converted to Ordinary Share basis) held by the Selling Shareholders and the Transferor.

(iii) Each Selling Shareholder shall effect its participation in the sale by promptly delivering to the Transferor for transfer to the prospective purchaser, before the applicable closing, one or more certificates, properly endorsed for transfer, which represent the type and number of Equity Securities which such Selling Shareholder elects to sell; provided, however that if the prospective third party purchaser objects to the delivery of Ordinary Share Equivalents in lieu of Ordinary Shares, such Selling Shareholder shall only deliver Ordinary Shares (and therefore shall convert any such Ordinary Share Equivalents into Ordinary Shares) and certificates corresponding to such Ordinary Shares, and the Company shall effect any such conversion concurrent with the actual transfer of such shares to the purchaser and contingent on such transfer.

(iv) The share certificate or certificates that a Selling Shareholder delivers to the Transferor pursuant to this Section 2.3 shall be transferred to the prospective purchaser in consummation of the sale of the Equity Securities pursuant to the terms and conditions specified in the Transfer Notice, and the Transferor shall concurrently therewith remit to such Selling Shareholder that portion of the sale proceeds to which such Selling Shareholder is entitled by reason of its participation in such sale. The Company will update its register of members upon the consummation of any such transfer.

(v) To the extent that any prospective purchaser prohibits the participation by a Selling Shareholder exercising its co-sale rights hereunder in a proposed Transfer or otherwise refuses to purchase shares or other securities from a Selling Shareholder exercising its co-sale rights hereunder, the Transferor shall not sell to such prospective purchaser any Equity Securities unless and until, simultaneously with such sale, the Transferor shall purchase from such Selling Shareholder such shares or other securities that such Selling Shareholder would otherwise be entitled to sell to the prospective purchaser pursuant to its co-sale rights for the same consideration and on the same terms and conditions as the proposed transfer described in the Transfer Notice.

2.4 Non-Exercise of Rights.

(i) If the Investors do not elect to purchase all of the Offered Shares in accordance with Section 2.2, then, subject to the right of the Investors to exercise their rights to participate in the sale of Offered Shares within the time periods specified in Section 2.3, the Transferor shall have a period of ninety (90) days from the expiration of the Option Period in which to sell the remaining Offered Shares to the third party transferee identified in the Transfer Notice upon terms and conditions (including the purchase price) no more favorable to the purchaser than those specified in the Transfer Notice, so long as any such sale is effected in accordance with all applicable Laws. The Parties agree that each such transferee, prior to and as a condition to the consummation of any sale, shall execute and deliver to the Company and the other parties thereto a deed of adherence or joinder becoming a party to this Agreement as a Non-Investor Shareholder (if not already so bound) in connection with the Offered Shares, and the transfer shall not be effective and shall not be recognized by any Party until such documents and instruments are so executed and delivered.

(ii) In the event the Transferor does not consummate the sale of such Offered Shares to the third party transferee identified in the Transfer Notice within ninety (90) day period, the rights of the Investors under Section 2.2 and Section 2.3 shall be re-invoked and shall be applicable to each subsequent disposition of such Offered Shares by the Transferor until such rights lapse in accordance with the terms of this Agreement.

(iii) The exercise or non-exercise of the rights of the Investor under this Section 2 to purchase Equity Securities from a Transferor or participate in the sale of Equity Securities by a Transferor shall not adversely affect their rights to make subsequent purchases from the Transferor of Equity Securities or subsequently participate in sales of Equity Securities by the Transferor hereunder.

2.5 Limitations to Rights of First Refusal and Co-Sale.

Subject to the requirements of applicable Law, the restrictions under Section 2.1 and the right of first refusal and right of co-sale of the Investor under Sections 2.2 and 2.3 shall not apply to:

(a) any sale of Equity Securities of the Company to the public pursuant to a Qualified IPO,

(b) Transfer of any Equity Securities of the Company now or hereafter held by a Transferor to such Transferor's parents, children, spouse, lineal descendants, or to a trustee, executor, or other fiduciary for the benefit of such Transferor or such Transferor's parents, children, spouse for bona fide estate planning purposes, provided that such Transfer will not result in the occurrence of any Deemed Liquidation Event,

(c) Transfer of any Equity Securities of the Company now or hereafter held by a Transferor to its Affiliates,

(d) any sale of Equity Securities of the Company now or hereafter held by the Transferor in a Deemed Liquidation Event duly approved by the Board of Directors and the Members in accordance with the Restated Shareholders Agreement and the Restated Memorandum and Articles,

(e) to a repurchase of Shares to be transferred from a Non-Investor Shareholder by the Company at a price no greater than that originally paid by such Non-Investor Shareholder for such Shares to be transferred and pursuant to an agreement setting forth vesting and/or repurchase provisions duly approved by the Board of Directors, and

(f) to the purchase of Shares to be transferred from a Non-Investor Shareholder by the Company pursuant to an agreement entered into as duly approved by Board of Directors containing a right of first refusal in favor of the Company, provided that (x) any such agreement entered into prior to the date of this Agreement shall have been disclosed to the Investors in writing and (y) any such agreement entered into after the date of this Agreement shall have been duly approved by the Board of Directors,

(each such transferee pursuant to clauses (b), (c) and (d) above, a "Permitted Transferee", and collectively, the "Permitted Transferees"); provided, that (i) such Transfer is effected in compliance with all applicable Laws, (ii) respecting any transfer pursuant to clause (b) above, the Transferor has provided the Majority Investors reasonable evidence of the bona fide estate planning purposes for such transfer, and (iii) each such Permitted Transferee, prior to the completion of the Transfer, shall execute and deliver to the Company a deed of adherence or joinder becoming a party hereto assuming the obligations of such Transferor under this Agreement and the applicable Other Restriction Agreements as a Transferor, with respect to the transferred Equity Securities; provided further, that the Transferor shall remain liable for any breach by such Permitted Transferee of any provision under this Agreement and the applicable Other Restriction Agreements.

2.6 Legend.

Each certificate representing Offered Shares held by the Non-Investor Shareholder or issued to any Permitted Transferee in connection with a transfer permitted by Section 2.5 hereof shall be endorsed with the following legend:

> THE SALE, PLEDGE, HYPOTHECATION OR TRANSFER OF THE SECURITIES REPRESENTED BY THIS CERTIFICATE IS SUBJECT TO, AND IN CERTAIN CASES PROHIBITED BY, THE TERMS AND CONDITIONS OF A CERTAIN RIGHT OF FIRST REFUSAL AND CO- SALE AGREEMENT BY AND AMONG THE SHAREHOLDER, THE COMPANY AND CERTAIN OTHER HOLDERS OF SHARES OF THE COMPANY. COPIES OF SUCH AGREEMENT MAY BE OBTAINED UPON WRITTEN REQUEST TO THE REGISTERED OFFICE OF THE COMPANY.

Each Non-Investor Shareholder agrees that the Company may instruct its transfer agent (if any) to impose transfer restrictions on the shares represented by certificates bearing the legend referred to in this Section 2 above to enforce the provisions of this Agreement, and the Company agrees to promptly do so. The legend shall be removed upon termination of this Agreement at the request of the holder.

3. Drag-Along Rights.

If (i) the holders of a majority of the voting power of the then outstanding Ordinary Shares and (ii) the Majority Investors (the "Drag Holders") approve in writing a proposed Deemed Liquidation Event which implies a valuation of the Company of no less than US$650 million, then the Company shall promptly notify each other Shareholder in writing of such approval and the material terms and conditions of such proposed Deemed Liquidation Event, whereupon each such Shareholder shall, in accordance with instructions received from the Company, (i) vote all of such Shareholder's voting Equity Securities of the Company in favor of the Deemed Liquidation Event; (ii) otherwise consent in writing to the Deemed Liquidation Event; and (iii) sell or transfer all of its Equity Securities or the same percentage of its Equity Securities of the Company as the Drag Holders sell on the same terms and conditions as were agreed to by the Drag Holders; provided, however, that such terms and conditions, including with respect to price paid or received per Equity Security of the Company, may differ as between different classes of Equity Securities of the Company in accordance with their relative liquidation preferences as set forth in the Restated Memorandum and Articles. Each Shareholder furthermore agrees to make other customary covenants on a several but not joint and several basis and take all necessary actions in connection with the consummation of such Deemed Liquidation Event and to effect the sale and transfer under this Section 3 as reasonably requested by the Drag Holders, provided that it shall be liable only up to the net proceeds paid to such Shareholder in connection with such Deemed Liquidation Event. Without limiting the foregoing sentence, no Shareholder who is not an employee, officer, the Founder or Controlling Shareholder of a Group Company shall be required to make any representations or warranties other than with respect to itself (including without limitation due authorization, title to shares, enforceability of applicable agreements, and similar representations and warranties), and shall not be liable for the breach of any representation, warranty or covenant made by any other Person in connection with such Deemed Liquidation Event (except to the extent that (A) a Shareholder may be liable, pro rata based on its share ownership and total amount of consideration in respect thereof in such Deemed Liquidation Event in proportion to, and does not exceed, the amount of consideration paid to such Shareholder in connection with such Deemed Liquidation Event, to cover breach of representations and warranties of the Company and (B) funds may be paid out of an escrow established to cover breach of representations, warranties and covenants of the Company as well as breach by any Shareholder of any of identical representations, warranties and covenants provided by all Shareholders with respect to the Company)

4. Miscellaneous.

4.1 Termination.

This Agreement shall terminate and be of no further force or effect upon the earliest to occur of (i) the closing of a Qualified IPO or a liquidation, winding up or dissolution of the Company, or (ii) the closing of a Deemed Liquidation Event. If this Agreement terminates, the Parties shall be released from their obligations under this Agreement, except in respect of any obligation stated, explicitly or otherwise, to continue to exist after the termination of this Agreement. Subject to Section 2.5, the Section 2.1(ii)(c) hereof shall terminate with respect to any shareholder of Preferred Shares when such shareholder holds less than 0.5% of outstanding Ordinary Shares of the Company on a fully diluted and as converted to Ordinary Shares basis (including all Preferred Shares held by such Investor on an as-converted to Ordinary Share basis). 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.

4.2 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.

4.3 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, assigns and legal representatives, but shall not otherwise be for the benefit of any third party. The Parties do not intend that any term of this Agreement should be enforceable, by virtue of the *Contracts (Rights of Third Parties) Ordinance* (Cap. 623 of the Laws of Hong Kong), by any Person who is not a party to this Agreement. The rights of any Investor hereunder are assignable (together with the related obligations) to a third party in connection with the transfer of Equity Securities of the Company held by such Investor in accordance with this Agreement. Any such transferee shall execute and deliver to the Company a deed of adherence or joinder becoming a party hereto as an "Investor" subject to the terms and conditions hereof (if not already so bound). Except as provided above or as otherwise specifically provided herein, this Agreement and the rights and obligations of each Party hereunder shall not be assigned without the mutual written consent of the other Parties except as expressly provided herein.

4.4 Governing Law.

This Agreement and all actions arising out of or in connection with this Agreement shall be governed by and construed in accordance with the Laws of Hong Kong, without regard to the conflicts of law provisions of Hong Kong or of any other state.

4.5 Dispute Resolution.

(i) Any dispute, controversy, difference 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 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 administered by the Hong Kong International Arbitration Centre (the "HKIAC") in accordance with the Hong Kong International Arbitration Centre Administered Arbitration Rules (the "HKIAC Rules") in force when the Arbitration Notice is submitted. There shall be three (3) arbitrators. The HKIAC council shall select the arbitrators, who shall be qualified to practice law in Hong Kong.

(iii) The arbitral proceedings shall be conducted in English.

(iv) The costs of arbitration shall be borne by the losing party, unless otherwise determined by the arbitral tribunal.

(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 Laws of Hong Kong (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 interim measures of protection and emergency relief, if possible, from any court of competent jurisdiction in accordance with the applicable Laws of that jurisdiction.

(viii) When any Dispute occurs and when any Dispute is under arbitration, except for the matters in Dispute, the Parties shall continue to fulfill their respective obligations and shall be entitled to exercise their rights under this Agreement.

4.6 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 B attached to the Restated Shareholders Agreement (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 4.6). 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.

4.7 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.

4.8 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 injunctive relief to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement.

4.9 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.

4.10 Amendments and Waivers.

Any provision in this Agreement may be amended and the observance thereof may be waived (either generally or in a particular instance and either retroactively or prospectively), only by the written consent of (i) the Company; (ii) the Majority Investors; and (iii) Persons holding at least a majority of the Ordinary Shares held by the Parties hereto; provided, however, that (1) no amendment or waiver shall be effective or enforceable in respect of a holder of any class or series of Shares 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 holder consents in writing to such amendment or waiver, (2) any provision that specifically and expressly gives a right to a named Investor shall not be amended or waived without the prior written consent of such named Investor, and (3) any amendment that imposes any additional obligation or restriction on the Series C-3 Shareholder, regardless of whether as a named Investor or by virtue of its holding of Shares in the Company, shall require the written consent of the Series C-3 Shareholder. Notwithstanding the foregoing, any Party hereunder may waive any of its/his rights hereunder without obtaining the consent of any other Parties. Any amendment or waiver effected in accordance with this Section shall be binding upon all the Parties hereto.

4.11 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.

4.12 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.

4.13 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.

4.14 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.

4.15 Entire Agreement.

This Agreement together with the other instruments and agreements referenced herein constitutes the entire agreement between the parties with respect to the subject matter hereof and supersedes all other prior agreements and understandings, both written and oral, among the parties with respect to the subject matter hereof. For the avoidance of doubt, the Parties hereby agree and acknowledge that the Founder is subject to further, additional restrictions under the terms of the Other Restriction Agreements.

4.16 Amendment and Restatement of Prior Agreement.

By entering into this Agreement, each holder of the Shares agrees that the Prior Agreement shall be terminated with immediate effect and replaced by this Agreement. In addition, all consents and approvals, as may be required for the purpose of entering into and/or the implementation of this Agreement and all transactions contemplated thereunder, from each or any of the holder of Ordinary Shares, Series A Preferred Shares, Series B Preferred Shares, and Series C Preferred Shares, to the extent applicable, under the Memorandum and Articles or any other agreement to which any of them are parties to and/or bound by such agreement are deemed to have been obtained and/or waived by the same.

4.17 Agreement Controlling.

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, the Parties shall give full effect to and act in accordance with the provisions of this Agreement over the provisions of such Charter Documents, and the Parties hereto 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.

4.18 Aggregation of Shares.

All Shares held or acquired by any Affiliates shall be aggregated together for the purpose of determining the availability of any rights of the Investors under this Agreement.

4.19 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.

4.20 Effective Date.

This Agreement shall only take effect and become binding on and enforceable against the Parties subject to and upon the Closing as defined in the Share Purchase Agreement.

4.21 "Market Stand-Off" Agreement.

Each Non-Investor Shareholder 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 (x) 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, (y) this Section shall not apply to a Non-Investor Shareholder 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 Non- Investor Shareholder to transfer his/her Registrable Securities to his/her Permitted Transferees so long as the transferees enter into the same lockup agreement. The Non-Investor Shareholders agree to execute and deliver to the underwriters a lock-up agreement containing substantially similar terms and conditions as those contained herein. In order to enforce the foregoing covenant, the Company may place restrictive legends on the certificates and impose stop- transfer instructions with respect to the Equity Securities held by the Non-Investor Shareholders until the end of such period.

4.22 Additional Parties.

Except for the ESOP reserved by the Company, the Company hereby covenants and agrees that it shall not issue any Equity Securities to any Person other than the Investors unless such Person as a condition precedent to the issuance of such Equity Securities to such Person executes and delivers to the Company a deed of adherence or joinder whereby such Person shall become a "Non-Investor Shareholder" party to this Agreement and thereafter such Person shall be deemed a Non-Investor Shareholder for all purposes of this Agreement and the Company shall amend Schedule A hereto to include information with regard to such Person and deliver such updated schedule to each of the parties hereto. The provisions of this Section 4.22 may be waived with respect to any particular issuance of Equity Securities only with the prior written consent of the Majority Investors.

[*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 on the date and year first above written.

COMPANY:

Adagene Inc.

By: /s/ Peter Peizhi Luo
Name: Peter Peizhi Luo
Title: Director

IN WITNESS WHEREOF, the parties hereto have caused their respective duly authorized representatives to execute this Agreement on the date and year first above written.

NON-INVESTOR SHAREHOLDER AND INVESTOR (solely in his capacity as the holder of Series A-l Preferred Shares):

/s/ Peter Peizhi Luo
Peter Peizhi Luo

IN WITNESS WHEREOF, the parties hereto have caused their respective duly authorized representatives to execute this Agreement on the date and year first above written.

NON-INVESTOR SHAREHOLDER AND INVESTOR (solely in his capacity as the holder of Series A-l Preferred Shares):

/s/ Ge Li
Ge Li

IN WITNESS WHEREOF, the parties hereto have caused their respective duly authorized representatives to execute this Agreement on the date and year first above written.

INVESTORS:

ASIA VENTURES II L.P.
By: Asia Partners II, L.P., its General Partner
By: Eight Roads GP. as General Partner

By: /s/ Matthew Heath
Name: Matthew Heath
Title: Director

IN WITNESS WHEREOF, the parties hereto have caused their respective duly authorized representatives to execute this Agreement on the date and year first above written.

INVESTORS:

F-Prime Capital Partners Healthcare Fund III LP
By: F-Prime Capital Partners Healthcare Advisors Fund III LP, its sole General Partner
By: Impresa Management LLC, its sole General Partner

By: /s/ Mary Bevelock Pendergast
Name Mary Bevelock Pendergast
Title: Vice President

Address:
F-Prime Capital Partners Healthcare Fund III LP
c/o F-Prime Capital Partners
One Main Street, 13th Floor
Cambridge, MA 02142

IN WITNESS WHEREOF, the parties hereto have caused their respective duly authorized representatives to execute this Agreement on the date and year first above written.

INVESTORS:

WUXI PHARMATECH HEALTHCARE FUND I L.P.
By WuXi PharmaTech Fund I General Partner L.P., its general partner
By WuXi PharmaTech Investments (Cayman) Inc., its general partner

By: /s/ Edward Hu
Name: Edward Hu
Title: CFO / Authorized Signatory

IN WITNESS WHEREOF, the parties hereto have caused their respective duly authorized representatives to execute this Agreement on the date and year first above written.

INVESTORS:

JSR LIMITED

By: /s/ Dongmei Ji
Name: Dongmei Ji
Title: Authorized Signatory

IN WITNESS WHEREOF, the parties hereto have caused their respective duly authorized representatives to execute this Agreement on the date and year first above written.

INVESTORS:

New World TMT Limited

By: /s/ Wong Chi Chiu Albert
Name: Wong Chi Chiu Albert
Title: Director

IN WITNESS WHEREOF, the parties hereto have caused their respective duly authorized representatives to execute this Agreement on the date and year first above written.

INVESTORS:

SCC Venture VI Holdco, Ltd.

By: /s/ Ip Siu Wai Eva
Name: Ip Siu Wai Eva
Title: Authorized Signatory

IN WITNESS WHEREOF, the parties hereto have caused their respective duly authorized representatives to execute this Agreement on the date and year first above written.

INVESTORS:

Gopher Harvest Co-Investment Fund LP

By: /s/ Yin Zhe
Name: Yin Zhe
Title: Director

IN WITNESS WHEREOF, the parties hereto have caused their respective duly authorized representatives to execute this Agreement on the date and year first above written.

INVESTORS:

AVICT GLOBAL HOLDINGS LIMITED

For and on behalf of AVICT Global Holdings Limited

By: /s/ Jing Xiong
Name: Jing Xiong
Title: Authorized Signatory

[Adagene Inc. — Fourth Amended and Restated Right of First Refusal & Co-Sale Agreement — Signature Page]

IN WITNESS WHEREOF, the parties hereto have caused their respective duly authorized representatives to execute this Agreement on the date and year first above written.

INVESTORS:

KING STAR MED LP

By: /s/ Xianghong Lin
Name: Xianghong Lin
Title: Authorized Signatory

[Adagene Inc. — Fourth Amended and Restated Right of First Refusal & Co-Sale Agreement — Signature Page]

IN WITNESS WHEREOF, the parties hereto have caused their respective duly authorized representatives to execute this Agreement on the date and year first above written.

INVESTORS:

Chief Strategic International Limited

By: /s/ Fu Chi Kong
Name: Fu Chi Kong
Title: Director

IN WITNESS WHEREOF, the parties hereto have caused their respective duly authorized representatives to execute this Agreement on the date and year first above written.

INVESTORS:

Mega Prime Development Limited

By: /s/ Wang Jianping
Name: Wang Jianping
Title: Director

IN WITNESS WHEREOF, the parties hereto have caused their respective duly authorized representatives to execute this Agreement on the date and year first above written.

INVESTORS:

Modest Champion Limited

By: /s/ Lin Lei /s/ Xie Jia
Name: Lin Lei, Xie Jia
Title: Authorized Signatories

IN WITNESS WHEREOF, the parties hereto have caused their respective duly authorized representatives to execute this Agreement on the date and year first above written.

INVESTORS:

Poly Platinum Enterprises Limited

By: /s/ Yuezhong Li
Name:
Title:

[Adagene Inc. — Fourth Amended and Restated Right of First Refusal & Co-Sale Agreement — Signature Page]

IN WITNESS WHEREOF, the parties hereto have caused their respective duly authorized representatives to execute this Agreement on the date and year first above written.

INVESTORS:

GENERAL ATLANTIC SINGAPORE AI PTE. LTD.

By: /s/ Ong Yu Huat
Name: Ong Yu Huat
Title: Director

SCHEDULE A

LIST OF NON-INVESTOR SHAREHOLDERS

Name	Passport Number / Place of Incorporation
Peter Peizhi Luo	[***]
Ge Li	[***]

SCHEDULE B

LIST OF INVESTORS

Asia Ventures II L.P.

F-Prime Capital Partners Healthcare Fund III LP

Wuxi Pharmatech Healthcare Fund I L.P.

JSR Limited

New World TMT Limited

Ge LI (solely in his capacity as the shareholder of Series A-1 Preferred Shares)

Peter Peizhi LUO (solely in his capacity as the shareholder of Series A-1 Preferred Shares)

SCC Venture VI Holdco, Ltd.

Gopher Harvest Co-Investment Fund LP

AVICT GLOBAL HOLDINGS LIMITED

King Star Med LP

Chief Strategic International Limited

Mega Prime Development Limited

Modest Champion Limited

Poly Platinum Enterprises Limited

General Atlantic Singapore AI Pte. Ltd.

SCHEDULE C

LIST OF COMPETITORS

Exhibit 10.1

ADAGENE INC.
SECOND AMENDED AND RESTATED SHARE INCENTIVE PLAN

PREFACE

This Plan is divided into two separate equity programs: (1) the option and share appreciation rights grant program set forth in Section 5 under which Eligible Persons (as defined in Section 3) may, at the discretion of the Administrator, be granted Options and/or SARs, and (2) the share award program set forth in Section 6 under which Eligible Persons may, at the discretion of the Administrator, be awarded restricted or unrestricted Ordinary Shares. Section 2 of this Plan contains the general rules regarding the administration of this Plan. Section 3 sets forth the requirements for eligibility to receive an Award grant under this Plan. Section 4 describes the authorized shares of the Company that may be subject to Awards granted under this Plan. Section 7 contains other provisions applicable to all Awards granted under this Plan. Section 8 provides definitions for certain capitalized terms used in this Plan and not otherwise defined herein.

1. PURPOSE OF THE PLAN.

The purpose of this Plan is to promote the success of the Company and the interests of its shareholders by providing a means through which the Company may grant equity-based incentives to attract, motivate, retain and reward certain officers, employees, directors and other eligible persons and to further link the interests of Award recipients with those of the Company's shareholders generally.

2. ADMINISTRATION.

2.1 ***Administrator***. This Plan shall be administered by and all Awards under this Plan shall be authorized by the Administrator. The "**Administrator**" means the Board or one or more committees appointed by the Board or another committee (within its delegated authority) to administer all or certain aspects of this Plan. Any such committee shall be comprised solely of one or more directors or such number of directors as may be required under applicable law. A committee may delegate some or all of its authority to another committee so constituted. The Board or a committee comprised solely of directors may also delegate, to the extent permitted by the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and any other applicable law, to one or more officers of the Company, its powers under this Plan (a) to designate the officers and employees of the Company and its Affiliates who will receive grants of Awards under this Plan, and (b) to determine the number of shares subject to, and the other terms and conditions of, such Awards. The Board may delegate different levels of authority to different committees with administrative and grant authority under this Plan. Unless otherwise provided in the Memorandum and Articles of Association of the Company or the applicable charter of any Administrator, a majority of the members of the acting Administrator shall constitute a quorum, and the vote of a majority of the members present assuming the presence of a quorum or the unanimous written consent of the members of the Administrator shall constitute action by the acting Administrator.

2.2 ***Plan Awards; Interpretation; Powers of Administrator***. Subject to the express provisions of this Plan, the Administrator is authorized and empowered to do all on of Awards and the of this Plan (in the case of a committee or delegation to one or more officers, within the authority delegated to that committee or person(s)), including, without limitation, the authority to:

(a) determine eligibility and, from among those persons determined to be eligible, the particular Eligible Persons who will receive Awards;

(b) grant Awards to Eligible Persons, determine the price and number of securities to be offered or awarded to any of such persons, determine the other specific terms and conditions of Awards consistent with the express limits of this Plan, establish the installments (if any) in which such Awards will become exercisable or will vest (which may include, without limitation, performance and/or time-based schedules) or determine that no delayed exercisability or vesting is required, establish any applicable performance targets, and establish the events of termination or reversion of such Awards;

(c) approve the forms of Award Agreements, which need not be identical either as to type of Award or among Participants;

(d) construe and interpret this Plan and any Award Agreement or other agreements defining the rights and obligations of the Company, its Affiliates, and Participants under this Plan, make factual determinations with respect to the administration of this Plan, further define the terms used in this Plan, and prescribe, amend and rescind rules and regulations relating to the administration of this Plan or the Awards;

(e) cancel, modify, or waive the Company's rights with respect to, or modify, discontinue, suspend, or terminate any or all outstanding Awards, subject to any required consent under Section 7.7.4;

(f) accelerate or extend the vesting or exercisability or extend the term of any or all outstanding Awards (within the maximum ten-year term of Awards under Sections 5.4.2 and 6.5) in such circumstances as the Administrator may deem appropriate (including, without limitation, in connection with a termination of employment or services or other events of a personal nature);

(g) determine Fair Market Value for purposes of this Plan and Awards;

(h) determine the duration and purposes of leaves of absence that may be granted to Participants without constituting a termination of their employment for purposes of this Plan;

(i) determine whether, and the extent to which, adjustments are required pursuant to Section 7.3 hereof and authorize the termination, conversion, substitution or succession of awards upon the occurrence of an event of the type described in Section 7.3; and

(j) implement any procedures, steps, additional or different requirements as may be necessary to comply with any laws of the People's Republic of China (the "**PRC**") that may be applicable to this Plan, any Award or any related documents, including but not limited to foreign exchange laws, tax laws and securities laws of the PRC.

2.3 ***Binding Determinations***. Any action taken by, or inaction of, the Company, any Affiliate, the Board or the Administrator relating or pursuant to this Plan and within its authority hereunder or under applicable law shall be within the absolute discretion of that entity or body and shall be conclusive and binding upon all persons. Neither the Board nor the Administrator, nor any member thereof or person acting at the direction thereof, shall be liable for any act, omission, interpretation, construction or determination made in good faith in connection with this Plan (or any Award), and all such persons shall be entitled to indemnification and reimbursement by the Company in respect of any claim, loss, damage or expense (including, without limitation, attorneys' fees) arising or resulting therefrom to the fullest extent permitted by law and/or under any directors and officers liability insurance coverage that may be in effect from time to time.

2.4 ***Reliance on Experts***. In making any determination or in taking or not taking any action under this Plan, the Administrator may obtain and may rely upon the advice of experts, including employees of and professional advisors to the Company. No director, officer or agent of the Company or any of its Affiliates shall be liable for any such action or determination taken or made or omitted in good faith.

2.5 ***Delegation***. The Administrator may delegate ministerial, non-discretionary functions to individuals who are officers or employees of the Company or any of its Affiliates or to third parties.

3. ELIGIBILITY.

Awards may be granted under this Plan only to those persons that the Administrator determines to be Eligible Persons. An "**Eligible Person**" means any person who qualifies as one of the following at the time of grant of the respective Award:

(a) an officer (whether or not a director) or employee of the Company or any of its Affiliates;

(b) any member of the Board; or

(c) any director of one of the Company's Affiliates, or any individual consultant or advisor who renders or has rendered bona fide services (other than services in connection with the offering or sale of securities of the Company or one of its Affiliates, as applicable, in a capital raising transaction or as a market maker or promoter of that entity's securities) to the Company or one of its Affiliates.

An advisor or consultant may be selected as an Eligible Person pursuant to clause (c) above only if such person's participation in this Plan would not adversely affect (1) the Company's eligibility to rely on the Rule 701 exemption from registration under the Securities Act for the offering of shares issuable under this Plan by the Company, or (2) the Company's compliance with any other applicable laws.

An Eligible Person may, but need not, be granted one or more Awards pursuant to Section 5 and/or one or more Awards pursuant to Section 6. An Eligible Person who has been granted an Award under this Plan may, if otherwise eligible, be granted additional Awards under this Plan if the Administrator so determines. However, a person's status as an Eligible Person is not a commitment that any Award will be granted to that person under this Plan. Furthermore, an Eligible Person who has been granted an Award under Section 5 is not necessarily entitled to an Award under Section 6, or vice versa, unless otherwise expressly determined by the Administrator.

Each Award granted under this Plan must be approved by the Administrator at or prior to the grant of the Award.

4. SHARES SUBJECT TO THE PLAN.

4.1 ***Shares Available***. Subject to the provisions of Section 7.3.1, the shares that may be delivered under this Plan will be the Company's authorized but unissued Ordinary Shares (and any of its Ordinary Shares held as treasury shares). The Ordinary Shares issued and delivered may be issued and delivered for any lawful consideration.

4.2 ***Share Limit***. Subject to the provisions of Section 7.3.1 and further subject to the share counting rules of Section 4.3, the maximum number of Ordinary Shares that may be delivered pursuant to Awards granted under this Plan will not exceed 11,391,131 shares (the "**Share Limit**") in the aggregate. As required under U.S. Treasury Regulation Section 1.422- 2(b)(3)(i), in no event will the number of Ordinary Shares that may be delivered pursuant to Incentive Stock Options granted under this Plan exceed the Share Limit.

4.3 ***Replenishment and Reissue of Unvested Awards***. To the extent that an Award is settled in cash or a form other than Ordinary Shares, the shares that would have been delivered had there been no such cash or other settlement shall not be counted against the shares available for issuance under this Plan. No Award may be granted under this Plan unless, on the date of grant, the sum of (a) the maximum number of Ordinary Shares issuable at any time pursuant to such Award, plus (b) the number of Ordinary Shares that have previously been issued pursuant to Awards granted under this Plan, plus (c) the maximum number of Ordinary Shares that may be issued at any time after such date of grant pursuant to Awards that are outstanding on such date, does not exceed the Share Limit. Ordinary Shares that are subject to or underlie Options or SARs granted under this Plan that expire or for any reason are canceled or terminated without having been exercised (or Ordinary Shares subject to or underlying the unexercised portion of such Options or SARs in the case of Options or SARs that were partially exercised), as well as Ordinary Shares that are subject to Share Awards made under this Plan that are forfeited to the Company or otherwise repurchased by the Company prior to the vesting of such shares for a price not greater than the original purchase or issue price of such shares (as adjusted pursuant to Section 7.3.1) will again, except to the extent prohibited by law or applicable listing or regulatory requirements, be available for subsequent Award grants under this Plan. Shares that are exchanged by a Participant or withheld by the Company as full or partial payment in connection with any Award under this Plan, as well as any shares exchanged by a Participant or withheld by the Company or one of its Affiliates to satisfy the tax withholding obligations related to any Award, shall be available for subsequent Awards under this Plan. In the case of an exercise of a SAR, only the number of shares actually issued in respect of such exercise shall be charged against this Plan's Share Limit. Adjustments to the Share Limit pursuant to this Section 4.3 are subject to any applicable limitations of the Code in the case of Awards intended to be Incentive Stock Options.

4.4 ***Reservation of Shares***. The Company shall at all times reserve a number of Ordinary Shares sufficient to cover the Company's obligations and contingent obligations to deliver shares with respect to Awards then outstanding under this Plan.

5. OPTION AND SAR GRANT PROGRAM.

5.1 ***Option and SAR Grants in General***. Each Option or SAR shall be evidenced by an Award Agreement in the form approved by the Administrator. The Award Agreement evidencing an Option or SAR shall contain the terms established by the Administrator for that Award, as well as any other terms, provisions, or restrictions that the Administrator may impose on the Option or SAR or any Ordinary Shares subject to the Option or SAR; in each case subject to the applicable provisions and limitations of this Section 5 and the other applicable provisions and limitations of this Plan. The Administrator may require that the recipient of an Option or SAR promptly execute and return to the Company his or her Award Agreement evidencing the Award. In addition, the Administrator may require that the spouse of any married recipient of an Option or SAR also promptly execute and return to the Company the Award Agreement evidencing the Award granted to the recipient or such other spousal consent form that the Administrator may require in connection with the grant of the Award.

5.2 ***Incentive Stock Option Status***. The Administrator will designate each Option granted under this Plan to a U.S. resident as either an Incentive Stock Option or a Nonqualified Option, and such designation shall be set forth in the applicable Award Agreement. Any Option granted under this Plan to a U.S. resident that is not expressly designated in the applicable Award Agreement as an Incentive Stock Option will be deemed to be designated a Nonqualified Option under this Plan and not an "incentive stock option" within the meaning of Section 422 of the Code. Incentive Stock Options shall be subject to the provisions of Section 5.5 in addition to the provisions of this Plan applicable to Options generally. The Administrator may designate any Option granted under this Plan to a non-U.S. resident in accordance with the rules and regulations applicable to options in the jurisdiction in which such person is a resident.

5.3 ***Option or SAR Price***.

5.3.1 Option Pricing Limits. Subject to the following provisions of this Section 5.3.1, the Administrator will determine the purchase price per share of the Ordinary Shares covered by each Option (the "exercise price" of the Option) at the time of the grant of the Option, which exercise price will be set forth in the applicable Award Agreement. In no case will the exercise price of an Option be less than the greatest of:

(a) the par value of an Ordinary Share;

(b) in the case of an Incentive Stock Option and subject to clause (c) below, 100% of the Fair Market Value of an Ordinary Share on the date of grant; or

(c) in the case of an Incentive Stock Option granted to a Participant described in Section 5.5.4, 110% of the Fair Market Value of an Ordinary Share on the date of grant.

5.3.2 Payment Provisions. The Company will not be obligated to deliver certificates for the Ordinary Shares to be purchased upon the exercise of an Option unless and until it receives full payment of the exercise price therefor, all related withholding obligations under Section 7.6 have been satisfied, and all other conditions to the exercise of the Option set forth herein or in the Award Agreement have been satisfied. The purchase price of any Ordinary Shares purchased upon the exercise of an Option must be paid in full at the time of each purchase in such lawful consideration as may be permitted or required by the Administrator, which may include, without limitation, one or a combination of the following methods:

(a) cash, check payable to the order of the Company, or electronic funds transfer;

(b) notice and third party payment in such manner as may be authorized by the Administrator;

(c) the delivery of previously owned Ordinary Shares;

(d) by a reduction in the number of Ordinary Shares otherwise deliverable pursuant to the Award;

(e) subject to such procedures as the Administrator may adopt, pursuant to a “cashless exercise”; or

(f) if authorized by the Administrator or specified in the applicable Award Agreement, by a promissory note of the Participant consistent with the requirements of Section 5.3.3.

In no event shall any shares newly-issued by the Company be issued for less than the minimum lawful consideration for such shares or for consideration other than consideration permitted by applicable law. Ordinary Shares used to satisfy the exercise price of an Option (whether previously- owned shares or shares otherwise deliverable pursuant to the terms of the Option) shall be valued at their Fair Market Value on the date of exercise. Unless otherwise expressly provided in the applicable Award Agreement, the Administrator may eliminate or limit a Participant’s ability to pay the purchase or exercise price of any Award by any method other than cash payment to the Company. The Administrator may take all actions necessary to alter the method of Option exercise and the exchange and transmittal of proceeds with respect to Participants resident in the PRC not having permanent residence in a country other than the PRC in order to comply with applicable PRC foreign exchange and tax regulations and any other applicable PRC laws and regulations.

5.3.3 Acceptance of Notes to Finance Exercise. The Company may, with the Administrator’s approval in each specific case, accept one or more promissory notes from any Eligible Person in connection with the exercise of any Option; provided that any such note shall be subject to the following terms and conditions:

(a) The principal of the note shall not exceed the amount required to be paid to the Company upon the exercise, purchase or acquisition of one or more Awards under this Plan and the note shall be delivered directly to the Company in consideration of such exercise, purchase or acquisition.

(b) The initial term of the note shall be determined by the Administrator; provided that the term of the note, including extensions, shall not exceed a period of five years.

(c) The note shall provide for full recourse to the Participant and shall bear interest at a rate determined by the Administrator, but not less than the interest rate necessary to avoid the imputation of interest under the Code or other applicable tax law, rules or regulations, and to avoid any adverse accounting consequences in connection with the exercise, purchase or acquisition.

(d) If the employment or services of the Participant by or to the Company and its Affiliates terminates, the unpaid principal balance of the note shall become due and payable on the 30th business day after such termination; provided, however, that if a sale of the shares acquired on exercise of the Option would cause such Participant to incur liability under Section 16(b) of the Exchange Act, the unpaid balance shall become due and payable on the 10th business day after the first day on which a sale of such shares could have been made without incurring such liability assuming for these purposes that there are no other transactions (or deemed transactions) in securities of the Company by the Participant subsequent to such termination.

(e) If required by the Administrator or by applicable law, the note shall be secured by a pledge of any shares or rights financed thereby or other collateral, in compliance with applicable law.

The terms, repayment provisions, and collateral release provisions of the note and the pledge securing the note shall conform with all applicable rules and regulations, including those of the Federal Reserve Board of the United States and any applicable law, as then in effect.

5.3.4 Base Price of SARs. The Administrator will determine the base price per share of the Ordinary Shares covered by each SAR at the time of the grant of the SAR, which base price will be set forth in the applicable Award Agreement.

5.4 ***Vesting; Term; Exercise Procedure***.

5.4.1 Vesting. Except as provided in Section 5.8, an Option or SAR may be exercised only to the extent that it is vested and exercisable. The Administrator will determine the vesting and/or exercisability provisions of each Option or SAR (which may be based on performance criteria, passage of time or other factors or any combination thereof), which provisions will be set forth in the applicable Award Agreement. Unless the Administrator otherwise expressly provides, once exercisable an Option or SAR will remain exercisable until the expiration or earlier termination of the Option or SAR.

5.4.2 Term. Each Option and SAR shall expire not more than 10 years after its date of grant. Each Option and SAR will be subject to earlier termination as provided in or pursuant to Sections 5.6 and 7.3 or the terms of the applicable Award Agreement.

5.4.3 Exercise Procedure. Any exercisable Option or SAR will be deemed to be exercised when (a) the applicable exercise procedures in the related Award Agreement have been satisfied (or, in the absence of any such procedures in the related Award Agreement, the Company has received written notice of such exercise from the Participant), and (b) in the case of an Option, the Company has received any required payment made in accordance with Section 5.3 and Section 7.6, and (c) in the case of an Option or SAR, the Company has received any written statement required pursuant to Section 7.5.1.

5.4.4 Fractional Shares/Minimum Issue. Fractional share interests will be disregarded, but may be accumulated. The Administrator, however, may determine that cash, other securities, or other property will be paid or transferred in lieu of any fractional share interests. No Option or SAR may be exercised as to fewer than 100 shares (subject to adjustment pursuant to Section 7.3.1) at one time unless the number as to which the Award is exercised is the total number at the time then subject to the vested and exercisable portion of the Award.

5.5 ***Limitations on Grant and Terms of Incentive Stock Options***.

5.5.1 US$100,000 Limit. To the extent that the aggregate Fair Market Value of shares with respect to which incentive stock options (within the meaning of Section 422 of the Code) first become exercisable by a Participant in any calendar year exceeds US$100,000, taking into account both Ordinary Shares subject to Incentive Stock Options under this Plan and shares subject to incentive stock options under all other plans of the Company or any of its Affiliates, such options will be treated as Nonqualified Options. For this purpose, the Fair Market Value of the shares subject to options will be determined as of the date the options were awarded. In reducing the number of options treated as incentive stock options to meet the US$100,000 limit, the most recently granted options will be reduced (recharacterized as Nonqualified Options) first. To the extent a reduction of simultaneously granted options is necessary to meet the US$100,000 limit, the Administrator may, in the manner and to the extent permitted by law, designate which Ordinary Shares are to be treated as shares acquired pursuant to the exercise of an incentive stock option.

5.5.2 Other Code Limits. Incentive Stock Options may only be granted to individuals that are employees of the Company or one of its Affiliates and satisfy the other eligibility requirements of the Code. Any Award Agreement relating to Incentive Stock Options will contain or shall be deemed to contain such other terms and conditions as from time to time are required in order that the Option be an "incentive stock option" as that term is defined in Section 422 of the Code.

5.5.3 ISO Notice of Sale Requirement. Any Participant who exercises an Incentive Stock Option shall give prompt written notice to the Company of any sale or other transfer of the Ordinary Shares acquired on such exercise if the sale or other transfer occurs within (a) one year after the exercise date of the Option, or (b) two years after the grant date of the Option.

5.5.4 Limits on 10% Holders. No Incentive Stock Option may be granted to any person who, at the time the Incentive Stock Option is granted, owns (or is deemed to own under Section 424(d) of the Code) outstanding shares of the Company (or any of its Affiliates) possessing more than 10% of the total combined voting power of all classes of shares of the Company (or any of its Affiliates), unless the exercise price of such Incentive Stock Option is at least 110% of the Fair Market Value of the shares subject to the Incentive Stock Option and the Incentive Stock Option by its terms is not exercisable more than five years after the date the Incentive Stock Option is granted.

5.6 ***Effects of Termination of Employment on Options and SARs***.

5.6.1 Dismissal for Cause. Unless otherwise provided in the applicable Award Agreement and subject to earlier termination pursuant to or as contemplated by Section 5.4.2 or 7.3, if a Participant's employment by or service to the Company or any of its Affiliates is terminated by such entity for Cause, the Participant's Option or SAR will terminate on the Participant's Severance Date, whether or not the Option or SAR is then vested and/or exercisable.

5.6.2 Death or Disability. Unless otherwise provided in the applicable Award Agreement (consistent with applicable securities laws) and subject to earlier termination pursuant to or as contemplated by Section 5.4.2 or 7.3, if a Participant's employment by or service to the Company or any of its Affiliates terminates as a result of the Participant's death or Total Disability:

(a) the Participant (or his or her Personal Representative or Beneficiary, in the case of the Participant's Total Disability or death, respectively), will have until the date that is 12 months after the Participant's Severance Date to exercise the Participant's Option or SAR (or portion thereof) to the extent that it was vested and exercisable on the Severance Date;

(b) the Option or SAR, to the extent not vested and exercisable on the Participant's Severance Date, shall terminate on the Severance Date; and

(c) the Option or SAR, to the extent exercisable for the 12-month period following the Participant's Severance Date and not exercised during such period, shall terminate at the close of business on the last day of the 12-month period.

5.6.3 Other Terminations of Employment. Unless otherwise provided in the applicable Award Agreement (consistent with applicable securities laws) and subject to earlier termination pursuant to or as contemplated by Section 5.4.2 or 7.3, if a Participant's employment by or service to the Company or any of its Affiliates terminates for any reason other than a termination by such entity for Cause or because of the Participant's death or Total Disability:

(a) the Participant will have until the date that is 3 months after the Participant's Severance Date to exercise his or her Option or SAR (or portion thereof) to the extent that it was vested and exercisable on the Severance Date;

(b) the Option or SAR, to the extent not vested and exercisable on the Participant's Severance Date, shall terminate on the Severance Date; and

(c) the Option or SAR, to the extent exercisable for the 3-month period following the Participant's Severance Date and not exercised during such period, shall terminate at the close of business on the last day of the 3-month period.

5.7 ***Option and SAR Repricing/Cancellation and Regrant/Waiver of Restrictions***. Subject to Section 4 and Section 7.7 and the specific limitations on Options and SARs contained in this Plan, the Administrator from time to time may authorize, generally or in specific cases only, for the benefit of any Eligible Person, any adjustment in the exercise or base price, the vesting schedule, the number of shares subject to, or the term of, an Option or SAR granted under this Plan by cancellation of an outstanding Option or SAR and a subsequent regranting of the Option or SAR, by amendment, by substitution of an outstanding Option or SAR, by waiver or by other legally valid means. Such amendment or other action may result in, among other changes, an exercise or base price that is higher or lower than the exercise or base price of the original or prior Option or SAR, provide for a greater or lesser number of Ordinary Shares subject to the Option or SAR, or provide for a longer or shorter vesting or exercise period.

5.8 ***Early Exercise Options and SARs***. The Administrator may, in its discretion, designate any Option or SAR as an "early exercise Option" or "early exercise SAR" which, by express provision in the applicable Award Agreement, may be exercised prior to the date such Option or SAR has vested. If the Participant elects to exercise all or a portion of an early exercise Option or SAR before it is vested, the Ordinary Shares acquired under the Option or SAR which are attributable to the unvested portion of the Option or SAR shall be Restricted Shares. The applicable Award Agreement will specify the extent (if any) to which and the time (if ever) at which the Participant will be entitled to dividends, voting and other rights in respect of such Restricted Shares prior to vesting, and the restrictions imposed on such shares and the conditions of release or lapse of such restrictions. Unless otherwise expressly provided in the applicable Award Agreement, such Restricted Shares shall be subject to the provisions of Sections 6.6 through 6.9, below.

6. SHARE AWARD PROGRAM.

6.1 ***Share Awards in General***. Each Share Award shall be evidenced by an Award Agreement in the form approved by the Administrator. The Award Agreement evidencing a Share Award shall contain the terms established by the Administrator for that Share Award, as well as any other terms, provisions, or restrictions that the Administrator may impose on the Share Award; in each case subject to the applicable provisions and limitations of this Section 6 and the other applicable provisions and limitations of this Plan. The Administrator may require that the recipient of a Share Award promptly execute and return to the Company his or her Award Agreement evidencing the Share Award. In addition, the Administrator may require that the spouse of any married recipient of a Share Award also promptly execute and return to the Company the Award Agreement evidencing the Share Award granted to the recipient or such other spousal consent form that the Administrator may require in connection with the grant of the Share Award.

6.2 ***Types of Share Awards***. The Administrator shall designate whether a Share Award shall be a Restricted Share Award, and such designation shall be set forth in the applicable Award Agreement.

6.3 ***Purchase Price***.

6.3.1 Pricing Limits. Subject to the following provisions of this Section 6.3, the Administrator will determine the purchase price per share of the Ordinary Shares covered by each Share Award at the time of grant of the Award. In no case will such purchase price be less than the par value of the Ordinary Shares.

6.3.2 Payment Provisions. The Company will not be obligated to record in the Company's register of members, or issue certificates evidencing, Ordinary Shares awarded under this Section 6 unless and until it receives full payment of the purchase price therefor and all other conditions to the purchase, as determined by the Administrator, have been satisfied, at which point the relevant shares shall be issued and noted in the Company's register of members. The purchase price of any shares subject to a Share Award must be paid in full at the time of the purchase in such lawful consideration as may be permitted or required by the Administrator, which may include, without limitation, one or a combination of the methods set forth in clauses (a) through (f) in Section 5.3.2 and/or past services rendered to the Company or any of its Affiliates.

6.4 ***Vesting***. The restrictions imposed on the Ordinary Shares subject to a Restricted Share Award (which may be based on performance criteria, passage of time or other factors or any combination thereof) will be set forth in the applicable Award Agreement.

6.5 ***Term***. A Share Award shall either vest or be repurchased by the Company as provided in Section 6.8 not more than 10 years after the date of grant. Each Share Award will be subject to earlier termination as provided in or pursuant to Sections 6.8 and 7.3. Any payment of cash or delivery of shares in payment for a Share Award may be delayed until a future date if specifically authorized by the Administrator in writing and by the Participant.

6.6 ***Share Certificates; Fractional Shares***. Share certificates evidencing Restricted Shares will bear a legend making appropriate reference to the restrictions imposed hereunder and will be held by the Company or by a third party designated by the Administrator until the restrictions on such shares have lapsed, the shares have vested in accordance with the provisions of the Award Agreement and Section 6.4, and any related loan has been repaid. Fractional share interests will be disregarded, but may be accumulated. The Administrator, however, may determine that cash, other securities, or other property will be paid or transferred in lieu of any fractional share interests.

6.7 ***Dividend and Voting Rights***. Unless otherwise provided in the applicable Award Agreement, a Participant holding Restricted Shares will be entitled to cash dividend and voting rights for all Restricted Shares issued even though they are not vested, but such rights will terminate immediately as to any Restricted Shares which cease to be eligible for vesting or are repurchased by the Company.

6.8 ***Termination of Employment; Return to the Company***. Unless the Administrator otherwise expressly provides, Restricted Shares subject to an Award that remain subject to vesting conditions that have not been satisfied by the time specified in the applicable Award Agreement (which may include, without limitation, the Participant's Severance Date), will not vest and will be reacquired by the Company in such manner and on such terms as the Administrator provides, which terms shall include, to the extent not prohibited by law, return or repayment of the lower of (a) the Fair Market Value of the Restricted Shares at the time of the termination, or (b) if applicable, the original purchase price of the Restricted Shares, without interest. The Award Agreement shall specify any other terms or conditions of the repurchase if the Award fails to vest. Any other Share Award that has not been exercised as of a Participant's Severance Date shall terminate on that date unless otherwise expressly provided by the Administrator in the applicable Award Agreement.

6.9 ***Waiver of Restrictions***. Subject to Sections 4 and 7.7 and the specific limitations on Share Awards contained in this Plan, the Administrator from time to time may authorize, generally or in specific cases only, for the benefit of any Eligible Person, any adjustment in the vesting schedule, or the restrictions upon or the term of, a Share Award granted under this Plan by amendment, by substitution of an outstanding Share Award, by waiver or by other legally valid means.

7. PROVISIONS APPLICABLE TO ALL AWARDS.

7.1 ***Rights of Eligible Persons, Participants and Beneficiaries***.

7.1.1 Employment Status. No Person shall have any claim or rights to be granted an Award (or additional Awards, as the case may be) under this Plan, subject to any express contractual rights (set forth in a document other than this Plan) to the contrary.

7.1.2 No Employment/Service Contract. Nothing contained in this Plan (or in any other documents under this Plan or related to any Award) shall confer upon any Eligible Person or Participant any right to continue in the employ or other service of the Company or any of its Affiliates, constitute any contract or agreement of employment or other service or affect an employee's status as an employee at will, nor shall interfere in any way with the right of the Company or any Affiliate to change such person's compensation or other benefits, or to terminate his or her employment or other service, with or without cause at any time. Nothing in this Section 7.1.2, or in Section 7.3 or 7.15, however, is intended to adversely affect any express independent right of such person under a separate employment or service contract. An Award Agreement shall not constitute a contract of employment or service.

7.1.3 Plan Not Funded. Awards payable under this Plan will be payable in Ordinary Shares or from the general assets of the Company, and (except as to the share reservation provided in Section 4.4) no special or separate reserve, fund or deposit will be made to assure payment of such Awards. No Participant, Beneficiary or other person will have any right, title or interest in any fund or in any specific asset (including Ordinary Shares, except as expressly provided) of the Company or any of its Affiliates by reason of any Award hereunder. Neither the provisions of this Plan (or of any related documents), nor the creation or adoption of this Plan, nor any action taken pursuant to the provisions of this Plan will create, or be construed to create, a trust of any kind or a fiduciary relationship between the Company or any of its Affiliates and any Participant, Beneficiary or other person. To the extent that a Participant, Beneficiary or other person acquires a right to receive payment pursuant to any Award hereunder, such right will be no greater than the right of any unsecured general creditor of the Company.

7.1.4 Charter Documents. The Memorandum and Articles of Association of the Company, as may lawfully be amended from time to time, may provide for additional restrictions and limitations with respect to the Ordinary Shares (including additional restrictions and limitations on the voting or transfer of Ordinary Shares) or priorities, rights and preferences as to securities and interests prior in rights to the Ordinary Shares. These restrictions and limitations are in addition to (and not in lieu of) those set forth in this Plan or any Award Agreement and are incorporated herein by this reference.

7.2 ***No Transferability; Limited Exception to Transfer Restrictions***.

7.2.1 Limit on Exercise and Transfer. Unless otherwise expressly provided in (or pursuant to) this Section 7.2, by applicable law and by the Award Agreement, as the same may be amended:

(a) all Awards are non-transferable and will not be subject in any manner to sale, transfer, anticipation, alienation, assignment, pledge, encumbrance or charge;

(b) Awards will be exercised only by the Participant; and

(c) amounts payable or shares issuable pursuant to an Award will be delivered only to (or for the account of), and, in the case of Ordinary Shares, registered in the name of, the Participant.

In addition, the shares shall be subject to the restrictions set forth in the applicable Award Agreement.

7.2.2 Further Exceptions to Limits on Transfer. The exercise and transfer restrictions in Section 7.2.1 will not apply to:

(a) transfers to the Company;

(b) transfers by gift or domestic relations order to one or more "family members" (as that term is defined in SEC Rule 701 promulgated under the Securities Act) of the Participant, including transfers to a trust in which the Participant (or other family member) has more than 50% of the beneficial interest, a foundation in which the Participant (or other family member) controls the management of assets, or an entity in which the Participant (or other family member) owns more than 50% of the voting interest, so long as such transfer is expressly authorized by the Administrator and is in compliance with all applicable laws;

(c) the designation of a Beneficiary to receive benefits if the Participant dies or, if the Participant has died, transfers to or exercises by the Participant's Beneficiary, or, in the absence of a validly designated Beneficiary, transfers by will or the laws of descent and distribution; or

(d) if the Participant has suffered a disability, permitted transfers or exercises on behalf of the Participant by the Participant's duly authorized legal representative.

Notwithstanding anything else in this Section 7.2.2 to the contrary, but subject to compliance with all applicable laws, Incentive Stock Options and Restricted Share Awards will be subject to any and all transfer restrictions under the Code applicable to such awards or necessary to maintain the intended tax consequences of such Awards. Notwithstanding clause (b) above but subject to compliance with all applicable laws, any contemplated transfer by gift or domestic relations order to one or more family members of a Participant as referenced in clause (b) above is subject to the condition precedent that the transfer be approved by the Administrator in order for it to be effective. The Administrator may, in its sole discretion, withhold its approval of any such proposed transfer.

7.3 ***Adjustments; Changes in Control***.

7.3.1 Adjustments. Subject to Section 7.3.2 below, upon (or, as may be necessary to effect the adjustment, immediately prior to) any reclassification, recapitalization, share split (including a share split in the form of a share dividend) or reverse share split; any merger, combination, consolidation, or other reorganization; any split-up, spin-off, or similar extraordinary dividend distribution in respect of the Ordinary Shares; or any exchange of Ordinary Shares or other securities of the Company, or any similar, unusual or extraordinary corporate transaction in respect of the Ordinary Shares; then the Administrator shall equitably and proportionately adjust (1) the number and type of shares of Ordinary Shares (or other securities) that thereafter may be made the subject of Awards (including the specific share limits, maximums and numbers of shares set forth elsewhere in this Plan), (2) the number, amount and type of Ordinary Shares (or other securities or property) subject to any outstanding Awards, (3) the grant, purchase, exercise or base price of any outstanding Awards, and/or (4) the securities, cash or other property deliverable upon exercise or vesting of any outstanding Awards, in each case to the extent necessary to preserve (but not increase) the level of incentives intended by this Plan and the then-outstanding Awards.

Unless otherwise expressly provided in the applicable Award Agreement, upon (or, as may be necessary to effect the adjustment, immediately prior to) any event or transaction described in the preceding paragraph or a sale of all or substantially all of the business or assets of the Company as an entirety, the Administrator shall equitably and proportionately adjust the performance standards applicable to any then-outstanding performance-based Awards to the extent necessary to preserve (but not increase) the level of incentives intended by this Plan and the then-outstanding performance-based Awards.

It is intended that, if possible, any adjustments contemplated by the preceding two paragraphs be made in a manner that satisfies applicable legal, tax (including, without limitation and as applicable in the circumstances, Section 424 of the Code and Section 409A of the Code) and accounting (so as to not trigger any charge to earnings with respect to such adjustment) requirements.

Without limiting the generality of Section 2.3, any good faith determination by the Administrator as to whether an adjustment is required in the circumstances pursuant to this Section 7.3.1, and the extent and nature of any such adjustment, shall be conclusive and binding on all persons.

Unless otherwise expressly provided by the Administrator, in no event shall a conversion of one or more outstanding shares of the Company's preferred share (if any) or any new issuance of securities by the Company for consideration be deemed, in and of itself, to require an adjustment pursuant to this Section 7.3.1.

7.3.2 Consequences of a Change in Control Event. Upon the occurrence of a Change in Control Event, the Administrator may make provision for a cash payment in settlement of, or for the assumption, substitution or exchange of any or all outstanding Awards (or the cash, securities or other property deliverable to the holder(s) of any or all outstanding Awards) based upon, to the extent relevant in the circumstances, the distribution or consideration payable to holders of the Ordinary Shares upon or in respect of such event.

In addition, subject to Sections 7.3.4 and 7.3.5, upon (or, as may be necessary to effectuate the purposes of this acceleration, immediately prior to) the occurrence of a Change in Control Event:

(a) each Option and SAR will become immediately vested and exercisable; and

(b) Restricted Shares will immediately vest free of forfeiture restrictions and/or restrictions giving the Company the right to repurchase the shares at their original purchase price;

provided, however, that such acceleration provision shall not apply, unless otherwise expressly provided by the Administrator, with respect to any Award to the extent that the Administrator has made a provision for the substitution, assumption, exchange or other continuation or settlement of the Award, or the Award would otherwise continue in accordance with its terms, in the circumstances.

The foregoing Change in Control Event provisions shall not in any way limit the authority of the Administrator to accelerate the vesting of one or more Awards (as to all or only a portion of any Award) in such circumstances (including, but not limited to, a Change in Control Event) as the Administrator may determine to be appropriate, regardless of whether accelerated vesting of all or a portion of the Award(s) is otherwise required or contemplated by the foregoing in the circumstances.

The Administrator may adopt such valuation methodologies for outstanding Awards as it deems reasonable in the event of a cash, securities or other property settlement. In the case of Options and SARs, but without limitation on other methodologies, the Administrator may base such settlement solely upon the excess (if any) of the amount payable upon or in respect of such event over the exercise or base price of the Option or SAR, as applicable, to the extent of the then vested and exercisable shares subject to the Option or SAR.

In any of the events referred to in this Section 7.3.2, the Administrator may take such action contemplated by this Section 7.3.2 prior to such event (as opposed to on the occurrence of such event) to the extent that the Administrator deems the action necessary to permit the Participant to realize the benefits intended to be conveyed with respect to the underlying shares. Without limiting the generality of the foregoing, the Administrator may deem an acceleration to occur immediately prior to the applicable event and/or reinstate the original terms of the Award if an event giving rise to an acceleration does not occur.

7.3.3 Early Termination of Awards. Upon the occurrence of a Change in Control Event, each then-outstanding Award (whether or not vested and/or exercisable, but after giving effect to any accelerated vesting required in the circumstances pursuant to Sections 7.3.2, 7.3.4 and 7.3.5) shall terminate, subject to any provision that has been expressly made by the Administrator, through a plan of reorganization or otherwise, for the survival, substitution, assumption, exchange or other continuation or settlement of such Award and provided that, in the case of Options and SARs that will not survive or be substituted for, assumed, exchanged, or otherwise continued or settled in the Change in Control Event, the holder of such Award shall be given reasonable advance notice of the impending termination and a reasonable opportunity to exercise his or her outstanding and vested Options and SARs (the vested portion of such Options and SARs determined after giving effect to any accelerated vesting required in the circumstances pursuant to Sections 7.3.2, 7.3.4 and 7.3.5) in accordance with their terms before the termination of the Awards (except that in no case shall more than ten days' notice of accelerated vesting and the impending termination be required and any acceleration may be made contingent upon the actual occurrence of the event). For purposes of this Section 7.3, an Award shall be deemed to have been "assumed" if (without limiting other circumstances in which an Award is assumed) the Award continues after the Change in Control Event, and/or is assumed and continued by a Parent (as such term is defined in the definition of Change in Control Event) following a Change in Control Event, and confers the right to purchase or receive, as applicable and subject to vesting and the other terms and conditions of the Award, for each Ordinary Share subject to the Award immediately prior to the Change in Control Event, the consideration (whether cash, shares, or other securities or property) received in the Change in Control Event by the shareholders of the Company for each Ordinary Share sold or exchanged in such transaction (or the consideration received by a majority of the shareholders participating in such transaction if the shareholders were offered a choice of consideration); provided, however, that if the consideration offered for an Ordinary Share in the transaction is not solely the ordinary or common shares of a successor company or a Parent, the Administrator may provide for the consideration to be received upon exercise or payment of the Award, for each share subject to the Award, to be solely ordinary or common shares (as applicable) of the successor company or a Parent equal in Fair Market Value to the per share consideration received by the shareholders participating in the Change in Control Event.

7.3.4 Other Acceleration Rules. The Administrator may override the provisions of this Section 7.3 as to any Award by express provision in the applicable Award Agreement and may accord any Participant a right to refuse any acceleration, whether pursuant to the Award Agreement or otherwise, in such circumstances as the Administrator may approve. The portion of any Incentive Stock Option accelerated in connection with a Change in Control Event (or such other circumstances as may trigger accelerated vesting of the Incentive Stock Option) shall remain exercisable as an Incentive Stock Option only to the extent the applicable US$100,000 limitation on Incentive Stock Options is not exceeded. To the extent exceeded, the accelerated portion of the Option shall be exercisable as a Nonqualified Option.

7.3.5 Golden Parachute Limitation. Notwithstanding anything else contained in this Section 7.3 to the contrary, in no event shall any Award or payment be accelerated under this Section 7.3 to an extent or in a manner so that such Award or payment, together with any other compensation and benefits provided to, or for the benefit of, the Participant under any other plan or agreement of the Company or one of its Affiliates, would not be fully deductible by the Company or one of its Affiliates for federal income tax purposes because of Section 280G of the Code. If a holder of an Award would be entitled to benefits or payments hereunder and under any other plan or program that would constitute "parachute payments" as defined in Section 280G of the Code, then the holder may by written notice to the Company designate the order in which such parachute payments will be reduced or modified so that the Company or one of its Affiliates is not denied federal income tax deductions for any "parachute payments" because of Section 280G of the Code. Notwithstanding the foregoing, if a Participant is a party to an employment or other agreement with the Company or one of its Affiliates, or is a participant in a severance program sponsored by the Company or one of its Affiliates that contains express provisions regarding Section 280G and/or Section 4999 of the Code (or any similar successor provision), or the applicable Award Agreement includes such provisions, the Section 280G and/or Section 4999 provisions of such employment or other agreement or plan, as applicable, shall control as to the Awards held by that Participant (for example, and without limitation, a Participant may be a party to an employment agreement with the Company or one of its Affiliates that provides for a "gross-up" as opposed to a "cut-back" in the event that the Section 280G thresholds are reached or exceeded in connection with a change in control and, in such event, the Section 280G and/or Section 4999 provisions of such employment agreement shall control as to any Awards held by that Participant).

7.4 ***Termination of Employment or Services***.

7.4.1 Events Not Deemed a Termination of Employment. Unless the Administrator otherwise expressly provides with respect to a particular Award, if a Participant's employment by or service to the Company or an Affiliate terminates but immediately thereafter the Participant continues in the employ of or service to another Affiliate or the Company, as applicable, the Participant shall be deemed to have not had a termination of employment or service for purposes of this Plan and the Participant's Awards. Unless the express policy of the Company or the Administrator otherwise provides, a Participant's employment relationship with the Company or any of its Affiliates shall not be considered terminated solely due to any sick leave, military leave, or any other leave of absence authorized by the Company or any Affiliate or the Administrator; provided that, unless reemployment upon the expiration of such leave is guaranteed by contract or law, such leave is for a period of not more than three months. In the case of any Participant on an approved leave of absence, continued vesting of the Award while on leave from the employ of or service with the Company or any of its Affiliates will be suspended until the Participant returns to service, unless the Administrator otherwise provides or applicable law otherwise requires. In no event shall an Award be exercised after the expiration of the term of the Award set forth in the Award Agreement.

7.4.2 Effect of Change of Affiliate Status. For purposes of this Plan and any Award, if an entity ceases to be an Affiliate, a termination of employment or service will be deemed to have occurred with respect to each Eligible Person in respect of such Affiliate who does not continue as an Eligible Person in respect of another Affiliate that continues as such after giving effect to the transaction or other event giving rise to the change in status unless the Affiliate that is sold, spun-off or otherwise divested (or its successor or a direct or indirect parent of such Affiliate or successor) assumes the Eligible Person's award(s) in connection with such transaction.

7.4.3 Administrator Discretion. Notwithstanding the provisions of Section 5.6 or 6.8, in the event of, or in anticipation of, a termination of employment or service with the Company or any of its Affiliates for any reason, the Administrator may accelerate the vesting and exercisability of all or a portion of the Participant's Award, and/or, subject to the provisions of Sections 5.4.2 and 7.3, extend the exercisability period of the Participant's Option or SAR upon such terms as the Administrator determines and expressly sets forth in or by amendment to the Award Agreement.

7.4.4 Termination of Consulting or Affiliate Services. If the Participant is an Eligible Person solely by reason of clause (c) of Section 3, the Administrator shall be the sole judge of whether the Participant continues to render services to the Company or any of its Affiliates, unless a written contract or the Award Agreement otherwise provides. If, in these circumstances, the Company or any Affiliate notifies the Participant in writing that a termination of the Participant's services to the Company or any Affiliate has occurred for purposes of this Plan, then (unless the contract or the Award Agreement otherwise expressly provides), the Participant's termination of services with the Company or Affiliate for purposes of this Plan shall be the date specified by the Company or Affiliate in the notice.

7.5 ***Compliance with Laws***.

7.5.1 General. This Plan, the granting and vesting of Awards under this Plan, and the offer, issuance and delivery of Ordinary Shares, the acceptance of promissory notes and/or the payment of money under this Plan or under Awards are subject to compliance with all applicable federal and state laws, applicable foreign laws, rules and regulations (including but not limited to state and federal securities laws, and federal margin requirements) and to such approvals by any listing, regulatory or governmental authority as may, in the opinion of counsel for the Company, be necessary or advisable in connection therewith. Any person acquiring any securities under this Plan will, if requested by the Company, provide such assurances and representations to the Company as the Administrator may deem necessary or desirable to assure compliance with all applicable legal and accounting requirements.

7.5.2 Compliance with Securities Laws. No Participant shall sell, pledge or otherwise transfer Ordinary Shares acquired pursuant to an Award or any interest in such shares except in accordance with the express terms of this Plan and the applicable Award Agreement. Any attempted transfer in violation of this Section 7.5 shall be void and of no effect. Without in any way limiting the provisions set forth above, no Participant shall make any disposition of all or any portion of Ordinary Shares acquired or to be acquired pursuant to an Award, except in compliance with all applicable federal and state securities laws and unless and until:

(a) there is then in effect a registration statement under the Securities Act covering such proposed disposition and such disposition is made in accordance with such registration statement;

(b) such disposition is made in accordance with Rule 144 under the Securities Act; or

(c) such Participant notifies the Company of the proposed disposition and furnishes the Company with a statement of the circumstances surrounding the proposed disposition, and, if requested by the Company, furnishes to the Company an opinion of counsel acceptable to the Company's counsel, that such disposition will not require registration under the Securities Act and will be in compliance with all applicable state securities laws.

Notwithstanding anything else herein to the contrary, neither the Company or any Affiliate has any obligation to register the Ordinary Shares or file any registration statement under either federal or state securities laws, nor does the Company or any Affiliate make any representation concerning the likelihood of a public offering of the Ordinary Shares or any other securities of the Company or any Affiliate.

7.5.3 Share Legends. All certificates evidencing Ordinary Shares issued or delivered under this Plan shall bear the following legends and/or any other appropriate or required legends under applicable laws:

"OWNERSHIP OF THIS CERTIFICATE, THE SHARES EVIDENCED BY THIS CERTIFICATE AND ANY INTEREST THEREIN ARE SUBJECT TO SUBSTANTIAL RESTRICTIONS ON TRANSFER UNDER APPLICABLE LAW AND UNDER AGREEMENTS WITH THE COMPANY, INCLUDING RESTRICTIONS ON SALE, ASSIGNMENT, TRANSFER, PLEDGE OR OTHER DISPOSITION."

"THE SHARES ARE SUBJECT TO THE COMPANY'S RIGHT OF FIRST REFUSAL AND CALL RIGHTS TO REPURCHASE THE SHARES UNDER THE COMPANY'S SHARE INCENTIVE PLAN AND AGREEMENTS WITH THE COMPANY THEREUNDER."

"THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO A LOCK-UP PERIOD FOLLOWING THE EFFECTIVE DATE OF A REGISTRATION STATEMENT OF THE COMPANY FILED UNDER THE SECURITIES ACT OF 1933, AS AMENDED ("ACT"), AS SET FORTH IN AN AGREEMENT BETWEEN THE COMPANY AND THE ORIGINAL HOLDER OF THESE SHARES, A COPY OF WHICH MAY BE OBTAINED AT THE PRINCIPAL OFFICE OF THE COMPANY. SUCH LOCK-UP PERIOD IS BINDING ON TRANSFEREES OF THESE SHARES."

"THE SECURITIES REPRESENTED HEREBY HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE ACT, NOR HAVE THEY BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE. NO TRANSFER OF SUCH SECURITIES WILL BE PERMITTED UNLESS A REGISTRATION STATEMENT UNDER THE ACT IS IN EFFECT AS TO SUCH TRANSFER, THE TRANSFER IS MADE IN ACCORDANCE WITH RULE 144 UNDER THE ACT, OR IN THE OPINION OF COUNSEL TO THE COMPANY, REGISTRATION UNDER THE ACT IS UNNECESSARY IN ORDER FOR SUCH TRANSFER TO COMPLY WITH THE ACT AND WITH ANY OTHER APPLICABLE SECURITIES LAWS."

7.5.4 Confidential Information. Any financial or other information relating to the Company obtained by Participants in connection with or as a result of this Plan or their Awards shall be treated as confidential.

7.6 ***Tax Withholding***. Upon any exercise, vesting, or payment of any Award or upon the disposition of Ordinary Shares acquired pursuant to the exercise of an Incentive Stock Option prior to satisfaction of the holding period requirements of Section 422 of the Code, the Company or any of its Affiliates shall have the right at its option to:

(a) require the Participant (or the Participant's Personal Representative or Beneficiary, as the case may be) to pay or provide for payment of at least the minimum amount of any taxes which the Company or Affiliate may be required to withhold with respect to such Award event or payment;

(b) deduct from any amount otherwise payable (in respect of an Award or otherwise) in cash to the Participant (or the Participant's Personal Representative or Beneficiary, as the case may be) the minimum amount of any taxes which the Company or Affiliate may be required to withhold with respect to such Award event or payment; or

(c) reduce the number of Ordinary Shares to be delivered by (or otherwise reacquire shares held by the Participant) the appropriate number of Ordinary Shares, valued at their then Fair Market Value, to satisfy the minimum withholding obligation.

In any case where a tax is required to be withheld (including taxes in the PRC where applicable) in connection with the delivery of Ordinary Shares under this Plan (including the sale of Ordinary Shares as may be required to comply with foreign exchange rules in the PRC for Participants resident in the PRC), the Administrator may in its sole discretion (subject to Section 7.5) grant (either at the time of the Award or thereafter) to the Participant the right to elect, pursuant to such rules and subject to such conditions as the Administrator may establish, to have the Company reduce the number of shares to be delivered by (or otherwise reacquire) the appropriate number of shares, valued in a consistent manner at their Fair Market Value or at the sales price in accordance with authorized procedures for cashless exercises, necessary to satisfy the minimum applicable withholding obligation on exercise, vesting or payment. In no event shall the shares withheld exceed the minimum whole number of shares required for tax withholding under applicable law. The Company may, with the Administrator's approval, accept one or more promissory notes from any Eligible Person in connection with taxes required to be withheld upon the exercise, vesting or payment of any Award under this Plan; provided that any such note shall be subject to terms and conditions established by the Administrator and the requirements of applicable law. Any such note need not otherwise comply with the provisions of Section 5.3.3.

7.7 ***Plan and Award Amendments, Termination and Suspension***.

7.7.1 Board Authorization. The Board may, at any time, terminate or, from time to time, amend, modify or suspend this Plan, in whole or in part. No Awards may be granted during any period that the Board suspends this Plan.

7.7.2 Shareholder Approval. To the extent then required by applicable law or any applicable listing agency or required under Sections 162, 422 or 424 of the Code or other applicable tax law, rules or regulations, to preserve the intended tax consequences of this Plan, or deemed necessary or advisable by the Board, any amendment to this Plan shall be subject to shareholder approval.

7.7.3 Amendments to Awards. Without limiting any other express authority of the Administrator under (but subject to) the express limits of this Plan, the Administrator by agreement or resolution may waive conditions of or limitations on Awards to Participants that the Administrator in the prior exercise of its discretion has imposed, without the consent of a Participant, and (subject to the requirements of Sections 2.2 and 7.7.4) may make other changes to the terms and conditions of Awards.

7.7.4 Limitations on Amendments to Plan and Awards. No amendment, suspension or termination of this Plan or amendment of any outstanding Award shall, without written consent of the Participant, affect in any manner materially adverse to the Participant any rights or benefits of the Participant or obligations of the Company under any Award granted under this Plan prior to the effective date of such change. Changes, settlements and other actions contemplated by Section 7.3 shall not be deemed to constitute changes or amendments for purposes of this Section 7.7.

7.8 ***Privileges of Share Ownership***. Except as otherwise expressly authorized by the Administrator, a Participant will not be entitled to any privilege of share ownership as to any Ordinary Shares not actually delivered to and held of record by the Participant. Except as expressly required by Section 7.3.1, no adjustment will be made for dividends or other rights as a shareholder for which a record date is prior to such date of delivery.

7.9 ***Share-Based Awards in Substitution for Awards Granted by Other Company***. Awards may be granted to Eligible Persons in substitution for or in connection with an assumption of employee share options, share appreciation rights, restricted shares or other share-based awards granted by other entities to persons who are or who will become Eligible Persons in respect of the Company or one of its Affiliates, in connection with a distribution, merger, amalgamation or other reorganization by or with the granting entity or an affiliated entity, or the acquisition by the Company or one of its Affiliates, directly or indirectly, of all or a substantial part of the shares or assets of the employing entity. The Awards so granted need not comply with other specific terms of this Plan, provided the Awards reflect only adjustments giving effect to the assumption or substitution consistent with the conversion applicable to the Ordinary Shares in the transaction and any change in the issuer of the security. Any shares that are delivered and any Awards that are granted by, or become obligations of, the Company, as a result of the assumption by the Company of, or in substitution for, outstanding awards previously granted by an acquired company (or previously granted by a predecessor employer (or direct or indirect parent thereof) in the case of persons that become employed by the Company or one of its Affiliates in connection with a business or asset acquisition or similar transaction) shall not be counted against the Share Limit or other limits on the number of shares available for issuance under this Plan.

7.10 ***Effective Date of the Plan***. This Plan is effective upon the Effective Date, subject to approval by the shareholders of the Company within twelve months after the date the Board approves this Plan.

7.11 ***Term of the Plan***. Unless earlier terminated by the Board, this Plan will terminate at the close of business on the day before the 10th anniversary of the Effective Date. After the termination of this Plan either upon such stated expiration date or its earlier termination by the Board, no additional Awards may be granted under this Plan, but previously granted Awards (and the authority of the Administrator with respect thereto, including the authority to amend such Awards) shall remain outstanding in accordance with their applicable terms and conditions and the terms and conditions of this Plan.

7.12 ***Governing Law/Severability***.

7.12.1 Choice of Law. This Plan, the Awards, all documents evidencing Awards and all other related documents will be governed by, and construed in accordance with, the laws of the Cayman Islands.

7.12.2 Severability. If it is determined that any provision of this Plan or an Award Agreement is invalid and unenforceable, the remaining provisions of this Plan and/or the Award Agreement, as applicable, will continue in effect provided that the essential economic terms of this Plan and the Award can still be enforced.

7.13 ***Captions***. Captions and headings are given to the sections and subsections of this Plan solely as a convenience to facilitate reference. Such headings will not be deemed in any way material or relevant to the construction or interpretation of this Plan or any provision thereof.

7.14 ***Non-Exclusivity of Plan***. Nothing in this Plan will limit or be deemed to limit the authority of the Board or the Administrator to grant awards or authorize any other compensation, with or without reference to the Ordinary Shares, under any other plan or authority.

7.15 ***No Restriction on Corporate Powers***. The existence of this Plan, the Award Agreements, and the Awards granted hereunder, shall not limit, affect or restrict in any way the right or power of the Board or the shareholders of the Company to make or authorize: (a) any adjustment, recapitalization, reorganization or other change in the Company's or any Affiliate's capital structure or its business; (b) any merger, amalgamation, consolidation or change in the ownership of the Company or any Affiliate; (c) any issue of bonds, debentures, capital, preferred or prior preference shares ahead of or affecting the Company's authorized shares or the rights thereof; (d) any dissolution or liquidation of the Company or any Affiliate; (e) any sale or transfer of all or any part of the Company or any Affiliate's assets or business; or (f) any other corporate act or proceeding by the Company or any Affiliate. No Participant, Beneficiary or any other person shall have any claim under any Award or Award Agreement against any member of the Board or the Administrator, or the Company or any employees, officers or agents of the Company or any Affiliate, as a result of any such action.

7.16 ***Other Company Compensation or Benefit Programs***. Payments and other benefits received by a Participant under an Award made pursuant to this Plan shall not be deemed a part of a Participant's compensation for purposes of the determination of benefits under any other employee welfare or benefit plans or arrangements, if any, provided by the Company or any Affiliate, except where the Administrator or the Board expressly otherwise provides or authorizes in writing. Awards under this Plan may be made in addition to, in combination with, as alternatives to or in payment of grants, awards or commitments under any other plans or arrangements of the Company or any Affiliate.

7.17 ***Clawback Policy***. The Awards granted under this Plan are subject to the terms of the Company's recoupment, clawback or similar policy as it may be in effect from time to time, as well as any similar provisions of applicable law, any of which could in certain circumstances require repayment or forfeiture of Awards or any Ordinary Shares or other cash or property received with respect to the Awards (including any value received from a disposition of the shares acquired upon payment of the Awards).

8. DEFINITIONS.

"**Administrator**" has the meaning given to such term in Section 2.1.

"**Affiliate**" means (a) any corporation (other than the Company) in an unbroken chain of corporations ending with the Company if, at the time of the determination, each of the corporations other than the Company owns stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain, or (b) any corporation (other than the Company) in an unbroken chain of corporations beginning with the Company if, at the time of the determination, each of the corporations other than the last corporation in the unbroken chain owns stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

"**Award**" means an award of any Option, SAR or Share Award, or any combination thereof, whether alternative or cumulative, authorized by and granted under this Plan.

"**Award Agreement**" means any writing, approved by the Administrator, setting forth the terms of an Award that has been duly authorized and approved.

"**Award Date**" means the date upon which the Administrator took the action granting an Award or such later date as the Administrator designates as the Award Date at the time of the grant of the Award.

"**Beneficiary**" means the person, persons, trust or trusts designated by a Participant, or, in the absence of a designation, entitled by will or the laws of descent and distribution, to receive the benefits specified in the Award Agreement and under this Plan if the Participant dies, and means the Participant's executor or administrator if no other Beneficiary is designated and able to act under the circumstances.

"**Board**" means the Board of Directors of the Company.

"**Cause**" with respect to a Participant means (unless otherwise expressly provided in the applicable Award Agreement, or another applicable contract with the Participant that defines such term for purposes of determining the effect that a "for cause" termination has on the Participant's Awards) a termination of employment or service based upon a finding by the Company or any of its Affiliates, acting in good faith and based on its reasonable belief at the time, that the Participant:

(a) has been negligent in the discharge of his or her duties to the Company or any Affiliate, has refused to perform stated or assigned duties or is incompetent in or (other than by reason of a disability or analogous condition) incapable of performing those duties;

(b) has been dishonest or committed or engaged in an act of theft, embezzlement or fraud, a breach of confidentiality, an unauthorized disclosure or use of inside information, customer lists, trade secrets or other confidential information;

(c) has breached a fiduciary duty, or willfully and materially violated any other duty, law, rule, regulation or policy of the Company or any of its Affiliates; or has been convicted of, or pled guilty or nolo contendere to, a felony or misdemeanor (other than minor traffic violations or similar offenses);

(d) has materially breached any of the provisions of any agreement with the Company or any of its Affiliates;

(e) has engaged in unfair competition with, or otherwise acted intentionally in a manner injurious to the reputation, business or assets of, the Company or any of its Affiliates; or

(f) has improperly induced a vendor or customer to break or terminate any contract with the Company or any of its Affiliates or induced a principal for whom the Company or any Affiliate acts as agent to terminate such agency relationship.

A termination for Cause shall be deemed to occur (subject to reinstatement upon a contrary final determination by the Administrator) on the date on which the Company or any Affiliate first delivers written notice to the Participant of a finding of termination for Cause.

"**Change in Control Event**" means any of the following:

(a) Approval by shareholders of the Company (or, if no shareholder approval is required, by the Board alone) of the complete dissolution or liquidation of the Company, other than in the context of a Business Combination that does not constitute a Change in Control Event under paragraph (c) below;

(b) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act (a "**Person**")) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 50% or more of either (1) the then-outstanding Ordinary Shares of the Company (the "**Outstanding Company Ordinary Shares**") or (2) the combined voting power of the then-outstanding voting securities of the Company entitled to vote generally in the election of directors (the "**Outstanding Company Voting Securities**"); provided, however, that, for purposes of this paragraph (b), the following acquisitions shall not constitute a Change in Control Event; (A) any acquisition directly from the Company, (B) any acquisition by the Company, (C) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any Affiliate or a successor, (D) any acquisition by any entity pursuant to a Business Combination, (E) any acquisition by a Person described in and satisfying the conditions of Rule 13d-1(b) promulgated under the Exchange Act, or (F) any acquisition by a Person who is the beneficial owner (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 50% or more of the Outstanding Company Ordinary Shares and/or the Outstanding Company Voting Securities on the Effective Date (or an affiliate, heir, descendant, or related party of or to such Person);

(c) Consummation of a reorganization, amalgamation, merger, statutory share exchange or consolidation or similar corporate transaction involving the Company or any other entity a majority of whose outstanding voting shares or voting power is beneficially owned directly or indirectly by the Company (a "**Subsidiary**"), a sale or other disposition of all or substantially all of the assets of the Company, or the acquisition of assets or shares of another entity by the Company or any of its Subsidiaries (each, a "**Business Combination**"), in each case unless, following such Business Combination, (1) all or substantially all of the individuals and entities that were the beneficial owners of the Outstanding Company Ordinary Shares and the Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of the then-outstanding ordinary or common shares and the combined voting power of the then- outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the entity resulting from such Business Combination (including, without limitation, an entity that, as a result of such transaction, owns the Company or all or substantially all of the Company's assets directly or through one or more subsidiaries (a "**Parent**")), and (2) no Person (excluding any individual or entity described in clauses (C), (E) or (F) of paragraph (b) above) beneficially owns (within the meaning of Rule 13d-3 promulgated under the Exchange Act), directly or indirectly, more than 50% of, respectively, the then-outstanding ordinary or common shares of the entity resulting from such Business Combination or the combined voting power of the then-outstanding voting securities of such entity, except to the extent that the ownership in excess of 50% existed prior to the Business Combination;

provided, however, that a transaction shall not constitute a Change in Control Event if it is in connection with the underwritten public offering of the Company's securities.

"**Code**" means the U.S. Internal Revenue Code of 1986, as amended from time to time.

"**Company**" means Adagene Inc., an exempted company organized under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, and its successors.

"**Effective Date**" means the date the Board approved this Plan.

"**Eligible Person**" has the meaning given to such term in Section 3 of this Plan. "**Exchange Act**" means the U.S. Securities Exchange Act of 1934, as amended from time to time.

"**Fair Market Value**," for purposes of this Plan and unless otherwise determined or provided by the Administrator in the circumstances, means as follows:

(a) If the Ordinary Shares are listed or admitted to trade on the New York Stock Exchange or other national securities exchange (the "**Exchange**"), the Fair Market Value shall equal the closing price of an Ordinary Share as reported on the composite tape for securities on the Exchange for the date in question, or, if no sales of Ordinary Shares were made on the Exchange on that date, the closing price of an Ordinary Share as reported on said composite tape for the next preceding day on which sales of Ordinary Shares were made on the Exchange. The Administrator may, however, provide with respect to one or more Awards that the Fair Market Value shall equal the closing price of an Ordinary Share as reported on the composite tape for securities listed on the Exchange on the last trading day preceding the date in question or the average of the high and low trading prices of an Ordinary Share as reported on the composite tape for securities listed on the Exchange for the date in question or the most recent trading day.

(b) If the Ordinary Shares are not listed or admitted to trade on a national securities exchange, the Fair Market Value shall be the value as reasonably determined by the Administrator for purposes of the Award in the circumstances (with the expectation being that, in the case of a valuation as of a transaction in which Ordinary Shares or similar securities are being sold or exchanged, such determination by the Administrator will be principally based on the value of the consideration received by the holders of the securities sold or exchanged in such transaction).

The Administrator also may adopt a different methodology for determining Fair Market Value with respect to one or more Awards if a different methodology is necessary or advisable to secure any intended favorable tax, legal or other treatment for the particular Award(s) (for example, and without limitation, the Administrator may provide that Fair Market Value for purposes of one or more Awards will be based on an average of closing prices (or the average of high and low daily trading prices) for a specified period preceding the relevant date).

Any determination as to Fair Market Value made pursuant to this Plan shall be made without regard to any restriction other than a restriction which, by its terms, will never lapse, and shall be conclusive and binding on all persons with respect to Awards granted under this Plan.

"**Incentive Stock Option**" means an Option that is designated and intended as an "incentive stock option" within the meaning of Section 422 of the Code, the award of which contains such provisions (including but not limited to the receipt of shareholder approval of this Plan, if the award is made prior to such approval) and is made under such circumstances and to such persons as may be necessary to comply with that section.

"**Nonqualified Option**" means an Option that is not an "incentive stock option" within the meaning of Section 422 of the Code and includes any Option designated or intended as a Nonqualified Option and any Option designated or intended as an Incentive Stock Option that fails to meet the applicable legal requirements thereof.

"**Option**" means an option to purchase Ordinary Shares granted under Section 5 of this Plan. The Administrator will designate any Option granted to an employee of the Company or an Affiliate as a Nonqualified Option or an Incentive Stock Option and may also designate any Option as an Early Exercise Option.

"**Ordinary Shares**" means the Company's Ordinary Shares, par value US$0.0001 per share, and such other securities or property as may become the subject of Awards, or become subject to Awards, pursuant to an adjustment made under Section 7.3.1 of this Plan.

"**Participant**" means an Eligible Person who has been granted and holds an Award under this Plan.

"**Personal Representative**" means the person or persons who, upon the disability or incompetence of a Participant, has acquired on behalf of the Participant, by legal proceeding or otherwise, the power to exercise the rights or receive benefits under this Plan by virtue of having become the legal representative of the Participant.

"**Plan**" means this Adagene Inc**.** Share Incentive Plan, as it may hereafter be amended from time to time.

"**Public Offering Date**" means the date the Ordinary Shares are first registered under the Exchange Act and listed or quoted on a recognized national securities exchange.

"**Restricted Shares**" means Ordinary Shares awarded to a Participant under this Plan, subject to payment of such consideration and such conditions on vesting (which may include, among others, the passage of time, specified performance objectives or other factors) and such transfer and other restrictions as are established in or pursuant to this Plan and the related Award Agreement, to the extent such remain unvested and restricted under the terms of the applicable Award Agreement.

"**Restricted Share Award**" means an award of Restricted Shares.

"**SAR**" means a share appreciation right, representing the right, subject to the terms and conditions of the Plan and the applicable Award Agreement, to receive a payment, in cash and/or Ordinary Shares (as specified in the applicable Award Agreement), equal to the excess of the Fair Market Value of an Ordinary Share on the date the SAR is exercised over the "base price" of the SAR, which base price shall be set forth in the applicable Award Agreement.

"**Securities Act**" means the U.S. Securities Act of 1933, as amended from time to time.

"**Severance Date**" with respect to a particular Participant means, unless otherwise provided in the applicable Award Agreement:

(a) if the Participant is an Eligible Person under clause (a) of Section 3 and the Participant's employment by the Company or any of its Affiliates terminates (regardless of the reason), the last day that the Participant is actually employed by the Company or such Affiliate (unless, immediately following such termination of employment, the Participant is a member of the Board or, by express written agreement with the Company or any of its Affiliates, continues to provide other services to the Company or any Affiliate as an Eligible Person under clause (c) of Section 3, in which case the Participant's Severance Date shall not be the date of such termination of employment but shall be determined in accordance with clause (b) or (c) below, as applicable, in connection with the termination of the Participant's other services);

(b) if the Participant is not an Eligible Person under clause (a) of Section 3 but is an Eligible Person under clause (b) thereof, and the Participant ceases to be a member of the Board (regardless of the reason), the last day that the Participant is actually a member of the Board (unless, immediately following such termination, the Participant is an employee of the Company or any of its Affiliates or, by express written agreement with the Company or any of its Affiliates, continues to provide other services to the Company or any Affiliate as an Eligible Person under clause (c) of Section 3, in which case the Participant's Severance Date shall not be the date of such termination but shall be determined in accordance with clause (a) above or (c) below, as applicable, in connection with the termination of the Participant's employment or other services);

(c) if the Participant is not an Eligible Person under clause (a) or clause (b) of Section 3 but is an Eligible Person under clause (c) thereof, and the Participant ceases to provide services to the Company or any of its Affiliates as determined in accordance with Section 7.4.4 (regardless of the reason), the last day that the Participant actually provides services to the Company or such Affiliate as an Eligible Person under clause (c) of Section 3 (unless, immediately following such termination, the Participant is an employee of the Company or any of its Affiliates or is a member of the Board, in which case the Participant's Severance Date shall not be the date of such termination of services but shall be determined in accordance with clause (a) or (b) above, as applicable, in connection with the termination of the Participant's employment or membership on the Board).

"**Share Award**" means an award of Ordinary Shares under Section 6 of this Plan. A Share Award may be a Restricted Share Award or an award of unrestricted Ordinary Shares.

"**Total Disability**" means a "total and permanent disability" within the meaning of Section 22(e)(3) of the Code and, with respect to Awards other than Incentive Stock Options, such other disabilities, infirmities, afflictions, or conditions as the Administrator may include.

Exhibit 10.3

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "Agreement") is made and entered into as of (the "Effective Date"), by and between Adagene Inc. a company incorporated and existing under the laws of the Cayman Islands (the "Company" and, together with all of its direct or indirect parent companies, subsidiaries, affiliates, or subsidiaries or affiliates of its parent companies, collectively referred to as the "Company Group"), and , an individual (the "Executive").

RECITALS

THE PARTIES ENTER THIS AGREEMENT on the basis of the following facts, understandings and intentions:

A. The Company desires that the Executive be employed by the Company to carry out the duties and responsibilities described below, all on the terms and conditions hereinafter set forth.

B. The Executive desires to accept such employment on such terms and conditions.

NOW, THEREFORE, in consideration of the above recitals incorporated herein and the mutual covenants and promises contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby expressly acknowledged, the parties agree as follows:

1. Retention and Duties.

1.1 Retention. The Company does hereby hire, engage and employ the Executive for the Period of Employment (as defined in Section 2) on the terms and conditions expressly set forth in this Agreement. The Executive does hereby accept and agree to such hiring, engagement and employment, on the terms and conditions expressly set forth in this Agreement. The Executive agrees to commence active employment with the Company on (the "Hire Date").

1.2 Duties. During the Period of Employment, the Executive shall serve the Company as its and shall have such powers, duties and obligations consistent with such position as the Company's Board of Directors (the "Board") shall determine from time to time. The Executive shall be subject to such directives of the Board and the corporate policies of the Company as they are in effect from time to time throughout the Period of Employment (including, without limitation, the Company's business conduct and ethics policies, as they may change from time to time). During the Period of Employment, the Executive shall report solely to

1.3 No Other Employment; Minimum Time Commitment. During the Period of Employment, the Executive shall both (i) devote substantially all of the Executive's business time, energy and skill to the performance of the Executive's duties for the Company, and (ii) hold no other employment. The Executive's service on the boards of directors (or similar body) of other business entities is subject to the approval of the Board. The Company shall have the right to require the Executive to resign from any board or similar body which he may then serve if the Board reasonably determines in writing that the Executive's service on such board or body interferes with the effective discharge of the Executive's duties and responsibilities to the Company or that any business related to such service is then in competition with any business of the Company or any of its affiliates, successors or assigns.

1.4 No Breach of Contract. The Executive hereby represents to the Company that: (i) the execution and delivery of this Agreement by the Executive and the Company and the performance by the Executive of the Executive's duties hereunder shall not constitute a breach of, or otherwise contravene, the terms of any other agreement or policy to which the Executive is a party or otherwise bound; (ii) that the Executive has no information (including, without limitation, confidential information and trade secrets) relating to any other person or entity which would prevent, or be violated by, the Executive entering into this Agreement or carrying out his duties hereunder; (iii) that the Executive is not bound by any confidentiality, trade secret or similar agreement (other than this Agreement) with any other person or entity.

1.5 Location. The Executive acknowledges that the Company's principal executive offices are currently located in Suzhou, the People's Republic of China. The Executive's principal place of employment shall be in US. The Executive agrees that he will be regularly present at the Company's principal executive offices. The Executive acknowledges that he may be required to travel from time to time in the course of performing his duties for the Company in Suzhou, month in Suzhou per year.

2. Period of Employment. The "Period of Employment" shall be a period of twelve (12) months commencing on the Hire Date and ending at the close of business on the day which is twelve (12) months after the Hire Date (the "Termination Date"); provided, however, that this Agreement shall be automatically renewed, and the Period of Employment shall be automatically extended for one (1) additional year on the Termination Date and each anniversary of the Termination Date thereafter, unless either party gives notice, in writing, at least sixty (60) days prior to the expiration of this Agreement and the Period of Employment (including any renewal thereof) of such party's desire to terminate the Agreement or modify its terms. The term "Period of Employment" shall include any extension thereof pursuant to the preceding sentence. Provision of notice that the Period of Employment shall not be extended or further extended, as the case may be, shall not constitute a breach of this Agreement and shall not constitute "Constructive Termination" for purposes of this Agreement. Notwithstanding the foregoing, the Period of Employment is subject to earlier termination as provided below in this Agreement.

3. Compensation.

3.1 Base Salary. The Executive's base salary (the "Base Salary") during the Period of Employment shall be paid in accordance with the Company's regular payroll practices in effect from time to time, but not less frequently than in monthly installments. The Executive's Base Salary for the first twelve (12) months of the Period of Employment shall be at an annualized rate of US$. The Company will review the Executive's Base Salary at least annually. The Company will set the Executive's rate of Base Salary for any portion of the Period of Employment after the first twelve (12) months thereof.

3.2 **Incentive Bonus**. During the Period of Employment, the Executive shall be eligible to receive an annual incentive bonus of % of the Base Salary under any incentive program applicable to executive officers of the Company and approved by the Board (the "Incentive Bonus"). Each annual bonus earned by Executive, if any, will be due and payable on the first regular payroll date following the 60th day after the end of the applicable calendar year (and in all events not later than March 15 of the year that follows the applicable calendar year). Any annual bonus paid to Executive shall be subject to applicable deductions and withholdings.

3.3 **Stock Option.**

Subject to approval by the Board of Directors, an option to purchase ( ) shares of Common Stock, exercisable at fair market value and determined at the time of your acceptance of this offer, vesting in years starting on the first anniversary of your employment. Upon termination for cause, the Company may purchase all issued shares at cost and all remaining options will expire. "Cause" means (i) your willful misconduct or gross negligence, or (ii) your breach of your confidentiality agreement with the Company. Options will be issued pursuant to the Company's stock option plan and incentive stock option agreement.

For purposes of this Agreement, "Anniversary Date" means the last day of each twelve (12)-month anniversary of the Hire Date.

4. **Benefits.**

4.1 **Retirement, Welfare and Fringe Benefits.** During the Period of Employment, the Executive shall be entitled to participate in all employee pension and welfare benefit plans and programs, and fringe benefit plans and programs, made available by the Company to the Company's employees generally, in accordance with the eligibility and participation provisions of such plans and as such plans or programs may be in effect from time to time.

4.2 **Reimbursement of Business Expenses.** The Executive is authorized to incur reasonable expenses in carrying out the Executive's duties for the Company under this Agreement and reimbursement for all reasonable business expenses the Executive incurs during the Period of Employment in connection with carrying out the Executive's duties for the Company, subject to the Company's expense reimbursement policies in effect from time to time.

4.3 **Vacation and Other Leave**. During the Period of Employment, the Executive shall accrue and be entitled to take paid vacation in accordance with the Company's vacation policies in effect from time to time, including the Company's policies regarding vacation accruals; provided that the Executive's rate of vacation accrual during the Period of Employment shall be no less than days per year. The Executive shall also be entitled to all other holiday and leave pay generally available to other executives of the Company.

4.4 **Allowance.** The Employee will be entitled to reimbursement of relocation-related expenses US$ in connection with his relocation from the United States to China, provided that the Employee completes such moving prior to ; and ( ) months tent up to RMB per month for the period commencing on and ending on ; and provided that the Employee shall promptly submit and document any such reimbursable expenses in accordance with the Company's expense reimbursement policies as in effect from time to time to facilitate the timely reimbursement of such expenses; provided, further, that if the Employee's employment with the Company is terminated prior to the third (3rd) Anniversary Date, the Employee shall be responsible for repayment of this relocation benefits on a pro-rated basis to the Company upon termination. (the Employee shall refund the full amount of the foregoing reimbursements to the Company immediately upon termination.)

The Employee will be eligible to participate in the employee health (Company will pay the health plan up to US$ per year) and other benefit plans, policies and practices now or hereafter maintained by or on behalf of the Company on such terms as are generally applicable to the Company's employees. round trips per year from US to China will be granted by company.

5. **Termination.**

5.1 **Termination by the Company.** The Executive's employment by the Company, and the Period of Employment, may be terminated at any time by the Company: (i) with Cause (as defined in Section 5.5), or (ii) with no less than sixty (60) days advance notice to the Executive, without Cause, or (iii) in the event of the Executive's death, or (iv) in the event that the Board determines in good faith that the Executive has a Disability (as defined in Section 5.5).

5.2 **Termination by the Executive.** The Executive's employment by the Company, and the Period of Employment, may be terminated by the Executive with no less than sixty (60) days advance notice to the Company; provided, however, that in the case of a Constructive Termination (as defined herein), the Executive may provide immediate written notice if the Company fails to, or cannot, reasonably cure the event that gives rise to the Constructive Termination within the time period prescribed for such cure in the definition of Constructive Termination below.

5.3 **Benefits Upon Termination.** If the Executive's employment by the Company is terminated during the Period of Employment for any reason by the Company or by the Executive, or upon or following the expiration of the Period of Employment (in any case, the date that the Executive's employment by the Company terminates is referred to as the "Severance Date"), the Company shall have no further obligation to make or provide to the Executive, and the Executive shall have no further right to receive or obtain from the Company, any payments or benefits except as follows:

(a) The Company shall pay the Executive (or, in the event of his death, the Executive's estate) any Accrued Obligations (as defined in Section 5.5);

(b) If, during the Period of Employment, the Executive's employment with the Company terminates as a result of an Involuntary Termination (as defined in Section 5.5) and if the Severance Date occurs after the last day of the eighteenth (18th) month anniversary of the Hire Date (the "Cutoff Date"), the Company shall pay the Executive (in addition to the Accrued Obligations), subject to tax withholding and other authorized deductions, an amount equal to the Executive's Base Salary (at the rate in effect immediately prior to the termination of the Executive's employment) for a period equal to the applicable Severance Period (as defined below). Such amount is referred to hereinafter as the "Severance Benefit." Any Severance Benefit due to Executive pursuant to this Section 5.3(b)(i) shall be paid in equal monthly installments during the applicable Severance Period, with the first such installment to be paid in the month following the month in which Executive's Separation from Service occurs (and in all events no portion of the Severance Benefit will be paid more than twelve (12) months after the end of the Company's fiscal year in which the Severance Date occurs). As used herein, "Severance Period" means one (1) month plus one (1) additional month for each full year of employment of the Executive by the Company between the Cutoff Date and the Severance Date, if any, but in no event exceeding six (6) months; a "Separation from Service" occurs when Executive dies, retires, or otherwise has a termination of employment with the Company that constitutes a "separation from service" within the meaning of Treasury Regulation Section 1.409A-1(h)(1), without regard to the optional alternative definitions available thereunder.

Notwithstanding the foregoing provisions of this Section 5.3, if the Executive breaches his obligations under Section 6 of this Agreement at any time, from and after the date of such breach, the Executive will no longer be entitled to, and the Company will no longer be obligated to pay, any remaining unpaid portion of the Severance Benefit. The foregoing provisions of this Section 5.3 shall not affect: (i) the Executive's receipt of benefits otherwise due terminated employees consistent with the terms of the applicable Company welfare benefit plan or applicable law.

5.4 Release; Exclusive Remedy.

(a) This Section 5.4 shall apply notwithstanding anything else contained in this Agreement or any stock option or other equity-based award agreement to the contrary. As a condition precedent to any Company obligation to the Executive pursuant to Section 5.3(b) or any other obligation to accelerate vesting of any equity-based award in connection with the termination of the Executive's employment, the Executive shall, upon or promptly following his last day of employment with the Company (and in all events within twenty-one (21) days after his last day of employment with the Company), provide the Company with an irrevocable general release of claims acceptable to the Board, and such release agreement shall have not been revoked by the Executive pursuant to any revocation rights afforded by applicable law.

(b) The Executive agrees that the payments contemplated by Section 5.3 (and any applicable acceleration of vesting of an equity-based award in accordance with the terms of such award in connection with the termination of the Executive's employment) shall constitute the exclusive and sole remedy for any termination of his employment and the Executive covenants not to assert or pursue any other remedies, at law or in equity, with respect to any termination of employment. The Company and Executive acknowledge and agree that there is no duty of the Executive to mitigate damages under this Agreement. All amounts paid to the Executive pursuant to Section 5.3 shall be paid without regard to whether the Executive has taken or takes actions to mitigate damages.

5.5 Certain Defined Terms.

(a) As used herein, "Accrued Obligations" means:

(i) any Base Salary that had accrued but had not been paid (including accrued and unpaid vacation time) on or before the Severance Date; and

(ii) any Incentive Bonus payable pursuant to Section 3.2 with respect to any fiscal year in the Period of Employment preceding the year in which the Severance Date occurs to the extent earned by but not previously paid to the Executive; and

(iii) any reimbursement due to the Executive pursuant to Section 4.2 for expenses incurred by the Executive on or before the Severance Date.

(b) As used herein, "Cause" shall mean, as reasonably determined by the Board (excluding the Executive, if he is then a member of the Board): (i) personal dishonesty, fraud, embezzlement, misappropriation by the Executive; (ii) indictment or conviction of a felony or other crime involving moral turpitude or dishonesty; (iii) Executive's willful refusal to comply with the lawful requests made of Executive by the Board; (iv) gross negligence of Executive in the performance of his duties, after written notice to Executive and Executive's failure to fully cure such gross negligence within thirty (30) days after receipt of such written notice by Executive unless the gross negligence is not reasonably susceptible of cure; (v) material violation of the Company's policies, procedures and approval practices, as generally in effect from time to time, after written notice to Executive and Executive's failure to fully cure such violations within thirty (30) days after receipt of such written notice by Executive unless the violation is not reasonably susceptible of cure; (vi) a material breach by Executive of any material provision of this Agreement or any other agreement with the Company after written notice to Executive and Executive's failure to fully cure such breach within thirty (30) days receipt of the written notice by Executive unless the breach is not reasonably susceptible of cure; and (viii) insolvency, bankruptcy or dissolution of the Company.

(c) As used herein, "Constructive Termination" shall mean a resignation by the Executive after the occurrence of any of the following (without the Executive's express written consent): (i) a material reduction of the Executive's duties, position or responsibilities relative to the Executive's duties, position or responsibilities in effect immediately prior to such reduction, or the removal of the Executive from such duties, position and responsibilities, unless the Executive is provided with substantially comparable duties, position and responsibilities; (ii) a material reduction of the facilities and perquisites (including without limitation office space, location and administrative support) available to the Executive immediately prior to such reduction; (iii) a material reduction by the Company of the Executive's Base Salary or Incentive Bonus opportunity as in effect immediately prior to such reduction; or (iv) a material reduction by the Company in the kind or level of employee benefits to which the Executive is entitled immediately prior to such reduction with the result that the Executive's overall benefits package is materially reduced; provided, however, that any such condition or conditions, as applicable, shall not constitute grounds for Constructive Termination unless both (x) the Executive provides written notice to the Company of the condition claimed to constitute grounds for Constructive Termination within thirty (30) days of the initial existence of such condition(s) (such notice to be delivered in accordance with Section 17), and (y) the Company fails to remedy such condition(s) within thirty (30) days of receiving such written notice thereof; and provided, further, that in all events the termination of the Executive's employment with the Company shall not constitute a Constructive Termination unless such termination occurs not more than ninety (90) days following the initial existence of the condition claimed to constitute grounds for Constructive Termination.

(d) As used herein, "Disability" shall mean a physical or mental impairment which, as reasonably determined by the Board, renders the Executive unable to perform the essential functions of his employment with the Company, even with reasonable accommodation that does not impose an undue hardship on the Company, for more than one hundred twenty (120) days in any 12-month period, unless a longer period is required by applicable law, in which case that longer period would apply.

(e) As used herein, "Involuntary Termination" shall mean a Constructive Termination, or a termination of the Executive by the Company without Cause. For purposes of clarity, the term Involuntary Termination does not include a termination of the Executive's employment due to the Executive's death or Disability.

5.6. Notice of Termination. Any termination of the Executive's employment under this Agreement shall be communicated by written notice of termination from the terminating party to the other party. The notice of termination shall indicate the specific provision(s) of this Agreement relied upon in effecting the termination.

6. Confidentiality; Inventions; Non-Competition; Non-Solicitation.

6.1 Confidential Information.

(a) Company Information. The Executive hereby agrees at all times during the term of his employment and after termination, to hold in the strictest confidence, and not to use, except for the benefit of the Company Group, or to disclose to any person, corporation or other entity without written consent of the Company, any Confidential Information. The Executive understands that "Confidential Information" means any proprietary or confidential information of the Company Group, its affiliates, their clients, customers or partners, and the Company Group's licensors, including, without limitation, technical data, trade secrets, research and development information, product plans, services, customer lists and customers (including, but not limited to, customers of the Company Group on whom the Executive called or with whom the Executive became acquainted during the term of his employment), supplier lists and suppliers, software, developments, inventions, processes, formulas, technology, designs, drawings, engineering, hardware configuration information, personnel information, marketing, finances, information about the suppliers, joint ventures, licensors, licensees, distributors and other persons with whom the Company Group does business, information regarding the skills and compensation of other employees of the Company Group or other business information disclosed to the Executive by or obtained by the Executive from the Company Group, its affiliates, or their clients, customers or partners either directly or indirectly in writing, orally or by drawings or observation of parts or equipment.

(b) Company Property. The Executive understands that all documents (including computer records, facsimile and e-mail) and materials created, received or transmitted in connection with his work or using the facilities of the Company Group are property of the Company Group and subject to inspection by the Company Group, at any time. Upon termination of the Executive's employment with the Company (or at any other time when requested by the Company), the Executive will promptly deliver to the Company all documents and materials of any nature pertaining to his work with the Company and will provide written certification of his compliance with this Agreement. Under no circumstances will the Executive have, following his termination, in his possession any property of the Company Group, or any documents or materials or copies thereof containing any Confidential Information. In the event of the termination of the Executive's employment, the Executive hereby agrees to sign and deliver the "Termination Certification" attached hereto as Exhibit A.

(c) Former Employer Information. The Executive hereby agrees that he or she will not, during his employment with the Company, improperly use or disclose any proprietary information or trade secrets of any former employer or other person or entity and that he or she will not bring onto the premises of the Company Group any unpublished document or proprietary information belonging to any such employer, person or entity unless consented to in writing by such employer, person or entity. The Executive hereby agrees to indemnify the Company Group and hold it harmless from all claims, liabilities, damages and expenses, including reasonable attorneys fees and costs for resolving disputes, arising out of or in connection with any violation or claimed violation of a third party's rights resulting from any use by the Company Group of such proprietary information or trade secrets improperly used or disclosed by the Executive.

(d) Third Party Information. The Executive recognizes that the Company Group has received and in the future will receive from third parties their confidential or proprietary information subject to a duty on the Company Group's part to maintain the confidentiality of such information and to use it only for certain limited purposes. The Executive hereby agrees to hold all such confidential or proprietary information in the strictest confidence and not to disclose it to any person, firm or corporation or to use it except as necessary in carrying out his work for the Company consistent with the Company Group's agreement with such third party.

6.2 Inventions.

(a) Inventions Retained and Licensed. The Executive has attached hereto, as Exhibit B, a list describing all inventions, original works of authorship, developments, improvements, and trade secrets, which were made by the Executive prior to his employment with the Company which belong to the Executive, which relate to the Company Group's proposed or current business, products or research and development, and which are not assigned to any member of the Company Group hereunder (collectively referred to as "Prior Inventions"); or, if no such list is attached, The Executive hereby represents that there are no such Prior Inventions. The Executive hereby agrees that he or she will not incorporate any Prior Inventions into any products, processes or machines of the Company Group; provided, however, that if in the course of the Executive's employment with the Company, he or she incorporates into a product, process or machine of the Company Group a Prior Invention owned by the Executive or in which he or she has an interest, the Executive hereby represents that he or she has all necessary rights, powers and authorization to use such Prior Invention in the manner it is used and such use will not infringe any right of any company, entity or person and, in such a circumstance, each member of the Company Group is hereby granted and shall have a nonexclusive, royalty-free, sublicensable, transferable, irrevocable, perpetual, worldwide license to make, have made, modify, use and sell such Prior Invention as part of or in connection with such product, process or machine. The Executive hereby agrees to indemnify the Company Group and hold it harmless from all claims, liabilities, damages and expenses, including reasonable attorneys fees and costs for resolving disputes, arising out of or in connection with any violation or claimed violation of a third party's rights resulting from any use, sublicensing, modification, transfer, or sale by the Company Group of such Prior Invention.

(b) Assignment of Inventions. The Executive hereby agrees that he or she will promptly make full written disclosure to the Company and the Company Group, will hold in trust for the sole right and benefit of the Company and the Company Group, and hereby assign to the Company and the Company Group, or their respective designee, all of his right, title, and interest in and to any and all inventions, ideas, information, designs, original works of authorship, processes, formulas, computer software programs, databases, mask works, developments, concepts, improvements or trade secrets, whether or not patentable or registrable under patent, copyright, or similar laws in China or anywhere else in the world, which he or she may solely or jointly conceive or develop or reduce to practice or cause to be conceived or developed or reduced to practice, during the period of time he or she is in the employ of the Company (whether or not during business hours) that are either related to the scope of his employment with the Company or make use, in any manner, of the resources of the Company Group (collectively referred to as "Inventions"). The Executive hereby acknowledges that the Company or the Company Group shall be the sole owner of all rights, title and interest in the Inventions created hereunder. In the event the foregoing assignment of Inventions to the Company or the Company Group is ineffective for any reason, each member of the Company Group is hereby granted and shall have a royalty-free, sublicensable, transferable, irrevocable, perpetual, worldwide license to make, have made, modify, use, and sell such Inventions as part of or in connection with any product, process or machine. Such exclusive license shall continue in effect for the maximum term as may now or hereafter be permissible under applicable law. Upon expiration, such license, without further consent or action on the Executive's part, shall automatically be renewed for the maximum term as is then permissible under applicable law, unless, within the six-month period prior to such expiration, the Company and the Executive have agreed that such license will not be renewed. The Executive also hereby forever waives and agrees never to assert any and all rights he or she may have in or with respect to any Inventions even after termination of his employment with the Company. The Executive hereby further acknowledges that all Inventions created by him (solely or jointly with others) are, to the extent permitted by applicable law, "works made for hire" or "inventions made for hire," as those terms are defined in the People's Republic of China ("PRC") Copyright Law, the PRC Patent Law and the Regulations on Computer Software Protection, respectively, and all titles, rights and interests in or to such Inventions are or shall be vested in the Company.

(c) Remuneration. The Executive hereby agrees that the remuneration received by the Executive pursuant to this Agreement with the Company includes any bonuses or remuneration which the Executive may be entitled to under applicable PRC law for any "works made for hire," "inventions made for hire" or other Inventions assigned to the Company pursuant to this Agreement.

(d) Maintenance of Records. The Executive hereby agrees to keep and maintain adequate and current written records of all Inventions. The records will be in the form of notes, sketches, drawings, and any other format that may be specified by the Company. The records will be available to and remain the sole property of the Company at all times.

(e) Patent and Copyright Registrations. The Executive hereby agrees to assist the Company, or its respective designees, at the expense of the Company, in every proper way to secure the Company's rights in the Inventions in any and all countries, to further evidence, record and perfect any grant or assignment by the Executive of the Inventions hereunder and to perfect, obtain, maintain, enforce and defend any rights so granted or assigned, including the disclosure to the Company of all pertinent information and data with respect thereto, the execution of all applications, specifications, oaths, assignments and all other instruments which the Company shall deem necessary in order to apply for and obtain such rights and in order to assign and convey to the Company, its successors, assigns and nominees the sole and exclusive rights, title and interest in and to such Inventions. The Executive hereby further agrees that his obligations to execute or cause to be executed, when it is in his power to do so, any such instrument or papers shall continue after the termination of this Agreement. The Executive hereby irrevocably designates and appoints the Company and its duly authorized officers and agents as the Executive's agent and attorney in fact, to act for and in the Executive's behalf and stead to execute and file any such documents and to do all other lawfully permitted acts to further the foregoing with the same legal force and effect as if executed by the Executive.

6.3 **Conflicting Employment**. The Executive hereby agrees that, during the term of his employment with the Company, he or she will not engage in any other employment, occupation, consulting or other business activity related to the business in which the Company Group is now involved or becomes involved during the term of the Executive's employment, nor will the Executive engage in any other activities that conflict with his obligations to the Company without the prior written consent of the Company.

6.4 **Non-Competition**.

(a) The Executive hereby agrees that during the course of his employment and for a period of two (2) years immediately following the termination of his relationship with the Company for any reason, whether with or without good cause or for any or no cause, at the option either of the Company or himself, with or without notice, the Executive will not, without the prior written consent of the Company, (i) serve as a partner, employee, consultant, officer, director, manager, agent, associate, investor, or otherwise for, or lend his name (or any part, variant or formative thereof), (ii) directly or indirectly, own, purchase, organize or take preparatory steps for the organization of, (iii) build, design, finance, acquire, lease, operate, manage, invest in, work or consult for or otherwise affiliate himself with, any business, in competition with or otherwise similar to the business of the Company Group, (iv) deal, directly or indirectly, in a competitive manner with any customers doing business with the Company Group, or (v) transfer, sell, assign, pledge, hypothecate, give, create a security interest in or lien on, place in trust (voting or otherwise), or in any other way dispose of any equity interest in the Company Group beneficially owned by the Executive, as the case may be, to any person which is competitive with any significant aspect of the business of the Company Group. The foregoing covenant shall cover the Executive's activities in every part of the Territory in which he or she may conduct business during the term of such covenant as set forth above. "Territory" shall mean (i) the People's Republic of China (for the avoidance of doubt, including Hong Kong, Macau and the islands of Taiwan), (ii) the United States of America, and (iii) all other countries of the world; provided that, with respect to clauses (ii) and (iii) of this Section 6.4(a), the Company derives at least five percent (5%) of its gross revenues from such geographic area prior to the date of the termination of the Executive's relationship with the Company.

(b) The Executive hereby acknowledges that he or she will derive significant value from the Company's agreement to provide him with that Confidential Information of the Company Group to enable him to optimize the performance of his duties for the Company. The Executive hereby further acknowledges that his fulfillment of the obligations contained in this Agreement, including, but not limited to, his obligation neither to disclose nor to use the Confidential Information of the Company Group other than for the Company Group's exclusive benefit and his obligation not to compete contained in subsection (a) above, is necessary to protect the Confidential Information of the Company Group and, consequently, to preserve the value and goodwill of the Company Group. The Executive hereby further acknowledges the time, geographic and scope limitations of his obligations under subsection (a) above are reasonable, especially in light of the Company Group's desire to protect their Confidential Information, and that the Executive will not be precluded from gainful employment if he or she is obligated not to compete with the Company Group during the period and within the Territory as described above.

(c) The covenants contained in subsection (a) above shall be construed as a series of separate covenants, one for each city, county and state of any geographic area in the Territory. Except for geographic coverage, each such separate covenant shall be deemed identical in terms to the covenant contained in subsection (a) above. If, in any arbitration proceeding, the arbitration panel refuses to enforce any of such separate covenants (or any part thereof), then such unenforceable covenant (or such part) shall be eliminated from this agreement to the extent necessary to permit the remaining separate covenants (or portions thereof) to be enforced. In the event the provisions of subsection (a) above are deemed to exceed the time, geographic or scope limitations permitted by applicable law, then such provisions shall be reformed to the maximum time, geographic or scope limitations, as the case may be, then permitted by such law.

(d) The Executive hereby further agrees that he or she will be compensated by the Company in the total amount equal to the greater of (i) one month's salary or (ii) the minimum amount of compensation required by applicable law (hereinafter referred to as the "Compensation") upon the termination of his employment with the Company for the covenants that the Executive makes in this Section 6.4. The Compensation will be paid by four installments, of which the first installment equal to 1/4 of the total amount of the Compensation will be paid within three months after the employment is terminated and each of the other three installments equal to 1/4 of the total amount of the Compensation will be paid per three months thereafter.

6.5 **Notification of New Employer**. In the event that the Executive leaves the employ of the Company, The Executive hereby grants consent to notification by the Company to his new employer about his rights and obligations under this Agreement.

6.6 **Non-Solicitation**. The Executive hereby agrees that for a period of two (2) years immediately following the termination of his relationship with the Company for any reason, whether with or without cause, he or she shall not either directly or indirectly solicit, induce, recruit or encourage any employees of the Company Group to leave their employment, or take away such employees, or attempt to solicit, induce, recruit, encourage or take away employees of the Company Group and/or any suppliers, customers or consultants of the Company Group, either for his or herself or for any other person or entity.

6.7 **Non-Disparagement**. The Executive hereby agrees that for a period of two (2) years immediately following the termination of his relationship with the Company for any reason, whether with or without cause, he shall not make any derogatory public statement concerning the financial performance, products, services, the Board or management personnel of the Company or any member of the Company Group, or Executive's employment. Nothing in this Section 6.7 shall prohibit Executive from providing truthful testimony in any legal, administrative or regulatory proceeding and Executive may at all times respond truthfully to a lawfully-issued subpoena, court order or governmental inquiry or as otherwise may be required by law, provided, however, upon receiving such lawfully-issued subpoena or court order, Executive shall promptly provide reasonable written notice to the Company and cooperate with the Company to the extent reasonably necessary to protect the confidentiality of any proprietary or trade secret information of the Company or any of its affiliates or subsidiaries, and the privacy rights of any employee or director of the Company or any member of the Company Group. subsidiaries

6.8 **Representations**. The Executive hereby agrees to execute any proper oath or verify any proper document required to carry out the terms of this Agreement. The Executive hereby represents that the Executive's performance of all the terms of this Agreement will not breach any agreement to keep in confidence proprietary information acquired by the Executive in confidence or in trust prior to his employment by the Company. The Executive has not entered into, and hereby agrees that he or she will not enter into, any oral or written agreement in conflict with this Section 6.

7. **Withholding Taxes.** Notwithstanding anything else herein to the contrary, the Company may withhold (or cause there to be withheld, as the case may be) from any amounts otherwise due or payable under or pursuant to this Agreement such national, provincial, local or any other income, employment, or other taxes as may be required to be withheld pursuant to any applicable law or regulation.

8. **Assignment.** This Agreement is personal in its nature and neither of the parties hereto shall, without the consent of the other, assign or transfer this Agreement or any rights or obligations hereunder; provided, however, that in the event of a merger, consolidation, or transfer or sale of all or substantially all of the assets of the Company with or to any other individual(s) or entity, this Agreement shall, subject to the provisions hereof, be binding upon and inure to the benefit of such successor and such successor shall discharge and perform all the promises, covenants, duties, and obligations of the Company hereunder.

9. **Number and Gender.** Where the context requires, the singular shall include the plural, the plural shall include the singular, and any gender shall include all other genders.

10. **Section Headings.** The section headings of, and titles of paragraphs and subparagraphs contained in, this Agreement are for the purpose of convenience only, and they neither form a part of this Agreement nor are they to be used in the construction or interpretation thereof.

11. **Governing Law.** This Agreement shall be governed by and construed in accordance with the domestic laws of the State of New York without giving effect to any choice or conflict of law provision or rule that would cause the application of the laws of any jurisdiction other than the State of New York.

12. **Severability.** If any provision of this Agreement or the application thereof is held invalid, the invalidity shall not affect other provisions or applications of this Agreement which can be given effect without the invalid provisions or applications and to this end the provisions of this Agreement are declared to be severable.

13. **Entire Agreement.** This Agreement, including the documents referred to herein, embodies the entire agreement of the parties hereto respecting the matters within its scope. This Agreement supersedes all prior and contemporaneous agreements of the parties hereto that directly or indirectly bears upon the subject matter hereof (including, without limitation, any offer letter or previous employment agreement). Any prior negotiations, correspondence, agreements, proposals or understandings relating to the subject matter hereof shall be deemed to have been merged into this Agreement, and to the extent inconsistent herewith, such negotiations, correspondence, agreements, proposals, or understandings shall be deemed to be of no force or effect. There are no representations, warranties, or agreements, whether express or implied, or oral or written, with respect to the subject matter hereof, except as expressly set forth herein.

14. **Modifications.** This Agreement may not be amended, modified or changed (in whole or in part), except by a formal, definitive written agreement expressly referring to this Agreement, which agreement is executed by both of the parties hereto.

15. **Waiver.** Neither the failure nor any delay on the part of a party to exercise any right, remedy, power or privilege under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any right, remedy, power or privilege preclude any other or further exercise of the same or of any right, remedy, power or privilege, nor shall any waiver of any right, remedy, power or privilege with respect to any occurrence be construed as a waiver of such right, remedy, power or privilege with respect to any other occurrence. No waiver shall be effective unless it is in writing and is signed by the party asserted to have granted such waiver.

16. **Waiver of Jury Trial.** EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS AGREEMENT.

17. **Notices.**

(a) All notices, requests, demands and other communications required or permitted under this Agreement shall be in writing and shall be deemed to have been duly given and made if (i) delivered by hand, (ii) otherwise delivered against receipt therefor, or (iii) sent by internationally recognized courier with next-day or second-day delivery. Any notice shall be duly addressed to the parties as follows:

(i) if to the Company:

Address:

Peter Luo
Xinghu Street 218, Building C14, 4th floor
Suzhou, Jiangsu, China 215123

(ii) if to the Executive:

(b) Any party may alter the address to which communications or copies are to be sent by giving notice of such change of address in conformity with the provisions of this Section 17 for the giving of notice. Any communication shall be effective when delivered by hand, when otherwise delivered against receipt therefor, or three (3) business days after being sent in accordance with the foregoing.

18. **Counterparts.** This Agreement may be executed in any number of counterparts, each of which shall be deemed an original as against any party whose signature appears thereon, and all of which together shall constitute one and the same instrument. This Agreement shall become binding when one or more counterparts hereof, individually or taken together, shall bear the signatures of all of the parties reflected hereon as the signatories. Photographic copies of such signed counterparts may be used in lieu of the originals for any purpose.

19. **Legal Counsel; Mutual Drafting.** Each party recognizes that this is a legally binding contract and acknowledges and agrees that they have had the opportunity to consult with legal counsel of their choice. Each party has cooperated in the drafting, negotiation and preparation of this Agreement. Hence, in any construction to be made of this Agreement, the same shall not be construed against either party on the basis of that party being the drafter of such language. The Executive agrees and acknowledges that he has read and understands this Agreement, is entering into it freely and voluntarily, and has been advised to seek counsel prior to entering into this Agreement and has had ample opportunity to do so.

20. **CODE SECTIONS 409A AND 457A**.

(a) It is intended that any amounts payable under this Agreement shall either be exempt from or comply with Section 409A of the U.S. Internal Revenue Code (including the Treasury regulations and other published guidance relating thereto) ("Code Section 409A") and with Section 457A of the U.S. Internal Revenue Code (including the Treasury regulations and other published guidance relating thereto) ("Code Section 457A") so as not to subject Executive to payment of any additional tax, penalty or interest imposed under Code Section 409A or Code Section 457A. The provisions of this Agreement shall be construed and interpreted to avoid the imputation of any such additional tax, penalty or interest under Code Section 409A or Code Section 457A yet preserve (to the nearest extent reasonably possible) the intended benefit payable to Executive.

(b) Notwithstanding any provision of this Agreement to the contrary, if Executive is a "specified employee" within the meaning of Treasury Regulation Section 1.409A-1(i) as of the date of Executive's Separation from Service, the Executive shall not be entitled to any severance payments pursuant to Section 5.3(b) until the earlier of (i) the date which is six (6) months after Executive's Separation from Service for any reason other than death, or (ii) the date of Executive's death. Any amounts otherwise payable to Executive upon or in the six (6) month period following the Executive's Separation from Service that are not so paid by reason of this Section 20(b) shall be paid (without interest) as soon as practicable (and in all events within thirty (30) days) after the date that is six (6) months after Executive's Separation from Service (or, if earlier, as soon as practicable, and in all events within thirty (30) days, after the date of Executive's death). The provisions of this Section 20(b) shall only apply if, and to the extent, required to avoid the imputation of any tax, penalty or interest pursuant to Code Section 409A.

(c) To the extent that any benefits or reimbursements pursuant to Section 4.2 or 4.4 are taxable to Executive, any reimbursement payment due to Executive pursuant to any such provision shall be paid to Executive on or before the last day of Executive's taxable year following the taxable year in which the related expense was incurred. The benefits and reimbursements pursuant to such provisions are not subject to liquidation or exchange for another benefit and the amount of such benefits and reimbursements that Executive receives in one taxable year shall not affect the amount of such benefits or reimbursements that Executive receives in any other taxable year.

IN WITNESS WHEREOF, the Company and the Executive have executed this Agreement as of the Effective Date.

COMPANY

ADAGENE INC.
A Cayman Islands Company

By: _____

Name:

Title:

[Signature Page to Employment Agreement]

IN WITNESS WHEREOF, the Company and the Executive have executed this Agreement as of the Effective Date.

EXECUTIVE

Name:

[Signature Page to Employment Agreement]

EXHIBIT A

TERMINATION CERTIFICATE

EXHIBIT B

LIST OF PRIOR INVENTIONS

Title	Date	Identifying Number or Brief Description

Exhibit 10.4

Execution Version

SHARE PURCHASE AGREEMENT

THIS SHARE PURCHASE AGREEMENT (this "Agreement") is made and entered into on October 15, 2019 by and among:

1. Adagene Inc., an exempted company organized under the laws of the Cayman Islands (the "Company");

2. Adagene (Hong Kong) Limited (□□□□(□□)□□□□), a company organized under the laws of Hong Kong (the "Holdco Subsidiary");

3. Adagene (Suzhou) Limited (□□□□□□□□□□□□), a company organized under the laws of the PRC (the "WFOE");

4. Adagene Incorporated, a company organized under the laws of the State of Delaware (the "US Subsidiary");

5. ADAGENE AUSTRALIA PTY LTD, a company incorporated and organized under the laws of Australia (the "Australian Subsidiary"); and;

6. The Person listed in Schedule I attached hereto (the "Investor").

The foregoing parties shall be hereinafter referred collectively as the "Parties" and each individually as a "Party".

RECITALS

A. The Company holds 100% issued and outstanding share capital of the Holdco Subsidiary, which holds 100% registered capital of the WFOE. The Company also holds 100% issued and outstanding shares of the US Subsidiary, which holds 100% issued and outstanding shares of the Australian Subsidiary.

B. The Investor wishes to invest in the Company by subscribing for Series C-3 Preferred Shares (as defined below) to be issued by the Company pursuant to the terms and subject to the conditions of this Agreement, and the Company wishes to issue and sell Series C-3 Preferred Shares to the Investor pursuant to the terms and subject to the conditions of this Agreement.

C. 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 agree as follows:

1. Definitions.

Capitalized terms shall have the meanings ascribed to them in Annex 1 attached hereto.

2. Purchase and Sale of Shares.

2.1 Sale and Issuance of the Series C-3 Preferred Shares.

(i) Subject to the terms and conditions of this Agreement (including but not limited to Sections 5 and 6), at the Closing (as defined below), the Investor agrees to subscribe for and purchase, and the Company agrees to issue and sell to the Investor, a total number of 4,452,441 series C-3 preferred shares of the Company, par value US$0.0001 per share (the "Series C-3 Preferred Shares"), with the Investor paying as consideration of US$50,000,000 (the "Purchase Price") representing a per share price of US$11.2298.

(ii) Immediately after the consummation of the Closing, the capitalization structure of the Company is set forth in Schedule II-B hereto.

2.2 Closing.

(i) **Closing**. The closing of the sale, purchase and issuance of the Series C-3 Preferred Shares pursuant to Section 2.1 (the "Closing") shall take place within twelve (12) Business Days after all closing conditions specified in Section 5 and Section 6 hereof have been satisfied or waived (other than those conditions to be satisfied at the Closing, but subject to the satisfaction or waiver thereof at the Closing) or on such other date agreed by the Company and the Investor by the exchange of signatures and documents electronically.

(ii) **Deliveries by the Company at Closing**. At the Closing, in addition to any items the delivery of which is made an express condition to the Investor's obligations at the Closing pursuant to Section 5, the Company shall deliver to the Investor (a) a certified true copy of the updated register of members of the Company, reflecting the issuance of the Series C-3 Preferred Shares at the Closing, (b) a certified true copy of the updated register of directors of the Company, reflecting the appointment of the director at the Closing pursuant to Section 10.1(i)(g) of the Restated Shareholders Agreement, (c) a copy of the duly executed share certificates representing the Series C-3 Preferred Shares being purchased by the Investor at the Closing and (d) a copy of the Indemnification Agreement duly executed by the Company. Within five (5) Business Days after the Closing, the Company shall deliver to the Investor the original share certificates representing the Series C-3 Preferred Shares being purchased by the Investor at the Closing, and shall duly file the Restated Memorandum and Articles (as defined below) with the appropriate authority(ies) of the Cayman Islands.

(iii) **Deliveries by the Investor at Closing**. Within five (5) Business Days upon the Closing, subject to the satisfaction or waiver of all the conditions set forth in Section 5, the Investor shall pay the Purchase Price in accordance with Section 2.1(i) hereto by wire transfer of immediately available funds in U.S. dollars to an account of the Company as set out in Schedule III hereto, or as otherwise designated by the Company in writing.

2.3 Use of Proceeds.

The Company shall use the Purchase Price as set forth in Section 2.1 as working capital for (a) the development and improvement of antibody drug discovery platform and (b) research and development of innovative pipeline products targeting severe diseases. The Company shall not use the Purchase Price as set forth in Section 2.1 for financing the acquisition or subscription of any shares or other debt or equity securities listed on any stock exchange, or any interest therein. The Investor shall have the right but not the obligation to monitor the use of proceeds.

2.4 Walk-Away.

In the event that the Closing has not occurred within ninety (90) days from the date hereof (or by such later time and date as the parties hereto may mutually agree upon in writing), this Agreement may be terminated by the Company or the Investor at its own election and discretion by issuing a written notice to the other Parties after which this Agreement shall be of no further force and effect with respect to the Parties to this Agreement (with the exception of this Section 2.4, Section 7.2 and Section 8 (other than Section 8.16) which shall remain in full force and effect) and provided that the termination will not relieve any Party from any liability for any breach of this Agreement prior to such termination.

3. Representations and Warranties of the Company.

Subject to such exceptions as may be set forth in the disclosure schedule delivered by the Company to the Investor as of the date hereof and attached hereto as Exhibit D (the "Disclosure Schedule") which forms part of the representation and warranties herein, the Warrantors jointly and severally represent and warrant to the Investor that the following statements are true and correct as of the date hereof and as of the Closing. The Disclosure Schedule shall be arranged in sections corresponding to the numbered and lettered sections contained in this Section 3, and the disclosures set forth in any section of the Disclosure Schedule shall qualify other section in this Section 3 to the extent it is reasonably apparent from a reading of the disclosure that such disclosure is applicable to such other sections.

3.1 Organization, Good Standing and Qualification.

Each Group Company is duly organized, validly existing and in good standing (or equivalent status in the relevant jurisdiction) under, and by virtue of, the Laws of the place of its incorporation or establishment and has all requisite power and authority to own its properties and assets and to carry on its Business as now conducted and as proposed to be conducted, and to perform each of its obligations under the Transaction Documents to which it is a party. Each Group Company is qualified to do business and is in good standing (or equivalent status in the relevant jurisdiction) in each jurisdiction where failure to be so qualified would be a Material Adverse Effect. Each Group Company that is a PRC entity has a valid business license issued by the SAIC or its local branch or other relevant Government Authorities, and has, since its establishment, carried on its Business materially in compliance with the business scope set forth in its business license.

3.2 Capitalization and Voting Rights.

(i) **Company**. The authorized share capital of the Company immediately prior to the Closing shall be US$50,000 divided into (a) a total of 472,750,176 authorized ordinary shares of US$0.0001 each, 15,159,136 of which are issued and outstanding; and (b) a total of 7,844,371 authorized Series A Preferred Shares with par value of US$0.0001 each, 5,473,957 of which are classified as series A-1 preferred shares with par value of US$0.0001 each, all of which are issued and outstanding, and 2,370,414 of which are classified as series A-2 preferred shares with par value of US$0.0001 each, all of which are issued and outstanding; (c) a total of 7,494,537 authorized Series B Preferred Shares with par value of US$0.0001 each, all of which are issued and outstanding; and (d) a total of 11,910,916 authorized Series C Preferred Shares with par value of US$0.0001 each, comprised of 5,597,354 Series C-1 Preferred Shares with par value of US$0.0001 each, 1,861,121 Series C-2 Preferred Shares with par value of US$0.0001 each and 4,452,441 Series C-3 Preferred Shares, all of the Series C-1 Preferred Shares with par value of US$0.0001 each and 1,567,260 of the Series C-2 Preferred Shares with par value of US$0.0001 each are issued and outstanding and none of the Series C-3 Preferred Shares is issued and outstanding. Schedule II-A hereto and Schedule II-B hereto sets forth the capitalization structure of the Company immediately prior to the Closing and immediately after the Closing.

(ii) **Holdco Subsidiary**. The authorized share capital of the Holdco Subsidiary is and immediately prior to and following the Closing shall be HK$10,000.00 divided into 10,000 shares of HK$1.00 par value, 100% of which are issued and outstanding and all held by the Company.

(iii) **WFOE**. The registered capital of the WFOE is and immediately prior to and following the Closing shall be RMB 8,000,000, 100% of which has contributed by the Holdco Subsidiary.

(iv) **US Subsidiary**. The authorized share capital of the US Subsidiary is and immediately prior to and following the Closing shall be 5,000 shares of common stock, 100% of which are issued and outstanding and all held by the Company.

(v) **Australian Subsidiary**. The authorized share capital of the Australian Subsidiary is and immediately prior to and following the Closing shall be 100 ordinary shares, 100% of which are issued and outstanding and all held by the US Subsidiary.

(vi) **No Other Securities**. Except for (a) this Agreement and (b) as disclosed in Section 3.2(vi) in the Disclosure Schedule, (1) there are no and at the Closing there shall be no other authorized or outstanding Equity Securities of any Group Company; (2) no promise, commitment or offer has been made, in writing or otherwise, by any Group Company or any officer of any Group Company on behalf of the Group Company, to issue any Equity Securities of any Group Company; (3) no Equity Securities of any Group Company are subject to any preemptive rights, rights of first refusal or other rights to purchase such Equity Securities or any other rights with respect to such Equity Securities, and (4) no Group Company is a party or subject to any Contract that affects or relates to the voting or giving of written consents with respect to, or the right to cause the redemption, or repurchase of, any Equity Security of such Group Company. Except as set forth in the Restated Shareholders Agreement, the Company has not granted any registration or information rights to any other Person, nor is the Company obliged to list, any of the Equity Securities of any Group Companies on any securities exchange.

(vii) **Issuance and Status**. All presently outstanding Equity Securities of each Group Company have been duly and validly issued, are fully paid (or subscribed for) and non-assessable, and are and as of the Closing shall be free of any and all Liens (except for any restrictions on transfer under the Ancillary Agreements and applicable Laws). Except as contemplated under the Transaction Documents, there are no (a) resolutions pending to increase the share capital or registered capital of any Group Company or cause the liquidation, winding up, or dissolution of any Group Company, nor has any distress, execution or other process been levied against any Group Company, (b) dividends which have accrued or been declared but are unpaid by any Group Company, (c) obligations, contingent or otherwise, of any Group Company to repurchase, redeem, or otherwise acquire any Equity Securities, or (d) as disclosed in Section 3.2(vii) in the Disclosure Schedule, outstanding or authorized equity appreciation, phantom equity, equity plans or similar rights with respect to any Group Company. All dividends (if any) or distributions (if any) declared, made or paid by each Group Company, and all repurchases and redemptions of Equity Securities of each Group Company (if any), have been declared, made, paid, repurchased or redeemed, as applicable, in accordance with its Charter Documents and all applicable Laws in all material respects.

(viii) **Title**. The Company is the sole record and beneficial holder of all of outstanding share capital of the Holdco Subsidiary and the US Subsidiary, the Holdco Subsidiary is the sole holder and beneficial owner of all equity interests of the WFOE and the US Subsidiary is the sole holder and beneficial owner of all share capital of the Australian Subsidiary, all of which are free and clear of all Liens of any kind other than those arising under applicable Law or as set forth in the Transaction Documents.

3.3 Corporate Structure; Subsidiaries.

Section 3.3 of the Disclosure Schedule sets forth a complete structure chart showing Group Companies, and indicating the ownership and Control relationships among all Group Companies, the nature of the legal entity which each Group Company constitutes, the jurisdiction in which each Group Company was organized, and each jurisdiction in which each Group Company is required to be qualified or licensed to do business as a foreign Person. No Group Company owns or Controls, or has ever owned or Controlled, directly or indirectly, any Equity Security, interest or share in any other Person or is or was a participant in any joint venture, partnership or similar arrangement. No Group Company is obligated to make any investment in or capital contribution in or on behalf of any other Person, other than the commitment of the Holdco Subsidiary to contribute registered capital to the WFOE in accordance with the Charter Documents of the WFOE. The Group does not engage in any business other than the Business. The Holdco Subsidiary was formed solely to acquire and hold the equity interests in the WFOE. Neither the Holdco Subsidiary nor the Australian Subsidiary has engaged in any business and has not incurred any material Liability since its formation. Each of the other Group Companies is engaged in the Business and has no other business.

3.4 Authorization.

Each of the Group Companies has all requisite power and authority to execute and deliver the Transaction Documents to which it is a party and to carry out and perform its obligations thereunder. The authorization, issuance, sale and delivery of Series C-3 Preferred Shares, and reservation for issuance of the Conversion Shares, has been taken or will be taken prior to the Closing. This Agreement has been, and each other Transaction Document, when executed and delivered, constitutes valid and legally binding obligations of the Company, enforceable against the Company in accordance with its terms, except (i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium, and other Laws of general application affecting enforcement of creditors' rights generally and (ii) as limited by Laws relating to the availability of specific performance, injunctive relief, or other equitable remedies.

3.5 Valid Issuance of Securities.

The Series C-3 Preferred Shares, when issued, delivered and paid for in accordance with the terms of this Agreement for the consideration expressed herein, will be duly and validly issued, fully paid and non-assessable, free from any Liens (except for any restrictions on transfer under applicable Laws and under the Ancillary Agreements). All Conversion Shares have been reserved for issuance and, upon issuance in accordance with the terms of the memorandum and articles of the Company then in effect, will be duly and validly issued, fully paid and non-assessable, free from any Liens (except for any restrictions on transfer under applicable securities Laws and under the Ancillary Agreements). The issuance of the Series C-3 Preferred Shares is not, and the issuance of the Conversion Shares will not be, subject to any preemptive rights, rights of first refusal or similar rights other than those that have been or will be duly waived prior to or at the Closing, as applicable.

3.6 Consents; No Conflicts.

All Consents from or with any Governmental Authority or any other Person required in connection with the execution, delivery and performance of the Transaction Documents by the parties thereto (other than the Investor), and the consummation of the transactions contemplated by the Transaction Documents by the parties thereto (other than the Investor), have been duly obtained or completed (as applicable) and are in full force and effect. The execution, delivery and performance of each Transaction Document by the Warrantors do not, and the consummation by the Warrantors of the transactions contemplated thereby will not, with or without notice or lapse of time or both, (i) result in any violation of, be in conflict with, or constitute a default under any provision of the constitutional documents of the Warrantors or any Contracts to which the Warrantors are parties, (ii) result in any violation of, be in conflict with, or constitute a default under, in any respect, any Governmental Order or any applicable Law, (iii) results in the creation of any Lien upon any asset of any Group Company or (iv) result in any termination, modification, cancellation, or suspension of any material right of, or any augmentation or acceleration of any material obligation of, any Group Company (including without limitation, any indebtedness of such Group Company). Except for those disclosed in Section 3.6 of the Disclosure Schedule, all SAFE Rules and Regulations have been fully complied with and all requisite approvals or registration certificates required under the SAFE Rules and Regulations in relation thereto have been duly and lawfully obtained and are in full force and effect, and there exist no grounds on which any such approval or registration certificate may be cancelled or revoked or the WFOE or its legal representative may be subject to liability or penalties for misrepresentations or failures to disclose information to the issuing SAFE. None of the Warrantors has received any oral or written inquiries, notifications, orders or any other forms of official correspondence from SAFE with respect to any actual or alleged non-compliance with the SAFE Rules and Regulations.

3.7 Offering.

Subject in part to the accuracy of the Investor's representations set forth in Section 4 of this Agreement, the offer, sale and issuance of the Series C-3 Preferred Shares are, exempt from the qualification, registration and prospectus delivery requirements of the Securities Act and any other applicable securities Laws.

3.8 Compliance with Laws; Consents.

(i) Each Group Company is, and has been, in compliance in all material respects with all applicable Laws, including without limitation, all applicable Health Care Laws and any other applicable Laws relating to its clinical trials as well as development and discovery activities in relation to the Products, and all applicable transfer pricing Laws including the execution and maintenance of contemporaneous documentation substantiating the transfer pricing practices and methodology of the Group Companies. To the Warrantors' knowledge, no event has occurred and no circumstance exists that (with or without notice or lapse of time) (a) may constitute or result in a violation by any Group Company of, or a failure on the part of such entity to comply with, any applicable Laws in any material respect, or (b) may give rise to any obligation on the part of any Group Company to undertake, or to bear all or any portion of the cost of, any remedial action of any nature. None of the Group Companies has received any notice from any Governmental Authority regarding any of the foregoing or otherwise alleging violation in any material respect of any applicable Law. No Group Company is under investigation or action with respect to a material violation of any Law.

(ii) All material Consents from or with the relevant Governmental Authority required in respect of the due and proper establishment and operations of each Group Company as now conducted, including but not limited to the Consents from or with MOFCOM, SAIC, NMPA, SAFE, any Tax bureau and the local counterpart thereof, as applicable (or any predecessors thereof, as applicable), have been duly obtained or completed in accordance with all applicable Laws. None of the Group Companies is in default in any material respect under any required Governmental Consent. No Group Company has received any letter or other written communication from any Governmental Authority threatening or providing notice or revocation of any required Governmental Consent issued to any Group Company or the need for compliance or remedial actions in respect of the activities carried out directly or indirectly by any Group Company.

3.9 Tax Matters.

(i) Each Group Company (a) has timely filed all income and other Tax Returns that are required to have been filed by it with any Governmental Authority, and (b) has timely paid all Taxes owed by it which are due and payable (whether or not shown on any Tax Return) in accordance with applicable Laws in all material respect.

(ii) Each Tax Return referred to in paragraph (i) above was (and will be) true, correct and complete in all material respects in compliance with applicable Law. There is no pending dispute with, or notice from, any Tax authority relating to any of the Tax Returns filed by any Group Company, and there is no proposed Liability for a deficiency in any Tax to be imposed upon the properties or assets of any Group Company. No reporting position was taken on any such Tax Return which has not been disclosed to the appropriate tax authority or in such Tax Return in accordance with applicable Laws in all material respect.

(iii) No Group Company has been the subject of any examination or investigation by any Tax authority relating to the payment or withholding of Taxes that has not been resolved or is currently the subject of any examination or investigation by any Tax authority relating to the payment or withholding of Taxes. None of the Group Companies has received notice of any proposed or determined Tax deficiency or assessment from any Governmental Authority. As of the date hereof there are no audits, examinations, requests for information or other administrative proceedings pending or threatened with respect to any of the Group Companies. There is no pending dispute with, or notice from, any taxing authority relating to any of the Tax Returns filed by any Group Company which, if determined adversely to such Group Company, would result in the assertion by any taxing authority of any valid deficiency in a material amount for Taxes, and to the knowledge of the Warrantors, there is no proposed Liability for a deficiency in any Tax to be imposed upon the properties or assets of any Group Company.

(iv) No Group Company is or has ever been a U.S. real property holding corporation.

(v) The Company is treated as a corporation for U.S. federal income tax purposes.

(vi) To the knowledge of the Warrantors, the Group Companies are not obligated to refund or repay any tax deductions, tax rebates, tax incentives or any other subsidies in connection with the Group Companies, its assets or business that has or will be granted, offered or paid by any Governmental Authority.

3.10 Charter Documents; Books and Records.

The Charter Documents of each Group Company are in the form provided to the Investor. Each Group Company has been in compliance with its Charter Documents, and none of the Group Companies has violated or breached any of their respective Charter Documents. Such copy is true, correct and complete, and contains all amendments and all minutes of meetings and actions taken by its shareholders and directors since the time of formation through the date hereof and reflects all transactions referred to in such minutes in all material respects. Each Group Company maintains its books of accounts and records in the usual, regular and ordinary manner, on a basis consistent with prior practice, and which permits its Financial Statements (as defined below) to be prepared in accordance with the Accounting Standards. The register of members and directors (with respect to the jurisdiction where recognizes this concept) of each Group Company is correct, there has been no notice of any proceedings to rectify any such register, and there are no circumstances which might lead to any application for its rectification. All documents requiring to be filed by each Group Company with the applicable Governmental Authority in respect of the relevant jurisdiction in which the relevant Group Companies is being incorporated have been properly made up and filed.

3.11 Financial Statements.

The Company has delivered to the Investor (i) the audited balance sheets, income statements and statements of cash flows for the Holdco Subsidiary and the WFOE as of and for the twelve-months ending December 31, 2016, (ii) the audited balance sheets, income statements and statements of cash flows for the Holdco Subsidiary and the WFOE as of and for the twelve-months ending December 31, 2017, (iii) the audited balance sheets, income statements and statements of cash flows for the Holdco Subsidiary and the WFOE as of and for the twelve-months ending December 31, 2018 and (iv) the unaudited consolidated balance sheet, income statement and statement of cash flows for the Holdco Subsidiary and the WFOE as of and as of for the six-month period ending June 30, 2019 (the "Statement Date") (collectively, the financial statements referred to above, the "Financial Statements"). The Financial Statements (a) have been prepared in accordance with the books and records of the Group, (b) fairly present in all material respects the financial condition and position of the Group as of the dates indicated therein and the results of operations and cash flows of the Group for the periods indicated therein, except in the case of unaudited financial statements for the omission of notes thereto and normal year-end audit adjustments that are not expected to be material, and (c) were prepared generally in accordance with the Accounting Standards applied on a consistent basis throughout the periods involved.

3.12 Changes.

Since the Statement Date, each Group Company (a) has operated its business in the ordinary course consistent with its past practice, (b) used its reasonable best efforts to preserve its business, (c) collected receivables and paid payables and similar obligations in the ordinary course of business consistent with past practice, and (d) not engaged in any new line of business or entered into any agreement, transaction or activity or made any commitment except those in the ordinary course of business consistent with past practice. Since the Statement Date, except disclosed in Section 3.12 in the Disclosure Schedule, there has not been any Material Adverse Effect or any material change in the way the Group conducts its business, and there has not been by or with respect to any Group Company:

(i) any purchase, acquisition, sale, lease, disposal of or other transfer of any assets that are individually or in the aggregate material to its business, whether tangible or intangible, other than the purchase or sale of inventory in the ordinary course of business consistent with its past practice;

(ii) any acquisition (by merger, consolidation or other combination, or acquisition of stock or assets, or otherwise) of any business or other Person or division thereof, or any sale or disposition of any business or division thereof;

(iii) any sale, assignment, exclusive license, or transfer of any Intellectual Property of any Group Company (other than a transfer to the Company or a wholly-owned Group Company);

(iv) any waiver, termination, cancellation, settlement or compromise of a valuable right, debt or claim with a value more than US$500,000;

(v) any incurrence, creation, assumption, repayment, satisfaction, or discharge of (1) any material Lien (other than Permitted Liens) or (2) any Indebtedness or guarantee, or the making of any loan or advance (other than reasonable and normal advances to employees for bona fide expenses that are incurred in the ordinary course of business consistent with its past practice), or the making of any investment or capital contribution;

(vi) any material amendment to or termination of any Material Contract, any entering of any new Contract that would have been a Material Contract if in effect on the date hereof, or any amendment to or waiver under any Charter Document;

(vii) any declaration, setting aside or payment or other distribution in respect of any Equity Securities of any Group Company, or any issuance, transfer, redemption, purchase or acquisition of any Equity Securities by any Group Company;

(viii) any damage, destruction or loss, whether or not covered by insurance, adversely affecting any of the material assets, properties of any Group Company other than the normal wear and tear occurring in the ordinary course of business;

(ix) any material change in accounting methods or practices;

(x) except in the ordinary course of business consistent with its past practice, entry into any closing agreement in respect of material Taxes, settlement of any claim or assessment in respect of any material Taxes, or consent to any extension or waiver of the limitation period applicable to any claim or assessment in respect of any material Taxes, entry or change of any material Tax election, change of any method of accounting resulting in a material amount of additional Tax or filing of any material amended Tax Return;

(xi) any commencement or settlement of any material Action;

(xii) any authorization, sale, issuance, transfer, pledge or other disposition of any Equity Securities of any Group Company other than ESOP;

(xiii) any transaction with any Related Party other than any employment agreement entered into with the employee and certain officers; or

(xiv) any agreement to do any of the foregoing.

3.13 Actions.

There is no Action pending or to the Warrantors' knowledge threatened against or affecting any Group Company with respect to its Business, or any officers, directors or employees of any Group Company in connection with such person's respective relationship with such Group Company, nor is there any basis for any of the foregoing. There is no Action pending by any Group Company against any third party nor does any Group Company intend to commence any such Action. No Governmental Authority has at any time challenged or questioned in writing the legal right of any Group Company to conduct in any material respect its business as presently being conducted.

3.14 Liabilities.

Except disclosed in Section 3.14 in the Disclosure Schedule, no Group Company has any Liabilities except for (i) liabilities set forth in the Financial Statements, and (ii) current liabilities incurred since the Statement Date in the ordinary course of the Group's business consistent with its past practices. None of the Group Companies has any outstanding Indebtedness. None of the Group Companies is a guarantor or indemnitor of any Liabilities of any other Person (other than a Group Company).

3.15 Commitments.

(i) Section 3.15(i) of the Disclosure Schedule contains a complete and accurate list of all Material Contracts. "Material Contracts" means, collectively, each Contract to which a Group Company or any of its properties or assets is bound or subject to that (a) involves obligations (contingent or otherwise) or payments in excess of US$250,000 per annum or has an unexpired term in excess of one year, (b) involves Intellectual Property that is material to a Group Company (other than generally-available "off-the-shelf" shrink-wrap software licenses obtained by the Group on non-exclusive and non-negotiated terms), including without limitation, the Licenses, (c) restricts the ability of a Group Company to compete or to conduct or engage in any business or activity or in any territory, (d) relates to the sale, issuance, grant, exercise, award, purchase, repurchase or redemption of any Equity Securities, (e) involves any provisions providing for exclusivity, "change in control", "most favored nations", rights of first refusal or first negotiation or similar rights, or grants a power of attorney, agency or similar authority, (f) is with a Related Party, (g) involves material Indebtedness, (h) involves the lease, license, sale, use, disposition or acquisition of a material amount of assets or business, (i) involves the waiver, compromise, or settlement of any material dispute, claim, litigation or arbitration, (j) involves the ownership or lease of, title to, use of, or any leasehold or other interest in, any real property, including without limitation, the Leases, (k) involves the establishment, contribution to, or operation of a partnership, joint venture, alliance or similar entity, or involving a sharing of profits or losses (including joint development and joint marketing Contracts), or any investment in, loan to or acquisition or sale of the securities, equity interests or assets of any Person, (l) is with a Governmental Authority, state-owned enterprise, or sole-source supplier of any material product or service (other than utilities), (m) is a brokerage or finder's agreement, or material sales agency, marketing or distributorship Contract, or (n) is otherwise material to a Group Company or is one on which a Group Company is substantially dependent.

(ii) A true, fully-executed copy of each Material Contract including all amendments and supplements thereto (and a written summary of all terms and conditions of each non-written Material Contract, if any) are available for the Investor to review within ten (10) Business Days from the date hereof in the primary office of the Group Companies. Each Material Contract is a valid and binding agreement of the Group Company that is a party thereto, the performance of which does not and will not violate any applicable Law or Governmental Order, and is in full force and effect and enforceable against the parties thereto, except (x) as may be limited by applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally, and (y) as may be limited by laws relating to the availability of specific performance, injunctive relief or other remedies in the nature of equitable remedies. Each Group Company has duly performed in all material respects all of its obligations under each Material Contract to the extent that such obligations to perform have accrued, no breach or default, alleged breach or alleged default, or event which would (with the passage of time, notice or both) constitute a breach or default thereunder by such Group Company, or to the Warrantors' knowledge any other party or obligor with respect thereto, has occurred, or as a result of the execution, delivery, and performance of the Transaction Documents will occur. No Group Company has given notice (written or oral) that it intends to terminate a Material Contract or that any other party thereto has breached, violated or defaulted under any Material Contract. No Group Company has received any written notice that it has breached, violated or defaulted under any Material Contract or that any other party thereto intends to terminate such Material Contract. No Contracts to which the Company is a party materially restricts the right of the Company to carry on or continue its Business in the normal course or as contemplated by the Transaction Documents. No Group Company has delegated any power or issued any powers of attorney in favor of any Person, other than power of attorney issued to directors or officers of the Company for purposes of executing contracts or agreements for and on behalf of a Group Company in the ordinary course of business.

3.16 Anti-Bribery, Anti-Corruption, Anti-Money Laundering and Sanctions; Absence of Government Interests.

(i) Each Group Company and, to the knowledge of the Warrantors, their respective directors, officers, employees, agents or other Persons authorized to act on their behalf (collectively, "Representatives") are and have been in compliance with all applicable Laws relating to anti-bribery, anti-corruption, anti-money laundering, Sanctions, record keeping and internal controls (collectively, the "Compliance Laws") including the FCPA as if it were a U.S. Person. Furthermore, no Public Official (x) holds an ownership or other economic interest, direct or indirect, in any of the Group Companies,

or (y) serves as an officer, director or employee of any Group Company. To the knowledge of the Warrantors, neither any Group Company nor any Representative has, directly or indirectly, offered, authorized, promised, condoned, participated in, consummated, or received notice of any allegation of:

(a) the making of any gift, offer, promise, authorization or payment of anything of value to any Public Official by any Person to obtain any improper advantage, affect or influence any act or decision of any such Public Official, or assist any Group Company in obtaining or retaining business for, or with, or directing business to, any Person;

(b) the taking of any action by any Person which (1) would violate the FCPA, if taken by an entity subject to the FCPA, or (2) could reasonably be expected to constitute a violation of any applicable Compliance Law;

(c) the making of any false or fictitious entries in the books or records of any Group Company by any Person; or

(d) the using of any assets of any Group Company for the establishment of any unlawful or unrecorded fund of monies or other assets, or the making of any unlawful or undisclosed payment.

(ii) No Group Company or any of its Representatives has ever been found by a Governmental Authority to have violated any criminal or securities Law or is subject to any indictment or any government investigation for bribery, corruption, money laundering, or Sanctions violations. None of the beneficial owners of any Equity Securities or other interest in any Group Company or the current or former Representatives of any Group Company are or were Public Officials.

(iii) No Group Company or any of its Representatives is a Prohibited Person, and no Prohibited Person will be given an offer to become an employee, officer, consultant or director of any Group Company. No Group Company has conducted or agreed to conduct any business, or entered into or agreed to enter into any transaction with a Prohibited Person.

(iv) If the Group Companies have beneficial owners or Representatives who are Public Officials, to the Warrantors' knowledge, no such Public Official has been involved on behalf of a Governmental Authority in decisions as to whether any Group Company or the Investor would be awarded business or that otherwise could benefit any Group Company or the Investor, or in the appointment, promotion, or compensation of persons who will make such decisions.

3.17 Title; Properties.

(i) **Title; Personal Property**. Each Group Company has good and valid title to all of its respective assets, whether tangible or intangible, in each case free and clear of all Liens, other than Permitted Liens. The assets of each Group Company (including all rights and properties) are sufficient for the conduct of the Business of such Group Company as presently conducted. Except for leased or licensed assets, no Person other than a Group Company owns any interest in any such assets. All leases of real or personal property to which a Group Company is a party are effective and afford the Group Company valid leasehold possession of the real or personal property that is the subject of the lease. All machinery, vehicles, equipment and other tangible personal property owned or leased by a Group Company are (a) in good condition and repair in all material respects (reasonable wear and tear excepted) and (b) not obsolete or in need in any material respect of renewal or replacement, except for renewal or replacement in the ordinary course of business. There are no facilities, services, assets or properties which are used in connection with the Business of the Group and which are shared with any other Person that is not a Group Company.

(ii) **Real Property**. No Group Company owns or has legal or equitable title, leasehold interest or other right or interest in any real property other than as held pursuant to Leases. Section 3.17(ii) of the Disclosure Schedule sets forth each leasehold interest pursuant to which any Group Company holds any real property (a "Lease"), indicating the parties to such Lease, the address of the property demised under the Lease, the rent payable under the Lease and the term of the Lease. The particulars of the Leases as set forth in Section 3.17(ii) of the Disclosure Schedule are true and correct. Each Lease constitutes the entire agreement with respect to the property demised thereunder. Each Group Company which is party to a Lease has accepted possession of the property demised pursuant to the Lease and is in actual possession thereof and has not sublet, assigned or hypothecated its leasehold interest. No Group Company uses any real property in the conduct of its Business except insofar as it has secured a Lease with respect thereto. As of the date hereof, each Group Company has duly performed in all material respects all of its obligations under each Lease to the extent that such obligations to perform have accrued, and no breach or default, alleged breach or alleged default, or event which would (with the passage of time, notice or both) constitute a breach or default thereunder by any Group Company (or to the knowledge of the Warrantors, on the part of any other party to the Lease).

3.18 Related Party Transactions.

Other than as set forth in Section 3.18 of the Disclosure Schedule and employment contract entered into by any Group Company and certain employees and officers which in each case is on an arms-length basis, no Related Party has any Contract, understanding or proposed transaction with, or is indebted to, any Group Company or has any direct or indirect interest in any Group Company (other than as set forth in Section 3.2(i) of the Disclosure Schedule), nor is any Group Company indebted (or committed to make loans or extend or guarantee credit) to any Related Party (other than for accrued salaries for the current pay period, or other standard employee benefits). No Related Party has any direct or indirect interest in any Person with which a Group Company is affiliated or with which a Group Company has a material business relationship (including any Person which purchases from or sells, licenses or furnishes to a Group Company any goods, intellectual or other property rights or services) or in any Contract to which a Group Company is a party or by which it may be bound or affected, and no Related Party directly or indirectly competes with or has any interest in any Person that directly or indirectly competes with any Group Company (other than ownership of less than one percent (1%) of the stock of publicly traded companies).

3.19 Intellectual Property Rights.

(i) **Company IP**. Each Group Company owns or otherwise has sufficient rights (including, but not limited to the rights of development, maintenance, licensing and sale) to all Intellectual Property necessary and sufficient to conduct its Business as now conducted and as proposed to be conducted by such Group Company without any known conflict with or known infringement of the rights of any other Person. Section 3.19(i) of the Disclosure Schedule sets forth a complete and accurate list of all Company Registered IP for each Group Company, including for each the relevant name or description, registration/certification or application number, and filing, registration or issue date. There exists no pending or to the knowledge of the Warrantors, threatened condemnation, confiscation, dispute, claim, demand or similar proceeding with respect to the continued use and enjoyment of any Company Owned IP by any Group Company.

(ii) **IP Ownership**. All Company Registered IP is owned solely by and registered or applied for solely in the name of a Group Company, and is valid and subsisting and has not been abandoned, and all necessary registration, maintenance and renewal fees with respect thereto and currently due have been satisfied. To the Warrantors' knowledge, no Group Company or any of its employees, officers or directors has taken any actions or failed to take any actions that would cause any Company Owned IP to be invalid, unenforceable or not subsisting. No funding or facilities of a Governmental Authority or a university, college, other educational institution or research center was used in the development of any Company Owned IP. No Company Owned IP is the subject of any Lien, license or other Contract granting rights therein to any other Person. No Group Company is or has been a member or promoter of, or contributor to, any industry standards bodies, patent pooling organizations or similar organizations that could require or obligate a Group Company to grant or offer to any Person any license or right to any Company Owned IP. Except disclosed in Section 3.19(ii) in the Disclosure Schedule, no software included in the Company Owned IP contains or requires use of any "open source" code, shareware or other software that is made generally available to the public without requiring payment of fees or royalties or that does or may require disclosure or licensing of any such software or any other Company Owned IP. No Company Owned IP is subject to any proceeding or outstanding Governmental Order or settlement agreement or stipulation that (a) restricts in any manner the use, transfer or licensing thereof, or the making, using, sale, or offering for sale of any Group Company's products or services, by any Group Company or (b) may affect the ownership, validity, use or enforceability of such Company Owned IP. No Group Company has (x) transferred or assigned any Company Owned IP to any other Person; (y) authorized the joint ownership of any other Person in any Company Owned IP; or (z) permitted the rights of any Group Company in any Company Owned IP to lapse or enter into the public domain. The transactions contemplated by this Agreement or any other Transaction Documents shall have no adverse effect on each Group Company's right, title and interest in and to Intellectual Property owned or used by such Group Company.

(iii) **Infringement, Misappropriation and Claims.** To the Warrantors' knowledge, no Group Company has misappropriated, or violated, or infringed in any respect any Intellectual Property of any other Person, nor has any Group Company received any written notice alleging any of the foregoing, nor has any Group Company become aware of any fact that would form a reasonable basis for a claim, suit, or allegation of the foregoing. To the knowledge of the Warrantors, no Person has violated, infringed or misappropriated any material Company Owned IP of any Group Company, and no Group Company has given any verbal or written notice to any other Person alleging any of the foregoing; nor has any Group Company become aware of any fact that would form a reasonable basis for a claim, suit, or allegation of the foregoing. To the Warrantors' knowledge, no Person has challenged the ownership, validity, enforceability, or use of any Company Owned IP by a Group Company. No Group Company has agreed to indemnify any Person for any infringement, violation or misappropriation of any Intellectual Property by such Person.

(iv) **Assignments and Prior IP**. All inventions and know-how conceived by employees of a Group Company related to the Business of such Group Company are currently owned exclusively by a Group Company. All employees, contractors, agents and consultants of a Group Company who are or were involved in the creation of any Intellectual Property for such Group Company have executed an assignment of inventions agreement that vests in a Group Company ownership of all right, title and interest in and to such Intellectual Property. All employee inventors of Company Owned IP have received reasonable reward and remunerations from a Group Company for his/her service inventions or service technology achievements in accordance with the applicable laws. It will not be necessary to utilize any Intellectual Property of any such Persons made prior to their employment by a Group Company, except for those that are exclusively owned by a Group Company. To the Warrantors' knowledge, none of the employees, consultants or independent contractors, currently or previously employed or otherwise engaged by any Group Company, (a) is in violation of any current or prior confidentiality, non-competition or non-solicitation obligations to such Group Company or to any other Persons, including former employers, or (b) is obligated under any Contract, or subject to any Governmental Order, that would interfere with the use of his or her best efforts to promote the interests of the Group Companies or that would conflict with the Business of such Group Company as presently and as proposed to be conducted.

(v) **Licenses**. Section 3.19(v) of the Disclosure Schedule contains a complete and accurate list of the following (collectively, the "Licenses"): (a) all licenses, sublicenses, and other Contracts to which any Group Company is a party and pursuant to which any third party is authorized to use, exercise or receive any benefit from any Company Owned IP, and (b) all licenses, sublicenses and other Contracts to which any Group Company is a party and pursuant to which such Group Company is authorized to use, exercise, or receive any benefit from any Intellectual Property of another Person, in each case except for (1) agreements involving "off-the-shelf" commercially available software, and (2) non-exclusive licenses to customers of the Business in the ordinary course of business consistent with past practice. The Group Companies have paid all license and royalty fees required to be paid under the Licenses.

(vi) **Protection of IP**. Each Group Company has taken all necessary measures to protect, maintain and safeguard Company Owned IP and made all applicable filings, registrations and payments of fees in connection with the foregoing. To the knowledge of the Warrantors, all prior art material to the patentability of the claims in any issued or applied for patents included in the Company Owned IP is cited in the respective issued patents, applications or associated file histories thereof, and there is no other material prior art with respect thereto. Without limiting the foregoing, to the Warrantors' knowledge, all current and former officers, employees, consultants and independent contractors of any Group Company and all suppliers, customers, distributors and other third parties having access to material Company Owned IP have executed and delivered to such Group Company an agreement requiring the protection of such Company Owned IP. To the extent that any Company Owned IP has been developed or created independently or jointly by an independent contractor or other third party for any Group Company and is incorporated into any products or services of any Group Company, such Group Company has a written agreement with such independent contractor or third party and has thereby obtained exclusive ownership of or exclusive license to such independent contractor's or third party's Intellectual Property in such work, material or invention by operation of law or valid assignment or license. To the Warrantors' knowledge, none of the Group Companies' trade secrets or confidential information have been disclosed to another Person, except pursuant to written confidentiality obligations.

3.20 Labor and Employment Matters.

(i) Each Group Company has complied in all material respects with all applicable Laws related to labor or employment, including provisions thereof relating to wages, hours, working conditions, benefits, retirement, social welfare, equal opportunity and collective bargaining. There is no pending or to the Warrantors' knowledge, threatened, and there has not been since, with respect to a Group Company, the incorporation of such Group Company, any Action relating to the violation or alleged violation of any applicable Laws by any Group Company related to labor or employment, including any charge or complaint filed by an employee with any Governmental Authority or any Group Company. Section 3.20(i) of the Disclosure Schedule hereto sets forth the names and titles of all of the key employees of the Company as of the date hereof (the "Key Employees"). Each Key Employee is currently devoting all of his or her business time to the conduct of the business of the applicable Group Company. No Key Employee is subject to any covenant restricting him/her from working for any Group Company. No Key Employee is prohibited by any Contract or any Governmental Order from being employed by, or contracting with, such Group Company, whether or not such individual is or will be compensated by such Person. No Key Employee or any group of employees of any Group Company has given any notice of an intent to terminate their employment with any Group Company, nor does any Group Company have a present intention to terminate the employment of any Key Employee or any group of employees. Each Key Employee has entered into a standard employment agreement in substantially the form of the employment agreement template or sample disclosed to the Investor prior to the date hereof.

(ii) Except for the ESOP reserved by the Company and granted by the Board of Directors, no Group Company has made any written representations regarding equity incentives to any officer, employee, director or consultant of such Group Company that are inconsistent with the amounts and terms set forth in the minutes of meetings of the Board of Directors.

(iii) A true copy of the Restated Share Incentive Plan has been provided to the Investor. The Restated Share Incentive Plan has been established, operated and administered in accordance with its terms and with all applicable Laws (including the SAFE Rules and Regulations).

3.21 Insurance.

Section 3.21 of the Disclosure Schedule lists all insurance policies which cover the Group Companies. The Group Companies have in full force and effect fire and casualty insurance policies with extended coverage, sufficient in amount (subject to reasonable deductions) to allow them to replace any of their properties that might be damaged or destroyed.

3.22 State-Owned Assets.

None of the assets of any Group Company constitute state-owned assets and, inasmuch, are not required to undergo any form of valuation under applicable Law in the PRC governing the transfer of state-owned assets prior to the consummation of the transactions contemplated herein or in any other Transaction Documents.

3.23 Brokers.

Except as set forth in Section 3.23 in the Disclosure Schedule, no finder, broker, financial advisor or other intermediary has acted on behalf of any Group Company or any of its Affiliates in connection with the offering of the Series C-3 Preferred Shares or the negotiation or consummation of this Agreement or the Transaction Documents or any of the transactions contemplated hereby or thereby.

3.24 Previous Financing Documents.

All the documents and agreements regarding the previous financing of the Company are available for the Investor to review within ten (10) Business Days from the date hereof in the primary office of the Group Companies. No documents and agreements hereof have been forged or tampered with any manner whatsoever, and no other documents and agreements have been omitted or withheld from the Investor. All the documents and agreements were, when provided, and continue to be, true, accurate, complete and not misleading in any aspect.

3.25 Health Care Regulatory Compliance.

(i) None of the Group Companies nor, to the knowledge of the Warrantors, any officer, employee, or agent of the Group Companies has been convicted of any crime or engaged in any conduct that has resulted, or would reasonably be expected to result, in debarment or exclusion under Applicable Laws, including 21 U.S.C. §335a, 42 U.S.C. §1320a-7 and the DAL. No Actions that would reasonably be expected to result in such a debarment or exclusion of a Group Company nor, to the knowledge of the Warrantors, any officer, employee, or agent of the Group Companies are pending or, to the knowledge of Warrantors, threatened, against the Group Companies or any officer, employee, or agent of the Group Companies.

(ii) No clinical trial conducted by or on behalf of a Group Company or relating to the Products has been terminated or suspended prior to completion, and there has not been nor, to the knowledge of the Warrantors, do any facts exist that are reasonably likely to cause the Company to provide any warning, “dear doctor” letter, safety alert or other notice or action relating to an alleged lack of safety, efficacy or regulatory compliance of the Products. Except as set forth in Section 3.25 of the Disclosure Schedule, no Group Company has received any notice that any Regulatory Authority, investigator, or any relevant institutional review board, independent ethics committee or other similar body has (i) refused to approve any clinical trial, or any substantial amendment to a protocol for any clinical trial conducted or proposed to be conducted by or on behalf of a Group Company or relating to the Products, or (ii) initiated, or threatened to initiate, any action to prevent, suspend or materially restrict any clinical trial conducted by or on behalf of a Group Company or relating to the Products, including by imposing a clinical hold on such studies.

3.26 Internal Controls.

Each Group Company maintains a system of internal accounting controls sufficient to provide reasonable assurance 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) access to assets of it is permitted only in accordance with management’s general or specific authorization, (iv) the recorded inventory of assets is compared with the existing tangible assets at reasonable intervals and appropriate action is taken with respect to any material differences, (v) segregating duties for cash deposits, cash reconciliation, cash payment, proper approval is established, and (vi) 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.

3.27 Environmental Compliance.

None of the Group Companies is in material violation of any applicable statute, law or regulation relating to the environment or occupational health and safety and no material expenditures are or will be required to comply with any such existing statute, law or regulation.

3.28 Disclosure.

The Company has fully provided the Investor with all the information reasonably available to the Company that the Investor has requested for deciding whether to invest in the Company. No representation or warranty by the Warrantors in this Agreement (as qualified by the Disclosure Schedule) or any agreement contemplated hereby contains any untrue statement of any fact, or omits to state any fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances in which they are made, not misleading.

4. Representations and Warranties of the Investor.

The Investor hereby represents and warrants to the Company that:

4.1 Authorization.

The Investor has all requisite power and authority to execute and deliver the Transaction Documents to which it is a party and to carry out and perform its obligations thereunder. All action on the part of the Investor (and, as applicable, its officers, directors and shareholders) necessary for the authorization, execution and delivery of the Transaction Documents to which it is a party, and the performance of all obligations of the Investor thereunder, has been taken or will be taken prior to or at the Closing. Each Transaction Document that has been duly executed and delivered by the Investor (to the extent the Investor is a party), constitutes valid and legally binding obligations of the Investor, enforceable against the Investor in accordance with its terms, except (i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium, and other Laws of general application affecting enforcement of creditors' rights generally, and (ii) as limited by Laws relating to the availability of specific performance, injunctive relief, or other equitable remedies.

4.2 Purchase for Own Account.

Other than in accordance with the Investor group's employee incentive policy, the applicable Series C-3 Preferred Shares will be acquired for the Investor's own account, not as a nominee or agent, and not with a view to or in connection with the sale or distribution of any part thereof.

4.3 Status of Investor.

The Investor is either (i) an "accredited investor" within the meaning of the U.S. Securities and Exchange Commission Rule 501 of Regulation D, as presently in effect, under the Securities Act, or (ii) not a "U.S. person" as defined in Rule 902 of Regulation S of the Securities Act. The Investor has the knowledge, sophistication and experience necessary to make an investment decision like that involved in the purchase of the Series C-3 Preferred Shares and can bear the economic risk of its investment in the Series C-3 Preferred Shares.

4.4 Restricted Securities.

The Investor understands that the Series C-3 Preferred Shares are restricted securities within the meaning of Rule 144 under the Securities Act; and that the Series C-3 Preferred Shares are not registered or listed publicly.

4.5 No Brokers.

Neither the Investor nor any of its Affiliates has any Contract with any broker, finder or similar agent with respect to the transactions contemplated by this Agreement or by any of the Transaction Documents, and none of them has incurred any Liability for any brokerage fees, agents' fees, commissions or finders' fees in connection with any of the Transaction Documents or the consummation of the transactions contemplated therein.

5. Conditions of the Investor's Obligations at the Closing.

The obligations of the Investor to consummate the Closing under Section 2.2 of this Agreement are subject to the fulfillment, to the satisfaction of the Investor on or prior to the Closing, or waiver by the Investor, of the following conditions:

5.1 Representations and Warranties.

Each of the representations and warranties of the Warrantors contained in Section 3 (i) that are not qualified by materiality, material adverse effect or similar phrases shall have been true and correct when made and shall be true and correct in all material respects on and as of the Closing with the same effect as though such representations and warranties had been made on and as of the date of the Closing, and (ii) that are qualified by materiality, material adverse effect or similar phrases shall have been true and correct when made and shall be true and correct on and as of the Closing with the same effect as though such representations and warranties had been made on and as of the date of the Closing, except in either case for those representations and warranties that address matters only as of a particular date, which representations will have been true and correct as of such particular date.

5.2 Performance.

The Company shall have performed and complied with all obligations and conditions contained in the Transaction Documents that are required to be performed or complied with by them on or before the Closing.

5.3 Authorizations.

All Consents of any competent Governmental Authority or of any other Person that are required to be obtained by the Company in connection with the consummation of the transactions contemplated by the Transaction Documents (including but not limited to those related to the lawful issuance and sale of the Securities, and any waivers of notice requirements, rights of first refusal, preemptive rights, put or call rights), including necessary approvals from Board of Directors and shareholders of the Company, shall have been duly obtained and effective as of the Closing, and evidence thereof shall have been delivered to the Investor.

5.4 Compliance Certificate.

The Company shall have delivered to the Investor a certificate, executed by the Chief Executive Officer of the Company, dated the date of the Closing, (a) stating that the conditions specified in Sections 5.1, 5.2 and 5.3 have been satisfied, and (b) certifying and attaching thereto (i) a certified true copy of the memorandum and articles of the Company as then in effect, and (ii) copies of all resolutions approved by the Company's shareholders and the Board of Directors approving the transactions contemplated hereby.

5.5 Proceedings and Documents.

All corporate and other proceedings in connection with the transactions to be completed at the Closing and all documents incident thereto with respect to this Agreement and the other Transaction Documents and the transactions contemplated hereby and thereby, shall have been completed in form and substance reasonably satisfactory to the Investor, and the Investor shall have received all such counterpart original or other copies of such documents as it may reasonably request.

5.6 Memorandum and Articles.

The Sixth Amended and Restated Memorandum and Articles, in the forms attached hereto as Exhibit A (the "Restated Memorandum and Articles"), shall have been duly adopted by all necessary action of the Board of Directors and/or the members of the Company, and such adoption shall have become effective prior to the Closing with no alternation or amendment as of the Closing.

5.7 Transaction Documents.

Each of the parties to the Transaction Documents, other than the Investor, shall have executed and delivered a scanned copy of such Transaction Documents to the Investor.

5.8 No Material Adverse.

No Material Adverse Effect shall have occurred from the Statement Date on or prior to the Closing.

5.9 ESOP Increase.

The ESOP Increase shall have been duly authorized and approved by the Board of Directors.

5.10 Progress of Clinical Trial.

The Company shall have provided to the Investor FDA's written confirmation issued after the date of this Agreement evidencing that the Company can proceed with the clinical trial in connection with product ADG-116 (IgG1 antagonist antibody targeting Cytotoxic T-Lymphocyte Protein 4).

6. Conditions of the Company's Obligations at the Closing.

The obligations of the Company owed to the Investor to consummate the Closing under Section 2.2 of this Agreement, unless otherwise waived in writing by the Company, are subject to the fulfillment on or before the Closing of each of the following conditions:

6.1 Representations and Warranties.

The representations and warranties of the Investor respectively contained in Section 4 shall have been true and correct when made and shall be true and correct on and as of the Closing with the same effect as though such representations and warranties had been made on and as of the date of the Closing, except in either case for those representations and warranties that address matters only as of a particular date, which representations will have been true and correct as of such particular date.

6.2 Performance.

The Investor shall have performed and complied with all covenants, obligations and conditions contained in the Transaction Documents that are required to be performed or complied with by it/him on or before the Closing.

6.3 Execution of Transaction Documents.

The Investor shall have executed and delivered to the Company the Transaction Documents, to which it is a party.

7. Other Agreements.

7.1 Indemnity.

The Warrantors hereby agree to, jointly and severally, indemnify and hold harmless the Investor, and its Affiliates, directors, officers, agents and assigns (each an "Indemnified Party"), from and against any and all Indemnifiable Losses suffered by such Indemnified Party, directly or indirectly, as a result of, or based upon or arising from any inaccuracy in or breach or non-performance of any of the representations, warranties, covenants or agreements made by the Warrantors under the Transaction Documents; provided however, that in no case shall the aggregate amount of the indemnification paid or payable by the Warrantors to the Investor exceed the amount of the Investor's investment hereunder. For the avoidance of doubt and for purpose of this Section 7.1, the representations and warranties of the Warrantors contained in Section 3 are made without regard and without giving effect to the term "in all material respects" set forth in Section 5.1(i).

7.2 Confidentiality.

The terms and conditions of the Transaction Documents (collectively, the "Financing Terms"), 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 Financing Terms to its current or bona fide prospective investors, employees, investment bankers, lenders, accountants and attorneys, in each case only where such Persons are under appropriate nondisclosure obligations; (ii) the Investor may disclose any of the Financing Terms to its limited partners, fund managers and Affiliates, the directors, employees, its consultant thereof so long as such Persons are under appropriate non-disclosure obligations; (iii) 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 Financing Terms in contravention of the provisions of this Section 7.2, 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, (iv) the Investor and its Affiliates may disclose the Investor's investment in the Company (without referencing or disclosing any Financing Terms) on General Atlantic's website in substantially the same form and substance as the other disclosures made by General Atlantic with respect to its other portfolio company investments, and (v) the Company and its Affiliates may disclose the Investor's investment in the Company (without referencing or disclosing any Financing Terms) on the Group Companies' website in substantially the same form and substance as the other disclosures made by the Company with respect to its other financings.

7.3 Interim Business of the Group Companies.

Except as expressly contemplated by this Agreement or as required by applicable Law, between the date of this Agreement and the date of the Closing, (i) the Group Companies shall conduct their business in the usual, regular, and ordinary course of business in substantially the same manner as heretofore conducted, including without limitation, to protect, maintain and safeguard the Company Owned IP and made all applicable filings, registrations and payments of fees in connection therewith, (ii) none of the Group Company, without the prior written consent of the Investor, shall take any action which (a) would render any of the representations or warranties made by the Warrantors in this Agreement untrue if given with reference to the facts and circumstances then existing, (b) would result in any of the covenants contained in this Agreement becoming incapable of performance, (c) waive, release or assign any material right or claim, (d) would reasonably be expected to materially impair the value of the Group Companies, (e) issue, sell, grant any Equity Security of the Company, or change in any respect the share capital of the Company, (f) declare, issue, make, or pay any dividend or other distribution with respect to any Equity Security of the Company, or redeem or repurchase any Equity Security of the Company, (g) incur any Indebtedness for borrowed money or capital lease commitments, except for trade credits in the ordinary course of business, or assume or guarantee any Indebtedness of any Person, (h) enter into any material Contract or other transaction with any Related Party, or (i) authorize, approve or agree to any of the foregoing.

7.4 Access and Information.

From the date hereof until the date of the Closing, the Warrantors shall permit the Investor or any officer, employee, advisor, or other representative thereof to (a) visit and inspect the properties of the Group Companies, (b) inspect the contracts, books of account, records, ledgers, financial and operating data, and other documents and data of the Group Companies, (c) discuss the business, affairs, finances and accounts of the Group Companies with officers, employees, consultants, accountants, advisors and other representatives of the Group Companies, and (d) review such other information as the Investor reasonably requests, in each case during normal business hours with reasonable advance notices and in such a manner so as not to unreasonably interfere with the normal operations of the Group Companies. The Parties agree that no information or knowledge obtained pursuant to this Section 7.4 by the Investor in connection with its due diligence will affect or be deemed to modify any representation or warranty contained herein or the conditions to the obligations of the Parties to consummate the transactions.

7.5 SAFE Registration and ODI Filing

(i) If required by the SAFE Rules and Regulations, the Company shall procure (a) each of its shareholders which is a "Domestic Resident" under Circular 37 to, as soon as practicable after the date hereof, submit the application to the SAFE for registration so as to comply with all the SAFE Rules and Regulations, and use his or her reasonable best efforts to obtain an updated SAFE registration certificate with respect to his or her interest in the Company or (b) such shareholders transfer all shares they hold in the Company to (x) the Company at a mutually agreed price or (y) Persons designated by the applicable shareholder that is not a "Domestic Resident" under Circular 37.

(ii) The Company shall request and use commercially reasonable efforts to cooperate with Suzhou Industrial Park Biotech Development Co., Ltd. ("Suzhou Biotech") to complete the overseas direct investment filing and obtain the relevant approval from the National Development and Reform Commission, the MOFCOM, the SAFE and the related foreign exchange bank with respect to its holding of Ordinary Shares of the Company (the "ODI Filing") as soon as practicable after the date hereof. The Company shall use commercially reasonable efforts to enforce and cause Suzhou Biotech to comply with Articles 118 to 121 of the Restated Memorandum and Articles.

(iii) As soon as practicable after the completion of any ODI Filing by any shareholder of the Company, the WFOE shall complete its registration as a "round-trip investment enterprise" pursuant to SAFE Rules and Regulations.

7.6 FDA Compliance and Clinical Studies and Trials.

The Company shall, and shall cause its Affiliates to, comply in all material respects with all applicable Health Care Laws, including, with respect to clinical trials and non-clinical studies relating to the Products, applicable requirements of the FD&C Act (including GCP and GLP), the Public Health Services Act, and analogous requirements of state, local, provincial, and foreign Governmental Authorities.

7.7 Chief Medical Officer.

Within twelve (12) months after the Closing, the Company shall use its commercially reasonable efforts to hire a chief medical officer or set up a scientific advisory board with members that are experienced in clinical development as approved by the Board of Directors.

7.8 ESOP Increase.

In the event the ESOP Increase has not been authorized and approved by the Board of Directors prior to or at the Closing, the Investor shall procure its director (who shall be appointed to the Board of Directors at the Closing pursuant to Section 10.1(i)(g) of the Restated Shareholders Agreement) to vote in favor of the ESOP Increase and the Investor shall vote in favor of the ESOP Increase.

7.9 Anti-Bribery, Anti-Corruption, Anti-Money Laundering and Sanctions Compliance

(i) Within three (3) months after the Closing, the Company shall adopt anti-bribery and anti-corruption policies and operational guidelines applicable to all Group Companies to the satisfaction of the Investor and provide anti-bribery and anti-corruption training to employees of all Group Companies to the satisfaction of the Investor.

(ii) At the reasonable request by the Investor following the Closing, the Company shall adopt anti-money laundering and Sanctions policies and operational guidelines applicable to all Group Companies to the satisfaction of the Investor.

7.10 Employment Contracts

At the reasonable request of the Investor and to the extent needed, the Company shall, and shall cause the Group Companies to, use commercially reasonable efforts to amend the employment contracts between the applicable Group Company and Key Employees to ensure that the non-compete provisions contained therein are fully enforceable.

8. Miscellaneous.

8.1 Successors and Assigns.

Except as otherwise provided herein, the terms and conditions of this Agreement shall inure to the benefit of and be binding upon the respective successors and assigns of the Parties hereto whose rights or obligations hereunder are affected by such terms and conditions. This Agreement and the rights and obligations therein may not be assigned by the Group Companies without the prior written consent of the Investor. This Agreement and the rights and obligations therein may not be assigned by the Investor without the prior written consent of the Company, except that the Investor may assign this Agreement and the rights and obligations therein to any of its Affiliate which holds shares in the Company with prior notice to the Company. Nothing in this Agreement, express or implied, is intended to confer upon any Party other than the Parties hereto or their respective successors and assigns any rights, remedies, obligations, or liabilities under or by reason of this Agreement, except as expressly provided in this Agreement.

8.2 Governing Law.

This Agreement and all actions arising out of or in connection with this Agreement shall be governed by and construed in accordance with the Laws of Hong Kong, without regard to the conflicts of law provisions of Hong Kong.

8.3 Dispute Resolution.

(i) Any dispute, controversy, difference 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 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 administered by the Hong Kong International Arbitration Centre (the "HKIAC") in accordance with the Hong Kong International Arbitration Centre Administered Arbitration Rules (the "HKIAC Rules") in force when the Arbitration Notice is submitted. There shall be three (3) arbitrators. The HKIAC council shall select the arbitrators, who shall be qualified to practice law in Hong Kong.

(iii) The arbitral proceedings shall be conducted in English.

(iv) The costs of arbitration shall be borne by the losing party, unless otherwise determined by the arbitral tribunal.

(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 Laws of Hong Kong (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 interim measures of protection and emergency relief, if possible, from any court of competent jurisdiction in accordance with the applicable Laws of that jurisdiction.

(viii) When any Dispute occurs and when any Dispute is under arbitration, except for the matters in Dispute, the Parties shall continue to fulfill their respective obligations and shall be entitled to exercise their rights under this Agreement.

8.4 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 IV (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 8.4). 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.

8.5 Rights Cumulative; Specific Performance.

Subject to Section 7.1, 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.

8.6 Fees and Expenses.

The Parties shall each pay all of its own costs and expenses incurred in connection with the negotiation, execution, delivery and performance of this Agreement and other Transaction Documents and the transactions contemplated hereby and thereby. 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 attorney's fees, costs and necessary disbursements in addition to any other relief to which such party may be entitled.

8.7 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.

8.8 Amendments and Waivers.

Any term of this Agreement may be amended, only with the written consent of the Company and the Investor. Any amendment effected in accordance with this paragraph shall be binding upon each of the Parties hereto. Notwithstanding the foregoing, the observance of any term of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively) only with the written consent of the Party against whom such waiver is sought.

8.9 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 power 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.

8.10 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.

8.11 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.

8.12 Headings and Subtitles; Interpretation.

The titles and subtitles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement. Unless a provision hereof expressly provides otherwise: (i) the term "or" is not exclusive; (ii) words in the singular include the plural, and words in the plural include the singular; (iii) the terms "herein", "hereof", and other similar words refer to this Agreement as a whole and not to any particular section, subsection, paragraph, clause, or other subdivision; (iv) the masculine, feminine, and neuter genders will each be deemed to include the others; (v) the term "day" means "calendar day", and "month" means calendar month; (vi) 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; (vii) all references in this Agreement to designated Schedules, Exhibits and Appendices are to the Schedules, Exhibits and Appendices attached to this Agreement; (viii) 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; (ix) 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; (x) all accounting terms not otherwise defined herein have the meanings assigned under the Accounting Standards; (xi) pronouns of either gender or neuter shall include, as appropriate, the other pronoun forms; (xii) 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, restated or novated from time to time; (xiii) all references to dollars or to "US$" are to currency of the United States of America (and each shall be deemed to include reference to the equivalent amount in other currencies).

8.13 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.

8.14 Entire Agreement.

This Agreement and the Transaction Documents, together with all schedules and exhibits hereto and thereto, constitute the full and entire understanding and agreement among the Parties with regard to the subjects hereof and thereof, and supersede all other agreements between or among any of the Parties with respect to the subject matters hereof and thereof.

8.15 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.

8.16 Further Assurances.

Each Party shall from time to time and at all times hereafter make, do, execute, or cause or procure to be made, done and executed such further acts, deeds, conveyances, consents and assurances without further consideration, which may reasonably be required to procure the satisfaction of closing conditions and to effect the transactions contemplated by this Agreement.

[*The remainder of this page has been left intentionally blank*]

IN WITNESS WHEREOF, the Parties hereto have caused their respective duly authorized representatives to execute this Agreement on the date and year first above written.

COMPANY:

Adagene Inc.

By: /s/ Peter Peizhi Luo
Name: Peter Peizhi Luo
Title: Director

HOLDCO SUBSIDIARY:

Adagene (Hong Kong) Limited
(□□□□(□□)□□□□)

By: /s/ Peter Peizhi Luo
Name: Peter Peizhi Luo
Title: Director

WFOE:

Adagene (Suzhou) Limited
(Company Seal)
(□□□□□□□□□□□□)
(Seal)

By: /s/ Peter Peizhi Luo
Name: Peter Peizhi Luo
Title: Legal Representative

IN WITNESS WHEREOF, the Parties hereto have caused their respective duly authorized representatives to execute this Agreement on the date and year first above written.

US SUBSIDIARY:

Adagene Incorporated

By: /s/ Peter Peizhi Luo
Name: Peter Peizhi Luo
Title: Director

AUSTRALIAN SUBSIDIARY:

ADAGENE AUSTRALIA PTY LTD

By: /s/ Peter Peizhi Luo
Name: Peter Peizhi Luo
Title: Director

IN WITNESS WHEREOF, the Parties hereto have caused their respective duly authorized representatives to execute this Agreement on the date and year first above written.

INVESTOR:

GENERAL ATLANTIC SINGAPORE AI PTE. LTD.

By: /s/ Ong Yu Huat
Name: Ong Yu Huat
Title: Director

[Adagene Inc. — Series C-3 Share Purchase Agreement — Signature Page]

SCHEDULE I

SERIES C-3 INVESTOR AT THE CLOSING

SCHEDULE II-A

CAPITALIZATION STRUCTURE ON FULLY DILUTED BASIS IMMEDIATELY PRIOR TO THE CLOSING

SCHEDULE II-B

CAPITALIZATION STRUCTURE ON FULLY DILUTED BASIS IMMEDIATELY AFTER THE CLOSING (WITHOUT ESOP INCREASE)

SCHEDULE II-C

CAPITALIZATION STRUCTURE ON FULLY DILUTED BASIS IMMEDIATELY AFTER THE CLOSING (INCLUDING ESOP INCREASE)

SCHEDULE III

DESIGNATED BANK ACCOUNT

SCHEDULE IV

ADDRESS FOR NOTICES

ANNEX 1

DEFINITIONS

1. Defined Terms. The following terms shall have the meanings ascribed to them as below:

"Accounting Standards" means the Hong Kong Financial Reporting Standards with respect to the Holdco Subsidiary, and the Chinese Accounting Standards with respect to the WFOE, applied on a consistent basis or other accounting principles approved by the Investor.

"Action" means any charge, claim, action, complaint, petition, investigation, appeal, suit, litigation, grievance, inquiry or other proceeding, whether administrative, civil, regulatory or criminal, whether at law or in equity, or otherwise under any applicable Law, and whether or not before any mediator, arbitrator or Governmental Authority.

"Affiliate" means, (i) with respect to a Person that is a natural person, such Person's Relatives and any Person Controlled, directly or indirectly, by such Person or his/her Relatives, and (ii) with respect to a Person that is not a natural person, a Person that directly, or indirectly through one or more intermediaries, Controls, or is Controlled by, or is under common Control with, such Person. In the case of the Investor, subject to the last clause of this definition, the term "Affiliate" also includes (i) any direct or indirect shareholder of the Investor, (ii) any of such shareholder's general partners or limited partners, (iii) the fund manager managing such shareholder (and general partners, limited partners and officers thereof) and (iv) trusts controlled by or for the benefit of any natural person referred to in (ii) or (iii) above; provided that in no event shall any portfolio company owned, directly or indirectly, by investment funds managed by General Atlantic Service Company, L.P., be deemed an Affiliate of the Investor.

"Ancillary Agreements" means, collectively, the Restated Shareholders Agreement and the Restated Right of First Refusal & Co-Sale Agreement.

"Board of Directors" means the board of directors of the Company.

"Business" means the research, development, service, consulting, commercialization, transfer and license of technology relating to biologics including antibodies for therapeutic and/or diagnostic applications.

"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, Hong Kong, Singapore, the Cayman Islands or the United States.

"Charter Documents" means, with respect to a particular legal entity, 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.

"Circular 13" means the *Circular on Further Simplifying and Improving the Foreign Exchange Administration Policies for Direct Investment* [Huifa (2015) No. 13] (□□□□□□□□□□□□□□□□□□□□□□□□□□□□[□□(2015)13□]) issued by SAFE with effect from June 1, 2015.

"Circular 37" means the *Circular on Relevant Issues Concerning Foreign Exchange Administration for Domestic Residents to Engage in Overseas Investment and Financing and Round Trip Investment via Special Purpose Companies* [Huifa (2014) No. 37] (□□□□□□□□□□□□□□□□□□□□□□□□□□□□□□□□□□□□[□□(2014)37□]) issued by SAFE with effect from July 14, 2014.

"Code" means the United States Internal Revenue Code of 1986, as amended.

"Company Owned IP" means all Intellectual Property owned by, purported by any Group Company to be owned by, or exclusively licensed to, any of the Group Companies.

"Company Registered IP" means all Intellectual Property for which registrations are owned by or held in the name of, or for which applications have been made in the name of, any Group Company.

"Consent" means any consent, approval, authorization, release, 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.

"Conversion Shares" means, the Ordinary Shares issuable upon the conversion of Series C-3 Preferred Shares issued hereunder.

"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, or any contract providing for the acquisition of any of the foregoing.

"ESOP" means the Ordinary Shares (as adjusted in connection with share splits or share consolidation, reclassification or other similar event) and/or options or warrants therefor issued in the aggregate not exceeding 6,336,126 Ordinary Shares (on an as-exercised basis) to employees, officers, directors, contractors, advisors or consultants of the Group Companies pursuant to the Restated Share Incentive Plan.

"ESOP Increase" means an increase to the size of ESOP, such increase representing 10% of the total share capital of the Company on a fully diluted basis as of immediately after the Closing (as adjusted in connection with share splits or share consolidation, reclassification or other similar event) and/or options or warrants therefor issued and after such increase, the aggregate size of ESOP shall not exceed 11,391,131 Ordinary Shares on an as converted, fully diluted and as-exercised basis (as adjusted in connection with share splits or share consolidation, reclassification or other similar event).

"FCPA" means Foreign Corrupt Practices Act of the United States of America, as amended from time to time.

"FDA" means the U.S. Food and Drug Administration, or any successor federal agency in the U.S. performing similar functions.

"GCP" means the then-current Good Clinical Practice standards for the design, conduct, performance, monitoring, auditing, recording, analysis and reporting of Clinical Trials, including, as applicable (a) 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 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), and (d) the PRC Good Clinical Practice for Pharmaceutical Products, each as maybe amended from time to time.

"GLP" means the then-current Good Laboratory Practice standards, including (a) the Good Laboratory Practice standards promulgated or endorsed by the FDA as defined in 21 C.F.R. Part 58, and (b) the Good Laboratory Practice for Pharmaceutical Products promulgated or endorsed by the NMPA, or the successor thereto, as may be amended from time to time.

"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, the Holdco Subsidiary, the WFOE, the US Subsidiary, and the Australian Subsidiary, together with each Subsidiary of any of the foregoing, and "Group" refers to all of Group Companies collectively.

"Health Care Laws" means the Federal Food, Drug, and Cosmetic Act ("FD&C Act"); the Public Health Services Act; the PRC Drug Administration Law ("DAL"); analogous laws promulgated by foreign, federal, state, provincial or local Governmental Authorities; and any regulations adopted by Regulatory Authorities thereunder (including, as applicable, those requirements relating to cGMP, GLP, GCP, investigational use, and pre-market approval).

"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 (even though the rights and remedies of the seller or bank under such agreement in the event of default are limited to repossession or sale of such property), (vi) all obligations that are capitalized (including capitalized lease obligations), (vii) all obligations under banker's acceptance, letter of credit or similar facilities, (viii) all obligations to purchase, redeem, retire, defease or otherwise acquire for value any Equity Securities of such Person, (ix) all obligations in respect of any interest rate swap, hedge or cap agreement, and (x) all guarantees issued in respect of the Indebtedness referred to in clauses (i) through (ix) above of any other Person, but only to the extent of the Indebtedness guaranteed.

"Indemnifiable Loss" means, with respect to any Person, any action, claim, cost, damage, deficiency, disbursement, expense, liability, loss, obligation, penalty or settlement of any kind or nature imposed on or otherwise incurred or suffered by such Person, including without limitation, (x) reasonable legal, accounting and other professional fees and expenses incurred in the investigation, collection, prosecution and defense of claims, and (y) amounts paid in settlement, other than consequential damages resulting from a breach for which the Parties do not, and did not, have reason to foresee as a probable result of such breach.

"Indemnification Agreement" means the director indemnification agreement to be entered into by and among the parties named therein upon the Closing, which shall be in the form attached hereto as Exhibit E.

"Intellectual Property" means any and all (i) patents, all patent rights, and all patent applications therefor and all 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 (including any rights in software or source code), copyright registrations and applications, mask works and registrations and applications therefor, author's rights and works of authorship (iv) domain names, URLs, web sites, web pages and any part thereof, (v) technical information, know-how, trade secrets, drawings, designs, design protocols and tools, specifications, proprietary data, customer lists, databases, proprietary processes, technology, formulae, and algorithms and (vi) trade names, trade dress, trademarks, domain names, service marks, logos, business names, and registrations and applications therefor, and the goodwill symbolized or represented by the foregoing and other proprietary information and common-law rights.

"knowledge" of any Party shall mean such Party's actual knowledge after due and diligent inquiries of officers and directors of such Party reasonably believed to have knowledge of the matter in question.

"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 formally issued written interpretation or administration of any of the foregoing by, any Governmental Authority, in each case as amended, and any and all applicable Governmental Orders.

"Liabilities" means, with respect to any Person, all liabilities, obligations and commitments of such Person of any nature, whether accrued, absolute, contingent or otherwise, and whether due or to become due.

"Lien" means any claim, charge, easement, encumbrance, lease, covenant, security interest, equity, lien, option, pledge, mortgage, hypothecation, retention of title, title defect, rights of others, or restriction (whether on voting, sale, transfer, disposition or otherwise), whether imposed by Contract, understanding, law, equity or otherwise.

"Material Adverse Effect" means any (i) event, occurrence, fact, condition, change or development that has had, has, or would reasonably be expected to have, individually or together with other events, occurrences, facts, conditions, changes or developments, a material adverse effect on the business, properties, assets, employees, operations, results of operations, condition (financial or otherwise), prospects, assets or liabilities of the Group taken as a whole, (ii) material impairment of the ability of any Party (other than the Investor) to perform the material obligations of such Party under any Transaction Documents, or (iii) material impairment of the validity or enforceability of this Agreement or any other Transaction Document against any Party hereto or thereto (other than the Investor). The Material Adverse Effect shall not include (a) any outbreak or escalation of war or major hostilities or any act of terrorism or any natural disaster or other force majeure event which occurs after the date of this Agreement; (b) changes in Laws, generally accepted accounting principles or enforcement or interpretation thereof after the date of this Agreement; (c) changes that generally affect the industries and markets in which the Group Companies operate to the extent such changes do not have a materially disproportionate adverse effect relative to other similarly situated industry participants; (d) changes in financial markets, general economic conditions (including prevailing interest rates, exchange rates, commodity prices and fuel costs) or political or social conditions to the extent such changes do not have a materially disproportionate adverse effect relative to other similarly situated industry participants.

"MOFCOM" means the Ministry of Commerce of the PRC or, with respect to any matter to be submitted for examination and approval by the Ministry of Commerce, any Governmental Authority which is delegated or authorized by the Ministry of Commerce to examine and approve such matter under the laws of the PRC.

"NMPA" means the National Medical Products Administration under the PRC State Administration for Market Regulation, or any successor thereto. For the avoidance of doubt, the NMPA shall refer to the agency formerly known as the PRC's Food and Drug Administration (CFDA).

"Ordinary Shares" means the Company's ordinary shares, par value US$0.0001 per share.

"Permitted Liens" means (i) Liens for Taxes not yet delinquent or the validity of which are being contested in good faith and for which there are adequate reserves on the applicable financial statements, and (ii) Liens incurred in the ordinary course of business, which (x) do not individually or in the aggregate materially detract from the value, use, or transferability of the assets that are subject to such Liens, and (y) were not incurred in connection with the borrowing of money.

"Person" means any individual, sole proprietorship, partnership, limited partnership, limited liability company, firm, joint venture, estate, trust, unincorporated organization, association, corporation, institution, public benefit corporation, entity or governmental or regulatory authority or other enterprise or entity of any kind or nature.

"PRC" means the People's Republic of China, but solely for the purposes of this Agreement and the other Transaction Documents, excluding Hong Kong, the Macau Special Administrative Region and the islands of Taiwan.

"Products" means any product (a) that is or was researched, developed, tested, labeled, manufactured, stored, imported, exported, marketed or distributed by or on behalf of the Company or any of its Affiliates on or before the date of this Agreement or at any time thereafter prior to the Closing Date.

"Prohibited Person" means any Person that is (1) a national or resident of any U.S. embargoed or restricted country, (2) included on, or Affiliated with any Person on, the United States Commerce Department's Denied Parties List, Entities and Unverified Lists; the U.S. Department of Treasury's Specially Designated Nationals, Specially Designated Narcotics Traffickers or Specially Designated Terrorists, or the Annex to Executive Order No. 13224; the Department of State's Debarred List; UN Sanctions, (3) a member of any PRC military organization, or (4) a Person with whom business transactions, including exports and re-exports, are restricted by a U.S. Governmental Authority, including, in each clause above, any updates or revisions to the foregoing and any newly published rules.

"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.

"Regulatory Authority" means, in respect of a jurisdiction, any agency, department, bureau or other governmental entity with authority over the Development, manufacture, use or sale with respect to products in the jurisdiction, including the FDA and the NMPA.

"Related Party" means any Affiliate, officer, director, supervisory board member, employee, or holder of any Equity Security of any Group Company, and any Affiliate of any of the foregoing.

"Relative" of a natural person means the spouse of such person and any parent, grandparent, child, grandchild, sibling, cousin, in-law, uncle, aunt, nephew or niece of such person or spouse.

"Restated Share Incentive Plan" means the Company's Amended and Restated Share Incentive Plan (as amended) duly approved by the Board of Directors, a true copy of which was provided to the Investor prior to the date hereof.

"Restated Shareholders Agreement" means the Fifth Amended and Restated Shareholders Agreement to be entered into by and among the parties named therein upon the Closing, which shall be in the form attached hereto as Exhibit B.

"Restated Right of First Refusal & Co-Sale Agreement" means the Fourth Amended and Restated Right of First Refusal & Co-Sale Agreement to be entered into by and among the parties named therein upon the Closing, which shall be in the form attached hereto as Exhibit C.

"Right of First Refusal & Co-Sale Agreement" means the Third Amended and Restated Right of First Refusal & Co-Sale Agreement entered into on June 12, 2019 by and among the Company and the parties named therein.

"SAFE" means the State Administration of Foreign Exchange of the PRC.

"SAFE Rules and Regulations" means collectively, the Circular 13, Circular 37 and any other applicable SAFE rules and regulations.

"SAIC" means the State Administration of Industry and Commerce of the PRC or, with respect to the issuance of any business license or filing or registration to be effected by or with the State Administration of Industry and Commerce, any Governmental Authority which is similarly competent to issue such business license or accept such filing or registration under the laws of the PRC.

"Sanctions" means any economic sanctions laws, regulations or embargoes enacted or enforced by Sanctions Authorities;

"Sanctions Authorities" means:

(a) the United States;

(b) the United Nations;

(c) the European Union;

(d) the United Kingdom;

the respective Government Authorities of any of the foregoing, including the Office of Foreign Assets Control of the US Department of Treasury, the United States Department of State, and Her Majesty's Treasury;

"Securities Act" means the U.S. Securities Act of 1933, as amended and interpreted from time to time.

"Series C-3 Preferred Share" means a series C-3 preferred share of the Company, par value US$0.0001 per share.

"Shareholders Agreement" means the Fourth Amended and Restated Shareholders' Agreement entered into on June 12, 2019 by and among the Company and parties named therein.

"Subsidiary" means, with respect to any given Person, any other Person that is Controlled directly or indirectly by such given Person.

"Tax" means (i) in the PRC: (a) any national, provincial, municipal, or local taxes, charges, fees, levies, or other assessments, including, without limitation, all net income (including enterprise income tax and individual income withholding tax), turnover (including value-added tax, business tax, and consumption tax), resource (including urban and township land use tax), special purpose (including land value-added tax, urban maintenance and construction tax, and additional education fees), property (including urban real estate tax and land use fees), documentation (including stamp duty and deed tax), filing, recording, social insurance (including pension, medical, unemployment, housing, and other social insurance withholding), tariffs (including import duty and import value-added tax), and estimated and provisional taxes, charges, fees, levies, or other assessments of any kind whatsoever, (b) all interest, penalties (administrative, civil or criminal), or additional amounts imposed by any Governmental Authority in connection with any item described in clause (a) above, and (c) any form of transferee liability imposed by any Governmental Authority in connection with any item described in clauses (a) and (b) above and (ii) in any jurisdiction other than the PRC: all similar liabilities as described in clause (i)(a) and (i)(b) above.

"Tax Return" means any return, report or statement showing Taxes, used to pay Taxes, or required to be filed with respect to any Tax (including any elections, declarations, schedules or attachments thereto, and any amendment thereof), including any information return, claim for refund, amended return or declaration of estimated or provisional Tax.

"Transaction Documents" means this Agreement, the Restated Memorandum and Articles, the Ancillary Agreements and each of the other agreements and documents otherwise required in connection with implementing the transactions contemplated by any of the foregoing.

"U.S. real property holding corporation" has the meaning as defined in the Code.

"Warrantors" means the Group Companies.

2. **Other Defined Terms**. The following terms shall have the meanings defined for such terms in the Sections set forth below:

Agreement	Preamble
Arbitration Notice	Section 8.3(i)
Australian Subsidiary	Preamble
Closing	Section 2.2(i)
Company	Preamble
Compliance Laws	Section 3.16(i)
DAL	Definition of Health Care Laws
Disclosure Schedule	Section 3
Dispute	Section 8.3(i)
FD&C Act	Definition of Health Care Laws
Financial Statements	Section 3.11
Financing Terms	Section 7.2
HKIAC	Section 8.3(ii)
HKIAC Rules	Section 8.3(ii)
Holdco Subsidiary	Preamble
Indemnified Party	Section 7.1
Investor	Preamble
Key Employees	Section 3.20(i)
Lease	Section 3.17(ii)
Licenses	Section 3.19(v)
Material Contracts	Section 3.15(i)
ODI Filing	Section 7.5(ii)
Party(ies)	Preamble
Purchase Price	Section 2.1(i)
Representatives	Section 3.16(i)
Restated Memorandum and Articles	Section 5.6
Series C-3 Preferred Shares	Section 2.1(i)
Statement Date	Section 3.11
Suzhou Biotech	Section 7.5(ii)
US Subsidiary	Preamble
WFOE	Preamble

EXHIBIT A

FORM OF SIXTH AMENDED AND RESTATED
MEMORANDUM AND ARTICLES OF ASSOCIATION

EXHIBIT B

FORM OF AMENDED AND RESTATED SHAREHOLDERS AGREEMENT

EXHIBIT C

FORM OF FOURTH AMENDED AND RESTATED RIGHT OF FIRST REFUSAL & CO-SALE AGREEMENT

EXHIBIT D

DISCLOSURE SCHEDULE

EXHIBIT E

INDEMNIFICATION AGREEMENT

Exhibit 10.5

Execution Version

SHARE PURCHASE AGREEMENT

THIS SHARE PURCHASE AGREEMENT (this "Agreement") is made and entered into on June 9, 2019 by and among:

1. Adagene Inc., an exempted company organized under the laws of the Cayman Islands (the "Company");

2. Adagene (Hong Kong) Limited (□□□□(□□)□□□□), a company organized under the laws of Hong Kong (the "Holdco Subsidiary");

3. Adagene (Suzhou) Limited (□□□□□□□□□□□□), a company organized under the laws of the PRC (the "WFOE");

4. Adagene Incorporated, a company organized under the laws of the State of Delaware (the "US Subsidiary");

5. ADAGENE AUSTRALIA PTY LTD, a company incorporated and organized under the laws of Australia (the "Australian Subsidiary"); and;

6. Each of the Persons listed in Schedule I attached hereto (individually, an "Investor", and collectively, the "Investors").

The foregoing parties shall be hereinafter referred collectively as the "Parties" and each individually as a "Party".

RECITALS

A. The Company holds 100% issued and outstanding share capital of the Holdco Subsidiary, which holds 100% registered capital of the WFOE. The Company also holds 100% issued and outstanding shares of the US Subsidiary, which holds 100% issued and outstanding shares of the Australian Subsidiary.

B. The Investors wish to invest in the Company by subscribing for Series C-2 Preferred Shares (as defined below) to be issued by the Company pursuant to the terms and subject to the conditions of this Agreement, and the Company wishes to issue and sell Series C-2 Preferred Shares to the Investors pursuant to the terms and subject to the conditions of this Agreement.

C. 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 agree as follows:

1. Definitions.

Capitalized terms shall have the meanings ascribed to them in Annex 1 attached hereto.

2. Purchase and Sale of Shares.

2.1 Sale and Issuance of the Series C-2 Preferred Shares.

(i) Subject to the terms and conditions of this Agreement (including but not limited to Sections 5 and 6), at the Closing (as defined below), the Investors agree to subscribe for and purchase, and the Company agrees to issue and sell to the Investors, a total number of 1,861,121 series C-2 preferred shares of the Company, par value US$0.0001 per share (the "Series C-2 Preferred Shares"), with each Investor subscribing for such number of Series C-2 Preferred Shares as set forth opposite to such Investor's name on Schedule I attached hereto and paying as consideration of US$18,999,999 (the "Purchase Price") representing a per share price of US$10.2089.

(ii) Immediately after the consummation of the Closing, the capitalization structure of the Company is set forth in Schedule II hereto.

2.2 Closing.

(i) **Closing**. The closing of the sale, purchase and issuance of the Series C-2 Preferred Shares pursuant to Section 2.1 (the "Closing") shall take place within ten (10) Business Days after all closing conditions specified in Section 5 and Section 6 hereof have been satisfied or waived (other than those conditions to be satisfied at the Closing, but subject to the satisfaction or waiver thereof at the Closing) or on such other date agreed by the Company and the Investors by the exchange of signatures and documents electronically.

(ii) **Deliveries by the Company at Closing**. At the Closing, in addition to any items the delivery of which is made an express condition to the Investors' obligations at the Closing pursuant to Section 5, the Company shall deliver to the Investors (a) a certified true copy of the updated register of members of the Company, reflecting the issuance of the Series C-2 Preferred Shares at the Closing, and (b) a copy of the duly executed share certificates representing the Series C-2 Preferred Shares being purchased by the Investors at the Closing. Within five (5) Business Days after the Closing, the Company shall deliver to the Investors the original share certificates representing the Series C-2 Preferred Shares being purchased by such Investor at the Closing, and shall duly file the Restated Memorandum and Articles (as defined below) with the appropriate authority(ies) of the Cayman Islands.

(iii) **Deliveries by the Investors at Closing**. Within five (5) Business Days upon the Closing, subject to the satisfaction or waiver of all the conditions set forth in Section 5, each Investor shall pay the Purchase Price in accordance with Section 2.1(i) hereto by wire transfer of immediately available funds in U.S. dollars to an account of the Company as set out in Schedule III hereto, or as otherwise designated by the Company in writing.

(iv) If, after or at the Closing (as first scheduled or as deferred), any Investor shall fail to perform its obligations to fund its Purchase Price pursuant to Section 2.2(iii) or any closing conditions specified in Section 6 hereof for such Investor has not been satisfied, the Closing shall take place with respect to the other Investors. The closing with respect to such Investor shall not take place until such time it has fulfilled its obligations hereunder. The Company shall also have the option to terminate this Agreement with respect to such Investor that failed to perform its obligation to fund its Purchase Price or with respect to such Investor that failed to satisfy any closing conditions specified in Section 6 hereof for such Investor. For the avoidance of doubt, in the event of such termination, the Company can take all measures to unwind the transactions contemplated hereunder with respect to such Investor to the status immediately prior to the Closing, including but not limited to removing such Investor from the register of members of the Company or decline the number of the Series C-2 Preferred Shares being purchased by such Investor at the cost of such Investor (as the case may be).

2.3 Use of Proceeds.

The Company shall use the Purchase Price as set forth in Section 2.1 as working capital for (a) the development and improvement of antibody drug discovery platform and (b) research and development of innovative pipeline products targeting severe diseases. The Company shall not use the Purchase Price as set forth in Section 2.1 for financing the acquisition or subscription of any shares or other debt or equity securities listed on any stock exchange, or any interest therein. The Investors shall have the right but not the obligation to monitor the use of proceeds.

2.4 Walk-Away.

In the event that the Closing has not occurred within four (4) months from the date hereof (or by such later time and date as the parties hereto may mutually agree upon in writing), this Agreement may be terminated by the Company or the Investors at their own election and discretion by issuing a written notice to the other Parties after which this Agreement shall be of no further force and effect with respect to the Parties to this Agreement (with the exception of this Section 2.4, Section 7.2 and Section 8) which shall remain in full force and effect).

3. Representations and Warranties of the Company.

Subject to such exceptions as may be set forth in the disclosure schedule delivered by the Company to the Investors as of the date hereof and attached hereto as Exhibit D (the "Disclosure Schedule") which forms part of the representation and warranties herein, the Warrantors jointly and severally represent and warrant to the Investors that the following statements are true and correct as of the date hereof and as of the Closing. The Disclosure Schedule shall be arranged in sections corresponding to the numbered and lettered sections contained in this Section 3, and the disclosures in any section of the Disclosure Schedule shall qualify other section in this Section 3 to the extent it is reasonably apparent from a reading of the disclosure that such disclosure is applicable to such other sections.

3.1 Organization, Good Standing and Qualification.

Each Group Company is duly organized, validly existing and in good standing (or equivalent status in the relevant jurisdiction) under, and by virtue of, the Laws of the place of its incorporation or establishment and has all requisite power and authority to own its properties and assets and to carry on its Business as now conducted, and to perform each of its obligations under the Transaction Documents to which it is a party. Each Group Company is qualified to do business and is in good standing (or equivalent status in the relevant jurisdiction) in each jurisdiction where failure to be so qualified would be a Material Adverse Effect. Each Group Company that is a PRC entity has a valid business license issued by the SAIC or its local branch or other relevant Government Authorities, and has, since its establishment, carried on its Business materially in compliance with the business scope set forth in its business license.

3.2 Capitalization and Voting Rights.

(i) **Company**. The authorized share capital of the Company immediately prior to the Closing shall be US$50,000 divided into (a) a total of 477,202,617 authorized ordinary shares of US$0.0001 each, 15,159,136 of which are issued and outstanding; and (b) a total of 7,844,371 authorized Series A Preferred Shares with par value of US$0.0001 each, 5,473,957 of which are classified as series A-1 preferred shares with par value of US$0.0001 each, all of which are issued and outstanding, and 2,370,414 of which are classified as series A-2 preferred shares with par value of US$0.0001 each, all of which are issued and outstanding; (c) a total of 7,494,537 authorized Series B Preferred Shares with par value of US$0.0001 each, all of which are issued and outstanding; and (d) a total of 7,458,475 authorized Series C Preferred Shares with par value of US$0.0001 each, comprised of 5,597,354 Series C-1 Preferred Shares with par value of US$0.0001 each and 1,861,121 Series C-2 Preferred Shares with par value of US$0.0001 each, all of the Series C-1 Preferred Shares are issued and outstanding and none of the Series C-2 Preferred Shares is issued and outstanding.

(ii) **Holdco Subsidiary**. The authorized share capital of the Holdco Subsidiary is and immediately prior to and following the Closing shall be HK$10,000.00 divided into 10,000 shares of HK$1.00 par value, 100% of which are issued and outstanding and all held by the Company.

(iii) **WFOE**. The registered capital of the WFOE is and immediately prior to and following the Closing shall be RMB 8,000,000, 100% of which has contributed by the Holdco Subsidiary.

(iv) **US Subsidiary**. The authorized share capital of the US Subsidiary is and immediately prior to and following the Closing shall be 5,000 shares of common stock, 100% of which are issued and outstanding and all held by the Company.

(v) **Australian Subsidiary**. The authorized share capital of the Australian Subsidiary is and immediately prior to and following the Closing shall be 100 ordinary shares, 100% of which are issued and outstanding and all held by the US Subsidiary.

(vi) **No Other Securities**. Except for (a) this Agreement, (b) certain agreements disclosed in Section 3.2(vi) in the Disclosure Schedule and (c) the ESOP reserved by the Company and granted by the Board of Directors, (1) there are no and at the Closing there shall be no other authorized or outstanding Equity Securities of any Group Company; (2) no promise, commitment or offer has been made, in writing or otherwise, by any Group Company or any officer of any Group Company on behalf of the Group Company, to issue any Equity Securities of any Group Company; (3) no Equity Securities of any Group Company are subject to any preemptive rights, rights of first refusal or other rights to purchase such Equity Securities or any other rights with respect to such Equity Securities, and (4) no Group Company is a party or subject to any Contract that affects or relates to the voting or giving of written consents with respect to, or the right to cause the redemption, or repurchase of, any Equity Security of such Group Company. Except as set forth in the Restated Shareholders Agreement, the Company has not granted any registration or information rights to any other Person, nor is the Company obliged to list, any of the Equity Securities of any Group Companies on any securities exchange.

(vii) **Issuance and Status**. All share capital or registered capital, as the case may be, of each Group Company have been duly and validly issued, are fully paid (or subscribed for) and non-assessable, and are and as of the Closing shall be free of any and all Liens (except for any restrictions on transfer under the Ancillary Agreements and applicable Laws). Except as contemplated under the Transaction Documents, there are no (a) resolutions pending to increase the share capital or registered capital of any Group Company or cause the liquidation, winding up, or dissolution of any Group Company, nor has any distress, execution or other process been levied against any Group Company, (b) dividends which have accrued or been declared but are unpaid by any Group Company, (c) obligations, contingent or otherwise, of any Group Company to repurchase, redeem, or otherwise acquire any Equity Securities, or (d) except for the ESOP granted to certain Persons by the Board of Directors, outstanding or authorized equity appreciation, phantom equity, equity plans or similar rights with respect to any Group Company. All dividends (if any) or distributions (if any) declared, made or paid by each Group Company, and all repurchases and redemptions of Equity Securities of each Group Company (if any), have been declared, made, paid, repurchased or redeemed, as applicable, in accordance with its Charter Documents and all applicable Laws in all material respects.

(viii) **Title**. The Company is the sole record and beneficial holder of all of outstanding share capital of Holdco Subsidiary and US Subsidiary, and Holdco Subsidiary is the sole holder of all equity interests of the WFOE, all of which are free and clear of all Liens of any kind other than those arising under applicable Law or as set forth in the Transaction Documents.

3.3 Corporate Structure; Subsidiaries.

Section 3.3 of the Disclosure Schedule sets forth a complete structure chart showing Group Companies, and indicating the ownership and Control relationships among all Group Companies, the nature of the legal entity which each Group Company constitutes, the jurisdiction in which each Group Company was organized, and each jurisdiction in which each Group Company is required to be qualified or licensed to do business as a foreign Person. No Group Company owns or Controls, or has ever owned or Controlled, directly or indirectly, any Equity Security, interest or share in any other Person or is or was a participant in any joint venture, partnership or similar arrangement. No Group Company is obligated to make any investment in or capital contribution in or on behalf of any other Person, other than the commitment of the Holdco Subsidiary to contribute registered capital to the WFOE in accordance with the Charter Documents of the WFOE. The Group does not engage in any business other than the Business.

3.4 Authorization.

Each of the Group Companies has all requisite power and authority to execute and deliver the Transaction Documents to which it is a party and to carry out and perform its obligations thereunder. The authorization, issuance, sale and delivery of Series C-2 Preferred Shares, and reservation for issuance of the Conversion Shares, has been taken or will be taken prior to the Closing. This Agreement has been, and each other Transaction Document, when executed and delivered, constitutes valid and legally binding obligations of the Company, enforceable against the Company in accordance with its terms, except (i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium, and other Laws of general application affecting enforcement of creditors' rights generally, (ii) as limited by Laws relating to the availability of specific performance, injunctive relief, or other equitable remedies and (iii) as limited by the Shareholders Agreement, Right of First Refusal & Co-Sale Agreement and existing Fourth Amended and Restated Memorandum and Articles of Association.

3.5 Valid Issuance of Securities.

The Series C-2 Preferred Shares, when issued, delivered and paid for in accordance with the terms of this Agreement for the consideration expressed herein, will be duly and validly issued, fully paid and non-assessable, free from any Liens (except for any restrictions on transfer under applicable Laws and under the Ancillary Agreements). All Conversion Shares, upon issuance in accordance with the terms of the memorandum and articles of the Company then in effect, will be duly and validly issued, fully paid and non-assessable, free from any Liens (except for any restrictions on transfer under applicable securities Laws and under the Ancillary Agreements). The issuance of the Series C-2 Preferred Shares is not, and the issuance of the Conversion Shares will not be, subject to any preemptive rights, rights of first refusal or similar rights other than those that have been or will be duly waived prior to or at the Closing, as applicable.

3.6 Consents; No Conflicts.

All Consents from or with any Governmental Authority or any other Person required in connection with the execution, delivery and performance of the Transaction Documents by the parties thereto (other than the Investors), and the consummation of the transactions contemplated by the Transaction Documents by the parties thereto (other than the Investors), have been duly obtained or completed (as applicable) and are in full force and effect. The execution, delivery and performance of each Transaction Document by the Warrantors do not, and the consummation by the Warrantors of the transactions contemplated thereby will not, with or without notice or lapse of time or both, (i) result in any violation of, be in conflict with, or constitute a default under any provision of the constitutional documents of the Warrantors or any Contracts to which the Warrantors are parties, (ii) result in any violation of, be in conflict with, or constitute a default under, in any material respect, any Governmental Order or any applicable Law, or (iii) results in the creation of any Lien upon any asset of any Group Company.

3.7 Offering.

Subject in part to the accuracy of the Investors' representations set forth in Sections 4 of this Agreement, the offer, sale and issuance of the Series C-2 Preferred Shares are, exempt from the qualification, registration and prospectus delivery requirements of the Securities Act and any other applicable securities Laws.

3.8 Compliance with Laws; Consents.

(i) Each Group Company is, and has been, in compliance in all material respects with all applicable Laws. To the Warrantors' knowledge, no event has occurred and no circumstance exists that (with or without notice or lapse of time) (a) may constitute or result in a violation by any Group Company of, or a failure on the part of such entity to comply with, any applicable Laws in any material respect, or (b) may give rise to any obligation on the part of any Group Company to undertake, or to bear all or any portion of the cost of, any remedial action of any nature. None of the Group Companies has received any notice from any Governmental Authority regarding any of the foregoing. No Group Company is under investigation with respect to a material violation of any Law.

(ii) All material Consents from or with the relevant Governmental Authority required in respect of the due and proper establishment and operations of each Group Company as now conducted, including but not limited to the Consents from or with MOFCOM, SAIC, SAFE, any Tax bureau and the local counterpart thereof, as applicable (or any predecessors thereof, as applicable), have been duly obtained or completed in accordance with all applicable Laws. None of the Group Companies is in default in any material respect under any required Governmental Consent. No Group Company has received any letter or other written communication from any Governmental Authority threatening or providing notice or revocation of any required Governmental Consent issued to any Group Company or the need for compliance or remedial actions in respect of the activities carried out directly or indirectly by any Group Company.

3.9 Tax Matters.

(i) Each Group Company (a) has timely filed all income and other material Tax Returns that are required to have been filed by it with any Governmental Authority, and (b) has timely paid all Taxes owed by it which are due and payable (whether or not shown on any Tax Return), except to the extent any failure to timely pay such Taxes would not have a Material Adverse Effect.

(ii) Each Tax Return referred to in paragraph (i) above was (and will be) true, correct and complete in all material respects in compliance with applicable Law. There is no pending dispute with, or notice from, any Tax authority relating to any of the Tax Returns filed by any Group Company, and there is no proposed Liability for a deficiency in any Tax to be imposed upon the properties or assets of any Group Company. No reporting position was taken on any such Tax Return which has not been disclosed to the appropriate tax authority or in such Tax Return, as may be required by applicable Law, except to the extent any failure to disclose such reporting position would not have a Material Adverse Effect on any Group Company.

(iii) No Group Company has been the subject of any examination or investigation by any Tax authority relating to the payment or withholding of Taxes that has not been resolved or is currently the subject of any examination or investigation by any Tax authority relating to the payment or withholding of Taxes. None of the Group Companies has received notice of any proposed or determined Tax deficiency or assessment from any Governmental Authority. As of the date hereof there are no audits, examinations, requests for information or other administrative proceedings pending or threatened with respect to any of the Group Companies. There is no pending dispute with, or notice from, any taxing authority relating to any of the Tax Returns filed by any Group Company which, if determined adversely to such Group Company, would result in the assertion by any taxing authority of any valid deficiency in a material amount for Taxes, and to the knowledge of the Warrantors, there is no proposed Liability for a deficiency in any Tax to be imposed upon the properties or assets of any Group Company.

(iv) No Group Company is or has ever been a U.S. real property holding corporation.

(v) The Company is treated as a corporation for U.S. federal income tax purposes.

3.10 Charter Documents; Books and Records.

The Charter Documents of each Group Company are in the form provided to the Investors. Each Group Company has been in compliance with its Charter Documents, and none of the Group Companies has violated or breached any of their respective Charter Documents. Such copy is true, correct and complete, and contains all amendments and all minutes of meetings and actions taken by its shareholders and directors since the time of formation through the date hereof and reflects all transactions referred to in such minutes in all material respects. Each Group Company maintains its books of accounts and records in the usual, regular and ordinary manner, on a basis consistent with prior practice, and which permits its Financial Statements (as defined below) to be prepared in accordance with the Accounting Standards. The register of members and directors (with respect to the jurisdiction where recognizes this concept) of each Group Company is correct, there has been no notice of any proceedings to rectify any such register, and there are no circumstances which might lead to any application for its rectification. All documents requiring to be filed by each Group Company with the applicable Governmental Authority in respect of the relevant jurisdiction in which the relevant Group Companies is being incorporated have been properly made up and filed.

3.11 Financial Statements.

The Company has delivered to the Investors (i) the audited balance sheets, income statements and statements of cash flows for the Holdco Subsidiary and the WFOE as of and for the twelve-months ending December 31, 2016, (ii) the audited balance sheets, income statements and statements of cash flows for the Holdco Subsidiary and the WFOE as of and for the twelve-months ending December 31, 2017 and (iii) the unaudited consolidated balance sheet, income statement and statement of cash flows for the Holdco Subsidiary and the WFOE as of and as of for the twelve-month period ending December 31, 2018 (the "Statement Date") (collectively, the financial statements referred to above, the "Financial Statements"). The Financial Statements (a) have been prepared in accordance with the books and records of the Group, (b) fairly present in all material respects the financial condition and position of the Group as of the dates indicated therein and the results of operations and cash flows of the Group for the periods indicated therein, except in the case of unaudited financial statements for the omission of notes thereto and normal year-end audit adjustments that are not expected to be material, and (c) were prepared generally in accordance with the Accounting Standards applied on a consistent basis throughout the periods involved.

3.12 Changes.

Since the Statement Date, each Group Company (a) has operated its business in the ordinary course consistent with its past practice, (b) used its reasonable best efforts to preserve its business, (c) collected receivables and paid payables and similar obligations in the ordinary course of business consistent with past practice, and (d) not engaged in any new line of business or entered into any agreement, transaction or activity or made any commitment except those in the ordinary course of business consistent with past practice. Since the Statement Date, except disclosed in Section 3.12 in the Disclosure Schedule, there has not been any Material Adverse Effect or any material change in the way the Group conducts its business, and there has not been by or with respect to any Group Company:

(i) any purchase, acquisition, sale, lease, disposal of or other transfer of any assets that are individually or in the aggregate material to its business, whether tangible or intangible, other than the purchase or sale of inventory in the ordinary course of business consistent with its past practice;

(ii) any acquisition (by merger, consolidation or other combination, or acquisition of stock or assets, or otherwise) of any business or other Person or division thereof, or any sale or disposition of any business or division thereof;

(iii) any waiver, termination, cancellation, settlement or compromise of a valuable right, debt or claim with a value more than US$500,000;

(iv) any incurrence, creation, assumption, repayment, satisfaction, or discharge of (1) any material Lien (other than Permitted Liens) or (2) any Indebtedness or guarantee, or the making of any loan or advance (other than reasonable and normal advances to employees for bona fide expenses that are incurred in the ordinary course of business consistent with its past practice), or the making of any investment or capital contribution;

(v) any material amendment to or termination of any Material Contract, any entering of any new Contract that would have been a Material Contract if in effect on the date hereof, or any amendment to or waiver under any Charter Document;

(vi) any declaration, setting aside or payment or other distribution in respect of any Equity Securities of any Group Company, or any issuance, transfer, redemption, purchase or acquisition of any Equity Securities by any Group Company;

(vii) any damage, destruction or loss, whether or not covered by insurance, adversely affecting any of the material assets, properties of any Group Company other than the normal wear and tear occurring in the ordinary course of business;

(viii) any material change in accounting methods or practices;

(ix) except in the ordinary course of business consistent with its past practice, entry into any closing agreement in respect of material Taxes, settlement of any claim or assessment in respect of any material Taxes, or consent to any extension or waiver of the limitation period applicable to any claim or assessment in respect of any material Taxes, entry or change of any material Tax election, change of any method of accounting resulting in a material amount of additional Tax or filing of any material amended Tax Return;

(x) any commencement or settlement of any material Action;

(xi) any authorization, sale, issuance, transfer, pledge or other disposition of any Equity Securities of any Group Company other than ESOP; or

(xii) any transaction with any Related Party other than any employment agreement entered into with the employee and certain officers.

3.13 Actions.

There is no Action pending or to the Warrantors' knowledge threatened against or affecting any Group Company with respect to its Business, or any officers, directors or employees of any Group Company in connection with such person's respective relationship with such Group Company, nor is there any basis for any of the foregoing. There is no Action pending by any Group Company against any third party nor does any Group Company intend to commence any such Action. No Governmental Authority has at any time challenged or questioned in writing the legal right of any Group Company to conduct in any material respect its business as presently being conducted.

3.14 Liabilities.

No Group Company has any Liabilities except for (i) liabilities set forth in the Financial Statements, and (ii) current liabilities incurred since the Statement Date in the ordinary course of the Group's business consistent with its past practices. None of the Group Companies has any outstanding Indebtedness. None of the Group Companies is a guarantor or indemnitor of any Liabilities of any other Person (other than a Group Company).

3.15 Commitments.

(i) Section 3.15(i) of the Disclosure Schedule contains a complete and accurate list of all Material Contracts. "Material Contracts" means, collectively, each Contract to which a Group Company or any of its properties or assets is bound or subject to that (a) involves obligations (contingent or otherwise) or payments in excess of US$250,000 per annum or has an unexpired term in excess of one year, (b) involves Intellectual Property that is material to a Group Company (other than generally-available "off-the-shelf" shrink-wrap software licenses obtained by the Group on non-exclusive and non-negotiated terms), including without limitation, the Licenses, (c) restricts the ability of a Group Company to compete or to conduct or engage in any business or activity or in any territory, (d) relates to the sale, issuance, grant, exercise, award, purchase, repurchase or redemption of any Equity Securities, (e) involves any provisions providing for exclusivity, "change in control", "most favored nations", rights of first refusal or first negotiation or similar rights, or grants a power of attorney, agency or similar authority, (f) is with a Related Party, (g) involves material Indebtedness, (h) involves the lease, license, sale, use, disposition or acquisition of a material amount of assets or business, (i) involves the waiver, compromise, or settlement of any material dispute, claim, litigation or arbitration, (j) involves the ownership or lease of, title to, use of, or any leasehold or other interest in, any real property, including without limitation, the Leases, (k) involves the establishment, contribution to, or operation of a partnership, joint venture, alliance or similar entity, or involving a sharing of profits or losses (including joint development and joint marketing Contracts), or any investment in, loan to or acquisition or sale of the securities, equity interests or assets of any Person, (l) is with a Governmental Authority, state-owned enterprise, or sole-source supplier of any material product or service (other than utilities), (m) is a brokerage or finder's agreement, or material sales agency, marketing or distributorship Contract, or (n) is otherwise material to a Group Company or is one on which a Group Company is substantially dependent.

(ii) A true, fully-executed copy of each Material Contract including all amendments and supplements thereto (and a written summary of all terms and conditions of each non-written Material Contract, if any) are available for the Investors to review within ten (10) Business Days from the date hereof in the primary office of the Group Companies. Each Material Contract is a valid and binding agreement of the Group Company that is a party thereto, the performance of which does not and will not violate any applicable Law or Governmental Order, and is in full force and effect and enforceable against the parties thereto, except (x) as may be limited by applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally, and (y) as may be limited by laws relating to the availability of specific performance, injunctive relief or other remedies in the nature of equitable remedies. Each Group Company has duly performed in all material respects all of its obligations under each Material Contract to the extent that such obligations to perform have accrued, no breach or default, alleged breach or alleged default, or event which would (with the passage of time, notice or both) constitute a breach or default thereunder by such Group Company, or to the Warrantors' knowledge any other party or obligor with respect thereto, has occurred, or as a result of the execution, delivery, and performance of the Transaction Documents will occur. No Group Company has given notice (written or oral) that it intends to terminate a Material Contract or that any other party thereto has breached, violated or defaulted under any Material Contract. No Group Company has received any written notice that it has breached, violated or defaulted under any Material Contract or that any other party thereto intends to terminate such Material Contract. No Contracts to which the Company is a party materially restricts the right of the Company to carry on or continue its Business in the normal course or as contemplated by the Transaction Documents. No Group Company has delegated any power or issued any powers of attorney in favor of any Person, other than power of attorney issued to directors or officers of the Company for purposes of executing contracts or agreements for and on behalf of a Group Company in the ordinary course of business.

3.16 Anti-Bribery, Anti-Corruption, Anti-Money Laundering and Sanctions; Absence of Government Interests.

(i) Each Group Company and, to the knowledge of the Warrantors, their respective directors, officers, employees, agents or other Persons authorized in writing to act on their behalf (collectively, "Representatives") are and have been in compliance with all applicable Laws relating to anti-bribery, anti-corruption, anti-money laundering, record keeping and internal control laws (collectively, the "Compliance Laws") including the FCPA as if it were a U.S. Person. Furthermore, no Public Official (x) holds an ownership or other economic interest, direct or indirect, in any of the Group Companies, or (y) serves as an officer, director or employee of any Group Company. To the knowledge of the Warrantors, neither any Group Company nor any Representative has, directly or indirectly, offered, authorized, promised, condoned, participated in, consummated, or received notice of any allegation of:

(a) the making of any gift or payment of anything of value to any Public Official by any Person to obtain any improper advantage, affect or influence any act or decision of any such Public Official, or assist any Group Company in obtaining or retaining business for, or with, or directing business to, any Person;

(b) the taking of any action by any Person which (1) would violate the FCPA, if taken by an entity subject to the FCPA, or (2) could reasonably be expected to constitute a violation of any applicable Compliance Law;

(c) the making of any false or fictitious entries in the books or records of any Group Company by any Person; or

(d) the using of any assets of any Group Company for the establishment of any unlawful or unrecorded fund of monies or other assets, or the making of any unlawful or undisclosed payment.

(ii) No Group Company or any of its Representatives has ever been found by a Governmental Authority to have violated any criminal or securities Law or is subject to any indictment or any government investigation for bribery. None of the beneficial owners of any Equity Securities or other interest in any Group Company or the current or former Representatives of any Group Company are or were Public Officials.

(iii) No Group Company or any of its Representatives is a Prohibited Person, and no Prohibited Person will be given an offer to become an employee, officer, consultant or director of any Group Company. No Group Company has conducted or agreed to conduct any business, or entered into or agreed to enter into any transaction with a Prohibited Person.

(iv) If the Group Companies have beneficial owners or Representatives who are Public Officials, to the Warrantors' knowledge, no such Public Official has been involved on behalf of a Governmental Authority in decisions as to whether any Group Company or the Investors would be awarded business or that otherwise could benefit any Group Company or the Investors, or in the appointment, promotion, or compensation of persons who will make such decisions.

3.17 Title; Properties.

(i) **Title; Personal Property**. Each Group Company has good and valid title to all of its respective assets, whether tangible or intangible, in each case free and clear of all Liens, other than Permitted Liens. The assets of each Group Company (including all rights and properties) are sufficient for the conduct of the Business of such Group Company as presently conducted. Except for leased or licensed assets, no Person other than a Group Company owns any interest in any such assets. All leases of real or personal property to which a Group Company is a party are effective and afford the Group Company valid leasehold possession of the real or personal property that is the subject of the lease. All machinery, vehicles, equipment and other tangible personal property owned or leased by a Group Company are (a) in good condition and repair in all material respects (reasonable wear and tear excepted) and (b) not obsolete or in need in any material respect of renewal or replacement, except for renewal or replacement in the ordinary course of business. There are no facilities, services, assets or properties which are used in connection with the Business of the Group and which are shared with any other Person that is not a Group Company.

(ii) **Real Property**. No Group Company owns or has legal or equitable title, leasehold interest or other right or interest in any real property other than as held pursuant to Leases. Section 3.17(ii) of the Disclosure Schedule sets forth each leasehold interest pursuant to which any Group Company holds any real property (a "Lease"), indicating the parties to such Lease, the address of the property demised under the Lease, the rent payable under the Lease and the term of the Lease. The particulars of the Leases as set forth in Section 3.17(ii) of the Disclosure Schedule are true and complete. Each Lease constitutes the entire agreement with respect to the property demised thereunder. Each Group Company which is party to a Lease has accepted possession of the property demised pursuant to the Lease and is in actual possession thereof and has not sublet, assigned or hypothecated its leasehold interest. No Group Company uses any real property in the conduct of its Business except insofar as it has secured a Lease with respect thereto. As of the date hereof, each Group Company has duly performed in all material respects all of its obligations under each Lease to the extent that such obligations to perform have accrued, and no breach or default, alleged breach or alleged default, or event which would (with the passage of time, notice or both) constitute a breach or default thereunder by any Group Company (or to the knowledge of the Warrantors, on the part of any other party to the Lease).

3.18 Related Party Transactions.

Other than as set forth in Section 3.18 of the Disclosure Schedule and employment contract entered into by any Group Company and certain employees and officers, no Related Party has any Contract with, or is indebted to, any Group Company or has any direct or indirect interest in any Group Company (other than as set forth in Section 3.2(i) of the Disclosure Schedule), nor is any Group Company indebted (or committed to make loans or extend or guarantee credit) to any Related Party (other than for accrued salaries for the current pay period, or other standard employee benefits). No Related Party has any direct or indirect interest in any Person with which a Group Company is affiliated or with which a Group Company has a material business relationship (including any Person which purchases from or sells, licenses or furnishes to a Group Company any goods, intellectual or other property rights or services) or in any Contract to which a Group Company is a party or by which it may be bound or affected, and no Related Party directly or indirectly competes with or has any interest in any Person that directly or indirectly competes with any Group Company (other than ownership of less than one percent (1%) of the stock of publicly traded companies).

3.19 Intellectual Property Rights.

(i) **Company IP**. Each Group Company owns or otherwise has sufficient rights (including, but not limited to the rights of development, maintenance, licensing and sale) to all Intellectual Property necessary and sufficient to conduct its Business as now conducted and as proposed to be conducted by such Group Company without any known conflict with or known infringement of the rights of any other Person. Section 3.19(i) of the Disclosure Schedule sets forth a complete and accurate list of all Company Registered IP for each Group Company, including for each the relevant name or description, registration/certification or application number, and filing, registration or issue date. There exists no pending or to the knowledge of the Warrantors, threatened condemnation, confiscation, dispute, claim, demand or similar proceeding with respect to the continued use and enjoyment of any Company Owned IP by any Group Company.

(ii) **IP Ownership**. All Company Registered IP is owned solely by and registered or applied for solely in the name of a Group Company, and is valid and subsisting and has not been abandoned, and all necessary registration, maintenance and renewal fees with respect thereto and currently due have been satisfied. To the Warrantors' knowledge, no Group Company or any of its employees, officers or directors has taken any actions or failed to take any actions that would cause any Company Owned IP to be invalid, unenforceable or not subsisting. No funding or facilities of a Governmental Authority or a university, college, other educational institution or research center was used in the development of any Company Owned IP. No Company Owned IP is the subject of any Lien, license or other Contract granting rights therein to any other Person. No Group Company is or has been a member or promoter of, or contributor to, any industry standards bodies, patent pooling organizations or similar organizations that could require or obligate a Group Company to grant or offer to any Person any license or right to any Company Owned IP. No Company Owned IP is subject to any proceeding or outstanding Governmental Order or settlement agreement or stipulation that (a) restricts in any manner the use, transfer or licensing thereof, or the making, using, sale, or offering for sale of any Group Company's products or services, by any Group Company or (b) may affect the ownership, validity, use or enforceability of such Company Owned IP. No Group Company has (x) transferred or assigned any Company Owned IP to any other Person; (y) authorized the joint ownership of any other Person in any Company Owned IP; or (z) permitted the rights of any Group Company in any Company Owned IP to lapse or enter into the public domain. The transactions contemplated by this Agreement or any other Transaction Documents shall have no adverse effect on each Group Company's right, title and interest in and to Intellectual Property owned or used by such Group Company.

(iii) **Infringement, Misappropriation and Claims**. To the Warrantors' knowledge, no Group Company has misappropriated, or violated, or infringed in any respect any Intellectual Property of any other Person, nor has any Group Company received any written notice alleging any of the foregoing, nor has any Group Company become aware of any fact that would form a reasonable basis for a claim, suit, or allegation of the foregoing. To the knowledge of the Warrantors, no Person has violated, infringed or misappropriated any material Company Owned IP of any Group Company, and no Group Company has given any verbal or written notice to any other Person alleging any of the foregoing; nor has any Group Company become aware of any fact that would form a reasonable basis for a claim, suit, or allegation of the foregoing. To the Warrantors' knowledge, no Person has challenged the ownership, validity, enforceability, or use of any Company Owned IP by a Group Company. No Group Company has agreed to indemnify any Person for any infringement, violation or misappropriation of any Intellectual Property by such Person.

(iv) **Assignments and Prior IP**. All inventions and know-how conceived by employees of a Group Company related to the Business of such Group Company are currently owned exclusively by a Group Company. All employees, contractors, agents and consultants of a Group Company who are or were involved in the creation of any Intellectual Property for such Group Company have executed an assignment of inventions agreement that vests in a Group Company ownership of all right, title and interest in and to such Intellectual Property. All employee inventors of Company Owned IP have received reasonable reward and remunerations from a Group Company for his/her service inventions or service technology achievements in accordance with the applicable laws. It will not be necessary to utilize any Intellectual Property of any such Persons made prior to their employment by a Group Company, except for those that are exclusively owned by a Group Company. To the Warrantors' knowledge, none of the employees, consultants or independent contractors, currently or previously employed or otherwise engaged by any Group Company, (a) is in violation of any current or prior confidentiality, non-competition or non-solicitation obligations to such Group Company or to any other Persons, including former employers, or (b) is obligated under any Contract, or subject to any Governmental Order, that would interfere with the use of his or her best efforts to promote the interests of the Group Companies or that would conflict with the Business of such Group Company as presently and as proposed to be conducted.

(v) **Licenses**. Section 3.19(v) of the Disclosure Schedule contains a complete and accurate list of the following (collectively, the "Licenses"): (a) all licenses, sublicenses, and other Contracts to which any Group Company is a party and pursuant to which any third party is authorized to use, exercise or receive any benefit from any Company Owned IP, and (b) all licenses, sublicenses and other Contracts to which any Group Company is a party and pursuant to which such Group Company is authorized to use, exercise, or receive any benefit from any Intellectual Property of another Person, in each case except for (1) agreements involving "off-the-shelf" commercially available software, and (2) non-exclusive licenses to customers of the Business in the ordinary course of business consistent with past practice. The Group Companies have paid all license and royalty fees required to be paid under the Licenses.

(vi) **Protection of IP**. Each Group Company has taken all necessary measures to protect, maintain and safeguard Company Owned IP and made all applicable filings, registrations and payments of fees in connection with the foregoing. Without limiting the foregoing, to the Warrantors' knowledge, all current and former officers, employees, consultants and independent contractors of any Group Company and all suppliers, customers, distributors and other third parties having access to material Company Owned IP have executed and delivered to such Group Company an agreement requiring the protection of such Company Owned IP. To the extent that any Company Owned IP has been developed or created independently or jointly by an independent contractor or other third party for any Group Company and is incorporated into any products or services of any Group Company, such Group Company has a written agreement with such independent contractor or third party and has thereby obtained exclusive ownership of or exclusive license to such independent contractor's or third party's Intellectual Property in such work, material or invention by operation of law or valid assignment or license. To the Warrantors' knowledge, none of the Group Companies' trade secrets or confidential information have been disclosed to another Person, except pursuant to written confidentiality obligations.

3.20 Labor and Employment Matters.

(i) Each Group Company has complied in all material respects with all applicable Laws related to labor or employment, including provisions thereof relating to wages, hours, working conditions, benefits, retirement, social welfare, equal opportunity and collective bargaining. There is no pending or to the Warrantors' knowledge, threatened, and there has not been since, with respect to a Group Company, the incorporation of such Group Company, any Action relating to the violation or alleged violation of any applicable Laws by any Group Company related to labor or employment, including any charge or complaint filed by an employee with any Governmental Authority or any Group Company.

(ii) Except for the ESOP reserved by the Company and granted by the Board of Directors, no Group Company has made any written representations regarding equity incentives to any officer, employee, director or consultant of such Group Company that are inconsistent with the amounts and terms set forth in the minutes of meetings of the Board of Directors.

3.21 Insurance.

Section 3.21 of the Disclosure Schedule lists all insurance policies which cover the Group Companies. The Group Companies have in full force and effect fire and casualty insurance policies with extended coverage, sufficient in amount (subject to reasonable deductions) to allow them to replace any of their properties that might be damaged or destroyed.

3.22 State-Owned Assets.

None of the assets of any Group Company constitute state-owned assets and, inasmuch, are not required to undergo any form of valuation under applicable Law in the PRC governing the transfer of state-owned assets prior to the consummation of the transactions contemplated herein or in any other Transaction Documents.

3.23 Brokers.

Except as set forth in Section 3.23 in the Disclosure Schedule, no finder, broker, financial advisor or other intermediary has acted on behalf of any Group Company or any of its Affiliates in connection with the offering of the Series C-2 Preferred Shares or the negotiation or consummation of this Agreement or the Transaction Documents or any of the transactions contemplated hereby or thereby.

3.24 Previous Financing Documents.

All the documents and agreements regarding the previous financing of the Company are available for the Investors to review within ten (10) Business Days from the date hereof in the primary office of the Group Companies. No documents and agreements hereof have been forged or tampered with any manner whatsoever, and no other documents and agreements have been omitted or withheld from the Investors. All the documents and agreements were, when provided, and continue to be, true, accurate, complete and not misleading in any aspect.

3.25 Environmental Compliance.

None of the Group Companies is in material violation of any applicable statute, law or regulation relating to the environment or occupational health and safety and no material expenditures are or will be required to comply with any such existing statute, law or regulation.

4. Representations and Warranties of the Investors.

Each Investor hereby represents and warrants to the Company that:

4.1 Authorization.

Such Investor has all requisite power and authority to execute and deliver the Transaction Documents to which it is a party and to carry out and perform its obligations thereunder. All action on the part of the Investor (and, as applicable, its officers, directors and shareholders) necessary for the authorization, execution and delivery of the Transaction Documents to which it is a party, and the performance of all obligations of such Investor thereunder, has been taken or will be taken prior to or at the Closing. Each Transaction Document that has been duly executed and delivered by such Investor (to the extent such Investor is a party), constitutes valid and legally binding obligations of such Investor, enforceable against such Investor in accordance with its terms, except (i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium, and other Laws of general application affecting enforcement of creditors' rights generally, and (ii) as limited by Laws relating to the availability of specific performance, injunctive relief, or other equitable remedies.

4.2 Purchase for Own Account.

Other than in accordance with such Investor group's employee incentive policy, the applicable Series C-2 Preferred Shares will be acquired for such Investor's own account, not as a nominee or agent, and not with a view to or in connection with the sale or distribution of any part thereof.

4.3 Status of Investor.

Such Investor is either (i) an "accredited investor" within the meaning of the U.S. Securities and Exchange Commission Rule 501 of Regulation D, as presently in effect, under the Securities Act, or (ii) not a "U.S. person" as defined in Rule 902 of Regulation S of the Securities Act. Such Investor has the knowledge, sophistication and experience necessary to make an investment decision like that involved in the purchase of the Series C-2 Preferred Shares and can bear the economic risk of its investment in the Series C-2 Preferred Shares.

4.4 Restricted Securities.

Such Investor understands that the Series C-2 Preferred Shares are restricted securities within the meaning of Rule 144 under the Securities Act; and that the Series C-2 Preferred Shares are not registered or listed publicly.

4.5 No Brokers.

Neither the Investor nor any of its Affiliates has any Contract with any broker, finder or similar agent with respect to the transactions contemplated by this Agreement or by any of the Transaction Documents, and none of them has incurred any Liability for any brokerage fees, agents' fees, commissions or finders' fees in connection with any of the Transaction Documents or the consummation of the transactions contemplated therein.

5. Conditions of the Investors' Obligations at the Closing.

The obligations of the Investors to consummate the Closing under Section 2.2 of this Agreement are subject to the fulfillment, to the satisfaction of the Investors on or prior to the Closing, or waiver by the Investors, of the following conditions:

5.1 Representations and Warranties.

Each of the representations and warranties of the Warrantors contained in Section 3 shall have been true and complete when made and shall be true and complete on and as of the Closing with the same effect as though such representations and warranties had been made on and as of the date of the Closing, except in either case for those representations and warranties that address matters only as of a particular date, which representations will have been true and complete as of such particular date.

5.2 Performance.

The Company shall have performed and complied with all obligations and conditions contained in the Transaction Documents that are required to be performed or complied with by them on or before the Closing.

5.3 Authorizations.

All Consents of any competent Governmental Authority or of any other Person that are required to be obtained by the Company in connection with the consummation of the transactions contemplated by the Transaction Documents (including but not limited to those related to the lawful issuance and sale of the Securities, and any waivers of notice requirements, rights of first refusal, preemptive rights, put or call rights), including necessary approvals from Board of Directors and shareholders of the Company, shall have been duly obtained and effective as of the Closing, and evidence thereof shall have been delivered to the Investors.

5.4 Compliance Certificate.

The Company shall have delivered to the Investors a certificate, executed by the Chief Executive Officer of the Company, dated the date of the Closing, (a) stating that the conditions specified in Sections 5.1, 5.2 and 5.3 have been satisfied, and (b) certifying and attaching thereto (i) a certified true copy of the memorandum and articles of the Company as then in effect, and (ii) copies of all resolutions approved by the Company's shareholders and the Board of Directors approving the transactions contemplated hereby.

5.5 Proceedings and Documents.

All corporate and other proceedings in connection with the transactions to be completed at the Closing and all documents incident thereto with respect to this Agreement and the other Transaction Documents and the transactions contemplated hereby and thereby, shall have been completed in form and substance reasonably satisfactory to the Investors, and the Investors shall have received all such counterpart original or other copies of such documents as they may reasonably request.

5.6 Memorandum and Articles.

The Fifth Amended and Restated Memorandum and Articles, in the forms attached hereto as Exhibit A (the "Restated Memorandum and Articles"), shall have been duly adopted by all necessary action of the Board of Directors and/or the members of the Company, and such adoption shall have become effective prior to the Closing with no alternation or amendment as of the Closing.

5.7 Transaction Documents.

Each of the parties to the Transaction Documents, other than the Investors, shall have executed and delivered a scanned copy of such Transaction Documents to the Investors.

5.8 Completion of Due Diligence.

The Investors shall have completed the financial, business and legal due diligence on the Group to the reasonable satisfaction of the Investors.

5.9 Legal Opinion.

The Investors shall have received opinions from Cayman Islands legal counsel and PRC legal counsel of the Company, in form and substance satisfactory to the Investors and its counsel. With respect to solely the obligations of Modest Champion Limited owed to the Company to consummate the Closing with respect to Modest Champion Limited's investment hereunder, Modest Champion Limited shall have received an opinion from Hong Kong legal counsel of the Company, in form and substance reasonably satisfactory to Modest Champion Limited.

5.10 Internal Approval of Modest Champion Limited.

With respect to solely the obligations of Modest Champion Limited owed to the Company to consummate the Closing with respect to Modest Champion Limited's investment hereunder, Modest Champion Limited shall have received an irrevocable internal approval in connection with the transaction as of the Closing.

5.11 Approval for Outbound Investment

With respect to solely the obligations of Modest Champion Limited owed to the Company to consummate the Closing with respect to Modest Champion Limited's investment hereunder, within forty-five (45) days from the date hereof, Modest Champion Limited shall have obtained all requisite approvals for outbound investment in accordance with applicable PRC Law, including without limitation having obtained the Outbound Investment Certificate; provided that if any requisite approval has not been obtained within forty-five (45) days from the date hereof, there will be a grace period of additional fifteen (15) days for Modest Champion Limited to obtain any such approval.

5.12 No Material Adverse.

No Material Adverse Effect shall have occurred from the Statement Date on or prior to the Closing.

6. Conditions of the Company's Obligations at the Closing.

The obligations of the Company owed to the Investors to consummate the Closing under Section 2.2 of this Agreement, unless otherwise waived in writing by the Company, are subject to the fulfillment on or before the Closing of each of the following conditions:

6.1 Representations and Warranties.

The representations and warranties of the Investors respectively contained in Sections 4 shall have been true and complete when made and shall be true and complete on and as of the Closing with the same effect as though such representations and warranties had been made on and as of the date of the Closing, except in either case for those representations and warranties that address matters only as of a particular date, which representations will have been true and complete as of such particular date.

6.2 Performance.

The Investors shall have performed and complied with all covenants, obligations and conditions contained in the Transaction Documents that are required to be performed or complied with by it/him on or before the Closing.

6.3 Approval for Outbound Investment

With respect to solely the obligations of the Company owed to Modest Champion Limited to consummate the Closing with respect to Modest Champion Limited's investment hereunder, within forty-five (45) days from the date hereof, Modest Champion Limited shall have obtained all requisite approvals for outbound investment in accordance with applicable PRC Law, including without limitation having obtained the Outbound Investment Certificate; provided that if any requisite approval has not been obtained within forty-five (45) days from the date hereof, there will be a grace period of additional fifteen (15) days for Modest Champion Limited to obtain any such approval.

6.4 Execution of Transaction Documents.

Each Investor shall have executed and delivered to the Company the Transaction Documents, to which it is a party.

7. Other Agreements.

7.1 Indemnity.

The Warrantors hereby agree to, jointly and severally, indemnify and hold harmless the Investors, and their respective Affiliates, directors, officers, agents and assigns (each an "Indemnified Party"), from and against any and all Indemnifiable Losses suffered by such Indemnified Party, directly or indirectly, as a result of, or based upon or arising from any inaccuracy in or breach or non-performance of any of the representations, warranties, covenants or agreements made by the Warrantors under the Transaction Documents; provided however, that in no case shall the aggregate amount of the indemnification paid or payable by the Warrantors to each Investor exceed the amount of such Investor's investment hereunder.

7.2 Confidentiality.

The terms and conditions of the Transaction Documents (collectively, the "Financing Terms"), 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 Financing Terms to its current or bona fide prospective investors, employees, investment bankers, lenders, accountants and attorneys, in each case only where such Persons are under appropriate nondisclosure obligations; (ii) the Investors may disclose any of the Financing Terms to its fund manager, the employees, its consultant thereof so long as such Persons are under appropriate non-disclosure obligations; and (iii) 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 Financing Terms in contravention of the provisions of this Section 7.2, 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.

7.3 Interim Business of the Group Companies.

Except as expressly contemplated by this Agreement or as required by applicable Law, between the date of this Agreement and the date of the Closing, the Group Companies shall conduct their business in the usual, regular, and ordinary course of business in substantially the same manner as heretofore conducted, including without limitation, to protect, maintain and safeguard the Company Owned IP and made all applicable filings, registrations and payments of fees in connection therewith.

7.4 Access and Information.

From the date hereof until the date of the Closing, the Warrantors shall permit the Investors or any officer, employee, advisor, or other representative thereof to (a) visit and inspect the properties of the Group Companies, (b) inspect the contracts, books of account, records, ledgers, financial and operating data, and other documents and data of the Group Companies, (c) discuss the business, affairs, finances and accounts of the Group Companies with officers, employees, consultants, accountants, advisors and other representatives of the Group Companies, and (d) review such other information as any Investor reasonably requests, in each case during normal business hours with reasonable advance notices and in such a manner so as not to unreasonably interfere with the normal operations of the Group Companies. The Parties agree that no information or knowledge obtained pursuant to this Section 7.4 by the Investors in connection with its due diligence will affect or be deemed to modify any representation or warranty contained herein or the conditions to the obligations of the Parties to consummate the transactions.

8. Miscellaneous.

8.1 Successors and Assigns.

Except as otherwise provided herein, the terms and conditions of this Agreement shall inure to the benefit of and be binding upon the respective successors and assigns of the Parties hereto whose rights or obligations hereunder are affected by such terms and conditions. This Agreement and the rights and obligations therein may not be assigned by the Group Companies without the prior written consent of the Investors. Nothing in this Agreement, express or implied, is intended to confer upon any Party other than the Parties hereto or their respective successors and assigns any rights, remedies, obligations, or liabilities under or by reason of this Agreement, except as expressly provided in this Agreement.

8.2 Governing Law.

This Agreement and all actions arising out of or in connection with this Agreement shall be governed by and construed in accordance with the Laws of Hong Kong, without regard to the conflicts of law provisions of Hong Kong.

8.3 Dispute Resolution.

(i) Any dispute, controversy, difference 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 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 administered by the Hong Kong International Arbitration Centre (the "HKIAC") in accordance with the Hong Kong International Arbitration Centre Administered Arbitration Rules (the "HKIAC Rules") in force when the Arbitration Notice is submitted. There shall be three (3) arbitrators. The HKIAC council shall select the arbitrators, who shall be qualified to practice law in Hong Kong.

(iii) The arbitral proceedings shall be conducted in English.

(iv) The costs of arbitration shall be borne by the losing party, unless otherwise determined by the arbitral tribunal.

(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 Laws of Hong Kong (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 interim measures of protection and emergency relief, if possible, from any court of competent jurisdiction in accordance with the applicable Laws of that jurisdiction.

(viii) When any Dispute occurs and when any Dispute is under arbitration, except for the matters in Dispute, the Parties shall continue to fulfill their respective obligations and shall be entitled to exercise their rights under this Agreement.

8.4 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 IV (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 8.4). 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.

8.5 Rights Cumulative; Specific Performance.

Subject to Section 7.1, 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.

8.6 Fees and Expenses.

The Parties shall each pay all of its own costs and expenses incurred in connection with the negotiation, execution, delivery and performance of this Agreement and other Transaction Documents and the transactions contemplated hereby and thereby, provided however that (i) if any Investor exercises its right to walk away under Section 2.5, at which time closing conditions under Section 6 are satisfied and Company has notified the Investors that it is willing and able to consummate the Closing, then such Investor shall reimburse all out-of-pocket fees and expenses (including fees and expenses for lawyers, accountants, auditors, financial advisor and other professionals) to the Company and their lawyers, accountants, auditors, financial advisor and other professionals, and (ii) if the Company exercises its right to walk away under Section 2.5, at which time closing conditions under Section 6 are satisfied and Investors have notified the Company that it is willing and able to consummate the Closing, then the Company shall reimburse all out-of-

pocket fees and expenses (including fees and expenses for lawyers, accountants, auditors, financial advisor and other professionals) to the Investors and their lawyers, accountants, auditors, financial advisor and other professionals up to US$2,000 (if any). 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 attorney's fees, costs and necessary disbursements in addition to any other relief to which such party may be entitled.

8.7 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.

8.8 Amendments and Waivers.

Any term of this Agreement may be amended, only with the written consent of the Company and the Investors. Any amendment effected in accordance with this paragraph shall be binding upon each of the Parties hereto. Notwithstanding the foregoing, the observance of any term of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively) only with the written consent of the Party against whom such waiver is sought.

8.9 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 power 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.

8.10 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.

8.11 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.

8.12 Headings and Subtitles; Interpretation.

The titles and subtitles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement. Unless a provision hereof expressly provides otherwise: (i) the term "or" is not exclusive; (ii) words in the singular include the plural, and words in the plural include the singular; (iii) the terms "herein", "hereof", and other similar words refer to this Agreement as a whole and not to any particular section, subsection, paragraph, clause, or other subdivision; (iv) the masculine, feminine, and neuter genders will each be deemed to include the others; (v) the term "day" means "calendar day", and "month" means calendar month; (vi) 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; (vii) all references in this Agreement to designated Schedules, Exhibits and Appendices are to the Schedules, Exhibits and Appendices attached to this Agreement; (viii) 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; (ix) 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; (x) all accounting terms not otherwise defined herein have the meanings assigned under the Accounting Standards; (xi) pronouns of either gender or neuter shall include, as appropriate, the other pronoun forms; (xii) 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; (xiii) all references to dollars or to "US$" are to currency of the United States of America (and each shall be deemed to include reference to the equivalent amount in other currencies), (xiv) all references to "material" regarding any events, rights, obligations, breach of contract or fails to perform, shall means the Group Companies may cause losses or gain profits which exceeds US$400,000.

8.13 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.

8.14 Entire Agreement.

This Agreement and the Transaction Documents, together with all schedules and exhibits hereto and thereto, constitute the full and entire understanding and agreement among the Parties with regard to the subjects hereof and thereof, and supersede all other agreements between or among any of the Parties with respect to the subject matters hereof and thereof.

8.15 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.

8.16 Further Assurances.

Each Party shall from time to time and at all times hereafter make, do, execute, or cause or procure to be made, done and executed such further acts, deeds, conveyances, consents and assurances without further consideration, which may reasonably be required to procure the satisfaction of closing conditions and to effect the transactions contemplated by this Agreement.

[*The remainder of this page has been left intentionally blank*]

IN WITNESS WHEREOF, the Parties hereto have caused their respective duly authorized representatives to execute this Agreement on the date and year first above written.

COMPANY:

Adagene Inc.

By: /s/ Peter Peizhi Luo
Name: Peter Peizhi Luo
Title: Director

HOLDCO SUBSIDIARY:

Adagene (Hong Kong) Limited (□□□□(□□)□□□□)

By: /s/ Peter Peizhi Luo
Name: Peter Peizhi Luo
Title: Director

WFOE:

Adagene (Suzhou) Limited
(Company Seal)
(□□□□(□□)□□□□)
(Seal)

By: /s/ Peter Peizhi Luo
Name: Peter Peizhi Luo
Title: Director/Legal Representative

IN WITNESS WHEREOF, the Parties hereto have caused their respective duly authorized representatives to execute this Agreement on the date and year first above written.

US SUBSIDIARY:

Adagene Incorporated

By: /s/ Peter Peizhi Luo
Name: Peter Peizhi Luo
Title: Director

AUSTRALIAN SUBSIDIARY:

ADAGENE AUSTRALIA PTY LTD

By: /s/ Peter Peizhi Luo
Name: Peter Peizhi Luo
Title: Director

IN WITNESS WHEREOF, the Parties hereto have caused their respective duly authorized representatives to execute this Agreement on the date and year first above written.

INVESTOR:

Mega Prime Development Limited

By: /s/ Wang Jianping
Name: Wang Jianping
Title: Director

IN WITNESS WHEREOF, the Parties hereto have caused their respective duly authorized representatives to execute this Agreement on the date and year first above written.

INVESTOR:

Chief Strategic International Limited

By: /s/ Fu Chi Kong
Name: Fu Chi Kong
Title: Director

[Adagene Inc. — Series C-2 Share Purchase Agreement — Signature Page]

IN WITNESS WHEREOF, the Parties hereto have caused their respective duly authorized representatives to execute this Agreement on the date and year first above written.

INVESTOR:

Modest Champion Limited

By: /s/ LIN Lei /s/ XIE Jia
Name: LIN Lei; XIE Jia
Title: Director; Director

IN WITNESS WHEREOF, the Parties hereto have caused their respective duly authorized representatives to execute this Agreement on the date and year first above written.

INVESTOR:

Poly Platinum Enterprises Limited

By: /s/ Ning An
Name: Ning An
Title: Director

[Adagene Inc. — Series C-2 Share Purchase Agreement — Signature Page]

SCHEDULE I

LIST OF SERIES C-2 INVESTORS AT THE CLOSING

SCHEDULE II

CAPITALIZATION STRUCTURE ON FULLY DILUTED BASIS

SCHEDULE III

DESIGNATED BANK ACCOUNT

SCHEDULE IV

ADDRESS FOR NOTICES

ANNEX 1

DEFINITIONS

1. Defined Terms. The following terms shall have the meanings ascribed to them as below:

"Accounting Standards" means the Hong Kong Financial Reporting Standards with respect to the Holdco Subsidiary, and the Chinese Accounting Standards with respect to the WFOE, applied on a consistent basis or other accounting principles approved by the Investors.

"Action" means any charge, claim, action, complaint, petition, investigation, appeal, suit, litigation, grievance, inquiry or other proceeding, whether administrative, civil, regulatory or criminal, whether at law or in equity, or otherwise under any applicable Law, and whether or not before any mediator, arbitrator or Governmental Authority.

"Affiliate" means, with respect to any specified Person, any other Person who, directly or indirectly, controls, is controlled by, or is under common control with such Person, including, without limitation, any general partner, limited partner, member, managing member, officer, employee or director of such Person or any venture capital fund now or hereafter existing that is controlled by one or more general partners or managing members of, or shares the same management company with, such Person.

"Ancillary Agreements" means, collectively, the Restated Shareholders Agreement and the Restated Right of First Refusal & Co-Sale Agreement.

"Board of Directors" means the board of directors of the Company.

"Business" means the research, development, service, consulting, commercialization, transfer and license of technology relating to biologics including antibodies for therapeutic and/or diagnostic applications.

"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, Hong Kong, the Cayman Islands or the United States.

"Charter Documents" means, with respect to a particular legal entity, 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.

"Company Owned IP" means all Intellectual Property owned by, purported by any Group Company to be owned by, or exclusively licensed to, any of the Group Companies.

"Company Registered IP" means all Intellectual Property for which registrations are owned by or held in the name of, or for which applications have been made in the name of, any Group Company.

"Consent" means any consent, approval, authorization, release, 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.

"Conversion Shares" means, the Ordinary Shares issuable upon the conversion of Series C-2 Preferred Shares issued hereunder.

"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, or any contract providing for the acquisition of any of the foregoing.

"ESOP" means the Ordinary Shares (as adjusted in connection with share splits or share consolidation, reclassification or other similar event) and/or options or warrants therefor issued to employees, officers, directors, contractors, advisors or consultants of the Group Companies pursuant to the Company's Amended and Restated Share Incentive Plan (as amended) duly approved by the Board of Directors.

"FCPA" means Foreign Corrupt Practices Act of the United States of America, as amended from time to time.

"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, the Holdco Subsidiary, the WFOE, the US Subsidiary, and the Australian Subsidiary, together with each Subsidiary of any of the foregoing, and "Group" refers to all of Group Companies collectively.

"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 (even though the rights and remedies of the seller or bank under such agreement in the event of default are limited to repossession or sale of such property), (vi) all obligations that are capitalized (including capitalized lease obligations), (vii) all obligations under banker's acceptance, letter of credit or similar facilities, (viii) all obligations to purchase, redeem, retire, defease or otherwise acquire for value any Equity Securities of such Person, (ix) all obligations in respect of any interest rate swap, hedge or cap agreement, and (x) all guarantees issued in respect of the Indebtedness referred to in clauses (i) through (ix) above of any other Person, but only to the extent of the Indebtedness guaranteed.

"Indemnifiable Loss" means, with respect to any Person, any action, claim, cost, damage, deficiency, disbursement, expense, liability, loss, obligation, penalty or settlement of any kind or nature imposed on or otherwise incurred or suffered by such Person, including without limitation, (x) reasonable legal, accounting and other professional fees and expenses incurred in the investigation, collection, prosecution and defense of claims, and (y) amounts paid in settlement, other than consequential damages resulting from a breach for which the Parties do not, and did not, have reason to foresee as a probable result of such breach.

"Intellectual Property" means any and all (i) patents, all patent rights, and all patent applications therefor and all 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 (iv) URLs, web sites, web pages and any part thereof, (v) technical information, know-how, trade secrets, drawings, designs, design protocols and tools, specifications, proprietary data, customer lists, databases, proprietary processes, technology, formulae, and algorithms and (vi) trade names, trade dress, trademarks, domain names, service marks, logos, business names, and registrations and applications therefor, and the goodwill symbolized or represented by the foregoing and other proprietary information and common-law rights.

"knowledge" of any Party shall mean such Party's actual knowledge after due and diligent inquiries of officers and directors of such Party reasonably believed to have knowledge of the matter in question.

"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 formally issued written interpretation or administration of any of the foregoing by, any Governmental Authority, in each case as amended, and any and all applicable Governmental Orders.

"Liabilities" means, with respect to any Person, all liabilities, obligations and commitments of such Person of any nature, whether accrued, absolute, contingent or otherwise, and whether due or to become due.

"Lien" means any claim, charge, easement, encumbrance, lease, covenant, security interest, equity, lien, option, pledge, mortgage, hypothecation, retention of title, title defect, rights of others, or restriction (whether on voting, sale, transfer, disposition or otherwise), whether imposed by Contract, understanding, law, equity or otherwise.

"Material Adverse Effect" means any (i) event, occurrence, fact, condition, change or development that has had, has, or would reasonably be expected to have, individually or together with other events, occurrences, facts, conditions, changes or developments, a material adverse effect on the business, properties, assets, employees, operations, results of operations, condition (financial or otherwise), prospects, assets or liabilities of the Group taken as a whole, (ii) material impairment of the ability of any Party (other than the Investors) to perform the material obligations of such Party under any Transaction Documents, or (iii) material impairment of the validity or enforceability of this Agreement or any other Transaction Document against any Party hereto or thereto (other than the Investors). The Material Adverse Effect shall not include (a) any outbreak or escalation of war or major hostilities or any act of terrorism or any natural disaster or other force majeure event which occurs after the date of this Agreement; (b) changes in Laws, generally accepted accounting principles or enforcement or interpretation thereof after the date of this Agreement; (c) changes that generally affect the industries and markets in which the Group Companies operate to the extent such changes do not have a materially disproportionate adverse effect relative to other similarly situated industry participants; (d) changes in financial markets, general economic conditions (including prevailing interest rates, exchange rates, commodity prices and fuel costs) or political or social conditions to the extent such changes do not have a materially disproportionate adverse effect relative to other similarly situated industry participants.

"MOFCOM" means the Ministry of Commerce of the PRC or, with respect to any matter to be submitted for examination and approval by the Ministry of Commerce, any Governmental Authority which is delegated or authorized by the Ministry of Commerce to examine and approve such matter under the laws of the PRC.

"Ordinary Shares" means the Company's ordinary shares, par value US$0.0001 per share.

"Permitted Liens" means (i) Liens for Taxes not yet delinquent or the validity of which are being contested in good faith and for which there are adequate reserves on the applicable financial statements, and (ii) Liens incurred in the ordinary course of business, which (x) do not individually or in the aggregate materially detract from the value, use, or transferability of the assets that are subject to such Liens, and (y) were not incurred in connection with the borrowing of money.

"Person" means any individual, sole proprietorship, partnership, limited partnership, limited liability company, firm, joint venture, estate, trust, unincorporated organization, association, corporation, institution, public benefit corporation, entity or governmental or regulatory authority or other enterprise or entity of any kind or nature.

"PRC" means the People's Republic of China, but solely for the purposes of this Agreement and the other Transaction Documents, excluding Hong Kong, the Macau Special Administrative Region and the islands of Taiwan.

"Prohibited Person" means any Person that is (1) a national or resident of any U.S. embargoed or restricted country, (2) included on, or Affiliated with any Person on, the United States Commerce Department's Denied Parties List, Entities and Unverified Lists; the U.S. Department of Treasury's Specially Designated Nationals, Specially Designated Narcotics Traffickers or Specially Designated Terrorists, or the Annex to Executive Order No. 13224; the Department of State's Debarred List; UN Sanctions, (3) a member of any PRC military organization, or (4) a Person with whom business transactions, including exports and re-exports, are restricted by a U.S. Governmental Authority, including, in each clause above, any updates or revisions to the foregoing and any newly published rules.

"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.

"Related Party" means any Affiliate, officer, director, supervisory board member, employee, or holder of any Equity Security of any Group Company, and any Affiliate of any of the foregoing.

"Restated Shareholders Agreement" means the Fourth Amended and Restated Shareholders Agreement to be entered into by and among the parties named therein upon the Closing, which shall be in the form attached hereto as Exhibit B.

"Restated Right of First Refusal & Co-Sale Agreement" means the Third Amended and Restated Right of First Refusal & Co-Sale Agreement to be entered into by and among the parties named therein upon the Closing, which shall be in the form attached hereto as Exhibit C.

"Right of First Refusal & Co-Sale Agreement" means the Second Amended and Restated Right of First Refusal & Co-Sale Agreement entered into on February 2, 2018 by and among the Company and the parties named therein.

"SAIC" means the State Administration of Industry and Commerce of the PRC or, with respect to the issuance of any business license or filing or registration to be effected by or with the State Administration of Industry and Commerce, any Governmental Authority which is similarly competent to issue such business license or accept such filing or registration under the laws of the PRC.

"Securities Act" means the U.S. Securities Act of 1933, as amended and interpreted from time to time.

"Series C-2 Preferred Share" means a series C-2 preferred share of the Company, par value US$0.0001 per share.

"Shareholders Agreement" means the Third Amended and Restated Shareholders' Agreement entered into on February 2, 2018 by and among the Company and parties named therein.

"Subsidiary" means, with respect to any given Person, any other Person that is Controlled directly or indirectly by such given Person.

"Tax" means (i) in the PRC: (a) any national, provincial, municipal, or local taxes, charges, fees, levies, or other assessments, including, without limitation, all net income (including enterprise income tax and individual income withholding tax), turnover (including value-added tax, business tax, and consumption tax), resource (including urban and township land use tax), special purpose (including land value-added tax, urban maintenance and construction tax, and additional education fees), property (including urban real estate tax and land use fees), documentation (including stamp duty and deed tax), filing, recording, social insurance (including pension, medical, unemployment, housing, and other social insurance withholding), tariffs (including import duty and import value-added tax), and estimated and provisional taxes, charges, fees, levies, or other assessments of any kind whatsoever, (b) all interest, penalties (administrative, civil or criminal), or additional amounts imposed by any Governmental Authority in connection with any item described in clause (a) above, and (c) any form of transferee liability imposed by any Governmental Authority in connection with any item described in clauses (a) and (b) above and (ii) in any jurisdiction other than the PRC: all similar liabilities as described in clause (i)(a) and (i)(b) above.

"Tax Return" means any return, report or statement showing Taxes, used to pay Taxes, or required to be filed with respect to any Tax (including any elections, declarations, schedules or attachments thereto, and any amendment thereof), including any information return, claim for refund, amended return or declaration of estimated or provisional Tax.

"Transaction Documents" means this Agreement, the Restated Memorandum and Articles, the Ancillary Agreements and each of the other agreements and documents otherwise required in connection with implementing the transactions contemplated by any of the foregoing.

"U.S. real property holding corporation" has the meaning as defined in the Code.

"Warrantors" means the Group Companies.

2. **Other Defined Terms**. The following terms shall have the meanings defined for such terms in the Sections set forth below:

Agreement	Preamble
Arbitration Notice	Section 8.3(i)
Australian Subsidiary	Preamble
Closing	Section 2.2(i)
Company	Preamble
Compliance Laws	Section 3.16(i)
Disclosure Schedule	Section 3
Dispute	Section 8.3(i)
Financial Statements	Section 3.11
Financing Terms	Section 7.2
HKIAC	Section 8.3(ii)
HKIAC Rules	Section 8.3(ii)
Holdco Subsidiary	Preamble
Indemnified Party	Section 7.1
Investors	Preamble
Lease	Section 3.17(ii)
Licenses	Section 3.19(v)
Material Contracts	Section 3.15(i)
Party(ies)	Preamble
Purchase Price	Section 2.1(i)
Representatives	Section 3.16(i)
Restated Memorandum and Articles	Section 5.6
Series C-2 Preferred Shares	Section 2.1(i)
Statement Date	Section 3.11
US Subsidiary	Preamble
WFOE	Preamble

EXHIBIT A

FORM OF FIFTH AMENDED AND RESTATED MEMORANDUM AND ARTICLES OF ASSOCIATION

EXHIBIT B

FORM OF FOURTH AMENDED AND RESTATED SHAREHOLDERS AGREEMENT

EXHIBIT C

FORM OF THIRD AMENDED AND RESTATED RIGHT OF FIRST REFUSAL & CO-SALE AGREEMENT

EXHIBIT D

DISCLOSURE SCHEDULE

Exhibit 10.6

Execution Version

SHARE PURCHASE AGREEMENT

THIS SHARE PURCHASE AGREEMENT (this "Agreement") is made and entered into on February 2, 2018 by and among:

1. Adagene Inc., an exempted company organized under the laws of the Cayman Islands (the "Company");

2. Adagene (Hong Kong) Limited (□□□□(□□)□□□□), a company organized under the laws of Hong Kong (the "Holdco Subsidiary");

3. Adagene (Suzhou) Limited (□□□□□□□□□□□□), a company organized under the laws of the PRC (the "WFOE");

4. Adagene Incorporated, a company organized under the laws of the State of Delaware (the "US Subsidiary"); and

5. each of the Persons listed in Schedule I attached hereto (individually, an "Investor", and collectively, the "Investors").

The foregoing parties shall be hereinafter referred collectively as the "Parties" and each individually as a "Party".

RECITALS

A. The Company holds 100% issued and outstanding share capital of the Holdco Subsidiary, which holds 100% registered capital of the WFOE. The Company also holds 100% issued and outstanding shares of the US Subsidiary.

B. The Investors wish to invest in the Company by subscribing for Series C-1 Preferred Shares and Warrants (as defined below) to be issued by the Company pursuant to the terms and subject to the conditions of this Agreement, and the Company wishes to issue and sell Series C-1 Preferred Shares to the Investors pursuant to the terms and subject to the conditions of this Agreement.

C. 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 agree as follows:

1. Definitions.

Capitalized terms shall have the meanings ascribed to them in Annex 1 attached hereto.

2. Purchase and Sale of Shares.

2.1 Sale and Issuance of the Series C Preferred Shares and Warrant.

(i) Subject to the terms and conditions of this Agreement (including but not limited to Sections 5 and 6), at the Initial Closing (as defined below), the Investors agree to subscribe for and purchase, severally and not jointly, and the Company agrees to issue and sell to the Investors, a total number of 3,358,412 series C-1 preferred shares of the Company, par value US$0.0001 per share (the "Series C-1 Preferred Shares"), with each Investor subscribing for such number of Series C-1 Preferred Shares as set forth opposite to such Investor's name in Schedule I attached hereto and paying as consideration therefor as set forth opposite to such Investor's name in Schedule I attached hereto (the "Purchase Price") representing a per share price of US$8.9328.

(ii) As part of the consideration for the Purchase Price, subject to the terms and conditions of this Agreement, each of Sequoia and Gopher agrees to purchase, severally and not jointly, at the Initial Closing, and the Company agrees to sell and issue to each of Sequoia and Gopher at the Initial Closing, a warrant (each a "Warrant", and collectively, the "Warrants") in substantially the form attached hereto as Exhibit A, to subscribe for up to that value of Series C-2 Preferred Shares set forth opposite each such Investor's name on Schedule I attached.

(iii) Immediately after the consummation of all Closings, the capitalization structure of the Company is set forth in Schedule II hereto.

2.2 Initial Closing.

(i) **Initial Closing**. The initial closing of the sale, purchase and issuance of the Series C-1 Preferred Shares and Warrants pursuant to Section 2.1 (the "Initial Closing") shall take place within ten (10) Business Days after all closing conditions specified in Section 5 and Section 6 hereof have been satisfied or waived (other than those conditions to be satisfied at the Initial Closing, but subject to the satisfaction or waiver thereof at the Initial Closing) or on such other date agreed by the Company and the Investors by the exchange of signatures and documents electronically.

(ii) **Deliveries by the Company at Initial Closing**. At the Initial Closing, in addition to any items the delivery of which is made an express condition to the Investors' obligations at the Initial Closing pursuant to Section 5, the Company shall deliver to the Investors (a) a certified true copy of the updated register of members of the Company, reflecting the issuance of the Series C-1 Preferred Shares at the Initial Closing, (b) a certified true copy of the updated register of directors of the Company, reflecting the appointment of a designee of Sequoia (the "Sequoia Designee") as a director of the Company, (c) a copy of the duly executed share certificates representing the Series C-1 Preferred Shares being purchased by such Investors at the Initial Closing, and (d) a copy of the Warrants purchased by the Investors at the Initial Closing. Within five (5) Business Days after the Initial Closing, the Company shall deliver to the Investors the original share certificates representing the Series C-1 Preferred Shares and the original Warrants being purchased by such Investors at the Initial Closing, and shall duly file the Restated Memorandum and Articles (as defined below) with the appropriate authority(ies) of the Cayman Islands.

(iii) **Deliveries by the Investors at Initial Closing**. Within five (5) Business Days upon the Initial Closing, subject to the satisfaction or waiver of all the conditions set forth in Section 5, each Investor shall pay the Purchase Price in accordance with Section 2.1(i) hereto by wire transfer of immediately available funds in U.S. dollars to an account of the Company as set out in Schedule III hereto, or as otherwise designated by the Company in writing.

2.3 Additional Closing. Concurrently or after the Initial Closing, the Company may sell, at a per share price of US$8.9328 and on the same terms and conditions as those contained in this Agreement, up to 2,238,942 additional Series C-1 Preferred Shares (subject to appropriate adjustment in the event of any stock dividend, stock split, combination or similar recapitalization affecting such shares) (collectively, the "Additional Purchased Securities"), in one or more closings, to one or more purchasers approved by the Board of Directors, provided that (i) such subsequent sale is consummated prior to forty-five (45) days following the Initial Closing, (ii) each such purchaser shall become a party to this Agreement, the Restated Shareholders' Agreement (as defined below) and the Restated Right of First Refusal & Co-Sale Agreement by executing and delivering a joinder agreement to each of such Agreements, (iii) the Company will consult with Sequoia regarding its selection of additional Investors for such additional closings, and Sequoia shall have the right to consent to any Investor (together with its Affiliates) investing more than US$10,000,000 in acquisition of the Series C-1 Preferred Shares, and such consent shall not be unreasonably withheld; provided that no consent is required in connection with any investment by an existing investor of the Company. Schedule I to this Agreement shall be updated to reflect the number of Additional Purchased Securities purchased at each such Closing and the parties purchasing such Additional Purchased Securities. The closing of purchase and sale of Series C-1 Preferred Shares pursuant to this Section 2.3 and the Initial Closing shall be collectively referred to as the "Closings" and each a "Closing".

2.4 Use of Proceeds.

The Company shall use the Purchase Price as set forth in Section 2.1 as working capital for (a) the development and improvement of antibody drug discovery platform and (b) research and development of innovative pipeline products targeting severe diseases.

2.5 Walk-Away.

In the event that the Closing has not occurred within six (6) months from the date hereof (or by such later time and date as the parties hereto may mutually agree upon in writing), this Agreement may be terminated by the Company or any Investor (in the case of termination by an Investor, with respect to the Series C-1 Preferred Shares and/or Warrants purchased by such Investor only) at its own election and discretion by issuing a written notice to the other Parties after which this Agreement shall be of no further force and effect with respect to the Parties to this Agreement (with the exception of this Section 2.5, Section 7.2 and Section 8) which shall remain in full force and effect).

3. Representations and Warranties of the Company.

Subject to such exceptions as may be set forth in the disclosure schedule delivered by the Company to the Investors as of the date hereof and attached hereto as Exhibit F (the "Disclosure Schedule") which forms part of the representation and warranties herein, the Warrantors jointly and severally represent and warrant to the Investors that the following statements are true and correct as of the date hereof and as of the Initial Closing. The Disclosure Schedule shall be arranged in sections corresponding to the numbered and lettered sections contained in this Section 3, and the disclosures in any section of the Disclosure Schedule shall qualify other section in this Section 3 to the extent it is reasonably apparent from a reading of the disclosure that such disclosure is applicable to such other sections.

3.1 Organization, Good Standing and Qualification.

Each Group Company is duly organized, validly existing and in good standing (or equivalent status in the relevant jurisdiction) under, and by virtue of, the Laws of the place of its incorporation or establishment and has all requisite power and authority to own its properties and assets and to carry on its Business as now conducted, and to perform each of its obligations under the Transaction Documents to which it is a party. Each Group Company is qualified to do business and is in good standing (or equivalent status in the relevant jurisdiction) in each jurisdiction where failure to be so qualified would be a Material Adverse Effect. Each Group Company that is a PRC entity has a valid business license issued by the SAIC or its local branch or other relevant Government Authorities, and has, since its establishment, carried on its Business materially in compliance with the business scope set forth in its business license.

3.2 Capitalization and Voting Rights.

(i) Company. The authorized share capital of the Company immediately prior to the Initial Closing shall be US$50,000 divided into (a) a total of 478,329,085 authorized ordinary shares of US$0.0001 each, 15,461,600 of which are issued and outstanding; and (b) a total of 7,844,371 authorized Series A Preferred Shares with par value of US$0.0001 each, 5,473,957 of which are classified as series A-1 preferred shares with par value of US$0.0001 each, all of which are issued and outstanding, and 2,370,414 of which are classified as series A-2 preferred shares with par value of US$0.0001 each, all of which are issued and outstanding; (c) a total of 7,494,537 authorized Series B Preferred Shares with par value of US$0.0001 each, all of which are issued and outstanding; and (d) a total of 6,332,007 authorized Series C Preferred Shares with par value of US$0.0001 each, comprised of 5,597,354 Series C-1 Preferred Shares with par value of US$0.0001 each and 734,653 Series C-2 Preferred Shares with par value of US$0.0001 each, none of which is issued and outstanding.

(ii) **Holdco Subsidiary**. The authorized share capital of the Holdco Subsidiary is and immediately prior to and following the Initial Closing shall be HK$10,000.00 divided into 10,000 shares of HK$1.00 par value, 100% of which are issued and outstanding and all held by the Company.

(iii) **WFOE**. The registered capital of the WFOE is and immediately prior to and following the Initial Closing shall be RMB 8,000,000, 100% of which has contributed by the Holdco Subsidiary.

(iv) **US Subsidiary**. The authorized share capital of the US Subsidiary is and immediately prior to and following the Initial Closing shall be 5,000 shares of common stock, 100% of which are issued and outstanding and all held by the Company.

(v) **No Other Securities**. Except for (a) this Agreement, (b) the Warrants, (c) certain agreements disclosed in Section 3.2(v) in the Disclosure Schedule and (d) the ESOP reserved by the Company and granted by the Board of Directors, (1) there are no and at the Initial Closing there shall be no other authorized or outstanding Equity Securities of any Group Company; (2) no promise, commitment or offer has been made, in writing or otherwise, by any Group Company or any officer of any Group Company on behalf of the Group Company, to issue any Equity Securities of any Group Company; (3) no Equity Securities of any Group Company are subject to any preemptive rights, rights of first refusal or other rights to purchase such Equity Securities or any other rights with respect to such Equity Securities, and (4) no Group Company is a party or subject to any Contract that affects or relates to the voting or giving of written consents with respect to, or the right to cause the redemption, or repurchase of, any Equity Security of such Group Company. Except as set forth in the Restated Shareholders Agreement, the Company has not granted any registration or information rights to any other Person, nor is the Company obliged to list, any of the Equity Securities of any Group Companies on any securities exchange.

(vi) **Issuance and Status**. All share capital or registered capital, as the case may be, of each Group Company have been duly and validly issued, are fully paid (or subscribed for) and non-assessable, and are and as of the Initial Closing shall be free of any and all Liens (except for any restrictions on transfer under the Ancillary Agreements and applicable Laws). Except as contemplated under the Transaction Documents, there are no (a) resolutions pending to increase the share capital or registered capital of any Group Company or cause the liquidation, winding up, or dissolution of any Group Company, nor has any distress, execution or other process been levied against any Group Company, (b) dividends which have accrued or been declared but are unpaid by any Group Company, (c) obligations, contingent or otherwise, of any Group Company to repurchase, redeem, or otherwise acquire any Equity Securities, or (d) except for the ESOP granted to certain Persons by the Board of Directors, outstanding or authorized equity appreciation, phantom equity, equity plans or similar rights with respect to any Group Company. All dividends (if any) or distributions (if any) declared, made or paid by each Group Company, and all repurchases and redemptions of Equity Securities of each Group Company (if any), have been declared, made, paid, repurchased or redeemed, as applicable, in accordance with its Charter Documents and all applicable Laws in all material respects.

(vii) **Title**. The Company is the sole record and beneficial holder of all of outstanding share capital of Holdco Subsidiary and US Subsidiary, and Holdco Subsidiary is the sole holder of all equity interests of the WFOE, all of which are free and clear of all Liens of any kind other than those arising under applicable Law or as set forth in the Transaction Documents.

3.3 Corporate Structure; Subsidiaries.

Section 3.3 of the Disclosure Schedule sets forth a complete structure chart showing Group Companies, and indicating the ownership and Control relationships among all Group Companies, the nature of the legal entity which each Group Company constitutes, the jurisdiction in which each Group Company was organized, and each jurisdiction in which each Group Company is required to be qualified or licensed to do business as a foreign Person. No Group Company owns or Controls, or has ever owned or Controlled, directly or indirectly, any Equity Security, interest or share in any other Person or is or was a participant in any joint venture, partnership or similar arrangement. No Group Company is obligated to make any investment in or capital contribution in or on behalf of any other Person, other than the commitment of the Holdco Subsidiary to contribute registered capital to the WFOE in accordance with the Charter Documents of the WFOE. The Group does not engage in any business other than the Business.

3.4 Authorization.

Each of the Group Companies has all requisite power and authority to execute and deliver the Transaction Documents to which it is a party and to carry out and perform its obligations thereunder. The authorization, issuance, sale and delivery of Series C-1 Preferred Shares, the Warrants, the Warrant Shares and reservation for issuance of the Conversion Shares, has been taken or will be taken prior to the Initial Closing. This Agreement has been, and each other Transaction Document, when executed and delivered, constitutes valid and legally binding obligations of the Company, enforceable against the Company in accordance with its terms, except (i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium, and other Laws of general application affecting enforcement of creditors' rights generally, (ii) as limited by Laws relating to the availability of specific performance, injunctive relief, or other equitable remedies and (iii) as limited by the Shareholders Agreement, Right of First Refusal & Co-Sale Agreement and existing Third Amended and Restated Memorandum and Articles of Association.

3.5 Valid Issuance of Securities.

The Series C-1 Preferred Shares and the Warrants, when issued, delivered and paid for in accordance with the terms of this Agreement for the consideration expressed herein, will be duly and validly issued, fully paid and non-assessable, free from any Liens (except for any restrictions on transfer under applicable Laws and under the Ancillary Agreements). The Warrant Shares, when issued, delivered and paid for in accordance with the terms of the Warrants for the consideration expressed herein, will be duly and validly issued, fully paid and non-assessable, free from any Liens (except for any restrictions on transfer under applicable Laws and under the Ancillary Agreements). All Conversion Shares, upon issuance in accordance with the terms of the Restated Memorandum and Articles, will be duly and validly issued, fully paid and non-assessable, free from any Liens (except for any restrictions on transfer under applicable securities Laws and under the Ancillary Agreements). The issuance of the Series C-1 Preferred Shares and the Warrants is not, and the issuance of the Warrant Shares and the Conversion Shares will not be, subject to any preemptive rights, rights of first refusal or similar rights other than those that have been or will be duly waived prior to or at the Initial Closing, as applicable.

3.6 Consents; No Conflicts.

All Consents from or with any Governmental Authority or any other Person required in connection with the execution, delivery and performance of the Transaction Documents by the parties thereto (other than the Investors), and the consummation of the transactions contemplated by the Transaction Documents by the parties thereto (other than the Investors), have been duly obtained or completed (as applicable) and are in full force and effect. The execution, delivery and performance of each Transaction Document by the Warrantors do not, and the consummation by the Warrantors of the transactions contemplated thereby will not, with or without notice or lapse of time or both, (i) result in any violation of, be in conflict with, or constitute a default under any provision of the constitutional documents of the Warrantors or any Contracts to which the Warrantors are parties, (ii) result in any violation of, be in conflict with, or constitute a default under, in any material respect, any Governmental Order or any applicable Law, or (iii) results in the creation of any Lien upon any asset of any Group Company.

3.7 Offering.

Subject in part to the accuracy of the Investors' representations set forth in Sections 4 of this Agreement, the offer, sale and issuance of the Series C-1 Preferred Shares, Warrants and the Warrant Shares are, exempt from the qualification, registration and prospectus delivery requirements of the Securities Act and any other applicable securities Laws.

3.8 Compliance with Laws; Consents.

(i) Each Group Company is, and has been, in compliance in all material respects with all applicable Laws. To the Warrantors' knowledge, no event has occurred and no circumstance exists that (with or without notice or lapse of time) (a) may constitute or result in a violation by any Group Company of, or a failure on the part of such entity to comply with, any applicable Laws in any material respect, or (b) may give rise to any obligation on the part of any Group Company to undertake, or to bear all or any portion of the cost of, any remedial action of any nature. None of the Group Companies has received any notice from any Governmental Authority regarding any of the foregoing. No Group Company is under investigation with respect to a material violation of any Law.

(ii) All material Consents from or with the relevant Governmental Authority required in respect of the due and proper establishment and operations of each Group Company as now conducted, including but not limited to the Consents from or with MOFCOM, SAIC, SAFE, any Tax bureau and the local counterpart thereof, as applicable (or any predecessors thereof, as applicable), have been duly obtained or completed in accordance with all applicable Laws. None of the Group Companies is in default in any material respect under any required Governmental Consent. No Group Company has received any letter or other written communication from any Governmental Authority threatening or providing notice or revocation of any required Governmental Consent issued to any Group Company or the need for compliance or remedial actions in respect of the activities carried out directly or indirectly by any Group Company.

3.9 Tax Matters.

(i) Each Group Company (a) has timely filed all income and other material Tax Returns that are required to have been filed by it with any Governmental Authority, and (b) has timely paid all Taxes owed by it which are due and payable (whether or not shown on any Tax Return), except to the extent any failure to timely pay such Taxes would not have a Material Adverse Effect.

(ii) Each Tax Return referred to in paragraph (i) above was (and will be) true, correct and complete in all material respects in compliance with applicable Law. There is no pending dispute with, or notice from, any Tax authority relating to any of the Tax Returns filed by any Group Company, and there is no proposed Liability for a deficiency in any Tax to be imposed upon the properties or assets of any Group Company. No reporting position was taken on any such Tax Return which has not been disclosed to the appropriate tax authority or in such Tax Return, as may be required by Applicable Law, except to the extent any failure to disclose such reporting position would not have a Material Adverse Effect on any Group Company.

(iii) No Group Company has been the subject of any examination or investigation by any Tax authority relating to the payment or withholding of Taxes that has not been resolved or is currently the subject of any examination or investigation by any Tax authority relating to the payment or withholding of Taxes. None of the Group Companies has received notice of any proposed or determined Tax deficiency or assessment from any Governmental Authority. As of the date hereof there are no audits, examinations, requests for information or other administrative proceedings pending or threatened with respect to any of the Group Companies. There is no pending dispute with, or notice from, any taxing authority relating to any of the Tax Returns filed by any Group Company which, if determined adversely to such Group Company, would result in the assertion by any taxing authority of any valid deficiency in a material amount for Taxes, and to the knowledge of the Warrantors, there is no proposed Liability for a deficiency in any Tax to be imposed upon the properties or assets of any Group Company.

(iv) No Group Company is or has ever been a U.S. real property holding corporation.

(v) The Company is treated as a corporation for U.S. federal income tax purposes.

3.10 Charter Documents; Books and Records.

The Charter Documents of each Group Company are in the form provided to the Investors. Each Group Company has been in compliance with its Charter Documents, and none of the Group Companies has violated or breached any of their respective Charter Documents. Each Group Company has made available to the Investors or their counsel a copy of its minute books. Such copy is true, correct and complete, and contains all amendments and all minutes of meetings and actions taken by its shareholders and directors since the time of formation through the date hereof and reflects all transactions referred to in such minutes in all material respects. Each Group Company maintains its books of accounts and records in the usual, regular and ordinary manner, on a basis consistent with prior practice, and which permits its Financial Statements (as defined below) to be prepared in accordance with the Accounting Standards. The register of members and directors (with respect to the jurisdiction where recognizes this concept) of each Group Company is correct, there has been no notice of any proceedings to rectify any such register, and there are no circumstances which might lead to any application for its rectification. All documents requiring to be filed by each Group Company with the applicable Governmental Authority in respect of the relevant jurisdiction in which the relevant Group Companies is being incorporated have been properly made up and filed.

3.11 Financial Statements.

The Company has delivered to the Investors (i) the balance sheet and statements of operations and cash flows for the Holdco Subsidiary and the WFOE as of and for the twelve-months ending December 31, 2016 and (ii) the unaudited consolidated balance sheet and statements of operations and cash flows for the Holdco Subsidiary and the WFOE as of and for the nine-month period ending September 30, 2017 (the "Statement Date") (collectively, the financial statements referred to above, the "Financial Statements"). The Financial Statements (a) have been prepared in accordance with the books and records of the Group, (b) fairly present in all material respects the financial condition and position of the Group as of the dates indicated therein and the results of operations and cash flows of the Group for the periods indicated therein, except in the case of unaudited financial statements for the omission of notes thereto and normal year-end audit adjustments that are not expected to be material, and (c) were prepared generally in accordance with the Accounting Standards applied on a consistent basis throughout the periods involved.

3.12 Changes.

Since the Statement Date, each Group Company (a) has operated its business in the ordinary course consistent with its past practice, (b) used its reasonable best efforts to preserve its business, (c) collected receivables and paid payables and similar obligations in the ordinary course of business consistent with past practice, and (d) not engaged in any new line of business or entered into any agreement, transaction or activity or made any commitment except those in the ordinary course of business consistent with past practice. Since the Statement Date, except disclosed in Section 3.12 in the Disclosure Schedule, there has not been any Material Adverse Effect or any material change in the way the Group conducts its business, and there has not been by or with respect to any Group Company:

(i) any purchase, acquisition, sale, lease, disposal of or other transfer of any assets that are individually or in the aggregate material to its business, whether tangible or intangible, other than the purchase or sale of inventory in the ordinary course of business consistent with its past practice;

(ii) any acquisition (by merger, consolidation or other combination, or acquisition of stock or assets, or otherwise) of any business or other Person or division thereof, or any sale or disposition of any business or division thereof;

(iii) any waiver, termination, cancellation, settlement or compromise of a valuable right, debt or claim with a value more than US$500,000;

(iv) any incurrence, creation, assumption, repayment, satisfaction, or discharge of (1) any material Lien (other than Permitted Liens) or (2) any Indebtedness or guarantee, or the making of any loan or advance (other than reasonable and normal advances to employees for bona fide expenses that are incurred in the ordinary course of business consistent with its past practice), or the making of any investment or capital contribution;

(v) any material amendment to or termination of any Material Contract, any entering of any new Contract that would have been a Material Contract if in effect on the date hereof, or any amendment to or waiver under any Charter Document;

(vi) any declaration, setting aside or payment or other distribution in respect of any Equity Securities of any Group Company, or any issuance, transfer, redemption, purchase or acquisition of any Equity Securities by any Group Company;

(vii) any damage, destruction or loss, whether or not covered by insurance, adversely affecting any of the material assets, properties of any Group Company other than the normal wear and tear occurring in the ordinary course of business;

(viii) any material change in accounting methods or practices;

(ix) except in the ordinary course of business consistent with its past practice, entry into any closing agreement in respect of material Taxes, settlement of any claim or assessment in respect of any material Taxes, or consent to any extension or waiver of the limitation period applicable to any claim or assessment in respect of any material Taxes, entry or change of any material Tax election, change of any method of accounting resulting in a material amount of additional Tax or filing of any material amended Tax Return;

(x) any commencement or settlement of any material Action;

(xi) any authorization, sale, issuance, transfer, pledge or other disposition of any Equity Securities of any Group Company other than ESOP; or

(xii) any transaction with any Related Party other than any employment agreement entered into with the employee and certain officers.

3.13 Actions.

There is no Action pending or to the Warrantors' knowledge threatened against or affecting any Group Company with respect to its Business, or any officers, directors or employees of any Group Company in connection with such person's respective relationship with such Group Company, nor is there any basis for any of the foregoing. There is no Action pending by any Group Company against any third party nor does any Group Company intend to commence any such Action. No Governmental Authority has at any time challenged or questioned in writing the legal right of any Group Company to conduct in any material respect its business as presently being conducted.

3.14 Liabilities.

No Group Company has any Liabilities except for (i) liabilities set forth in the Financial Statements, and (ii) current liabilities incurred since the Statement Date in the ordinary course of the Group's business consistent with its past practices. None of the Group Companies has any outstanding Indebtedness. None of the Group Companies is a guarantor or indemnitor of any Liabilities of any other Person (other than a Group Company).

3.15 Commitments.

(i) Section 3.15(i) of the Disclosure Schedule contains a complete and accurate list of all Material Contracts. "Material Contracts" means, collectively, each Contract to which a Group Company or any of its properties or assets is bound or subject to that (a) involves obligations (contingent or otherwise) or payments in excess of US$250,000 per annum or has an unexpired term in excess of one year, (b) involves Intellectual Property that is material to a Group Company (other than generally-available "off-the-shelf" shrink-wrap software licenses obtained by the Group on non-exclusive and non-negotiated terms), including without limitation, the Licenses, (c) restricts the ability of a Group Company to compete or to conduct or engage in any business or activity or in any territory, (d) relates to the sale, issuance, grant, exercise, award, purchase, repurchase or redemption of any Equity Securities, (e) involves any provisions providing for exclusivity, "change in control", "most favored nations", rights of first refusal or first negotiation or similar rights, or grants a power of attorney, agency or similar authority, (f) is with a Related Party, (g) involves material Indebtedness, (h) involves the lease, license, sale, use, disposition or acquisition of a material amount of assets or business, (i) involves the waiver, compromise, or settlement of any material dispute, claim, litigation or arbitration, (j) involves the ownership or lease of, title to, use of, or any leasehold or other interest in, any real property, including without limitation, the Leases, (k) involves the establishment, contribution to, or operation of a partnership, joint venture, alliance or similar entity, or involving a sharing of profits or losses (including joint development and joint marketing Contracts), or any investment in, loan to or acquisition or sale of the securities, equity interests or assets of any Person, (l) is with a Governmental Authority, state-owned enterprise, or sole-source supplier of any material product or service (other than utilities), (m) is a brokerage or finder's agreement, or material sales agency, marketing or distributorship Contract, or (n) is otherwise material to a Group Company or is one on which a Group Company is substantially dependent.

(ii) A true, fully-executed copy of each Material Contract including all amendments and supplements thereto (and a written summary of all terms and conditions of each non-written Material Contract, if any) has been delivered or made available to the Investors. Each Material Contract is a valid and binding agreement of the Group Company that is a party thereto, the performance of which does not and will not violate any applicable Law or Governmental Order, and is in full force and effect and enforceable against the parties thereto, except (x) as may be limited by applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally, and (y) as may be limited by laws relating to the availability of specific performance, injunctive relief or other remedies in the nature of equitable remedies. Each Group Company has duly performed in all material respects all of its obligations under each Material Contract to the extent that such obligations to perform have accrued, no breach or default, alleged breach or alleged default, or event which would (with the passage of time, notice or both) constitute a breach or default thereunder by such Group Company, or to the Warrantors' knowledge any other party or obligor with respect thereto, has occurred, or as a result of the execution, delivery, and performance of the Transaction Documents will occur. No Group Company has given notice (written or oral) that it intends to terminate a Material Contract or that any other party thereto has breached, violated or defaulted under any Material Contract. No Group Company has received any written notice that it has breached, violated or defaulted under any Material Contract or that any other party thereto intends to terminate such Material Contract. No Contracts to which the Company is a party materially restricts the right of the Company to carry on or continue its Business in the normal course or as contemplated by the Transaction Documents. No Group Company has delegated any power or issued any powers of attorney in favor of any Person, other than power of attorney issued to directors or officers of the Company for purposes of executing contracts or agreements for and on behalf of a Group Company in the ordinary course of business.

3.16 Anti-Bribery, Anti-Corruption, Anti-Money Laundering and Sanctions; Absence of Government Interests.

(i) Each Group Company and, to the knowledge of the Warrantors, their respective directors, officers, employees, agents or other Persons authorized in writing to act on their behalf (collectively, "Representatives") are and have been in compliance with all applicable Laws relating to anti-bribery, anti-corruption, anti-money laundering, record keeping and internal control laws (collectively, the "Compliance Laws") including the FCPA as if it were a U.S. Person. Furthermore, no Public Official (x) holds an ownership or other economic interest, direct or indirect, in any of the Group Companies, or (y) serves as an officer, director or employee of any Group Company. To the knowledge of the Warrantors, neither any Group Company nor any Representative has, directly or indirectly, offered, authorized, promised, condoned, participated in, consummated, or received notice of any allegation of:

(a) the making of any gift or payment of anything of value to any Public Official by any Person to obtain any improper advantage, affect or influence any act or decision of any such Public Official, or assist any Group Company in obtaining or retaining business for, or with, or directing business to, any Person;

(b) the taking of any action by any Person which (1) would violate the FCPA, if taken by an entity subject to the FCPA, or (2) could reasonably be expected to constitute a violation of any applicable Compliance Law;

(c) the making of any false or fictitious entries in the books or records of any Group Company by any Person; or

(d) the using of any assets of any Group Company for the establishment of any unlawful or unrecorded fund of monies or other assets, or the making of any unlawful or undisclosed payment.

(ii) No Group Company or any of its Representatives has ever been found by a Governmental Authority to have violated any criminal or securities Law or is subject to any indictment or any government investigation for bribery. None of the beneficial owners of any Equity Securities or other interest in any Group Company or the current or former Representatives of any Group Company are or were Public Officials.

(iii) No Group Company or any of its Representatives is a Prohibited Person, and no Prohibited Person will be given an offer to become an employee, officer, consultant or director of any Group Company. No Group Company has conducted or agreed to conduct any business, or entered into or agreed to enter into any transaction with a Prohibited Person.

(iv) If the Group Companies have beneficial owners or Representatives who are Public Officials, to the Warrantors' knowledge, no such Public Official has been involved on behalf of a Governmental Authority in decisions as to whether any Group Company or the Investors would be awarded business or that otherwise could benefit any Group Company or the Investors, or in the appointment, promotion, or compensation of persons who will make such decisions.

3.17 Title; Properties.

(i) **Title; Personal Property**. Each Group Company has good and valid title to all of its respective assets, whether tangible or intangible, in each case free and clear of all Liens, other than Permitted Liens. The assets of each Group Company (including all rights and properties) are sufficient for the conduct of the Business of such Group Company as presently conducted. Except for leased or licensed assets, no Person other than a Group Company owns any interest in any such assets. All leases of real or personal property to which a Group Company is a party are effective and afford the Group Company valid leasehold possession of the real or personal property that is the subject of the lease. All machinery, vehicles, equipment and other tangible personal property owned or leased by a Group Company are (a) in good condition and repair in all material respects (reasonable wear and tear excepted) and (b) not obsolete or in need in any material respect of renewal or replacement, except for renewal or replacement in the ordinary course of business. There are no facilities, services, assets or properties which are used in connection with the Business of the Group and which are shared with any other Person that is not a Group Company.

(ii) **Real Property**. No Group Company owns or has legal or equitable title, leasehold interest or other right or interest in any real property other than as held pursuant to Leases. Section 3.17(ii) of the Disclosure Schedule sets forth each leasehold interest pursuant to which any Group Company holds any real property (a "Lease"), indicating the parties to such Lease, the address of the property demised under the Lease, the rent payable under the Lease and the term of the Lease. The particulars of the Leases as set forth in Section 3.17(ii) of the Disclosure Schedule are true and complete. Each Lease constitutes the entire agreement with respect to the property demised thereunder. Each Group Company which is party to a Lease has accepted possession of the property demised pursuant to the Lease and is in actual possession thereof and has not sublet, assigned or hypothecated its leasehold interest. No Group Company uses any real property in the conduct of its Business except insofar as it has secured a Lease with respect thereto. As of the date hereof, each Group Company has duly performed in all material respects all of its obligations under each Lease to the extent that such obligations to perform have accrued, and no breach or default, alleged breach or alleged default, or event which would (with the passage of time, notice or both) constitute a breach or default thereunder by any Group Company (or to the knowledge of the Warrantors, on the part of any other party to the Lease).

3.18 Related Party Transactions.

Other than as set forth in Section 3.18 of the Disclosure Schedule and employment contract entered into by any Group Company and certain employees and officers, no Related Party has any Contract with, or is indebted to, any Group Company or has any direct or indirect interest in any Group Company (other than as set forth in Section 3.2(i) of the Disclosure Schedule), nor is any Group Company indebted (or committed to make loans or extend or guarantee credit) to any Related Party (other than for accrued salaries for the current pay period, or other standard employee benefits). No Related Party has any direct or indirect interest in any Person with which a Group Company is affiliated or with which a Group Company has a material business relationship (including any Person which purchases from or sells, licenses or furnishes to a Group Company any goods, intellectual or other property rights or services) or in any Contract to which a Group Company is a party or by which it may be bound or affected, and no Related Party directly or indirectly competes with or has any interest in any Person that directly or indirectly competes with any Group Company (other than ownership of less than one percent (1%) of the stock of publicly traded companies).

3.19 Intellectual Property Rights.

(i) **Company IP**. Each Group Company owns or otherwise has sufficient rights (including, but not limited to the rights of development, maintenance, licensing and sale) to all Intellectual Property necessary and sufficient to conduct its Business as now conducted and as proposed to be conducted by such Group Company without any known conflict with or known infringement of the rights of any other Person. Section 3.19(i) of the Disclosure Schedule sets forth a complete and accurate list of all Company Registered IP for each Group Company, including for each the relevant name or description, registration/certification or application number, and filing, registration or issue date. There exists no pending or to the knowledge of the Warrantors, threatened condemnation, confiscation, dispute, claim, demand or similar proceeding with respect to the continued use and enjoyment of any Company Owned IP by any Group Company.

(ii) **IP Ownership**. All Company Registered IP is owned solely by and registered or applied for solely in the name of a Group Company, and is valid and subsisting and has not been abandoned, and all necessary registration, maintenance and renewal fees with respect thereto and currently due have been satisfied. To the Warrantors' knowledge, no Group Company or any of its employees, officers or directors has taken any actions or failed to take any actions that would cause any Company Owned IP to be invalid, unenforceable or not subsisting. No funding or facilities of a Governmental Authority or a university, college, other educational institution or research center was used in the development of any Company Owned IP. No Company Owned IP is the subject of any Lien, license or other Contract granting rights therein to any other Person. No Group Company is or has been a member or promoter of, or contributor to, any industry standards bodies, patent pooling organizations or similar organizations that could require or obligate a Group Company to grant or offer to any Person any license or right to any Company Owned IP. No Company Owned IP is subject to any proceeding or outstanding Governmental Order or settlement agreement or stipulation that (a) restricts in any manner the use, transfer or licensing thereof, or the making, using, sale, or offering for sale of any Group Company's products or services, by any Group Company or (b) may affect the ownership, validity, use or enforceability of such Company Owned IP. No Group Company has (x) transferred or assigned any Company Owned IP to any other Person; (y) authorized the joint ownership of any other Person in any Company Owned IP; or (z) permitted the rights of any Group Company in any Company Owned IP to lapse or enter into the public domain. The transactions contemplated by this Agreement or any other Transaction Documents shall have no adverse effect on each Group Company's right, title and interest in and to Intellectual Property owned or used by such Group Company.

(iii) **Infringement, Misappropriation and Claims**. To the Warrantors' knowledge, no Group Company has misappropriated, or violated, or infringed in any respect any Intellectual Property of any other Person, nor has any Group Company received any written notice alleging any of the foregoing, nor has any Group Company become aware of any fact that would form a reasonable basis for a claim, suit, or allegation of the foregoing. To the knowledge of the Warrantors, no Person has violated, infringed or misappropriated any material Company Owned IP of any Group Company, and no Group Company has given any verbal or written notice to any other Person alleging any of the foregoing; nor has any Group Company become aware of any fact that would form a reasonable basis for a claim, suit, or allegation of the foregoing. To the Warrantors' knowledge, no Person has challenged the ownership, validity, enforceability, or use of any Company Owned IP by a Group Company. No Group Company has agreed to indemnify any Person for any infringement, violation or misappropriation of any Intellectual Property by such Person.

(iv) **Assignments and Prior IP**. All inventions and know-how conceived by employees of a Group Company related to the Business of such Group Company are currently owned exclusively by a Group Company. All employees, contractors, agents and consultants of a Group Company who are or were involved in the creation of any Intellectual Property for such Group Company have executed an assignment of inventions agreement that vests in a Group Company ownership of all right, title and interest in and to such Intellectual Property. All employee inventors of Company Owned IP have received reasonable reward and remunerations from a Group Company for his/her service inventions or service technology achievements in accordance with the applicable laws. It will not be necessary to utilize any Intellectual Property of any such Persons made prior to their employment by a Group Company, except for those that are exclusively owned by a Group Company. To the Warrantors' knowledge, none of the employees, consultants or independent contractors, currently or previously employed or otherwise engaged by any Group Company, (a) is in violation of any current or prior confidentiality, non-competition or non-solicitation obligations to such Group Company or to any other Persons, including former employers, or (b) is obligated under any Contract, or subject to any Governmental Order, that would interfere with the use of his or her best efforts to promote the interests of the Group Companies or that would conflict with the Business of such Group Company as presently and as proposed to be conducted.

(v) **Licenses**. Section 3.19(v) of the Disclosure Schedule contains a complete and accurate list of the following (collectively, the "Licenses"): (a) all licenses, sublicenses, and other Contracts to which any Group Company is a party and pursuant to which any third party is authorized to use, exercise or receive any benefit from any Company Owned IP, and (b) all licenses, sublicenses and other Contracts to which any Group Company is a party and pursuant to which such Group Company is authorized to use, exercise, or receive any benefit from any Intellectual Property of another Person, in each case except for (1) agreements involving "off-the-shelf" commercially available software, and (2) non-exclusive licenses to customers of the Business in the ordinary course of business consistent with past practice. The Group Companies have paid all license and royalty fees required to be paid under the Licenses.

(vi) **Protection of IP**. Each Group Company has taken all necessary measures to protect, maintain and safeguard Company Owned IP and made all applicable filings, registrations and payments of fees in connection with the foregoing. Without limiting the foregoing, to the Warrantors' knowledge, all current and former officers, employees, consultants and independent contractors of any Group Company and all suppliers, customers, distributors and other third parties having access to material Company Owned IP have executed and delivered to such Group Company an agreement requiring the protection of such Company Owned IP. To the extent that any Company Owned IP has been developed or created independently or jointly by an independent contractor or other third party for any Group Company and is incorporated into any products or services of any Group Company, such Group Company has a written agreement with such independent contractor or third party and has thereby obtained exclusive ownership of or exclusive license to such independent contractor's or third party's Intellectual Property in such work, material or invention by operation of law or valid assignment or license. To the Warrantors' knowledge, none of the Group Companies' trade secrets or confidential information have been disclosed to another Person, except pursuant to written confidentiality obligations.

3.20 Labor and Employment Matters.

(i) Each Group Company has complied in all material respects with all applicable Laws related to labor or employment, including provisions thereof relating to wages, hours, working conditions, benefits, retirement, social welfare, equal opportunity and collective bargaining. There is no pending or to the Warrantors' knowledge, threatened, and there has not been since, with respect to a Group Company, the incorporation of such Group Company, any Action relating to the violation or alleged violation of any applicable Laws by any Group Company related to labor or employment, including any charge or complaint filed by an employee with any Governmental Authority or any Group Company.

(ii) Except for the ESOP reserved by the Company and granted by the Board of Directors, no Group Company has made any written representations regarding equity incentives to any officer, employee, director or consultant of such Group Company that are inconsistent with the amounts and terms set forth in the minutes of meetings of the Board of Directors.

3.21 Insurance.

Section 3.21 of the Disclosure Schedule lists all insurance policies which cover the Group Companies. The Group Companies have in full force and effect fire and casualty insurance policies with extended coverage, sufficient in amount (subject to reasonable deductions) to allow them to replace any of their properties that might be damaged or destroyed.

3.22 State-Owned Assets.

None of the assets of any Group Company constitute state-owned assets and, inasmuch, are not required to undergo any form of valuation under Applicable Law in the PRC governing the transfer of state-owned assets prior to the consummation of the transactions contemplated herein or in any other Transaction Documents.

3.23 Brokers.

Except as set forth in Section 3.23 in the Disclosure Schedule, no finder, broker, financial advisor or other intermediary has acted on behalf of any Group Company or any of its Affiliates in connection with the offering of the Series C Preferred Shares and Warrants or the negotiation or consummation of this Agreement or the Transaction Documents or any of the transactions contemplated hereby or thereby.

3.24 Previous Financing Documents.

The Company has delivered to the Investors all the documents and agreements regarding the previous financing of the Company. No documents and agreements hereof have been forged or tampered with any manner whatsoever, and no other documents and agreements have been omitted or withheld from the Investors. All the documents and agreements were, when provided, and continue to be, true, accurate, complete and not misleading in any aspect.

3.25 Environmental Compliance.

None of the Group Companies is in material violation of any applicable statute, law or regulation relating to the environment or occupational health and safety and no material expenditures are or will be required to comply with any such existing statute, law or regulation.

4. Representations and Warranties of the Investors.

Each Investor hereby represents and warrants to the Company that:

4.1 Authorization.

Such Investor has all requisite power and authority to execute and deliver the Transaction Documents to which it is a party and to carry out and perform its obligations thereunder. All action on the part of such Investor (and, as applicable, its officers, directors and shareholders) necessary for the authorization, execution and delivery of the Transaction Documents to which it is a party, and the performance of all obligations of the Investor thereunder, has been taken or will be taken prior to or at the Closing, as applicable. Each Transaction Document that has been duly executed and delivered by such Investor (to the extent such Investor is a party), constitutes valid and legally binding obligations of such Investor, enforceable against such Investor in accordance with its terms, except (i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium, and other Laws of general application affecting enforcement of creditors' rights generally, and (ii) as limited by Laws relating to the availability of specific performance, injunctive relief, or other equitable remedies.

4.2 Purchase for Own Account.

The applicable Series C Preferred Shares and Warrants will be acquired for such Investor's own account, not as a nominee or agent, and not with a view to or in connection with the sale or distribution of any part thereof.

4.3 Status of Investor.

Such Investor is either (i) an "accredited investor" within the meaning of the U.S. Securities and Exchange Commission Rule 501 of Regulation D, as presently in effect, under the Securities Act, or (ii) not a "U.S. person" as defined in Rule 902 of Regulation S of the Securities Act. Such Investor has the knowledge, sophistication and experience necessary to make an investment decision like that involved in the purchase of the applicable Series C Preferred Shares and the Warrants and can bear the economic risk of its investment in the Series C Preferred Shares and the Warrants.

4.4 Restricted Securities.

Such Investor understands that the Series C Preferred Shares and the Warrants are restricted securities within the meaning of Rule 144 under the Securities Act; and that the Series C Preferred Shares and the Warrants are not registered or listed publicly.

4.5 No Brokers.

Neither such Investor nor any of its Affiliates has any Contract with any broker, finder or similar agent with respect to the transactions contemplated by this Agreement or by any of the Transaction Documents, and none of them has incurred any Liability for any brokerage fees, agents' fees, commissions or finders' fees in connection with any of the Transaction Documents or the consummation of the transactions contemplated therein.

5. Conditions of the Investors' Obligations at the Closing.

The obligations of the Investors to consummate each Closing under Sections 2.2 and 2.3 of this Agreement are subject to the fulfillment, to the satisfaction of the applicable Investors on or prior to the applicable Closing, or waiver by such Investors, of the following conditions:

5.1 Representations and Warranties.

Each of the representations and warranties of the Company contained in Section 3 shall have been true and complete when made and shall be true and complete on and as of the applicable Closing with the same effect as though such representations and warranties had been made on and as of the date of such Closing, except in either case for those representations and warranties that address matters only as of a particular date, which representations will have been true and complete as of such particular date.

5.2 Performance.

The Company shall have performed and complied with all obligations and conditions contained in the Transaction Documents that are required to be performed or complied with by them on or before the Closing.

5.3 Authorizations.

All Consents of any competent Governmental Authority or of any other Person that are required to be obtained by the Company in connection with the consummation of the transactions contemplated by the Transaction Documents (including but not limited to those related to the lawful issuance and sale of the Securities, and any waivers of notice requirements, rights of first refusal, preemptive rights, put or call rights), including necessary approvals from Board of Directors and shareholders of the Company, shall have been duly obtained and effective as of the Closing, and evidence thereof shall have been delivered to the Investors.

5.4 Compliance Certificate.

The Company shall have delivered to each Investor a certificate, executed by the Chief Executive Officer of the Company, dated the date of the Closing, (a) stating that the conditions specified in Sections 5.1, 5.2 and 5.3 have been satisfied, and (b) certifying and attaching thereto (i) a certified true copy of Restated Memorandum and Articles as then in effect, and (ii) copies of all resolutions approved by the Company's shareholders and the Board of Directors approving the transactions contemplated hereby.

5.5 Proceedings and Documents.

All corporate and other proceedings in connection with the transactions to be completed at the Closing and all documents incident thereto with respect to this Agreement and the other Transaction Documents and the transactions contemplated hereby and thereby, shall have been completed in form and substance reasonably satisfactory to the Investors, and the Investors shall have received all such counterpart original or other copies of such documents as they may reasonably request.

5.6 Memorandum and Articles.

The Fourth Amended and Restated Memorandum and Articles, in the forms attached hereto as Exhibit B (the "Restated Memorandum and Articles"), shall have been duly adopted by all necessary action of the Board of Directors and/or the members of the Company, and such adoption shall have become effective prior to the Closing with no alternation or amendment as of the Closing.

5.7 Transaction Documents.

Each of the parties to the Transaction Documents, other than the Investors, shall have executed and delivered a scanned copy of such Transaction Documents to the Investors.

5.8 Employment Agreement, Proprietary Information & Invention Assignment Agreement and Non-competition and Non-solicitation Agreement.

Each of the Key Employees shall have entered into an employment agreement, a confidentiality and proprietary information and invention assignment agreement and a non-competition and non-solicitation agreement with the respective Group member, in form and substance satisfactory to Sequoia.

5.9 Legal Opinions.

The Investors shall have received opinions from Cayman Islands legal counsel and PRC legal counsel of the Company, in form and substance satisfactory to the Investors and its counsel.

5.10 Appointment of Director

The Sequoia Designee shall have been duly appointed as a director on the Board of Directors.

5.11 Completion of Due diligence.

The Investors shall have completed the financial, business and legal due diligence on the Group to the reasonable satisfaction of the Investors.

5.12 No Material Adverse.

No Material Adverse Effect shall have occurred from the Statement Date on or prior to the Closing.

5.13 Undertaking Letter

The Company shall have duly executed and delivered to Sequoia an undertaking letter in the form attached hereto as Exhibit G.

6. Conditions of the Company's Obligations at the Closing.

The obligations of the Company owed to the Investors to consummate the Closing under Section 2.2 and Section 2.3 of this Agreement, unless otherwise waived in writing by the Company, are subject to the fulfillment on or before the Closing of each of the following conditions:

6.1 Representations and Warranties.

The representations and warranties of the Investors respectively contained in Sections 4 shall have been true and complete when made and shall be true and complete on and as of the Closing with the same effect as though such representations and warranties had been made on and as of the date of the Closing, except in either case for those representations and warranties that address matters only as of a particular date, which representations will have been true and complete as of such particular date.

6.2 Performance.

Each Investor shall have performed and complied with all covenants, obligations and conditions contained in the Transaction Documents that are required to be performed or complied with by it/him on or before the Closing.

6.3 Execution of Transaction Documents.

The Investors shall have executed and delivered to the Company the Transaction Documents, to which it is a party.

7. Other Agreements.

7.1 Indemnity.

The Warrantors hereby agree to, jointly and severally, indemnify and hold harmless the Investors, and their respective Affiliates, directors, officers, agents and assigns (each an "Indemnified Party"), from and against any and all Indemnifiable Losses suffered by such Indemnified Party, directly or indirectly, as a result of, or based upon or arising from any inaccuracy in or breach or non-performance of any of the representations, warranties, covenants or agreements made by the Warrantors under the Transaction Documents; provided however, that in no case shall the aggregate amount of the indemnification paid or payable by the Warrantors to each Investor exceed the amount of such Investor's investment hereunder.

7.2 Confidentiality.

The terms and conditions of the Transaction Documents (collectively, the "Financing Terms"), 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 Financing Terms to its current or bona fide prospective investors, employees, investment bankers, lenders, accountants and attorneys, in each case only where such Persons are under appropriate nondisclosure obligations; (ii) the Investors may disclose any of the Financing Terms to its fund manager, the employees, its consultant thereof so long as such Persons are under appropriate non-disclosure obligations; and (iii) 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 Financing Terms in contravention of the provisions of this Section 7.2, 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.

7.3 Interim Business of the Group Companies.

Except as expressly contemplated by this Agreement or as required by applicable Law, between the date of this Agreement and each Closing Date, the Group Companies shall conduct their business in the usual, regular, and ordinary course of business in substantially the same manner as heretofore conducted, including without limitation, to protect, maintain and safeguard the Company Owned IP and made all applicable filings, registrations and payments of fees in connection therewith.

7.4 Access and Information.

From the date hereof until each Closing Date, the Warrantors shall permit the Investors or any officer, employee, advisor, or other representative thereof to (a) visit and inspect the properties of the Group Companies, (b) inspect the contracts, books of account, records, ledgers, financial and operating data, and other documents and data of the Group Companies, (c) discuss the business, affairs, finances and accounts of the Group Companies with officers, employees, consultants, accountants, advisors and other representatives of the Group Companies, and (d) review such other information as any Investor reasonably requests, in each case during normal business hours with reasonable advance notices and in such a manner so as not to unreasonably interfere with the normal operations of the Group Companies. The Parties agree that no information or knowledge obtained pursuant to this Section 7.4 by the Investors in connection with its due diligence will affect or be deemed to modify any representation or warranty contained herein or the conditions to the obligations of the Parties to consummate the transactions.

8. Miscellaneous.

8.1 Successors and Assigns.

Except as otherwise provided herein, the terms and conditions of this Agreement shall inure to the benefit of and be binding upon the respective successors and assigns of the Parties hereto whose rights or obligations hereunder are affected by such terms and conditions. This Agreement and the rights and obligations therein may not be assigned by the Group Companies without the prior written consent of the Investors. Nothing in this Agreement, express or implied, is intended to confer upon any Party other than the Parties hereto or their respective successors and assigns any rights, remedies, obligations, or liabilities under or by reason of this Agreement, except as expressly provided in this Agreement.

8.2 Governing Law.

This Agreement and all actions arising out of or in connection with this Agreement shall be governed by and construed in accordance with the Laws of Hong Kong, without regard to the conflicts of law provisions of Hong Kong.

8.3 Dispute Resolution.

(i) Any dispute, controversy, difference 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 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 administered by the Hong Kong International Arbitration Centre (the "HKIAC") in accordance with the Hong Kong International Arbitration Centre Administered Arbitration Rules (the "HKIAC Rules") in force when the Arbitration Notice is submitted. There shall be three (3) arbitrators. The HKIAC council shall select the arbitrators, who shall be qualified to practice law in Hong Kong.

(iii) The arbitral proceedings shall be conducted in English.

(iv) The costs of arbitration shall be borne by the losing party, unless otherwise determined by the arbitral tribunal.

(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 Laws of Hong Kong (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 interim measures of protection and emergency relief, if possible, from any court of competent jurisdiction in accordance with the applicable Laws of that jurisdiction.

(viii) When any Dispute occurs and when any Dispute is under arbitration, except for the matters in Dispute, the Parties shall continue to fulfill their respective obligations and shall be entitled to exercise their rights under this Agreement.

8.4 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 IV (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 8.4). 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.

8.5 Rights Cumulative; Specific Performance.

Subject to Section 7.1, 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.

8.6 Fees and Expenses.

The Parties shall each pay all of its own costs and expenses incurred in connection with the negotiation, execution, delivery and performance of this Agreement and other Transaction Documents and the transactions contemplated hereby and thereby, provided however that (i) if the Initial Closing shall occur, the Company shall reimburse all out-of-pocket fees and expenses (including fees and expenses for lawyers, accountants, auditors, financial advisor and other professionals) to Sequoia and its lawyers, accountants, auditors, financial advisor and other professionals up to US$80,000, and (ii) if the Company exercises its right to walk away under Section 2.5, at which time closing conditions under Section 6 are satisfied and Sequoia has notified the Company that it is willing and able to consummate the Initial Closing, then the Company shall reimburse all out-of-pocket fees and expenses (including fees and expenses for lawyers, accountants, auditors, financial advisor and other professionals) to Sequoia and its lawyers, accountants, auditors, financial advisor and other professionals up to US$40,000. 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 attorney's fees, costs and necessary disbursements in addition to any other relief to which such party may be entitled.

8.7 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.

8.8 Amendments and Waivers.

Any term of this Agreement may be amended, only with the written consent of the Company and the Investors. Any amendment effected in accordance with this paragraph shall be binding upon each of the Parties hereto. Notwithstanding the foregoing, the observance of any term of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively) only with the written consent of the Party against whom such waiver is sought.

8.9 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 power 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.

8.10 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.

8.11 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.

8.12 Headings and Subtitles; Interpretation.

The titles and subtitles used in this Agreement are used for convenience only and are not to be considered in construing or interpreting this Agreement. Unless a provision hereof expressly provides otherwise: (i) the term "or" is not exclusive; (ii) words in the singular include the plural, and words in the plural include the singular; (iii) the terms "herein", "hereof", and other similar words refer to this Agreement as a whole and not to any particular section, subsection, paragraph, clause, or other subdivision; (iv) the masculine, feminine, and neuter genders will each be deemed to include the others; (v) the term "day" means "calendar day", and "month" means calendar month; (vi) 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; (vii) all references in this Agreement to designated Schedules, Exhibits and Appendices are to the Schedules, Exhibits and Appendices attached to this Agreement; (viii) 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; (ix) 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; (x) all accounting terms not otherwise defined herein have the meanings assigned under the Accounting Standards; (xi) pronouns of either gender or neuter shall include, as appropriate, the other pronoun forms; (xii) 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; (xiii) all references to dollars or to "US$" are to currency of the United States of America (and each shall be deemed to include reference to the equivalent amount in other currencies), (xiv) all references to "material" regarding any events, rights, obligations, breach of contract or fails to perform, shall means the Group Companies may cause losses or gain profits which exceeds US$400,000.

8.13 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.

8.14 Entire Agreement.

This Agreement and the Transaction Documents, together with all schedules and exhibits hereto and thereto, constitute the full and entire understanding and agreement among the Parties with regard to the subjects hereof and thereof, and supersede all other agreements between or among any of the Parties with respect to the subject matters hereof and thereof.

8.15 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.

8.16 Further Assurances.

Each Party shall from time to time and at all times hereafter make, do, execute, or cause or procure to be made, done and executed such further acts, deeds, conveyances, consents and assurances without further consideration, which may reasonably be required to procure the satisfaction of closing conditions and to effect the transactions contemplated by this Agreement.

[*The remainder of this page has been left intentionally blank*]

IN WITNESS WHEREOF, the Parties hereto have caused their respective duly authorized representatives to execute this Agreement on the date and year first above written.

COMPANY:

Adagene Inc.

By: /s/ Peter Peizhi Luo
Name: Peter Peizhi Luo
Title: Director

HOLDCO SUBSIDIARY:

Adagene (Hong Kong) Limited (□□□□(□□)□□□□)

By: /s/ Peter Peizhi Luo
Name:
Title:

WFOE:

Adagene (Suzhou) Limited
(Company Seal)
(□□□□(□□)□□□□)
(Seal)

By: /s/ Peter Peizhi Luo
Name:
Title:

US SUBSIDIARY:

Adagene Incorporated

By: /s/ Peter Peizhi Luo
Name:
Title:

IN WITNESS WHEREOF, the Parties hereto have caused their respective duly authorized representatives to execute this Agreement on the date and year first above written.

INVESTORS

SCC Venture VI Holdco, Ltd.

By: /s/ Ip Siu Wai Eva
Name: Ip Siu Wai Eva
Title: Authorized Signatory

IN WITNESS WHEREOF, the Parties hereto have caused their respective duly authorized representatives to execute this Agreement on the date and year first above written.

INVESTORS

Gopher Harvest Co-Investment Fund LP

By: /s/ YIN Zhe
Name: YIN Zhe
Title: Director

IN WITNESS WHEREOF, the Parties hereto have caused their respective duly authorized representatives to execute this Agreement on the date and year first above written.

INVESTORS

AVICT GLOBAL HOLDINGS LIMITED

For and behalf of AVICT Global Holdings Limited

By: /s/ XIONG Jing
Name: XIONG Jing
Title: Authorized Signatory

[Adagene Inc. — Series C Share Purchase Agreement — Signature Page]

SCHEDULE I

LIST OF SERIES C INVESTORS AT INITIAL CLOSING

SCHEDULE II

CAPITALIZATION STRUCTURE ON FULLY DILUTED BASIS

CAPITALIZATION STRUCTURE ASSUMING NO ISSUANCE OF WARRANTS

CAPITALIZATION STRUCTURE ASSUMING FULL EXERCISE OF WARRANTS[1]

[1] Assuming the exercise of warrant are by SCC Venture VI Holdco, Ltd. and Gopher Harvest Co-Investment Fund LP respectively.

SCHEDULE III

DESIGNATED BANK ACCOUNT

SCHEDULE IV
ADDRESS FOR NOTICES

ANNEX 1

DEFINITIONS

1. Defined Terms. The following terms shall have the meanings ascribed to them as below:

"Accounting Standards" means the Hong Kong Financial Reporting Standards with respect to the Holdco Subsidiary, and the Chinese Accounting Standards with respect to the WFOE, applied on a consistent basis or other accounting principles approved by the Investor.

"Action" means any charge, claim, action, complaint, petition, investigation, appeal, suit, litigation, grievance, inquiry or other proceeding, whether administrative, civil, regulatory or criminal, whether at law or in equity, or otherwise under any applicable Law, and whether or not before any mediator, arbitrator or Governmental Authority.

"Affiliate" means, with respect to any specified Person, any other Person who, directly or indirectly, controls, is controlled by, or is under common control with such Person, including, without limitation, any general partner, limited partner, member, managing member, officer, employee or director of such Person or any venture capital fund now or hereafter existing that is controlled by one or more general partners or managing members of, or shares the same management company with, such Person. Notwithstanding the foregoing, the Parties acknowledge and agree that (a) the name "Sequoia Capital" is commonly used to describe a variety of entities (collectively, the "Sequoia Entities") that 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 (i) Sequoia Entity outside of the Sequoia China Sector Group , (ii) entity primarily engaged in investment and trading in the secondary securities market; (iii) the ultimate beneficial owner of an Sequoia Entity (or its general partner or ultimate general partner) who is a natural Person, and such Person's relatives (including but without limitation, such Person's spouse, parents, children, siblings, mother-in-law and father-in-law and brothers and sisters-in-law), (iv) any officer, director or employee of a Sequoia Entity (or its general partner or ultimate general partner) and such Person's relatives, and (v) for the avoidance of doubt, any portfolio companies of any Sequoia Entity and portfolio companies of any affiliated investment fund or investment vehicle of any Sequoia Entity. 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 People's Republic of China that are exclusively managed by Sequoia Capital. For the avoidance of doubt, each of SCC Venture VI Holdco, Ltd. and Gopher Harvest Co-Investment Fund LP shall be deemed as an Affiliate of each other.

"Ancillary Agreements" means, collectively, the Restated Shareholders Agreement, the Restated Right of First Refusal & Co-Sale Agreement and the Indemnification Agreement.

"Board of Directors" means the board of directors of the Company.

"Business" means the research, development, service, consulting, commercialization, transfer and license of technology relating to biologics including antibodies for therapeutic and/or diagnostic applications.

"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, Hong Kong, the Cayman Islands or the United States.

"Charter Documents" means, with respect to a particular legal entity, 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.

"Company Owned IP" means all Intellectual Property owned by, purported by any Group Company to be owned by, or exclusively licensed to, any of the Group Companies.

"Company Registered IP" means all Intellectual Property for which registrations are owned by or held in the name of, or for which applications have been made in the name of, any Group Company.

"Consent" means any consent, approval, authorization, release, 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.

"Conversion Shares" means, the Ordinary Shares issuable upon the conversion of Series C Preferred Shares issued hereunder.

"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, or any contract providing for the acquisition of any of the foregoing.

"ESOP" means up to 6,336,126 Ordinary Shares (as adjusted in connection with share splits or share consolidation, reclassification or other similar event) and/or options or warrants therefor issued to employees, officers, directors, contractors, advisors or consultants of the Group Companies pursuant to the Company's Amended and Restated Share Incentive Plan (as amended) duly approved by the Board of Directors.

"FCPA" means Foreign Corrupt Practices Act of the United States of America, as amended from time to time.

"Gopher" means Gopher Harvest Co-Investment Fund LP, an exempt limited partnership established under the laws of the Cayman Islands.

"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, the Holdco Subsidiary, the WFOE, the US Subsidiary, together with each Subsidiary of any of the foregoing, and "Group" refers to all of Group Companies collectively.

"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 (even though the rights and remedies of the seller or bank under such agreement in the event of default are limited to repossession or sale of such property), (vi) all obligations that are capitalized (including capitalized lease obligations), (vii) all obligations under banker's acceptance, letter of credit or similar facilities, (viii) all obligations to purchase, redeem, retire, defease or otherwise acquire for value any Equity Securities of such Person, (ix) all obligations in respect of any interest rate swap, hedge or cap agreement, and (x) all guarantees issued in respect of the Indebtedness referred to in clauses (i) through (ix) above of any other Person, but only to the extent of the Indebtedness guaranteed.

"Indemnifiable Loss" means, with respect to any Person, any action, claim, cost, damage, deficiency, disbursement, expense, liability, loss, obligation, penalty or settlement of any kind or nature imposed on or otherwise incurred or suffered by such Person, including without limitation, (x) reasonable legal, accounting and other professional fees and expenses incurred in the investigation, collection, prosecution and defense of claims, and (y) amounts paid in settlement, other than consequential damages resulting from a breach for which the Parties do not, and did not, have reason to foresee as a probable result of such breach.

"Indemnification Agreement" means the indemnification agreement in the form attached hereto as Exhibit E to be entered into by the Company, Sequoia and the Sequoia Designee.

"Intellectual Property" means any and all (i) patents, all patent rights, and all patent applications therefor and all 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 (iv) URLs, web sites, web pages and any part thereof, (v) technical information, know-how, trade secrets, drawings, designs, design protocols and tools, specifications, proprietary data, customer lists, databases, proprietary processes, technology, formulae, and algorithms and (vi) trade names, trade dress, trademarks, domain names, service marks, logos, business names, and registrations and applications therefor, and the goodwill symbolized or represented by the foregoing and other proprietary information and common-law rights.

"Key Employees" means Peter Luo, Felix Du, Kristine She, Yan Li, Alex Goergen, Peter Cheung, Guizhong Liu, Peng Wu, Xin Fang and Zhongzong Pan.

"knowledge" of any Party shall mean such Party's actual knowledge after due and diligent inquiries of officers and directors of such Party reasonably believed to have knowledge of the matter in question.

"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 formally issued written interpretation or administration of any of the foregoing by, any Governmental Authority, in each case as amended, and any and all applicable Governmental Orders.

"Liabilities" means, with respect to any Person, all liabilities, obligations and commitments of such Person of any nature, whether accrued, absolute, contingent or otherwise, and whether due or to become due.

"Lien" means any claim, charge, easement, encumbrance, lease, covenant, security interest, equity, lien, option, pledge, mortgage, hypothecation, retention of title, title defect, rights of others, or restriction (whether on voting, sale, transfer, disposition or otherwise), whether imposed by Contract, understanding, law, equity or otherwise.

"Material Adverse Effect" means any (i) event, occurrence, fact, condition, change or development that has had, has, or would reasonably be expected to have, individually or together with other events, occurrences, facts, conditions, changes or developments, a material adverse effect on the business, properties, assets, employees, operations, results of operations, condition (financial or otherwise), prospects, assets or liabilities of the Group taken as a whole, (ii) material impairment of the ability of any Party (other than the Investors) to perform the material obligations of such Party under any Transaction Documents, or (iii) material impairment of the validity or enforceability of this Agreement or any other Transaction Document against any Party hereto or thereto (other than the Investors). The Material Adverse Effect shall not include (a) any outbreak or escalation of war or major hostilities or any act of terrorism or any natural disaster or other force majeure event which occurs after the date of this Agreement; (b) changes in Laws, generally accepted accounting principles or enforcement or interpretation thereof after the date of this Agreement; (c) changes that generally affect the industries and markets in which the Group Companies operate to the extent such changes do not have a materially disproportionate adverse effect relative to other similarly situated industry participants; (d) changes in financial markets, general economic conditions (including prevailing interest rates, exchange rates, commodity prices and fuel costs) or political or social conditions to the extent such changes do not have a materially disproportionate adverse effect relative to other similarly situated industry participants.

"MOFCOM" means the Ministry of Commerce of the PRC or, with respect to any matter to be submitted for examination and approval by the Ministry of Commerce, any Governmental Authority which is delegated or authorized by the Ministry of Commerce to examine and approve such matter under the laws of the PRC.

"Ordinary Shares" means the Company's ordinary shares, par value US$0.0001 per share.

"Permitted Liens" means (i) Liens for Taxes not yet delinquent or the validity of which are being contested in good faith and for which there are adequate reserves on the applicable financial statements, and (ii) Liens incurred in the ordinary course of business, which (x) do not individually or in the aggregate materially detract from the value, use, or transferability of the assets that are subject to such Liens, and (y) were not incurred in connection with the borrowing of money.

"Person" means any individual, sole proprietorship, partnership, limited partnership, limited liability company, firm, joint venture, estate, trust, unincorporated organization, association, corporation, institution, public benefit corporation, entity or governmental or regulatory authority or other enterprise or entity of any kind or nature.

"PRC" means the People's Republic of China, but solely for the purposes of this Agreement and the other Transaction Documents, excluding Hong Kong, the Macau Special Administrative Region and the islands of Taiwan.

"Prohibited Person" means any Person that is (1) a national or resident of any U.S. embargoed or restricted country, (2) included on, or Affiliated with any Person on, the United States Commerce Department's Denied Parties List, Entities and Unverified Lists; the U.S. Department of Treasury's Specially Designated Nationals, Specially Designated Narcotics Traffickers or Specially Designated Terrorists, or the Annex to Executive Order No. 13224; the Department of State's Debarred List; UN Sanctions, (3) a member of any PRC military organization, or (4) a Person with whom business transactions, including exports and re-exports, are restricted by a U.S. Governmental Authority, including, in each clause above, any updates or revisions to the foregoing and any newly published rules.

"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.

"Related Party" means any Affiliate, officer, director, supervisory board member, employee, or holder of any Equity Security of any Group Company, and any Affiliate of any of the foregoing.

"Restated Shareholders Agreement" means the Third Amended and Restated Shareholders Agreement to be entered into by and among the parties named therein upon the Closing, which shall be in the form attached hereto as Exhibit C.

"Restated Right of First Refusal & Co-Sale Agreement" means the Second Amended and Restated Right of First Refusal & Co-Sale Agreement to be entered into by and among the parties named therein upon the Closing, which shall be in the form attached hereto as Exhibit D.

"Right of First Refusal & Co-Sale Agreement" means the Amended and Restated Right of First Refusal & Co-Sale Agreement entered into on January 19, 2016 by and among the Company and the parties named therein.

"SAIC" means the State Administration of Industry and Commerce of the PRC or, with respect to the issuance of any business license or filing or registration to be effected by or with the State Administration of Industry and Commerce, any Governmental Authority which is similarly competent to issue such business license or accept such filing or registration under the laws of the PRC.

"Securities Act" means the U.S. Securities Act of 1933, as amended and interpreted from time to time.

"Sequoia" means SCC Venture VI Holdco, Ltd., a company incorporated under the laws of the Cayman Islands.

"Series C Preferred Shares" means, collectively, the Series C-1 Preferred Shares and the Series C-2 Preferred Shares, and each a "Series C Preferred Share".

"Series C-2 Preferred Share" means a series C-2 preferred share of the Company, par value US$0.0001 per share.

"Shareholders Agreement" means the Amended and Restated Shareholders' Agreement entered into on January 19, 2016 by and among the Company and parties named therein.

"Subsidiary" means, with respect to any given Person, any other Person that is Controlled directly or indirectly by such given Person.

"Tax" means (i) in the PRC: (a) any national, provincial, municipal, or local taxes, charges, fees, levies, or other assessments, including, without limitation, all net income (including enterprise income tax and individual income withholding tax), turnover (including value-added tax, business tax, and consumption tax), resource (including urban and township land use tax), special purpose (including land value-added tax, urban maintenance and construction tax, and additional education fees), property (including urban real estate tax and land use fees), documentation (including stamp duty and deed tax), filing, recording, social insurance (including pension, medical, unemployment, housing, and other social insurance withholding), tariffs (including import duty and import value-added tax), and estimated and provisional taxes, charges, fees, levies, or other assessments of any kind whatsoever, (b) all interest, penalties (administrative, civil or criminal), or additional amounts imposed by any Governmental Authority in connection with any item described in clause (a) above, and (c) any form of transferee liability imposed by any Governmental Authority in connection with any item described in clauses (a) and (b) above and (ii) in any jurisdiction other than the PRC: all similar liabilities as described in clause (i)(a) and (i)(b) above.

"Tax Return" means any return, report or statement showing Taxes, used to pay Taxes, or required to be filed with respect to any Tax (including any elections, declarations, schedules or attachments thereto, and any amendment thereof), including any information return, claim for refund, amended return or declaration of estimated or provisional Tax.

"Transaction Documents" means this Agreement, the Ancillary Agreements, the Restated Memorandum and Articles, and each of the other agreements and documents otherwise required in connection with implementing the transactions contemplated by any of the foregoing.

"U.S. real property holding corporation" has the meaning as defined in the Code.

"Warrant Shares" means the Series C-2 Preferred Shares issuable upon exercise of the Warrants.

"Warrantors" means the Group Companies.

2. Other Defined Terms. The following terms shall have the meanings defined for such terms in the Sections set forth below:

Additional Purchased Securities	Section 2.3
Agreement	Preamble
Arbitration Notice	Section 8.3(i)
Closing(s)	Section 2.3
Company	Preamble
Compliance Laws	Section 3.16(i)
Disclosure Schedule	Section 3
Dispute	Section 8.3(i)
Financial Statements	Section 3.11
Financing Terms	Section 7.2
HKIAC	Section 8.3(ii)
HKIAC Rules	Section 8.3(ii)
Holdco Subsidiary	Preamble
Indemnified Party	Section 7.1
Initial Closing	Section 2.2(i)
Investor(s)	Preamble
Lease	Section 3.17(ii)
Licenses	Section 3.19(v)
Material Contracts	Section 3.15(i)
Party(ies)	Preamble
Purchase Price	Section 2.1(i)
Representatives	Section 3.16(i)
Restated Memorandum and Articles	Section 5.6
Series C-1 Preferred Shares	Section 2.1(i)
Sequoia Designee	Section 2.2(ii)
Statement Date	Section 3.11
US Subsidiary	Preamble
Warrant(s)	Section 2.1(ii)
WFOE	Preamble

EXHIBIT A

FORM OF WARRANT

EXHIBIT B

FORM OF FOURTH AMENDED AND RESTATED MEMORANDUM AND ARTICLES OF ASSOCIATION

EXHIBIT C

FORM OF THIRD AMENDED AND RESTATED SHAREHOLDERS AGREEMENT

EXHIBIT D

FORM OF SECOND AMENDED AND RESTATED RIGHT OF FIRST REFUSAL & CO-SALE AGREEMENT

EXHIBIT E

FORM OF INDEMNIFICATION AGREEMENT

EXHIBIT F

DISCLOSURE SCHEDULE

EXHIBIT G

UNDERTAKING LETTER

Exhibit 10.7

***** CERTAIN MATERIAL (INDICATED BY THREE ASTERISKS IN BRACKETS) HAS BEEN OMITTED FROM THIS DOCUMENT BECAUSE IT IS BOTH (1) NOT MATERIAL AND (2) WOULD BE COMPETITIVELY HARMFUL IF PUBLICLY DISCLOSED.**

Guilin Sanjin Pharmaceutical Co., Ltd.

AND

Adagene (Suzhou) Limited

Cooperation Agreement on the PD-L1 Project

December 2018

CONTENTS

Cooperation Agreement on the PD-L1 Project

This Cooperation Agreement on the PD-L1 Project (this "Agreement") is made and entered into by and among the following parties on December 27, 2018 in Shanghai, the People's Republic of China ("China" or the "PRC"):

Party A: Guilin Sanjin Pharmaceutical Co., Ltd.
Domicile: No. 1 Jinxing Road, Guilin, Guangxi, China
Legal Representative: Zou Jieming

Party B: Adagene (Suzhou) Limited
Domicile: Room 301, Floor C14, Bionano Science Park, No. 218 Xinghu Street, Suzhou Industrial Park
Legal Representative: Peter Luo

Party C: Dragon Boat Biopharmaceutical (Shanghai) Limited.
Domicile: Building 5, No. 34, Lane 122, Chunxiao Road, Zhangjiang, Shanghai
Legal Representative: Zou Zhun

Party D: Dragon Sail Biotechnology (Shanghai) Co., Ltd.
Domicile: Building 7, No. 860, Xinyang Road, Fengxian District, Shanghai
Legal Representative: Zou Zhun

(Party A, Party B, Party C and Party D are referred to individually as a "Party" and collectively as the "Parties"; Party A, Party C and Party D are referred to collectively as a "Party A, Party C and Party D"; Party A and Party B, Party C and Party B, Party D and Party B, or Party A, Party C, Party D and Party B are referred to collectively as the "Both Parties".)

WHEREAS:

1 Party A Guilin Sanjin Pharmaceutical Co., Ltd. ("Guilin Sanjin" or "Party A") is a company limited by shares incorporated and existing under the laws of the PRC with its unified social credit code of 91450300198888809P.

2 Party B Adagene (Suzhou) Limited ("Adagene Suzhou" or "Party B") is a limited liability company incorporated and existing under the laws of the PRC, which is international in nature and focuses on the development of monospecific and bispecific antibodies and focuses on the building of new antibody product pipelines. Founded on February 28, 2012, a subsidiary wholly-owned by Adagene Inc. (a company incorporated and existing under the laws of the Cayman Islands) with the unified social credit code of 91320594590011964Y.

3 Party C Dragon Boat Biopharmaceutical (Shanghai) Limited. (“Dragon Boat” or “Party C”) is a limited liability company incorporated and existing under the laws of the PRC with its unified social credit code of 91310115781107395X established on September 30, 2005.

4 Party D Dragon Sail Biotechnology (Shanghai) Co., Ltd. (“Dragon Sail” or “Party D”) is a limited liability company incorporated and existing under the Laws of the PRC with its unified social credit code of 91310120MA1HLL444P established on October 25, 2016.

5 Party A, Party B, Party C and Party D intend to conduct in-depth cooperation in the research and development of new monospecific antibody drugs in respect of PD-L1 antibody binding site (“PD-L1 Project”, as defined in Article 1.1.1 for details) in PRC. In order to clarify the overall objectives and principles of such cooperation and clarify the rights and obligations of the Both Parties, Party A and Party B decide to enter into a cooperation agreement.

NOW, THEREFORE, based on the principles of equality and mutual benefit, Party A, Party B, Party C and Party D, through friendly consultation, agree as follows with respect to the cooperation hereunder.

Article 1 Purpose and Content of the Cooperation

1.1 Purpose of Cooperation: Party A, Party C and Party D introduce the PD-L1 Project from Party B and develop the PD-L1 Project Products based on the preliminary research conducted by Party B.

1.1.1 The PD-L1 Project refers to data and patents of the monospecific antibody sequence generated against the PD-L1 target, including but not limited to stable cell lines, amino acid and cDNA sequences, biological activity, developability, expression vector design, cell line construction process, etc.

1.1.2 cDNA refers to the DNA sequence corresponding to the anti-PD-L1 antibody sequence.

1.1.3 PRC or China refers to the People’s Republic of China, for the purpose of this Agreement, excluding Hong Kong, Macau and Taiwan region.

1.1.4 IND refers to the investigational new drug application, and IND under this Agreement shall specifically refer to the investigational new drug application within the territory of Mainland China (excluding Hong Kong, Macao and Taiwan region).

1.1.5 PD-L1 Project Products refer to the monospecific antibody drugs targeting PD-L1 to be developed under the PD-L1 Project.

1.2 The cooperation of PD-L1 Project under this Agreement includes the research and development of new monospecific antibody drugs targeting PD-L1.

Specifically: on the existing research and development basis of Adagene Suzhou, Guilin Sanjin shall pay Adagene Suzhou a certain amount of project introduction fee to obtain the exclusive cooperation right of PD-L1 Project; on this basis, Party A, Party C and Party D shall carry out the subsequent research and development of PD-L1 Project; and Adagene Suzhou shall fully cooperate. The Parties shall share the Greater China Interests (as defined in Article 3.1.2, the same below) of the PD-L1 Project at different stages of the project in accordance with this Agreement.

1.2.1 The PD-L1 antibody binding site refers to the amino acid residues and its positions where the antibody interacts with the PD-L1 antigen.

1.2.2 The existing research and development basis of Adagene Suzhou refers to all materials, technology, inventions, discoveries, improvements, patents and know-how as well as all reports, data, technical information, original works of authorship and other information relating to monoclonal antibodies targeting PD-L1 (including but not limited to the screening and optimization of anti-PD-L1 antibody sequences, the developability and the in vitro biological activity research, the construction of production cell lines, etc) researched and developed by Adagene Suzhou based on the Background Intellectual Property such as the research and development technology of antibodies owned by and licensed from Adagene Inc. (the “Existing Research and Development Basis”)

1.2.3 The exclusive cooperation right refers to, subject to the terms and conditions of this Agreement, Adagene Suzhou and its affiliates shall not cooperate with any other third party on the development of the PD-L1 monospecific project; after the payment of project introduction fee by Guilin Sanjin, the intellectual property directly relating to the PD-L1 Project shall be owned by Guilin Sanjin, and the Parties shall share the Greater China Interest of their cooperation in accordance with Article 3.1 of this Agreement; if the subsequent development of the PD-L1 Project involves the intellectual property of Adagene Suzhou and/or its affiliates, Adagene Suzhou shall grant to Party A, Party C and Party D a license to use such intellectual property under this Agreement without consideration (also defined in Article 4.1).

1.3 The Parties agree that Party A, Party C and Party D shall be responsible for carrying out the Project and Party B, as the counterparty, shall fully cooperate in accordance with the terms and conditions of this Agreement. If a relevant agreement need to be executed, the content of such entrustment agreement shall not violate the principles set forth in this Agreement.

Article 2 Cooperative Expenses

2.1 After this Agreement is executed and takes effect, Guilin Sanjin shall pay [***] RMB as the project introduction fee to Adagene Suzhou on a lump-sum basis.

2.2 After the PD-L1 related products comes on the market, within the validity period of the patent of PD-L1 molecule, Party A, Party C and Party D shall, prior to May 10 of each year, disclose to Party B the sales of all products relevant to such molecule of the previous year, and shall, prior to June 1 of each year, pay Party B [***]% (exclusive of tax) of the net sales revenue of the products relevant to such molecule.

2.3 If Party A, Party C and Party D transfer their PRC interests of this project to any third party during the process of research and development, Party B shall be entitled to the transfer proceeds deducting the research and development costs (excluding the project introduction fees paid to Party B), and the research and development costs shall be verified and determined by an independent auditor agreed upon by Both Parties.

2.3.1 If the transfer occurs before the clinical approval documents, Party A, Party C and Party D shall pay Adagene Suzhou [***]% of the transfer proceeds deducting the research and development costs;

2.3.2 If the transfer occurs during the clinical phase I – II of the products, Party A, Party C and Party D shall pay Adagene Suzhou [***]% of the transfer proceeds deducting the research and development costs.

2.3.3 If the transfer occurs during the clinical phase II – III, Party A, Party C and Party D shall pay Adagene Suzhou [***]% of the transfer proceeds deducting the research and development costs.

2.3.4 If the transfer occurs after the clinical phase III, Party A, Party C and Party D shall pay Adagene Suzhou [***]% of the transfer proceeds deducting the research and development costs.

2.4 If the international or global interests of this project are transferred to any third party, the Parties shall share the interests in accordance with Article 2.4 of the “Cooperation Agreement on International Interests of PD-L1 Project, dated December 27, 2018, between Guilin Sanjin Pharmaceutical Co., Ltd. and Adagene Inc.”.

Article 3 Sharing of Project Interests and Ownership of Intellectual Property

3.1 The Parties agree that Party A, Party C and Party D shall be entitled to 100a% of the Greater China Interests of the PD-L1 Project.

3.1.1 The Greater China refers to, for the purpose of this Agreement, the Mainland China, Hong Kong, Macau and Taiwan region.

3.1.2 The Greater China Interests refer to all economic benefits (including, but not limited to, patent assignment fees, licensing fees, sales revenue, and sales commissions) derived from the PD-L1 Project in the Greater China.

3.2 Interest and its Transfer

3.2.1 The transferred interests under the PD-L1 Project include all rights and interests directly related to the molecule, including but not limited to rights and interests on subsequent domestic and oversea research and development, the IND (investigational new drug application), clinical trials, marketing, equity transfer and combined medication.

3.2.2 The transfer of the rights and interests related to the molecule described in Article 3.2.1 above shall be effected through the transfer of patents and related technology, specifically, the Party B shall transfer to Party A, Party C and Party D the core sequence (of amino acids and their encoding nucleic acids sequence) of such molecule as well as the relevant reasonable rights and interests that Party B owns based on such core sequence and that have been fixed in the form of patent application (only apply to the patent right in PRC), such transfer shall include but not be limited to the transfer of patent application right by Party B to Party A, Party C and Party D at the stage of patent application or the transfer of patent right by Party B to Party A, Party C and Party D within six months after Party B obtains the patent right.

3.3 Ownership of Intellectual Property

3.3.1 The Parties agree that, after the effectiveness of this Agreement, all the results obtained by Party A, Party C and Party D relating to the research and development of the new antibodies under the PD-L1 Project, including, without limitation, cell lines, relevant technologies for the development process, pre-clinical application materials, clinical research materials and experimental data obtained in the process of research and development, shall be a part of the PD-L1 Project and owned by Party A, Party C and Party D.

3.3.2 Party B represents that as of the effective date of this Agreement, there is no dispute between Party B and any third party which would impact the license of the Existing Research and Development Basis of Adagene Suzhou to Party A, Party C and Party D, and has not found that the implementation of this Agreement would violate the intellectual property rights of any third party. Party B shall ensure that the sequences of anti-PD-L1 antibodies provided by it do not violate the interest of any third party, and shall undertake any intellectual property dispute arising from the sequences of anti-PD-L1 antibodies provided by it and the losses incurred thereby.

3.3.3 Background Intellectual Property: Either Party shall retain all rights, title and interest in and to any Intellectual Property used in this Project which the Party or its Affiliates owned or have the right to use prior to the execution of this Agreement, or which is acquired independently of this Agreement ("Background Intellectual Property"). Party B's Background Intellectual Property shall include, without limitation, any patent or know-how owned, controlled or otherwise used by Party B or its affiliates relating to the discovery technology of monoclonal antibodies against other antigens which are not developed under the PD-L1 Project.

3.3.4 Improvements of Background Intellectual Property: In case where either Party or its affiliate makes any improvement of the Background Intellectual Property during the research and development of PD-L1 Project, such Party shall retain all right, title and interest to such improved Background Intellectual Property.

3.3.5 Within the effective term of this Agreement, Party B hereby grants Party A, Party C and Party D a license to use Party B's Background Intellectual Property and improved Background Intellectual Property in relation to the PD-L1 Project without compensation for the purpose of performing this Agreement. However, Party B shall not be responsible for obtaining the license of any intellectual property rights of any third party that need to be purchased for the purpose of performing this Agreement.

Article 4 Responsibilities of the Parties

4.1 Exclusivity of the Project

4.1.1 Within three years after the effectiveness of this Agreement, Party B shall not develop monospecific antibodies against the PD-L1 target, nor shall it authorize any third party to the use of any sequences, cell lines, nanobodies, data, patented technology or other items; Any new projects in conflict with the interests of this Project shall be determined by the Parties through consultation and the Parties shall have the prior cooperation right. However, the exclusivity obligation provided for in this Article does not include bispecific antibodies (simultaneously bind two different epitopes), antibody conjugates (ADC), diagnostic antibodies, antibody-targeted nanoparticles (Nano-particles) and antibody prodrugs (Probody).

4.1.2 In the meantime, the Parties agree that the provision of screening service for third parties that Party B has commenced and continued prior to the execution of this Agreement is not subject to the exclusivity obligation of this Article.

4.2 Risk of Project Failure

If the project fails due to the reasons solely attributable to the Existing Research and Development Basis of Adagene Suzhou (as defined in Article 1.2.2 of this Agreement), the project shall terminate and Guilin Sanjin shall have the right to claim liquidated damages against Adagene Suzhou in the amount of [***] RMB; if the project fails due to the fault of Party A, Party C and Party D, Guilin Sanjin shall not claim against Adagene Suzhou for the above liquidated damages.

Article 5 Representations and Warranties

5.1 Party A, Party B, Party C and Party D represent and warrant that each Party has the requisite power to enter into, execute, deliver and perform this Agreement and any other documents required for the performance of this Agreement. This Agreement and any such other documents after taking effect constitute a legitimate, valid, binding and enforceable agreement between the Parties hereto.

5.2 Party A, Party B, Party C and Party D represent and warrant that the execution, delivery and performance of this Agreement will not conflict with or result in a breach of the provisions of, or constitute a default (or result in the exercise of any right of termination in accordance with the provisions thereof) under, or violate, any of the following: (1) any material contract to which such Party is a party, unless the consent of the other party of such contract has been obtained; (2) any PRC Law, or any judgment, decree or order of any court, tribunal, government or governmental agency having jurisdiction over such Party or any of its assets; or (3) the articles of association or business license of such Party.

5.3 Unless otherwise confirmed and agreed in writing by the other Parties, either Party shall keep confidential any Confidential Information relating to the other Parties which may come to its knowledge. Either Party shall cause its relevant personnel, counsels and auditing institutions to bear the same confidentiality obligation.

Article 6 Covenants

In addition to the obligations of the Parties under other provisions of this Agreement, the Parties covenant as follows:

6.1 The Parties hereto agree to cooperate with each other in completing any outstanding work relating to the cooperation under this Agreement as soon as possible. For this purpose, the Parties shall take or cause to be taken all necessary actions, including without limitation obtaining written consents of competent authorities or shareholders of such Party with respect to cooperation matters (if required), to ensure the full implementation of the terms of this Agreement. Any matters, which must be resolved during the implementation of this Agreement but is not stipulated in this Agreement, shall be settled by the Parties hereto through consultation and in a fair, equal and proper manner.

6.2 Each Party shall, with the utmost good faith, take economically reasonable approach to promote all aspects of the work of the PD-L1 Project without reducing the actual effect.

Article 7 Cost Bearing

Party A, Party B, Party C and Party B shall be responsible for their own taxes and fees arising from their respective implementation of this Agreement.

Article 8 Liabilities for Breach

8.1 The occurrence of any of the following circumstances to any Party hereto shall constitute a breach of this Agreement:

8.1.1 Breach of any obligation or covenant set forth in this Agreement;

8.1.2 Any representation or warranty made by such Party in this Agreement is inconsistent with the facts or is misleading (whether made in good faith or in bad faith).

8.2 In case of any aforesaid breach of this Agreement, the non-breaching Party shall be entitled to request the breaching Party to rectify it within 30 days; if the breaching Party fails to rectify it within the specified period, Both Parties may initiate arbitration in accordance with Article 11.2 of this Agreement. If such arbitration fails, the non-breaching Party shall be entitled to rescind this Agreement. Furthermore, the breaching Party shall indemnify the non-breaching Party against all claims, losses, liabilities, damages, costs and expenses directly caused to the non-breaching Party due to its breach.

ARTICLE 9 Force Majeure

9.1 Force Majeure under this Agreement means any objective event that is unforeseeable at the time of execution of this Agreement, is unavoidable by the Parties and the consequences of which cannot be overcome. Such objective events shall include, without limitation, earthquakes, typhoons, flood, fire, war, strikes, riots, acts of governments, changes in law or the application thereof or any other instances which are unforeseeable, unavoidable or out of control, including objective instances which are accepted as Force Majeure in general international commercial practice.

9.2 If an event of Force Majeure occurs, a Party's contractual obligations affected by such event under this Agreement shall be suspended during the period of delay caused by the Force Majeure and the period for performance of such contractual obligations shall be automatically extended, with the extended period of performance equals to the period of delay, and the affected Party shall not be responsible for the breach of this Agreement due to such delay.

9.3 In case of any Force Majeure, the Party affected thereby shall, within 30 days upon occurrence of Force Majeure, provide the other Party with relevant documents notarized by a notary office to prove the occurrence of the Force Majeure event.

9.4 In the event of Force Majeure, the Parties shall immediately consult with each other in order to find an equitable solution and shall use all reasonable endeavours to minimize the consequences of such Force Majeure.

Article 10 Amendment, Rescission or Termination

10.1 Unless otherwise provided for herein, this Agreement shall be rescinded upon occurrence of any of the following circumstances and from the rescission date, the rights and obligations of the Parties as set forth in the Agreement shall terminate (except for the confidentiality clauses and other clauses which shall survive the rescission or termination of this Agreement):

10.1.1 The Parties rescind this Agreement by mutual consensus through consultation;

10.1.2 The Parties are unable to achieve the purpose of the Agreement due to Force Majeure;

10.1.3 If a Party breaches this Agreement, the non-breaching Party may rescind this Agreement in accordance with Article 8.2;

10.1.4 This Agreement is held invalid by courts or other competent authority;

10.1.5 If the other Party encounters any accident detrimental to the continuous normal performance of this Agreement, such as inability to continue its operation and changes of key project members, and fails to take effective measures to eliminate such adverse effects, the non-breaching Party shall be entitled to terminate this Agreement.

10.1.6 This Agreement and "Cooperation Agreement on International Interests of PD-L1 Project, dated December 27, 2018, between Guilin Sanjin Pharmaceutical Co., Ltd. and Adagene Inc." are complementary to each other. If the latter is rescinded, this Agreement shall be rescinded as well.

10.2 Upon the rescission of this Agreement in accordance with Article 10.1.1 aforesaid, the performance of this Agreement shall be terminated.

10.3 If this Agreement is rescinded due to the breach by a Party, the non-breaching Party's right to request for damages shall not be affected thereby.

10.4 This Agreement may be changed and supplemented by unanimous agreement of the Parties. Any amendment and supplement to this Agreement shall be made in writing and come into effect after being duly executed by the Parties.

10.5 After the termination of this Agreement, all tangible technical materials including but not limited to intellectual property, materials and data provided by Party B for the PD-L1 Project shall be returned by Party A, Party C and Party D to Party B. All results obtained from the research and development surrounding the PD-L1 Project, including but not limited to cell lines, processes of relevant technology, pre-clinical application materials, and experimental data obtained in the process of research and development, shall also be handed over by the Parties to the relevant parties.

Article 11 Governing Laws and Dispute Resolution

11.1 The Parties agree that the execution, performance, interpretation and dispute settlement of this Agreement shall be governed by the laws of the People's Republic of China.

11.2 Any dispute arising from the execution and performance of this Agreement or in connection herewith shall be settled by the Parties through friendly consultation; if such dispute fails to be settled through consultation within 30 days from the occurrence of such dispute, any Party may submit such dispute to China International Economic and Trade Arbitration Commission for arbitration in accordance with its then effective arbitration rules. The place of arbitration shall be Shanghai. The arbitral award shall be final and binding to the Parties.

During the arbitration period, the Parties shall continue to perform other obligations under this Agreement, except for the issues in dispute submitted for arbitration.

Article 12 Confidentiality

12.1 Any Party hereto (the "Receiving Party") shall keep strictly confidential the information including but not limited to technical materials, research reports and product information (the "Confidential Information") obtained from or learnt from the Disclosing Party (the "Disclosing Party") that may be reasonably deemed as confidential. The existence and terms of this Agreement (especially the information such as Agreement amount and technical indicators) are also considered Confidential Information. Confidential Information shall not include information that: (a) the Receiving Party has evidence to prove was obtained or known prior to its disclosure by the Disclosing Party; (b) becomes available to the public other than as a result of the Receiving Party's misconduct or error; (c) becomes available to the Receiving Party in a justifiable and reasonable manner from a third party not under an obligation of confidentiality; and (d) is independently developed by the Receiving Party.

12.2 The Parties agree that, unless with the written consent of the Disclosing Party, the Receiving Party: (1) shall not use the Confidential Information for any purpose other than for the purpose of the performance of this Agreement; and (2) shall not disclose any Confidential Information to any third party, except for (1) disclosure to its employees, licensors, subcontractors, agents, representatives, counsels, consultants and other advisors under confidentiality obligation on a need-to-know basis for the purpose of performing this Agreement; and (2) inspection, disclosure or other activities required by governmental authorities, judicial proceedings, stock exchanges or relevant laws; provided that such disclosure shall be controlled to the extent necessary. The Receiving Party agrees to take any feasible measures to protect the Confidential Information with the confidential level no less stringent than the Receiving Party's confidential level for its own Confidential Information or the information of similar nature, so as to prevent the disclosure and unauthorized use of the Confidential Information.

12.3 This Article of confidentiality supersedes any confidentiality agreement signed by Both Parties before the effectiveness of this Agreement. The confidentiality term shall be valid during the validity term of this Agreement and 10 years after the termination of this Agreement.

Article 13 Limitation of Liability

Except for the indemnification liability assumed by a Party due to third party claims or damages resulting from willful misconduct or fraud of a Party, a Party hereto shall not be liable for any special, incidental, accidental, indirect or punitive losses or losses of similar nature, including but not limited to loss of anticipated revenue, loss of profits, unmarketable products or loss of opportunity in connection with this Agreement, regardless of whether such losses have been advised in advance or not.

To the extent permitted by law, in any cases, the maximum amount of liability of a Party under this Agreement, shall be limited to the amount of all fees and charges that have been collected by such Party under this Agreement, except for the damages caused by willful misconduct or fraud.

Article 14 Liability for Compensation

Each Party shall protect, indemnify, and hold harmless the other Party and its affiliates, and their officers, directors, employees, and agents against any liability or losses arising from any claim, action, proceeding, or demand (collectively, “Claims”) made by a third party due to: (1) such Party’s representations are untrue, inaccurate, or incomplete, or materially breach any warranty of this Agreement; or (2) such Party materially breaches any provision of this Agreement.

Article 15 Miscellaneous

15.1 This Agreement shall come into force as of the execution date of this Agreement.

15.2 Any matters not mentioned herein shall be supplemented through consultation by the Parties. Any amendments or supplements to this Agreement shall be in writing and shall require the execution of the Parties, and such amendments and supplements shall constitute a part of this Agreement.

15.3 Neither Party may assign, or otherwise transfer, or purport to assign, all or any of its rights, interest, duties or obligations under this Agreement without the prior written consent of the other Party.

15.4 If any provision of this Agreement is held invalid by a court or other competent authority, the validity of the remaining provisions shall not be affected.

15.5 Notices from one Party to the other Party pursuant to the provisions of this Agreement shall be in writing, shall be written in Chinese and shall be deemed to have been effectively sent, made and delivered at (1) a notice delivered by hand; (2) a notice sent by confirmed or registered mail, postage prepaid; (3) a reputable courier service; or (4) a notice sent by telephone facsimile to the following addresses of each Party, unless a different address is designated by such Party:

To Party A:
Address: No.1, Jinxing Road, Guilin, Guangxi, China
Attention: TAN Kai
Tel: 008607735843205
Fax: 008607732812547

To Party B:
Address: Room 301, Floor C14, Bionano Science Park, No.218, Xinghu Street, Suzhou Industrial Park Suzhou
Attention: LUO Peizhi
Telephone: 008651287773616
Fax: 008651287773584

To Party C:
Address: Building 5, No. 34, Lane 122, Chunxiao Road, Zhangjiang, Shanghai
Attention: HUANG Yingfeng
Telephone: 021-50276016 -608
Facsimile: 021-50276016 -608

To Party D:
Address: Room 02, Building 3, No. 116, Lane 572, Bibo Road, Pudong New Area, Shanghai
Attention: XU Jian
Telephone: 021-50276016 -606
Facsimile: 021-50276016 -606

15.6 The headings of this Agreement are inserted for the convenience of reference only and shall not be used for the interpretation of this Agreement.

15.7 This Agreement is made in four counterparts with Party A, Party B, Party C and Party D holding one counterpart respectively and each counterpart shall have the same legal effect.

[Below is intentionally left blank]

[The remainder of this page is intentionally left blank; signature page to the Cooperation Agreement on PD-L1 Project]

Party A: Guilin Sanjin Pharmaceutical Co., Ltd. (Seal)

Legal Representative/Authorized Representative:

Party B: Adagene (Suzhou) Limited (Seal)

Legal Representative/Authorized Representative:

Party C: Dragon Boat Biopharmaceutical (Shanghai) Limited. (Seal)

Legal Representative/Authorized Representative:

Party D: Dragon Sail Biotechnology (Shanghai) Co., Ltd. (Seal)

Legal Representative/Authorized Representative:

Exhibit 10.8

***** CERTAIN MATERIAL (INDICATED BY THREE ASTERISKS IN BRACKETS) HAS BEEN OMITTED FROM THIS DOCUMENT BECAUSE IT IS BOTH (1) NOT MATERIAL AND (2) WOULD BE COMPETITIVELY HARMFUL IF PUBLICLY DISCLOSED.**

Guilin Sanjin Pharmaceutical Co., Ltd.

AND

Adagene Inc.

Cooperation Agreement on International

Interests of PD-L1 Project

December 2018

CONTENTS

Cooperation Agreement on International Interests of PD-L1 Project

This Cooperation Agreement on International Interests of PD-L1 Project (this "Agreement") is made and entered into by and among the following Parties on December 27, 2018 in Shanghai, the People's Republic of China ("China" or the "PRC"):

Party A: Guilin Sanjin Pharmaceutical Co., Ltd.
Domicile: No. 1 Jinxing Road, Guilin, Guangxi, China
Legal Representative: Zou Jieming

Party B: Adagene Inc.
Domicile: Floor 4, Willow House, Cricket Square, P.O. Box 2582, Grand Cayman KY1-1103, Cayman Islands
Legal Representative: Peter Luo

(Party A and Party B are referred to individually as a "Party" and collectively as the "Parties".)

WHEREAS:

1 Party A Guilin Sanjin Pharmaceutical Co., Ltd. ("Guilin Sanjin" or "Party A") is a company limited by shares incorporated and existing under the laws of the PRC with its unified social credit code of 91450300198888809P.

2 Party B Adagene Inc. ("Adagene" or "Party B") is a limited liability company incorporated and existing under the laws of the Cayman Islands, which is international in nature and specializing in the development technology and global intellectual property of monospecific and bispecific antibodies, and focusing on the building of new antibody product pipelines. The mailing address is 4/F, Building C14, Bionano Park, No. 218 Xinghu Street, Suzhou Industrial Park, postcode 215123. Party B's wholly owned subsidiary is Adagene (Suzhou) Limited ("Party B's Affiliate" or "Adagene Suzhou"). Adagene and Adagene Suzhou shall be referred to collectively as Party B and its Affiliate.

3 Party A and Party B intend to develop new monospecific antibody drugs in respect of PD-L1 antibody binding site in PRC ("PD-L1 Project", as defined in Article 1.1.1 for details), share the International Interests (as defined in Article 2.1.4 for details, the same below) and agree upon subsequent possible investment. In order to clarify the principles and the rights and obligations of the Parties, Party A and Party B decide to enter into the cooperation agreement first.

NOW, THEREFORE, based on the principles of equality and mutual benefit, Party A and Party B, through friendly consultation, agree as follows with respect to the cooperation under this Agreement.

Article 1 Purpose and Content of Cooperation on International Interests

1.1 Purpose of Cooperation on International Interest: Party A introduces the PD-L1 Project from Party B and develops the PD-L1 Project based on the preliminary research conducted by Party B. This Agreement shall set forth the proportion of International Interests of the Parties in such project.

1.1.1 The PD-L1 Project refers to the data and patents of the monospecific antibody sequence generated against the PD-L1 target, including but not limited to stable cell lines, amino acid and cDNA sequences, biological activity, developability, expression vector design, cell line construction process, etc.

1.1.2 cDNA refers to the DNA sequence corresponding to the anti-PD-L1 antibody sequence.

1.1.3 PRC or China refers to the People's Republic of China, excluding Hong Kong, Macao, and Taiwan region.

1.1.4 IND refers to the investigational new drug application, and IND under this Agreement shall specifically refer to the investigational new drug application within the territory of Mainland China (excluding Hong Kong, Macao and Taiwan region).

1.1.5 PD-L1 Project Products refer to the monospecific antibody drugs targeting PD-L1 to be developed under the PD-L1 Project.

1.2 Details of the cooperation on the PD-L1 Project are set forth in the cooperation agreement with respect to the Greater China entered by the Parties together this Agreement.

Article 2 International Share of Interest and Intellectual Property Ownership

2.1 Party A and Party B agree to differentially share the International Interests of the PD-L1 Project, which shall be owned by and distributed to the Parties, specifically:

2.1.1 Sharing Principles of International Interests:

(1) Upon the completion of IND, Party B shall be entitled to [***]% of the International Interests and Party A shall be entitled to [***]% of the International Interests respectively;

(2) If Party B is responsible for carrying out the international clinical phase I-III study, then the Parties shall share the relevant costs and interests in accordance with the aforesaid International Interests sharing ratio;

(3) In case of other circumstances, such as planned financing, introduction of other investors, adjustment of costs sharing ratio, etc., the interests sharing ratio shall be re-negotiated separately by the Parties and specified in a supplementary agreement.

2.1.2 International refers to all countries and regions other than the Greater China.

2.1.3 The Greater China Interests refer to all economic benefits (including, but not limited to, patent assignment fees, licensing fees, sales revenue, and sales commissions) derived from the PD-L1 Project in the Greater China.

2.1.4 International Interests refer to: All economic benefits (including but not limited to, patent assignment fees, licensing fees, sales revenue, and sales commissions) derived from the PD-L1 Project in countries and regions outside of the Greater China.

2.2 Ownership of Intellectual Property

2.2.1 The Parties agree that, after the effectiveness of this Agreement, all the results obtained by Party A relating to the research and development of such new PD-L1 antibody molecules under the PD-L1 Project, including, without limitation, production cell lines, relevant technologies for the development process, pre-clinical application materials, clinical research materials and experimental data obtained in the process of research and development, shall be a part of the PD-L1 Project and owned by Party A. International patents deriving from the core and key technologies of Party B and its Affiliate pertaining to the PD-L1 molecule shall be applied for by Party B and the Parties shall share future benefits, and the Parties shall share the relevant costs and benefits of such international patents in accordance with the sharing ratio set forth in Article 2.1.

2.2.2 Background Intellectual Property: Either Party shall retain all rights, title and interest in and to any Intellectual Property used in this Project which the Party or its Affiliate owned or have the right to use prior to the execution of this Agreement, or which is acquired independently of this Agreement ("Background Intellectual Property"). Party B's Background Intellectual Property shall include, without limitation, any patent or know-how owned, controlled or otherwise used by Party B or Party B's Affiliate relating to the discovery technology of monoclonal antibodies against other antigens which are not developed under the PD-L1 Project.

2.2.3 Improvements of Background Intellectual Property: In case where either Party or its Affiliate makes any improvement of the Background Intellectual Property during the research and development of PD-L1 Project, such Party shall retain all right, title and interest to such improved Background Intellectual Property.

2.2.4 Party B hereby grants to Party A a license to use Background Intellectual Property of Party B and its Affiliate and improved Background Intellectual Property in relation to the PD-L1 Project without compensation for the purpose of performing this Agreement. However, Party B shall not be responsible for obtaining the license of any intellectual property rights of any third party that need to be purchased for the purpose of performing this Agreement.

2.2.5 Party A and Party B agree that, in principle, the intellectual property generated from the independent work of the Parties under this Agreement shall be respectively and independently owned by such Parties; the intellectual property generated from the cooperation between Party B's Affiliate and Party A in connection with the development of the PD-L1 Project Products shall be collectively owned by Party B, Party B's Affiliate, and Party A, who shall also have the right to use such intellectual property free of charge.

2.3 Each Party agrees that, after the effectiveness of this Agreement, Party B shall have the dominance over (including authorizing any third party of) the International Interests of the PD-L1 Project. In case where Party B intends to authorize the International Interests to any third party, Party B shall notify Party A 30 days in advance in writing of the offering price (Term Sheet), transferee and other relevant information; and Party A shall have the right of first refusal after paying a Non-refundable Earnest Money equaling [***]% of the total amount of the Term Sheet. If Party A waives the right of first refusal, Party A shall provide written consent to Party B regarding its authorization of the International Interests to such third party, and Party B shall ensure that the final transaction price shall not be lower than the amount of the offering price which has been notified to Party A. If Party B fails to receive the written consent from Party A within 30 days after the date of notification, it shall be deemed that Party A has automatically waived the right of first refusal.

2.3.1 That Party B shall have the dominance over (including authorizing any third party of) the International Interests of the PD-L1 Project means that, after the effectiveness of this Agreement, Party B shall retain the following rights, provided that the Party A's right of first refusal set forth in this Article is guaranteed:

(1) right to determine the global authorization or regional authorization of the International Interests of the PD-L1 Project to any third party;

(2) right to select and determine to whom the International Interest of the PD-L1 Project shall be authorized or sold;

(3) right to determine the price of the International Interests of the PD-L1 Project to be authorized or sold.

2.3.2 Non-refundable Earnest Money means that, Party A shall pay such Earnest Money as the consideration for the right of first refusal for the authorization of the International Interests. Thereafter, if Party A decides to waive such right of first refusal, Party B shall not return such Earnest Money; if Party A decides to exercise the right of first refusal, such Earnest Money can be used as the payment for the authorization of International Interests, including but not limited to the first installment of license fee, the milestone payment and sales commission.

2.3.3 The right of first refusal means that, in case where Party B authorizes the International Interest of the PD-L1 Project, under the same conditions, Party A shall have the priority over any third party to purchase the authorization of International Interests.

2.3.4 Party B agrees that its dominance aforesaid shall not apply to the following circumstances:

(1) where Party B maliciously exercises its dominance and causes material losses to the PD-L1 Project;

(2) where the assignment of International Interests is out of the purpose of injuring the Greater China Interests;

(3) where the transferee is an Affiliate of Party B or its shareholders.

2.4 Authorization to Third Party

2.4.1 Sale or Authorization of International Interests and the Greater China Interests

In case where the PD-L1 Project is sold or authorized to any third party as a whole (including International Interests and the Greater China Interests) and the International Interests shall represent [* * *]% of the overall interests, to ensure the validity of such authorization, Party A and its Affiliate shall transfer all intellectual property rights, materials and data in relation to the PD-L1 Project to Adagene after the completion of such authorization.

2.4.2 Sale or Authorization of International Interest

If the International Interests of the PD-L1 Project are sold or authorized separately, in order to ensure the validity of such authorization, the Parties shall transfer all relevant intellectual property rights, materials and data in relation to the PD-L1 Project to each other to ensure the validity of International Interests.

2.4.3 The Parties shall share the transfer proceeds after deduction of the Parties' research and development costs (excluding the project introduction costs paid to Party B), and the research and development costs shall be verified and determined by an independent auditor agreed upon by the Parties.

Article 3 Responsibilities of the Parties

3.1 Exclusivity of the Project

Within three years after the effectiveness of this Agreement, Party B shall not develop on its own any monospecific antibody against the PD-L1 target, nor shall it authorize any third party to the use of any sequences, cell lines, nanobodies, data, patented technology or other items. Any new projects in conflict with the interests of this project shall be determined by Party A and Party B's Affiliate through consultation and Party A and Party B's Affiliate shall have the prior cooperation right. However, the exclusivity obligation provided for in this Article does not include bispecific antibodies, antibody conjugates (ADC), diagnostic antibodies, antibody-targeted nanoparticles (Nano-particles) and antibody prodrugs (Probody).

3.2 Combined Therapy

The Parties have the right to independently carry out drug combination worldwide.

Article 4 Representations and Warranties

4.1 Party A and Party B represent and warrant that each Party has the requisite power to enter into, execute, deliver and perform this Agreement and any other documents required for the performance of this Agreement. This Agreement and any such other documents after taking effect constitute a legitimate, valid, binding and enforceable agreement between the Parties hereto.

4.2 Party A and Party B represent and warrant that the execution, delivery and performance of this Agreement will not conflict with or result in a breach of the provisions of, or constitute a default (or result in the exercise of any right of termination in accordance with the provisions thereof) under, or violate any of the following: (1) any material contract to which such Party is a party, unless the consent of the other party of such contract has been obtained; (2) any PRC Law, or any judgment, decree or order of any court, tribunal, government or governmental agency having jurisdiction over such Party or any of its assets; or (3) the articles of association or business license of such Party.

4.3 Unless otherwise confirmed and agreed in writing by the other Parties, either Party shall keep confidential any Confidential Information relating to the other Parties which may come to its knowledge. Either Party shall cause its relevant personnel, counsels and auditing institutions to bear the same confidentiality obligation.

Article 5 Covenants

In addition to the obligations of the Parties under other provisions of this Agreement, the Parties covenant as follows:

5.1 The Parties hereto agree to cooperate with each other in completing any outstanding work relating to the cooperation under this Agreement as soon as possible. For this purpose, the Parties shall take or cause to be taken all necessary actions, including without limitation obtaining written consents of competent authorities or shareholders of such Party with respect to cooperation matters (if required), to ensure the full implementation of the terms of this Agreement. Any matters, which must be resolved during the implementation of this Agreement but is not stipulated in this Agreement, shall be settled by the Parties hereto through consultation and in a fair, equal and proper manner.

5.2 Each Party shall, with the utmost good faith, take economically reasonable approach to promote all aspects of the work of the PD-L1 Project without reducing the actual effect.

Article 6 Cost Bearing

Party A and Party B shall be responsible for their own taxes and fees arising from their respective implementation of this Agreement.

Article 7 Liabilities for Breach

7.1 The occurrence of any of the following circumstances to any Party hereto shall constitute a breach of this Agreement:

7.1.1 Breach of any obligation or covenant set forth herein;

7.1.2 Any representation or warranty made by such Party in this Agreement is inconsistent with the facts or is misleading, whether made in good faith or in bad faith.

7.2 In case of any aforesaid breach of this Agreement, the non-breaching Party shall be entitled to request the breaching Party to rectify it within 30 days; if the breaching Party fails to rectify it within the specified period, the Parties may initiate arbitration in accordance with Article 10.2 of this Agreement. If such arbitration fails, the non-breaching Party shall be entitled to rescind this Agreement. Furthermore, the breaching Party shall indemnify the non-breaching Party against all claims, losses, liabilities, damages, costs and expenses directly caused to the non-breaching Party due to its breach.

Article 8 Force Majeure

8.1 Force Majeure under this Agreement means any objective event that is unforeseeable at the time of execution of this Agreement, is unavoidable among the Parties and the consequences of which cannot be overcome. Such objective events shall include, without limitation, earthquakes, typhoons, flood, fire, war, strikes, riots, acts of governments, changes in law or the application thereof or any other instances which are unforeseeable, unavoidable or out of control, including objective instances which are accepted as Force Majeure in general international commercial practice.

8.2 If an event of Force Majeure occurs, a Party's contractual obligations affected by such an event under this Agreement shall be suspended during the period of delay caused by the Force Majeure and the period for performance of such contractual obligations shall be automatically extended, with the extended period of performance equals to the period of delay and the affected Party shall not be responsible for the breach of this Agreement due to such delay.

8.3 In case of any Force Majeure, the party affected thereby shall, within 30 days upon occurrence of Force Majeure, provide the other Party with relevant documents notarized by a notary office to prove the occurrence of the Force Majeure event.

8.4 In the event of Force Majeure, the Parties shall immediately consult with each other in order to find an equitable solution and shall use all reasonable endeavours to minimize the consequences of such Force Majeure.

Article 9 Amendment, Rescission or Termination

9.1 Unless otherwise provided for herein, this Agreement shall be rescinded upon occurrence of any of the following circumstances and from the rescission date, the rights and obligations of the Parties as set forth in the Agreement shall terminate (except for the confidentiality clauses and other clauses which shall survive the rescission or termination of this Agreement):

9.1.1 The Parties rescind this Agreement by mutual consensus through consultation;

9.1.2 The Parties are unable to achieve the purpose of the Agreement due to Force Majeure;

9.1.3 If a Party breaches this Agreement, the non-breaching Party may rescind this Agreement in accordance with Article 7.2 ;

9.1.4 This Agreement is held invalid by courts or other competent authority;

9.1.5 If the other Party encounters any accident detrimental to the continuous normal performance of this Agreement, such as inability to continue its operation and changes of key project members and fails to take effective measures to eliminate such adverse effects, the non-breaching Party shall be entitled to terminate this Agreement.

9.1.6 This Agreement and "Cooperation Agreement on PD-L1 Project, dated December 27, 2018, between Guilin Sanjin Pharmaceutical Co., Ltd. and Adagene (Suzhou) Limited" are complementary to each other. If the latter is rescinded, this Agreement shall be rescinded as well.

9.2 Upon the rescission of this Agreement in accordance with Article 9.1 aforesaid, the performance of this Agreement shall be terminated.

9.3 If this Agreement is rescinded due to the breach by a Party, the non-breaching Party's right to request for damages shall not be affected thereby.

9.4 This Agreement may be changed and supplemented by unanimous agreement of the Parties. Any amendment and supplement to this Agreement shall be made in writing and come into effect after being duly executed by the Parties.

9.5 After the termination of this Agreement, all tangible technical materials including but not limited to intellectual property, materials and data provided by Party B's Affiliate for the PD-L1 Project shall be returned by Party A and its Affiliate to Party B and its Affiliate.

Article 10 Governing Laws and Dispute Resolution

10.1 The Parties agree that the execution, performance, interpretation and dispute settlement of this Agreement shall be governed by the laws of the People's Republic of China.

10.2 Any dispute arising from the execution and performance of this Agreement or in connection herewith shall be settled by the Parties through friendly consultation; if such dispute fails to be settled through consultation within 30 days from the occurrence of such dispute, either Party may submit such dispute to China International Economic and Trade Arbitration Commission for arbitration in accordance with its then effective arbitration rules. The seat of arbitration shall be Shanghai. The arbitration award shall be final and binding to the parties.

During the arbitration period, the Parties shall continue to perform other obligations under this Agreement, except for the issues in dispute submitted for arbitration.

10.3 If there is any discrepancy between the interpretation of terms hereof and the interpretation corresponding to the "Cooperation Agreement on PD-L1 Project, dated December 27, 2018, between Guilin Sanjin Pharmaceutical Co., Ltd. and Adagene (Suzhou) Limited", the latter interpretation shall prevail and supersede the interpretation of this Agreement.

Article 11 Confidentiality

11.1 Any Party hereto (the "Receiving Party") shall keep strictly confidential the information including but not limited to technical materials, research reports and product information (the "Confidential Information") obtained from or learnt from the Disclosing Party (the "Disclosing Party") that may be reasonably deemed as confidential. The existence and terms of this Agreement (especially the information such as Agreement amount and technical indicators) are also considered Confidential Information. Confidential Information shall not include information that: (a) the Receiving Party has evidence to prove was obtained or known prior to its disclosure by the Disclosing Party; (b) becomes available to the public other than as a result of the Receiving Party's misconduct or error; (c) becomes available to the Receiving Party in a justifiable and reasonable manner from a third party not under an obligation of confidentiality; and (d) is independently developed by the Receiving Party.

11.2 The Parties agree that, unless with the written consent of the Disclosing Party, the Receiving Party: (1) shall not use the Confidential Information for any purpose other than for the purpose of the performance of this Agreement; and (2) shall not disclose any Confidential Information to any third party, except for (1) disclosure to its employees, licensors, subcontractors, agents, representatives, counsels, consultants and other advisors under confidentiality obligation on a need-to-know basis for the purpose of performing this Agreement; and (2) inspection, disclosure or other activities required by governmental authorities, judicial proceedings, stock exchanges or relevant laws; provided that such disclosure shall be controlled to the extent necessary. The Receiving Party agrees to take any feasible measures to protect the Confidential Information with the confidential level no less stringent than the Receiving Party's confidential level for its own Confidential Information or the information of similar nature, so as to prevent the disclosure and unauthorized use of the Confidential Information.

11.3 This Article of confidentiality supersedes any confidentiality agreement signed by the Parties before the effectiveness of this Agreement. The confidentiality term shall be valid during the validity term of this Agreement and 10 years after the termination of this Agreement.

Article 12 Subcontracting

Without Party B's written approval, Party A shall not subcontract the research and development service under this Agreement to any third party. However, animal experiments, verification of cell plants and other work that must be or may be outsourced in accordance with the trade practice, and the use of services provided by its Affiliate are not subject to such restriction. For the purpose of this Article, "Affiliate" of a Party means any entity which, directly or indirectly, controls, is controlled by or is under common control with such Party. "Control" means (1) the ownership, directly or indirectly, of 50% or more of the equity interest in an entity, or (2) the right to directly or indirectly control the management decisions of an entity, by contract or otherwise.

Article 13 Limitation of Liability

Except for the indemnification liability assumed by a Party due to third party claims or damages resulting from willful misconduct or fraud of a Party, a Party hereto shall not be liable for any special, incidental, accidental, indirect or punitive losses or losses of similar nature, including but not limited to loss of anticipated revenue, loss of profits, unmarketable products or loss of opportunity in connection with this Agreement, regardless of whether such losses have been advised in advance or not.

To the extent permitted by law, in any cases, the maximum amount of liability of Party B under this Agreement, shall be limited to the amount of all fees and charges that have been collected by Party B and its Affiliate under this Agreement, except for the damages caused by willful misconduct or fraud.

Article 14 Liability for Compensation

Each Party shall protect, indemnify, and hold harmless the other Party and its Affiliate, and their officers, directors, employees, and agents against any liability or losses arising from any claim, action, proceeding, or demand (collectively, "Claims") made by a third party due to: (1) such Party's representations are untrue, inaccurate, or incomplete, or materially breach any warranty of this Agreement; or (2) such Party materially breaches any provision of this Agreement.

Article 15 Miscellaneous

15.1 This Agreement shall come into force as of the execution date of this Agreement.

15.2 Any matters not mentioned herein shall be supplemented through consultation by the Parties. Any amendments or supplements to this Agreement shall be in writing and shall require the execution of the Parties, and such amendments and the supplements shall constitute a part of this Agreement.

15.3 Neither Party may assign, or otherwise transfer, or purport to assign, all or any of its rights, interest, duties or obligations under this Agreement without the prior written consent of the other Party.

15.4 If any provision of this Agreement is held invalid by a court or other competent authority, the validity of the remaining provisions shall not be affected.

15.5 Notices from one Party to the other Party pursuant to the provisions of this Agreement shall be in writing, shall be written in Chinese and shall be deemed to have been effectively sent, made and delivered at (1) a notice delivered by hand; (2) a notice sent by confirmed or registered mail, postage prepaid; (3) a reputable courier service; or (4) a notice sent by telephone facsimile to the following addresses of each Party, unless a different address is designated by such Party:

To Party A:
Address: No. 1, Jinxing Road, Guilin, Guangxi, China
Attention: TAN Kai
Tel: 008607735843205
Fax: 008607732812547

To Party B:
Address: Room 301, Floor C14, Bionano Science Park, No. 218, Xinghu Street, Suzhou Industrial Park
Attention: LUO Peizhi
Tel: 008651287773616
Fax: 008651287773584

15.6 The headings of this Agreement are inserted for the convenience of reference only and shall not be used for the interpretation of this Agreement.

15.7 This Agreement is made in two counterparts with Party A and Party B holding one counterpart respectively and each counterpart shall have the same legal effect.

[Below is intentionally left blank]

[The remainder of this page is intentionally left blank; signature page to the Cooperation Agreement on International Interests of PD-L1 Project]

Party A: Guilin Sanjin Pharmaceutical Co., Ltd. (Seal)

Legal Representative/Authorized Representative:

Party B: Adagene Inc. (Seal)

Legal Representative/Authorized Representative:

Exhibit 10.9

***** CERTAIN MATERIAL (INDICATED BY THREE ASTERISKS IN BRACKETS) HAS BEEN OMITTED FROM THIS DOCUMENT BECAUSE IT IS BOTH (1) NOT MATERIAL AND (2) WOULD BE COMPETITIVELY HARMFUL IF PUBLICLY DISCLOSED.**

Dragon Boat Biopharmaceutical (Shanghai) Limited.

AND

Adagene (Suzhou) Limited

Cooperation Agreement on the [***]

Project

May 2019

CONTENTS

Cooperation Agreement on the [***] Project

This Cooperation Agreement on the [***] Project (this "Agreement") is made and entered into by and among the following parties on May 22, 2019 in Shanghai, the People's Republic of China ("China" or the "PRC"):

Party A: Dragon Boat Biopharmaceutical (Shanghai) Limited.
Domicile: Building 5, No. 34, Lane 122, Chunxiao Road, Zhangjiang, Shanghai
Legal Representative: Zou Xun

Party B: Adagene (Suzhou) Limited
Domicile: Room 301, Floor C14, Bionano Science Park, No. 218 Xinghu Street, Suzhou Industrial Park
Legal Representative: Peter Luo

(Party A and Party B are referred to individually as a "Party" and collectively as the "Parties".)

WHEREAS:

1 Party A Dragon Boat Biopharmaceutical (Shanghai) Limited. ("Dragon Boat" or "Party A") is a limited liability company incorporated and existing under the laws of the PRC with its unified social credit code of 91310115781107395X.

2 Party B Adagene (Suzhou) Limited ("Adagene Suzhou" or "Party B") is a limited liability company incorporated and existing under the laws of the PRC, which is international in nature and focuses on the development of monospecific and bispecific antibodies and focuses on the building of new antibody product pipelines. Founded on February 28, 2012, a subsidiary wholly-owned by Adagene Inc. (a company incorporated and existing under the laws of the Cayman Islands) with the unified social credit code of 91320594590011964Y.

3 Party A and Party B intend to cooperate in the research and development of new monospecific antibody drugs in respect of [***] antibody binding site ("[***] Project", as defined in Article 1.1.1 for details) in PRC. In order to clarify the overall objectives and principles of such cooperation and clarify the rights and obligations of the Both Parties, Party A and Party B decide to enter into a cooperation agreement.

NOW, THEREFORE, based on the principles of equality and mutual benefit, Party A and Party B, through friendly consultation, agree as follows with respect to the cooperation hereunder.

Article 1 Purpose and Content of the Cooperation

1.1 Purpose of Cooperation: Party A introduces the [***] Project from Party B and develop the [***] Project Products based on the preliminary research conducted by Party B.

1.1.1 The [***] Project refers to data and patents of the monospecific antibody sequence generated against the [***] target, including but not limited to stable cell lines, amino acid and cDNA sequences, biological activity, developability, etc.

1.1.2 cDNA refers to the DNA sequence corresponding to the anti-[***] antibody sequence.

1.1.3 PRC or China refers to the People's Republic of China, for the purpose of this Agreement, excluding Hong Kong, Macau and Taiwan region.

1.1.4 IND refers to the investigational new drug application, and IND under this Agreement shall specifically refer to the investigational new drug application within the territory of Mainland China (excluding Hong Kong, Macao and Taiwan region).

1.1.5 [***] Project Products refer to the monospecific antibody drugs targeting [***] to be developed under the [***] Project.

1.2 The cooperation of [***] Project under this Agreement includes the research and development of new monospecific antibody drugs targeting [***].

Specifically: on the existing research and development basis of Adagene Suzhou, Dragon Boat shall pay Adagene Suzhou a certain amount of project introduction fee to obtain the domestic development right of such new monospecific anti-[***] project; after the introduction of the project, Party A shall independently carry out the subsequent research and development of [***] Project; and Adagene Suzhou shall fully cooperate. Dragon Boat shall pay fees to Adagene Suzhou and share the commercialized Greater China Interests (as defined in Article 3.1.2, the same below) of such project at different stages of the project in accordance with this Agreement.

1.2.1 The existing research and development basis of Adagene Suzhou refers to all materials, technology, inventions, discoveries, improvements, patents and know-how as well as all reports, data, technical information, original works of authorship and other information relating to monoclonal antibodies targeting [***] (including but not limited to the screening and optimization of anti-[***] antibody sequences, the developability and the in vitro biological activity research, the construction of original cell lines, etc) researched and developed by Adagene Suzhou based on the Background Intellectual Property such as the research and development technology of antibodies owned by and licensed from Adagene Inc. (the "Existing Research and Development Basis")

1.2.2 The exclusive cooperation right refers to, subject to the terms and conditions of this Agreement, Adagene Suzhou and its affiliates shall not cooperate with any other third party on the development of the [***] monospecific project; after the payment of all project introduction fee by Dragon Boat, the PRC patents directly relating to the [***] molecule which Adagene Suzhou has applied shall be transferred to and owned by Dragon Boat, and the Parties shall share the Greater China Interest of their cooperation in accordance with Article 3.1 of this Agreement; if the subsequent development of the [***] Project involves the intellectual property of Adagene Suzhou and/or its affiliates, Adagene Suzhou shall grant to Dragon Boat a license to use such intellectual property under this Agreement without consideration. Unless the cooperation under this Agreement cannot be proceeded due to the intentional misconduct or gross negligence of Dragon Boat in performing this Agreement, Adagene Suzhou shall not revoke such license regarding the Existing Research and Development (also defined in Article 3.1).

1.3 The Parties agree that Party A shall be responsible for carrying out the Project and Party B, as the counterparty, shall fully cooperate in accordance with the terms and conditions of this Agreement. If a relevant agreement need to be executed, the content of such entrustment agreement shall not violate the principles set forth in this Agreement.

Article 2 Cooperative Expenses

2.1 After this Agreement is executed and takes effect, Dragon Boat shall pay [***] RMB in total as the project introduction fee in accordance with the following schedule:

2.1.1 [***]RMB, within 10 business days after the execution of this Agreement, in consideration for the obtaining Existing Research and Development Basis under Article 1.2.2;

2.1.2 [***]RMB, within 10 business days after Party A carries out any preclinical safety studies animal testing of the Project Products;

2.1.3 [***]RMB, within 10 business days after obtaining the IND approval documents within PRC;

2.1.4 [***]RMB, within 10 business days after the completion of the phase I clinical trial in PRC.

2.2 After the [***] related products comes on the market, within the validity period of the patent of [***] molecule, Party A shall, prior to May 10 of each year, disclose to Party B the sales of all products relevant to such molecule of the previous year, and shall, prior to June 1 of each year, pay Party B [***]% (exclusive of tax) of the net sales revenue of the products relevant to such molecule.

Article 3 Sharing of Project Interests and Ownership of Intellectual Property

3.1 The Parties agree that Party A shall be entitled to 100% of the Greater China Interests of the [***] Project.

3.1.1 The Greater China refers to, for the purpose of this Agreement, the Mainland China, Hong Kong, Macau and Taiwan region.

3.1.2 The Greater China Interests refer to all economic benefits (including, but not limited to, patent assignment fees, licensing fees, sales revenue, and sales commissions) derived from the [***] Project in the Greater China.

3.2 Interest and its Transfer

3.2.1 The transferred interests under the [***] Project include all rights and interests directly related to the molecule, including but not limited to rights and interests on subsequent domestic and oversea research and development, the IND (investigational new drug application), clinical trials, marketing, equity transfer and combined medication.

3.2.2 The transfer of the rights and interests related to the molecule described in Article 3.2.1 above shall be effected through the transfer of patents and related technology, specifically, the Party B shall transfer to Party A the core sequence (of amino acids and their encoding nucleic acids sequence) of such molecule as well as the relevant reasonable rights and interests that Party B owns based on such core sequence and that have been fixed in the form of patent application.

3.3 Ownership of Intellectual Property

3.3.1 The Parties agree that, after the effectiveness of this Agreement, all the results obtained by Party A relating to the research and development of such [***] new antibodies molecule, including, without limitation, cell lines, relevant technologies for the development process, pre-clinical application materials, clinical research materials and experimental data obtained in the process of research and development, shall be a part of the [***] Project and owned by Party A.

3.3.2 Party B represents that as of the effective date of this Agreement, there is no dispute between Party B and any third party which would impact the license of the Existing Research and Development Basis of Adagene Suzhou to Party A, and has not found that the implementation of this Agreement would violate the intellectual property rights of any third party. Party B shall ensure that the sequences of anti-[***] antibodies provided by it do not violate the interest of any third party, and shall undertake any intellectual property dispute arising from the sequences of anti-[***] antibodies provided by it and the losses incurred thereby.

3.3.3 Background Intellectual Property: Either Party shall retain all rights, title and interest in and to any Intellectual Property used in this Project which the Party or its Affiliates owned or have the right to use prior to the execution of this Agreement, or which is acquired independently of this Agreement ("Background Intellectual Property"). Party B's Background Intellectual Property shall include, without limitation, any patent or know-how owned, controlled or otherwise used by Party B or its affiliates relating to the discovery technology of monoclonal antibodies against other antigens which are not developed under the [***] Project.

3.3.4 Improvements of Background Intellectual Property: In case where either Party or its affiliate makes any improvement of the Background Intellectual Property during the research and development of [***] Project, such Party shall retain all right, title and interest to such improved Background Intellectual Property.

3.3.5 Within the effective term of this Agreement, Party B hereby grants Party A a license to use Party B's Background Intellectual Property and improved Background Intellectual Property in relation to the [***] Project without compensation for the purpose of performing this Agreement. However, Party B shall not be responsible for obtaining the license of any intellectual property rights of any third party that need to be purchased forthe purpose of performing this Agreement.

Article 4 Responsibilities of the Parties

4.1 Exclusivity of the Project

4.1.1 Within three years after the effectiveness of this Agreement, Party B shall not develop monospecific antibodies against the [***] target, nor shall it authorize any third party to the use of any sequences, cell lines, nanobodies, data, patented technology or other items; Any new projects in conflict with the interests of this Project shall be determined by the Parties through consultation and Party A shall have the prior cooperation right under the same conditions. However, the exclusivity obligation provided for in this Article does not include bispecific antibodies (simultaneously bind two different epitopes), antibody conjugates (ADC), diagnostic antibodies, antibody-targeted nanoparticles (Nano-particles) and antibody prodrugs (Probody).

4.1.2 In the meantime, the Parties agree that the provision of screening service for third parties that Party B has commenced and continued prior to the execution of this Agreement is not subject to the exclusivity obligation of this Article.

4.2 Risk of Project Failure

If the project fails due to the reasons solely attributable to the Existing Research and Development Basis of Adagene Suzhou (as defined in Article 1.2.2 of this Agreement), the project shall terminate and Dragon Boat shall have the right to claim against Adagene Suzhou to return the project introduction fees already paid, which shall not exceed [***] RMB; if the project fails due to the fault of Party A, Dragon Boat shall not claim against Adagene Suzhou for returning the above payments, and Adagene Suzhou shall claim against Dragon Boat for any unpaid amounts under Article 2.1.

Article 5 Representations and Warranties

5.1 Party A and Party B represent and warrant that each Party has the requisite power to enter into, execute, deliver and perform this Agreement and any other documents required for the performance of this Agreement. This Agreement and any such other documents after taking effect constitute a legitimate, valid, binding and enforceable agreement between the Parties hereto.

5.2 Party A and Party B represent and warrant that the execution, delivery and performance of this Agreement will not conflict with or result in a breach of the provisions of, or constitute a default (or result in the exercise of any right of termination in accordance with the provisions thereof) under, or violate, any of the following: (1) any material contract to which such Party is a party, unless the consent of the other party of such contract has been obtained; (2) any PRC Law, or any judgment, decree or order of any court, tribunal, government or governmental agency having jurisdiction over such Party or any of its assets; or (3) the articles of association or business license of such Party.

5.3 Unless otherwise confirmed and agreed in writing by the other Parties, either Party shall keep confidential any Confidential Information relating to the other Parties which may come to its knowledge. Either Party shall cause its relevant personnel, counsels and auditing institutions to bear the same confidentiality obligation.

Article 6 Covenants

In addition to the obligations of the Parties under other provisions of this Agreement, the Parties covenant as follows:

6.1 The Parties hereto agree to cooperate with each other in completing any outstanding work relating to the cooperation under this Agreement as soon as possible. For this purpose , the Parties shall take or cause to be taken all necessary actions, including without limitation obtaining written consents of competent authorities or shareholders of such Party with respect to cooperation matters (if required), to ensure the full implementation of the terms of this Agreement. Any matters, which must be resolved during the implementation of this Agreement but is not stipulated in this Agreement, shall be settled by the Parties hereto through consultation and in a fair, equal and proper manner.

6.2 Each Party shall, with the utmost good faith, take economically reasonable approach to promote all aspects of the work of the [***] Project without reducing the actual effect.

Article 7 Cost Bearing

Party A and Party B shall be responsible for their own taxes and fees arising from their respective implementation of this Agreement.

Article 8 Liabilities for Breach

8.1 The occurrence of any of the following circumstances to any Party hereto shall constitute a breach of this Agreement:

8.1.1 Breach of any obligation or covenant set forth in this Agreement;

8.1.2 Any representation or warranty made by such Party in this Agreement is inconsistent with the facts or is misleading (whether made in good faith or in bad faith).

8.2 In case of any aforesaid breach of this Agreement, the non-breaching Party shall be entitled to request the breaching Party to rectify it within 30 days; if the breaching Party fails to rectify it within the specified period, Both Parties may initiate arbitration in accordance with Article 11.2 of this Agreement. If such arbitration fails, the non-breaching Party shall be entitled to rescind this Agreement. Furthermore, the breaching Party shall indemnify the non-breaching Party against all claims, losses, liabilities, damages, costs and expenses directly caused to the non-breaching Party due to its breach (including the fees of attorney).

ARTICLE 9 Force Majeure

9.1 Force Majeure under this Agreement means any objective event that is unforeseeable at the time of execution of this Agreement, is unavoidable by the Parties and the consequences of which cannot be overcome. Such objective events shall include, without limitation, earthquakes, typhoons, flood, fire, war, strikes, riots, acts of governments, changes in law or the application thereof or any other instances which are unforeseeable, unavoidable or out of control, including objective instances which are accepted as Force Majeure in general international commercial practice.

9.2 If an event of Force Majeure occurs, a Party's contractual obligations affected by such event under this Agreement shall be suspended during the period of delay caused by the Force Majeure and the period for performance of such contractual obligations shall be automatically extended, with the extended period of performance equals to the period of delay, and the affected Party shall not be responsible for the breach of this Agreement due to such delay. .

9.3 In case of any Force Majeure, the Party affected thereby shall, within 30 days upon occurrence of Force Majeure, provide the other Party with relevant documents notarized by a notary office to prove the occurrence of the Force Majeure event.

9.4 In the event of Force Majeure, the Parties shall immediately consult with each other in order to find an equitable solution and shall use all reasonable endeavours to minimize the consequences of such Force Majeure.

Article 10 Amendment, Rescission or Termination

10.1 Unless otherwise provided for herein, this Agreement shall be rescinded upon occurrence of any of the following circumstances:

10.1.1 The Parties rescind this Agreement by mutual consensus through consultation;

10.1.2 The Parties are unable to achieve the purpose of the Agreement due to Force Majeure;

10.1.3 If a Party breaches this Agreement, the non-breaching Party may rescind this Agreement in accordance with Article 8.2;

10.1.4 This Agreement is held invalid by courts or other competent authority;

10.1.5 If the other Party encounters any adverse event, such as inability to continue its operation and changes of key project members, and fails to take effective measures to eliminate such adverse effects, the non-breaching Party shall be entitled to terminate this Agreement.

10.1.6 This Agreement and "Cooperation Agreement on International Interests of [***] Project, dated May 22, 2019, between Dragon Boat Biopharmaceutical (Shanghai) Limited. and Adagene Inc." are complementary to each other. If the latter is rescinded, this Agreement shall be rescinded as well.

10.2 In case where this Agreement is rescinded in accordance with Article 10.1.4, the effective date of rescission of this Agreement shall be the effective date of the court judgment or other formal document of other competent governmental authority; in case where this Agreement is rescinded in accordance with other provisions of Article 11.1, the effective date of rescission of this Agreement shall be either the date of rescission agreed in the agreement of rescission, if an agreement of rescission is entered by the Parties, or termination date specified in the written notice of termination delivered by the non-breaching Party.

10.3 If this Agreement is rescinded due to the breach by a Party, the non-breaching Party's right to request for damages shall not be affected thereby.

10.4 This Agreement may be changed and supplemented by unanimous agreement of the Parties. Any amendment and supplement to this Agreement shall be made in writing and come into effect after being duly executed by the Parties.

10.5 After the termination of this Agreement, all tangible technical materials including but not limited to intellectual property, materials and data provided by Party B for the [***] Project shall be returned by Party A to Party B.

Article 11 Governing Laws and Dispute Resolution

11.1 The Parties agree that the execution, performance, interpretation and dispute settlement of this Agreement shall be governed by the laws of the People's Republic of China.

11.2 Any dispute arising from the execution and performance of this Agreement or in connection herewith shall be settled by the Parties through friendly consultation; if such dispute fails to be settled through consultation within 30 days from the occurrence of such dispute, any Party may submit such dispute to China International Economic and Trade Arbitration Commission for arbitration in accordance with its then effective arbitration rules. The place of arbitration shall be Shanghai. The arbitral award shall be final and binding to the Parties.

During the arbitration period, the Parties shall continue to perform other obligations under this Agreement, except for the issues in dispute submitted for arbitration.

Article 12 Confidentiality

12.1 Any Party hereto (the "Receiving Party") shall keep strictly confidential the information including but not limited to technical materials, research reports and product information (the "Confidential Information") obtained from or learnt from the Disclosing Party (the "Disclosing Party") that may be reasonably deemed as confidential. The existence and terms of this Agreement (especially the information such as Agreement amount and technical indicators) are also considered Confidential Information. Confidential Information shall not include information that: (a) the Receiving Party has evidence to prove was obtained or known prior to its disclosure by the Disclosing Party; (b) becomes available to the public other than as a result of the Receiving Party's misconduct or error; (c) becomes available to the Receiving Party in a justifiable and reasonable manner from a third party not under an obligation of confidentiality; and (d) is independently developed by the Receiving Party.

12.2 The Parties agree that, unless with the written consent of the Disclosing Party, the Receiving Party: (1) shall not use the Confidential Information for any purpose other than for the purpose of the performance of this Agreement; and (2) shall not disclose any Confidential Information to any third party, except for (1) disclosure to its employees, licensors, subcontractors, agents, representatives, counsels, consultants and other advisors under confidentiality obligation on a need-to-know basis for the purpose of performing this Agreement; and (2) inspection, disclosure or other activities required by governmental authorities, judicial proceedings, stock exchanges or relevant laws; provided that such disclosure shall be controlled to the extent necessary. The Receiving Party agrees to take any feasible measures to protect the Confidential Information with the confidential level no less stringent than the Receiving Party's confidential level for its own Confidential Information or the information of similar nature, so as to prevent the disclosure and unauthorized use of the Confidential Information.

12.3 This Article of confidentiality supersedes any confidentiality agreement signed by Both Parties before the effectiveness of this Agreement. The confidentiality term shall be valid during the validity term of this Agreement and 10 years after the termination of this Agreement.

Article 13 Limitation of Liability

Except for the indemnification liability assumed by a Party due to third party claims or damages resulting from willful misconduct or fraud of a Party, a Party hereto shall not be liable for any special, incidental, accidental, indirect or punitive losses or losses of similar nature, including but not limited to loss of anticipated revenue, loss of profits, unmarketable products or loss of opportunity in connection with this Agreement, regardless of whether such losses have been advised in advance or not.

Notwithstanding any provisions to the contrary, to the extent permitted by law, in any cases, the maximum amount of liability of Party B under this Agreement, shall be limited to the amount of all fees and charges that have been collected by Party B under this Agreement, except for the damages caused by willful misconduct or fraud.

Article 14 Liability for Compensation

Each Party shall protect, indemnify, and hold harmless the other Party and its affiliates, and their officers, directors, employees, and agents against any liability or losses arising from any claim, action, proceeding, or demand (collectively, "Claims") made by a third party due to: (1) such Party's representations are untrue, inaccurate, or incomplete, or materially breach any warranty of this Agreement; or (2) such Party materially breaches any provision of this Agreement.

Article 15 Miscellaneous

15.1 This Agreement shall come into force as of the execution date of this Agreement.

15.2 Any matters not mentioned herein shall be supplemented through consultation by the Parties. Any amendments or supplements to this Agreement shall be in writing and shall require the execution of the Parties, and such amendments and supplements shall constitute a part of this Agreement.

15.3 Neither Party may assign, or otherwise transfer, or purport to assign, all or any of its rights, interest, duties or obligations under this Agreement without the prior written consent of the other Party.

15.4 If any provision of this Agreement is held invalid by a court or other competent authority, the validity of the remaining provisions shall not be affected.

15.5 Notices from one Party to the other Party pursuant to the provisions of this Agreement shall be in writing, shall be written in Chinese and shall be deemed to have been effectively sent, made and delivered at (1) a notice delivered by hand; (2) a notice sent by confirmed or registered mail, postage prepaid; (3) a reputable courier service; or (4) a notice sent by telephone facsimile to the following addresses of each Party, unless a different address is designated by such Party:

To Party A:
Address: Building 5, No. 34, Lane 122, Chunxiao Road, Zhangjiang, Shanghai
Attention: HUANG Yingfeng
Telephone: 021-50276016 -608
Facsimile: 021-50276016 -608

To Party B:
Address: Room 301, Floor C14, Bionano Science Park, No.218, Xinghu Street, Suzhou Industrial Park Suzhou
Attention: LUO Peizhi
Telephone: 008651287773616
Fax: 008651287773584

15.6 The headings of this Agreement are inserted for the convenience of reference only and shall not be used for the interpretation of this Agreement.

15.7 This Agreement is made in two counterparts with Party A and Party B holding one counterpart respectively and each counterpart shall have the same legal effect.

[Below is intentionally left blank]

[The remainder of this page is intentionally left blank; signature page to the Cooperation Agreement on [***] Project]

Party A: Dragon Boat Biopharmaceutical (Shanghai) Limited. (Seal)

Legal Representative/Authorized Representative:

Party B: Adagene (Suzhou) Limited (Seal)

Legal Representative/Authorized Representative:

Exhibit 10.10

***** CERTAIN MATERIAL (INDICATED BY THREE ASTERISKS IN BRACKETS) HAS BEEN OMITTED FROM THIS DOCUMENT BECAUSE IT IS BOTH (1) NOT MATERIAL AND (2) WOULD BE COMPETITIVELY HARMFUL IF PUBLICLY DISCLOSED.**

Dragon Boat Biopharmaceutical (Shanghai) Limited.

AND

Adagene Inc.

Cooperation Agreement on International Interests of [***] Project

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May 2019

CONTENTS

Cooperation Agreement on International Interests of [***] Project

This Cooperation Agreement on International Interests of [***] Project (this "Agreement") is made and entered into by and among the following Parties on May 22, 2019 in Shanghai, the People's Republic of China ("China" or the "PRC"):

Party A: Dragon Boat Biopharmaceutical (Shanghai) Limited.
Domicile: Building 5, No. 34, Lane 122, Chunxiao Road, Zhangjiang, Shanghai
Legal Representative: Zou Xun

Party B: Adagene Inc.
Domicile: Floor 4, Willow House, Cricket Square, P.O. Box 2582, Grand Cayman KY1-1103, Cayman Islands
Legal Representative: Peter Luo

(Party A and Party B are referred to individually as a "Party" and collectively as the "Parties".)

WHEREAS:

1 Party A Dragon Boat Biopharmaceutical (Shanghai) Limited. ("Dragon Boat" or "Party A") is a limited liability company incorporated and existing under the laws of the PRC with its unified social credit code of 91310115781107395X.

2 Party B Adagene Inc. ("Adagene" or "Party B") is a limited liability company incorporated and existing under the laws of the Cayman Islands, which is international in nature and specializing in the development technology and global intellectual property of monospecific and bispecific antibodies, and focusing on building of new antibody product pipelines. The mailing address is 4/F, Building C14, Bionano Park, No. 218 Xinghu Street, Suzhou Industrial Park, postcode 215123. Party B's wholly owned subsidiary is Agadene (Suzhou) Limited ("Party B's Affiliate" or "Agadene Suzhou"). Adagene and Agadene Suzhou shall be referred to collectively as Party B and its Affiliate.

3 Party A and Party B intend to develop new monospecific antibody drugs in respect of [***] antibody binding site in PRC (the "[***] Project", as defined in Article 1.1.1 for details), share the International Interests (as defined in Article 2.1.4 for details, the same below) and agree upon subsequent possible investment. In order to clarify the principles and the rights and obligations of the Parties, Party A and Party B decide to enter into the cooperation agreement first.

NOW, THEREFORE, based on the principles of equality and mutual benefit, Party A and Party B, through friendly consultation, agree as follows with respect to the cooperation under this Agreement.

Article 1 Purpose and Content of Cooperation on International Interests

1.1 Purpose of Cooperation on International Interests: Party A introduces the [***] Project from Party B and develops the [***] Project based on the preliminary research conducted by Party B. This Agreement shall set forth the proportion of International Interests of the Parties in such project.

1.1.1 [***] Project refers to the data and patents of the monospecific antibody sequence generated against the [***] target, including stable cell lines, amino acid and cDNA sequences, biological activity, developability, etc., but excluding bispecific antibodies and/or antibody drug conjugates (ADC) against the [***] targets, as well as diagnostic antibodies, antibody prodrugs (Probody),and antibody-targeted nanoparticles (Nano-particles).

1.1.2 cDNA refers to the DNA sequence corresponding to the anti-[***] antibody sequence.

1.1.3 PRC or China refers to the People's Republic of China, excluding Hong Kong, Macao, and Taiwan region.

1.1.4 IND refers to the investigational new drug application, and IND under this Agreement shall specifically refer to the investigational new drug application within the territory of Mainland China (excluding Hong Kong, Macao and Taiwan region).

1.1.5 [***] Project Products refer to the monospecific antibody drugs targeting [***] to be developed under the [***] Project.

1.2 Details of the cooperation on the [***] Project are set forth in the cooperation agreement with respect to the Greater China entered by the Parties together this Agreement.

Article 2 International Share of Interest and Intellectual Property Ownership

2.1 Party A and Party B agree to differentially share the International Interests of [***] Project, which shall be owned by and distributed to the Parties specifically:

2.1.1 Sharing Principles of International Interests:

(1) Upon the completion of IND, Party B shall be entitled to [***]% of the International Interests and Party A shall be entitled to [***]% of the International Interests respectively;

(2) If Party B is responsible for carrying out the international clinical phase I-III study, then the Parties shall share the relevant costs and interests in accordance with the aforesaid International Interests sharing ratio;

(3) In case of other circumstances, such as planned financing, introduction of other investors, adjustment of costs sharing ratio, etc., the interests sharing ratio shall be re-negotiated separately by the Parties and specified in a supplementary agreement.

2.1.2 International refers to all countries and regions other than the Greater China.

2.1.3 The Greater China Interests refer to all economic benefits (including, but not limited to, patent assignment fees, licensing fees, sales revenue, and sales commissions) derived from the [***] Project in the Greater China.

2.1.4 International Interests refer to: All economic benefits (including but not limited to, patent assignment fees, licensing fees, sales revenue, and sales commissions) derived from the [***] Project in countries and regions outside of the Greater China.

2.2 Ownership of Intellectual Property

2.2.1 The Parties agree that, after the effectiveness of this Agreement, all the results obtained by Party A relating to the research and development of such new [***] antibody molecules, including, without limitation, production cell lines, relevant technologies for the development process, pre-clinical application materials, clinical research materials and experimental data obtained in the process of research and development, shall be a part of the [***] Project and owned by Party A. Patents deriving from the core and key technologies of Party B and its Affiliate pertaining to the [***] molecule shall be applied for by Party B and the Parties shall share future benefits, and the Parties shall share the relevant costs and benefits of such international patents in accordance with the sharing ratio set forth in Article 2.1.

2.2.2 Background Intellectual Property: Either Party shall retain all rights, title and interest in and to any Intellectual Property used in this Project which the Party or its Affiliate owned or have the right to use prior to the execution of this Agreement, or which is acquired independently of this Agreement (“Background Intellectual Property”). Party B’s Background Intellectual Property shall include, without limitation, any patent or know-how owned, controlled or otherwise used by Party B or Party B’s Affiliate relating to the discovery technology of monoclonal antibodies against other antigens which are not developed under the [***] Project.

2.2.3 Improvements of Background Intellectual Property: In case where either Party or its Affiliate makes any improvement of the Background Intellectual Property during the research and development of the [***] Project, such Party shall retain all right, title and interest to such improved Background Intellectual Property.

2.2.4 Party B hereby grants to Party A a license to use Background Intellectual Property of Party B and its Affiliate and improved Background Intellectual Property in relation to the [***] Project without compensation for the purpose of performing this Agreement. However, Party B shall not be responsible for obtaining the license of any intellectual property rights of any third party that need to be purchased for the purpose of performing this Agreement.

2.2.5 Party A and Party B agree that, in principle, the intellectual property generated from the independent work of the Parties under this Agreement shall be respectively and independently owned by such Parties; the intellectual property generated from the cooperation between Party B's Affiliate and Party A in connection with the development of the [***] Project Products shall be collectively owned by Party B, Party B's Affiliate, and Party A, who shall also have the right to use such intellectual property free of charge.

2.3 Each Party agrees that, after the effectiveness of this Agreement, Party B shall have the dominance over (including authorizing any third party of) the International Interests of the [***] Project. In case where Party B intends to authorize the International Interests to any third party, Party B shall notify Party A 30 days in advance in writing of the offering price (Term Sheet), transferee and other relevant information; and Party A shall have the right of first refusal after paying a Non-refundable Earnest Money equaling [***]% of the total amount of the Term Sheet. If Party A waives the right of first refusal, Party A shall provide written consent to Party B regarding its authorization of the International Interests to such third party, and Party B shall ensure that the final transaction price shall not be lower than the amount of the offering price which has been notified to Party A. If Party B fails to receive the written consent from Party A within 30 days after the date of notification, it shall be deemed that Party A has automatically waived the right of first refusal.

2.3.1 That Party B shall have the dominance over (including authorizing any third party of) the International Interests of the [***] Project means that, after the effectiveness of this Agreement, Party B shall retain the following rights, provided that the Party A's right of first refusal set forth in this Article is guaranteed:

(1) right to determine the global authorization or regional authorization of the International Interests of the [***] Project to any third party;

(2) right to select and determine to whom the International Interest of the [***] Project shall be authorized or sold;

(3) right to determine the price of the International Interests of the [***] Project to be authorized or sold.

2.3.2 Non-refundable Earnest Money means that, Party A shall pay such Earnest Money as the consideration for the right of first refusal for the authorization of the International Interests. Thereafter, if Party A decides to waive such right of first refusal, Party B shall not return such Earnest Money; if Party A decides to exercise the right of first refusal, such Earnest Money can be used as the payment for the authorization of International Interests, including but not limited to the first installment of license fee, the milestone payment and sales commission.

2.3.3 The right of first refusal means that, in case where Party B authorizes the International Interest of the [***] Project, under the same conditions, Party A shall have the priority over any third party to purchase the authorization of International Interests.

2.3.4 Party B agrees that its dominance aforesaid shall not apply to the following circumstances:

(1) where Party B maliciously exercises its dominance and causes material losses to the [***] Project;

(2) where the assignment of International Interests is out of the purpose of injuring the Greater China Interests;

(4) where the transferee is an Affiliate of Party B or its shareholders.

2.4 If the International Interests of the [***] Project are sold or authorized, in order to ensure the validity of such authorization, the Parties shall transfer all the relevant intellectual property rights, materials and data in relation to the [***] Project to each other to ensure the validity of International Interests.

Article 3 Responsibilities of the Parties

3.1 Exclusivity of the Project

Within three years after the effectiveness of this Agreement, Party B shall not develop on its own any monospecific antibody against the [***] target, nor shall it authorize any third party to the use of any sequences, cell lines, nanobodies, data, patented technology or other items. Any new projects in conflict with the interests of this project shall be determined by Party A and Party B's Affiliate through consultation and Party A and Party B's Affiliate shall have the prior cooperation right. However, the exclusivity obligation provided for in this Article shall exclude bispecific antibodies, antibody conjugates (ADC), diagnostic antibodies, antibody-targeted nanoparticles (Nano-particles) and antibody prodrugs (Probody).

3.2 Combined Therapy

The Parties have the right to independently carry out drug combination worldwide.

Article 4 Representations and Warranties

4.1 Party A and Party B represent and warrant that each Party has the requisite power to enter into, execute, deliver and perform this Agreement and any other documents required for the performance of this Agreement. This Agreement and any such other documents after taking effect constitute a legitimate, valid, binding and enforceable agreement between the Parties hereto.

4.2 Party A and Party B represent and warrant that the execution, delivery and performance of this Agreement will not conflict with or result in a breach of the provisions of, or constitute a default (or result in the exercise of any right of termination in accordance with the provisions thereof) under, or violate any of the following: (1) any material contract to which such Party is a party, unless the consent of the other party of such material contract has been obtained; (2) any PRC Law, or any judgment, decree or order of any court, tribunal, government or governmental agency having jurisdiction over such Party or any of its assets; or (3) the articles of association or business license of such Party.

4.3 Unless otherwise confirmed and agreed in writing by the other Parties, either Party shall keep confidential any Confidential Information relating to the other Parties which may come to its knowledge. Either Party shall cause its relevant personnel, counsels and auditing institutions to bear the same confidentiality obligation.

Article 5 Covenants

In addition to the obligations of the Parties under other provisions of this Agreement, the Parties covenant as follows:

5.1 The Parties hereto agree to cooperate with each other in completing any outstanding work relating to the cooperation under this Agreement as soon as possible. For this purpose, the Parties shall take or cause to be taken all necessary actions, including without limitation obtaining written consents of competent authorities or shareholders of such Party with respect to cooperation matters (if required), to ensure the full implementation of the terms of this Agreement. Any matters, which must be resolved during the implementation of this Agreement but is not stipulated in this Agreement, shall be settled by the Parties hereto through consultation and in a fair, equal and proper manner.

5.2 Each Party shall, with the utmost good faith, take economically reasonable approach to promote all aspects of the work of the [***] Project without reducing the actual effect.

Article 6 Cost Bearing

Party A and Party B shall be responsible for their own taxes and fees arising from their respective implementation of this Agreement.

Article 7 Liabilities for Breach

7.1 The occurrence of any of the following circumstances to any Party hereto shall constitute a breach of this Agreement:

7.1.1 Breach of any obligation or covenant set forth herein;

7.1.2 Any representation or warranty made by such Party in this Agreement is inconsistent with the facts or is misleading, whether made in good faith or in bad faith.

7.2 In case of any aforesaid breach of this Agreement, the non-breaching Party shall be entitled to request the breaching Party to rectify it within 30 days; if the breaching Party fails to rectify it within the specified period, the Parties may initiate arbitration in accordance with Article 10.2 of this Agreement. If such arbitration fails, the non-breaching Party shall be entitled to rescind this Agreement. Furthermore, the breaching Party shall indemnify the non-breaching Party against all claims, losses, liabilities, damages, costs and expenses directly caused to the non-breaching Party due to its breach.

Article 8 Force Majeure

8.1 Force Majeure under this Agreement means any objective event that is unforeseeable at the time of execution of this Agreement, is unavoidable among the Parties and the consequences of which cannot be overcome. Such objective events shall include without limitation, earthquakes, typhoons, flood, fire, war, strikes, riots, acts of governments, changes in law or the application thereof or any other instances which are unforeseeable, unavoidable or out of control, including objective instances which are accepted as Force Majeure in general international commercial practice.

8.2 If an event of Force Majeure occurs, a Party's contractual obligations affected by such an event under this Agreement shall be suspended during the period of delay caused by the Force Majeure and the period for performance of such contractual obligations shall be automatically extended, with the extended period of performance equals to the period of delay and the affected Party shall not be responsible for the breach of this Agreement due to such delay.

8.3 In case of any Force Majeure, the party affected thereby shall, within 30 days upon occurrence of Force Majeure, provide the other Party with relevant documents notarized by a notary office to prove the occurrence of the Force Majeure event.

8.4 In the event of Force Majeure, the Parties shall immediately consult with each other in order to find an equitable solution and shall use all reasonable endeavours to minimize the consequences of such Force Majeure.

Article 9 Amendment, Rescission or Termination

9.1 Unless otherwise provided for herein, this Agreement shall be rescinded upon occurrence of any of the following circumstances:

9.1.1 The Parties rescind this Agreement by mutual consensus through consultation;

9.1.2 The Parties are unable to achieve the purpose of the Agreement due to Force Majeure;

9.1.3 If a Party breaches the Agreement, the non-breaching Party may rescind this Agreement in accordance with Article 7.2;

9.1.4 This Agreement is held invalid by courts or other competent authority;

9.1.5 If the other Party encounters any accident detrimental to the continuous normal performance of this Agreement, such as inability to continue its operation and changes of key project members and fails to take effective measures to eliminate such adverse effects, the non-breaching Party shall be entitled to terminate this Agreement.

9.1.6 This Agreement and "Cooperation Agreement on [***] Project, dated May 22, 2019, between Dragon Boat Biopharmaceutical (Shanghai) Limited. and Adagene (Suzhou) Limited" are complementary to each other. If the latter is rescinded, this Agreement shall be rescinded as well.

9.2 Upon the rescission of this Agreement in accordance with Article 9.1 aforesaid, the performance of this Agreement shall be terminated.

9.3 If this Agreement is rescinded due to the breach by a Party, the non-breaching Party's right to request for damages shall not be affected thereby.

9.4 This Agreement may be changed and supplemented by unanimous agreement of the Parties. Any amendment and supplement to this Agreement shall be made in writing and come into effect after being duly executed by the Parties.

9.5 After the termination of this Agreement, all the tangible technical materials including but not limited to intellectual property, materials and data provided by Party B's Affiliate for the [***] Project shall be returned by Party A and its Affiliate to Party B and its Affiliate.

Article 10 Governing Laws and Dispute Resolution

10.1 The Parties agree that the execution, performance, interpretation and dispute settlement of this Agreement shall be governed by the laws of the People's Republic of China.

10.2 Any dispute arising from the execution and performance of this Agreement or in connection herewith shall be settled by the Parties through friendly consultation; if such dispute fails to be settled through consultation within 30 days from the occurrence of such dispute, either Party may submit such dispute to China International Economic and Trade Arbitration Commission for arbitration in accordance with its then effective arbitration rules. The place of arbitration shall be Shanghai. The arbitration award shall be final and binding to the parties.

During the arbitration period, the Parties shall continue to perform their obligations under this Agreement, except for the issues in dispute submitted for arbitration.

10.3 If there is any discrepancy between the interpretation of the terms hereof and the interpretation corresponding to the "Cooperation Agreement on [***] Project, dated May 22, 2019 between Dragon Boat Biopharmaceutical (Shanghai) Limited. and Adagene (Suzhou) Limited", the interpretation of the latter shall prevail and supersede the interpretation of this Agreement.

Article 11 Confidentiality

11.1 Any Party hereto (the "Receiving Party") shall keep strictly confidential the information including but not limited to technical materials, research reports and product information (the "Confidential Information") obtained from or learnt from the Disclosing Party (the "Disclosing Party") that may be reasonably deemed as confidential. The existence and terms of this Agreement (especially the information such as Agreement amount and technical indicators) are also considered Confidential Information. Confidential Information shall not include information that: (a) the Receiving Party has evidence to prove was obtained or known prior to its disclosure by the Disclosing Party; (b) becomes available to the public other than as a result of the Receiving Party's misconduct or error; (c) becomes available to the Receiving Party in a justifiable and reasonable manner from a third party not under an obligation of confidentiality; and (d) is independently developed by the Receiving Party.

11.2 The Parties agree that, unless with the written consent of the Disclosing Party, the Receiving Party: (1) shall not use the Confidential Information for any purpose other than for the purpose of the performance of this Agreement; and (2) shall not disclose any Confidential Information to any third party, except for (1) disclosure to its employees, licensors, subcontractors, agents, representatives, counsels, consultants and other advisors under confidentiality obligation on a need-to-know basis for the purpose of performing this Agreement; and (2) inspection, disclosure or other activities required by governmental authorities, judicial proceedings, stock exchanges or relevant laws; provided that such disclosure shall be controlled to the extent necessary. The Receiving Party agrees to take any feasible measures to protect the Confidential Information with the confidential level no less stringent than the Receiving Party's confidential level for its own Confidential Information or the information of similar nature, so as to prevent the disclosure and unauthorized use of the Confidential Information.

11.3 This Article of confidentiality supersedes any confidentiality agreement signed by the Parties before the effectiveness of this Agreement. The confidentiality term shall be valid during the validity term of this Agreement and 10 years after the termination of this Agreement.

Article 12 Subcontracting

Without Party B's written approval, Party A shall not subcontract the research and development service under this Agreement to any third party. However, animal experiments, verification of cell plants and other work that must be or may be outsourced in accordance with the trade practice, and the use of services provided by its Affiliate are not subject to such restriction. For the purpose of this Article, "Affiliate" of a Party means any entity which, directly or indirectly, controls, is controlled by or is under common control with such Party. "Control" means (1) the ownership, directly or indirectly, of 50% or more of the equity interest in an entity, or (2) the right to directly or indirectly control the management decisions of an entity, by contract or otherwise.

Article 13 Limitation of Liability

Except for the indemnification liability assumed by a Party due to third party claims or damages resulting from willful misconduct or fraud of a Party, a Party hereto shall not be liable for any special, incidental, accidental, indirect or punitive losses or losses of similar nature, including but not limited to loss of anticipated revenue, loss of profits, unmarketable products or loss of opportunity in connection with this Agreement, regardless of whether such losses have been advised in advance or not.

To the extent permitted by law, in any cases, the maximum amount of liability of Party B under this Agreement shall be limited to the amount of all fees and charges that have been collected by Party B and its Affiliate under this Agreement, except for the damages caused by willful misconduct or fraud.

Article 14 Liability for Compensation

Each Party shall protect, indemnify, and hold harmless the other Party and its Affiliate, and their officers, directors, employees, and agents against any liability or losses arising from any claim, action, proceeding, or demand (collectively, "Claims") made by a third party due to: (1) such Party's representations are untrue, inaccurate, or incomplete, or materially breach any warranty of this Agreement; or (2) such Party materially breaches any provision of this Agreement.

Article 15 Miscellaneous

15.1 This Agreement shall come into force as of the execution date of this Agreement.

15.2 Any matters not mentioned herein shall be supplemented through consultation by the Parties. Any amendments or supplements to this Agreement shall be in writing and shall require the execution of the Parties and such amendments and the supplements shall constitute a part of this Agreement.

15.3 Neither Party may assign, or otherwise transfer, or purport to assign, all or any of its rights, interest, duties or obligations under this Agreement without the prior written consent of the other Party.

15.4 If any provision of this Agreement is held invalid by a court or other competent authority, the validity of the remaining provisions shall not be affected.

15.5 Notices from one Party to the other Party pursuant to the provisions of this Agreement shall be in writing, shall be written in Chinese and shall be deemed to have been effectively sent, made and delivered at (1) a notice delivered by hand; (2) a notice sent by confirmed or registered mail, postage prepaid; (3) a reputable courier service; or (4) a notice sent by telephone facsimile to the following addresses of each Party, unless a different address is designated by such Party:

To Party A:
Address: Building 5, No. 34, Lane 122, Chunxiao Road, Zhangjiang, Shanghai
Attention: HUANG Yingfeng
Tel: 021-50276016 -608
Fax: 021-50276016 -608

To Party B:
Address: Room 301, Floor C14, Bionano Science Park, No.218, Xinghu Street, Suzhou Industrial Park, Suzhou
Attention: LUO Peizhi
Tel: 008651287773616
Fax: 008651287773584

15.6 The headings of this Agreement are inserted for the convenience of reference only and shall not be used for the interpretation of this Agreement.

15.7 This Agreement is made in two counterparts with Party A and Party B holding one counterpart respectively and each counterpart shall have the same legal effect.

[Below is intentionally left blank]

[The remainder of this page is intentionally left blank; signature page to the "Cooperation Agreement on International Interests of [***] Project"]

Party A: Dragon Boat Biopharmaceutical (Shanghai) Limited. (Seal)

Legal Representative/Authorized Representative:

Party B: Adagene Inc. (Seal)

Legal Representative/Authorized Representative:

Exhibit 21.1

Subsidiaries	Place of Incorporation
Adagene (Hong Kong) Limited	Hong Kong
Adagene (Suzhou) Limited	PRC
Adagene Incorporated	Delaware, United States
ADAGENE PTE. LTD.	Singapore
ADAGENE AUSTRALIA PTY LTD	Australia
ADAGENE AG	Switzerland