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

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER
PURSUANT TO RULE 13a-16 OR 15d-16 UNDER
THE SECURITIES EXCHANGE ACT OF 1934

For the month of November 2021

Commission File Number: 001-39173

I-MAB

Suite 802, West Tower, OmniVision, 88 Shangke Road, Pudong District

Shanghai, 201210
People's Republic of China
(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F ☒ Form 40-F ☐

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): ☐

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): ☐

EXPLANATORY NOTE

Exhibits 99.1, 99.2 and 99.3 to this current report on Form 6-K are incorporated by reference into the registration statement on Form F-3 of I-Mab (File No. 333-252793) and shall be a part thereof from the date on which this current report is furnished, to the extent not superseded by documents or reports subsequently filed or furnished.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

I-MAB

By : /s/ John Long
Name : John Long
Title : Chief Financial Officer

Date: November 12, 2021

Exhibit Index

Exhibit 99.1 — Unaudited Condensed Consolidated Interim Financial Statements
Exhibit 99.2 — Discussion of Unaudited Financial Statements
Exhibit 99.3 — Updated Risk Factors

Exhibit 99.1

I-Mab

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I-MAB
Consolidated Balance Sheets as of December 31, 2020 and
Unaudited Interim Condensed Consolidated Balance Sheet as of June 30, 2021
(All amounts in thousands, except for share and per share data, unless otherwise noted)

	Notes	As of December 31, 2020	As of June 30, 2021	
		RMB	RMB	US$ (Note 2.5)
Assets				
Current assets				
Cash and cash equivalents		4,758,778	4,341,960	672,484
Restricted cash	2.7	—	8,095	1,254
Accounts receivable	3, 14	130,498	—	—
Contract assets	3, 14	227,391	242,905	37,621
Short-term investments	2.4, 2.9	31,530	422,345	65,413
Prepayments and other receivables	4	195,467	200,422	31,040
Total current assets		5,343,664	5,215,727	807,812
Property, equipment and software	5	25,272	22,316	3,456
Operating lease right-of-use assets		14,997	43,181	6,688
Intangible assets	6	120,444	120,055	18,594
Goodwill	7	162,574	162,574	25,180
Investment accounted for using the equity method	8(a)	664,832	578,030	89,525
Other non-current assets		2,010	6,131	950
Total assets		**6,333,793**	**6,148,014**	**952,205**
Liabilities and shareholders' equity				
Current liabilities				
Accruals and other payables	9	560,558	536,164	83,041
Operating lease liabilities, current		8,058	9,896	1,533
Deferred subsidy income	2.15	7,509	4,560	706
Total current liabilities		576,125	550,620	85,280
Put right liabilities	2.4, 8(b)	116,006	100,254	15,527
Operating lease liabilities, non-current		5,542	31,245	4,839
Other non-current liabilities	9	8,975	6,200	960
Total liabilities		**706,648**	**688,319**	**106,606**
Commitments and contingencies	18			
Shareholders' equity				
Ordinary shares (US$0.0001 par value, 500,000,000 and 800,000,000 shares authorized as of December 31, 2020 and June 30, 2021, respectively; 164,888,519 and 177,014,055 shares issued and outstanding as of December 31, 2020 and June 30, 2021, respectively)	10	114	122	19
Additional paid-in capital		7,701,116	8,683,716	1,344,936
Accumulated other comprehensive loss		(50,793)	(124,370)	(19,262)
Accumulated deficit		(2,023,292)	(3,099,773)	(480,094)
Total shareholders' equity		**5,627,145**	**5,459,695**	**845,599**
Total liabilities and shareholders' equity		**6,333,793**	**6,148,014**	**952,205**

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

I-MAB
Unaudited Interim Condensed Consolidated Statements of Comprehensive Loss
For the Six Months Ended June 30, 2020 and 2021

		Six Months Ended June 30,		
		2020	2021	
	Notes	RMB	RMB	US$ (Note 2.5)
Revenues				
Licensing and collaboration revenue	14	—	17,775	2,753
Expenses				
Research and development expenses	2.18	(442,291)	(592,993)	(91,843)
Administrative expenses		(171,384)	(451,500)	(69,928)
Loss from operations		**(613,675)**	**(1,026,718)**	**(159,018)**
Interest income		18,955	9,409	1,457
Interest expense		(957)	—	—
Other income, net	15	12,824	51,904	8,039
Equity in loss of an affiliate	8	—	(114,200)	(17,687)
Loss before income tax expense		**(582,853)**	**(1,079,605)**	**(167,209)**
Income tax benefit		—	3,124	484
Net loss attributable to I-MAB		**(582,853)**	**(1,076,481)**	**(166,725)**
Net loss attributable to ordinary shareholders		**(582,853)**	**(1,076,481)**	**(166,725)**
Net loss attributable to I-MAB		**(582,853)**	**(1,076,481)**	**(166,725)**
Other comprehensive income (loss):				
Foreign currency translation adjustments, net of nil tax		34,726	(73,577)	(11,396)
Total comprehensive loss attributable to I-MAB		**(548,127)**	**(1,150,058)**	**(178,121)**
Net loss attributable to ordinary shareholders		**(582,853)**	**(1,076,481)**	**(166,725)**
Weighted-average number of ordinary shares used in calculating net loss per share - basic and diluted	16	121,815,986	168,827,190	168,827,190
Net loss per share attributable to ordinary shareholders				
—Basic and diluted	16	(4.78)	(6.38)	(0.99)
Net loss per ADS attributable to ordinary shareholders				
—Basic and diluted		(10.99)	(14.67)	(2.28)

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

I-MAB
Unaudited Interim Condensed Consolidated Statements of Changes in Shareholders' Equity (Deficit)
For the Six Months Ended June 30, 2020 and 2021
(All amounts in thousands, except for share and per share data, unless otherwise noted)

	Ordinary share (Note 10) (US$0.001 par value)		Additional paid-in capital	Accumulated other comprehensive income (loss)	Accumulated deficit	Total shareholders' equity (deficit)
	Number of shares	Amount				
		RMB	RMB	RMB	RMB	RMB
Balance as of December 31, 2019	**8,363,719**	**6**	**389,379**	**70,127**	**(2,494,207)**	**(2,034,695)**
Foreign currency translation adjustments	—	—	—	34,726	—	34,726
Net loss	—	—	—	—	(582,853)	(582,853)
Share-based compensation of I-Mab	—	—	138,744	—	—	138,744
Capital contribution from stock option surrender (Note 13 (g))	—	—	91,051	—	—	91,051
Conversion of preferred shares to ordinary shares upon the completion of initial public offering ("IPO")	99,760,129	69	3,104,108	—	—	3,104,177
Issuance of ordinary shares to Everest	6,078,571	4	254,844	—	—	254,848
Issuance of ordinary shares upon IPO and over-allotment, net of issuance cost	18,804,225	13	697,865	—	—	697,878
Balance as of June 30, 2020	**133,006,644**	**92**	**4,675,991**	**104,853**	**(3,077,060)**	**1,703,876**

I-MAB
Unaudited Interim Condensed Consolidated Statements of Changes in Shareholders' Equity (Deficit) (Continued)
For the Six Months Ended June 30, 2020 and 2021
(All amounts in thousands, except for share and per share data, unless otherwise noted)

	Ordinary share (Note 10) (US$0.001 par value)						
	Number of shares	Amount	Treasury stock	Additional paid-in capital	Accumulated other comprehensive income (loss)	Accumulated deficit	Total shareholders' equity (deficit)
		RMB	RMB	RMB	RMB	RMB	RMB
Balance as of December 31, 2020	**164,888,519**	**114**	**—**	**7,701,116**	**(50,793)**	**(2,023,292)**	**5,627,145**
Foreign currency translation adjustments	—	—	—	—	(73,577)	—	(73,577)
Net loss	—	—	—	—	—	(1,076,481)	(1,076,481)
Share-based compensation of I-Mab	—	—	—	334,723	—	—	334,723
Exercise of stock options	3,735,578	3	—	24,217	—	—	24,220
Issuance of ordinary shares for restricted share units (Note 13 (d))	3,706,767	2	—	3,112	—	—	3,114
Exercise of warrants	4,683,191	3	—	589,390	—	—	589,393
Proportionate share of share-based compensation expenses recorded in an equity method affiliate (Note 8(a))	—	—	—	31,158	—	—	31,158
Balance as of June 30, 2021	**177,014,055**	**122**	**—**	**8,683,716**	**(124,370)**	**(3,099,773)**	**5,459,695**

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

I-MAB
Unaudited Interim Condensed Consolidated Statements of Cash Flows
For the Six Months Ended June 30, 2020 and 2021
(All amounts in thousands, except for share and per share data, unless otherwise noted)

	Six Months Ended June 30,		
	2020	2021	
	RMB	RMB	US$ (Note 2.5)
Cash flows from operating activities			
Net loss	(582,853)	(1,076,481)	(166,725)
Adjustments to reconcile net loss to net cash used in operating activities			
Depreciation of property, equipment and software	5,092	6,729	1,042
Amortization of intangible assets	—	389	60
Loss on disposal of property, equipment and software	8	279	43
Fair value change of put right liabilities	—	(14,618)	(2,264)
Equity in loss of an affiliate	—	114,200	17,687
Share-based compensation	229,795	334,723	51,842
Amortization of right-of use assets and interest of lease liabilities	4,063	6,817	1,056
Fair value change of short-term investments	(415)	(13,494)	(2,090)
Changes in operating assets and liabilities			
Accounts receivable	—	130,498	20,212
Contract assets	—	(15,514)	(2,403)
Prepayments and other receivables	4,906	(8,115)	(1,257)
Accruals and other payables	(19,590)	104,486	16,183
Other non-current liabilities	9,424	(2,775)	(430)
Deferred subsidy income	3,840	(2,949)	(457)
Lease liabilities	(4,063)	(6,817)	(1,056)
Net cash used in operating activities	**(349,793)**	**(442,642)**	**(68,557)**
Cash flows from investing activities			
Purchase of property, equipment and software	(135)	(4,061)	(629)
Proceeds from disposal of short-term investments	143,511	3,676,642	569,439
Purchase of short-term investments	(113,022)	(4,053,963)	(627,879)
Net cash generated from (used in) investing activities	**30,354**	**(381,382)**	**(59,069)**

I-MAB
Unaudited Interim Condensed Consolidated Statements of Cash Flows (Continued)
For the Six Months Ended June 30, 2020 and 2021
(All amounts in thousands, except for share and per share data, unless otherwise noted)

	Six Months Ended June 30,		
	2020	2021	
	RMB	RMB	US$ (Note 2.5)
Cash flows from financing activities			
Proceeds from IPO and over-allotment, net of payment of issuance cost	703,798	—	—
Payments of the issuance cost in relation to private placement	—	(128,786)	(19,946)
Payments of cost in relation to planned dual listing	—	(1,698)	(263)
Proceeds from exercise of warrants	—	589,393	91,285
Proceeds from exercise of stock options		24,220	3,751
Proceeds from issuance of ordinary shares for restricted share units		3,114	482
Repayment of bank borrowings	(50,000)	—	—
Net cash generated from financing activities	**653,798**	**486,243**	**75,309**
Effect of exchange rate changes on cash and cash equivalents and restricted cash	32,389	(70,942)	(10,986)
Net increase (decrease) in cash and cash equivalents and restricted cash	366,748	(408,723)	(63,303)
Cash, cash equivalents, and restricted cash, beginning of year	1,193,283	4,758,778	737,041
Cash, cash equivalents, and restricted cash, end of the year	**1,560,031**	**4,350,055**	**673,738**
Additional ASC 842 supplemental disclosures			
Cash paid for fixed operating lease costs included in the measurement of lease obligations in operating activities	4,462	6,817	1,056
Right-of-use assets obtained in exchange for operating lease obligations	5,261	34,057	5,275
Other supplemental cash flow disclosures			
Interest paid	957	—	—
Non-cash activities			
Accrued initial public offering costs payable	5,094	—	—
Accrued planned dual listing costs payable	—	1,916	297
Ordinary shares issued to Everest	254,848	—	—
Conversion of preferred shares to ordinary shares	3,104,177	—	—

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

(All amounts in thousands, except for share and per share data, unless otherwise noted)

1. PRINCIPAL ACTIVITIES AND ORGANIZATION

I-Mab (the "Company") was incorporated in the Cayman Islands on June 30, 2016 as an exempted company with limited liability under the Companies Act of the Cayman Islands. The Company and its subsidiaries (together the "Group") are principally engaged in discovering and developing transformational biologics in the fields of immuno-oncology and immuno-inflammation diseases in the People's Republic of China (the "PRC") and other countries and regions.

On January 17, 2020, the Company consummated its IPO on the Nasdaq Global Market, where 7,407,400 American Depositary Shares ("ADSs") were issued at the price of US$14.00 per ADS for total gross proceeds of US$103.7 million. On February 10, 2020, the underwriters of the IPO have exercised their over-allotment option to purchase an additional 768,350 ADSs of the Company at the IPO price of US$14.00 per ADS. After giving effect to the exercise of the over-allotment option, the Company has issued and sold a total of 8,175,750 ADSs in the IPO, for total gross proceeds of US$114.5 million. Each ten ADSs represents twenty-three ordinary shares of the Company.

As of June 30, 2021, the Company's principal subsidiaries are as follows:

Subsidiaries	Place of incorporation	Date of incorporation or acquisition	Percentage of direct or indirect ownership by the Company	Principal activities
I-Mab Biopharma Hong Kong Limited ("I-Mab Hong Kong")	Hong Kong	July 8, 2016	100%	Investment holding
I-Mab Shanghai	PRC	August 24, 2016	100%	Research and development of innovative medicines
I-Mab Bio-tech (Tianjin) Co., Ltd. ("I-Mab Tianjin")	PRC	July 15, 2017	100%	Research and development of innovative medicines
I-Mab Biopharma US Ltd.	U.S.	February 28, 2018	100%	Research and development of innovative medicines

2. PRINCIPAL ACCOUNTING POLICIES

2.1 Basis of presentation

The accompanying unaudited interim condensed consolidated financial statements of the Group have been prepared in accordance with the accounting principles generally accepted in the United States of America ("U.S. GAAP") for interim financial information. Accordingly, they do not include all of the information and footnotes normally included in the annual financial statements prepared in accordance with U.S. GAAP. Certain information and footnote disclosures normally included in the annual financial statements prepared in accordance with U.S. GAAP have been condensed or omitted consistent with Article 10 of Regulation S-X. 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, 2021, and results of operations and cash flows for the six months ended June 30, 2020 and 2021. 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, 2020, and related notes included in the Group's audited consolidated financial statements. The financial information as of June 30, 2021 presented in the unaudited interim condensed consolidated financial statements is derived from the audited consolidated financial statements as of December 31, 2020.

Significant accounting policies followed by the Group in the preparation of the accompanying consolidated financial statements are summarized below.

2.2 Basis of consolidation

The accompanying consolidated financial statements reflect the accounts of the Company and all of its subsidiaries in which a controlling interest is maintained. All inter-company balances and transactions have been eliminated in consolidation.

The Group consolidates entities in which it has a controlling financial interest based on either the variable interest entity (VIE) or voting interest model. The Group is required to first apply the VIE model to determine whether it holds a variable interest in an entity, and if so, whether the entity is a VIE. If the Group determines it does not hold a variable interest in a VIE, it then applies the voting interest model. Under the voting interest model, the Group consolidates an entity when it holds a majority voting interest in an entity.

The Company accounts for investments in which it has significant influence but not a controlling financial interest using the equity method of accounting (see Note 8).

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.2 Basis of consolidation (continued)

VIE Model

An entity is considered to be a VIE if any of the following conditions exist: (a) the total equity investment at risk is not sufficient to permit the entity to finance its activities without additional subordinated financial support, (b) the holders of the equity investment at risk, as a group, lack either the direct or indirect ability through voting rights or similar rights to make decisions that have a significant effect on the success of the entity or the obligation to absorb the entity's expected losses or right to receive the entity's expected residual returns, or (c) the voting rights of some equity investors are disproportionate to their obligation to absorb losses of the entity, their rights to receive returns from an entity, or both and substantially all of the entity's activities either involve or are conducted on behalf of an investor with disproportionately few voting rights.

Under the VIE model, limited partnerships are considered VIE unless the limited partners hold substantive kick-out or participating rights over the general partner. The Group consolidates entities that are VIEs when the Group determines it is the primary beneficiary. Generally, the primary beneficiary of a VIE is a reporting entity that has (a) the power to direct the activities that most significantly affect the VIE's economic performance, and (b) the obligation to absorb losses of, or the right to receive benefits from, the VIE that could potentially be significant to the VIE.

As of December 30, 2020 and June 30, 2021, the Group determined that the one entity subject to the consolidation guidance is a VIE for which the Group is not the primary beneficiary.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.3 Use of estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates are used when accounting for amounts recorded in connection with acquisitions, including initial fair value determinations of assets and liabilities and other intangible assets as well as subsequent fair value measurements. Additionally, estimates are used in determining items such as fair value measurements of wealth management products, warrants and put right liabilities, impairment of accounts receivables, contract assets, other receivables, long-lived assets, intangible assets and goodwill, useful lives of property, equipment and software, recognition of right-of-use assets and lease liabilities, variable consideration in collaboration revenue arrangements, determination of the standalone selling price of each performance obligation in the Company's revenue arrangements, valuation of share-based compensation arrangements and deferred tax assets valuation allowances. Management bases the estimates on historical experience, known trends and various other assumptions that are believed to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities. Actual results could differ from those estimates.

2.4 Fair value measurements

Financial assets and liabilities of the Group primarily comprise of cash and cash equivalents, restricted cash, short-term investments, accounts receivable, contract assets, other receivables, short-term borrowings, accruals and other payables and put right liabilities. As of December 31, 2020 and June 30, 2021, except for short-term investments and put right liabilities, the carrying values of these financial assets and liabilities approximated their fair values because of their generally short maturities. The Group reports short-term investments and put right liabilities at fair value at each balance sheet date and changes in fair value are reflected in the consolidated statements of comprehensive loss.

(All amounts in thousands, except for share and per share data, unless otherwise noted)

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.4 Fair value measurements (continued)

The Group measures its financial assets and liabilities using inputs from the following three levels of the fair value hierarchy. The three levels are as follows:

Level 1 inputs are unadjusted quoted prices in active markets for identical assets that the management has the ability to access at the measurement date.

Level 2 inputs include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, inputs other than quoted prices that are observable for the asset (i.e., interest rates, yield curves, etc.), and inputs that are derived principally from or corroborated by observable market data by correlation or other means (market corroborated inputs).

Level 3 includes unobservable inputs that reflect the management's assumptions about the assumptions that market participants would use in pricing the asset. The management develops these inputs based on the best information available, including the own data.

Assets and liabilities measured at fair value on a recurring basis

The Group measures its short-term investments and put right liabilities at fair value on a recurring basis. As the Group's short-term investments and put right liabilities are not traded in an active market with readily observable prices, the Group uses significant unobservable inputs to measure the fair value of short-term investments and put right 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 summarizes the Group's financial assets and liabilities measured and recorded at fair value on a recurring basis as of December 31, 2020 and June 30, 2021:

	As of December 31, 2020			
	Active market (Level 1)	Observable input (Level 2)	Non-observable input (Level 3)	Total
	RMB	RMB	RMB	RMB
Assets:				
Short-term investments	—	—	31,530	31,530
Liabilities				
Put right liabilities	—	—	116,006	116,006

	As of June 30, 2021			
	Active market (Level 1)	Observable input (Level 2)	Non-observable input (Level 3)	Total
	RMB	RMB	RMB	RMB
Assets:				
Short-term investments	—	—	422,345	422,345
Liabilities				
Put right liabilities	—	—	100,254	100,254

(All amounts in thousands, except for share and per share data, unless otherwise noted)

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.4 Fair value measurements (continued)

The roll forward of major Level 3 financial assets and financial liabilities are as follows:

	Short-term investments	Put right liabilities
Fair value of Level 3 financial assets and liabilities as of December 31, 2020	31,530	116,006
Purchase of short-term investments	4,053,963	—
Disposal of short-term investments	(3,676,642)	—
Fair value changes	13,494	(14,618)
Currency translation differences	—	(1,134)
Fair value of Level 3 financial assets and liabilities as of June 30, 2021	**422,345**	**100,254**

See Note 8(b) for additional information about Level 3 put right liabilities measured at fair value on a recurring basis for as of December 31, 2020 and June 30, 2021.

(All amounts in thousands, except for share and per share data, unless otherwise noted)

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.5 Foreign currency translation

The Group uses Chinese Renminbi ("RMB") as its reporting currency. The United States Dollar ("US$") is the functional currency of the Group's entities incorporated in the Cayman Islands, the United States of America ("U.S.") and Hong Kong, the Australia Dollar ("AUD") is the functional currency of the Group's entity incorporated in Australia and the RMB is the functional currency of the Company's PRC subsidiaries.

Transactions denominated in other than the functional currencies are translated into the functional currency of the entity at the exchange rates prevailing on the transaction dates. Assets and liabilities denominated in other than the functional currencies are translated at the balance sheet date exchange rate. The resulting exchange differences are recorded in the consolidated statements of comprehensive loss.

The consolidated financial statements of the Group are translated from the functional currency to the reporting currency, RMB. Assets and liabilities of the subsidiaries are translated into RMB using the exchange rate in effect at each balance sheet date. Income and expenses are translated at the average exchange rates prevailing for the year. Foreign currency translation adjustments arising from these are reflected in the accumulated other comprehensive loss. The exchange rates used for translation on December 31, 2020 and June 30, 2021 were US$1.00 = RMB6.5249 and RMB6.4601 respectively, representing the index rates stipulated by the People's Bank of China.

Translations of balances in the consolidated balance sheets, consolidated statements of comprehensive loss, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows from RMB into US$ as of and for the six months ended June 30, 2021 are solely for the convenience of the readers and were calculated at the rate of US$1.00=RMB6.4566, representing the noon buying rate in The City of New York for cable transfers of RMB as certified for customs purposes by the Federal Reserve Bank of New York on June 30, 2021. No representation is made that the RMB amounts could have been, or could be, converted, realized or settled into US$ at that rate on June 30, 2021, or at any other rate. The US$ convenience translation is not required under U.S. GAAP and all US$ convenience translation amounts in the accompanying consolidated financial statements are unaudited.

2.6 Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and bank deposits, which are unrestricted as to withdrawal and use. The Group considers all highly liquid investments with an original maturity date of three months or less at the date of purchase to be cash equivalents.

2.7 Restricted cash

Restricted cash consists of proceeds received from agent banks for employee's exercise of stock options which will be paid to the employees. The Group has presented restricted cash separately from cash and cash equivalents in the consolidated balance sheets.

Cash, cash equivalents and restricted cash as reported in the consolidated statement of cash flows are presented separately on the consolidated balance sheet as follows:

	As of December 31, 2020 RMB	As of June 30, 2021 RMB
Cash and cash equivalents	4,758,778	4,341,960
Restricted cash	—	8,095
Total	4,758,778	4,350,055

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.8 Accounts receivable

Accounts receivable are stated at amortized cost less allowance for credit losses. The allowance for credit losses reflects the best estimate of future losses over the contractual life of outstanding accounts receivable and is determined on the basis of historical experience, specific allowances for known troubled accounts, other currently available information including customer financial condition, and both current and forecasted economic conditions.

2.9 Short-term investments

Short-term investments represent the investments issued by commercial banks or other financial institutions with a variable interest rate indexed to the performance of underlying assets within one year. These investments are stated at fair value. Changes in the fair value are reflected in the consolidated statements of comprehensive loss.

2.10 Property, equipment and software

Property, equipment and software are stated at cost less accumulated depreciation and amortization. Depreciation and amortization is computed using the straight-line method over the following estimated useful lives, taking into account of any estimated residual value:

Laboratory equipment	3 to 10 years
Software	1 to 5 years
Office furniture and equipment	5 years
Leasehold improvements	Lesser of useful life or lease term

The Group recognizes the gain or loss on the disposal of property, equipment and software in the consolidated statements of comprehensive loss.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.11 Intangible assets

Intangible assets acquired in a business combination that are used in research and development activities, or in-process research and development (IPR&D) intangible assets, are considered indefinite lived until the completion or abandonment of the associated research and development efforts. During the period that those assets are considered indefinite lived, they are not amortized but are tested for impairment annually and more frequently if events or changes in circumstances indicate that it is more likely than not that the asset is impaired. If after assessing the totality of events and circumstances and their potential effect on significant inputs to the fair value determination the Group determines that it is not more likely than not that the indefinite-lived intangible is impaired, then the entity shall calculate the fair value of the intangible asset and perform the quantitative impairment test by comparing the fair value of the asset with its carrying amount. If the carrying amount exceeds its fair value, an impairment loss is recognized in an amount equal to that excess. For IPR&D assets, the impairment loss is recognized in research and development expenses in the consolidated statements of comprehensive loss.

Intangible assets with finite useful lives are amortized over their useful lives. The useful life of an intangible asset is the period over which the asset is expected to contribute directly or indirectly to the future cash flows of the Group. The Group uses the straight-line amortization method when the economic benefits of the intangible assets are consumed or otherwise used up cannot be reliably determined. In particular, the Group amortizes the IPR&D intangible assets with finite useful lives over 10 to 20 years on a straight-line basis. Intangible assets subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an intangible asset may not be recoverable. If circumstances require an intangible asset be tested for possible impairment, the Group first compares undiscounted cash flows expected to be generated by that asset to its carrying amount. If the carrying amount is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying amount exceeds its fair value. For IPR&D assets, the impairment loss is recognized in research and development expenses in the consolidated statements of comprehensive loss.

2.12 Impairment of long-lived assets

Long-lived assets, such as property, plant, and software, and intangible assets subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If circumstances require a long-lived asset or asset group be tested for possible impairment, the Company first compares undiscounted cash flows expected to be generated by that asset or asset group to its carrying amount. If the carrying amount of the long-lived asset or asset group is not recoverable on an undiscounted cash flow basis, an impairment is recognized to the extent that the carrying amount exceeds its fair value. Fair value is determined through various valuation techniques including discounted cash flow models, quoted market values and third-party independent appraisals, as considered necessary. As of December 31, 2020 and June 30, 2021, there was no impairment of the value of the Group’s long-lived assets.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.13 Goodwill

Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. The Group allocates the cost of an acquired entity to the assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition. The excess of the purchase price for acquisitions over the fair value of the net assets acquired, including other intangible assets, is recorded as goodwill. Goodwill is not amortized, but impairment of goodwill is tested on at least an annual basis or whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable.

The Group first assesses qualitative factors to determine whether it is more likely than not that the fair value of the Group's reporting unit is less than its carrying amount, including goodwill. The qualitative assessment includes the Group's evaluation of relevant events and circumstances affecting the Group's single reporting unit, including macroeconomic, industry, market conditions and the Group's overall financial performance. If qualitative factors indicate that it is more likely than not that the Group's reporting unit's fair value is less than its carrying amount, then the Group will perform the quantitative impairment test by comparing the reporting unit's carrying amount, including goodwill, to its fair value. If the carrying amount of the reporting unit exceeds its fair value, an impairment loss will be recognized in an amount equal to that excess. As of December 31, 2020 and June 30, 2021, the Group determined that there were no indicators of impairment of the goodwill.

2.14 Long-term investments

The Group's long-term investments include equity investments in an affiliate in which it does not have a controlling financial interest, but has the ability to exercise significant influence over the operating and financial policies of the investee. The investment is accounted for using the equity method of accounting in accordance with ASC topic 323, Investments—Equity Method and Joint Ventures ("ASC 323"). Under the equity method, the Group initially records its investments at fair value. The Group subsequently adjusts the carrying amount of the investment to recognize the Group's proportionate share of the equity investee's net income or loss after the date of investment. When the liquidation rights and priorities as defined by an equity investment agreement differ from what is reflected by the underlying percentage ownership interests, applying the percentage ownership interest to U.S. GAAP net income in order to determine earnings or losses does not accurately represent the income allocation and cash flow distributions that will ultimately be received by the investors. As such, for this type of investments, the Group uses the Hypothetical Liquidation at Book Value ("HLBV") method for allocating earnings or losses of the equity method investee. The HLBV method is considered as a balance sheet approach. Specifically, a calculation is prepared at each balance sheet date to determine the amount that the Group would receive if an equity investment entity were to liquidate all of its assets (as valued in accordance with U.S. GAAP) and distribute that cash to the investors based on the contractually defined liquidation priorities. The difference between the calculated liquidation distribution amounts at the beginning and the end of the reporting period, after adjusting for capital contributions and distributions, is the Group's share of the earnings or losses from the equity investment for the period.

As it relates to the share-based compensation awarded by an equity method investee to its own employees, the Group recognizes its proportionate share of the compensation expense over the vesting period, included in the equity in loss of affiliate in the consolidated statements of comprehensive loss. As it relates to the share-based compensation awarded by the Group to the equity method investee employees that are based on the Group's stock, when the other investors do not provide proportionate value to the investee or the Group does not receive any consideration, the Group expenses the entire cost associated with the award in the same period the costs are recognized by the investee, to the extent that the Group's claim on the investee's book value has not been increased. The expenses recognized by the Group is included in the equity in loss of affiliate in the consolidated statements of comprehensive loss.

The Group evaluates the equity method investment for impairment under ASC 323. An impairment loss on the equity method investments is recognized in losses when the decline in value is determined to be other-than-temporary. No impairment charge was recognized for the year ended December 31, 2020 and six months ended June 30, 2021.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.15 Deferred subsidy income

Deferred subsidy income consists of deferred income from government grants. Government grants mainly consist of cash subsidies received by the Group's subsidiaries in the PRC from local governments as support on expenses relating to certain projects. Grants received with government specified performance obligations are recognized as other income when all the obligations have been satisfied. If such obligations are not satisfied, the Group may be required to refund the subsidy. The Group recorded cash grants of RMB7,509 and RMB4,560 in deferred subsidy income as of December 31, 2020 and June 30, 2021 respectively.

2.16 Revenue recognition

The Group adopted Accounting Standard Codification ("ASC") 606, *Revenue from Contracts with Customers* (Topic 606) ("ASC 606") for all periods presented. Consistent with the criteria of Topic 606, the Group recognizes revenue to depict the transfer 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.

Under ASC 606, an entity recognizes revenue when its customer obtains control of promised goods or services, in an amount that reflects the consideration that the entity expects to receive in exchange for those goods or services. An the entity performs the following five steps to account for the arrangements that an entity determines are within the scope of ASC 606: (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.

Once a contract is determined to be within the scope of ASC 606 at contract inception, the Group audits the contract to determine which performance obligations it must deliver and which of these performance obligations are distinct. The Group recognizes as revenue the amount of the transaction price that is allocated to each performance obligation when that performance obligation is satisfied or as it is satisfied.

Collaboration revenue

At contract inception, we analyze its collaboration 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, we first determine if the collaboration is deemed to be within the scope of ASC 808. For any units of account that are reflective of a vendor-customer relationship those units of account are accounted for within the scope of ASC 606. For any units of account that are not accounted for under ASC 606 and therefore accounted for pursuant to ASC 808, an appropriate recognition method is determined and applied consistently.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.16 Revenue recognition (continued)

Collaboration revenue (continued)

The Group's collaborative arrangements may contain more than one unit of account, or performance obligation, such as grant of licenses of intellectual property rights, promises to provide research and development services and other deliverables. The collaborative arrangements do not include a right of return for any deliverable. When multiple units of account or performance obligations are identified within the arrangements, the Group must develop assumptions that require judgment to determine the stand-alone selling price for each performance obligation identified in the contract. In developing the stand-alone selling price for a performance obligation, the Group considers competitor pricing for a similar or identical product, market awareness of and perception of the product, expected product life and current market trends. In general, the consideration allocated to each performance obligation is recognized when the respective obligation is satisfied either by delivering a good or providing a service, limited to the consideration that is not constrained.

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 the license that is determined to be distinct, the Group recognizes revenues in the amount of non-refundable, up-front fees allocated to the license at a point in time, upon which the license is transferred to the licensee and the licensee is able to use and benefit from the license.

Research and Development Services: The portion of the transaction price allocated to research and development services performance obligations is deferred and recognized as revenue over time as delivery or performance of such services provided to the Group's customers occurs.

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 resulting adjustment is recorded on a cumulative catch-up basis, which would affect the Group's reported revenues and earnings in the period of the 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 sales-based royalties or milestone payments 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).

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.16 Revenue recognition (continued)

Contract assets and liabilities

Contract assets primarily represent revenue earnings over time that are not yet billable based on the terms of the contracts. The Group does not have impairment losses associated with contracts with customers for the years ended December 31, 2020 and six months ended June 30, 2021.

Contract liabilities consist of fees invoiced or paid by the Group's customers for which the associated performance obligations have not been satisfied and revenue has not been recognized based on the Group's revenue recognition criteria described above.

Contract assets and contract liabilities are reported in a net position on an individual contract basis at the end of each reporting period. Contract assets are classified as current in the consolidated balance sheet when the Group expects to complete the related performance obligations and invoice the customers within one year of the balance sheet date, and as long-term when the Group expects to complete the related performance obligations and invoice the customers more than one year out from the balance sheet date. Contract liabilities are classified as current in the consolidated balance sheet when the revenue recognition associated with the related customer payments and invoicing is expected to occur within one year of the balance sheet date and as long-term when the revenue recognition associated with the related customer payments and invoicing is expected to occur in more than one year from the balance sheet date.

2.17 Value-added-tax ("VAT") recoverable and surcharges

Value added tax recoverable represent amounts paid by the Group for purchases. The surcharges (i.e., Urban construction and maintenance tax, educational surtax, local educational surtax), vary from 6% to 12% of the value-added-tax depending on the tax-payer's location. The deductible input VAT balance is included in the prepayments and other receivables in the consolidated balance sheets, and VAT payable balance is recorded in the accruals and other payables in the consolidated balance sheets.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.18 Research and development expenses

Elements of research and development expenses primarily include (1) payroll and other related expenses of personnel engaged in research and development activities, (2) in-licensed patent rights fee of exclusive development rights of drugs granted to the Group, (3) expenses related to preclinical testing of the Group's technologies under development and clinical trials such as payments to contract research organizations ("CRO"), investigators and clinical trial sites that conduct the clinical studies, (4) expenses to develop the product candidates, including raw materials and supplies, product testing, depreciation, and facility related expenses, and (5) other research and development expenses. Research and development expenses are charged to expenses as incurred when these expenditures are used for the Group's research and development activities and have no alternative future uses.

The Group has acquired rights to develop and commercialize product candidates. Upfront payments that relate to the acquisition of a new drug compound, as well as pre-commercial milestone payments, are immediately expensed as acquired in-process research and development in the period in which they are incurred, provided that the new drug compound does not also include processes or activities that would constitute a "business" as defined under U.S. GAAP, the drug has not achieved regulatory approval for marketing and, absent obtaining such approval, has no established alternative future use. Milestone payments made to third parties subsequent to regulatory approval are capitalized as intangible assets and amortized over the estimated remaining useful life of the related product. All development expenditures are recognized in profit or loss when incurred, as long as the conditions enabling capitalization of development expenses as an asset have not yet been met.

2.19 Leases

In accordance with ASC 842 adopted on January 1, 2019, the Group determines if an arrangement is a lease at inception. Operating leases are included in operating lease right-of-use ("ROU") assets, operating lease liability, and operating lease liability, non-current in the Group's consolidated balance sheets. The Group does not have any finance leases since the adoption date.

ROU assets represent the Group's right to use an underlying asset for the lease term and lease liabilities represent the Group's obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. When determining the lease term, the Group includes options to extend or terminate the lease when it is reasonably certain that it will exercise that option, if any. As the Group's leases do not provide an implicit rate, the Group uses its incremental borrowing rate, which it calculates based on the credit quality of the Group and by comparing interest rates available in the market for similar borrowings, and adjusting this amount based on the impact of collateral over the term of each lease.

The Group has elected to adopt the following lease policies in conjunction with the adoption of ASU 2016-02: (i) elect for each lease not to separate non-lease components from lease components and instead to account for each separate lease component and the non-lease components associated with that lease component as a single lease component; (ii) for leases that have lease terms of 12 months or less and does not include a purchase option that is reasonably certain to exercise, the Group elected not to apply ASC 842 recognition requirements; and (iii) the Group elected to apply the package of practical expedients for existing arrangements entered into prior to January 1, 2019 to not reassess (a) whether an arrangement is or contains a lease, (b) the lease classification applied to existing leases, and (c) initial direct costs.

In connection with the adoption of ASC 842, on January 1, 2019, the Group recorded an impact of RMB13,100 on its assets and RMB11,333 on its liabilities for the recognition of operating lease right-of-use-assets and operating lease liabilities, respectively, which are primarily related to the lease of the Group's offices and warehouses. The adoption of ASC 842 did not have a material impact on the Group's results of operations or cash flows.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.20 Comprehensive loss

Comprehensive loss is defined as the changes in equity of the Group during a period from transactions and other events and circumstances excluding transactions resulting from investments by owners and distributions to owners. Among other disclosures, ASC 220, Comprehensive Income, requires that all items that are required to be recognized under current accounting standards as components of comprehensive loss be reported in a financial statement that is displayed with the same prominence as other financial statements. For each of the periods presented, the Group's comprehensive loss includes net loss and foreign currency translation adjustments, which are presented in the consolidated statements of comprehensive loss.

2.21 Share-based compensation

The Group 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, if equity-classified, are measured at the grant date fair value of the awards and are recognized as expenses over the requisite period of the award, which is generally the vesting term of share-based payment awards.

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.

Share-based compensation in relation to the restricted shares is measured based on the fair market value of the Group's ordinary shares at the grant date of the award. Prior to the listing, estimation of the fair value of the Group's ordinary shares involves significant assumptions that might not be observable in the market, and a number of complex and subjective variables, including discount rate, and subjective judgments regarding the Group's projected financial and operating results, its unique business risks, the liquidity of its ordinary shares and its operating history and prospects at the time the grants are made. Share-based compensation in relation to the share options is estimated using the Binominal Option Pricing Model. The determination of the fair value of share options is affected by the share price of the Group's ordinary shares as well as the assumptions regarding a number of complex and subjective variables, including the expected share price volatility, risk-free interest rate, exercise multiple and expected dividend yield. In addition, the forfeiture rate is estimated based on an analysis of the Group's actual forfeitures and the appropriateness of the forfeiture rate will continue to be evaluated based on the actual forfeiture experience, analysis of employee turnover and other factors. The fair value of these awards was determined with the assistance from an independent third-party valuation firm.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.22 Income taxes

The Group accounts for income taxes under the asset and liability method. Under the asset and liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using the enacted tax rates that expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is recorded if it is more likely than not that some portion or all of the deferred income tax assets will not be utilized in the foreseeable future.

The Group evaluates its uncertain tax positions using the provisions of ASC 740-10, Income Taxes, which prescribes a recognition threshold that a tax position is required to meet before being recognized in the financial statements. The Group recognizes in the 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.

2.23 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 as interest expense in the consolidated statements of comprehensive loss over the period of the borrowings, using the effective interest method.

2.24 Business combination

The Group accounts for its business combinations using the acquisition method of accounting in accordance with ASC topic 805, Business Combinations (“ASC 805”). The acquisition method of accounting requires all of the following steps: (i) identifying the acquirer, (ii) determining the acquisition date, (iii) recognizing and measuring the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree, and (iv) recognizing and measuring goodwill or a gain from a bargain purchase. The consideration transferred in a business combination is measured as the aggregate of the fair values at the date of exchange of the assets given, liabilities incurred, and equity instruments issued as well as the contingent considerations and all contractual contingencies as of the acquisition date.

The Group allocates the fair value of purchase consideration to the tangible assets acquired, liabilities assumed and intangible assets acquired based on their estimated fair values. The excess of the fair value of purchase consideration over the fair values of these identifiable assets and liabilities is recorded as goodwill. Such valuations require management to make significant estimates and assumptions, especially with respect to intangible assets. Significant estimates in valuing certain intangible assets may include, but are not limited to, future expected cash flows from acquired assets, timing and probability of success of clinical events and regulatory approvals, and assumptions on useful lives of the patents and discount rates. Management’s estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from estimates. Additional information, such as that related to income tax and other contingencies, existing as of the acquisition date but unknown to us may become known during the remainder of the measurement period, not to exceed one year from the acquisition date, which may result in changes to the amounts and allocations recorded.

Acquisitions that do not meet the accounting definition of a business combination are accounted for as asset acquisitions. For transactions determined to be asset acquisitions, the Group allocates the total cost of the acquisition, including transaction costs, to the net assets acquired based on their relative fair values.

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.25 Segment information

In accordance with ASC 280, Segment Reporting, the Group's chief operating decision maker, the Chief Executive Officer, reviews the consolidated results when making decisions about allocating resources and assessing performance of the Group as a whole and hence, the Group has only one reportable segment. The Group does not distinguish between markets or segments for the purpose of internal reporting. As the Group's long-lived assets are substantially located in and derived from the PRC, no geographical segments are presented.

2.26 Loss per share

Basic loss per share is computed by dividing net loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period using the two-class method. Under the two-class method, the net loss is allocated between ordinary shares and other participating securities based on their participating rights. Net loss is not allocated to other participating securities if based on their contractual terms they are not obligated to share in the loss. Diluted loss per share is calculated by dividing net loss attributable to ordinary shareholders by the weighted average number of ordinary and dilutive ordinary equivalent shares outstanding during the period. Ordinary equivalent shares consist of shares issuable upon the conversion of the preferred shares using the if-converted method, shares issuable upon the issuance of ordinary shares to be issued to Everest using the if-converted method, shares issuable upon the conversion of the convertible promissory notes using the if-converted method, shares issuable upon the exercise of share options using the treasury stock method, shares issuable upon the issuance of ordinary shares for restricted shares units using the treasury stock method, and shares issuable upon the exercise of warrants using the treasury stock method. Ordinary equivalent shares are not included in the denominator of the diluted loss per share calculation when inclusion of such shares would be anti-dilutive.

2.27 Adopted accounting pronouncements

In December 2019, the FASB issued ASU 2019-12 — Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes. This ASU provides an exception to the general methodology for calculating income taxes in an interim period when a year-to-date loss exceeds the anticipated loss for the year. This update also (1) requires an entity to recognize a franchise tax (or similar tax) that is partially based on income as an income-based tax and account for any incremental amount incurred as a non-income-based tax, (2) requires an entity to evaluate when a step-up in the tax basis of goodwill should be considered part of the business combination in which goodwill was originally recognized for accounting purposes and when it should be considered a separate transaction, and (3) requires that an entity reflect the effect of an enacted change in tax laws or rates in the annual effective tax rate computation in the interim period that includes the enactment date. The Group adopted ASU No. 2019-12 from January 1, 2021, which did not have a material impact on the Group's consolidated financial statements.

In January 2020, the FASB issued Accounting Standards Update No. 2020-01, Investments — Equity Securities (Topic 321), Investments — Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815): Clarifying the Interactions between Topic 321, Topic 323, and Topic 815. The amendments clarified that an entity should consider observable transactions that require it to either apply or discontinue the equity method of accounting for the purposes of applying the measurement alternative in accordance with Topic 321 immediately before applying or upon discontinuing the equity method. The amendments also clarified that for the purpose of applying paragraph 815-10-15-141(a) an entity should not consider whether, upon the settlement of the forward contract or exercise of the purchased option, individually or with existing investments, the underlying securities would be accounted for under the equity method in Topic 323 or the fair value option in accordance with the financial instruments guidance in Topic 825. An entity also would evaluate the remaining characteristics in paragraph 815-10-15-141 to determine the accounting for those forward contracts and purchased options. The Company adopted ASU No. 2020-01 from January 1, 2021, which did not have a material impact on the Group's consolidated financial statements.

(All amounts in thousands, except for share and per share data, unless otherwise noted)

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

2.28 Recent accounting pronouncements

In March 2020, the FASB issued ASU 2020-04, "Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting", which provides optional expedients and exceptions for applying U.S. GAAP on contract modifications and hedge accounting to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform, if certain criteria are met. These optional expedients and exceptions provided in ASU 2020-04 are effective for the Company as of March 12, 2020 through December 31, 2022. The Company will evaluate transactions or contract modifications occurring as a result of reference rate reform and determine whether to apply the optional guidance on an ongoing basis. The ASU is currently not expected to have a material impact on the Group's consolidated financial statements.

3. ACCOUNTS RECEIVABLE AND CONTRACT ASSETS

Accounts receivable and contract assets, net of allowance for credit losses, consisted of the following:

	As of December 31, 2020	As of June 30, 2021	
	RMB	RMB	US$ (Note 2.5)
Accounts receivable, gross	130,498	—	—
Allowance for credit losses	—	—	—
Accounts receivable, net	130,498	—	—

	As of December 31, 2020	As of June 30, 2021	
	RMB	RMB	US$ (Note 2.5)
Contract assets, gross	227,391	242,905	37,621
Allowance for credit losses	—	—	—
Contract assets, net	227,391	242,905	37,621

No allowance for credit losses was recorded as of December 31, 2020 and June 30, 2021.

(All amounts in thousands, except for share and per share data, unless otherwise noted)

4. PREPAYMENTS AND OTHER RECEIVABLES

	As of December 31, 2020	As of June 30, 2021	
	RMB	RMB	US$ (Note 2.5)
Prepayments:			
- Prepayments to CRO vendors	83,140	75,540	11,700
- Prepayments for other services	2,550	19,131	2,963
Receivables due from an affiliate (Note 19)	21,212	1,894	293
Value-added tax recoverable	63,664	75,434	11,683
Rental deposits	1,766	270	42
Interest receivables	236	—	—
Others	22,899	28,153	4,359
	195,467	200,422	31,040

5. PROPERTY, EQUIPMENT AND SOFTWARE

Property, equipment and software consist of the following:

	As of December 31, 2020	As of June 30, 2021	
	RMB	RMB	US$ (Note 2.5)
Cost			
Laboratory equipment	30,808	33,028	5,115
Leasehold improvement	13,842	13,838	2,143
Software	9,990	10,160	1,574
Office furniture and equipment	1,531	1,534	238
Total property, equipment and software	56,171	58,560	9,070
Less: accumulated depreciation and amortization	(30,899)	(37,148)	(5,754)
Net book value	25,272	21,412	3,316
Construction in progress	—	904	140
Total net book value of property, equipment and software	25,272	22,316	3,456

The total amounts charged to the consolidated statements of comprehensive loss for depreciation and amortization expenses amounted to approximately RMB5.1 million and RMB6.7 million for the six months ended June 30, 2020 and 2021, respectively.

(All amounts in thousands, except for share and per share data, unless otherwise noted)

6. INTANGIBLE ASSETS

Intangible assets as of December 31, 2020 and June 30, 2021 are summarized as follows:

	As of December 31, 2020		
	Gross carrying amount RMB	Accumulated amortization RMB	Net carrying amount RMB
Intangible assets			
IPR&D TJ103	11,670	(1,556)	10,114
IPR&D TJ101	110,330	—	110,330
Total intangible assets	122,000	(1,556)	120,444

	As of June 30, 2021		
	Gross carrying amount RMB	Accumulated amortization RMB	Net carrying amount RMB
Intangible assets			
IPR&D TJ103	11,670	(1,945)	9,725
IPR&D TJ101	110,330	—	110,330
Total intangible assets	122,000	(1,945)	120,055

The three IPR&D assets (TJ103, TJ101, and TJ102) were acquired from the business combination of I-Mab Tianjin and its subsidiaries including Chengdu Tasgen Bio-Tech Co., Ltd. and Shanghai Tianyunjian Bio-Tech Co., Ltd. (together the “Tasgen Group”) in 2017. The licensor of these IPR&D assets was Genexine, Inc. The gross carrying amounts represent the fair value assigned to the respective research and development assets. At the date of acquisition, all three assets had not reached technological feasibility. They were considered indefinite lived.

IPR&D related to TJ103 was subsequently determined to have a finite useful life as a result of an out-licensing arrangement. Consequently, the Group uses the straight-line method to amortize the asset. The amortization for the six months ended June 30, 2020 and 2021 was nil and RMB389, recognized as research and development expenses in the consolidated statements of comprehensive loss, respectively. The estimated amortization expense for each of the five succeeding fiscal years is RMB778.

On September 15, 2020, I-Mab Hong Kong and Genexine, Inc. entered into amendments to Intellectual Property License Agreement with I-Mab Hangzhou to assign and transfer all the rights and obligations related to TJ102 to I-Mab Biopharma (Hangzhou) Limited (“I-Mab Hangzhou”), pursuant to an equity transfer and investment agreement entered into between I-Mab Hong Kong and various parties (see Note 8).

As of December 31, 2020 and June 30, 2021, there was no impairment of the value of the Group’s intangible assets.

7. GOODWILL

On July 15, 2017, the Group acquired 66.67% of the equity interests in the Tasgen Group by issuing convertible preferred shares, and controlled the board of directors and business of I-Mab Tianjin since then. Tasgen Group is principally engaged in the research and development of innovative medicines and the Group acquired Tasgen Group for its research team, technical experience, and IPR&D pipeline assets (see Note 6). As of December 31, 2020 and June 30, 2021, the goodwill of RMB162,574 represented the goodwill generated from the aforementioned acquisition of Tasgen Group and the business of Tasgen Group was fully integrated into the Company after the acquisition.

As of December 31, 2020 and June 30, 2021, the Group performed a qualitative assessment by evaluating relevant events and circumstances that would affect the Group's single reporting unit and did not note any indicator that it is more likely than not that the fair value of the Group's reporting unit is less than its carrying amount and therefore the Group's goodwill was not impaired.

8. INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD AND PUT RIGHT LIABILITIES

(a) Investment accounted for using the equity method

I-Mab Hangzhou, incorporated on June 16, 2019, was a wholly owned subsidiary of I-Mab Hong Kong with registered capital of US$30 million, which was paid up by I-Mab Hong Kong on September 14, 2020.

On September 15, 2020 (the "Closing Date"), I-Mab Hong Kong entered into an equity transfer and investment agreement (the "SPA") with (i) a limited partnership jointly established by the management of I-Mab Hangzhou to hold restricted equity of I-Mab Hangzhou issued to the management ("Management Holdco"), (ii) a limited partnership established to hold the shares of I-Mab Hangzhou for future equity incentive plan ("ESOP Holdco") and (iii) a group of domestic investors in China ("Domestic Investors").

In accordance with the terms of the SPA,

(i) I-Mab Hong Kong agreed to assign all rights and obligations/ownership of certain drug candidates in different stages of development ("Target Pipelines") to I-Mab Hangzhou as of the Closing Date as well as to transfer employment of a team of designated management/workforce to I-Mab Hangzhou. The Target Pipelines were evaluated by an independent valuer, with a total value of US$105 million as of the Closing Date;

(ii) Management Holdco would acquire 10% of the equity of I-Mab Hangzhou from I-Mab Hong Kong with no consideration. The 10% equity is represented by I-Mab Hangzhou's registered capital of US$3 million, and that after acquiring such equity, Management Holdco is committed to pay US$3 million in cash to I-Mab Hangzhou to fulfil its capital contribution obligations in a period of four years starting from the Closing Date;

(iii) ESOP Holdco would acquire 5% of the equity of I-Mab Hangzhou from I-Mab Hong Kong with no consideration. The 5% equity is represented by I-Mab Hangzhou's registered capital of US$1.5 million. All of such equity would be used for I-Mab Hangzhou's future equity incentive plan.

(iv) Domestic Investors would acquire a total of 40% of the equity of I-Mab Hangzhou from I-Mab Hong Kong with no consideration. The 40% equity is represented by I-Mab Hangzhou's registered capital of US$12 million, and after acquiring such equity of I-Mab Hangzhou, Domestic Investors would pay US$120 million collectively in cash to I-Mab Hangzhou to fulfil its capital contribution obligations.

8. INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD AND PUT RIGHT LIABILITIES

(a) Investment accounted for using the equity method (continued)

Upon closing of the SPA, the registered capital of I-Mab Hangzhou remained to be US$30 million. As of December 31, 2020 and June 30, 2021, among the total 25,500,000 outstanding shares of I-Mab Hangzhou, 13,500,000 shares were held by I-Mab Hong Kong while the remaining 12,000,000 shares was held by Domestic Investors. Shares subscribed by Management Holdco and ESOP Holdco, in the total number of 4,500,000, have not yet been purchased by or issued to Management Holdco and ESOP Holdco as of December, 31, 2020 and June 30, 2021. Once all these 4,500,000 subscribed shares of I-Mab Hangzhou are purchased by or issued to Management Holdco and ESOP Holdco, the equity interest in I-Mab Hangzhou held by I-Mab Hong Kong, Domestic Investors, Management Holdco and ESOP Holdco would be 45%, 40%, 10% and 5% respectively.

On the same day, I-Mab Hong Kong also entered into a shareholders agreement with the aforementioned investors (the “SHA”). According to the SHA and I-Mab Hangzhou’s articles of association, the board of directors of I-Mab Hangzhou shall be composed of seven directors. The directors shall be elected in the following ways: I-Mab Hong Kong is entitled to appoint three directors, including the chairman of the board of directors, as well as nominate one independent director; the Management Holdco is entitled to appoint one director; two non-related entities of the Domestic Investors are entitled to appoint one director respectively (“Investors Directors”). Each director of the board of directors shall have one vote. I-Mab Hong Kong, Management Holdco and ESOP Holdco agree to act in concert, as long as each of Management Holdco and ESOP Holdco respectively holds equity in I-Mab Hangzhou, when exercising the rights as a shareholder.

As a result of the above transactions, I-Mab Hangzhou became an affiliate of the Group on the Closing Date in accordance with ASC 810 since I-Mab Hangzhou meets the definition of a business under ASC 805. In accordance with ASC 810-10, I-Mab Hangzhou is a variable interest entity, and no shareholder shall consolidate I-Mab Hangzhou under VIE model as neither party have the power to direct all the activities that most significantly impact the economic performance of I-Mab Hangzhou. Therefore, the Group deconsolidated I-Mab Hangzhou and retained significant influence in I-Mab Hangzhou. The investment was accounted for using the equity method. The retained investment in the common stock of I-Mab Hangzhou was initially measured at fair value in accordance with ASC 810-10-40.

The Group determined the fair value of its retained equity interest with the assistance of an independent third-party valuation firm. The Group used equity allocation model to estimate the fair value of the investment. The fair value as of the Closing Date was US$112,039 (equivalent to approximately RMB764,352), which reflected the fact that the shares subscribed by Management Holdco and ESOP Holdco were not issued and outstanding as of the Closing Date.

A gain of RMB407,598 was recognized as a result of the deconsolidation in September 2020. The gain represented the difference between:

i) The fair value of the retained noncontrolling investment in I-Mab Hangzhou at the Closing Date; and

ii) The aggregate of all of the following:

a) the carrying amount of transferred intellectual property related to TJ102 at the Closing Date (see Note 6);

b) the fair value of the put right liabilities written by I-Mab Hong Kong to Domestic Investors;

c) the carrying amount of I-Mab Hangzhou’s net assets at the Closing Date.

Subsequently, pursuant to the I-Mab Hangzhou’s articles of association, the Group applies the HLBV method to allocate earnings or losses of I-Mab Hangzhou because the liquidation rights and priorities sufficiently differ from what is reflected by the underlying percentage ownership interests. For the six months ended June 30, 2021, the Group recognized RMB83,042 in equity in loss of an affiliate in the consolidated statements of comprehensive loss.

8. INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD AND PUT RIGHT LIABILITIES (CONTINUED)

(a) Investment accounted for using the equity method (continued)

The purchase price of US$3 million committed by Management Holdco under SPA, representing 10% of the equity of I-Mab Hangzhou, is significantly lower than the fair value of the corresponding subscribed shares as of the Closing Date. The excess is considered as share-based compensation to the I-Mab Hangzhou's management for the services to be used or consumed in the I-Mab Hangzhou's own operations. The share-based compensation is considered granted upon the Closing Date and cliff vests after five years of service since the Closing Date. Consequently, the Group recognizes its proportionate share of the compensation expense recorded by I-Mab Hangzhou. For the six months ended June 30, 2021, the Group recognized RMB14,164 in equity in loss of an affiliate in the unaudited interim condensed consolidated financial statements of comprehensive loss.

Along with the equity transfer transaction, the team of designated management/workforce transferred from the Group to I-Mab Hangzhou consists of several grantees under the Group's 2020 Share Incentive Plan ("2020 Plan", see Note 13(d)). These individuals continued to qualify the definition of the eligible participants under the 2020 Plan after the Closing Date. Meanwhile, there has been no change to any of the award terms. The equity transfer transaction did not trigger the modification accounting to the share-based compensation. Additionally, given that I-Mab Hangzhou became an affiliate to the Group upon deconsolidation, and that the other shareholders of I-Mab Hangzhou are not providing proportionate value to sponsor the 2020 Plan nor is the Group receiving any consideration for the awards granted to employees of I-Mab Hangzhou, the Group is required, under Topic 323, to expense the full costs of share-based compensation as incurred at the same period as the costs are recognized by I-Mab Hangzhou. For the six months ended June 30, 2021, such expenses of RMB12,338 was recorded in the equity in loss of an affiliate in the unaudited interim condensed consolidated financial statements of comprehensive loss.

In March 2021, I-Mab Hangzhou granted stock options to its employees and recognized share-based compensation expenses of RMB4,656 for the six months ended June 30, 2021. Pursuant to the I-Mab Hangzhou's articles of association, the Group applies the HLBV method to allocate earnings or losses of I-Mab Hangzhou because the liquidation rights and priorities sufficiently differ from what is reflected by the underlying percentage ownership interests. Accordingly, the Group recorded RMB4,656 in the equity in loss of an affiliate in the unaudited interim condensed consolidated financial statements of comprehensive loss for the six months June 30, 2021 and credited additional paid-in capital in the consolidated balance sheet.

8. INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD AND PUT RIGHT LIABILITIES (CONTINUED)

(a) Investment accounted for using the equity method (continued)

As of December 31, 2020 and June 30, 2021, the carrying value of the Group's long-term investment measured under equity method was RMB664,832 and RMB578,030. The Group presented the summarized financial information of the Group's long-term investment measured under equity method below in accordance with Rule 4-08 of Regulation S-X (RMB in thousands).

	For the period from September 15, 2020 to December 31, 2020	For the six months ended June 30, 2021
Operating data:		
Revenue	271	—
Gross profit (loss)	271	(506)
Loss from operations	(85,945)	(79,454)
Net Loss	(85,945)	(75,922)

	As of December 31, 2020	As of June 30, 2021
Balance sheet data:		
Current assets	923,010	747,093
Non-current assets	810,623	974,815
Current liabilities	31,519	54,199
Non-current liabilities	10,933	21,315
Non-controlling interests	—	—

(All amounts in thousands, except for share and per share data, unless otherwise noted)

8. INVESTMENT ACCOUNTED FOR USING THE EQUITY METHOD AND PUT RIGHT LIABILITIES (CONTINUED)

(b) Put right liabilities

Pursuant to the SHA, if I-Mab Hangzhou fails to close a public offering of I-Mab Hangzhou's shares on the China Stock Exchange's Science and Technology Innovation Board, Main Board, Small and Medium-Sized Enterprise Board, Growth Enterprise Board, or Hong Kong Stock Exchange, U.S. Stock Exchange, or other stock exchanges approved by the shareholders of I-Mab Hangzhou in accordance with provisions of the SHA within 4 years after September 15, 2020, I-Mab Hong Kong is obligated to repurchase the equity held by Domestic Investors in cash or in I-Mab's stock (subject to the approval procedures of I-Mab) within 3 years from the expiration of the 4-year period after the Closing Date of September 15, 2020.

The put right written by I-Mab Hong Kong to Domestic Investors is a freestanding equity-linked instrument, which is classified as a put right liability and is initially measured at fair value. Subsequent changes in fair value are recorded in other income (loss) in the consolidated statements of comprehensive income (loss).

The Group determined the fair value of the put right with the assistance of an independent third-party valuation firm. The Group used the option pricing model (finnerty model) to estimate the fair value of the put right using the following assumptions:

	As of December 31, 2020	As of June 30, 2021
Expected terms (Year)	4	3.2
Estimated volatility	55.9%	52.3%
Spot price	US$143,401	US$145,248
Probability of triggering event for redemption option	65%	65%

The model requires the input of highly subjective assumptions including the expected terms, estimated volatility, spot price and probability of triggering event for redemption option. Expected terms is estimated based on the timing of a hypothetical redemption event which is assumed to be the earlier of expected redemption date or expected public offering date. Expected volatility is estimated based on daily stock prices of the comparable companies for a period with length commensurate to the expected terms of redemption event. The spot price was determined with assistance from an independent third-party valuation firm. The Group's management is ultimately responsible for the determination of the spot price and probability of triggering event for redemption option.

Significant decreases in interval between valuation date and maturity date, estimated volatility, spot price and probability of triggering event for redemption option would result in a significantly lower fair value measurement.

(All amounts in thousands, except for share and per share data, unless otherwise noted)

9. ACCRUALS AND OTHER PAYABLES

	As of December 31, 2020	As of June 30, 2021	
	RMB	RMB	US$ (Note 2.5)
Current:			
Staff salaries and welfare payables	94,133	17,030	2,638
Accrued external research and development activities related expenses	218,583	301,889	46,757
Accrued planned dual listing costs payable	2,010	1,916	297
Accrued private placement offering costs payable	128,786	—	—
Payable due to an affiliate (Note 19)	—	281	44
Accrued termination fee (Note 14)	—	58,141	9,005
Non-refundable incentive payment from depositary bank (1)	2,424	2,400	372
Accrued traveling expenses, office expenses and others	114,622	154,507	23,928
	560,558	536,164	83,041
Non-current:			
Non-refundable incentive payment from depositary bank (1)	7,474	6,200	960
Advance payment received from an employee for exercise of stock options	1,501	—	—
	8,975	6,200	960
Total	569,533	542,364	84,001

(1) The Group received a non-refundable incentive payment of US$1,857 (equivalent to approximately RMB12,982) from depositary bank in April 2020. The amount was recorded ratably as other gains over a five-year arrangement period. For the six months ended June 30, 2020 and 2021, the Group has recorded RMB1,090 and RMB1,201 as other income in the interim condensed consolidated financial statements, respectively.

10. ORDINARY SHARES

As of December 31, 2018 and 2019, 500,000,000 ordinary shares had been authorized by the Company. Each ordinary share is entitled to one vote. The holders of ordinary shares are also entitled to receive dividends whenever funds are legally available and when declared by the Board of Directors of the Company.

On October 29, 2019, the Company’s shareholders and board of directors approved that immediately prior to the completion of initial public offering, the Company’s authorized share capital will be changed into US$80,000 divided into 800,000,000 ordinary shares of a par value of US$0.0001 each.

10. ORDINARY SHARES (CONTINUED)

On January 17, 2020, the Company completed its IPO and became listed on the Nasdaq Global Market by issuing 7,407,400 American Depositary Shares ("ADSs") at the price of US$14.00 per ADS for total gross proceeds of US$103.7 million. On February 10, 2020, the underwriters of the IPO have exercised their over-allotment option to purchase an additional 768,350 ADSs of the Company at the IPO price of US$14.00 per ADS. After giving effect to the exercise of the over-allotment option, the Company has issued and sold a total of 8,175,750 ADSs in the IPO, for total net proceeds of US$101.3 million (equivalent to RMB697,788), netting of issuance cost from total gross proceeds of US$114.5 million. Each ten ADSs represent twenty-three ordinary shares of the Company.

On January 17, 2020, the Company also issued 6,078,571 ordinary shares to Everest (see Note 14 for details).

Upon the completion of the IPO, the Company's then outstanding 30,227,056 Series A Preferred Shares, 23,288,783 Series B Preferred Shares, 3,714,580 Series B-1 Preferred Shares, 3,301,849 Series B-2 Preferred Shares, 31,046,360 Series C Preferred Shares and 3,857,143 Series C-1 Preferred Shares were converted into 30,227,056, 23,288,783, 3,714,580, 3,571,427, 34,420,469 and 4,537,814 ordinary shares, respectively.

On July 15, 2020, the Company's Board of Directors approved a share repurchase program to repurchase in the open market up to US$20 million worth of outstanding ADSs of the Group. The Company made a total prepayment of US$5,000 (equivalent to RMB34,051) for the share repurchase. The prepayment was collected subsequently in October 2020. No repurchase activity was taken place as of June 30, 2021.

On September 3, 2020, the Company entered into definitive subscription agreements with a consortium of institutional investors (the "Investors") to raise approximately US$418 million through a private placement. The consortium is led by Hillhouse Capital Group ("Hillhouse"), with significant participation by GIC Private Limited, and also includes certain other Asian and U.S. biotech investment funds, Hillhouse is entitled to nominate one representative to I-Mab's Board of Directors.

The private placement comprises (1) the sale to the Investors of the Group's 29,133,502 ordinary shares (equivalent to 12,666,740 ADSs) at a purchase price equivalent to US$33 per ADS amounting to approximately US$418 million; and (2) warrants (the "Investor Warrants", see Note 16(b)) to subscribe for an aggregate of 5,341,267 ordinary shares (equivalent to 2,322,290 ADSs) at an exercise price equivalent to US$45 per ADS, which may further increase the proceeds of approximately US$104.5 million if the Investor Warrants are fully exercised. The Investor Warrants will remain exercisable at the election of the Investors within 12 months after the closing of the private placement. As of June 30, 2021, 4,683,191 warrants were exercised by the Investors. All the remaining warrants were exercised subsequently from July to September 2021.

The subscription agreement with the Hillhouse entities contemplates two closings. The first closing occurred on September 11, 2020, and the second closing is conditioned upon an existing director of the Company having resigned to enable the Hillhouse entities to appoint a director to replace such director and the lemzoparlimab out-licensing agreement with AbbVie (see Note 14) being or remaining effective. Upon the first closing, 20,421,378 ordinary shares and 3,744,032 Investor Warrants were issued to the Investors for total gross proceeds of approximately US$293.0 million. On December 17, 2020, the Group entered into a written amendment made to the subscription agreement with the Hillhouse entities, which removed one of the two conditions for the second closing that an existing director of the Company having resigned to enable the Hillhouse entities to appoint a director to replace such director. The second closing occurred as the other condition was satisfied and 8,712,124 ordinary shares as well as 1,597,235 Investor Warrants were issued to the Hillhouse entities for total gross proceeds of approximately US$125.0 million. The total net proceeds, netting of issuance cost, from the private placement was US$397.2 million (equivalent to RMB2,653,669).

As of June 30, 2021, 5,576,951 stock options were exercised, and 3,713,767 restricted share units were issued as ordinary shares.

11. CONVERTIBLE PREFERRED SHARES

On October 18, 2016, the Company issued 5,141,587 shares of Series A-1 and A-2 Preferred Shares with a consideration of US$11,282 (equivalent to approximately RMB74,742). In connection with the Series A-1 and A-2 Preferred Shares issuance, the Company also issued 2,246,744 warrant to purchase its Series A-3 Preferred Shares ("Series A-3 Warrants").

On September 6, 2017, in connection with the Group's acquisition of Tasgen Group, the Company issued 16,723,646 shares of Series A-3 Preferred Shares at a price of US$2.55 per share with a total consideration of US$42,645 (equivalent to approximately RMB289,024).

Series A-1 Preferred Shares, Series A-2 Preferred Shares and Series A-3 Preferred Shares are also referred to as Series A Preferred Shares.

On September 22, 2017, the Company issued 15,894,594 shares of Series B Preferred Shares with a consideration of US$52,546 (equivalent to approximately RMB346,515). In connection with the Series B Preferred Shares issuance, the Company also issued convertible promissory notes that are convertible into Series B-1 Preferred Shares ("2017 Notes") and 5,633,780 warrants to purchase its Series B-2 Preferred Shares ("Series B Warrant").

Concurrently with the Company's issuance of Series B Preferred Shares, the Company also completed a round of onshore financing with respect to the Group's subsidiary I-MAB Tianjin ("Series B Onshore Financing"). Series B Onshore Financing comprised 1) capital injection to I-Mab Tianjin by a number of investors ("Series B Onshore Investors"), 2) I-Mab Tianjin's issuance of convertible loans ("Onshore Convertible Loans" and see Note 14), and 3) the Company's issuance of 2,620,842 warrants to purchase its Series B-2 Preferred Shares ("Series B Warrants").

On June 29, 2018, the Company issued total 8,361,823 shares of Series A-3 Preferred Shares upon exercise of Series A-3 Option held by its holder.

On June 29, 2018, the Company issued 2,535,201 shares of Series B-1 Preferred Shares upon conversion of 2017 Notes and issued 2,253,512 shares of Series B-2 Preferred Shares upon exercise of Series B Warrant by Series B preferred shareholders.

On June 29, 2018, the Company issued 5,938,640 shares of Series B Preferred Shares upon exercise of the Series B Option held by a Series B Onshore Investor and issued 947,218 shares of Series B-1 Preferred Shares upon conversion of Onshore Convertible Loans by a Series B Onshore Investor, respectively.

On July 6, 2018, the Company issued 1,455,549 shares of Series B Preferred Shares upon exercise of the Series B Option held by a Series B Onshore Investor, issued 232,161 shares of Series B-1 Preferred Shares upon conversion of Onshore Convertible Loans by a Series B Onshore Investor and issued 1,048,337 shares of Series B-2 Preferred Shares upon exercise of Series B Warrant by Series B Onshore Investors, respectively.

11. CONVERTIBLE PREFERRED SHARES (CONTINUED)

Series B Preferred Shares, Series B-1 Preferred Shares and Series B-2 Preferred Shares are also referred to as Series B Preferred Shares.

On July 6, 2018, the Company issued 31,046,360 shares of Series C Preferred Shares at a price of US$6.4419 per share with a total consideration of US$200,000 (equivalent to approximately RMB1,323,363). In connection with the offering of the Series C Preferred Shares, the Company incurred issuance costs of RMB16,730.

On July 25, 2019, the Group entered into a share purchase agreement with certain third party investors, under which these investors will subscribe for an aggregate of 3,857,143 Series C-1 convertible preferred shares of the Company for an aggregate purchase price of US$27.0 million. Out of the aforementioned subscription of 3,857,143 Series C-1 convertible preferred shares by certain third party investors, 1,428,571 Series C-1 convertible preferred shares were issued to an investor on October 17, 2019, and the Group also received the cash consideration of US$10,000 (equivalent to approximately RMB70,036). On November 6, 2019, the Group received cash consideration of US$17,000 (equivalent to approximately RMB119,387) for the remaining 2,428,572 Series C-1 convertible preferred shares from the investors and the issuance of such 2,428,572 Series C-1 convertible preferred shares was consummated on that day. In connection with the offering of the Series C-1 convertible preferred shares, the Company incurred issuance costs of approximately US$840 (equivalent to approximately RMB5,887).

Series A Preferred Shares, Series B Preferred Shares, Series C Preferred Shares and Series C-1 Preferred Shares are collectively referred to as Preferred Shares.

Key terms of the Preferred Shares are summarized as follows:

Dividends

The holders of Preferred Shares are entitled to receive dividends, out of any assets legally available therefore, prior and in preference to any declaration or payment of any dividend on the ordinary shares or any other class or series of shares of the Group at the rate of eight percent (8%) of the original issue price per share per annum on each Preferred Share, payable in US$ and annually when, as and if declared by the Board of Directors. Such distributions shall not be cumulative. No dividend, whether in cash, in property or in shares of the capital of the Group, shall be paid on or declared and set aside for any ordinary shares or any other class or series of shares of the Group unless and until all dividends have been paid in full on the Preferred Shares (on an as-converted basis).

Conversion

Each Preferred Share may be converted at any time into ordinary shares at the option of the preferred shares holders at the then applicable conversion price. The initial conversion ratio is 1:1, subject to adjustment in the event of (i) share splits, share combinations, share dividends or distribution, other dividends, recapitalizations and similar events, or (ii) issuance of ordinary shares (excluding certain events such as issuance of ordinary shares pursuant to a public offering) at a price per share less than the conversion price in effect on the date of or immediately prior to such issuance.

11. CONVERTIBLE PREFERRED SHARES (CONTINUED)

Conversion (continued)

The Preferred Shares shall be automatically converted into ordinary shares immediately upon the closing of a 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$1,000,000,000 or otherwise approved by all directors and certain preferred shareholders as specified in the Company's memorandum and articles of association (the "Qualified Public Offering").

The Group determined that there were no beneficial conversion features ("BCF") identified for any of the Preferred Shares during any of the periods. In making this determination, the Company compared the fair value of the ordinary shares into which the Preferred Shares are convertible with the respective effective conversion price at the issuance date. In all instances, the effective conversion price was greater than the fair value of the ordinary shares. To the extent a conversion price adjustment occurs, as described above, the Group will reevaluate whether or not a beneficial conversion feature should be recognized.

Liquidation

In the event of any liquidation (unless waived by the preferred shareholders) including deemed liquidation, dissolution or winding up of the Company, holders of the Preferred Shares shall be entitled to receive a per share amount equal to one hundred percent (100%) of the original issue price on each Preferred Share, plus an amount representing an internal rate of return of twelve percent (12%) per annum on the original issue price as adjusted for share dividends, share splits, combinations, recapitalizations or similar events, plus all accrued and declared but unpaid dividends thereon, 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, any remaining funds or assets of the Company legally available for distribution to shareholders shall be distributed on a pro rata basis among the holders of the Preferred Shares, on an as-converted basis, together with the holders of the ordinary shares.

Accounting of preferred shares

The Preferred Shares are redeemable by the holders upon a liquidation event, including a deemed liquidation event (e.g., change in control), and as such are presented as mezzanine equity on the consolidated balance sheets. In accordance with ASC 480-10-S99, each issuance of the convertible preferred shares should be recognized at the date of issuance after deducting fair value allocated to the detachable warrants and issuance costs.

Modification of preferred shares

The Company assesses whether an amendment to the terms of its convertible preferred shares is an extinguishment or a modification using the fair value model.

When convertible redeemable preferred shares are extinguished, the difference between the fair value of the consideration transferred to the convertible redeemable Preferred Shareholders and the carrying amount of such preferred shares (net of issuance costs) is treated as a deemed dividend to the Preferred Shareholders. When convertible redeemable preferred shares are modified and such modification results in value transfer between Preferred Shareholders and ordinary shareholders, the change in fair value resulted from the amendment is treated as a deemed dividend to or from the Preferred Shareholders.

11. CONVERTIBLE PREFERRED SHARES (CONTINUED)

Modification of preferred shares (continued)

On December 25, 2019, the Company's shareholders and board of directors approved that, where the final offering price of a Qualified Public Offering is no less than US$4.176 per ordinary share, the agreed provisions related to the number of shares to be converted into the Company's ordinary shares shall apply with respect to the Series C-1 Preferred Shares, Series C Preferred Shares, Series B-2 Preferred Shares and Series B-1 Preferred Shares, which will generally give rise to a one to multiple conversion of the such rounds of Preferred Shares, provided that unanimous consent of the directors on the final offering price needs to be obtained in the event that the final offering price per ordinary share of such IPO is fixed at a price equal to or higher than US$4.176 per ordinary share but lower than US$5.22 per ordinary share.

The Company evaluated the aforementioned modifications and concluded that they represented modifications, rather than extinguishment, to Series B-1, B-2 and C Preferred Shares, which resulted in a transfer of value from ordinary shareholders to preferred shareholders. The combined change in fair value of Series B-1, B-2 and C Preferred Shares immediately before and after the modification was US$4.0 million (equivalent to approximately RMB27.8 million) on December 25, 2019. This decrease in fair value of the ordinary shares of US$4.0 million (equivalent to approximately RMB27.8 million) on December 25, 2019 was, in substance, a transfer of wealth mostly from ordinary shareholders to preferred shareholders, and therefore was recorded as a deemed dividend to the preferred shareholders**.**

The Company evaluated the aforementioned modifications and concluded that they represented extinguishment to Series C-1 Preferred Shares. The difference between the fair value of the modified Series C-1 Preferred Shares and the carrying value of the original Series C-1 Preferred Shares was amounting US$0.8 million on December 25, 2019 and represented the fair value of the consideration transferred, and therefore was recognized as a deemed dividend to the preferred shareholders and adjustment to the carrying amount of Series C-1 Preferred Shares**.**

(All amounts in thousands, except for share and per share data, unless otherwise noted)

11. CONVERTIBLE PREFERRED SHARES (CONTINUED)

The Company's convertible preferred shares activities for the six months ended June 30, 2020 are summarized below:

	Series A Preferred Shares			Series B Preferred Shares			Series C Preferred Shares			Series C-1 Preferred Shares		
	Number of shares	Amount US$	Amount RMB	Number of shares	Amount US$	Amount RMB	Number of shares	Amount US$	Amount RMB	Number of shares	Amount US$	Amount RMB
Balance as of December 31, 2019	30,227,056	102,852	687,482	30,305,212	139,407	921,243	31,046,360	197,478	1,306,633	3,857,143	26,914	188,819
Conversion to ordinary shares upon IPO	(30,227,056)	(102,852)	(687,482)	(30,305,212)	(139,407)	(921,243)	(31,046,360)	(197,478)	(1,306,633)	(3,857,143)	(26,914)	(188,819)
Balance as of June 30, 2020	—	—	—	—	—	—	—	—	—	—	—	—

(All amounts in thousands, except for share and per share data, unless otherwise noted)

12. WARRANTS

As mentioned in Note 10, on September 3, 2020, the Group entered into definitive subscription agreements with the Investors to raise approximately US$418 million through a private placement, which comprises the Investor Warrants to subscribe for an aggregate of 5,341,267 ordinary shares (equivalent to 2,322,290 ADSs) at an exercise price equivalent to US$45 per ADS.

The Subscription Agreement with the Hillhouse entities contemplates two closings. In the first closing occurred on September 11, 2020 and second closing occurred on December 17, 2020, the Investor Warrants were issued with fixed exercise prices of US$45.00 per ADS (equivalent to US$19.57 per share). The Investor Warrants will remain exercisable at the election of the Investors within 12 months after the closing of the private placement. The number of common share purchasable upon exercise of the Investor Warrants shall be proportionally adjusted to reflect any share dividend, share split, combination of shares or reverse share split, or other similar event affecting the number of outstanding common shares.

Accounting for warrants to purchase ordinary shares

The Investor Warrants are regarded as indexed to the Company's own stock and were classified as equity and initially measured at fair value and subsequent changes in fair value are not recognized as long as the Investor Warrants continue to be classified as equity. The estimated fair value of the Investor Warrants was shown below, which were used to determine the allocation of the total proceeds for the sale of ordinary shares between the Investor Warrants and ordinary shares.

	Terms	Exercise Price per share US$	Outstanding Units	Fair value at the closing date RMB'000
Warrants to purchase ordinary shares (first closing on September 11, 2020)	12 months	19.57	3,744,032	71,874
Warrants to purchase ordinary shares (second closing on December 17, 2020)	12 months	19.57	1,597,235	37,869

The Group determined the fair value of the warrants with the assistance of an independent third-party valuation firm. The Group used the binomial model to estimate the fair value of the warrant on September 11, 2020 and December 17, 2020 when the Investor Warrants were issued using the following assumptions:

	As of September 11, 2020	As of December 17, 2020
Risk-free rate of return	0.12%	0.08%
Maturity date	September 11, 2021	December 17, 2021
Estimated volatility rate	60.72%	59.56%
Exercise price	US$ 19.57	US$ 19.57

The model requires the input of assumptions including the risk-free rate of return, maturity date and estimated volatility rate. 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 plus a China country risk premium. For expected volatilities, the Group has made reference to the historical daily stock prices volatilities of ordinary shares of several comparable companies in the same industry as the Group.

13. SHARE-BASED COMPENSATION

(a) 2017 Employee Stock Option Plan ("2017 Plan")

In October 2017, the Company adopted the 2017 Plan. Under the 2017 Plan, a maximum aggregate number of 13,376,865 shares that may be issued pursuant to all awards granted was approved. Stock options granted to an employee under the 2017 Plan will be exercisable upon the Company completes a listing and the employee renders service to the Company in accordance with a stipulated service schedule starting from the employee's date of employment. Employees are generally subject to a three-year service schedule, under which an employee earns an entitlement to vest in 50% of the option grants on the second anniversary of the grant date, a vesting of the remaining 50% on the third anniversary of the applicable grant date. The stock option under 2017 Plan, to the extent then vested, shall become exercisable only upon the earlier of (i) a listing, and (ii) occurrence of a change in control.

On December 25, 2019, the Second Amended and Restated 2017 Plan was approved by the shareholders and board of directors of the Company, pursuant to which, in connection with the Company's IPO, the maximum aggregate number of shares that may be granted pursuant to all awards under 2017 Plan shall be adjusted in accordance with a formula pre-approved by the shareholders. In connection with above amendments to 2017 Plan, each of the Company's founders, namely Zheru Zhang, Lili Qian, Zhengyi Wang and Lei Fang, is willing to irrevocably surrender by him or her, for no consideration, a portion of the unvested options granted to him or her, which, if vested, would entitle him or her to acquire up to 130,000 ordinary shares of the Company, par value US$0.0001 per share, at an exercise price of US$1.0, respectively, under the Second Amended and Restated 2017 Plan (in respect of each individual, the "Founder's Surrendered Options"). On December 25, 2019, the board of directors of the Company approved that the Company accepts all Founder's Surrendered Options from each of the founders, Zheru Zhang, Lili Qian, Zhengyi Wang and Lei Fang, for no consideration, with effect immediately prior to the completion of the IPO and such surrendered options be cancelled with effect immediately prior to the completion of the IPO.

Prior to the Company completes a listing, all stock options granted to an employee shall be forfeited at the time the employee terminates his employment with the Group. After the Company completes a listing, vested options not exercised by an employee shall be exercised until later of: (i) 90 days after the date when the options become exercisable, or (ii) 30 days after the date of cessation of employment or directorship, or such longer period as the Board of Directors may otherwise determine.

For the years ended December 31, 2018 and 2019, the Group granted 1,470,000 and 640,000 stock options respectively, to its employees (all with an exercise price of US$1). The Group did not grant any stock options to employees for the year ended December 31, 2020 and six months ended June 30, 2021. 6,790,924 stock options were exercisable as of December 31, 2020.

(All amounts in thousands, except for share and per share data, unless otherwise noted)

13. SHARE-BASED COMPENSATION (CONTINUED)

(a) 2017 Employee Stock Option Plan ("2017 Plan") (continued)

The following table sets forth the stock options activities of 2017 Plan for the six months ended June 30, 2021 presented:

	Number of shares	Weighted average exercise price US$	Weighted average remaining contractual term	Aggregate intrinsic value US$
Outstanding as of December 31, 2020	7,702,066	0.97	6.75	150,415
Forfeited	(9,000)	1.00	—	—
Exercised	(1,488,152)	0.93	—	—
Outstanding as of June 30, 2021	6,204,914	0.98	6.26	220,393
Exercisable as of June 30, 2021	5,480,771	0.98	6.26	194,691

A summary of non-vested stock option activities for the six months ended June 30, 2021 is presented below:

	Number of shares	**Weighted average Grant date fair value US$**
Non-vested at December 31, 2020	911,142	4.96
Vested	(177,999)	4.64
Forfeited	(9,000)	5.65
Non-vested at June 30, 2021	724,143	5.04

Since the exercisability is dependent upon the listing, and it is not probable that this performance condition can be achieved until a listing, no share-based compensation expense relating to the 2017 Plan was recorded for the year ended December 31, 2019.

On January 17, 2020, the Group completed its IPO. After achieving this performance condition, the options continue to vest based only on service period completed according to the graded vesting schedule. The Group has begun recognizing share-based compensation expense for the options granted using the graded vesting method with a cumulative catch-up for the service period completed to date during the year ended December 31, 2020. According to the amendments to 2017 Plan, the maximum aggregate number of shares which may be granted pursuant to all awards under 2017 Plan was changed to 9,609,084. Each of the Group's founders, namely Zheru Zhang, Lili Qian, Zhengyi Wang and Lei Fang surrendered 83,142 unvested stock options that were granted to him or her under 2017 Plan before, totally 332,566 unvested options, for no consideration, and these stock options were cancelled immediately.

(All amounts in thousands, except for share and per share data, unless otherwise noted)

13. SHARE-BASED COMPENSATION (CONTINUED)

(a) 2017 Employee Stock Option Plan ("2017 Plan") (continued)

Share-based compensation expenses related to the stock options of 2017 Plan are included in:

	Six Months Ended June 30,		
	2020	2021	
	RMB	RMB	US$ (Note 2.5)
Administrative expenses	53,362	2,448	379
Research and development expenses	66,837	(292)	(45)
Equity in loss of an affiliate	—	519	80
	120,199	2,675	414

13. SHARE-BASED COMPENSATION (CONTINUED)

(b) 2018 Employee Stock Option Plan ("2018 Plan")

On February 22, 2019, the Group adopted the 2018 Plan, which was subsequently amended on July 22, 2019. Under the amended and restated 2018 Plan, the maximum aggregate number of ordinary shares which may be issued pursuant to all awards is 14,005,745, and if the Group successfully lists on an internationally recognized securities exchange for a Qualified Public Offering by December 31, 2019, the maximum aggregate number of ordinary shares which may be issued shall be 15,452,620.

On December 25, 2019, the Second Amended and Restated 2018 Plan were approved by the shareholders and board of directors of the Company, pursuant to which, in connection with the Company's IPO, the maximum aggregate number of shares that may be granted pursuant to all awards under 2018 Plan shall be adjusted in accordance with a formula pre-approved by the shareholders. In connection with above amendments to 2018 Plan, the director of the Company, Dr. Jingwu Zhang Zang is willing to irrevocably surrender by him, for no consideration, of the right to acquire a certain amount of ordinary shares of the Company, par value US$0.0001 per share, at an exercise price of US$1.0 pursuant to the options granted to him under the Second Amended and Restated 2018 Plan (the "Dr. Zang's Surrendered Options"). On December 25, 2019, the board of directors of the Company approved that the Company accepts the irrevocable surrender of Dr. Zang's Surrendered Options for no consideration, with effect immediately prior to the completion of the IPO and such surrendered options be cancelled with effect immediately prior to the completion of the IPO.

Stock options granted to an employee under the 2018 Plan will be generally exercisable when the Company completes a listing and the employee renders service to the Company in accordance with a stipulated service schedule starting from the employee's date of employment. The vesting schedule shall generally be a two-year vesting schedule consisting of a cliff vesting 50% on the first anniversary of the applicable vesting commencement date, and a vesting of the remaining 50% on the second anniversary of the applicable vesting commencement date. If a listing occurs at anytime prior to any option granted under the 2018 Plan becoming full vested, and to the extent such option has been granted and outstanding, any such option shall vest in full with immediate effect upon the listing. Except as otherwise approved by the board of directors, vested portion of option shall become exercisable upon the earlier of six months after a listing or the occurrence of a change in control; provided, however that in each case, no option of an employee shall become exercisable until the third anniversary of such employee's employment commencement date.

(All amounts in thousands, except for share and per share data, unless otherwise noted)

13. SHARE-BASED COMPENSATION (CONTINUED)

(b) 2018 Employee Stock Option Plan ("2018 Plan")

The following table sets forth the stock options activities of 2018 Plan for the six months ended June 30, 2020:

	Number of shares	Weighted average exercise price US$	Weighted average remaining contractual term	Aggregate intrinsic value US$
Outstanding as of December 31, 2020	10,589,671	1.00	8.15	206,499
Exercised	(2,222,536)	1.00	—	—
Outstanding as of June 30, 2021	8,367,135	1.00	7.65	297,033
Exercisable as of June 30, 2021	7,792,135	1.00	7.65	276,621

A summary of non-vested stock option activities for the six months ended June 30, 2021 is presented below:

	Number of shares	**Weighted average grant-date fair value US$**
Non-vested at December 31, 2020	825,000	5.57
Vested	(250,000)	5.57
Non-vested at June 30, 2021	575,000	5.57

(All amounts in thousands, except for share and per share data, unless otherwise noted)

13. SHARE-BASED COMPENSATION (CONTINUED)

(b) 2018 Employee Stock Option Plan ("2018 Plan") (continued)

Except for the aforementioned grant of stock options to a director of the Group under 2018 Plan, since the exercisability is dependent upon the listing, and it is not probable that this performance condition can be achieved until a listing, no share-based compensation expense related to the 2018 Plan was recorded for the year ended December 31, 2019.

On January 17, 2020, the Group completed its IPO. After achieving this performance condition, the options continue to vest based only on service period completed according to the graded vesting schedule. The Group has begun recognizing share-based compensation expense for the options granted using the graded vesting method with a cumulative catch-up for the service period completed to date during the year ended December 31, 2020. According to the amendments to 2018 Plan, the maximum aggregate number of shares which may be granted pursuant to all awards under 2018 Plan was changed to 11,005,888. The director of the Company, Dr. Jingwu Zhang Zang surrendered 2,544,917 unvested options that were granted to him under 2018 Plan, for no consideration, and these stock options were cancelled immediately.

Share-based compensation expenses related to the stock options of 2018 Plan are included in:

	Six Months Ended June 30,		
	2020	2021	
	RMB	RMB	US$ (Note 2.5)
Administrative expenses	43,410	3,906	605
Research and development expenses	65,887	55	9
Equity in loss of an affiliate	—	258	40
	109,297	4,219	654

(All amounts in thousands, except for share and per share data, unless otherwise noted)

13. SHARE-BASED COMPENSATION (CONTINUED)

(c) 2019 Share Incentive Plan ("2019 Plan")

On October 29, 2019, the Group adopted 2019 Share Incentive Plan (the "2019 Plan"), which will become effective immediately prior to the completion of the Company's initial public offering. Under the 2019 Plan, the maximum aggregate number of ordinary shares available for issuance shall initially be 100,000.

The options shall vest when the Group completes a listing and the employee renders service to the Group in accordance with a stipulated service schedule starting from the employee's date of employment. Stock options granted to 3 independence directors under the 2019 Plan will be generally exercisable under the following terms:(a) a cliff vesting of 1/3 of the option on the first anniversary of the vesting commencement date (January 17, 2020); (b) a cliff vesting of 1/3 of the option on the second anniversary of the vesting commencement date (January 17, 2020); (c) a vesting of the remaining 1/3 of the option on the third anniversary of the vesting commencement date. In the last year of the grantee's service, the options shall vest on a prorated basis to reflect the portion of the year during which the grantee provided services to the Group.

For the year ended December 31, 2020, the Group granted 72,000 stock options to 3 independent directors (all with an exercise price of US$6.09) and recognized RMB1,171 share-based compensation expenses in administrative expenses according to the options' vesting schedule. No options were exercisable as of December 31, 2020 and 24,000 options were exercisable as of June 30, 2021.

The following table sets forth the stock options activities of 2019 Plan for the six months ended June 30, 2021 presented:

	Number of shares	Weighted average exercise price US$	Weighted average remaining contractual term	Aggregate intrinsic value US$
Outstanding as of December 31, 2020	72,000	6.09	9.33	1,038
Granted	—	—	—	—
Outstanding as of June 30, 2021	72,000	6.09	8.56	2,190
Exercisable as of June 30, 2021	24,000	6.09	8.56	730

(All amounts in thousands, except for share and per share data, unless otherwise noted)

13. SHARE-BASED COMPENSATION (CONTINUED)

(c) 2019 Share Incentive Plan ("2019 Plan") (Continued)

A summary of non-vested stock options activity for the six months ended June 30, 2021 is presented below:

	Number of shares	Weighted average grant-date fair value US$
Non-vested at December 31, 2020	72,000	4.50
Vested	(24,000)	4.50
Non-vested at June 30, 2021	48,000	4.50

Stock options granted to the 3 independent directors were measured at fair value on the dates of grant using the Binomial Option Pricing Model with the following assumptions:

	Year Ended December 31, 2020
Expected volatility	54.88%
Risk-free interest rate (per annum)	0.79%
Exercise multiple	2.80
Expected dividend yield	—
Contractual term (in years)	10

The expected volatility was estimated based on the historical volatility of comparable peer public companies with a time horizon close to the expected term of the Group's options. The risk-free interest rate was estimated based on the yield to maturity of U.S. treasury bonds denominated in US$ for a term consistent with the expected term of the Group's options in effect at the option valuation date. The expected exercise multiple was estimated as the average ratio of the stock price to the exercise price when employees would decide to voluntarily exercise their vested options. As the Group did not have sufficient information of past employee exercise history, it was estimated by referencing to a widely-accepted academic research publication. Expected dividend yield is zero as the Group has never declared or paid any cash dividends on its shares, and the Group does not anticipate any dividend payments in the foreseeable future. Expected term is the contract life of the option.

Share-based compensation expenses related to the stock options of 2019 Plan are included in:

	Six Months Ended June 30,		
	2020	2021	
	RMB	RMB	US$ (Note 2.5)
Administrative expenses	299	374	58
Research and development expenses	—	—	—
Equity in loss of an affiliate	—	—	—
	299	374	58

(All amounts in thousands, except for share and per share data, unless otherwise noted)

13. SHARE-BASED COMPENSATION (CONTINUED)

(d) 2020 Plan

On July 15, 2020, the Group adopted 2020 Share Incentive Plan ("2020 Plan"). Under the 2020 Plan, the maximum aggregate number of shares authorized to be issued is 10,760,513 ordinary shares, provided that the maximum number of shares to be issued in the form of restricted share units shall not exceed 7,686,081 ordinary shares.

Stock options granted to employees under the 2020 Plan are graded vesting in four years with 25% vesting each year.

For the year ended December 31, 2020 and six months ended June 30, 2021, the Group granted 1,068,733 and 133,913 stock options to its employees, respectively. No option became exercisable as of December 31, 2020.

The following table sets forth the stock options activities of 2020 Plan for the six months ended June 30, 2021:

	Number of shares	Weighted average exercise price US$	Weighted average remaining contractual term	Aggregate intrinsic value US$
Outstanding as of December 31, 2020	1,044,368	5.91	9.62	15,237
Granted	133,913	18.85	—	—
Exercised	(24,890)	5.91	—	—
Forfeited	(44,098)	5.91	—	—
Outstanding as of June 30, 2021	1,109,293	7.47	9.20	32,205
Exercisable as of June 30, 2021	236,309	5.91	9.13	7,229

A summary of non-vested stock option activities for the six months ended June 30, 2021 is presented below:

	Number of shares	Weighted average grant-date fair value US$
Non-vested at December 31, 2020	1,044,368	8.71
Granted	133,913	11.85
Vested	(261,353)	8.80
Forfeited	(43,944)	8.65
Non-vested at June 30, 2021	872,984	9.18

(All amounts in thousands, except for share and per share data, unless otherwise noted)

13. SHARE-BASED COMPENSATION (CONTINUED)

(d) 2020 Plan (Continued)

Stock options granted to the employees were measured at fair value on the dates of grant using the Binomial Option Pricing Model with the following assumptions:

	Year Ended December 31, 2020	Six Months Ended June 30, 2021
Expected volatility	56.51%	50.78%-51.84%
Risk-free interest rate (per annum)	0.86%	1.32%-1.88%
Exercise multiple	2.20-2.80	2.20-2.80
Expected dividend yield	—	—
Contractual term (in years)	10	10

The expected volatility was estimated based on the historical volatility of comparable peer public companies with a time horizon close to the expected term of the Group's options. The risk-free interest rate was estimated based on the yield to maturity of U.S. treasury bonds denominated in US$ for a term consistent with the expected term of the Group's options in effect at the option valuation date. The expected exercise multiple was estimated as the average ratio of the stock price to the exercise price when employees would decide to voluntarily exercise their vested options. As the Group did not have sufficient information of past employee exercise history, it was estimated by referencing to a widely-accepted academic research publication. Expected dividend yield is zero as the Group has never declared or paid any cash dividends on its shares, and the Group does not anticipate any dividend payments in the foreseeable future. Expected term is the contract life of the option.

Share-based compensation expenses related to the stock options of 2020 Plan are included in:

	Six Months Ended June 30,		
	2020	2021	
	RMB	RMB	US$ (Note 2.5)
Administrative expenses	—	3,126	484
Research and development expenses	—	10,189	1,578
Equity in loss of an affiliate	—	2,123	329
	—	15,438	2,391

(All amounts in thousands, except for share and per share data, unless otherwise noted)

13. SHARE-BASED COMPENSATION (CONTINUED)

(d) 2020 Plan (Continued)

Restricted share units granted to employees under the 2020 Plan will be exercisable under the following items:

(a) 1/3 of the awarded restricted share units shall vest based on the following time attribution:(i) a vesting of 25% of the time attribution based restricted share units on the first anniversary of the applicable adoption date;(ii) a vesting of 25% of the time attribution based restricted share units on the second anniversary of the applicable adoption date;(iii) a vesting of 25% of the time attribution based restricted share units on the third anniversary of the applicable adoption date;(iv) a vesting of 25% of the time attribution based restricted share units on the fourth anniversary of the applicable adoption date.

(b) 1/3 of the awarded restricted share units shall vest based on the Group's weighted average market value during the last 30 days prior to the initial vesting date, the terms and conditions of which are set forth in the executed award agreements. In the event that dilution of additional share issuance occurs, the market value targets herein shall be adjusted accordingly with the proportion of additional share issuance. In the event that the average market value of Standard & Poor's 500 index falls by more than 20% from the date of grant, it shall be deemed as a decline of the market, and the board of the Group or a committee that board delegated its powers or authority to shall adjust the vesting schedule as appropriate.

(c) 1/3 of the awarded restricted share units shall vest based on certain performance conditions:(i) a vesting of 20% of the performance conditions based restricted share units if one of the performance conditions has been met at the initial vesting date;(ii) a vesting of 40% of the performance conditions based restricted share units if two of the performance conditions have been met at the initial vesting date;(iii) a vesting of 60% of the performance conditions based restricted share units if three of the performance conditions have been met at the initial vesting date;(iv) a vesting of 80% of the performance conditions based restricted share units if four of the performance conditions have been met at the initial vesting date; (v) a vesting of all of the performance conditions based restricted share units if five of the performance conditions or more have been met at the initial vesting date. As of December 31, 2020, it is probable that the 1/3 of the awarded restricted share units are fully vested because it is probable that at least five of the performance conditions will be met at the initial vesting date.

Notwithstanding the foregoing, if the Group's weighted average market value during the last 30 days prior to the initial vesting date reaches US$2 billion or above, and to the extent such restricted share units have been granted and outstanding, any such restricted share unit (except for those are based on time attribution) shall vest in full with immediate effect, inure to the benefit of the related grantees.

For the year ended December 31, 2020 and six months ended June 30, 2021, the Group granted 4,093,079 and 1,666,341 restricted share units to employees, respectively. No restricted share units became exercisable as of December 31, 2020.

The following table sets forth the restricted share units of 2020 Plan for the six months ended June 30, 2021:

	Number of restricted share units	Weighted average exercise price US$	Weighted average remaining contractual term	Aggregate intrinsic value US$'000
Outstanding as of December 31, 2020	4,079,618	—	9.70	83,632
Granted	1,666,341	—	—	—
Vested	(3,226,918)	—	—	—
Forfeited	(17,681)	—	—	—
Outstanding as of June 30, 2021	2,501,360	—	9.57	91,300

(All amounts in thousands, except for share and per share data, unless otherwise noted)

13. SHARE-BASED COMPENSATION (CONTINUED)

(d) 2020 Plan (Continued)

A summary of non-vested restricted share units activities for the six months ended June 30, 2021 is presented below:

	Number of restricted share units	Weighted average grant-date fair value US$
Non-vested at December 31, 2020	4,079,618	14.00
Granted	1,666,341	25.59
Vested	(3,226,918)	14.38
Forfeited	(17,681)	12.90
Non-vested at June 30, 2021	2,501,360	21.23

Share-based compensation expenses related to the aforementioned restricted share units of 2020 Plan are included in:

	Six Months Ended June 30,		
	2020	2021	
	RMB	RMB	US$ (Note 2.5)
Administrative expenses	—	207,243	32,099
Research and development expenses	—	99,358	15,388
Equity in loss of an affiliate	—	8,715	1,350
	—	315,316	48,837

Apart from the aforementioned restricted share units, up to 1,446,875 shares can be issued in the form of restricted share unit to eligible grantees that the board of the Group or a committee that board delegated its powers or authority determined appropriate with immediate effect of being fully vested, which are defined as special awards and are subject to terms and conditions under 2018 Plan.

For the year ended December 31, 2020, the Group granted 1,328,120 such restricted share units to employees. As of December 31, 2020, 565,200 restricted share units were vested, among which 558,200 restricted share units were vested but not issued as ordinary shares as the employees will not be entitled to the rights of ordinary shares from the Group until they have the consideration for the transaction settled. As of June 30, 2021, 828,120 restricted share units were vested, among which 341,271 restricted share units were vested but not issued as ordinary shares as the employees will not be entitled to the rights of ordinary shares from the Group until they have the consideration for the transaction settled.

The following table sets forth the restricted share units subject to terms and conditions under 2020 Plan for the six months ended June 30, 2021:

	Number of restricted share units	Weighted average exercise price US$	Weighted average remaining contractual term	Aggregate intrinsic value US$
Outstanding as of December 31, 2020	762,920	1.00	9.65	14,877
Vested	(262,920)	1.00	—	—
Outstanding as of June 30, 2021	500,000	1.00	9.15	29,865

(All amounts in thousands, except for share and per share data, unless otherwise noted)

13. SHARE-BASED COMPENSATION (CONTINUED)

(d) 2020 Plan (Continued)

A summary of non-vested restricted share units activities for the six months ended June 30, 2021 is presented below:

	Number of restricted share units	Weighted average grant-date fair value US$
Non-vested at December 31, 2020	762,920	12.89
Vested	(262,920)	12.89
Non-vested at June 30, 2021	500,000	12.89

Share-based compensation expenses related to these restricted share units are included in:

	Six Months Ended June 30,		
	2020	2021	
	RMB	RMB	US$ (Note 2.5)
Administrative expenses	—	4,690	726
Research and development expenses	—	3,386	524
Equity in loss of an affiliate	—	723	112
	—	8,799	1,362

(e) 2021 Share Incentive Plan ("2021 Plan")

On May 28, 2021, the Group adopted 2021 Plan. Under the 2021 Plan, the maximum aggregate number of shares authorized to be issued is 12,023,618 ordinary shares, provided that the maximum number of shares to be issued in the form of restricted share units shall not exceed 6,011,809 ordinary shares.

Stock options granted to employees under the 2021 Plan are graded vesting in four years with 25% vesting each year.

The following table sets forth the stock options activities of 2021 Plan for the six months ended June 30, 2021:

	Number of shares	Weighted average exercise price US$	Weighted average remaining contractual term	Aggregate intrinsic value US$
Outstanding as of December 31, 2020	—	—	—	—
Granted	24,012	31.23	—	—
Outstanding as of June 30, 2021	24,012	31.23	9.95	127
Exercisable as of June 30, 2021	—	—	—	—

(All amounts in thousands, except for share and per share data, unless otherwise noted)

13. SHARE-BASED COMPENSATION (CONTINUED)

(e) 2021 Share Incentive Plan ("2021 Plan")(Continued)

A summary of non-vested stock option activities for the six months ended June 30, 2021 is presented below:

	Number of shares	Weighted average grant-date fair value US$
Non-vested at December 31, 2020	—	—
Granted	24,012	17.27
Non-vested at June 30, 2021	24,012	17.27

Stock options granted to the employees were measured at fair value on the dates of grant using the Binomial Option Pricing Model with the following assumptions:

	Six Months Ended June 30, 2021
Expected volatility	51.77%
Risk-free interest rate (per annum)	1.68%
Exercise multiple	2.80
Expected dividend yield	—
Contractual term (in years)	10

The expected volatility was estimated based on the historical volatility of comparable peer public companies with a time horizon close to the expected term of the Group's options. The risk-free interest rate was estimated based on the yield to maturity of U.S. treasury bonds denominated in US$ for a term consistent with the expected term of the Group's options in effect at the option valuation date. The expected exercise multiple was estimated as the average ratio of the stock price to the exercise price when employees would decide to voluntarily exercise their vested options. As the Group did not have sufficient information of past employee exercise history, it was estimated by referencing to a widely-accepted academic research publication. Expected dividend yield is zero as the Group has never declared or paid any cash dividends on its shares, and the Group does not anticipate any dividend payments in the foreseeable future. Expected term is the contract life of the option.

Share-based compensation expenses related to the stock options of 2021 Plan are included in:

	Six Months Ended June 30,		
	2020	2021	
	RMB	RMB	US$ (Note 2.5)
Administrative expenses	—	86	13
Research and development expenses	—	—	—
Equity in loss of an affiliate	—	—	—
	—	86	13

13. SHARE-BASED COMPENSATION (CONTINUED)

(e) 2021 Share Incentive Plan ("2021 Plan")(Continued)

Restricted share units granted to employees under the 2021 Plan will be exercisable under the following items:

(a) 1/3 of the awarded restricted share units shall vest based on the following time attribution:(i) a vesting of 25% of the time attribution based restricted share units on the first anniversary of the applicable adoption date;(ii) a vesting of 25% of the time attribution based restricted share units on the second anniversary of the applicable adoption date;(iii) a vesting of 25% of the time attribution based restricted share units on the third anniversary of the applicable adoption date;(iv) a vesting of 25% of the time attribution based restricted share units on the fourth anniversary of the applicable adoption date.

(b) 1/3 of the awarded restricted share units shall vest based on the Group's weighted average share price during any consecutive 90 days within one year after the adoption date of 2021 Plan (the "Share Price Based Awards"):

i. a vesting of 75% of the Share Price Based Awards on the first anniversary of the adoption date of 2021 Plan, if the Group's weighted average share price reaches the first share price level as approved by the Board;

ii. a vesting of 100% of the Share Price Based Awards on the first anniversary of the adoption date of 2021 Plan, if the Group's weighted average share price reaches the second share price level as approved by the Board;

In the event that any share issuance in connection with any share split, share dividend, reclassification or other similar event occurs, the target share price herein shall be adjusted accordingly with the proportion of additional share issuance. In the event that the average market value of NASDAQ Biotechnology Index falls by more than 20% from the adoption date of the 2021 Plan, it shall be deemed as a decline of the market, and the Group shall adjust the vesting schedule as appropriate.

(c) 1/3 of the awarded restricted share units shall vest based on the performance conditions as approved by the Board (the "Performance Conditions Based Awards"):

i. a vesting of 75% of the Performance Conditions Based Awards if more than nine (including nine) but less than twelve of the fifteen performance conditions have been met on or before the first anniversary of the adoption date;

ii. a vesting of all of Performance Conditions Based Awards if more than twelve (including twelve) of the fifteen performance conditions have been met on or before the first anniversary of the adoption date;

As of June 30, 2021, it is probable that the 1/3 of the awarded restricted share units are fully vested because it is probable that the Group's weighted average share price can reach the second share price level as approved by the Board during any consecutive 90 days within one year after the adoption date of 2021 Plan, and more than twelve of the fifteen performance conditions will be met on or before the first anniversary of the adoption date.

(All amounts in thousands, except for share and per share data, unless otherwise noted)

13. SHARE-BASED COMPENSATION (CONTINUED)

(e) 2021 Share Incentive Plan ("2021 Plan")(Continued)

The following table sets forth the restricted share units of 2021 Plan for the six months ended June 30, 2021:

	Number of restricted share units	Weighted average exercise price US$	Weighted average remaining contractual term	Aggregate intrinsic value US$
Outstanding as of December 31, 2020	—	—	—	—
Granted	24,012	—	—	—
Outstanding as of June 30, 2021	24,012	—	9.95	876

A summary of non-vested restricted share units activities for the six months ended June 30, 2021 is presented below:

	Number of restricted share units	Weighted average grant-date fair value US$
Non-vested at December 31, 2020	—	—
Granted	24,012	31.23
Non-vested at June 30, 2021	24,012	31.23

Share-based compensation expenses related to the restricted share units of 2021 Plan are included in:

	Six Months Ended June 30,		
	2020	2021	
	RMB	RMB	US$ (Note 2.5)
Administrative expenses	—	154	24
Research and development expenses	—	—	—
Equity in loss of an affiliate	—	—	—
	—	154	24

(All amounts in thousands, except for share and per share data, unless otherwise noted)

13. SHARE-BASED COMPENSATION (CONTINUED)

(f) Establishment of Biomaster Trust

Biomaster Trust was established under the trust deed dated October 23, 2019, between the Company and TMF Trust (HK) Limited, or TMF Trust, as the trustee of the Biomaster Trust. Through the Biomaster Trust, the Company's ordinary shares and other rights and interests under awards granted pursuant to 2017 Plan and 2018 Plan may be provided to certain recipients of equity awards. Upon satisfaction of vesting conditions, TMF Trust will exercise the equity awards and transfer the relevant ordinary shares and other rights and interests under the equity awards to the relevant grant recipients with the consent of the advisory committee of Biomaster Trust. TMF Trust shall not exercise the voting rights attached to such ordinary shares unless otherwise directed by the advisory committee, whose members shall be appointed by I-Mab. The Company has the power to direct the relevant activities of Biomaster Trust and it has the ability to use its power over the Biomaster Trust to affect its exposure to returns. Therefore, the assets and liabilities of the Biomaster Trust are included in the Group's consolidated balance sheets.

(g) Surrender of stock options

On January 17, 2020, the Group completed its IPO. According to the amendments to 2017 Plan, the maximum aggregate number of shares which may be granted pursuant to all awards under 2017 Plan was changed to 9,609,084. Each of the Company's founders, namely Zheru Zhang, Lili Qian, Zhengyi Wang and Lei Fang surrendered 83,142 unvested stock options that were granted to him or her under 2017 Plan before, totally 332,566 unvested options, for no consideration, and these stock options were cancelled immediately. According to the amendments to 2018 Plan, the maximum aggregate number of shares which may be granted pursuant to all awards under 2018 Plan was changed to 11,005,888. The director of the Company, Dr. Jingwu Zhang Zang surrendered 2,544,917 unvested options that were granted to him under 2018 Plan, for no consideration, and these stock options were cancelled immediately. Upon the completion of the Company's IPO in January 2020, the Group has recorded RMB91,051 share-based compensation expense related to these surrendered options.

The stock options surrendered by the founders should be accounted for as capital contribution. As the founders did not get the title of the stock options to be surrendered and the number of stock options would not be determined until listing, the capital contribution was not accounted for during the year ended December 31, 2019. For the six months ended June 30, 2020, the Group has reclassified RMB91,051 from additional paid-in capital – share-based compensation to additional paid-in capital – capital contribution relating to the stock options surrendered in the consolidated statement of comprehensive income.

Share-Based Compensation Expense

The allocation of share-based compensation expense was as follows:

	Six Months Ended June 30,		
	2020	2021	
	RMB	RMB	US$ (Note 2.5)
Administrative expenses	97,071	222,027	34,388
Research and development expenses	132,724	112,696	17,454
Equity in loss of an affiliate	—	12,338	1,911
	229,795	347,061	53,753

14. LICENSING AND COLLABORATION ARRANGEMENTS

The following is a description of the Group's significant licensing and collaboration agreements entered into from January 1, 2017 to June 30, 2021.

A. In-Licensing Arrangements

Licensing Agreement with MorphoSys AG ("MorphoSys")

In November 2017, the Group entered into a license and collaboration agreement with MorphoSys, with respect to the development and commercialization of MOR202/TJ202, MorphoSys´s proprietary investigational antibody against CD38 (the "CD38 product").

Under this agreement, MorphoSys granted to the Group an exclusive, royalty-bearing, sublicensable license to exploit MOR202/TJ202 for any human therapeutic or diagnostic purpose in the licensed territory, namely mainland China, Hong Kong, Macau and Taiwan (collectively "Greater China").

Pursuant to this agreement, the Group granted to MorphoSys an exclusive license to its rights in any inventions that the Group make while exploiting the CD38 product under this agreement, solely to exploit the CD38 product outside of Greater China.

Pursuant to this agreement, the Group paid to MorphoSys an upfront license fee of US$20.0 million (equivalent to approximately RMB132.7 million). The Group also agreed to make milestone payments to MorphoSys, conditioned upon the achievement of certain development, regulatory and commercial milestones, in the aggregate amount of US$98.5 million (equivalent to approximately RMB653.5 million). Such milestones include first patient dosed in human clinical trials, marketing approval, and first annual net sales of CD38 products covered by the agreement in excess of a certain amount.

In addition, the Group is required to pay tiered low-double-digit royalties to MorphoSys on a country-by-country and product-by-product basis during the term, commencing with the first commercial sale of a relevant licensed product in Greater China. Unless terminated earlier in accordance with the terms thereof, this agreement will remain in effect until the expiration of the Group's last payment obligation under the agreement.

In 2017, the Group paid US$20.0 million (equivalent to approximately RMB132.7 million) upfront fee to MorphoSys, which was recorded as research and development expense. No additional payments were made in 2018. Due to the uncertainty involved in meeting these developments and commercialization based targets, the Group evaluated and concluded that the remaining milestones are still not probable as of December 31, 2018. In March and April 2019, the project achieved the first and second milestone and the Group paid US$8.0 million (equivalent to approximately RMB55.7 million) of milestone fees to MorphoSys, which was recorded as research and development expense in the consolidated statement of comprehensive loss for the year ended December 31, 2019. No additional payments were made for the year ended December 31, 2020 and for the six months ended June 30, 2021 as no milestone has been achieved.

14. LICENSING AND COLLABORATION ARRANGEMENTS (CONTINUED)

Licensing Agreement with Genexine, Inc. ("Genexine")

In December 2017, the Group entered into an intellectual property agreement with Genexine with respect to GX-I7/TJ107, a long-acting IL-7 cytokine. Under this agreement, the Group obtained an exclusive, sublicensable and transferable license to use and otherwise exploit certain intellectual property in connection with the pre-clinical and clinical development, manufacturing, sale and distribution of GX-I7 to treat cancer in Greater China.

Under the terms of the agreement, the Group made an upfront payment of US$12.0 million (equivalent to approximately RMB79.6 million) to Genexine which was recorded as a research and development expense in January 2018. The Group also agreed to make milestone payments in the aggregate amount of US$23.0 million (equivalent to approximately RMB152.6 million), conditioned upon the achievement of certain development milestones, including completion of Phase 2 and Phase 3 clinical studies and new drug application ("NDA") or biologic license application ("BLA") approval in Greater China.

Further, the Group agreed to make milestone payments in the aggregate amount of US$525.0 million (equivalent to approximately RMB3,482.7 million), conditioned upon the achievement of certain cumulative net sales of GX-*I7* up to US$2,000 million. The Group also is required to pay Genexine a low-single-digit percentage royalty in respect of the total annual net sales of GX-I7. The aforesaid milestones and royalties (other than the upfront payment) will be reduced by 50% following the entry of a generic version of GX-I7 in China, Hong Kong, Macau and Taiwan without the consent or authorization of the Group or any of the Group's sublicensees.

Unless terminated earlier in accordance with the terms thereof, this agreement will remain in effect until the later of (i) the expiry of the last to expire patent of the licensed intellectual property that includes a valid claim for Greater China and that covers the composition of GX-I7; and (ii) 15 years from the date of the first commercial sale of GX-I7.

No additional payments to Genexine were made in the year ended December 31, 2019 and 2020, and the six months ended June 30, 2021. Due to the uncertainty involved in meeting these development and commercialization based targets, the Group evaluated and concluded that the remaining milestones are still not probable as of December 31, 2020 and June 30, 2021.

In May 2020, the Group and Genexine entered into an amendment to this agreement whereby both parties desire to establish collaboration on TJ107 GBM Study in Greater China Under the terms of the expanded collaboration, the Group will be mainly responsible for using commercially reasonable efforts to conduct the Phase 2 GBM clinical trial in Greater China, and Genexine will share the development strategies, data and costs for success of this clinical trial. The Group shall undertake to bear two-thirds (2/3) proportion of the clinical development costs and Genexine shall undertake to bear one-third (1/3) proportion of these costs. For the first six months ended June 30, 2020, the costs incurred for the development of this new indication was immaterial and thus no material impact to the unaudited interim condensed consolidated financial statements. For the six months ended June 30, 2021, the costs incurred for the development of this new indication was RMB9.7 million and thus RMB6.5 million expense was recorded in the unaudited interim condensed consolidated statement of comprehensive loss.

14. LICENSING AND COLLABORATION ARRANGEMENTS (CONTINUED)

Licensing Agreement with MorphoSys

In November 2018, the Group entered into a license and collaboration agreement with MorphoSys for MorphoSys´s proprietary antibody (MOR210/TJ210) directed against C5aR (the "C5aR Agreement"). Under this agreement, the Group obtained an exclusive, royalty-bearing license to explore, develop and commercialize certain anti-C5aR antibodies in Greater China and South Korea.

The Group will perform and fund all global development activities related to the development of MOR210/TJ210 in Greater China and South Korea, including all relevant clinical trials (including in the U.S. and China) and all development activities required for IND filing in the US as well as CMC development of manufacturing processes. MorphoSys retains rights in respect of development and commercialization of MOR210/TJ210 in the rest of the world.

Under the terms of the agreement, the Group also agreed to make milestone payments conditional upon the achievement of certain development milestones and certain annual net sales of anti-C5aR antibodies. The Group is also required to pay to MorphoSys tiered mid-single-digit royalties on annual net sales of anti-C5aR antibody products within the licensed territory.

In 2018, the Group paid US$3.5 million (equivalent to approximately RMB23.2 million) upfront fee to MorphoSys, which was recorded as research and development expense in the consolidated statement of comprehensive loss for the year ended December 31, 2018. No additional payments were made in the year ended December 31, 2019. In August 2020, the project achieved the first milestone and the Group paid US$1.0 million (equivalent to approximately RMB6.9 million) of milestone fees to Morphosys, which was recorded as research and development expenses in the consolidated statement of comprehensive income for the year ended December 31, 2020. In January 2021, the project achieved the second milestone and the Group paid US$1.5 million (equivalent to approximately RMB9.7 million) of milestone fees to Morphosys and the related withholding tax of RMB1.3 million, which was recorded as research and development expenses in the unaudited interim condensed consolidated financial statements of comprehensive loss for the six months ended June 30, 2021. Due to the uncertainty involved in meeting these development and commercialization based targets, the Group evaluated and concluded that the remaining milestones are still not probable as of December 31, 2020 and June 30, 2021.

14. LICENSING AND COLLABORATION ARRANGEMENTS (CONTINUED)

Licensing Agreement with MacroGenics

In July 2019, the Group entered into a license and collaboration agreement with MacroGenics, Inc. for development and commercialization of an Fc-optimized antibody known as enoblituzumab that targets B7-H3, including in combination with other agents, such as the anti-PD-1 antibody known as MGA012, in the People's Republic of China, Hong Kong, Macau and Taiwan ("Greater China"). Under this agreement, the Group obtained an exclusive, sublicenseable, royalty-bearing license to MacroGenics' patents and know-how to develop and commercialize the enoblituzumab product, and a combination regimen of enoblituzumab and MGA012, in Greater China during the term of the agreement.

In exchange for these rights, in addition to certain financial consideration, the Group will grant to MacroGenics a royalty-free, sublicenseable, license outside of Greater China, to the patents and know-how that are related to the enoblituzumab product or useful or necessary for MacroGenics to develop or commercialize the enoblituzumab product or a product containing MGA012, and combinations thereof. The license is (i) non-exclusive with respect to the enoblituzumab product, and (ii) exclusive with regard to MGA012.

Pursuant to the agreement, the Group paid an upfront fee of US$15.0 million (equivalent to approximately RMB104.4 million) to MacroGenics, which was recorded as research and development expense in the consolidated statement of comprehensive loss for the year ended December 31, 2019. No additional payments were made in the year ended December 31, 2020 and six months ended June 30, 2021. Under the terms of the agreement, the Group also agreed to pay MacroGenics development milestone fees of up to US$75.0 million and regulatory milestones fees of up to US$60.0 million, respectively, and tiered double-digit royalties (ranging from mid-teens to twenty percent) based on annual net sales in the territories.

The Group is responsible for all development costs in Greater China. MacroGenics is responsible for all development costs in the rest of the world, except that the Group is responsible for 20% of the costs incurred in (i) activities supporting global clinical trials in which the Group participates, (ii) certain CMC activities for material intended to be used in clinical trials in Greater China, and (iii) companion diagnostic development and validation for indications being studied in Greater China.

Due to the uncertainty involved in meeting these development and commercialization based targets, the Group evaluated and concluded that no milestones are probable as of December 31, 2020 and June 30, 2021.

Other In-Licensing Arrangements

In addition to the above arrangements, the Group has entered into other various in-licensing and collaboration agreements with third party licensors to develop and commercialize drug candidates. Based on the terms of these agreements the Group is contingently obligated to make additional material payments upon the achievement of certain contractually defined milestones. The Group recorded US$0.6 million (equivalent to approximately RMB4.0 million) upfront fee and US$0.3 million (equivalent to approximately RMB2.0 million) milestone payment under these agreements for the year ended December 31, 2018. The Group recorded US$1.2 million (equivalent to approximately RMB8.4 million) milestone payment during the year ended December 31, 2019. The Group additionally recorded US$3.1 million (equivalent to approximately RMB21.3 million) milestone payment during the year ended December 31, 2020. The Group additionally recorded US$0.3 million (equivalent to approximately RMB2.1 million) upfront fee and US$3.1 million (equivalent to approximately RMB18.7 million) milestone payment during the six months ended June 30, 2021. As of June 30, 2021, under the terms of the agreements, the licensors are eligible to receive from the Group up to an aggregate of approximately US$166.0 million (equivalent to approximately RMB1,073.6 million) in milestone payments upon the achievement of contractually specified development milestones and sales milestones, such as regulatory approval for the drug candidates, which may be before the Group has commercialized the drug or received any revenue from sales of such drug candidate, which may never occur.

14. LICENSING AND COLLABORATION ARRANGEMENTS (CONTINUED)

Collaboration Agreement with Everest ("Everest")

In January 2018, the Group entered into a collaboration agreement with Everest, which is controlled by the ultimate controlling party of a principal shareholder of the Group. Under the agreement, both parties agreed to collaborate on programs to co-develop MorphoSys' proprietary anti-CD38 antibody for all indications in hematologic oncology and commercialize of MOR202/TJ202 in Greater China.

A joint steering committee with equal representation from each party was established to coordinate and oversee the development and commercialization of the CD38 product. All decisions of the joint steering committee shall be made by unanimous vote.

Under the agreement, the Group is primarily responsible for carrying out the development, manufacture and supply of the CD38 product, as well as seeking regulatory approval of the CD38 product. Everest is primarily responsible for sharing the development costs of the CD38 product, including payments due to MorphoSys under the Licensing Agreement, dated November 30, 2017, in the proportion of 75% by Everest and 25% by the Group.

The joint steering committee will decide which party shall be responsible for conducting the commercialization of the CD38 product pursuant to the commercialization plan approved by the committee. If Everest is selected to be responsible for commercialization, the Group shall grant an exclusive royalty-free license to Everest to commercialize the CD38 product for all indications in hematologic oncology in Greater China.

The Group and Everest will share the profit and loss and out-licensing revenue derived from the CD 38 product in proportion to the costs that each party incur in developing the product. The parties will also split out-license revenue according to the proportion of development costs incurred, with the Group getting an additional five percent (5%) share and Everest receiving five percent (5%) less. Everest cannot share in any profit from the commercialization of CD38 product until it has fulfilled its payment obligations under this agreement.

Upon any termination of this arrangement, the terminating party has the right to continue the development and commercialization of CD38 product. If Everest is the rightful terminating party, the Group shall reasonably cooperate with Everest to facilitate the following: (i) assign the MorphoSys license to Everest (subject to the terms and conditions of such license); (ii) grant to Everest an exclusive license to all intellectual property rights that the Group owns or controls to further develop, manufacture, and commercialize the CD38 product; (iii) transfer the development, manufacture and commercialization of the CD38 product to Everest. The terminating party shall be solely responsible for the cost and expense of such development and commercialization after termination. In the event that such continuing party successfully develops and commercializes the CD38 product, it shall pay to the other party a percentage of the product profit and out-license revenue generated therefrom in accordance with the terms of this agreement.

During the year ended December 31, 2018, the US$26.0 million in aggregate proceeds from Everest under the agreement represented the funding available under the agreement, and was recorded as a research and development funding received liability (equivalent to approximately RMB178.7 million) on the consolidated balance sheet as of December 31, 2018, in accordance with ASC 730, Research and Development. Because there is a significant related party relationship between the Group and Everest, the Group is treating its obligation to make payments under the commercialization stage as an implicit obligation to repay the funds advanced by Everest (see Note 23). During the year ended December 31, 2019, an additional US$7.6million (equivalent to approximately RMB53.1 million) of funding was received and recorded as a research and development funding received liability. No additional milestone has been achieved in the year ended December 31, 2019.

14. LICENSING AND COLLABORATION ARRANGEMENTS (CONTINUED)

Termination Agreement with Everest

On November 4, 2019, the Group and Everest have terminated the collaboration agreement with respect to the co-development and commercialization of TJ202 in Greater China. Upon the termination, Everest will not retain any rights or entitlements to develop or commercialize TJ202 or any economic interest in its commercialization. All intellectual property rights in respect of TJ202 arising from its development under the collaboration agreement are vested and owned by I-Mab, and the Group holds all intellectual property rights and have maximum flexibility to further develop, manufacture and commercialize TJ202 in Greater China. In consideration of the above arrangements, the board of directors of the Group has approved the issuance of a total value of US$37.0 million of ordinary shares (the "CPP Shares") to Everest, representing Everest's historical contribution to the collaboration and the associated time cost. The CPP Shares will be issued concurrently with, and subject to, the completion of the Company's initial public offering within 180 days from termination of the collaboration agreement. The total value of US$37.0 million was calculated based on the sum of (1) US$33.7 million, which equals cumulative paid-in contributions historically made by Everest under the collaboration agreement; and (2) a negotiated US$3.3 million time cost of the foregoing historical contribution in light of I-Mab's exclusive rights over the commercialization of TJ202 after this termination. The issuance of the CPP Shares was approved by I-Mab's existing shareholders on December 25, 2019. In the event that the initial public offering has not been completed within 180 days from the termination of the collaboration agreement, the Company will issue 4,762,751 ordinary shares (the "Subject Shares") to Everest on the 181st day. As a result of the aforementioned termination of the collaboration agreement with Everest, the Group derecognized the research and development funding received from Everest and recognized a liability that represented the ordinary shares to be issued to Everest, which was measured at fair value in accordance with ASC 480, and the difference of US$3.3 million (equivalent to approximately RMB23.0 million) between the initial fair value of the liability and the carrying amount of research and development funding received was recognized as other expenses in the consolidated statements of comprehensive loss for the year ended December 31, 2019. Upon the completion of the IPO in January 2020, the Group issued 6,078,571 ordinary shares to Everest.

Licensing Agreement with ABL Bio

In July 2018, the Group entered into a license and collaboration agreement with ABL Bio, under which the Group granted to ABL Bio exclusive, worldwide (excluding Greater China), royalty-bearing rights to develop and commercialize a bispecific antibody ("BsAb").

The Group agreed to share costs fifty-fifty (50:50) with ABL Bio through the completion of in vivo studies, with ABL Bio responsible for all costs and activities following that time. For the year ended December 31, 2019, US$0.2 million (equivalent to approximately RMB1.4 million) expenses were incurred by ABL Bio. Accordingly, the Group recorded US$0.1 million (equivalent to approximately RMB0.7 million) (50% cost sharing) of expenses in the Group's consolidated statement of comprehensive loss for the year ended December 31, 2019. For the year ended December 31, 2020, US$0.04 million (equivalent to approximately RMB0.28 million) expenses were incurred by ABL Bio. Accordingly, the Group recorded US$0.02 million (equivalent to approximately RMB0.14 million) (50% cost sharing) of expenses in the Group's consolidated statement of comprehensive income for the year ended December 31, 2020.

Pursuant to the license and collaboration agreement that signed in July 2018 and memorandum of understanding that subsequently entered into with ABL Bio in January 2020, ABL Bio agreed to pay the Group an upfront fee of US$2.5 million (equivalent to approximately RMB17.2 million), and milestone payments in the aggregate amount of US$97.5 million (equivalent to approximately RMB690.3 million) conditioned upon achieving certain research, clinical development and sales milestones. These include clinical milestones of up to US$32.5 million (equivalent to approximately RMB230.1 million) and sales milestones of up to US$65 million (equivalent to approximately RMB460.2 million). Further, ABL Bio agreed to pay the Group royalties at mid-single-digit percentages in respect of the total annual net sales of the licensed BsAb product.

In addition, ABL Bio granted to the Group an exclusive, royalty-free, sublicensable license to use the BsAb technology solely to exploit the licensed BsAb product for all indications in Greater China.

14. LICENSING AND COLLABORATION ARRANGEMENTS (CONTINUED)

Licensing Agreement with ABL Bio (continued)

The Group determined that this collaboration is reflective of a vendor-customer relationship and therefore within the scope of ASC 606. Under this agreement, the only one performance obligation was to grant the BsAb license to ABL Bio. If it is probable that a significant revenue reversal would not occur, the associated milestone value is included in the transaction price. Achievement of milestones that are not within the control of the Group or the licensee, such as regulatory approvals, are not considered probable until the approvals are achieved.

The Group recognized revenue of US$2.5 million (equivalent to RMB17.2 million) of revenue in the consolidated statements of comprehensive loss for the year ended December 31, 2018, which was the upfront fee related to the grant of the rights of BsAb to ABL Bio as mentioned above. As of December 31, 2019 and 2020, no other milestone has been achieved. No revenue was recognized for the year ended December 31, 2019 and 2020.

On December 4, 2020, I-Mab Hong Kong, ABL Bio and I-Mab Hangzhou entered into an amendment, which is made effective as of September 15, 2020, that I-Mab Hong Kong, as the subject of the aforementioned licensing agreement, shall be replaced and substituted by I-Mab Hangzhou.

Collaboration Agreement with ABL Bio

In July 2018, the Group and ABL Bio entered into a collaboration agreement (the “ABL Bio Collaboration”) whereby both parties agreed to collaborate to develop three PD-L1 based bispecific antibodies by using ABL Bio’s proprietary BsAb technology and commercialize them in their respective territories, which, collectively, include Greater China and South Korea, and other territories throughout the rest of the world if both parties agree to do so in such other territories during the performance of the agreement.

At contract inception, as both I-Mab and ABL Bio participate actively in the research and development activity. Also, the parties share the risk of failure of the BsAb products and share the income of licensing, so this contract meet the criteria of the definition of a collaborative arrangement, the Group categorized this agreement within the scope ASC 808. Prior to commercialization, the Group recorded the share of the expenses incurred by the collaboration for the development of three PD-L1 based bispecific antibodies products in research and development expense in the consolidated statements of comprehensive income (loss). As of December 31, 2018, RMB1.0 million expenses were incurred by the Group and ABL Bio did not incur any expense. According to the terms set out in the agreement, the Group recorded RMB0.5 million (50% cost sharing) of expense in the Group’s consolidated statement of comprehensive loss for the year ended December 31, 2018. For the year ended December 31, 2019, RMB11.2 million expenses were incurred by the Group and RMB8.0 million expenses were incurred by ABL Bio. Accordingly, the Group recorded RMB9.6 million (50% cost sharing) of expenses in the Group’s consolidated statement of comprehensive loss for the year ended December 31, 2019. For the year ended December 31, 2020, RMB43.6 million expenses were incurred by the Group and RMB44.0 million expenses were incurred by ABL Bio. Accordingly, the Group recorded RMB43.8 million (50% cost sharing) of expenses in the Group’s consolidated statement of comprehensive income for the year ended December 31, 2020. For the six months ended June 30, 2021, RMB13.0 million expenses were incurred by the Group and RMB2.0 million expenses were incurred by ABL Bio. Accordingly, the Group recorded RMB7.5 million (50% cost sharing) of expenses in the Group’s unaudited interim condensed consolidated financial statements of comprehensive loss for the six months ended June 30, 2021.

14. LICENSING AND COLLABORATION ARRANGEMENTS (CONTINUED)

Collaboration Agreements with Tracon Pharmaceuticals, Inc. ("Tracon")

In November 2018, the Group entered into collaboration agreements with Tracon, under which both parties agreed to co-develop the Group's proprietary CD73 antibody, TJD5 (the "TJD5 Agreement") and co-develop up to five BsAbs (the "BsAbs Agreement"). Both agreements may be terminated by either party for the other party's uncured material breach, bankruptcy or insolvency or for safety reasons. In addition, the agreement in respect of TJD5 may be terminated by the Group: (i) for convenience within a certain period upon completing different clinical stages subject to certain payments and royalties, based on the clinical stage, that would be owed to Tracon upon the exercise of such termination for convenience; (ii) in the event that Tracon causes the Phase 1 study timeline to be delayed beyond the agreed extension periods; or (iii) if the Group decides to end the development of the collaborative product prior to its first commercial sale. Further, prior to the first commercial sale, Tracon may deem this agreement to be terminated by the Group if it reasonably believes that the Group has discontinued all meaningful development of the collaborative product for at least 12 months and certain other conditions are met. Additionally, in March 2019, the Group agreed with Tracon and F. Hoffmann-La Roche Ltd ("Roche") on a clinical supply agreement for Roche to supply atezolizumab for use in clinical studies under the collaboration agreement with Tracon. As of December 31, 2019, no payments or royalties are due under this agreement. As of December 31, 2019, the Group has recorded US$4.0 million (equivalent to approximately RMB27.8 million) of research and development costs in the consolidated statement of comprehensive loss for the year ended December 31, 2019. As of December 31, 2020, the Group has recorded US$0.03 million (equivalent to approximately RMB0.17 million) of research and development costs in the consolidated statement of comprehensive income for the year ended December 31, 2020. As of June 30, 2021, the Group has recorded US$0.12 million (equivalent to approximately RMB0.75 million) of research and development costs in the unaudited interim condensed consolidated financial statements of comprehensive income for the six months ended June 30, 2021.

In April 2020, Tracon issued a notice of disputes with respect to the TJD5 Agreement and the BsAbs Agreement. As of the date of this report, these disputes have not been resolved.

In February 2021, the Group sent Tracon a notice to terminate the TJD5 Agreement, which would result in a prespecified termination fee of US$9.0 million owing to Tracon. The Group accrued and recorded this termination fee of US$9.0 million(equivalent to approximately RMB58.14 million) as administrative expenses in the unaudited interim condensed consolidated financial statements of comprehensive loss for the six months ended June 30, 2021.

14. LICENSING AND COLLABORATION ARRANGEMENTS (CONTINUED)

Licensing Agreement with CSPC Pharmaceutical Group Limited ("CSPC")

In December 2018, the Group entered into a product development agreement with CSPC. The Group granted to CSPC exclusive, non-transferable, non-irrevocable and sublicensable rights in the PRC (excluding Hong Kong, Macau and Taiwan) to develop and commercialize TJ103 for treating type 2 diabetes.

CSPC is responsible for developing, obtaining market approval and commercializing the licensed products. The Group is responsible for transferring the manufacturing technology of the licensed products to CSPC and assisting CSPC in the continued optimization of such manufacturing technology thereafter.

In consideration of the license, CSPC agreed to pay the Group an upfront fee of RMB15.0 million and milestone payments in an aggregate amount of RMB135.0 million conditioned upon achieving certain clinical development and regulatory approval milestones. In addition, the Group is also entitled to royalties of up to low-double-digit percentages in respect of the total annual net sales of the products after its commercialization in the PRC.

The Group determined that this collaboration is more reflective of a vendor-customer relationship and therefore within the scope of ASC 606. Under this agreement, the only one performance obligation was to grant TJ103 license to CSPC. Considering that the achievements of milestones are constrained such that the transaction price shall initially only include upfront payment and subsequently, once another milestone was achieved (that means when uncertainty associated with the variable consideration is subsequently resolved), the additional milestone payment shall be included in the total transaction price when it is no longer probable that a significant reversal of cumulative revenue would occur in future periods. As of December 31, 2018, the amount received of RMB14.2 million (net of VAT) was recorded as advance from customers in the consolidated balance sheet. In February 2019, an additional amount of RMB0.8 million (net of VAT) was received, and the license was also approved by China intellectual property office in May 2019. The first milestone was achieved in September 2019 and the amount of RMB15.0 million (net of VAT) was received according to the terms of the agreement. Accordingly, RMB30.0 million was recognized as revenue in the consolidated statements of comprehensive loss for the year ended December 31, 2019. No additional revenue was recognized in the year ended December 31, 2020 and for the six months ended June 30, 2021 as no further milestone has been achieved.

14. LICENSING AND COLLABORATION ARRANGEMENTS (CONTINUED)

Strategic Alliance Agreement with PT Kalbe Genexine Biologics ("KG Bio")

In March 2020, the Group entered into a strategic partnership with Kalbe Genexine Biologics ("KG Bio") to grant a right of first negotiation for an exclusive license for the development and commercialization of two I-Mab-discovered product candidates: uliledlimab, a highly differentiated anti-CD73 antibody in Phase 1 development for advanced solid tumors ("First Program"), and an I-Mab product candidate ("Second Program") to be agreed upon by both parties in certain regions. Through this agreement, both parties intend to negotiate the terms that will be reflected in definitive agreements for each prospective program covered under this agreement.

If and when the Group and KG Bio enter into the definitive licensing agreement, the Group will be eligible to receive from KG Bio an aggregate amount of up to approximately US$340 million, including an upfront payment and subsequent payments conditional upon achieving certain development and commercial milestones. KG Bio will pay the Group tiered royalties in the low to mid-teen percentages on net sales from certain regions. As the right of first negotiation has not been exercised and the definitive agreement has not been entered into as of June 30, 2021, no revenue was recognized during the year ended December 31, 2020 and six months ended June 30, 2021.

Global Strategic Partnership with AbbVie

On September 3, 2020, the Group, through I-Mab Biopharma (Shanghai) Co., Ltd. and I-Mab Biopharma US Limited, each a wholly-owned subsidiary of the Group, entered into a broad global strategic partnership with AbbVie Ireland Unlimited Group ("AbbVie").

Pursuant to this collaboration, the Group will grant AbbVie a global license, excluding Mainland China, Macau, and Hong Kong, to develop and commercialize lemzoparlimab (also known as TJC4), an innovative anti-CD47 monoclonal antibody internally discovered and developed by I-Mab for the treatment of multiple cancers. The Group will retain all rights to develop and commercialize lemzoparlimab (as well as certain other compounds directed against CD47) in Mainland China, Macau, and Hong Kong. The Group is also responsible for performing the development activities at its sole cost and expense as outlined in the initial development plan. Such initial development activities consist of two studies, Study I and Study II. Study I is conducted in the United States evaluating lemzoparlimab in combination with pembrolizumab or rituximab in patients with relapsed or refractory solid tumors and lymphoma. Study II is conducted in Mainland China evaluating the safety, tolerability, pharmacokinetics, pharmacodynamics and preliminary efficacy of lemzoparlimab in patients with acute myeloid leukemia (AML) or myelodysplastic syndrome (MDS). AbbVie will conduct further global clinical trials (which the Group may elect to co-fund) to evaluate lemzoparlimab in multiple cancers.

Potential collaboration on future CD47-related therapeutic agents is also allowed for under this arrangement, including CD47-based bispecific antibodies and combination therapies with lemzoparlimab and AbbVie's venetoclax (Venclexta®). Each party will have the opportunity, subject to rights of first negotiation to further licenses, to explore certain of each other's related CD47-antibody programs in their respective territories.

A joint governance committee was established as set forth in the agreement, functioning as an oversight and governance mechanism. Both parties will participate in the joint governance committee to facilitate decision-making during the terms of the collaborative endeavor. Furthermore, the Group and AbbVie will share manufacturing responsibilities, with AbbVie having the opportunity to manufacture supply outside of Mainland China, Hong Kong and Macau and the Group being the primary manufacturer for supply for Mainland China, Hong Kong and Macau.

14. LICENSING AND COLLABORATION ARRANGEMENTS (CONTINUED)

Global Strategic Partnership with AbbVie (continued)

Upon the satisfaction of all the pre-effect date covenants, the collaborative agreement took effect on December 10, 2020, on which date the Group was entitled to a non-refundable upfront payment of US$180 million. In addition, the Group is eligible to receive up to US$1.76 billion in further success-based development, regulatory and sales milestone payments for lemzoparlimab, of which US$840 million are based on clinical development and regulatory approval milestones, with the remainder based on commercial milestones. Upon commercialization of lemzoparlimab, AbbVie will also pay tiered royalties from low-to-mid teen double-digit percentages on global net sales outside of Mainland China, Macau, and Hong Kong.

The Group identified three performance obligations: (1) grant of lemzoparlimab license upon the effective date, (2) delivering the Study I initial development services, and (3) delivering the Study II initial development services. The total transaction price under the agreement for the year ended December 31, 2020 and the six months ended June 30, 2021 is US$250 million consisting of (i) the upfront payment of US$180 million upon the effective date, (ii) the first milestone payment of US$20 million upon the achievement of the first milestone event in late December 2020, and (iii) the second milestone payment of US$50 million as of December 31, 2020 and June 30, 2021, as the Group deemed that the achievement of the second milestone event is probable as of December 31, 2020 and June 30, 2021 that a significant reversal of revenue would not occur. The achievements of the remaining development and regulatory based milestone events are constrained as of December 31, 2020, and June 30, 2021 will be included in the transaction price when uncertainty associated with the variable consideration is subsequently resolved. Sales-based milestones and royalties will be recognized when the subsequent sales occur.

The non-constrained consideration of US$250 million is then allocated to the three performance obligations based on the relative stand-alone selling price. For the grant of lemzoparlimab license, the Group adopted an income approach based on key assumptions and several factors including, but not limited to estimated market demand, stand-alone selling price by making reference to market comparable, development timeline, regulatory risks, future revenue potential and discount rate. The allocated price is US$228.8 million. The entire US$228.8 million (equivalent to approximately RMB1,502.9 million) was recognized as revenue at the point of the license transfer at the effective date. For the Study I and Study II initial development services, a cost-plus margin approach is utilized. The allocated price to Study I and Study II is US$11.0 million and US$10.2 million respectively. These two performance obligations are determined to be satisfied over time. The Group uses a cost-to-cost input method to measure progress as that method best depicts the transfer of the two performance obligations under the agreement. As of December 31, 2020, the cumulative percentages complete in the cost-to-cost input method for Study I and Study II were estimated to approximate 17% and 41% respectively. As a result, US$1.8 million (equivalent to approximately RMB12.0 million) and US$4.2 million (equivalent to approximately RMB27.8 million) were recognized as revenue for the year ended December 31, 2020 in the consolidated statement of comprehensive income for Study I and Study II respectively, resulting in a contract asset of US$34.8 million for this agreement as of December 31, 2020 in the consolidated balance sheets. As of December 31, 2020, the upfront payment of US$180 million was received by the Group. The 1st milestone payment of US$20 million was subsequently collected by the Group in March 2021. As of June 30, 2021, the cumulative percentages complete in the cost-to-cost input method for Study I and Study II were estimated to approximate 32% and 52% respectively. As a result, US$1.7 million (equivalent to approximately RMB10.8 million) and US$1.1 million (equivalent to approximately RMB7.0 million) were recognized as revenue for the six months ended June 30, 2021 in the unaudited interim condensed consolidated financial statements of comprehensive loss for Study I and Study II respectively, resulting in an addition of contract asset of RMB17.8 million for this agreement as of June 30, 2021.

(All amounts in thousands, except for share and per share data, unless otherwise noted)

15. OTHER INCOME, NET

The following table summarizes other income and expenses, recognized for the six months ended June 30, 2020 and 2021:

		Six Months Ended June 30,		
		2020	2021	
	Notes	RMB	RMB	US$ (Note 2.5)
Income of incentive payment from depository bank	9	1,090	1,201	186
Fair value change of short-term investments		415	13,494	2,090
Fair value change of put right liabilities		—	14,618	2,264
Net foreign exchange gains		947	19,350	2,996
Subsidy income (1)		10,408	3,764	583
Others		(36)	(523)	(80)
		12,824	51,904	8,039

(1) For the six months ended June 30, 2020, subsidy income consists primarily of the government grant of RMB10 million. The government grant was granted by the project management office of Shanghai Zhangjiang Science City to support the research and development activities in the local region. For the six months ended June 30, 2021, subsidy income primarily consists of an amount of RMB2.9 million related to the paycheck protection program loan forgiveness approved by the U.S. Small Business Administration in April 2021.

(All amounts in thousands, except for share and per share data, unless otherwise noted)

16. NET LOSS PER SHARE

Basic and diluted net loss per share for each of the periods presented are calculated as follows:

	Six Months Ended June 30,		
	2020	2021	
	RMB	RMB	US$ (Note 2.5)
Numerator:			
Net income (loss) attributable to I-Mab	(582,853)	(1,076,481)	(166,725)
Net income (loss) attributable to ordinary shareholders	(582,853)	(1,076,481)	(166,725)
Denominator:			
Weighted average number of ordinary shares outstanding—basic and diluted	121,815,986	168,827,190	168,827,190
Net loss per share—basic and diluted	(4.78)	(6.38)	(0.99)

The effects of all outstanding convertible preferred shares, ordinary shares to be issued to Everest, convertible promissory notes, restricted shares, certain stock options and warrants have been excluded from the computation of diluted loss per share for the six months ended June 30, 2020 and 2021 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:

	Six Months Ended June 30,	
	2020	2021
Convertible preferred shares	8,770,121	—
Ordinary shares to be issued to Everest	534,380	—
Convertible promissory notes	900,000	—
Restricted shares	—	3,193,105
Stock options	27,019,861	18,326,406
Warrants	—	1,596,174

(All amounts in thousands, except for share and per share data, unless otherwise noted)

17. EMPLOYEE BENEFITS

Full time employees of the Group in the PRC participate in a government mandated defined contribution plan, pursuant to which certain pension benefits, medical care, employee housing fund and other welfare benefits are provided to the employees. Chinese labor regulations require that the PRC subsidiaries of the Group make contributions to the government for these benefits based on certain percentage of the employees' salaries, up to a maximum amount specified by the government. The Group has no legal obligation for the benefits beyond the contribution made. The total amounts charged to the interim condensed consolidated statements of comprehensive loss for such employee benefits amounted to approximately RMB5,411 and RMB11,283 for the six months ended June 30, 2020 and 2021, respectively.

18. COMMITMENTS AND CONTINGENCIES

Contingencies

The Group is a party to or an assignee of license and collaboration agreements that may require it to make future payments relating to milestone fees and royalties on future sales of licensed products (see Note 14). In April 2020, Tracon issued a notice of disputes with respect to the TJD5 Agreement and the BsAbs Agreement. As of the date of this report, these disputes have not been resolved (see Note 14). As of December 31, 2020 and June 30, 2021, the Group did not record any liabilities for these disputes. Information available prior to issuance of the financial statements did not indicate that it is probable that a liability had been incurred at the date of the financial statements and the Company is also unable to reasonably estimate the range of any liability or possible loss, if any.

The Group did not have significant capital and other commitments, long-term obligations, or guarantees as of December 31, 2020 and June 30, 2021.

19. RELATED PARTY BALANCES AND TRANSACTIONS

The table below sets forth the major related parties and their relationships with the Group as of December 31, 2020 and June 30, 2021:

Name of related parties	Relationship with the Group
CMAB Biopharma (Suzhou) Inc.	Controlled by the ultimate controlling party of a principal shareholder of the Group
Tasly Pharmaceutical Group Co., Ltd.	Controlled by the ultimate controlling party of a principal shareholder of the Group
Jiangsu Taslydiyi Pharmaceutical Co., Ltd.	Controlled by the ultimate controlling party of a principal shareholder of the Group
I-Mab Biopharma (Hangzhou) Co., Limited	Subsidiary of the Group before September 15, 2020; Affiliate of the Group after September 15, 2020

Details of related party balances as of December 31, 2020 and June 30, 2021 are as follows:

(All amounts in thousands, except for share and per share data, unless otherwise noted)

19. RELATED PARTY BALANCES AND TRANSACTIONS (CONTINUED)

Other receivables

	As of December 31, 2020	As of June 30, 2021	
	RMB	RMB	US$ (Note 2.5)
I-Mab Hangzhou	21,212	1,894	293

Accruals and other payables

	As of December 31, 2020	As of June 30, 2021	
	RMB	RMB	US$ (Note 2.5)
I-Mab Hangzhou	—	281	44
Jiangsu Taslydiyi Pharmaceutical Co., Ltd.	2,395	2,395	371
	2,395	2,676	415

Details of related party transactions for the six months ended June 30, 2020 and 2021 are as follows:

Receipt of CRO services - recognized in research and development expenses

	Six months ended June 30,		
	2020	2021	
	RMB	RMB	US$ (Note 2.5)
CMAB Biopharma (Suzhou) Inc.	695	—	—

Provision of FTE related services - recognized in other income

	Six months ended June 30,		
	2020	2021	
	RMB	RMB	US$ (Note 2.5)
I-Mab Hangzhou	—	8,257	1,279

(All amounts in thousands, except for share and per share data, unless otherwise noted)

19. RELATED PARTY BALANCES AND TRANSACTIONS (CONTINUED)

Expenses paid on behalf of an affiliate

	Six months ended June 30,		
	2020	2021	
	RMB	RMB	US$ (Note 2.5)
I-Mab Hangzhou	—	2,451	380

Amounts received on behalf of an affiliate

	Six months ended June 30,		
	2020	2021	
	RMB	RMB	US$ (Note 2.5)
I-Mab Hangzhou	—	281	44

Amounts paid by an affiliate on behalf of the Group

	Six months ended June 30,		
	2020	2021	
	RMB	RMB	US$ (Note 2.5)
I-Mab Hangzhou	—	17,396	2,694

20. CONCENTRATION OF CREDIT RISK

Financial instruments that are potentially subject to significant concentration of credit risk consist of cash and cash equivalents, restricted cash, short-term investments, other financial assets, accounts receivable, contract assets, and other receivables. The carrying amounts of cash and cash equivalents, restricted cash, short-term investments, contract assets, and other financial assets represent the maximum amount of loss due to credit risk. As of December 31, 2020 and June 30, 2021, all of the Group’s cash and cash equivalents, restricted cash and short-term investments were held by major financial institutions located in the PRC and international financial institutions outside of the PRC which management believes are of high credit quality and continually monitors the credit worthiness of these financial institutions. With respect to the accounts receivable, contract assets, and other receivables, the Group performs on-going credit evaluations of the financial condition of its customers and counterparties.

21. SUBSEQUENT EVENTS

In July 2021, the Group, as a limited partner, entered into a partnership agreement with other investors and subscribed RMB20,000 for a 4% equity interest in a partnership located in Hangzhou. In August 2021, the Group paid the initial investment of RMB6,000 to the partnership. Pursuant to the partnership agreement, the Group, as a limited partner, shall not participate in any activities in relation to management of the investment business. In addition, members of the investment committee shall only be appointed by the general partner.

In November 2021, the Group entered into a strategic collaboration agreement with Jumpcan Pharmaceutical Group ("Jumpcan"), a leading Chinapharmaceutical company specialized in and committed to pediatric medicines, for the development, manufacturing and commercialization of eftansomatropin alfa (TJ101) in mainland China. Under the collaboration agreement, the Group will continue to lead the ongoing registrational Phase 3 clinical trial of eftansomatropin alfa in pediatric growth hormone deficiency (PGHD). The two companies will share costs of manufacturing tech transfer, process optimization and new formulation development. According to the terms of the collaboration agreement, Jumpcan will make an upfront payment of RMB224 million to the Group and, upon achievement of development, registration and sales milestones, certain milestone payments of up to RMB1.792 billion, making the non-royalty payments a total of up to RMB2.016 billion.

Six Months Ended June 30, 2021 Compared to Six Months ended June 30, 2020

Revenues

Our revenues generated from licensing and collaboration increased from nil for the six months ended June 30, 2020 to RMB17.8 million (US$2.8 million) for the six months ended June 30, 2021. Our revenues generated for the six months ended June 30, 2021 solely consisted of the revenue recognized in connection with the strategic collaboration with AbbVie.

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,				
	2020		2021		
	RMB	%	RMB	US$	%
	(in thousands, except percentages)				
CRO service fees	226,805	51.3	351,852	54,495	59.4
In-licensed patent right fees	1,408	0.3	31,851	4,933	5.4
Employee benefit expenses	191,919	43.4	177,361	27,470	29.9
Material costs for drug candidates	8,489	1.9	9,126	1,413	1.5
Other expenses	13,670	3.1	22,803	3,532	3.8
Total	**442,291**	**100.0**	**592,993**	**91,843**	**100.0**

Our research and development expenses increased by 34.1% from RMB442.3 million for the six months ended June 30, 2020 to RMB593.0 million (US$91.8 million) for the six months ended June 30, 2021, primarily attributable to (i) an increase in CRO service fees from RMB226.8 million for the six months ended June 30, 2020 to RMB351.9 million (US$54.5 million) for the six months ended June 30, 2021, to advance the Company's broad clinical and pre-clinical pipelines, especially for lemzoparlimab (TJC4), ulilediimab (TJD5), and eftansomatropin alfa (TJ101); (ii) an increase in in-licensed patent right fees from RMB1.4 million for the six months ended June 30, 2020 to RMB31.9 million (US$4.9 million) for the six months ended June 30, 2021; (iii) partially offset by the decrease in employee benefit expenses of employees involved in research and development from RMB191.9 million for the six months ended June 30, 2020 to RMB177.4 million (US$27.5 million) for the six months ended June 30, 2021, mainly due to the decrease of share-based compensation expense by RMB20.0 million (US$3.1 million).

In the six months ended June 30, 2021, 95.8% and 4.2% of our total research and development expenses were attributable to clinical programs and preclinical programs, respectively. In the six months ended June 30, 2020, 79.9% and 20.1% of our total research and development expenses were attributable to clinical programs and preclinical programs, respectively. In the six months ended June 30, 2021, felzartamab and lemzoparlimab represented approximately 27.3% and 36.0% of our external research and development expenses, which primarily included payments to CROs and CMOs. In six months ended June 30, 2020, felzartamab and lemzoparlimab represented approximately 63.8% and 12.7% of our external research and development expenses, which primarily included licensing fees and payments to CROs and CMOs. No other programs represented a significant amount of research and development expenses in the six months ended June 30, 2020 and 2021. Though we manage our external research and development expenses by program, we do not allocate our internal research and development expenses by program because our employees and internal resources may be engaged in projects for multiple programs at any time.

Administrative Expenses

Our administrative expenses increased from RMB171.4 million for the six months ended June 30, 2020 to RMB451.5 million (US$70.0 million) for the six months ended June 30, 2021, primarily attributable to (i) an increase in employee benefit expenses by RMB135.7 million (US$21.0 million) due to an increase of share-based compensation expenses by RMB125.0 million (US$19.4 million); (ii) an increase of accrued termination fee to Tracon of US$9.0 million (approximately RMB58.2 million); (iii) an increase of professional service expenses by RMB63.4 million (US$9.8 million).

Interest Income

We recorded RMB19.0 million of interest income for the six months ended June 30, 2020 and RMB9.4 million (US$1.5 million) of interest income for the six months ended June 30, 2021. The change was primarily attributable to the interest income derived from bank deposits and an decrease in bank balance.

Interest Expense

We recorded RMB1.0 million of interest expense for the six months ended June 30, 2020 and nil for the six months ended June 30, 2021. The change was primarily attributable to the interest expense related to our short-term borrowings, which were repaid in June 2020.

Other Income, Net

We recorded RMB12.8 million of other income for the six months ended June 30, 2020 and RMB51.9 million (US$8.0 million) of other income for the six months ended June 30, 2021. The change was primarily attributable to a net foreign exchange gains of RMB18.5 million (US$2.9 million) and an increase in fair value change gain of put right liabilities of RMB14.6 (US$2.3 million). In connection with the transfer of equity of I-Mab Hangzhou from I-Mab Hong Kong to a group of domestic investors, I-Mab Hong Kong wrote to the domestic investors a put right to purchase back the equity in four years.

Equity in Loss of An Affiliate

We recorded equity in loss of an affiliate of nil for the six months ended June 30, 2020 and RMB114.2 million (US$17.7 million) for the six months ended June 30, 2021. The change was primarily due to that I-Mab Hangzhou became an affiliate of our company since September 15, 2020.

Cash Flows and Working Capital

We have incurred net loss and positive cash flow in the six months ended June 30, 2020, and net loss and negative cash flow in the six months ended June 30, 2021. Substantially all of our losses have resulted from funding our research and development programs and administrative costs associated with our operations. We incurred net losses of RMB582.9 million and RMB1,076.5 million for the six months ended June 30, 2020 and 2021, respectively. Our primary use of cash is to fund our research and development activities. We used RMB349.8 million and RMB442.6 million in cash for our operating activities for the six months ended June 30, 2020 and 2021, respectively. As of June 30, 2021, we had cash, cash equivalents and restricted cash of RMB4,350.1 million (US$673.7 million). Our cash, cash equivalents and restricted cash consist primarily of cash in bank and on hand. Historically, we have financed our operations principally through proceeds from the issuance and sale of preferred shares and convertible promissory notes in private placement transactions, and we also received total net proceeds of approximately RMB703.8 million from our initial public offering in January 2020. In September 2020, we entered into definitive subscription agreements with a consortium of institutional investors to raise approximately US$418 million through a private placement. The private placement consists of (i) the sale to the institutional investors of approximately US$418 million of our 29,133,502 ordinary shares (equivalent to 12,666,740 ADSs); and (ii) warrants to subscribe for an aggregate of 5,341,267 ordinary shares (equivalent to 2,322,290 ADSs) at an exercise price equivalent to US$45 per ADS, which may further increase the proceeds of approximately US$104.5 million if the warrants are fully exercised. As of June 30, 2021, 4,683,191 warrants were exercised by the Investors, which generated cash inflow of RMB589.4 million during the six months ended June 30, 2021. All the remaining warrants were exercised subsequently from July to September 2021.

The following table sets forth a summary of our cash flows for the periods presented:

	For the Six Months Ended June 30,		
	2020	2021	
	RMB	RMB	US$
	(in thousands)		
Summary Consolidated Statements of Cash Flow Data:			
Net cash used in operating activities	(349,793)	(442,642)	(68,557)
Net cash generated from (used in) investing activities	30,354	(381,382)	(59,069)
Net cash generated from financing activities	653,798	486,243	75,309
Effect of exchange rate changes on cash and cash equivalents and restricted cash	32,389	(70,942)	(10,986)
Net increase (decrease) in cash, cash equivalents and restricted cash	366,748	(408,723)	(63,303)
Cash, cash equivalents and restricted cash, beginning of the year	1,193,283	4,758,778	737,041
Cash, cash equivalents and restricted cash, end of the year	1,560,031	4,350,055	673,738

We do not expect to generate any revenue from product sales unless and until we obtain regulatory approval of and commercialize one of our current or future drug candidates. We anticipate that we will continue to generate losses for the foreseeable future, and we expect the losses to increase as we continue the development of, and seek regulatory approvals for, our drug candidates and begin to commercialize any approved products. We also expect to incur additional costs associated with operating as a public company. In addition, subject to obtaining regulatory approval of any of our drug candidates, we expect to incur significant commercialization expenses for product sales, marketing and manufacturing. Accordingly, we anticipate that we will need substantial additional funding in connection with our continuing operations.

Based on our current operating plan, we believe that our current cash and cash equivalents 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. We have based our estimates on assumptions that 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 drug candidates, we are unable to estimate the amounts of increased capital outlays and operating expenditures necessary to complete the development and commercialization of our drug candidates.

We may decide to enhance our liquidity position or increase our cash reserve for future operations and investments through additional financing. The issuance and sale of additional equity would result in further dilution to our shareholders and ADS holders, and the terms of these securities may include liquidation or other preferences that adversely affect your rights as an ADS holder. The incurrence of indebtedness would result in increased fixed obligations and could result in operating covenants that would restrict our operations, which could potentially dilute your interest. If we raise additional funds through collaborations, strategic alliances or licensing arrangements with third parties, we may have to relinquish valuable rights to our technologies, future revenue streams or research programs or to grant licenses on terms that may not be favorable to us. If we are unable to raise additional funds through equity or debt financings when needed, we may be required to delay, limit, reduce or terminate our product development or future commercialization efforts or grant rights to develop and market products or drug candidates that we would otherwise prefer to develop and market ourselves.

Operating Activities

Net cash used in operating activities for the six months ended June 30, 2021 was RMB442.6 million (US$68.6 million). Our net loss was RMB1,076.5 million (US$166.7 million) for the same period. The difference between our net loss and our net cash used in operating activities was primarily attributable to certain non-cash expenses, including share-based compensation of RMB334.7 million (US$51.8 million), equity in loss of an affiliate of RMB114.2 million (US$17.7 million), non-cash gains on fair value change of put right liabilities of RMB14.6 million (US$2.3 million) and fair value change of short-term investments of RMB13.5 million (US$2.1 million), and changes in certain working capital items, including a decrease in accounts receivable of RMB130.5 million (US$20.2 million) and an increase in accruals and other payables of RMB104.5 million (US$16.2 million), partially offset by a decrease of contract assets of RMB15.5 million (US$2.4 million).

Net cash used in operating activities for the six months ended June 30, 2020 was RMB349.8 million. Our net loss was RMB582.9 million for the same period. The difference between our net loss and our net cash used in operating activities was primarily attributable to certain non-cash expenses, including share-based compensation of RMB229.8 million and depreciation of property, equipment and software of RMB5.1 million, and changes in certain working capital items, including an increase in the prepayments and other receivables of RMB4.9 million, an increase in the deferred subsidy income of RMB3.8 million, an increase in the other non-current liabilities of RMB9.4 million, partially offset by an decrease in accruals and other payables of RMB19.6 million.

Investing Activities

Net cash used in investing activities for the six months ended June 30, 2021 was RMB381.4 million (US$59.1 million). The net cash decrease was primarily attributable to RMB4,054.0 million (US$627.9 million) of the cash used in the purchase of short-term investments, partially offset by RMB3,676.6 million (US$569.4 million) of the proceeds from disposal of short-term investments.

Net cash generated from investing activities for the six months ended June 30, 2020 was RMB30.4 million. The net cash increase was primarily attributable to RMB143.5 million of the cash received from disposal of short-term investments, partially offset by RMB113.0 million of cash used in the purchase of short-term investments.

Financing Activities

Net cash generated from financing activities for the six months ended June 30, 2021 was RMB486.2 million (US$75.3 million), primarily attributable to the proceeds from exercise of warrants of RMB589.4 million (US$91.3 million), partially offset by cash used for payments of issuance cost in relation to private placement of RMB128.8 million (US$20.0 million).

Net cash generated from financing activities for the six months ended June 30, 2020 was RMB653.8 million, primarily attributable to the proceeds from IPO and over-allotment, net of payment of issuance cost of RMB703.8 million, partially offset by cash used for repayment of bank borrowings of RMB50.0 million.

Capital Expenditures

Our capital expenditures were incurred for purposes of purchasing property, equipment and software. Our capital expenditures were RMB0.1 million and RMB4.1 million (US$0.6 million) in six months ended June 30, 2020 and 2021, respectively.

RISK FACTORS

The following section sets forth our risk factors, which have been updated and/or supplemented since the filing of our annual report on Form 20-F for the fiscal year ended December 31, 2020 and should be read in conjunction with such annual report, our Registration Statement on Form F-3 filed with the SEC on February 5, 2021 and the related prospectus supplement filed with the SEC.

Risks Related to Our Business and Industry

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, could limit their use or adoption, and could 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 the draft rules on cross-border transfers published by the China Cyberspace Administration in 2017, which may, upon enactment, require security review before transferring human health-related data out of China. 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 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 associated data. 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 associated data, administrative fines and criminal liabilities. In addition, the interpretation and application of data protection laws in China and elsewhere are often uncertain and in flux. Furthermore, on August 20, 2021, the Standing Committee of the National People's Congress promulgated the Personal Information Protection Law, which will take effect on November 1, 2021. The Personal Information Protection Law requires, among others, that the processing of personal information should have a specific and reasonable purpose, and shall be conducted in a way that has the least impact on personal rights and interests, and should be limited to the minimum scope necessary to achieve the processing purpose. These laws and regulations are continually evolving and not always clear, and the measures we take to comply with these laws, regulations and industry standards may not always be effective. We cannot assure you that we will comply with such laws and regulations regarding cybersecurity, information security, privacy and data protection in all respects and any failure or perceived failure to comply with these laws, regulations or policy may result in inquiries, penalties and other proceedings or actions against us by governmental authorities, customers or others, such as warnings, fines, making certain required rectification, service suspension and/or other sanctions, as well as negative publicity and damage to our reputation.

In the United States, we are subject to laws and regulations that address privacy, personal information protection and data security at both the federal and state levels. 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. 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.

Regulatory authorities in Europe have implemented and are considering a number of legislative and regulatory proposals concerning data protection. For example, the General Data Protection Regulation (EU) 2016/679, or GDPR, which became effective in May 2018, imposes a broad range of strict requirements on companies subject to the GDPR, such as us, including, but not limited to, requirements relating to having legal bases for processing personal information relating to identifiable individuals and transferring such information outside the European Economic Area (including to the United States), providing details to those individuals regarding the processing of their personal information, keeping personal information secure, having data processing agreements with third parties who process personal information, responding to individuals' requests to exercise their rights in respect of their personal information, reporting security breaches involving personal data to the competent national data protection authority and affected individuals, and recordkeeping. The GDPR substantially increases the penalties to which we could be subject in the event of any non-compliance, including fines of up to 10,000,000 Euros or up to 2% of our total worldwide annual turnover for certain comparatively minor offenses, or up to 20,000,000 Euros or up to 4% of our total worldwide annual turnover for more serious offenses. Given the new law, we face uncertainty as to the exact interpretation of the new requirements, and we may be unsuccessful in implementing all measures required by data protection authorities or courts in interpretation of the new law. National laws of member states of the European Union are in the process of being adapted to the requirements under the GDPR. Because the GDPR specifically gives member states flexibility with respect to certain matters, national laws may partially deviate from the GDPR and impose different obligations from country to country, leading to additional complexity and uncertainty.

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 laws, 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.

Risks Related to Doing Business in China

The PRC government's significant oversight and discretion over our business operations could result in a material adverse change in our operations and the value of our ADSs.

We conduct our businesses primarily through our PRC subsidiaries in China. Our operations in China are governed by PRC laws and regulations. The PRC government has significant oversight over the conduct of our business and has significant authority to exert influence on the ability of a China-based issuer, such as our company, to conduct its business. The PRC government may intervene or influence our operations at any time, which could result in a material adverse change in our operation and the value of our ADSs.

The PRC government has recently tightened and may continue to tighten regulations of certain industries, such as private education, online gaming and housing industries. Although we are not currently affected by the recent regulatory developments, we cannot assure you that our business will not be subject to tightened or new regulations in the future, which could cause the value of our ADSs to significantly decline. Furthermore, if the PRC government exerts more oversight and control over offerings that are conducted overseas or foreign investment in China-based issuers, it may significantly limit or completely hinder our ability to offer or continue to offer securities to investors and cause the value of our securities to significantly decline.

Uncertainties with respect to the PRC legal system could materially and adversely affect us.

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. The overall effect of legislation over the past four decades has significantly enhanced the protections afforded to various forms of foreign investments in China. However, China has not developed a fully integrated legal system, and recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in China. Since these laws and regulations are relatively new and may be amended from time to time, and the PRC legal system continues to rapidly evolve, and because of the limited number of published decisions and the nonbinding nature of such decisions, and because the laws and regulations often give the relevant regulator significant discretion in how to enforce them, the interpretations of many laws, regulations and rules may not be uniform and enforcement of these laws, regulations and rules involves uncertainties. These uncertainties may affect our judgment on the relevance of legal requirements and our ability to enforce our contractual rights or tort claims. Besides, the PRC is geographically large and divided into various provinces and municipalities and, as such, different laws, rules, regulations and policies may have different and varying applications and interpretations in different parts of the PRC. Legislation or regulations, particularly in local applications, may be enacted without sufficient prior notice or announcement to the public. In addition, the regulatory uncertainties may be exploited through unmerited or frivolous legal actions or threats in attempts to extract payments or benefits from us. 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 a 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. Agreements that are governed by PRC laws may be more difficult to enforce by legal or arbitral proceedings in the PRC than that in other countries with different legal systems. In addition, any administrative and court proceedings in China may be protracted, resulting in substantial costs and diversion of resources and management attention.

Any failure to comply with the various applicable laws and regulations related to data security, cybersecurity and personal information and privacy protection could affect our offshore offerings and lead to liabilities, penalties or other regulatory actions, which could have a material and adverse effect on our business, financial condition and results of operations.

On June 10, 2021, the Standing Committee of the National People's Congress promulgated the PRC Data Security Law, which took effect on September 1, 2021. The Data Security Law, among other things, provides for a security review procedure for the data activities that may affect national security. Furthermore, Measures for Cybersecurity Review, which became effective on June 1, 2020, set forth the cybersecurity review mechanism for critical information infrastructure operators, and provided that critical information infrastructure operators who procure internet products and services that affect or may affect national security shall be subject to a cybersecurity review. On July 10, 2021, the Cyberspace Administration of China published the Measures for Cybersecurity Review (Revised Draft for Comments), which will replace the current Measures for Cybersecurity Review after it is adopted and becomes effective and further restates and expands the applicable scope of the cybersecurity review. Pursuant to the draft measures, critical information infrastructure operators that procure internet products and services, and data processing operators engaging in data processing activities, must be subject to the cybersecurity review if their activities affect or may affect national security. The draft measures further stipulate that critical information infrastructure operators or data processing operators holding over one million users' personal information shall apply to the Cybersecurity Review Office for a cybersecurity review before any public offering at a foreign stock exchange. The draft measures were released for public comment only, and its provisions and the anticipated adoption or effective date may be subject to change with substantial uncertainty. On July 30, 2021, the state council promulgated the Regulations on Security Protection of Critical Information Infrastructure, which became effective on September 1, 2021. Pursuant to the Regulations on Security Protection of Critical Information Infrastructure, critical information infrastructure shall mean any important network facilities or information systems of the important industry or field such as public communication and information service, energy, communications, water conservation, finance, public services, e-government affairs and national defense science, which may endanger national security, people's livelihood and public interest in case of damage, function loss or data leakage. In addition, relevant administration departments of each critical industry and sector, or Protection Departments, shall be responsible to formulate eligibility criteria and determine the critical information infrastructure operators in the respective industry or sector. The operators shall be informed about the final determination as to whether they are categorized as critical information infrastructure operators.

No detailed rules or implementation has been issued by any Protection Departments and we have not been informed as a critical information infrastructure operator by any governmental authorities. Furthermore, the exact scope of "critical information infrastructure operators" under the current regulatory regime remains unclear, and the PRC governmental authorities may have wide discretion in the interpretation and enforcement of these laws. Therefore, it is uncertain whether we would be deemed as a critical information infrastructure operator under PRC law. It also remains uncertain whether the future regulatory changes would impose additional restrictions on companies like us. We cannot predict the impact of the draft measures, if any, at this stage, and we will closely monitor and assess any development in the rule-making process. If the enacted version of the draft measures mandates clearance of cybersecurity review and other specific actions to be completed by companies like us, we face uncertainties as to whether such clearance can be timely obtained, or at all. If we are not able to comply with the cybersecurity and data privacy requirements in a timely manner, or at all, we may be subject to government enforcement actions and investigations, fines, penalties or suspension of our non-compliant operations, which could materially and adversely affect our business and results of operations. We have not been involved in any investigations on cybersecurity review made by the Cyberspace Administration of China on such basis, and we have not received any inquiry, notice, warning, or sanctions in such respect.

Our auditor is currently not subject to inspections by the PCAOB. Our ADSs may be delisted under the Holding Foreign Companies Accountable Act if the PCAOB is unable to inspect auditors who are located in China. The delisting of our ADSs, or the threat of their being delisted, may materially and adversely affect the value of your investment.

The Holding Foreign Companies Accountable Act, or the HFCA Act, was enacted on December 18, 2020. The HFCA Act states if the SEC determines that we have filed audit reports issued by a registered public accounting firm that has not been subject to inspection by the PCAOB for three consecutive years beginning in 2021, the SEC shall prohibit our shares or ADSs from being traded on a national securities exchange or in the over the counter trading market in the U.S.

Our auditor, the independent registered public accounting firm that issues the audit report included elsewhere in this annual report as an auditor of companies that are traded publicly in the United States and a firm registered with the PCAOB, is subject to laws in the United States pursuant to which the PCAOB conducts regular inspections to assess its compliance with the applicable professional standards. Since our auditor is located in China, a jurisdiction where the PCAOB has been unable to conduct inspections without the approval of the Chinese authorities, our auditor is currently not inspected by the PCAOB.

On March 24, 2021, the SEC adopted interim final rules relating to the implementation of certain disclosure and documentation requirements of the HFCA Act. We will be required to comply with these rules if the SEC identifies us as having a "non-inspection" year under a process to be subsequently established by the SEC. The SEC is assessing how to implement other requirements of the HFCA Act, including the listing and trading prohibition requirements described above.

On June 22, 2021, the U.S. Senate passed a bill which, if passed by the U.S. House of Representatives and signed into law, would reduce the number of consecutive non-inspection years required for triggering the prohibitions under the HFCA Act from three years to two.

On November 5, 2021, the SEC approved the PCAOB Rule 6100 related to the PCAOB's responsibilities under the HFCA Act, which provides a framework for the PCAOB to use when determining, as contemplated under the HFCA Act, whether it is unable to inspect or investigate completely registered public accounting firms located in a foreign jurisdiction because of a position taken by one or more authorities in that jurisdiction.

The SEC may propose additional rules or guidance that could impact us if our auditor is not subject to PCAOB inspection. For example, on August 6, 2020, the President's Working Group on Financial Markets, or the PWG, issued the Report on Protecting United States Investors from Significant Risks from Chinese Companies to the then President of the United States. This report recommended the SEC implement five recommendations to address companies from jurisdictions that do not provide the PCAOB with sufficient access to fulfil its statutory mandate. Some of the concepts of these recommendations were implemented with the enactment of the HFCA Act. However, some of the recommendations were more stringent than the HFCA Act. For example, if a company was not subject to PCAOB inspection, the report recommended that the transition period before a company would be delisted would end on January 1, 2022.

The SEC has announced that the SEC staff is preparing a consolidated proposal for the rules regarding the implementation of the HFCA Act and to address the recommendations in the PWG report. It is unclear when the SEC will complete its rulemaking and when such rules will become effective and what, if any, of the PWG recommendations will be adopted. The implications of this possible regulation in addition the requirements of the HFCA Act are uncertain. Such uncertainty could cause the market price of our ADSs to be materially and adversely affected, and our securities could be delisted or prohibited from being traded "over-the-counter" earlier than would be required by the HFCA Act. If our securities are unable to be listed on another securities exchange by then, such a delisting would substantially impair your ability to sell or purchase our ADSs when you wish to do so, and the risk and uncertainty associated with a potential delisting would have a negative impact on the price of our ADSs.

The PCAOB's inability to conduct inspections in China prevents it from fully evaluating the audits and quality control procedures of our independent registered public accounting firm. As a result, we and investors in our ordinary shares 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 the PCAOB inspections, which could cause investors and potential investors in our stock to lose confidence in our audit procedures and reported financial information and the quality of our financial statements.

In May 2013, the PCAOB announced that it had entered into a Memorandum of Understanding on Enforcement Cooperation with the 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 in the PRC or by the CSRC or the PRC Ministry of Finance in the United States. 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.

The ability of U.S. authorities to bring actions for violations of U.S. securities law and regulations against us, our directors or executive officers may be limited. Therefore, you may not be afforded the same protection as provided to investors in U.S. domestic companies.

The SEC, the U.S. Department of Justice, or the DOJ, and other U.S. authorities often have substantial difficulties in bringing and enforcing actions against non-U.S. companies and non-U.S. persons. Due to jurisdictional limitations, matters of comity and various other factors, the SEC, the DOJ and other U.S. authorities may be limited in their ability to pursue bad actors, including in instances of fraud, in emerging markets such as China. We conduct our operations mainly in China and our assets are mainly located in China. In addition, a majority of our directors and executive officers reside within China. There are significant legal and other obstacles for U.S. authorities to obtain information needed for investigations or litigation against us or our directors or executive officers in case we or any of these individuals engage in fraud or other wrongdoing. In addition, local authorities in China may be constrained in their ability to assist U.S. authorities and overseas investors in connection with legal proceedings. As a result, if we, our directors or executive officers commit any securities law violation, fraud or other financial misconduct, the U.S. authorities may not be able to conduct effective investigations or bring and enforce actions against us, our directors, executive officers or other gatekeepers. Therefore, you may not be able to enjoy the same protection provided by various U.S. authorities as it is provided to investors in U.S. domestic companies.