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BeiGene

BeiGene, Ltd.

百濟神州有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 06160)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2021

BeiGene, Ltd., together with its subsidiaries (the “Company” or “BeiGene” or “we” or “us”) hereby announces the unaudited condensed consolidated results of the Company for the six months ended June 30, 2021 (the “Reporting Period”), together with the comparative figures for the corresponding period in 2020, which have been prepared under generally accepted accounting principles in the United States (the “U.S. GAAP”) and reviewed by the audit committee (the “Audit Committee”) of the board of directors (the “Board” or “Directors”) of the Company.

FINANCIAL HIGHLIGHTS

- Total revenues for the six months ended June 30, 2021 increased by approximately US\$638.2 million or approximately 542.2% to approximately US\$755.9 million, as compared to the six months ended June 30, 2020. Product revenue increased by approximately US\$127.0 million or approximately 107.9% to approximately US\$244.7 million, as compared to the six months ended June 30, 2020. Collaboration revenue increased by approximately US\$511.1 million or 100% to approximately US\$511.1 million, as compared to the six months ended June 30, 2020.
- Total expenses for the six months ended June 30, 2021 increased by approximately US\$310.2 million or approximately 36.5% to approximately US\$1,160.5 million, as compared to the six months ended June 30, 2020.
- Net loss for the six months ended June 30, 2021 decreased by approximately US\$287.4 million or approximately 41.0% to approximately US\$413.8 million, as compared to the six months ended June 30, 2020.
- Basic and diluted loss per share for the six months ended June 30, 2021 amounted to US\$0.35, representing a decrease of 49.3% when compared with that of US\$0.69 for the six months ended June 30, 2020.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

		Six Months Ended June 30,	
	Note	2021 US\$'000	2020 US\$'000
Revenues			
Product revenue, net	14	244,741	117,694
Collaboration revenue	3	<u>511,123</u>	<u>—</u>
Total revenues		755,864	117,694
Expenses			
Cost of sales – product		68,948	28,456
Research and development		676,817	590,270
Selling, general and administrative		414,395	231,130
Amortization of intangible assets		<u>375</u>	<u>471</u>
Total expenses		<u>1,160,535</u>	<u>850,327</u>
Loss from operations		(404,671)	(732,633)
Interest (expense) income, net		(9,045)	7,798
Other (expense) income, net		<u>(4,990)</u>	<u>23,657</u>
Loss before income taxes		(418,706)	(701,178)
Income tax (benefit) expense	10	<u>(4,860)</u>	<u>79</u>
Net loss		<u>(413,846)</u>	<u>(701,257)</u>
Less: net loss attributable to noncontrolling interests		<u>—</u>	<u>(2,320)</u>
Net loss attributable to BeiGene, Ltd.		<u><u>(413,846)</u></u>	<u><u>(698,937)</u></u>
Loss per share attributable to BeiGene, Ltd. (in US\$)		(0.35)	(0.69)
Weighted-average shares outstanding – basic and diluted	16	1,191,521,766	1,007,967,904
Loss per American Depositary Share (“ADS”) (in US\$)		(4.52)	(9.01)
Weighted-average ADSs outstanding – basic and diluted		91,655,520	77,535,993

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

	Six Months Ended June 30,	
	2021	2020
	US\$'000	US\$'000
Net loss	(413,846)	(701,257)
Other comprehensive (loss) income, net of tax of nil:		
Foreign currency translation adjustments	5,864	(2,617)
Pension liability adjustments	361	—
Unrealized holding (loss) gain, net	<u>(1,072)</u>	<u>1,228</u>
Comprehensive loss	<u>(408,693)</u>	<u>(702,646)</u>
Less: comprehensive loss attributable to noncontrolling interests	<u>—</u>	<u>(2,411)</u>
Comprehensive loss attributable to BeiGene, Ltd.	<u><u>(408,693)</u></u>	<u><u>(700,235)</u></u>

UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS

		As of	
	Note	June 30, 2021 US\$'000 (unaudited)	December 31, 2020 US\$'000 (audited)
Assets			
Current assets:			
Cash and cash equivalents		1,776,448	1,381,950
Short-term restricted cash	4	310	307
Short-term investments	4	2,605,452	3,268,725
Accounts receivable, net	5	73,787	60,403
Inventories	6	117,587	89,293
Prepaid expenses and other current assets	11	225,455	160,012
Total current assets		4,799,039	4,960,690
Non-current assets:			
Long-term restricted cash	4	9,927	7,748
Property, plant and equipment, net	7	395,167	357,686
Operating lease right-of-use assets		95,980	90,581
Intangible assets, net	9	12,008	5,000
Deferred tax assets	10	79,751	65,962
Other non-current assets	11	132,244	113,090
Total non-current assets		725,077	640,067
Total assets		<u>5,524,116</u>	<u>5,600,757</u>
Liabilities and shareholders' equity			
Current liabilities:			
Accounts payable	12	168,826	231,957
Accrued expenses and other payables	11	398,856	346,144
Deferred revenue, current portion	3	63,605	—
Tax payable	10	13,855	20,380
Operating lease liabilities, current portion		16,550	13,895
Research and development cost share liability, current portion	3	145,820	127,808
Short-term debt	13	434,802	335,015
Total current liabilities		<u>1,242,314</u>	<u>1,075,199</u>

UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS
(CONTINUED)

		As of	
	Note	June 30, 2021 US\$'000 (unaudited)	December 31, 2020 US\$'000 (audited)
Non-current liabilities:			
Long-term bank loans	13	194,856	183,637
Deferred revenue, non-current portion	3	75,272	—
Operating lease liabilities, non-current portion		34,172	29,417
Deferred tax liabilities	10	12,270	10,792
Research and development cost share liability, non-current portion	3	303,126	375,040
Other long-term liabilities	11	55,331	57,429
		<u>675,027</u>	<u>656,315</u>
Total non-current liabilities			
		<u>1,917,341</u>	<u>1,731,514</u>
Total liabilities			
		<u>1,917,341</u>	<u>1,731,514</u>
Commitments and contingencies	21		
Equity:			
Ordinary shares, US\$0.0001 par value per share; 9,500,000,000 shares authorized; 1,204,567,023 and 1,190,821,941 shares issued and outstanding as of June 30, 2021 and December 31, 2020, respectively		120	118
Additional paid-in capital		7,561,155	7,414,932
Accumulated other comprehensive income	18	12,095	6,942
Accumulated deficit		<u>(3,966,595)</u>	<u>(3,552,749)</u>
		<u>3,606,775</u>	<u>3,869,243</u>
Total equity			
		<u>3,606,775</u>	<u>3,869,243</u>
Total liabilities and equity		<u>5,524,116</u>	<u>5,600,757</u>

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

		Six Months Ended June 30,	
	Note	2021 US\$'000	2020 US\$'000
Operating activities:			
Net loss		(413,846)	(701,257)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization expense		21,159	15,617
Share-based compensation expenses	17	110,624	83,723
Unrealized losses/(gains) on equity investments	4	6,033	(11,264)
Acquired in-process research and development		53,500	43,000
Amortization of research and development cost share liability	3	(53,902)	(55,240)
Deferred income tax benefits		(12,311)	(1,060)
Other items, net		11,212	(7,064)
Changes in operating assets and liabilities:			
Accounts receivable		(13,338)	9,094
Inventories		(28,294)	(4,681)
Other assets		(77,204)	(51,962)
Accounts payable		(42,558)	34,851
Accrued expenses and other payables		1,688	41,465
Deferred revenue		138,877	—
Other liabilities		3,189	(108)
Net cash used in operating activities		<u>(295,171)</u>	<u>(604,886)</u>
Investing activities:			
Purchases of property, plant and equipment		(80,920)	(54,138)
Purchases of investments		(1,357,051)	(2,442,943)
Proceeds from sale or maturity of investments		1,997,515	997,242
Purchase of in-process research and development		(8,500)	(43,000)
Other investing activities		<u>(7,500)</u>	<u>(2,025)</u>
Net cash provided by (used in) investing activities		<u>543,544</u>	<u>(1,544,864)</u>

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

	Note	Six Months Ended June 30, 2021 US\$'000	2020 US\$'000
Financing activities:			
Proceeds from sale of ordinary shares, net of cost	19	–	2,162,407
Proceeds from research and development cost share liability		–	616,834
Proceeds from long-term loan	13	10,819	49,525
Proceeds from short-term loans	13	112,589	26,197
Repayment of short-term loan		(15,959)	–
Proceeds from option exercises and employee share purchase plan		35,601	28,198
Net cash provided by financing activities		143,050	2,883,161
Effect of foreign exchange rate changes, net		5,257	(4,287)
Net increase in cash, cash equivalents, and restricted cash		396,680	729,124
Cash, cash equivalents, and restricted cash at beginning of period		1,390,005	620,775
Cash, cash equivalents, and restricted cash at end of period		1,786,685	1,349,899
Supplemental cash flow information:			
Cash and cash equivalents		1,776,448	1,345,014
Short-term restricted cash		310	283
Long-term restricted cash		9,927	4,602
Income taxes paid		14,527	9,250
Interest paid		14,267	3,354
Supplemental non-cash information:			
Acquisitions of equipment included in accounts payable		28,885	28,962
Acquired in-process research and development included in accrued expenses		45,000	–

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Attributable to BeiGene, Ltd.							Total Equity US\$'000
	Ordinary Shares Shares	Amount US\$'000	Additional Paid-In Capital US\$'000	Other Comprehensive Income US\$'000	Accumulated Deficit US\$'000	Total US\$'000	Non controlling Interests US\$'000	
Balance at December 31, 2020	1,190,821,941	118	7,414,932	6,942	(3,552,749)	3,869,243	–	3,869,243
Use of shares reserved for share option exercises	(1,722,773)	–	–	–	–	–	–	–
Exercise of options, ESPP and release of Restricted Share Units (“RSUs”)	15,467,855	2	35,599	–	–	35,601	–	35,601
Share-based compensation	–	–	110,624	–	–	110,624	–	110,624
Other comprehensive loss	–	–	–	5,153	–	5,153	–	5,153
Net loss	–	–	–	–	(413,846)	(413,846)	–	(413,846)
Balance at June 30, 2021	<u>1,204,567,023</u>	<u>120</u>	<u>7,561,155</u>	<u>12,095</u>	<u>(3,966,595)</u>	<u>3,606,775</u>	<u>–</u>	<u>3,606,775</u>
Balance at December 31, 2019	801,340,698	79	2,925,970	(8,001)	(1,955,843)	962,205	16,150	978,355
Issuance of ordinary shares in connection with collaboration	206,635,013	21	2,162,386	–	–	2,162,407	–	2,162,407
Use of shares reserved for share option exercises	(7,198,984)	–	–	–	–	–	–	–
Exercise of options, ESPP and release of Restricted Share Units (“RSUs”)	14,199,965	2	28,196	–	–	28,198	–	28,198
Share-based compensation	–	–	83,723	–	–	83,723	–	83,723
Deconsolidation of entity	–	–	–	–	–	–	(3,545)	(3,545)
Other comprehensive income	–	–	–	(1,298)	–	(1,298)	(91)	(1,389)
Net loss	–	–	–	–	(698,937)	(698,937)	(2,320)	(701,257)
Balance at June 30, 2020	<u>1,014,976,692</u>	<u>102</u>	<u>5,200,275</u>	<u>(9,299)</u>	<u>(2,654,780)</u>	<u>2,536,298</u>	<u>10,194</u>	<u>2,546,492</u>

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Description of Business, Basis of Presentation and Consolidation and Significant Accounting Policies

Description of business

BeiGene, Ltd. is a global, commercial-stage biotechnology company focused on discovering, developing, manufacturing, and commercializing innovative medicines to improve treatment outcomes and expand access for patients worldwide.

The Company has delivered ten molecules into the clinic in its first ten years, including three commercial medicines, BRUKINSA®, a small molecule inhibitor of Bruton's Tyrosine Kinase ("BTK") for the treatment of various blood cancers, tislelizumab, an anti-PD-1 antibody immunotherapy for the treatment of various solid tumor and blood cancers, and pamiparib, a selective small molecule inhibitor of PARP1 and PARP2. The Company is marketing BRUKINSA® in the world's two largest pharmaceutical markets, the United States and the People's Republic of China ("China" or the "PRC"), and tislelizumab and pamiparib in China, with an established, science-based commercial organization. Additionally, the Company has licensed the China rights to multiple medicines, including Amgen's XGEVA®, BLINCYTO®, and KYPROLIS®; BMS's REVLIMID®, VIDAZA®, and ABRAXANE®; and EUSA Pharma's SYLVANT® and QARZIBA®. The Company has built state-of-the-art biologic and small molecule manufacturing facilities in China to support current and potential future demand of its medicines and plans to build a commercial-stage biologics manufacturing and clinical research and development ("R&D") center in New Jersey. It also works with high quality contract manufacturing organizations ("CMOs") to manufacture its internally developed clinical and commercial products.

The Company is a leader in China-inclusive global clinical development, which it believes can facilitate faster and more cost-effective development of innovative medicines. Its internal clinical development capabilities are deep, including a more than 1,700-person global clinical development team that is running more than 95 ongoing or planned clinical trials. This includes more than 30 pivotal or registration-enabling trials for three drug candidates that have enrolled more than 13,000 patients and healthy volunteers, of which approximately one-half have been outside of China, as of August 2021. The Company has approximately 50 medicines and drug candidates in commercial stage or clinical development, including 10 approved medicines, 2 pending approval, and over 30 in clinical development.

Supported by its development and commercial capabilities, the Company has entered into collaborations with world-leading biopharmaceutical companies such as Amgen and Novartis to develop and commercialize innovative medicines globally. Since its inception in 2010 in Beijing, the Company has become a fully integrated global organization of over 6,400 employees in 18 countries and regions as of June 30, 2021, including China, the United States, Europe and Australia.

As of June 30, 2021, the Company had the following 35 subsidiaries:

Name of Company	Place of Incorporation	Particulars of issued/paid-in capital	Percentage of Ownership by the Company	Principal Activities and Place of Operation
BeiGene 101	Cayman Islands	–	100%	Inactive
BeiGene AUS Pty Ltd. ("BeiGene Australia")	Australia	US\$56,947,230	100%	Medical, pharmaceutical research and development and commercial, Australia
BeiGene (Beijing) Co., Ltd. ("BeiGene Beijing")	PRC*	US\$46,711,000	100%	Medical and pharmaceutical research and development, PRC
BeiGene Biologics Co., Ltd. ("BeiGene Biologics")	PRC*	RMB3,850,000,000	100%	Medical and pharmaceutical research and development and manufacturing, PRC
BeiGene (Canada) ULC	Canada	CAD 100	100%	Medical, pharmaceutical research and development and commercial, Canada
BeiGene ESP SL	Spain	EUR 3,000	100%	Medical, pharmaceutical research and development and commercial, Spain

Name of Company	Place of Incorporation	Particulars of issued/paid-in capital	Percentage of Ownership by the Company	Principal Activities and Place of Operation
BeiGene France Sarl	France	EUR 7,500	100%	Medical, pharmaceutical research and development and commercial, France
BeiGene Guangzhou Biologics Manufacturing Co., Ltd. (“BeiGene Guangzhou Factory”)	PRC*	RMB2,670,000,000	100%	Medical and pharmaceutical research and development and manufacturing, PRC
BeiGene (Guangzhou) Innovation Technology Co., Ltd. (“BeiGene Guangzhou”, formerly known as BeiGene (Guangzhou) Co., Ltd.)	PRC*	US\$263,000,000	100%	Medical and pharmaceutical research and development, PRC
BeiGene Germany GmbH	Germany	EUR25,000	100%	Medical, pharmaceutical research and development and commercial, Germany
BeiGene (Hong Kong) Co., Limited. (“BeiGene HK”)	Hong Kong, China	HK\$1	100%	Investment holding
Beijing Innerway Bio-tech Co., Ltd. (“Innerway”)	PRC*	US\$4,000,000	100%	No substantial business, holding property for company operations, PRC
BeiGene International GmbH	Switzerland	CHF 20,000	100%	Medical, pharmaceutical research and development and commercial, Switzerland
BeiGene (Italy) S.R.L	Italy	EUR10,000	100%	Medical, pharmaceutical research and development and commercial, Italy
BeiGene Ireland Limited (“BeiGene Ireland”)	Republic of Ireland	–	100%	Medical, pharmaceutical research and development and commercial, Republic of Ireland
BeiGene Japan, Ltd.	Japan	–	100%	Medical, pharmaceutical research and development and commercial, Japan
BeiGene Korea Y.H.	South Korea	KRW100,000,000	100%	Medical, pharmaceutical research and development and commercial, South Korea
BeiGene Netherlands B.V.	Netherlands	–	100%	Medical, pharmaceutical research and development and commercial, Netherlands
BeiGene NZ, Limited	New Zealand	NZD100,000	100%	Medical, pharmaceutical research and development and commercial, New Zealand
BeiGene Pharmaceuticals GmbH	Switzerland	CHF20,000	100%	Medical, pharmaceutical research and development and commercial, Switzerland
BeiGene Pharmaceuticals (Guangzhou) Co., Ltd. (“BeiGene Pharmaceutical (Guangzhou)”)	PRC*	RMB3,800,000	100%	Drug commercialization, PRC
BeiGene Pharmaceutical (Shanghai) Co., Ltd. (“BeiGene Pharmaceutical (Shanghai)”)	PRC*	US\$1,000,000	100%	Drug commercialization, PRC
BeiGene Pharmaceuticals (Suzhou) Co., Ltd.	PRC*	RMB7,000,000	100%	Drug commercialization, PRC
BeiGene (Shanghai) Co., Ltd. (“BeiGene Shanghai”)	PRC*	RMB534,344,310	100%	Medical and pharmaceutical research and development, PRC

Name of Company	Place of Incorporation	Particulars of issued/paid-in capital	Percentage of Ownership by the Company	Principal Activities and Place of Operation
BeiGene (Shanghai) Research & Development Co., Ltd.	PRC*	RMB70,000,000	100%	Medical and pharmaceutical research, PRC
BeiGene Singapore Pte., Ltd.	Singapore	SGD1	100%	Medical, pharmaceutical research and development and commercial, Singapore
BeiGene (Suzhou) Co., Ltd. (“BeiGene Suzhou”)	PRC*	US\$144,000,000	100%	Medical and pharmaceutical research and manufacturing and commercial, PRC
BeiGene Switzerland GmbH (“BeiGene Switzerland”)	Switzerland	CHF20,000	100%	Medical, pharmaceutical research and development and commercial, Switzerland
BeiGene (Taiwan) Limited	Taiwan, China	TWD500,000	100%	Medical, pharmaceutical research and development and commercial, Taiwan, China
BeiGene UK, Ltd. (“BeiGene UK”)	United Kingdom	GBP130	100%	Medical, pharmaceutical research and development and commercial, United Kingdom
BeiGene United Kingdom, Ltd.	United Kingdom	GBP100	100%	Investment holding
BeiGene USA, Inc. (“BeiGene USA”)	Delaware, United States	US\$1	100%	Medical, pharmaceutical research and development and commercial, U.S.
BeiGene US Holdings, LLC	Delaware, United States	–	100%	Investment holding, U.S.
BeiGene US Manufacturing Co., Inc.	Delaware, United States	US\$1,000,000	100%	Medical and pharmaceutical research and development and manufacturing, U.S.
Pi Health, Ltd.	Cayman Islands	–	100%	Health technology research and development

* Limited liability company established in PRC

Basis of presentation and consolidation

The accompanying condensed consolidated balance sheet as of June 30, 2021, the condensed consolidated statements of operations and comprehensive loss for six months ended June 30, 2021 and 2020, the condensed consolidated statements of cash flows for the six months ended June 30, 2021 and 2020, and the condensed consolidated statements of shareholders’ equity for the six months ended June 30, 2021 and 2020, and the related footnote disclosures are unaudited. The accompanying unaudited interim condensed financial statements were prepared in accordance with U.S. GAAP, including guidance with respect to interim financial information and in conformity with the instructions to Form 10-Q and Article 10 of Regulation S-X, and the disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time (the “HK Listing Rules”). Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for annual financial statements. These financial statements should be read in conjunction with the consolidated financial statements and related footnotes included in the Company’s HK Annual Report and Annual Report on Form 10-K for the year ended December 31, 2020 (the “Annual Report”).

The unaudited interim condensed consolidated financial statements have been prepared on the same basis as the annual financial statements and, in the opinion of management, reflect all normal recurring adjustments, necessary to present a fair statement of the results for the interim periods presented. Results of the operations for the six months ended June 30, 2021 are not necessarily indicative of the results expected for the full fiscal year or for any future annual or interim period.

The unaudited interim condensed consolidated financial statements include the financial statements of the Company and its subsidiaries. All significant intercompany transactions and balances between the Company and its subsidiaries are eliminated upon consolidation.

Noncontrolling interests are recognized to reflect the portion of the equity of subsidiaries which are not attributable, directly or indirectly, to the controlling shareholders. For a portion of fiscal 2020, the Company consolidated its interests in its joint venture, BeiGene Biologics and MapKure, LLC (“MapKure”), under the voting model and recognized the minority shareholder’s equity interest as a noncontrolling interest in its condensed consolidated financial statements. In June 2020, the Company deconsolidated MapKure and recorded an equity method investment for its remaining ownership interest in the joint venture (see Note 4). In November 2020, the Company acquired the remaining equity interest in BeiGene Biologics. Subsequent to the share purchase, BeiGene Biologics is a wholly-owned subsidiary of the Company (see Note 8).

Use of estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Areas where management uses subjective judgment include, but are not limited to, estimating the useful lives of long-lived assets, estimating variable consideration in product sales and collaboration revenue arrangements, identifying separate accounting units and determining the standalone selling price of each performance obligation in the Company’s revenue arrangements, assessing the impairment of long-lived assets, valuation and recognition of share-based compensation expenses, realizability of deferred tax assets, estimating uncertain tax positions, valuation of inventory, estimating the allowance for credit losses, determining defined benefit pension plan obligations, measurement of right-of-use assets and lease liabilities and the fair value of financial instruments. 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 these estimates.

Recent accounting pronouncements

New accounting standards which have been adopted

In December 2019, the FASB issued ASU 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes. This update simplifies the accounting for income taxes as part of the FASB’s overall initiative to reduce complexity in accounting standards. The amendments include removal of certain exceptions to the general principles of ASC 740, Income taxes, and simplification in several other areas such as accounting for a franchise tax (or similar tax) that is partially based on income. Certain amendments in this update should be applied retrospectively or modified retrospectively, and all other amendments should be applied prospectively. The Company adopted this standard on January 1, 2021. There was no material impact to the Company’s financial position or results of operations upon adoption.

Significant accounting policies

For a more complete discussion of the Company’s significant accounting policies and other information, the unaudited interim condensed consolidated financial statements and notes thereto should be read in conjunction with the consolidated financial statements included in the Company’s Annual Report for the year ended December 31, 2020.

There have been no material changes to the Company’s significant accounting policies as of and for the six months ended June 30, 2021, as compared to the significant accounting policies described in the Annual Report.

2. Fair Value Measurements

The Company measures certain financial assets and liabilities at fair value. Fair value is determined based upon the exit price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, as determined by either the principal market or the most advantageous market. Inputs used in the valuation techniques to derive fair values are classified based on a three-level hierarchy, as follows:

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

Level 2 – Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in market with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset or liability.

The Company considers an active market to be one in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis, and considers an inactive market to be one in which there are infrequent or few transactions for the asset or liability, the prices are not current, or price quotations vary substantially either over time or among market makers.

The following tables present the Company's financial assets and liabilities measured and recorded at fair value on a recurring basis using the above input categories as of June 30, 2021 and December 31, 2020:

	Quoted Price in Active Market for Identical Assets (Level 1) US\$'000	Significant Other Observable Inputs (Level 2) US\$'000	Significant Unobservable Inputs (Level 3) US\$'000
As of June 30, 2021			
Cash equivalents			
U.S. treasury securities	527,749	–	–
Money market funds	195,444	–	–
Short-term investment (Note 4):			
U.S. Treasury securities	2,605,452	–	–
Other non-current assets (Note 4):			
Equity securities with readily determinable fair values	7,880	4,223	–
Total	<u>3,336,525</u>	<u>4,223</u>	<u>–</u>
As of December 31, 2020			
Cash equivalents			
U.S. treasury securities	286,072	–	–
Money market funds	80,838	–	–
Short-term investment (Note 4):			
U.S. Treasury securities	3,268,725	–	–
Other non-current assets (Note 4):			
Equity securities with readily determinable fair values	10,810	6,669	–
Total	<u>3,646,445</u>	<u>6,669</u>	<u>–</u>

The Company's cash equivalents are highly liquid investments with original maturities of 3 months or less. Short-term investments represent the Company's investments in available-for-sale debt securities. The Company determines the fair value of cash equivalents and available-for-sale debt securities using a market approach based on quoted prices in active markets.

The Company's equity securities carried at fair value consist of holdings in common stock and warrants to purchase additional shares of common stock of Leap Therapeutics, Inc. ("Leap"), which were acquired in connection with a collaboration and license agreement entered into in January 2020. The common stock investment in Leap, a publicly-traded biotechnology company, is measured and carried at fair value and classified as Level 1. The warrants to purchase additional shares of common stock in Leap are classified as a Level 2 investment and are measured using the Black-Scholes option-pricing valuation model, which utilizes a constant maturity risk-free rate and reflects the term of the warrants, dividend yield and stock price volatility, that is based on the historical volatility of similar companies. Refer to Note 4, Restricted Cash and Investments for details of the determination of the carrying amount of private equity investments without readily determinable fair values and equity method investments.

As of June 30, 2021 and December 31, 2020, the fair values of cash and cash equivalents, restricted cash, accounts receivable, accounts payable, and short-term debt approximated their carrying values due to their short-term nature. Long-term bank loans approximate their fair value due to the fact that the related interest rates approximate the rates currently offered by financial institutions for similar debt instrument of comparable maturities.

3. Collaborative Arrangements

The Company has entered into collaborative arrangements for the research and development, manufacture and/or commercialization of medicines and drug candidates. To date, these collaborative arrangements have included out-licenses of internally developed products and drug candidates to other parties, in-licenses of products and drug candidates from other parties, and profit – and cost-sharing arrangements. These arrangements may include non-refundable upfront payments, contingent obligations for potential development, regulatory and commercial performance milestone payments, cost-sharing and reimbursement arrangements, royalty payments, and profit sharing.

Out-Licensing Arrangements

For the six months ended June 30, 2021, the Company's collaboration revenue consisted entirely of revenue recognized under its out-licensing collaborative agreement with Novartis Pharma AG ("Novartis"). There was no collaboration revenue recognized for the six months ended June 30, 2020.

The following table summarizes total collaboration revenue recognized for the six months ended June 30, 2021 and 2020:

	Six Months Ended June 30,	
	2021	2020
Revenue from Collaborators	US\$'000	US\$'000
License revenue	484,646	—
Research and development service revenue	26,477	—
Total	511,123	—

Novartis

In January 2021, the Company entered into a collaboration and license agreement with Novartis, granting Novartis rights to develop, manufacture and commercialize tislelizumab in North America, Europe, and Japan (the "Novartis Territory"). The Company and Novartis have agreed to jointly develop tislelizumab in these licensed countries, with Novartis responsible for regulatory submissions after a transition period and for commercialization upon regulatory approvals. In addition, both companies may conduct clinical trials globally to explore combinations of tislelizumab with other cancer treatments, and the Company has an option to co-detail the product in North America, funded in part by Novartis.

Under the agreement the Company received an upfront cash payment of US\$650,000,000 from Novartis. The Company is eligible to receive up to US\$1,300,000,000 upon the achievement of regulatory milestones, US\$250,000,000 upon the achievement of sales milestones, and royalties on future sales of tislelizumab in the licensed territory. Under the terms of the agreement, the Company is responsible for funding ongoing clinical trials of tislelizumab, Novartis has agreed to fund new registrational, bridging, or post-marketing studies in its territory, and each party will be responsible for funding clinical trials evaluating tislelizumab in combination with its own or third party products. Each party retains the worldwide right to commercialize its propriety products in combination with tislelizumab.

The Company evaluated the Novartis agreement under ASC 606 as all the material units of account within the agreement represented transactions with a customer. The Company identified the following material components under the agreement: (1) exclusive license for Novartis to develop, manufacture, and commercialize tislelizumab in the Novartis Territory, transfer of know-how and use of the tislelizumab trademark; (2) conducting and completing ongoing trials of tislelizumab (“R&D services”); and (3) supplying Novartis with required quantities of the tislelizumab drug product, or drug substance, upon receipt of an order from Novartis.

The Company determined that the license, transfer of know-how and use of trademarks are not distinct from each other and represent a single performance obligation. The R&D services represent a material promise and were determined to be a separate performance obligation at the outset of the agreement as the promise is distinct and has standalone value to Novartis. The Company evaluated the supply component of the contract and noted the supply will not be provided at a significant incremental discount to Novartis. The Company concluded that, for the purpose of ASC 606, the provision related to providing clinical and commercial supply of tislelizumab in the Novartis Territory was an option but not a performance obligation of the Company at the outset of the Novartis collaboration agreement. A performance obligation for the clinical and commercial supply will be established as quantities of drug product or drug substance are ordered by Novartis.

The Company determined that the transaction price as of the outset of the arrangement was the upfront payment of US\$650,000,000. The potential milestone payments that the Company is eligible to receive were excluded from the transaction price, as all milestone amounts were fully constrained due to uncertainty of achievement. The transaction price was allocated to the two identified performance obligations based on a relative fair value basis. The standalone selling price of the license, transfer of know-how and use of trademarks performance obligation was determined using the adjusted market assessment approach. Based on the valuation performed by the Company, the standalone selling price of the license, transfer of know-how and use of trademarks was valued at US\$1,231,000,000. The standalone selling price of the R&D services was valued at US\$420,000,000 using a cost plus margin valuation approach. Based on the relative standalone selling prices of the two performance obligations, US\$484,646,000 of the total transaction price was allocated to the license and US\$165,354,000 was allocated to the R&D services.

The Company satisfied the license performance obligation at a point in time when the license was delivered and the transfer of know-how completed which occurred during the six months ended June 30, 2021. As such, the Company recognized the entire amount of the transaction price allocated to the license as collaboration revenue during the six months ended June 30, 2021. The portion of the transaction price allocated to the R&D services was deferred and is being recognized as collaboration revenue as the R&D services are performed using a percentage-of-completion method. Estimated costs to complete are reassessed on a periodic basis and any updates to the revenue earned are recognized on a prospective basis. The Company recognized R&D services revenue of US\$26,477,000 during the six months ended June 30, 2021.

In-Licensing Arrangements

Amgen

In October 2019, the Company entered into a global strategic oncology collaboration with Amgen Inc. (the “Amgen Collaboration Agreement”) for the commercialization and development in China, excluding Hong Kong, Taiwan and Macau, of Amgen’s XGEVA®, KYPROLIS®, and BLINCYTO®, and the joint global development of a portfolio of oncology assets in Amgen’s pipeline, with BeiGene responsible for development and commercialization in China. The agreement became effective on January 2, 2020, following approval by the Company’s shareholders and satisfaction of other closing conditions.

Under the agreement, the Company is responsible for the commercialization of XGEVA®, KYPROLIS® and BLINCYTO® in China for five or seven years. Amgen is responsible for manufacturing the products globally and will supply the products to the Company at an agreed upon price. The Company and Amgen will share equally in the China commercial profits and losses during the commercialization period. Following the commercialization period, the Company has the right to retain one product and is entitled to receive royalties on sales in China for an additional five years on the products not retained. XGEVA® was approved in China in 2019 for patients with giant cell tumor of the bone and in November 2020 for the prevention of skeletal-related events in cancer patients with bone metastases. In July 2020, the Company began commercializing XGEVA® in China. In December 2020, BLINCYTO® was approved in China for injection for the treatment of adult patients with relapsed or refractory (R/R) B-cell precursor acute lymphoblastic leukemia (ALL). In July 2021, KYPROLIS® was conditionally approved in China for injection in combination with dexamethasone for the treatment of adult patients with relapsed or refractory (R/R) multiple myeloma.

Amgen and the Company are also jointly developing a portfolio of Amgen oncology pipeline assets under the collaboration. The Company is responsible for conducting clinical development activities in China and co-funding global development costs by contributing cash and development services up to a total cap of US\$1,250,000,000. Amgen is responsible for all development, regulatory and commercial activities outside of China. For each pipeline asset that is approved in China, the Company will receive commercial rights for seven years from approval. The Company has the right to retain approximately one out of every three approved pipeline assets, other than LUMAKRAS™ (sotorasib), Amgen's KRAS G12C inhibitor, for commercialization in China. The Company and Amgen will share equally in the China commercial profits and losses during the commercialization period. The Company is entitled to receive royalties from sales in China for pipeline assets returned to Amgen for five years after the seven-year commercialization period. The Company is also entitled to receive royalties from global sales of each product outside of China (with the exception of sotorasib).

The Amgen Collaboration Agreement is within the scope of ASC 808, as both parties are active participants and are exposed to the risks and rewards dependent on the commercial success of the activities performed under the agreement. The Company is the principal for product sales to customers in China during the commercialization period and recognizes 100% of net product revenue on these sales. Amounts due to Amgen for its portion of net product sales are recorded as cost of sales. Cost reimbursements due to or from Amgen under the profit share are recognized as incurred and recorded to cost of sales; selling, general and administrative expense; or research and development expense, based on the underlying nature of the related activity subject to reimbursement. Costs incurred for the Company's portion of the global co-development funding are recorded to research and development expense as incurred.

In connection with the Amgen Collaboration Agreement, a Share Purchase Agreement ("SPA") was entered into by the parties in October 2019. On January 2, 2020, the closing date of the transaction, Amgen purchased 15,895,001 of the Company's ADSs for US\$174.85 per ADS, representing a 20.5% ownership stake in the Company. Per the SPA, the cash proceeds shall be used as necessary to fund the Company's development obligations under the Amgen Collaboration Agreement. Pursuant to the SPA, Amgen also received the right to designate one member of the Company's board of directors, and Anthony C. Hooper joined the Company's board of directors as the Amgen designee in January 2020.

In determining the fair value of the common stock at closing, the Company considered the closing price of the common stock on the closing date of the transaction and included a lack of marketability discount because the shares are subject to certain restrictions. The fair value of the shares on the closing date was determined to be US\$132.74 per ADS, or US\$2,109,902,000 in the aggregate. The Company determined that the premium paid by Amgen on the share purchase represents a cost share liability due to the Company's co-development obligations. The fair value of the cost share liability on the closing date was determined to be US\$601,857,000 based on the Company's discounted estimated future cash flows related to the pipeline assets. The total cash proceeds of US\$2,779,241,000 were allocated based on the relative fair value method, with US\$2,162,407,000 recorded to equity and US\$616,834,000 recorded as a research and development cost share liability. The cost share liability is being amortized proportionately as the Company contributes cash and development services to its total co-development funding cap.

Amounts recorded related to the Company's portion of the co-development funding on the pipeline assets for the six months ended June 30, 2021 and 2020 were as follows:

	Six Months Ended June 30,	
	2021	2020
	US\$'000	US\$'000
Research and development expense	55,330	56,703
Amortization of research and development cost share liability	53,903	55,240
Total amount due to Amgen for BeiGene's portion of the development funding	109,233	111,943

	As of June 30, 2021 US\$'000
Remaining portion of development funding cap	909,777

As of June 30, 2021 and December 31, 2020, the research and development cost share liability recorded in the Company's balance sheet was as follows:

	As of	
	June 30, 2021 US\$'000	December 31, 2020 US\$'000
Research and development cost share liability, current portion	145,820	127,808
Research and development cost share liability, non-current portion	303,126	375,040
Total research and development cost share liability	448,946	502,848

The total reimbursement due under the commercial profit-sharing agreement for in-line product sales is classified in the income statement for the six months ended June 30, 2021 and 2020 as follows:

	Six Months Ended June 30,	
	2021	2020
	US\$'000	US\$'000
Cost of sales – product	678	–
Research and development	63	–
Selling, general and administrative	(15,917)	–
Total	(15,176)	–

The Company purchases from Amgen inventory of XGEVA®, KYPROLIS® and BLINCYTO® to distribute in China. Amounts payable to Amgen for inventory purchases and co-development funding as of June 30, 2021 and December 31, 2020 were US\$94,616,000 and US\$121,917,000, respectively.

Shoreline

In June 2021, the Company signed an exclusive worldwide strategic collaboration with Shoreline Biosciences, Inc., to develop and commercialize a portfolio of NK-based cell therapeutics leveraging Shoreline's iPSC NK cell technology and BeiGene's research and clinical development capabilities for different malignancies.

4. Restricted Cash and Investments

Restricted Cash

The Company's restricted cash balance of US\$10,237,000 and US\$8,055,000 as of June 30, 2021 and December 31, 2020, respectively, primarily consists of RMB-denominated cash deposits held in designated bank accounts for collateral for letters of credit. The Company classifies restricted cash as current or non-current based on the term of the restriction.

Short-Term Investments

Short-term investments as of June 30, 2021 consisted of the following available-for-sale debt securities:

	Amortized Cost US\$'000	Gross Unrealized Gains US\$'000	Gross Unrealized Losses US\$'000	Fair Value (Net Carrying Amount) US\$'000
U.S. treasury securities	2,605,653	—	(201)	2,605,452
Total	<u>2,605,653</u>	<u>—</u>	<u>(201)</u>	<u>2,605,452</u>

Short-term investments as of December 31, 2020 consisted of the following available-for-sale debt securities:

	Amortized Cost US\$'000	Gross Unrealized Gains US\$'000	Gross Unrealized Losses US\$'000	Fair Value (Net Carrying Amount) US\$'000
U.S. treasury securities	3,267,875	850	—	3,268,725
Total	<u>3,267,875</u>	<u>850</u>	<u>—</u>	<u>3,268,725</u>

As of June 30, 2021, the Company's available-for-sale debt securities consisted entirely of short-term U.S. treasury securities, which were determined to have zero risk of expected credit loss. Accordingly, no allowance for credit loss was recorded as of June 30, 2021.

Equity Securities with Readily Determinable Fair Values

Leap

In January 2020, the Company purchased US\$5,000,000 of Series B mandatorily convertible, non-voting preferred stock of Leap in connection with a strategic collaboration and license agreement the Company entered into with Leap. The Series B shares were subsequently converted into shares of Leap common stock and warrants to purchase additional shares of common stock upon approval of Leap's shareholders in March 2020. As of June 30, 2021, the Company's ownership interest in the outstanding common stock of Leap was 8.1% based on information from Leap. Inclusive of the shares of common stock issuable upon the exercise of the currently exercisable warrants, the Company's interest is approximately 14.9% based on information from Leap. The Company measures the investment in the common stock and warrants at fair value, with changes in fair value recorded to other (expense) income, net. The Company recorded unrealized losses of US\$5,376,000 for the six months ended June 30, 2021, and unrealized gains of US\$11,264,000 for the six months ended June 30, 2020, respectively, in the consolidated statements of operations. As of June 30, 2021 and December 31, 2020, the fair value of the common stock and warrants was as follows:

	As of	
	June 30, 2021 US\$'000	December 31, 2020 US\$'000
Fair value of Leap common stock	7,880	10,810
Fair value of Leap warrants	4,223	6,669

Private Equity Securities without Readily Determinable Fair Values

The Company invests in equity securities of certain companies whose securities are not publicly traded and fair value is not readily determinable and where the Company has concluded it does not have significant influence based on its ownership percentage and other factors. These investments are recorded at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. The Company held investments of US\$18,712,000 and US\$9,705,000 in equity securities without readily determinable fair values as of June 30, 2021 and December 31, 2020, respectively. There were no adjustments to the carrying values of these securities for the six months ended June 30, 2021.

Equity-Method Investments

MapKure

In June 2019, the Company announced the formation of MapKure, LLC (“MapKure”), an entity jointly owned by the Company and SpringWorks Therapeutics, Inc. (“SpringWorks”). The Company out-licensed to MapKure the Company’s product candidate BGB-3245, an oral, selective small molecule inhibitor of monomer and dimer forms of activating B-RAF mutations including V600 BRAF mutations, non-V600 B-RAF mutations, and RAF fusions. The Company received 10,000,000 Series A preferred units of MapKure, or a 71.4% ownership interest in exchange for its contribution of the intellectual property. SpringWorks purchased 3,500,000 Series A preferred units, or a 25% ownership interest, and other investors purchased 250,000 Series A preferred units or 1.8% ownership each. Following the initial closing, the Company consolidated its interests in MapKure under the voting model due to its controlling financial interest.

In June 2020, MapKure held a second closing under the existing terms of the SPA in which it issued additional Series A preferred units to SpringWorks and the other investors that purchased units in the first closing (the “Second Closing”), and the Company’s ownership interest decreased to 55.6%. As the requisite Series A voting requirements in MapKure’s governing documents require 70% combined voting power for certain actions, the Company determined that it lost its controlling financial interest after the Second Closing. Therefore, the Company deconsolidated MapKure and recognized a gain of US\$11,307,000 for the excess of the fair value of its 55.6% ownership interest in MapKure and carrying amount of the prior non-controlling interest over the carrying amount of MapKure’s net assets within other income during the year ended December 31, 2020.

Upon deconsolidation, the Company recorded an equity investment of US\$10,000,000, which represents the estimated fair value of its 55.6% ownership interest in MapKure. Effective June 8, 2020, the Company is accounting for the investment as an equity-method investment and records its portion of MapKure’s earnings or losses within other (expense) income, net. The Company recognized losses of US\$472,000 and US\$23,000 for the six months ended June 30, 2021 and 2020, respectively. As of June 30, 2021 and December 31, 2020, the carrying amount of the Company’s investment in MapKure was US\$9,037,000 and US\$9,509,000, respectively.

Guangzhou GET Phase I Biomedical Industry Investment Fund Partnership (Limited Partnership)

On July 23, 2020, BeiGene Guangzhou invested US\$11,782,000 (RMB80,000,000) in an existing investment fund, Guangzhou GET Phase I Biomedical Industry Investment Fund Partnership (Limited Partnership) (“GET Bio-fund”). The stated purpose of GET Bio-fund is to promote and upgrade the local industrial transformation in Guangzhou and it is committed to invest at least 60% of the total fund in the biotechnology, medical device, and medical information industries.

GET Bio-fund has four limited partners and one general partner, Guangzhou GET Biomedical Industry Investment Fund Management Co., Ltd. (“GET Bio-fund Management”). GET Bio-fund has an agreed duration for seven years, with the first five years as the investment period and the following two years as the projected payback period. The agreed upon duration may be extended for two additional years with the approval of all of the partners. BeiGene Guangzhou, as a limited partner, holds an ownership interest in the fund of 26.3%. The investment committee for the fund has seven members, and requires resolutions to be approved by at least five of the seven members. BeiGene Guangzhou holds one position on the investment committee and GET Bio-fund Management holds three positions. The Company determined that it has the ability to exercise significant influence over the fund due to the Company’s ownership interest and involvement on the investment committee, and the investment represents an equity method investment. The Company recognized an unrealized loss of US\$55,000 for its portion of the fund’s net loss for the six months ended June 30, 2021. As of June 30, 2021 and December 31, 2020, the carrying amount of the Company’s investment in the fund was US\$12,261,000 and US\$12,189,000, respectively. In addition to the GET Bio-fund Management investment, the Company also plans to enter into a cooperative investment agreement with GET to form a joint venture for the construction of a new research center in Guangzhou.

Other Equity-Method Investments

In addition to the equity-method investments mentioned above, the Company made additional equity-method investments during the year ended December 31, 2020 and the six months ended June 30, 2021 that it does not consider to be individually significant to its financial statements. The Company recognized the equity-method investments at cost and subsequently adjusted the basis based on the Company’s share of the results of operations. The Company records its share of the investees’ results of operations within other (expense) income, net.

5. Accounts Receivable

	As of	
	June 30,	December 31,
	2021	2020
	US\$’000	US\$’000
Accounts receivable	73,854	60,515
Impairment	(67)	(112)
	<u>73,787</u>	<u>60,403</u>
Total	<u>73,787</u>	<u>60,403</u>

The Company’s trading terms with its customers are mainly on credit and the credit period generally ranges from 45 to 90 days. The Company seeks to maintain strict control over its outstanding receivables and overdue balances are regularly reviewed. The Company does not hold any collateral or other credit enhancements over its accounts receivable balances. Accounts receivable are non-interest-bearing.

An aging analysis of the accounts receivable, based on the invoice date, is as follows:

	As of	
	June 30,	December 31,
	2021	2020
	US\$’000	US\$’000
Within 3 months	73,767	60,403
3 months to 6 months	20	—
	<u>73,787</u>	<u>60,403</u>
Total	<u>73,787</u>	<u>60,403</u>

The roll-forward of the allowance for credit losses related to trade accounts receivable for the six months ended June 30, 2021 and 2020 consists of the following activity:

	Six Months Ended June 30,	
	2021	2020
	US\$'000	US\$'000
Balance at beginning of the period	112	—
Current period provision for expected credit losses	(46)	121
Amounts written-off	—	—
Exchange rate changes	1	—
	<u>67</u>	<u>121</u>
Balance at end of the period	<u><u>67</u></u>	<u><u>121</u></u>

6. Inventories

The Company's inventory balance consisted of the following:

	As of	
	June 30,	December 31,
	2021	2020
	US\$'000	US\$'000
Raw materials	44,856	19,330
Work in process	10,806	1,378
Finished goods	61,925	68,585
	<u>117,587</u>	<u>89,293</u>
Total inventories	<u><u>117,587</u></u>	<u><u>89,293</u></u>

7. Property, Plant and Equipment

Property, plant and equipment are recorded at cost and consisted of the following:

	As of	
	June 30,	December 31,
	2021	2020
	US\$'000	US\$'000
Laboratory equipment	100,187	78,640
Leasehold improvements	42,691	37,643
Building	133,280	111,527
Manufacturing equipment	113,527	96,669
Software, electronics and office equipment	23,791	20,782
	<u>413,476</u>	<u>345,261</u>
Property, plant and equipment, at cost	413,476	345,261
Less accumulated depreciation	(97,173)	(73,354)
Construction in progress	78,864	85,779
	<u>78,864</u>	<u>85,779</u>
Property, plant and equipment, net	<u><u>395,167</u></u>	<u><u>357,686</u></u>

As of June 30, 2021 and December 31, 2020, construction in progress (“CIP”) of US\$78,864,000 and US\$85,779,000, respectively, was primarily related to the buildout of additional capacity at the Guangzhou manufacturing facility and expansion of BeiGene Guangzhou research and development activities in Guangzhou, China. Subsequent phases of the Guangzhou factory buildout and BeiGene Guangzhou research and development expansion will continue to be recorded as CIP until they are placed into service.

Depreciation expense was US\$20,667,000 for the six months ended June 30, 2021. Depreciation expense was US\$15,146,000 for the six months ended June 30, 2020.

8. Guangzhou Biologics Business

In March 2017, BeiGene HK, a wholly owned subsidiary of the Company, and Guangzhou GET Technology Development Co., Ltd. (now Guangzhou High-tech Zone Technology Holding Group Co., Ltd.) (“GET”), entered into a definitive agreement to establish a commercial scale biologics manufacturing facility in Guangzhou, Guangdong Province, PRC. BeiGene HK and GET entered into an Equity Joint Venture Contract (the “JV Agreement”).

Under the terms of the JV Agreement, BeiGene HK made an initial cash capital contribution of RMB200,000,000 and a subsequent contribution of one or more biologics assets in exchange for a 95% equity interest in BeiGene Biologics. GET made a cash capital contribution of RMB100,000,000 to BeiGene Biologics, representing a 5% equity interest in BeiGene Biologics. In addition, on March 7, 2017, BeiGene Biologics entered into a contract with GET, under which GET agreed to provide a RMB900,000,000 loan (the “Shareholder Loan”) to BeiGene Biologics. In September 2019, BeiGene Biologics completed the first phase of construction of a biologics manufacturing facility in Guangzhou, through a wholly-owned subsidiary, BeiGene Guangzhou Biologics Manufacturing Co., Ltd. (“BeiGene Guangzhou Factory”), to manufacture biologics for the Company and its subsidiaries.

In September 2020, BeiGene HK entered into a share purchase agreement (“JV Share Purchase Agreement”) with GET to acquire GET’s 5% equity interest in BeiGene Biologics for a total purchase price of US\$28,723,000 (RMB195,262,000). The transaction was finalized in November 2020 upon completion of the business registration filing. The share purchase was recorded as an equity transaction. The carrying amount of the noncontrolling interest balance of US\$9,116,000 was adjusted to nil to reflect the increase in BeiGene HK’s ownership interest to 100%, and the difference in the fair value of the consideration paid and the carrying amount of the noncontrolling interest of US\$19,599,000 was recorded to additional paid in capital. In conjunction with the JV Share Purchase Agreement, BeiGene Biologics repaid the outstanding principal of the shareholder loan of US\$132,061,000 (RMB900,000,000) and accrued interest of US\$36,558,000 (RMB249,140,000).

In connection with the JV share purchase, the Company entered into a loan agreement with China Minsheng Bank for a total loan facility of up to US\$200,000,000 (“Senior Loan”), of which US\$120,000,000 will be used to fund the JV share repurchase and repayment of the shareholder loan and US\$80,000,000 can be used for general working capital purposes. The Company may extend the original maturity date for up to two additional twelve month periods. In October 2020, the Company drew down US\$80,000,000 of the working capital facility and US\$118,320,000 of the acquisition facility to be used for the JV share repurchase. In addition, the Company entered into a loan agreement with Zhuhai Hillhouse Zhaohui Equity Investment Partnership (“Zhuhai Hillhouse”) for a total loan facility of US\$73,640,000 (RMB500,000,000) (“Related Party Loan”), of which US\$14,728,000 (RMB100,000,000) can be used for general corporate purposes and US\$58,912,000 (RMB400,000,000) can only be applied towards the repayment of the Senior Loan facility, including principal, interest and fees. The Company has drawn down US\$15,488,000 (RMB100,000,000) of the Related Party Loan as of June 30, 2021. See Note 13 for further discussion of the loans.

9. Intangible Assets

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

	As of June 30, 2021			As of December 31, 2020		
	Gross carrying amount US\$'000	Accumulated amortization US\$'000	Intangible assets, net US\$'000	Gross carrying amount US\$'000	Accumulated amortization US\$'000	Intangible assets, net US\$'000
Finite-lived intangible assets:						
Product distribution rights	7,500	(2,875)	4,625	7,500	(2,500)	5,000
Developed product	7,500	(117)	7,383	–	–	–
Trading license	816	(816)	–	816	(816)	–
Total finite-lived intangible assets	<u>15,816</u>	<u>(3,808)</u>	<u>12,008</u>	<u>8,316</u>	<u>(3,316)</u>	<u>5,000</u>

Product distribution rights consist of distribution rights on the approved cancer therapies licensed from BMS, REVLIMID®, VIDAZA®, and ABRAXANE®, acquired as part of the transaction with BMS (then Celgene) in 2017. The Company is amortizing the product distribution rights over a period of 10 years which is the term of the agreement. Developed product represents the post-approval milestone payment under the license agreement with Merck KGaA that was terminated during the year ended December 31, 2018. The Company is amortizing the developed product over the remainder of the product patent through December 31, 2031. The trading license represents the Guangzhou drug distribution license acquired on September 21, 2018. The Company amortized the drug distribution trading license over the remainder of the initial license term through February 2020. The trading license has been renewed through February 2024.

Amortization expense for developed product is included in cost of sales – product in the accompanying consolidated statements of operations. Amortization expense for product distribution rights and the trading licenses is included in operating expenses in the accompanying consolidated statements of operations. Amortization expense was as follows:

	Six Months Ended June 30,	
	2021 US\$'000	2020 US\$'000
Amortization expense – Cost of sales – product	117	–
Amortization expense – Operating expense	<u>375</u>	<u>471</u>
Total	<u>492</u>	<u>471</u>

As of June 30, 2021, expected amortization expense for the unamortized finite-lived intangible assets is approximately US\$727,000 for the remainder of 2021, US\$1,453,000 in 2022, US\$1,453,000 in 2023, US\$1,453,000 in 2024, and US\$6,922,000 in 2025 and thereafter.

10. Income Taxes

Income tax benefit was US\$4,860,000 for the six months ended June 30, 2021. Income tax expense was US\$79,000 for the six months ended June 30, 2020. The income tax benefit for the six months ended June 30, 2021 was primarily attributable to the deferred tax benefit of U.S. stock-based compensation deductions in excess of tax expense on income reported in certain China subsidiaries as adjusted for certain non-deductible expenses. The income tax expense for the six months ended June 30, 2020 was primarily attributable to tax expense on income reported in certain China subsidiaries as adjusted for certain non-deductible expenses, offset by the tax benefit of deferred U.S. stock-based compensation deductions. The Company's current U.S. tax was reduced by windfall stock compensation deductions and research and development tax credits.

On a quarterly basis, the Company evaluates the realizability of deferred tax assets by jurisdiction and assesses the need for a valuation allowance. In assessing the realizability of deferred tax assets, the Company considers historical profitability, evaluation of scheduled reversals of deferred tax liabilities, projected future taxable income and tax-planning strategies. Valuation allowances have been provided on deferred tax assets where, based on all available evidence, it was considered more likely than not that some portion or all of the recorded deferred tax assets will not be realized in future periods. After consideration of all positive and negative evidence, the Company believes that as of June 30, 2021, it is more likely than not that deferred tax assets will not be realized for the Company's subsidiaries in Australia and Switzerland, for certain subsidiaries in China, and for all U.S. tax credit carryforwards.

As of June 30, 2021, the Company had gross unrecognized tax benefits of US\$8,306,000. The Company does not anticipate that the amount of existing unrecognized tax benefits will significantly change within the next 12 months. The Company's reserve for uncertain tax positions increased by US\$1,183,000 in the six months ended June 30, 2021 primarily due to U.S. federal and state tax credits and incentives.

The Company has elected to record interest and penalties related to income taxes as a component of income tax expense. As of June 30, 2021 and December 31, 2020, the Company's accrued interest and penalties, where applicable, related to uncertain tax positions were not material.

The Company conducts business in a number of tax jurisdictions and, as such, is required to file income tax returns in multiple jurisdictions globally. As of June 30, 2021, Australia tax matters are open to examination for the years 2013 through 2021, China tax matters are open to examination for the years 2014 through 2021, Switzerland tax matters are open to examination for the years 2017 through 2021, and U.S. federal tax matters are open to examination for years 2015 through 2021. Various U.S. states and other non-US tax jurisdictions in which the Company files tax returns remain open to examination for 2010 through 2021.

11. Supplemental Balance Sheet Information

Prepaid expenses and other current assets consist of the following:

	As of	
	June 30, 2021	December 31, 2020
	US\$'000	US\$'000
Prepaid research and development costs	73,563	71,341
Prepaid taxes	26,941	30,392
Payroll tax receivable	29,141	3,580
Non-trade receivable	3,504	4,464
Interest receivable	6,916	6,619
Prepaid insurance	7,113	1,347
Prepaid manufacturing cost	51,408	25,996
Income tax receivable	5,108	4,607
Other	21,761	11,666
Total	225,455	160,012

Other non-current assets consist of the following:

	As of	
	June 30,	December 31,
	2021	2020
	US\$'000	US\$'000
Goodwill	109	109
Prepayment of property and equipment	24,244	16,984
Prepayment of facility capacity expansion activities (1)	23,096	29,778
Prepaid VAT	23,600	10,913
Rental deposits and other	7,244	5,962
Long-term investments (Note 4)	53,951	49,344
Total	132,244	113,090

(1) Represents payments for facility expansions under commercial supply agreements. The payments are providing future benefit to the Company through credits on commercial supply purchases.

Accrued expenses and other payables consist of the following:

	As of	
	June 30,	December 31,
	2021	2020
	US\$'000	US\$'000
Compensation related	81,795	106,765
External research and development activities related	169,826	143,302
Commercial activities	73,073	66,131
Employee tax withholdings	36,074	14,373
Sales rebates and returns related	25,572	11,874
Professional fees and other	12,516	3,699
Total	398,856	346,144

Other long-term liabilities consist of the following:

	As of	
	June 30,	December 31,
	2021	2020
	US\$'000	US\$'000
Deferred government grant income	47,403	49,139
Pension liability	7,752	8,113
Other	176	177
Total	55,331	57,429

12. Accounts Payable

An aging analysis of the accounts payable as of the end of the reporting period, based on the invoice date, is as follows:

	As of	
	June 30, 2021 US\$'000	December 31, 2020 US\$'000
Within 3 months	163,600	230,638
3 to 6 months	4,584	312
6 months to 1 year	112	147
Over 1 year	530	860
Total	<u>168,826</u>	<u>231,957</u>

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

13. Debt

The following table summarizes the Company's short-term and long-term debt obligations as of June 30, 2021 and December 31, 2020:

Lender	Agreement Date	Line of Credit US\$'000/ RMB'000	Term	Maturity Date	Interest Rate	June 30, 2021		December 31, 2020	
						US\$'000	RMB'000	US\$'000	RMB'000
China Construction Bank	April 4, 2018	RMB580,000	9-year	April 4, 2027	(1)	774	5,000	307	2,000
China Merchants Bank	January 22, 2020	(2)	9-year	January 20, 2029	(2)	774	5,000	-	-
China Minsheng Bank (the "Senior Loan")	September 24, 2020	US\$200,000		(3)	5.80%	198,320	1,280,475	198,320	1,294,010
Zuhai Hillhouse (the "Related Party Loan")	September 24, 2020	RMB500,000		(4)	5.80%	15,488	100,000	15,326	100,000
Other short-term debt (5)						<u>219,446</u>	<u>1,416,874</u>	<u>121,062</u>	<u>789,918</u>
Total short-term debt						<u>434,802</u>	<u>2,807,349</u>	<u>335,015</u>	<u>2,185,928</u>
China Construction Bank	April 4, 2018	RMB580,000	9-year	April 4, 2027	(1)	88,901	574,000	88,584	578,000
China Merchants Bank	January 22, 2020	(2)	9-year	January 20, 2029	(2)	53,434	345,000	53,641	350,000
China Merchants Bank	November 9, 2020	RMB378,000	9-year	November 8, 2029	(6)	<u>52,521</u>	<u>339,111</u>	<u>41,412</u>	<u>270,206</u>
Total long-term bank loans						<u>194,856</u>	<u>1,258,111</u>	<u>183,637</u>	<u>1,198,206</u>

- The outstanding borrowings bear floating interest rates benchmarking RMB loan interest rates of financial institutions in the PRC. The loan interest rate was 4.9% as of June 30, 2021. The loan is secured by BeiGene Guangzhou Factory's land use right and certain Guangzhou Factory fixed assets in the first phase of the Guangzhou manufacturing facility's build out. The Company repaid US\$155,000 (RMB1,000,000) during the six months ended June 30, 2021.

2. On January 22, 2020, BeiGene Guangzhou Factory entered into a nine-year bank loan with China Merchants Bank to borrow up to RMB1,100,000,000 at a floating interest rate benchmarked against prevailing interest rates of certain PRC financial institutions. The loan is secured by Guangzhou Factory's second land use right and fixed assets that will be placed into service upon completion of the second phase of the Guangzhou manufacturing facility's build out. In connection with the Company's short-term loan agreements with China Merchants Bank entered into during the year ended December 31, 2020, the borrowing capacity was reduced from RMB1,100,000,000 to RMB350,000,000. The loan interest rate was 4.4% as of June 30, 2021.
3. US\$120,000,000 of the Senior Loan was designated to fund the JV share purchase and repayment of the shareholder loan and US\$80,000,000 was designated for general working capital purposes. The Senior Loan has an original maturity date of October 8, 2021, which is the first anniversary of the first date of utilization of the loan. The Company may extend the original maturity date for up to two additional 12 month periods.
4. RMB100,000,000 of the Related Party Loan was designated for general corporate purposes and RMB400,000,000 was designated for repayment of the Senior Loan, including principal, interest and fees. The loan matures at the earlier of: (i) November 9, 2021, which is one month after the Senior Loan maturity date, if not extended, or (ii) 10 business days after the Senior Loan is fully repaid. Zhuhai Hillhouse is a related party of the Company, as it is an affiliate of Hillhouse Capital. Hillhouse Capital is a shareholder of the Company, and a Hillhouse Capital employee is a member of the Company's board of directors.
5. During the year ended December 31, 2020, the Company entered into additional short-term working capital loans with China Industrial Bank and China Merchants Bank to borrow up to RMB1,480,000,000 in aggregate, with maturity dates ranging from April 19, 2021 to June 29, 2022. The Company drew down US\$112,589,000 (RMB730,082,000) during the six months ended June 30, 2021. The Company repaid US\$15,804,000 (RMB103,126,000) of the short-term loans in the six months ended June 30, 2021. The weighted average interest rate for the short-term working capital loans was approximately 4.3% as of June 30, 2021. One of the short-term working capital loans outstanding in the amount of US\$24,781,000 (RMB160,000,000) is secured by the Company's research and development facility in Beijing and the associated land use right owned by its subsidiary, Beijing Innerway Bio-tech Co., Ltd.
6. The outstanding borrowings bear floating interest rates benchmarking RMB loan interest rates of financial institutions in the PRC. The loan interest rate was 4.3% as of June 30, 2021. The Company drew down US\$10,819,000 (RMB68,905,000) during the six months ended June 30, 2021. The loan is secured by fixed assets that will be placed into service upon completion of the third phase of the Guangzhou manufacturing facility's build out.

Interest Expense

Interest expense recognized for the six months ended June 30, 2021 was US\$14,577,000, among which US\$251,000 was capitalized. Interest expense recognized for six months ended June 30, 2020 was US\$3,607,000, among which US\$124,000 was capitalized.

The maturity profile of the interest-bearing bank loan is as follows:

	As of	
	June 30, 2021 US\$'000	December 31, 2020 US\$'000
Analyzed into:		
Bank loan repayable:		
Within one year	434,802	335,015
In the second to third years, inclusive	29,881	15,019
In the fourth to fifth years, inclusive	72,717	63,106
Above five years	92,258	105,512
Total	629,658	518,652

14. Product Revenue

The Company's product revenue is derived from the sale of its internally developed products BRUKINSA® in the United States and China, and tislelizumab and pamiparib in China, as well as the sale of REVLIMID®, VIDAZA® and ABRAXANE® in China under a license from BMS and XGEVA®, BLINCYTO® and KYPROLIS® in China under a license from Amgen. On March 25, 2020, the Company announced that the NMPA suspended the importation, sales and use of ABRAXANE® in China supplied to BeiGene by Celgene, a BMS company, and the drug was subsequently recalled by BMS and is not currently available for sale in China.

The table below presents the Company's net product sales for the six months ended June 30, 2021 and 2020.

	Six Months Ended June 30,	
	2021 US\$'000	2020 US\$'000
Product revenue – gross	291,794	120,877
Less: Rebates and sales returns	(47,053)	(3,183)
Product revenue – net	244,741	117,694

The following table disaggregates net product sales by product for the six months ended June 30, 2021 and June 30, 2020:

	Six Months Ended June 30,	
	2021 US\$'000	2020 US\$'000
Tislelizumab	123,758	49,943
BRUKINSA®	64,513	7,691
REVLIMID®	26,775	24,847
VIDAZA®	6,961	17,832
ABRAXANE®	–	17,381
XGEVA®	17,792	–
Pamiparib	2,221	–
Other	2,721	–
Total product revenue – net	244,741	117,694

The following table presents the roll-forward of accrued sales rebates and returns for the six months ended June 30, 2021 and 2020:

	Six Months Ended June 30,	
	2021	2020
	US\$'000	US\$'000
Balance at beginning of the period	11,874	3,198
Accrual	47,053	3,183
Payments	(33,355)	(2,485)
Balance at end of the period	<u>25,572</u>	<u>3,896</u>

Sales rebates accrued and paid through June 30, 2021 increased as a result of compensating distributors for products previously sold at the pre-NRDL price, which remained in the distribution channel, due to the first inclusion of tislelizumab, BRUKINSA® and XGEVA® in the NRDL.

15. Loss Before Income Tax Expense

The Company's loss before income tax expense is arrived at after charging/(crediting):

	Six Months Ended June 30,	
	2021	2020
	US\$'000	US\$'000
Cost of inventories sold	68,948	28,456
Depreciation and amortization expense	20,784	15,146
Research and development costs (note)	676,817	590,270
Amortization of operating lease right-of-use assets	10,141	9,097
Amortization of license rights	375	471
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages, salaries and other benefits	316,935	200,146
Share-based compensation expenses	110,632	83,723
Pension scheme contributions (defined contribution scheme)	<u>17,523</u>	<u>6,412</u>
	445,090	290,281
Gain on sale of available-for-sale securities	(62)	(1,429)
Gain on deconsolidation of entity	–	(11,307)
Foreign exchange differences, net	2,460	3,944
Bank interest income	(5,534)	(16,515)

Note:

During the six months ended June 30, 2021 and 2020, research and development costs of approximately US\$220,110,000 and US\$156,411,000 were also included in employee benefit expense.

16. Loss Per Share

The following table reconciles the numerator and denominator in the computations of basic and diluted loss per share:

	Six Months Ended June 30,	
	2021	2020
	US\$'000	US\$'000
Numerator:		
Net loss	(413,846)	(701,257)
Less: Net loss attributable to noncontrolling interest	—	(2,320)
	<u>(413,846)</u>	<u>(698,937)</u>
Denominator:		
Weighted average shares outstanding – basic and diluted	1,191,521,766	1,007,967,904

For the six months ended June 30, 2021 and June 30, 2020, the computation of basic loss per share using the two-class method was not applicable as the Company was in a net loss position, and the effects of all share options, restricted shares, restricted share units and ESPP shares were excluded from the calculation of diluted loss per share, as their effect would have been anti-dilutive.

17. Share-Based Compensation Expense

2016 Share Option and Incentive Plan

In January 2016, in connection with the Company's initial public offering ("US IPO") on the NASDAQ Stock Market, the board of directors and shareholders of the Company approved the 2016 Share Option and Incentive Plan (the "2016 Plan"), which became effective in February 2016. The Company initially reserved 65,029,595 ordinary shares for the issuance of awards under the 2016 Plan, plus any shares available under the 2011 Option Plan (the "2011 Plan"), and not subject to any outstanding options as of the effective date of the 2016 Plan, along with underlying share awards under the 2011 Plan that are cancelled or forfeited without issuance of ordinary shares. As of June 30, 2021, ordinary shares cancelled or forfeited under the 2011 Plan that were carried over to the 2016 Plan totaled 5,166,458. In December 2018, the shareholders approved an amended and restated 2016 Plan to increase the number of shares authorized for issuance by 38,553,159 ordinary shares, as well as amend the cap on annual compensation to independent directors and make other changes. In June 2020, the shareholders approved an Amendment No. 1 to the 2016 Plan to increase the number of shares authorized for issuance by 57,200,000 ordinary shares and to extend the term of the plan through April 13, 2030. The number of shares available for issuance under the 2016 Plan is subject to adjustment in the event of a share split, share dividend or other change in the Company's capitalization.

During the six months ended June 30, 2021, the Company granted options for 5,696,054 ordinary shares and restricted share units for 12,828,907 ordinary shares under the 2016 Plan. As of June 30, 2021, options and restricted share units for ordinary shares outstanding under the 2016 Plan totaled 67,981,478 and 36,537,657, respectively. As of June 30, 2021, share-based awards to acquire 51,329,739 ordinary shares were available for future grant under the 2016 Plan.

2018 Inducement Equity Plan

In June 2018, the board of directors of the Company approved the 2018 Inducement Equity Plan (the "2018 Plan") and reserved 12,000,000 ordinary shares to be used exclusively for grants of awards to individuals that were not previously employees of the Company or its subsidiaries, as a material inducement to the individual's entry into employment with the Company or its subsidiaries within the meaning of Rule 5635(c)(4) of the listing rules of the NASDAQ Stock Market (the "NASDAQ Listing Rules"). The 2018 Plan was approved by the board of directors upon recommendation of the compensation committee, without shareholder approval pursuant to Rule 5635(c)(4) of the NASDAQ Listing Rules. The terms and conditions of the 2018 Plan, and the forms of award agreements to be used thereunder, are substantially similar to the 2016 Plan and the forms of award agreements thereunder. In August 2018, in connection with the Hong Kong IPO, the board of directors of the Company approved an amended and restated 2018 Plan to implement changes required by the HK Listing Rules.

During the six months ended June 30, 2021, the Company did not grant any options or restricted share units under the 2018 Plan. As of June 30, 2021, options and restricted share units for ordinary shares outstanding under the 2018 Plan totaled 32,539 and 1,085,786, respectively. As of June 30, 2021, share-based awards to acquire 9,237,253 ordinary shares were available for future grant under the 2018 Plan.

2018 Employee Share Purchase Plan

In June 2018, the shareholders of the Company approved the 2018 Employee Share Purchase Plan (the “ESPP”). Initially, 3,500,000 ordinary shares of the Company were reserved for issuance under the ESPP. In December 2018, the board of directors of the Company approved an amended and restated ESPP to increase the number of shares authorized for issuance by 3,855,315 ordinary shares to 7,355,315 ordinary shares. In June 2019, the board of directors adopted an amendment to revise the eligibility criteria for enrollment in the plan. In June 2021, the board of directors of the Company adopted the third amended and restated ESPP to include some technical amendments under U.S. tax rules and to consolidate the changes in the prior amendment, to be effective on September 1, 2021. The ESPP allows eligible employees to purchase the Company’s ordinary shares (including in the form of ADSs) at the end of each offering period, which will generally be six months, at a 15% discount to the market price of the Company’s ADSs at the beginning or the end of each offering period, whichever is lower, using funds deducted from their payroll during the offering period. Eligible employees are able to authorize payroll deductions of up to 10% of their eligible earnings, subject to applicable limitations.

As of June 30, 2021, 5,619,932 ordinary shares were available for future issuance under the ESPP.

The following tables summarizes the shares issued under the ESPP:

Issuance Date	Number of Ordinary Shares Issued	Market Price ¹		Purchase Price ²		Proceeds	
		ADS	Ordinary	ADS	Ordinary		
February 26, 2021	436,124	US\$ 236.3	US\$ 18.18	US\$ 200.86	US\$ 15.45	US\$’000	6,738
August 31, 2020	485,069	US\$ 164.06	US\$ 12.62	US\$ 139.45	US\$ 10.73	US\$’000	5,203
February 28, 2020	425,425	US\$ 145.54	US\$ 11.2	US\$ 123.71	US\$ 9.52	US\$’000	4,048

- 1 The market price is the lower of the closing price on the NASDAQ Stock Market on the issuance date or the offering date, in accordance with the terms of the ESPP.
- 2 The purchase price is the price which was discounted from the applicable market price, in accordance with the terms of the ESPP.

The following table summarizes total share-based compensation expense recognized for the six months ended June 30, 2021 and 2020:

	Six Months Ended June 30,	
	2021 US\$’000	2020 US\$’000
Research and development	52,082	44,111
Selling, general and administrative	58,542	39,612
Total	<u>110,624</u>	<u>83,723</u>

18. Accumulated Other Comprehensive Income

The movement of accumulated other comprehensive income was as follows:

	Foreign Currency Translation Adjustments US\$'000	Unrealized Gains/(Losses) on Available-for-Sale Securities US\$'000	Pension Liability Adjustments US\$'000	Total US\$'000
Balance as of December 31, 2020	14,184	871	(8,113)	6,942
Other comprehensive (loss) income before reclassifications	5,864	(1,010)	361	5,215
Amounts reclassified from accumulated other comprehensive income (1)	—	(62)	—	(62)
Net-current period other comprehensive (loss) income	5,864	(1,072)	361	5,153
Balance as of June 30, 2021	20,048	(201)	(7,752)	12,095

- (1) The amounts reclassified from accumulated other comprehensive income were included in other (expense) income, net in the consolidated statements of operations.

19. Shareholders' Equity

Share Purchase Agreement

In January 2020, the Company sold 15,895,001 ADSs, representing a 20.5% ownership stake in the Company, to Amgen for aggregate cash proceeds of US\$2,779,241,000, or US\$174.85 per ADS, pursuant to the SPA executed in connection with the Amgen Collaboration Agreement.

20. Restricted Net Assets

The Company's ability to pay dividends may depend on the Company receiving distributions of funds from its PRC subsidiaries. Relevant PRC statutory laws and regulations permit payments of dividends by the Company's PRC subsidiaries only out of the subsidiary's retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. The results of operations reflected in the condensed consolidated financial statements prepared in accordance with GAAP differ from those reflected in the statutory financial statements of the Company's PRC subsidiaries.

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

As a result of these PRC laws and regulations, including the requirement to make annual appropriations of at least 10% of after-tax income and set aside as general reserve fund prior to payment of dividends, the Company's PRC subsidiaries are restricted in their ability to transfer a portion of their net assets to the Company.

Foreign exchange and other regulations in the PRC may further restrict the Company's PRC subsidiaries from transferring funds to the Company in the form of dividends, loans and advances. As of June 30, 2021 and December 31, 2020, amounts restricted were the net assets of the Company's PRC subsidiaries, which amounted to US\$659,122,000 and US\$119,776,000, respectively.

21. Commitments and Contingencies

Purchase Commitments

As of June 30, 2021, the Company had purchase commitments amounting to US\$220,147,000, of which US\$86,293,000 related to minimum purchase requirements for supply purchased from CMOs and US\$133,854,000 related to binding purchase obligations of inventory from BMS and Amgen. The Company does not have any minimum purchase requirements for inventory from BMS or Amgen.

Capital Commitments

The Company had capital commitments amounting to US\$70,669,000 for the acquisition of property, plant and equipment as of June 30, 2021, which were mainly for BeiGene Guangzhou Factory's manufacturing facility, expansion of BeiGene Guangzhou's research and development activities in Guangzhou, China, and research and development operations at the Changping facility in Beijing, China.

Co-Development Funding Commitment

Under the Amgen Collaboration Agreement, the Company is responsible for co-funding global development costs for the Amgen oncology pipeline assets up to a total cap of US\$1,250,000,000. The Company is funding its portion of the co-development costs by contributing cash and development services. As of June 30, 2021, the Company's remaining co-development funding commitment was US\$909,777,000.

Research and Development Commitment

The Company entered into a long-term research and development agreement during the six months ended June 30, 2021, which includes obligations to make an upfront payment and fixed quarterly payments over the next five years. As of June 30, 2021, the total research and development commitment amounted to US\$74,751,000.

Funding Commitment

The Company had committed capital related to one equity method investment in the amount of US\$15,000,000. As of June 30, 2021, the remaining capital commitment was US\$13,500,000 and is expected to be paid from time to time over the investment period.

Pension Commitment

The Company maintains a defined benefit pension plan in Switzerland. Funding obligations under the defined benefit pension plan are equivalent to US\$1,300,000 per year based on annual funding contributions in effect as of June 30, 2021 to achieve fully funded status where the market value of plan assets equals the projected benefit obligations. Future funding requirements will be subject to change as a result of future changes in staffing and compensation levels, various actuarial assumptions and actual investment returns on plan assets.

Other Business Agreements

The Company enters into agreements in the ordinary course of business with contract research organizations ("CROs") to provide research and development services. These contracts are generally cancelable at any time by us with prior written notice.

The Company also enters into collaboration agreements with institutions and companies to license intellectual property. The Company may be obligated to make future development, regulatory and commercial milestone payments and royalty payments on future sales of specified products associated with its collaboration agreements. Payments under these agreements generally become due and payable upon achievement of such milestones or sales. These commitments are not recorded on the Company's balance sheet because the achievement and timing of these milestones are not fixed and determinable. When the achievement of these milestones or sales have occurred, the corresponding amounts are recognized in the Company's financial statements.

22. Related Party Transactions

- (a) In addition to the transactions detailed elsewhere in this financial information, the Company had the following related party transactions for the six months ended June 30, 2021 and 2020:

Xiaodong Wang, Chairman of Scientific Advisory Board, director and shareholder, provided consulting service to the Company, and the compensation received by Dr. Wang for consulting service for the six months ended June 30, 2021 and 2020 consisted of (i) US\$50,000 (2020: US\$50,000) in consulting fees, (ii) US\$75,000 (2020: US\$75,000) as a performance-based cash bonus, (iii) share-based compensation expenses for options and RSUs of US\$2,271,000 (2020:US\$3,511,000).

- (b) Compensation of key management personnel of the Company:

	Six Months Ended June 30,	
	2021	2020
	US\$'000	US\$'000
Short term employee benefits	2,945	2,009
Post-employment benefits	65	49
Share-based compensation expenses	17,635	15,002
Total compensation paid to key management personnel	20,645	17,060

23. Segment and Geographic Information

The Company operates in one segment: pharmaceutical products. Its chief operating decision maker is the Chief Executive Officer, who makes operating decisions, assesses performance and allocates resources on a consolidated basis.

The Company's long-lived assets are substantially located in the PRC.

Net product revenues by geographic area are based upon the location of the customer, and net collaboration revenue is recorded in the jurisdiction in which the related income is expected to be sourced from. Total net revenues by geographic area are presented as follows:

	Six Months Ended June 30,	
	2021	2020
	US\$'000	US\$'000
PRC	218,617	113,918
United States	383,809	3,776
Other	153,438	—
Total	755,864	117,694

U.S. revenues for the six months ended June 30, 2021 consisted of collaboration revenue of US\$357,786,000, and BRUKINSA® product sales of US\$26,023,000. U.S. revenues for six months ended June 30, 2020 consisted entirely of BRUKINSA® product sales.

24. Reconciliation between U.S. GAAP and international financial reporting standards

The unaudited interim condensed consolidated financial statements are prepared in accordance with U.S. GAAP, which differ in certain respects from International Financial Reporting Standards (“IFRS”). The effects of material differences between the financial information of the Company prepared under U.S. GAAP and IFRS are as follows:

Six months ended June 30, 2021				
Consolidated statement of operations data	Amounts as reported under U.S. GAAP	IFRS adjustments		Amounts under IFRS
	US\$'000	US\$'000	US\$'000	US\$'000
			Tax benefit/deficiency on share-based compensation	
		Share-based compensation (note (i))	(note (iii))	
Research and development	(676,817)	34,210	–	(642,607)
Selling, general and administrative	(414,395)	18,197	–	(396,198)
Loss before income tax expense	(418,706)	52,407	–	(366,299)
Income tax (expense) benefit	4,860	(4,125)	(21,801)	(21,066)
Net loss	(413,846)	48,282	(21,801)	(387,365)
Net loss attributable to BeiGene, Ltd.	(413,846)	48,282	(21,801)	(387,365)
Six months ended June 30, 2020				
Consolidated statement of operations data	Amounts as reported under U.S. GAAP	IFRS adjustments		Amounts under IFRS
	US\$'000	US\$'000	US\$'000	US\$'000
			Tax benefit/deficiency on share-based compensation	
		Share-based compensation (note (i))	(note (iii))	
Research and development	(590,270)	(1,204)	–	(591,474)
Selling, general and administrative	(231,130)	(6,283)	–	(237,413)
Loss before income tax expense	(701,178)	(7,487)	–	(708,665)
Income tax expense	(79)	616	(10,467)	(9,930)
Net loss	(701,257)	(6,871)	(10,467)	(718,595)
Net loss attributable to BeiGene, Ltd.	(698,937)	(6,871)	(10,467)	(716,275)

Consolidated balance sheet data	Amounts as reported under US GAAP US\$'000	As at June 30, 2021			Amounts under IFRS US\$'000
		IFRS adjustments			
		US\$'000	US\$'000	US\$'000	
				Tax benefit/ deficiency on share based compensation	
		Share based compensation (note (i))	Preferred Shares (note (ii))	(note (iii))	
Deferred tax assets	79,751	(4,125)	—	—	85,693
		10,067*	—	—	
Total assets	5,524,116	5,942	—	—	5,530,058
Additional paid-in capital	7,561,155	(52,407)	307,894*	21,801	8,043,580
		125,319*	—	79,818*	
Accumulated deficit	(3,966,595)	52,407	(307,894)*	(21,801)	(4,443,078)
		(4,125)	—	—	
		(115,252)*	—	(79,818)*	
Total equity	3,606,775	5,942	—	—	3,612,717

As at December 31, 2020					
	Amounts as reported under US GAAP US\$'000	IFRS adjustments			Amounts under IFRS US\$'000
		US\$'000	US\$'000	US\$'000	
				Tax benefit/ deficiency on share based compensation (note (iii))	
Consolidated balance sheet data		Share based compensation (note (i))	Preferred Shares (note (ii))		
Deferred tax assets	65,962	1,143	—	—	76,029
		8,924*	—	—	
Total assets	5,600,757	10,067	—	—	5,610,824
Additional paid-in capital	7,414,932	17,618	307,894*	41,404	7,927,963
		107,701*	—	38,414*	
Accumulated deficit	(3,552,749)	(17,618)	(307,894)*	(41,404)	(4,055,713)
		1,143	—	—	
		(98,777)*	—	(38,414)*	
Total equity	3,869,243	10,067	—	—	3,879,310

* IFRS adjustments brought forward from prior years.

Notes:

(i) Share based compensation

Under U.S. GAAP, the Company has elected to recognize compensation expense using the straight-line method for all employee equity awards granted with graded vesting based on service conditions provided that the amount of compensation cost recognized at any date is at least equal to the portion of the grantdate value of the options that are vested at that date.

Under IFRS, the accelerated method is required to recognize compensation expense for all employee equity awards granted with graded vesting.

A difference of US\$52,407,000 arose between the amount of share-based compensation (included in research and development expenses, and selling, general and administrative expenses) recognized under U.S. GAAP and IFRS for the six months ended June 30, 2021 (six months ended June 30, 2020: US\$7,487,000). The related income tax impact of this item was US\$4,125,000 for the six months ended June 30, 2021 (six months ended June 30, 2020: US\$616,000).

The accumulated difference on share-based compensation recognized in expenses and additional paid in capital under U.S. GAAP and IFRS was US\$125,319,000, the related income tax impact on above differences was US\$10,067,000, and net impact on the accumulated deficit was US\$115,252,000 as of December 31, 2020. The differences as of December 31, 2020 were all carried forward as opening IFRS adjustments to the balance sheet as of January 1, 2021.

(ii) Preferred Shares

Prior to the Company's US IPO, the Company had preferred shares, which were converted into ordinary shares at the time of the US IPO. Under U.S. GAAP, the preferred shares issued by the Company were classified as mezzanine equity, as these convertible preferred shares were redeemable upon the occurrence of a conditional event (i.e., Liquidation Transaction). The holders of the preferred shares had a liquidation preference upon the occurrence of the conditional event. The conversion options and contingent redemption options of the convertible preferred shares do not qualify for bifurcation accounting because the conversion options are clearly and closely related to the host instrument and the underlying ordinary shares of the conversion options and redemption options are not publicly traded nor readily convertible into cash. No beneficial conversion features are recognized for the convertible preferred shares, as the fair values per ordinary share at the respective commitment dates were less than the most favorable conversion prices. The Company concluded that the preferred shares were not redeemable currently and it was not probable that the preferred shares would become redeemable because the likelihood of the Liquidation Transaction was remote. Therefore, no adjustment was made to the initial carrying amount of the preferred shares.

Under IFRS, the preferred shares were regarded as a hybrid instrument consisting of a host debt instrument and a conversion option as a derivative. This was the result of certain redemption triggering events of the preferred shares being outside the control of the ordinary shareholders of the Company. In addition, the holders of the preferred shares were entitled to convert the preferred shares into a variable number of the Company's ordinary shares upon occurrence of certain anti-dilution events. Under IFRS, the Company initially recorded all of the preferred shares as financial liabilities at fair value, with subsequent changes in the amount of the fair value of the preferred shares recognized in the statement of operations in the year in which they arose. Hence, all the fair value changes in the preferred shares of US\$307,894,000 prior to the conversion into the Company's ordinary shares in February 2016 was recognized in the statement of operations under IFRS, and the cumulative effect of such fair value changes was recognized in the additional paid in capital account upon the conversion of the preferred shares into the ordinary shares. The effect of such IFRS adjustments on accumulated deficit and additional paid-in capital was US\$307,894,000, which was all carried forward to opening balance sheets of subsequent financial years/periods.

(iii) Tax benefit/deficiency on share-based compensation

Under U.S. GAAP, deferred taxes are calculated based on the cumulative share-based compensation expense recognized in the financial statements, and ASC 2016-09 required all excess tax benefits and tax deficiencies to be recorded as income tax expense or benefit in the statement of operations, rather than in shareholders' equity.

Under IFRS, deferred taxes are calculated based on the estimated tax deduction determined at each reporting date. If the tax deduction exceeds cumulative compensation cost for an individual award, deferred tax based on the excess is credited to shareholders' equity. If the tax deduction is less than or equal to cumulative compensation cost for an individual award, deferred taxes are recorded in statement of operations.

As the deferred tax assets impact was determined to the extent of future available taxable profit against which the estimated additional tax deduction can be utilized, there is no difference on deferred tax assets for tax benefit on share-based compensation expenses recognized under U.S. GAAP and IFRS as of June 30, 2021 and December 31, 2020. The cumulative income tax benefit on excess tax deductions of US\$21,801,000 for the six months ended June 30, 2021 (2020: US\$10,467,000) was recognized in equity under IFRS, rather than in the statement of operations under U.S. GAAP.

The accumulated difference of excess tax deduction of US\$79,818,000 recognized in equity amounted to US\$79,818,000 as of December 31, 2020, and are carried forward as opening adjustments to the balance sheet as of January 1, 2021 under IFRS.

(iv) Lease

The Company adopted the new lease standard effective January 1, 2019 using the modified retrospective method and did not restate historical comparative periods under U.S. GAAP. As a lessee, the Company recognized a lease liability based on the present value of the total remaining lease payments, and a corresponding right of use asset under U.S. GAAP. The Company subsequently recognize an operating lease expense on straight line basis over the lease term.

IFRS 16, Lease requires entities to present interest expense on the lease liability and depreciation on the right of use assets separately in the statement of operations. This will change the allocation of expenses and the total amount of expenses recognized for each period of the lease term. The combination of a straight-line depreciation of the right-of-use asset and the effective interest rate method applied to the lease liability will result in a higher total charge to profit or loss in the initial years of the lease terms, and a decreasing expense during the latter years of the lease terms.

Based on the Company's assessment, the differences on lease recognized under U.S. GAAP and IFRS did not have material impact on unaudited financial statements as of June 30, 2021 and for the six months ended June 30, 2021.

(v) Investment

Under U.S. GAAP, the Company elected to measure an equity security without a readily determinable fair value that does not qualify for the practical expedient to estimate fair value at its cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer.

Under IFRS, the Company measured the investments in equity instruments at fair value through profit or loss (FVTPL).

Based on the Company's assessment, the differences on investment recognized under U.S. GAAP and IFRS did not have material impact on unaudited financial statements as of June 30, 2021 and for the six months ended June 30, 2021.

25. Dividends

The board of directors of the Company did not recommend the distribution of any interim dividend for the six months ended June 30, 2021 (six months ended June 30, 2020: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

We are a global, commercial-stage biotechnology company focused on discovering, developing, manufacturing, and commercializing innovative medicines to improve treatment outcomes and expand access for patients worldwide.

We have delivered ten molecules into the clinic in its first ten years, including three commercial medicines, BRUKINSA[®], a small molecule inhibitor of BTK for the treatment of various blood cancers, tislelizumab, an anti-PD-1 antibody immunotherapy for the treatment of various solid tumor and blood cancers, and pamiparib, a selective small molecule inhibitor of PARP1 and PARP2. We are marketing BRUKINSA[®] in the world's two largest pharmaceutical markets, the United States and China, and tislelizumab and pamiparib in China, with an established, science-based commercial organization. Additionally, we have licensed the China rights to multiple medicines, including Amgen's XGEVA[®], BLINCYTO[®], and KYPROLIS[®]; BMS's ABRAXANE[®], REVLIMID[®], and VIDAZA[®]; and EUSA Pharma's SYLVANT[®] and QARZIBA[®]. We have built state-of-the-art biologic and small molecule manufacturing facilities in China to support current and potential future demand of our medicines, and plan to build a commercial-stage biologics manufacturing and clinical R&D center in New Jersey. We also work with high quality CMOs to manufacture our internally developed clinical and commercial products.

We are a leader in China-inclusive global clinical development, which we believe can facilitate faster and more cost-effective development of innovative medicines. Our internal clinical development capabilities are deep, including a more than 1,700-person global clinical development team that is running more than 95 ongoing or planned clinical trials. This includes more than 30 pivotal or registration-enabling trials for three drug candidates that have enrolled more than 13,000 patients and healthy volunteers, of which approximately one-half have been outside of China, as of August 2021. We have approximately 50 medicines and drug candidates in commercial stage or clinical development, including 10 approved medicines, 2 pending approval, and over 30 in clinical development.

Supported by our development and commercial capabilities, we have entered into collaborations with world-leading biopharmaceutical companies such as Amgen and Novartis to develop and commercialize innovative medicines globally. Since our inception in 2010 in Beijing, we have become a fully integrated global organization of over 6,400 employees in 18 countries and regions as of June 30, 2021, including China, the United States, Europe and Australia.

Recent Developments

Recent Business Developments

On August 22, 2021, we announced that the Center for Drug Evaluation (the "CDE") of the China National Medical Products Administration (the "NMPA") has accepted a supplemental Biologics License Application ("sBLA") for anti-PD-1 antibody tislelizumab in combination with chemotherapy as a first-line treatment for patients with recurrent or metastatic nasopharyngeal cancer (NPC).

On August 18, 2021, we announced Swissmedic has accepted the marketing authorization application (the "MAA") for BRUKINSA[®], a treatment option for adult patients with Waldenström's macroglobulinaemia (WM). Swissmedic has started the formal review of the MAA. BRUKINSA[®] has already been granted orphan drug status by Swissmedic.

On August 17, 2021, we announced that the NMPA has granted QARZIBA® (dinutuximab beta) conditional approval for the treatment of high-risk neuroblastoma in patients aged 12 months and above who have previously received induction chemotherapy and achieved at least a partial response, followed by myeloablative therapy and stem cell transplantation, as well as patients with a history of relapsed or refractory (R/R) neuroblastoma with or without residual disease. Dinutuximab beta is a targeted immunotherapy approved by the European Medicines Agency.

On August 3, 2021, we announced our plans to build a new campus for R&D and manufacturing at the Princeton West Innovation Campus in Hopewell, NJ. BeiGene has entered into a purchase agreement to acquire an approximately 42-acre site with over one million square feet of developable real estate, to build a state-of-the-art facility that is expected to include commercial-stage biologic pharmaceutical manufacturing, clinical R&D, and the BeiGene Center for Pharmacovigilance Innovation. BeiGene intends to recruit hundreds of new hires from the area's deep talent pool to support its continued growth and its commitment to producing life-saving oncology medicines.

On July 29, 2021, we announced positive topline results from an interim analysis of the Phase 3 SEQUOIA trial comparing BRUKINSA® (zanubrutinib) to bendamustine and rituximab (B+R) in patients with treatment-naïve (TN) chronic lymphocytic leukemia (CLL) or small lymphocytic lymphoma (SLL) whose tumor did not exhibit the deletion of chromosome 17p13.1 (del[17p]). With a median follow-up of 25.8 months, the SEQUOIA trial met the primary endpoint of progression-free survival (PFS) as assessed by independent review committee (IRC), as BRUKINSA® achieved a highly statistically significant improvement in PFS compared to B+R. In addition, the trial demonstrated a statistically significant improvement in PFS per investigator assessment, a secondary endpoint. BRUKINSA® was also generally well-tolerated, consistent with its known safety profile.

On July 26, 2021, we announced that BRUKINSA® was approved by Health Canada for the treatment of mantle cell lymphoma (MCL) in adult patients who have received at least one prior therapy. This is the second approval for BRUKINSA® in Canada, following its initial approval in March 2021 for adult patients with WM.

On July 9, 2021, we announced that the NMPA conditionally approved KYPROLIS® (carfilzomib) for injection in combination with dexamethasone for the treatment of adult patients with R/R multiple myeloma who have received at least two prior therapies, including a proteasome inhibitor and an immunomodulatory agent. KYPROLIS® is licensed to us in China under our strategic collaboration with Amgen. This is the first approval for KYPROLIS® in China.

On July 7, 2021, we announced that the CDE of the NMPA accepted a sBLA for our anti-PD1 antibody tislelizumab for the treatment of patients with locally advanced or metastatic esophageal squamous cell carcinoma (ESCC) who have disease progression following or are intolerant to first-line standard chemotherapy.

On June 23, 2021, we announced that the NMPA granted our anti-PD-1 antibody tislelizumab approval for the first-line treatment of patients with advanced non-squamous non-small cell lung cancer (NSCLC) and conditional approval for the treatment of patients with hepatocellular carcinoma (HCC) who have been previously treated with at least one systemic therapy.

On June 18, 2021, we announced that BRUKINSA® received conditional approval from the NMPA for the treatment of adult patients with WM who have received at least one prior therapy. The supplemental new drug application ("sNDA") was previously granted priority review by the CDE of the NMPA in October 2020.

On June 11, 2021, we presented results from the interim analysis of the Phase 3 ALPINE trial comparing BRUKINSA® to ibrutinib in adult patients with R/R chronic lymphocytic leukemia (CLL) or small lymphocytic lymphoma (SLL), including superiority in the primary endpoint of investigator-assessed overall response rate (ORR) and superiority in a key secondary endpoint of atrial fibrillation or flutter.

On June 9, 2021, we announced that we entered into an exclusive worldwide strategic collaboration with Shoreline Biosciences, Inc. (“Shoreline”) to develop and commercialize a portfolio of NK-based cell therapeutics with Shoreline’s iPSC NK cell technology and our research and clinical development capabilities for different malignancies. Shoreline will receive an upfront cash payment and is eligible to receive additional research and development funding, milestone payments, and royalties pending successful development, regulatory approval and commercialization of the licensed candidates.

On June 7, 2021, we announced that the CDE of the NMPA accepted an sBLA for anti-PD-1 antibody tislelizumab for the treatment of patients with previously treated, locally advanced unresectable or metastatic microsatellite instability-high (MSI-H) or mismatch repair-deficient (dMMR) solid tumors.

On May 19, 2021, we announced that the U.S. Food and Drug Administration (the “FDA”) accepted an sNDA for BRUKINSA® for the treatment of adult patients with marginal zone lymphoma (MZL) who have received at least one prior anti-CD20-based therapy and granted priority review. The Prescription Drug User Fee Act (PDUFA) target action date is September 19, 2021.

On May 7, 2021, we announced that our PARP inhibitor pamiparib received conditional approval from the NMPA for the treatment of patients with germline BRCA (gBRCA) mutation-associated recurrent advanced ovarian, fallopian tube, or primary peritoneal cancer who have been treated with two or more lines of chemotherapy. The new drug application was previously granted priority review by the CDE in July 2020.

COVID-19 Impact

We expect that the worldwide health crisis of COVID-19 will continue to have a negative impact on our operations, including commercial sales, regulatory interactions, inspections, filings, and clinical trial recruitment, participation, and data read outs. There remains uncertainty regarding the future impact of the pandemic globally. We are striving to minimize delays and disruptions, and continue to execute on our commercial, regulatory, manufacturing, and clinical development goals globally.

FUTURE AND OUTLOOK

Our mission is to provide access to high-quality, innovative, impactful, and affordable medicines to billions more people globally. We believe that we have built competitive advantages in research, clinical development, manufacturing and commercialization that will drive our business into the future. We intend to continue to develop and expand our competitive advantages and become a global leader by focusing on the following key strategic imperatives:

- 1. Research and innovation focus.** We have built one of the largest research teams in China with more than 650 people and a robust suite of capabilities that fuel our innovation pipeline. To date, our research organization has advanced more than 10 internally discovered molecules into the clinic and, of those programs, three medicines have been approved for commercial use in multiple indications. Our team has discovered promising new drug candidates, including our investigational TIGIT antibody and BCL-2 inhibitor currently in development. We plan to continue to invest in research and innovation with the aim of discovering additional innovative product candidates for patients.
- 2. World class clinical development.** We believe that leveraging our leadership position in China-inclusive clinical development will enable us to develop products with advantages in speed and cost efficiency, while maintaining quality. We plan to continue to invest to in-source our clinical capabilities to mitigate the challenges associated with relying on third-party CROs, with the intention of becoming one of the best clinical development organizations in the world.
- 3. China commercial leadership.** We have built a large commercial team in China, with over 2,900 colleagues spread across the country and organized under experienced executive leadership. We believe that we have established BeiGene as a high-quality, science-driven, leading provider of innovative and affordable medicines in China. We aspire to grow our commercial portfolio through both internal discovery efforts and through in-licensing additional products and product candidates, striving to be a partner of choice and creating mutual benefits with our partners wherever possible. We believe that our commercial capabilities in China, coupled with our China-inclusive clinical development capabilities conducted at global-quality standards, enable us to attract favorable in-licensing opportunities. We plan to further invest in our China commercial organization and create advantages in scale, speed, and quality to establish our commercial leadership in China.
- 4. Global leadership, access, and reputation.** We have launched BRUKINSA® in the United States and built a targeted commercial team focused on medical thought leaders in blood cancer treatments. This competitive foothold is based on the clinical differentiation of our approved products and product candidates and our deep relationships. We aspire to establish our reputation globally as a leading biotechnology company by delivering highly effective and differentiated medicines in the United States, China, Europe and new markets.
- 5. Broad accessibility.** We believe that our commercial scale in China, potentially lower upfront development costs through China-inclusive clinical development, sizeable portfolio of innovative therapies, and overall commercial expertise in serving large, underserved populations give us a unique advantage and create an opportunity for us to be an early mover in providing innovative medicines at affordable prices to many geographies that are not traditionally the focus for pharmaceutical or biotechnology companies. We plan to focus our long-term strategy on seeking approvals of our portfolio compounds globally and building clinical development and commercial capabilities in these markets, either alone or through our collaborators.

FINANCIAL REVIEW

Revenue

Product Revenue

We began generating product revenue in September 2017 through our in-license agreement with BMS (then Celgene) to distribute the approved cancer therapies REVLIMID®, VIDAZA®, and ABRAXANE® in China. Following approval from the FDA in November 2019, we launched our first internally developed medicine, BRUKINSA®, in the United States. We launched our second internally developed medicine, tislelizumab, in China in March 2020 and in June 2020, we launched BRUKINSA® in China. Additionally, we launched our third internally developed medicine, pamiparib, in China in May 2021. In July 2020, we began selling XGEVA® under our in-license agreement with Amgen. In December 2020, we announced the inclusion of tislelizumab, BRUKINSA®, and XGEVA® in the updated National Reimbursement Drug List (the “NRDL”) by the China National Healthcare Security Administration (“NHSA”), which became effective on March 1, 2021. We received approval for BLINCYTO® in China in December 2020, and received approval for KYPROLIS® in China in July 2021, and plan to launch additional in-licensed products from our collaborations, and continue to expand our efforts to promote our existing commercial products.

Revenues from product sales are recognized when there is a transfer of control from the Company to the customer. The Company determines transfer of control based on when the product is delivered, and title passes to the customer. Revenues from product sales are recognized net of variable consideration resulting from rebates, chargebacks, trade discounts and allowances, sales returns allowances and other incentives. Provisions for estimated reductions to revenue are provided for in the same period the related sales are recorded and are based on contractual terms, historical experience and trend analysis.

Collaboration Revenue

We recognize collaboration revenues for amounts earned under collaborative and out-licensing arrangements. In January 2021, we entered into a collaboration and license agreement with Novartis, granting Novartis rights to develop, manufacture and commercialize tislelizumab in the United States, Canada, Mexico, member countries of the European Union, United Kingdom, Norway, Switzerland, Iceland, Liechtenstein, Russia, and Japan (the “Novartis Territory”). There were two performance obligations identified at the outset of the agreement: (1) the exclusive license to develop, manufacture, and commercialize tislelizumab in the Novartis Territory, transfer of know-how and use of the tislelizumab trademark and (2) conducting and completing ongoing trials of tislelizumab (“R&D services”). Under this agreement, we received an upfront cash payment, which was allocated between the two performance obligations identified in the agreement based on the relative standalone selling prices of the performance obligations. The portion allocated to the license was recognized upon the delivery of the license right and transfer of know-how. The portion of the upfront payment allocated to the R&D services was deferred and is being recognized as collaboration revenue as the R&D services are performed using a percentage of completion method. Estimated costs to complete are reassessed on a periodic basis and any updates to the revenue earned are recognized on a prospective basis.

The potential milestone payments that we are eligible to receive under the Novartis collaboration were excluded from the initial transaction price, as all milestone amounts are variable consideration and were fully constrained due to uncertainty of achievement. Performance-based milestones will be recognized when the milestone event is achieved or when the risk of revenue reversal is remote. Sales-based milestones and royalties will be recognized when the underlying sales occur.

Expenses

Cost of Sales

Cost of sales includes the costs to manufacture our internally developed commercial products, as well as costs to purchase tislelizumab from Boehringer Ingelheim Biopharmaceuticals (China) Ltd. Additionally, cost of sales included the cost of products purchased from Amgen and BMS. Also included in cost of sales are amounts paid to Amgen for its share of net sales or gross margin earned on sales of products in-licensed from Amgen. Costs to manufacture inventory in preparation for commercial launch of a product incurred prior to regulatory approval are expensed to research and development expense as incurred. Cost of sales for newly launched products will not be recorded until the initial pre-launch inventory is depleted and additional inventory is manufactured. To date, the Company's initial pre-launch inventory for its commercial products has been immaterial, and the consumption of the remaining pre-launch inventory on hand is not expected to have a significant impact on the Company's gross margin.

Research and Development Expenses

Research and development expenses consist of the costs associated with our research and development activities, conducting preclinical studies and clinical trials, and activities related to regulatory filings. Our research and development expenses consist of:

- expenses incurred under agreements with CROs, CMOs, and consultants that conduct and support clinical trials and preclinical studies;
- costs of comparator drugs in certain of our clinical trials;
- manufacturing costs related to pre-commercial activities;
- costs associated with preclinical activities and development activities;
- costs associated with regulatory operations;
- employee-related expenses, including salaries, benefits, travel and share-based compensation expense for research and development personnel;
- in-process research and development costs expensed as part of collaboration agreements entered into; and
- other expenses, which include direct and allocated expenses for rent and maintenance of facilities, insurance and other supplies used in research and development activities.

Our current research and development activities mainly relate to the clinical advancement of our internally developed medicines and drug candidates:

- BRUKINSA® (zanubrutinib), a small molecule inhibitor of BTK;
- tislelizumab, a humanized monoclonal antibody against PD-1;
- pamiparib, a selective small molecule inhibitor of PARP1 and PARP2;
- ociperlimab, an investigational humanized monoclonal antibody against TIGIT;
- BGB-15025, an investigational hematopoietic progenitor kinase 1 (HPK1) inhibitor;
- BGB-11417, an investigational small molecular inhibitor of Bcl-2;
- lifirafenib, an investigational novel small molecule inhibitor of both the monomer and dimer forms of BRAF;
- BGB-A333, an investigational humanized monoclonal antibody against PD-L1; and
- BGB-A425, an investigational humanized monoclonal antibody against TIM-3.

Research and development activities also include costs associated with in-licensed drug candidates, including:

- R&D expense related to the co-development of pipeline assets under the Amgen Collaboration Agreement. Our total cost share obligation to Amgen is split between R&D expense and a reduction to the R&D cost share liability;
- sitravatinib, an investigational, spectrum-selective kinase inhibitor, licensed from Mirati Therapeutics, Inc. (“Mirati”);
- zanidatamab (ZW25) and ZW49, two investigational bispecific antibody-based product candidates targeting HER2, licensed from Zymeworks Inc. (“Zymeworks”);
- BAT1706, an investigational biosimilar to Avastin® (bevacizumab), licensed from Bio-Thera Solutions, Ltd. (“Bio-Thera”); and
- DXP-593 and DXP-604, investigational anti-COVID-19 antibodies, licensed from Singlomics (Beijing DanXu) Biopharmaceuticals Co., Ltd. (“Singlomics”).

We expense R&D costs when we incur them. We record costs for certain development activities, such as clinical trials, based on an evaluation of the progress to completion of specific tasks using data such as subject enrollment, clinical site activations or information our vendors provide to us. We expense the manufacturing costs of our internally developed products that are used in clinical trials as they are incurred as R&D expense. We do not allocate employee-related costs, depreciation, rental and other indirect costs to specific research and development programs because these costs are deployed across multiple product programs under research and development and, as such, are separately classified as unallocated research and development expenses.

At this time, it is difficult to estimate or know for certain, the nature, timing and estimated costs of the efforts that will be necessary to complete the development of our internally developed medicines and drug candidates. We are also unable to predict when, if ever, material net cash inflows will commence from sales of our medicines and drug candidates, if approved. This is due to the numerous risks and uncertainties associated with developing such medicines and drug candidates, including the uncertainty of:

- successful enrollment in and completion of clinical trials;
- establishing an appropriate safety and efficacy profile;
- establishing and maintaining commercial manufacturing capabilities or making arrangements with third-party manufacturers;
- receipt of marketing and other required approvals from applicable regulatory authorities;
- successfully launching and commercializing our medicines and drug candidates, if and when approved, whether as monotherapies or in combination with our internally developed medicines and drug candidates or third-party products;
- market acceptance, pricing and reimbursement;
- obtaining and maintaining patent and trade secret protection and regulatory exclusivity for our medicines and drug candidates;
- continued acceptable safety and efficacy profiles of the products following approval;
- sufficient supply of the products following approval;
- competition from competing products; and
- retention of key personnel.

A change in the outcome of any of these variables with respect to the development of any of our medicines and drug candidates would significantly change the costs, timing and viability associated with the commercialization or development of that medicine or drug candidate.

R&D activities are central to our business model. We expect R&D costs to increase significantly for the foreseeable future as our development programs progress, as we continue to support the clinical trials of our medicines and drug candidates as treatments for various cancers and as we move these medicines and drug candidates into additional clinical trials, including potential pivotal trials. There are numerous requirements, many of which cannot be determined with accuracy at this time based on our stage of development. Additionally, future commercial and regulatory factors beyond our control may impact our clinical development and commercial programs and plans.

Selling, General and Administrative Expenses

Selling, general and administrative expenses consist primarily of product promotion costs, distribution costs, salaries and related benefit costs, including share-based compensation for selling, general and administrative personnel. Other selling, general and administrative expenses include professional fees for legal, consulting, auditing and tax services as well as other direct and allocated expenses for rent and maintenance of facilities, travel costs, insurance and other supplies used in selling, general and administrative activities. We anticipate that our selling, general and administrative expenses will increase in future periods to support planned increases in commercialization activities with respect to tislelizumab, BRUKINSA®, pamiparib, XGEVA®, BLINCYTO®, and KYPROLIS®, and the preparation for potential launch and commercialization of additional in-licensed products from our collaborations and internally developed products, if approved. We also expect selling, general and administrative expenses to increase in future periods to support our research and development efforts, including the continuation of the clinical trials of our treatments for various cancers and the initiation of clinical trials for potential new indications or drug candidates. These cost increases will likely be due to increased promotional costs, increased headcount, increased share-based compensation expenses, expanded infrastructure and increased costs for insurance. We also incur significant legal, compliance, accounting, insurance and investor and public relations expenses associated with being a public company with our ADSs and ordinary shares listed for trading on The NASDAQ Global Select Market and The Stock Exchange of Hong Kong Limited (“HKEx”), respectively.

Interest (Expense) Income, Net

Interest Income

Interest income consists primarily of interest generated from our cash and short-term investments in money market funds, time deposits, U.S. Treasury securities and U.S. agency securities.

Interest Expense

Interest expense consists primarily of interest on our bank loans, related party loan and shareholder loan.

Other (Expense) Income, Net

Other (expense) income consists primarily of gains recognized related to equity investments, government grants and subsidies received that involve no conditions or continuing performance obligations by us, realized and unrealized gains and losses related to foreign currency exchange rates, unrealized gains and losses on equity securities, and realized gains and losses on the sale of investments.

Results of Operations

The following table summarizes our results of operations for the six months ended June 30, 2021 and 2020:

	Six Months Ended June 30,		Changes	
	2021	2020		%
	(US dollars in thousands)			
Revenues				
Product revenue, net	244,741	117,694	127,047	107.9%
Collaboration revenue	511,123	–	511,123	N/A
Total revenues	755,864	117,694	638,170	542.2%
Expenses				
Cost of sales – product	68,948	28,456	40,492	142.3%
Research and development	676,817	590,270	86,547	14.7%
Selling, general and administrative	414,395	231,130	183,265	79.3%
Amortization of intangible assets	375	471	(96)	(20.4)%
Total expenses	1,160,535	850,327	310,208	36.5%
Loss from operations	(404,671)	(732,633)	327,962	(44.8)%
Interest (expense) income, net	(9,045)	7,798	(16,843)	(216.0)%
Other (expense) income, net	(4,990)	23,657	(28,647)	(121.1)%
Loss before income taxes	(418,706)	(701,178)	282,472	(40.3)%
Income tax (benefit) expense	(4,860)	79	(4,939)	(6,251.9)%
Net loss	(413,846)	(701,257)	287,411	(41.0)%
Less: Net loss attributable to noncontrolling interest	–	(2,320)	2,320	(100.0)%
Net loss attributable to BeiGene, Ltd.	<u>(413,846)</u>	<u>(698,937)</u>	<u>285,091</u>	(40.8)%

Comparison of the Six Months Ended June 30, 2021 and 2020

Revenue

Total revenue increased to US\$755.9 million, or 542.2%, for the six months ended June 30, 2021, from US\$117.7 million for the six months ended June 30, 2020, primarily due to collaboration revenue from the Novartis arrangement, increased sales of our internally developed products, as well as sales of XGEVA®, the first product licensed under our collaboration with Amgen, which commenced sales in China in July 2020.

The following table summarizes the components of revenue for the six months ended June 30, 2021 and 2020, respectively:

	Six Months Ended		Changes	
	June 30,			%
	2021	2020		
	(US dollars in thousands)			
Product revenue	244,741	117,694	127,047	107.9%
Collaboration revenue:				
License revenue	484,646	–	484,646	N/A
Research and development service revenue	26,477	–	26,477	N/A
Total collaboration revenue	511,123	–	511,123	N/A
Total Revenue	<u>755,864</u>	<u>117,694</u>	<u>638,170</u>	542.2%

Net product revenues consisted of the following:

	Six Months Ended		Changes	
	June 30,			%
	2021	2020		
	(US dollars in thousands)			
Tislelizumab	123,758	49,943	73,815	147.8%
BRUKINSA®	64,513	7,691	56,822	738.8%
REVLIMID®	26,775	24,847	1,928	7.8%
VIDAZA®	6,961	17,832	(10,871)	(61.0)%
ABRAXANE®	–	17,381	(17,381)	(100.0)%
XGEVA®	17,792	–	17,792	N/A
Pamiparib	2,221	–	2,221	N/A
Other	2,721	–	2,721	N/A
Total product revenue	<u>244,741</u>	<u>117,694</u>	<u>127,047</u>	107.9%

Net product revenue increased 107.9% to US\$244.7 million for the six months ended June 30, 2021, compared to US\$117.7 million in the prior year period, primarily due to increased sales of tislelizumab in China and BRUKINSA® in the United States and China, as well as sales of pamiparib, which we began selling in China in May 2021, partially offset by decreased sales of the BMS products distributed in China. In addition, product revenues in the first half of 2021 were positively impacted by sales of Amgen's XGEVA® in China, which we began distributing in July 2020.

Product revenues in the first half of 2021 were negatively impacted by an adjustment of US\$28.1 million as a result of compensating distributors for products that remained in the distribution channel which were sold during the first quarter, prior to applying the lower prices of the NRDL, due to the first inclusion of tislelizumab, BRUKINSA®, and XGEVA® in the updated NRDL by the NHTA, which became effective on March 1, 2021. In the first half, the inclusion of tislelizumab, BRUKINSA®, and XGEVA® in the NRDL significantly increased patient demand that more than offset the net effect of price reductions as a result of NRDL inclusion. Overall, we expect sales of our internally-developed products and in-licensed products from Amgen to lead to total product revenue growth in 2021, driven by an increase in sales volume as our launches progress.

We expect product revenue from the in-licensed products from BMS to continue to be impacted by the NHTA's suspension of the importation, sales and use of ABRAXANE® in China in March 2020 and the subsequent voluntary recall of ABRAXANE® by BMS, as well as increased competition from generic products for REVLIMID® and the loss of volume-based procurement ("VBP") bidding for VIDAZA®. Although the impact of COVID-19 on commercial activities in China lessened in the second half of 2020 and in the first half of 2021, there is continued uncertainty regarding the future potential impact of the pandemic both in China and the United States, as well as globally. We do not expect revenue from ABRAXANE® until the NHTA lifts its suspension on the importation, sale and use of ABRAXANE® and qualified drug is manufactured and available for sale in China. We do not know when the NHTA suspension of ABRAXANE® will be lifted and when we will be able to re-commence sales of ABRAXANE®.

Collaboration revenue totaled US\$511.1 million for the six months ended June 30, 2021. US\$484.6 million was recognized upon delivery of the license right and transfer of know-how to Novartis under our collaboration and license agreement with Novartis, and US\$26.5 million was recognized from deferred revenue for R&D services performed during the six months ended June 30, 2021 (see Note 3). We did not have any collaboration revenue during the six months ended June 30, 2020.

Cost of Sales

Cost of sales increased to US\$68.9 million for the six months ended June 30, 2021 from US\$28.5 million for the six months ended June 30, 2020, primarily due to increased product sales of tislelizumab, BRUKINSA®, and XGEVA®, and were partially offset by lower sales of BMS in-licensed products.

Gross Margin

Gross margin on product sales increased to US\$175.8 million for the six months ended June 30, 2021, compared to US\$89.2 million in the prior year period, primarily due to increased product revenue in the current year period. Gross margin as a percentage of product sales decreased to 71.8% for the six months ended June 30, 2021, from 75.8% in the comparable period of the prior year. The decrease is primarily due to the impact of the accrued compensation in the first quarter of 2021 to customers for sales of tislelizumab, BRUKINSA®, and XGEVA® that remained in the channel and were sold at the pre-NRDL price, as well as the ongoing lower prices resulting from the listing on the NRDL. These negative impacts to our gross margin were partially offset by a proportionally higher sales mix of BRUKINSA® compared to lower margin sales of in-licensed products. We expect gross margin to normalize in the remainder of 2021 and be consistent with the prior year, as the sales mix evolves toward our higher margin internally developed products. We anticipate that the effect to gross margin for significant reductions in listing prices effective March 1, 2021 as a result of inclusion in the NRDL for tislelizumab, BRUKINSA® and XGEVA® will be partially mitigated by adjustments to the Company's patient assistance programs. Pre-launch inventory carried at zero or low cost consumed during the six months ended June 30, 2021 and June 30, 2020 was immaterial and did not have a significant impact on our gross margin.

Research and Development Expense

Research and development expense increased by US\$86.5 million, or 14.7%, to US\$676.8 million for the six months ended June 30, 2021 from US\$590.3 million for the six months ended June 30, 2020. The following table summarizes external clinical, external non-clinical and internal research and development expense for the six months ended June 30, 2021 and 2020, respectively:

	Six Months Ended		Changes	
	June 30,			%
	2021	2020		
	(US dollars in thousands)			
External research and development expense:				
Cost of development programs	219,433	240,211	(20,778)	(8.6)%
Upfront license fees	53,500	43,000	10,500	24.4%
Amgen co-development expense ¹	55,330	56,703	(1,373)	(2.4)%
Total external research and development expenses	328,263	339,914	(11,651)	(3.4)%
Internal research and development expenses	348,554	250,356	98,198	39.2%
Total research and development expenses	<u>676,817</u>	<u>590,270</u>	<u>86,547</u>	<u>14.7%</u>

1 Our co-funding obligation for the development of the pipeline assets under the Amgen Collaboration Agreement for the six months ended June 30, 2021 totaled US\$109.2 million, of which US\$55.3 million was recorded as R&D expense. The remaining US\$53.9 million was recorded as a reduction of the R&D cost share liability.

The decrease in external R&D expenses in the six months ended June 30, 2021 was primarily attributable to decreases in external spending for BRUKINSA®, tislelizumab, and pamiparib, as well as a decrease in the expense recognized on co-development fees to Amgen, partially offset by increases in upfront license fees under collaboration agreements.

Internal R&D expense increased US\$98.2 million, or 39.2%, to US\$348.6 million and was primarily attributable to the expansion of our global development organization and our clinical and preclinical drug candidates, as well as our continued efforts to internalize research and clinical trial activities, and included the following:

- US\$52.5 million increase of employee salary and benefits, primarily attributable to hiring more research and development personnel to support our expanding research and development activities;
- US\$17.5 million increase of facilities, depreciation, office expense, rental fees, and other expenses to support the growth of our organization;
- US\$14.4 million increase of consulting fees, which was mainly attributable to increased travel and meeting expense related to scientific, regulatory and development consulting activities, in connection with the advancement of our drug candidates;

- US\$8.0 million increase of share-based compensation expense, primarily attributable to our increased headcount of research and development employees, resulting in more awards being expensed related to the growing research and development employee population; and
- US\$5.8 million increase of materials and reagent expenses, primarily in connection with the in-house manufacturing of drug candidates used for clinical purposes.

Selling, General and Administrative Expense

Selling, general and administrative expense increased by US\$183.3 million, or 79.3%, to US\$414.4 million, for the six months ended June 30, 2021, from US\$231.1 million for the six months ended June 30, 2020. The increase was primarily attributable to the following:

- US\$77.5 million increase of employee salary and benefits, which was primarily attributable to the expansion of our commercial organizations in China, the United States, Canada, Europe and emerging markets, and the hiring of more personnel to support our growing business;
- US\$67.0 million increase in external commercial-related expenses, including market research, sales and marketing, consulting and conference related expenses, related to the growth of our global commercial organization, as we continue to build our worldwide footprint and capabilities;
- US\$19.9 million increase of professional fees, consulting, recruiting, information technology, tax, accounting and audit services, and facility expenses, rental fees, office expenses, and other administrative expenses, primarily attributable to the global expansion of our business, including the expansion of our commercial operations in China, the United States and Europe; and
- US\$18.9 million increase of share-based compensation expense, primarily attributable to our increased headcount of sales and administrative employees, resulting in more awards being expensed related to the growing sales and administrative employee population.

Interest (Expense) Income, Net

Interest (expense) income, net decreased by US\$16.8 million, or 216.0%, to US\$9.0 million of net interest expense for the six months ended June 30, 2021, from US\$7.8 million of net interest income for six months ended June 30, 2020. The decrease in interest income, net, was primarily attributable to decreased interest income, as a result of lower interest rates, as well as increased interest expense, resulting from higher debt balances.

Other (Expense) Income, Net

Other expense was US\$5.0 million for the six months ended June 30, 2021, as compared to other income of US\$23.7 million for the six months ended June 30, 2020. The income in the prior year period resulted from unrealized gains on equity investments, as well as a gain recognized in conjunction with the deconsolidation of MapKure.

Income Tax (Benefit) Expense

Income tax benefit was US\$4.9 million for the six months ended June 30, 2021, as compared to an income tax expense of US\$0.1 million for the six months ended June 30, 2020. The income tax benefit for six months ended June 30, 2021 was primarily attributable to the deferred tax benefit of U.S. stock-based compensation deductions in excess of tax expense on income reported in certain China subsidiaries as adjusted for certain non-deductible expenses. The income tax expense for the six months ended June 30, 2020 was primarily attributable to income reported in certain China subsidiaries, offset by the tax benefit of deferred U.S. stock-based compensation deductions. The Company's current U.S. tax was reduced by windfall stock compensation deductions and research and development tax credits.

Discussion of Certain Key Balance Sheet Items

Cash, cash equivalents, restricted cash and short-term investments

As of June 30, 2021, the Company's cash, cash equivalents, restricted cash and short-term investments primarily comprised of (1) approximately US\$3,629.1 million denominated in US dollars; (2) approximately RMB4.8 billion (equivalent to approximately US\$740.3 million) denominated in Renminbi; and (3) approximately US\$22.8 million denominated in Australian dollar, Euro and other currencies.

Accounts receivable

Accounts receivable increased by 22.2% from US\$60.4 million as of December 31, 2020 to US\$73.8 million as of June 30, 2021, primarily due to the increase in product sales in China and the United States for the six months ended June 30, 2021.

Inventories

The inventories increased by 31.7% from US\$89.3 million as of December 31, 2020 to US\$117.6 million as of June 30, 2021, primarily due to the increase in sales of tislelizumab in China, as well as sales of BRUKINSA® in the United States and China.

Prepaid expenses and other current assets

Prepaid expenses and other current assets consist of the following:

	As of	
	June 30,	December 31,
	2021	2020
	(US dollars in thousands)	
Prepaid research and development costs	73,563	71,341
Prepaid taxes	26,941	30,392
Payroll tax receivable	29,141	3,580
Non-trade receivable	3,504	4,464
Interest receivable	6,916	6,619
Prepaid insurance	7,113	1,347
Prepaid manufacturing cost	51,408	25,996
Income tax receivable	5,108	4,607
Other	21,761	11,666
Total	<u>225,455</u>	<u>160,012</u>

Property and equipment, net

The property and equipment increased by 10.5% from US\$357.7 million as of December 31, 2020 to US\$395.2 million as of June 30, 2021, primarily attributable to our on-going buildout of the Guangzhou manufacturing facility and expansion of BeiGene Guangzhou research and development activities in Guangzhou, China.

Accounts payable

Accounts payable includes amounts due to third parties and totaled US\$168.8 million and US\$232.0 million as of June 30, 2021 and December 31, 2020, respectively.

The following table sets forth an aging analysis of accounts payable as of the dates indicated, which is based on invoice date:

	As of	
	June 30,	December 31,
	2021	2020
	(US dollars in thousands)	
Within 3 months	163,600	230,638
3 to 6 months	4,584	312
6 months to 1 year	112	147
Over 1 year	530	860
Total	<u>168,826</u>	<u>231,957</u>

Accrued expenses and other payables

Accrued expenses and other payables consist of the following as of June 30, 2021 and December 31, 2020:

	As of	
	June 30, 2021	December 31, 2020
	(US dollars in thousands)	
Compensation related	81,795	106,765
External research and development activities related	169,826	143,302
Commercial activities	73,073	66,131
Employee tax withholdings	36,074	14,373
Sales rebates and returns related	25,572	11,874
Professional fees and other	12,516	3,699
Total	398,856	346,144

Accrued expenses and other payables increased by 15.2% from US\$346.1 million as of December 31, 2020 to US\$398.9 million as of June 30, 2021. The increase was primarily due to (i) hiring of more personnel to support our expanding commercial, research and clinical activities and our growing organization; (ii) expansion of clinical trials for drug candidates, including the initiation or continuation of pivotal trials; and (iii) expansion of our commercial operations and launch of the new products.

Liquidity and Capital Resources

The following table represents our cash, short-term investments, and debt balances as of June 30, 2021 and December 31, 2020:

	As of	
	June 30, 2021	December 31, 2020
	(US dollars in thousands)	
Cash, cash equivalents and restricted cash	1,786,685	1,390,005
Short-term investments	2,605,452	3,268,725
Total debt	629,658	518,652

With the exception of the periods in which we received upfront payments from out-licensing rights to tislelizumab to Novartis, and prior to that BMS, we have incurred net losses and negative cash flows from operations since inception, resulting from the funding of our research and development programs and selling, general and administrative expenses associated with our operations, as well as to support the commercialization of our products globally. We recognized net losses of US\$413.8 million for the six months ended June 30, 2021, and net losses of US\$701.3 million for the six months ended June 30, 2020. As of June 30, 2021, we had an accumulated deficit of US\$4.0 billion.

To date, we have financed our operations principally through proceeds from public and private offerings of our securities and proceeds from our collaborations, together with product sales since September 2017. Based on our current operating plan, we expect that our existing cash, cash equivalents and short-term investments as of June 30, 2021 will enable us to fund our operating expenses and capital expenditure requirements for at least the next 12 months after the date that the financial statements included in this report are issued.

On June 28, 2021, the Listing Committee of the Science and Technology Innovation Board (the “STAR Market”) of the Shanghai Stock Exchange (the “SSE”) approved the listing application which we submitted in January 2021 to the SSE for a proposed public offering of our ordinary shares and listing of such shares on the STAR Market of the SSE (the “STAR Offering”). The STAR Offering will be conducted within the PRC, and such shares will be issued to and subscribed for by investors in Renminbi (“RMB”) in the PRC and listed and traded on the STAR Market in RMB (the “RMB Shares”). The number of RMB Shares (including the over-allotment option) to be issued will not exceed 132,313,549 ordinary shares, representing no more than 10% of the sum of the total number of our issued ordinary shares as of January 7, 2021 and the total number of RMB Shares to be issued in the STAR Offering. The STAR Offering is subject to, among other things, market conditions and additional regulatory approvals, including registration granted by the China Securities Regulatory Commission (“CSRC”).

In January 2021, we entered into a collaboration and license agreement with Novartis, granting Novartis rights to develop, manufacture and commercialize tislelizumab in North America, Europe, and Japan. Under the agreement, we received an upfront cash payment of US\$650 million from Novartis subsequent to closing of the transaction on February 26, 2021.

The following table provides information regarding our cash flows for the six months ended June 30, 2021 and 2020:

	Six Months Ended June 30,	
	2021	2020
	(US dollars in thousands)	
Cash, cash equivalents and restricted cash at beginning of period	1,390,005	620,775
Net cash used in operating activities	(295,171)	(604,886)
Net cash provided by (used in) investing activities	543,544	(1,544,864)
Net cash provided by financing activities	143,050	2,883,161
Net effect of foreign exchange rate changes	5,257	(4,287)
Net increase in cash, cash equivalents, and restricted cash	396,680	729,124
Cash, cash equivalents and restricted cash at end of period	<u>1,786,685</u>	<u>1,349,899</u>

Operating Activities

Cash flows from operating activities is net loss adjusted for certain non-cash items and changes in assets and liabilities.

Operating activities used US\$295.2 million of cash in the six months ended June 30, 2021, which resulted principally from our net loss of US\$413.8 million and an increase in our net operating assets and liabilities of US\$17.6 million, partially offset by non-cash charges of US\$136.3 million. The non-cash charges were primarily driven by share-based compensation expense and charges for acquired in-process research and development costs, offset by amortization of the research and development cost share liability and deferred income tax benefits. The increase in working capital was driven largely by an increase in prepaid expenses, a decrease in accounts payable, and an increase in inventories, partially offset by an increase in deferred revenue resulting from the upfront payment from Novartis.

Operating activities used US\$604.9 million of cash in the six months ended June 30, 2020, which resulted principally from our net loss of US\$701.3 million, partially offset by non-cash charges of US\$67.7 million and a decrease in our net operating assets and liabilities of US\$28.7 million. The non-cash charges were primarily driven by share-based compensation expense, offset by amortization of the research and development cost share liability. The decrease in working capital was driven primarily by an increase in accounts payable and accrued expenses and a decrease in accounts receivable, partially offset by an increase in prepaid expenses and inventories.

Investing Activities

Cash flows from investing activities consist primarily of capital expenditures, investment purchases, sales, maturities, and disposals, and upfront payments related to our collaboration agreements.

Investing activities provided US\$543.5 million of cash in the six months ended June 30, 2021, consisting of sales and maturities of investment securities of US\$2.0 billion, offset by US\$1.4 billion in purchases of investment securities, capital expenditures of US\$80.9 million, US\$8.5 million of acquired in-process research and development, and a US\$7.5 million collaboration milestone payment.

Investing activities used US\$1.5 billion of cash in the six months ended June 30, 2020, consisting of US\$2.4 billion in purchases of investment securities, US\$43.0 million of acquired in-process research and development, capital expenditures of US\$54.1 million, and cash outflows for the deconsolidation of a subsidiary of US\$2.0 million, all of which were offset by sales and maturities of investment securities of US\$997.2 million.

Financing Activities

Cash flows from financing activities consist primarily of sale of ordinary shares and ADSs through equity offerings, issuance and repayment of short-term and long-term debt, and proceeds from the sale of ordinary shares and ADSs through employee equity compensation plans.

Financing activities provided US\$143.1 million of cash in the six months ended June 30, 2021, consisting primarily of US\$112.6 million from proceeds of short-term bank loans, US\$35.6 million from the exercise of employee share options and proceeds from the issuance of shares through our employee share purchase plan, and US\$10.8 million from proceeds of long-term bank loans.

Financing activities provided US\$2.9 billion of cash in the six months ended June 30, 2020, consisting primarily of US\$2.8 billion received from our collaboration with Amgen, of which US\$2.2 billion was recorded as equity, and US\$0.6 billion was recorded as a research and development cost share liability. Additionally, we received US\$28.2 million from the exercise of employee share options and proceeds issuance of shares through our employee share purchase plan, US\$49.5 million from proceeds of a long-term bank loan, and US\$26.2 million from proceeds of a short-term bank loan.

Effects of Exchange Rates on Cash

We have substantial operations in the PRC, which generate a significant amount of RMB-denominated cash from product sales and require a significant amount of RMB-denominated cash to pay our obligations. Since the reporting currency of the Company is the U.S. dollar, periods of volatility in exchange rates may have a significant impact on our consolidated cash balances.

Operating Capital Requirements

We expect to continue to incur losses for the foreseeable future and expect these losses to increase in the near term, as we continue to develop and seek regulatory approvals for our product candidates, expand our research and manufacturing facilities and activities, and commercialize both our internally developed and in-licensed products. The size of our future net losses will depend, in part, on the number and scope of our development programs and the associated costs of those programs, our ability to generate product revenue, and the timing and amount of payments we make or receive from arrangements with third parties. If any of our medicines and drug candidates fail in clinical trials or do not gain regulatory approval, or if approved, fail to achieve market acceptance, we may never become profitable. Even if we achieve profitability in the future, we may not be able to sustain profitability in subsequent periods.

Our future capital requirements will depend on many factors, including:

- our ability to successfully commercialize our internally developed and in-licensed medicines and drug candidates, if approved;
- the costs, timing and outcome of regulatory reviews and approvals;
- the ability of our drug candidates to progress through clinical development successfully;
- the initiation, progress, timing, costs and results of nonclinical studies and clinical trials for our other programs and potential drug candidates;
- the number and characteristics of the medicines and drug candidates we pursue;
- the costs of establishing or expanding commercial manufacturing capabilities or securing necessary supplies from third-party manufacturers;
- the costs of preparing, filing and prosecuting patent applications, maintaining and enforcing our intellectual property rights and defending intellectual property-related claims;

- the costs of establishing and expanding our commercial operations and the success of those operations;
- the extent to which we acquire or in-license other products and technologies; and
- our ability to establish and maintain collaboration arrangements on favorable terms, if at all.

Until such time, if ever, as we can generate substantial product revenue, we may be required to finance our cash needs through a combination of equity offerings, debt financings, collaboration agreements, strategic alliances, licensing arrangements, government grants, and other available sources. Under the rules of the U.S. Securities and Exchange Commission (the “SEC”), we currently qualify as a “well-known seasoned issuer,” which allows us to file shelf registration statements to register an unspecified amount of securities that are effective upon filing. In May 2020, we filed such a shelf registration statement with the SEC for the issuance of an unspecified amount of ordinary shares (including in the form of ADSs), preferred shares, various series of debt securities and/or warrants to purchase any of such securities, either individually or in units, from time to time at prices and on terms to be determined at the time of any such offering. This registration statement was effective upon filing and will remain in effect for up to three years from filing, prior to which time we may file another shelf registration statement that will be effective for up to three years from filing.

To the extent that we raise additional capital through the sale of equity or convertible debt securities, the ownership interest of our shareholders will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect your rights as a holder of ADSs or ordinary shares. Debt financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures, or declaring dividends, and may require the issuance of warrants, which could potentially dilute your ownership interest. If we raise additional funds through collaboration agreements, strategic alliances or licensing arrangements with third parties, we may have to relinquish valuable rights to our medicines or drug candidates, 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, collaborations or other sources when needed, we may be required to delay, limit, reduce or terminate our product development or commercialization efforts or grant rights to develop and market products or drug candidates that we would otherwise prefer to develop and market ourselves.

Contractual Obligations and Commitments

The following table summarizes our significant contractual obligations as of the payment due date by period at June 30, 2021:

	Payments Due by Period				More Than 5 Years
	Total	Less Than	1-3 Years	3-5 Years	
		1 Year			
(US dollars in thousands)					
Contractual obligations					
Operating lease commitments	55,468	8,866	31,590	14,422	590
Purchase commitments	220,147	140,844	33,885	31,438	13,980
Debt obligations	629,658	434,802	29,881	72,717	92,258
Interest on debt	54,096	17,753	17,291	12,745	6,307
Co-development funding commitment	909,777	295,500	559,500	54,777	–
Funding commitment	13,500	4,500	4,500	4,500	–
Research and development commitment	74,751	49,578	11,659	12,369	1,145
Pension plan	7,752	649	2,594	2,594	1,915
Capital commitments	70,669	70,669	–	–	–
Total	2,035,818	1,023,161	690,900	205,562	116,195

Operating Lease Commitments

We lease office or manufacturing facilities in Beijing, Shanghai, Suzhou and Guangzhou in China; office facilities in California, Massachusetts, Maryland, and New Jersey in the United States; and office facilities in Basel, Switzerland under non-cancelable operating leases expiring on various dates. Payments under operating leases are expensed on a straight-line basis over the respective lease terms. The aggregate future minimum payments under these non-cancelable operating leases are summarized in the table above.

Purchase Commitments

As of June 30, 2021, purchase commitments amounted to US\$220.1 million, of which US\$86.3 million related to minimum purchase requirements for supply purchased from CMOs and US\$133.9 million related to binding purchase obligations of inventory from BMS and Amgen. We do not have any minimum purchase requirements for inventory from BMS or Amgen.

Debt Obligations

The following table summarizes our short-term debt and long-term bank loans as of June 30, 2021 (amounts in thousands, except for percentage data):

Lender	Agreement Date	Line of Credit US\$' 000/RMB' 000	Term	Maturity Date	Interest Rate	June 30, 2021	
						US\$' 000	RMB'000
China Construction Bank	April 4, 2018	RMB580,000	9-year	April 4, 2027	(1)	774	5,000
China Merchants Bank	January 22, 2020	(2)	9-year	January 20, 2029	(2)	774	5,000
China Minsheng Bank (the "Senior Loan")	September 24, 2020	US\$200,000	(3)		5.80%	198,320	1,280,475
Zhuhai Hillhouse (the "Related Party Loan")	September 24, 2020	RMB500,000	(4)		5.80%	15,488	100,000
Other short-term debt (5)						219,446	1,416,874
Total short-term debt						<u>434,802</u>	<u>2,807,349</u>
China Construction Bank	April 4, 2018	RMB580,000	9-year	April 4, 2027	(1)	88,901	574,000
China Merchants Bank	January 22, 2020	(2)	9-year	January 20, 2029	(2)	53,434	345,000
China Merchants Bank	November 9, 2020	RMB378,000	9-year	November 8, 2029	(6)	52,521	339,111
Total long-term bank loans						<u>194,856</u>	<u>1,258,111</u>

- The outstanding borrowings bear floating interest rates benchmarking RMB loan interest rates of financial institutions in the PRC. The loan interest rate was 4.9% as of June 30, 2021. The loan is secured by BeiGene Guangzhou Factory's land use right and certain Guangzhou Factory fixed assets in the first phase of the Guangzhou manufacturing facility's build out. The Company repaid US\$0.2 million (RMB1.0 million) during the six months ended June 30, 2021.
- On January 22, 2020, BeiGene Guangzhou Factory entered into a nine-year bank loan with China Merchants Bank to borrow up to RMB1.1 billion at a floating interest rate benchmarked against prevailing interest rates of certain PRC financial institutions. The loan is secured by Guangzhou Factory's second land use right and fixed assets that will be placed into service upon completion of the second phase of the Guangzhou manufacturing facility's build out. In connection with the Company's short-term loan agreements with China Merchants Bank entered into during the year ended December 31, 2020, the borrowing capacity was reduced from RMB1.1 billion to RMB350.0 million. The loan interest rate was 4.4% as of June 30, 2021.
- US\$120.0 million of the Senior Loan was designated to fund the JV share purchase and repayment of the shareholder loan and US\$80.0 million was designated for general working capital purposes. The Senior Loan has an original maturity date of October 8, 2021, which is the first anniversary of the first date of utilization of the loan. The Company may extend the original maturity date for up to two additional 12 month periods.
- RMB100.0 million of the Related Party Loan was designated for general corporate purposes and RMB400.0 million was designated for repayment of the Senior Loan, including principal, interest and fees. The loan matures at the earlier of: (i) November 9, 2021, which is one month after the Senior Loan maturity date, if not extended, or (ii) 10 business days after the Senior Loan is fully repaid. Zhuhai Hillhouse is a related party of the Company, as it is an affiliate of Hillhouse Capital. Hillhouse Capital is a shareholder of the Company, and a Hillhouse Capital employee is a member of the Company's board of directors.

5. During the year ended December 31, 2020, the Company entered into additional short-term working capital loans with China Industrial Bank and China Merchants Bank to borrow up to RMB1.5 billion in aggregate, with maturity dates ranging from April 19, 2021 to June 29, 2022. The Company drew down US\$112.6 million (RMB730.1 million) during the six months ended June 30, 2021. The Company repaid US\$15.8 million (RMB103.1 million) of the short-term loans in the six months ended June 30, 2021. The weighted average interest rate for the short-term working capital loans was approximately 4.3% as of June 30, 2021. One of the short-term working capital loans outstanding in the amount of US\$24.8 million (RMB160.0 million) is secured by the Company's research and development facility in Beijing and the associated land use right owned by its subsidiary, Beijing Innerway Bio-tech Co., Ltd.
6. The outstanding borrowings bear floating interest rates benchmarking RMB loan interest rates of financial institutions in the PRC. The loan interest rate was 4.3% as of June 30, 2021. The Company drew down US\$10.8 million (RMB68.9 million) during the six months ended June 30, 2021. The loan is secured by fixed assets that will be placed into service upon completion of the third phase of the Guangzhou manufacturing facility's build out.

Interest on Debt

Interest on bank loans and the Related Party Loan is paid quarterly until the respective loans are fully settled. For the purpose of contractual obligations calculation, current interest rates on floating rate obligations were used for the remainder contractual life of the outstanding borrowings.

Co-Development Funding Commitment

Under the Amgen Collaboration Agreement, we are responsible for co-funding global development costs for the licensed Amgen oncology pipeline assets up to a total cap of US\$1.25 billion. We are funding our portion of the co-development costs by contributing cash and development services. As of June 30, 2021, our remaining co-development funding commitment was US\$0.91 billion.

Funding Commitment

Funding commitment represents our committed capital related to one of our equity method investments in the amount of US\$15.0 million. As of June 30, 2021, our remaining capital commitment was US\$13.5 million and is expected to be paid from time to time over the investment period.

Research and Development Commitment

We entered into a long-term research and development agreement during the six months ended June 30, 2021, which includes obligations to make an upfront payment and fixed quarterly payments over the next five years. As of June 30, 2021, the total research and development commitment amounted to US\$74.8 million.

Pension Plan

We maintain a defined benefit pension plan in Switzerland. Funding obligations under the defined benefit pension plan are equivalent to US\$1.3 million per year based on annual funding contributions in effect as of June 30, 2021 to achieve fully funded status where the market value of plan assets equals the projected benefit obligations. Future funding requirements will be subject to change as a result of future changes in staffing and compensation levels, various actuarial assumptions and actual investment returns on plan assets.

Capital Commitments

We had capital commitments amounting to US\$70.7 million for the acquisition of property, plant and equipment as of June 30, 2021, which was primarily for BeiGene Guangzhou Factory's manufacturing facility, expansion of BeiGene Guangzhou's research and development activities in Guangzhou, China, and research and development operations at our Changping facility in Beijing, China.

Interest and Credit Risk

Financial instruments that are potentially subject to credit risk consist of cash, cash equivalents, restricted cash and short-term investments. The carrying amounts of cash, cash equivalents, restricted cash and short-term investments represent the maximum amount of loss due to credit risk. We had cash and cash equivalents of US\$1.8 billion and US\$1.4 billion, restricted cash of US\$10.2 million and US\$8.1 million, and short-term investments of US\$2.6 billion and US\$3.3 billion at June 30, 2021 and December 31, 2020, respectively. At June 30, 2021, the majority of our cash and cash equivalents is held in U.S. treasury securities and U.S. money market funds. We also have cash and cash equivalent deposits with various major reputable financial institutions located both within and outside the PRC. The deposits placed with these financial institutions are not protected by statutory or commercial insurance. In the event of bankruptcy of one of these financial institutions, we may be unlikely to claim our deposits back in full. We believe that these financial institutions are of high credit quality, and we continually monitor the credit worthiness of these financial institutions. Restricted cash represents secured deposits held in designated bank accounts for issuance of letters of credit. At June 30, 2021, our short-term investments consisted of U.S. treasury securities. We believe that the U.S. treasury securities are of high credit quality and continually monitor the credit worthiness of these institutions.

The primary objectives of our investment activities are to preserve principal, provide liquidity, and maximize income without significant increasing risk. Our primary exposure to market risk relates to fluctuations in the interest rates, which are affected by changes in the general level of PRC and U.S. interest rates. Given the short-term nature of our cash equivalents, we believe that a sudden change in market interest rates would not be expected to have a material impact on our financial condition and/or results of operation. We estimate that a hypothetical 100-basis point increase or decrease in market interest rates would result in a decrease of US\$16.3 million or an increase of US\$3.0 million, respectively, as of June 30, 2021.

We do not believe that our cash, cash equivalents and short-term investments have significant risk of default or illiquidity. While we believe our cash, cash equivalents, and short-term investments do not contain excessive risk, we cannot provide absolute assurance that in the future investments will not be subject to adverse changes in market value.

Foreign Currency Exchange Rate Risk

We are exposed to foreign exchange risk arising from various currency exposures. Our reporting currency is the U.S. dollar, but a portion of our operating transactions and assets and liabilities are in other currencies, such as RMB, Euro, and Australian dollar. We do not believe that we currently have any significant direct foreign exchange risk and have not used any derivative financial instruments to hedge exposure to such risk.

RMB is not freely convertible into foreign currencies for capital account transactions. The value of RMB against the U.S. dollar and other currencies is affected by, among other things, changes in China's political and economic conditions and China's foreign exchange prices. Since 2005, the RMB has been permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. The RMB compared to the U.S. dollar appreciated approximately 1.1% in the six months ended June 30, 2021 and appreciated approximately 6.3% in the year ended December 31, 2020, respectively. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between the RMB and the U.S. dollar in the future.

To the extent that we need to convert U.S. dollars into RMB for capital expenditures, working capital and other business purposes, appreciation of RMB against the U.S. dollar would have an adverse effect on the RMB amount we would receive from the conversion. Conversely, if we decide to convert RMB into U.S. dollars for the purpose of making payments for dividends on our ordinary shares, strategic acquisitions or investments or other business purposes, appreciation of the U.S. dollar against RMB would have a negative effect on the U.S. dollar amount available to us.

In addition, a significant depreciation of the RMB against the U.S. dollar may significantly reduce the U.S. dollar equivalent of our foreign cash balances and trade receivables. Further, volatility in exchange rate fluctuations may have a significant impact on the foreign currency translation adjustments recorded in other comprehensive income (loss). We have not used derivative financial instruments to hedge exposure to foreign exchange risk.

Currency Convertibility Risk

A significant portion of our expenses, assets, and liabilities are denominated in RMB. In 1994, the PRC government abolished the dual rate system and introduced a single rate of exchange as quoted daily by the People's Bank of China (the "PBOC"). However, the unification of exchange rates does not imply that the RMB may be readily convertible into U.S. dollars or other foreign currencies. All foreign exchange transactions continue to take place either through the PBOC or other banks authorized to buy and sell foreign currencies at the exchange rates quoted by the PBOC. Approvals of foreign currency payments by the PBOC or other institutions require submitting a payment application form together with suppliers' invoices, shipping documents and signed contracts.

Additionally, the value of the RMB is subject to changes in central government policies and international economic and political developments affecting supply and demand in the PRC foreign exchange trading system market.

Effects of Inflation

Inflation generally affects us by increasing our cost of labor and clinical trial costs. We do not believe that inflation has had a material effect on our results of operations during the six months ended June 30, 2021.

Other Business Agreements

We enter into agreements in the ordinary course of business with CROs to provide research and development services. These contracts are generally cancellable at any time by us with prior written notice.

We also enter into collaboration agreements with institutions and companies to license intellectual property. We may be obligated to make future development, regulatory and commercial milestone payments and royalty payments on future sales of specified products associated with these agreements. Payments under these agreements generally become due and payable upon achievement of such milestones or sales. These commitments are not recorded on our balance sheet because the achievement and timing of these milestones are not fixed and determinable. When the achievement of these milestones or sales have occurred, the corresponding amounts are recognized in our financial statements.

Off-Balance Sheet Arrangements

During the periods presented we did not have, and we do not currently have, any off-balance sheet arrangements, as defined under the rules of the SEC, such as relationships with unconsolidated entities or financial partnerships, which are often referred to as structured finance or special purpose entities, established for the purpose of facilitating financing transactions that are not required to be reflected on our balance sheets.

Gearing Ratio

The gearing ratio of the Company, which was calculated by dividing total interest-bearing loans by total shareholders' equity as of the end of the period, was 17.5% as of June 30, 2021, which increased from 13.4% as of December 31, 2020. The increase was primarily due to an increase in bank loans and decrease in equity, which mainly resulted from the net loss incurred for the six months ended June 30, 2021.

Material Investments Held

Except as disclosed in notes to the consolidated financial statements, we did not hold any other material investments as of June 30, 2021.

Future Plans for Material Investments and Capital Assets

We are in the process of developing plans to build a new site in Hopewell, New Jersey, USA, including commercial-stage biologic pharmaceutical manufacturing, clinical R&D, and the BeiGene Center for Pharmacovigilance Innovation. We are also in the process of constructing new small molecule manufacturing facilities in Suzhou, China.

Except as disclosed above, we did not have other plans for material investments and capital assets as of June 30, 2021.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

During the six months ended June 30, 2021, we did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

Employee and Remuneration Policy

As of June 30, 2021, we had a global team of over 6,400 employees, which increased from 5,100 employees as of December 31, 2020. Most of our employees are full-time.

The remuneration policy and package of our employees are periodically reviewed. In addition to cash compensation and benefits, we may issue share options, share appreciation rights, restricted shares, restricted share units, unrestricted shares, performance share awards, cash-based awards and dividend equivalent rights to our employees in accordance with our equity plans. We also provide external and internal training programs to our employees. The packages were set by benchmarking with companies in similar industries and companies with similar size. The total remuneration cost incurred by the Company for the six months ended June 30, 2021 was US\$445.1 million (June 30, 2020: US\$290.3 million).

Pledge of Assets

As of June 30, 2021, we pledged restricted deposits of US\$10.2 million (December 31, 2020: US\$8.1 million) held in designated bank accounts for collateral for letters of credit and letters of guarantee. As of June 30, 2021, BeiGene Guangzhou Factory's land use right and certain fixed assets of the first phase of the Guangzhou manufacturing facility's build out with a total carrying amount of US\$143.6 million (December 31, 2020: US\$148.6 million) were secured for a long-term bank loan, and the Innerway's research and development facility in Beijing and the associated land use right with a total carrying amount of US\$33.9 million (December 31, 2020: US\$34.6 million) were secured for a short-term working capital loan, which was drawn down in 2020.

Contingent Liabilities

As of June 30, 2021, we did not have any material contingent liabilities (December 31, 2020: nil).

Interim Dividend

The Board does not recommend any interim dividend for the six months ended June 30, 2021 (For the six months ended June 30, 2020: nil).

Recent Accounting Pronouncements

See Note 1 to our condensed consolidated financial statements included in this announcement for information regarding recent accounting pronouncements.

OTHER INFORMATION

Compliance with the Corporate Governance Code

The Company is committed to maintaining and promoting stringent corporate governance. The principle of the Company's corporate governance is to promote effective internal control measures, uphold a high standard of ethics, transparency, responsibility and integrity in all aspects of business, to ensure that its affairs are conducted in accordance with applicable laws and regulations, and to enhance the transparency and accountability of the Board to the Company's shareholders.

The Board believes that good corporate governance standards are essential in providing a framework for the Company to safeguard the interests of shareholders, enhance corporate value and formulate its business strategies and policies.

During the Reporting Period, the Company has applied the principles in the Corporate Governance Code as set out in Appendix 14 to the HK Listing Rules (the "Corporate Governance Code") which are applicable to the Company.

Pursuant to code provision A.2.1 of the Corporate Governance Code, companies listed on the HKEx are expected to comply with, but may choose to deviate from the requirement that the responsibilities of the Chairman and the Chief Executive Officer should be segregated and should not be performed by the same individual. We do not have a separate Chairman and Chief Executive Officer and Mr. John V. Oyler currently performs these two roles. Our Board believes that Mr. John V. Oyler is the Director best suited to identify strategic opportunities and focus of the Board due to his extensive understanding of our business as a Co-Founder and our Chief Executive Officer. Our Board also believes that the combined role of Chairman and Chief Executive Officer can promote the effective execution of strategic initiatives and facilitate the flow of information between management and the Board. Our Board will continue to review and consider splitting the roles of Chairman and the Chief Executive Officer at a time when it is appropriate by taking into account the circumstances of our Company as a whole. Our Corporate Governance Guidelines provide the Board with the flexibility to choose the appropriate Board leadership structure of the Company based upon its view of what is in the best interest of the Company. Our Corporate Governance Guidelines also provide that if the same person holds the Chairman and Chief Executive Officer roles or if the Chairman does not otherwise qualify as independent, the independent Directors may elect a lead director. Mr. Ranjeev Krishana, an independent non-executive Director, currently serves as the lead director. The Board believes our current Board leadership structure will help ensure continuity of strong and effective leadership. The lead director has responsibilities that are set forth in our Corporate Governance Guidelines, including presiding at meetings of the Board at which the Chairman is not present, including executive sessions of the independent directors; consulting with management regarding Board meeting schedules, locations, agendas, and materials; and calling meetings of the independent and non-management Directors, when appropriate.

Our Audit Committee is in compliance with Rule 3.21 of the HK Listing Rules and the Corporate Governance Code, except for the terms of reference required by paragraphs C.3.3 and C.3.7 of the Corporate Governance Code. However, the charter of our Audit Committee complies with the NASDAQ Listing Rules and the rules of the SEC. The primary duties of the Audit Committee are, among other things, to monitor the integrity of our financial statements and our compliance with legal and regulatory requirements as they relate to our financial statements and accounting matters, review the adequacy of our internal control over financial reporting, and review all related party transactions for potential conflict of interest situations and approving all such transactions. As of the date of this announcement, the Audit Committee comprises two independent non-executive Directors, namely Mr. Thomas Malley and Dr. Corazon (Corsee) D. Sanders and one non-executive Director, namely Mr. Anthony C. Hooper. Mr. Thomas Malley, being the chairman of the Audit Committee, is appropriately qualified as required under Rules 3.10(2) and 3.21 of the HK Listing Rules.

Our compensation committee (the “Compensation Committee”) is in compliance with Rule 3.25 of the HK Listing Rules and the Corporate Governance Code, except for the terms of reference required by paragraph B.1.2 of the Corporate Governance Code. However, the charter of the Compensation Committee complies with the NASDAQ Listing Rules. The primary duties of the Compensation Committee are to review and make recommendations to the Board with respect to director compensation, evaluate the performance of our Chief Executive Officer, President, Chief Operating Officer and General Manager of China and Chief Financial Officer and review and make recommendations to the Board regarding the terms of their compensation, and review and approve the compensation of our other executive officers and senior management. As of the date of this announcement, the Compensation Committee comprises three independent non-executive Directors, namely Mr. Qingqing Yi, Mr. Ranjeev Krishana and Mr. Timothy Chen. Mr. Qingqing Yi is the chairman of the Compensation Committee.

Our nominating and corporate governance committee (the “Nominating and Corporate Governance Committee”) complies with the Corporate Governance Code, except for the terms of reference required by paragraph A.5.2 of the Corporate Governance Code. However, the charter of the Nominating and Corporate Governance Committee complies with the NASDAQ Listing Rules. The primary duties of the Nominating and Corporate Governance Committee are among other things, to develop and recommend to the Board criteria for board and committee membership, recommend to the Board the persons to be nominated for election as directors and to each of the Board’s committees, and develop and recommend to the Board a set of corporate governance guidelines. As of the date of this announcement, the Nominating and Corporate Governance Committee comprises three independent non-executive Directors, namely Mr. Donald W. Glazer, Mr. Michael Goller and Mr. Jing-Shyh (Sam) Su and one non-executive Director, namely Mr. Anthony C. Hooper. Mr. Donald W. Glazer is the chairman of the Nominating and Corporate Governance Committee.

Except as disclosed above, the Company has complied with all of the provisions set out in the Corporate Governance Code during the Reporting Period.

The Board will continue to regularly review and monitor its corporate governance practices to ensure compliance with the Corporate Governance Code and maintain a high standard of corporate governance practices of the Company.

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

Except as disclosed below, the Company has adopted its own insider dealing policies on terms no less exacting than those in the Model Code for Securities Transactions as set out in Appendix 10 to the HK Listing Rules (the “Model Code”) regarding the directors’ dealings in the securities of the Company.

Pursuant to Rule B.8 of the Model Code, a director must not deal in any securities of the issuer without first notifying in writing the chairman or a director (otherwise than himself) designated by the board for the specific purpose and receiving a dated written acknowledgement. Under the Company’s insider dealing policies, Mr. Scott A. Samuels, Senior Vice President, General Counsel of the Company, has been designated as the insider trading compliance officer whom a Director who intends to deal in the Company’s securities must notify. Our Board believes that our insider trading compliance officer, despite not being a member of the Board, is able to carry out his duties properly and competently in accordance with the Company’s insider dealing policies, the terms of which are otherwise no less exacting than those in the Model Code.

Having made specific enquiry of all the Directors, all the Directors confirmed that they have strictly complied with the required standards set out in the Company’s own insider dealing policies throughout the Reporting Period.

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

During the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s securities listed on the HKEx.

Disclosure of Changes in Directors' Information Pursuant to Rule 13.51(B)(1) of the HK Listing Rules

Upon specific enquiry by the Company and following confirmations from the Directors, except as disclosed hereunder, there is no change in the information of the directors required to be disclosed pursuant to Rule 13.51B(1) of the HK Listing Rules during the Reporting Period. The change of the Directors' information is set out below:

Directors	Changes in Positions held with the Company
Dr. Corazon (Corsee) D. Sanders	Appointed as a member of the commercial and medical affairs advisory committee of the Board (the "Commercial and Medical Affairs Advisory Committee") and Co-Chair of the scientific advisory committee of the Board (the "Scientific Advisory Committee") effective February 24, 2021.
Mr. Jing-Shyh (Sam) Su	Appointed as a member of the Nominating and Corporate Governance Committee effective February 24, 2021.
Mr. Anthony C. Hooper	Appointed as a member of the Nominating and Corporate Governance Committee effective February 24, 2021.

The Commercial Advisory Committee was established on February 26, 2020 and was renamed the Commercial and Medical Affairs Advisory Committee effective February 24, 2021.

Use of Net Proceeds from Amgen

On January 2, 2020, the Company sold 15,895,001 ADSs, representing 206,635,013 ordinary shares of the Company and approximately 20.5% ownership stake in the Company's outstanding shares as of at the same date, to Amgen for aggregate cash proceeds of US\$2,779,241,000, or US\$174.85 per ADS, pursuant to the SPA (as amended) executed in connection with Amgen Collaboration Agreement. The subscription price represents: (a) a 36% premium to the 30-day volume weighted average price of the Company's ADSs as of October 30, 2019, the day prior to the date of the SPA; (b) assuming a conversion rate of US\$1.00: HK\$7.84, a 26% premium to the closing price of the Company's ordinary shares as quoted on the HKEx on October 31, 2019, the date of the SPA; (c) a 26% premium to the closing price of the Company's ADSs on the NASDAQ on October 31, 2019.

The net proceeds from the sale of the shares have been and will be utilized in accordance with the purposes set out in the proxy statement/circular of the Company dated November 29, 2019. The table below sets out the planned applications of the net proceeds and actual usage up to June 30, 2021:

	Planned applications (US dollars in thousands)	Percentage of total net proceeds (%)	Actual usage up to December 31, 2020 (US dollars in thousands)	Actual usage up to June 30, 2021 (US dollars in thousands)	Unutilized net proceeds as of June 30, 2021 (US dollars in thousands)
Use of proceeds					
To fund business operations ^(a)	<u>2,779,241</u>	<u>100.0%</u>	<u>1,095,499</u>	<u>1,760,184</u>	<u>1,019,057</u>

Note (a): To fund the Company's development obligations under the Amgen Collaboration Agreement by contributing cash and development services up to a total cap of approximately US\$1.25 billion, the development, manufacturing and commercialization of the Company's internally developed drug candidates, expansion of the Company's commercialization activities, and for future capacity expansion and general corporate use, as appropriate, as previously disclosed in the Company's proxy statement/circular dated November 29, 2019.

The Company plans to gradually utilize the remaining net proceeds in accordance with such intended purposes depending on actual business, which is expected to be fully utilized by the end of 2025. For further details, please refer to the announcements of the Company dated November 1, 2019, December 9, 2019, and January 3, 2020.

On September 24, 2020, the Company entered into the Restated Second Amendment to amend the Share Purchase Agreement. Pursuant to the Restated Second Amendment, the Company granted Amgen the Direct Purchase Option to subscribe for Additional Shares in an amount necessary to enable it to increase (and subsequently maintain) its ownership at approximately 20.6% of the Company's outstanding share capital. The Direct Purchase Option is exercisable on a monthly basis but only if Amgen's interest in the outstanding share capital of the Company at the monthly reference date drops below 20.4% solely as a result of dilution arising from issuance of new shares by the Company under its equity incentive plans from time to time. The aggregate number of Additional Shares shall not exceed 75,000,000 shares during the term of the Direct Purchase Option.

The purchase price for the Additional Shares will be the volume-weighted average price of the Company's ADSs for the 90 days preceding the last trading day of the prior month. The exercise period of the Direct Purchase Option commenced on December 1, 2020 and will terminate on the earliest of: (a) the date on which Amgen owns less than 20% of the outstanding share capital of the Company as a result of Amgen's sale of shares; (b) at least 60-day advance written notice from either Amgen or the Company that such party wishes to terminate the Direct Purchase Option; or (c) the third anniversary of the date on which the exercise period of the Direct Purchase Option commences. The Direct Purchase Option has no vesting period.

For illustration purposes only, assuming the Direct Purchase Option were exercised in full on September 24, 2020, being the date of the Restated Second Amendment, at an assumed purchase price of US\$16.46 per ordinary share or US\$213.93 per ADS, the gross proceeds from the allotment and issue of the Additional Shares equal to 0.1% of the outstanding share capital of the Company would theoretically be approximately US\$19,466,300 (approximately HK\$150,863,825), and the gross proceeds from the allotment and issue of the maximum amount of the Additional Shares would theoretically be approximately US\$1,234,211,500 (approximately HK\$9,565,139,125), which would be expected to be used to fund the Company's business operations, including commercialization of approved products, research and development of product candidates and other general corporate purposes. The expected timeframe of use of proceeds will be disclosed when the allotment and issuance is completed.

For further details, please refer to the announcements of the Company dated March 18, 2020, September 25, 2020 and the Company's proxy statement/circular dated October 9, 2020.

There was no allotment or issuance of the Additional Shares under the Restated Second Amendment during the Reporting Period and as of the date of this announcement.

Use of Net Proceeds from July 2020 Share Subscription

On July 15, 2020, the Company allotted and issued 145,838,979 ordinary shares of the Company to eight existing investors for an aggregate cash consideration of approximately US\$2.08 billion at a purchase price of US\$14.2308 per ordinary share of the Company (equivalent to US\$185 per ADS), in accordance with a share purchase agreement dated July 12, 2020 pursuant to the general mandate granted to the Board pursuant to an ordinary resolution of the shareholders passed at the 2020 annual general meeting of shareholders to allot, issue and deal with up to 202,995,338 ordinary shares.

The net proceeds from the sale of the shares are being used to: (a) fund the Company's research and clinical development activities, including expanding indications of its approved products, advancing its pipeline assets, including both internally developed molecules and in-licensed compounds, and progressing and expanding its preclinical programs; (b) advance business development activities to expand the Company's commercial and development-stage portfolio through in-licensing or acquisitions, as applicable, of additional technologies, drugs or drug candidates, other assets or businesses, both within oncology and outside of oncology, or for other strategic investments or opportunities; (c) invest in the commercialization of the Company's approved products in China, the United States and potentially other geographical markets; and (d) expand and further build out the Company's global organization and capabilities in areas including commercialization, manufacturing, and research and development. For further details, please refer to the announcements of the Company dated July 13, 2020 and July 16, 2020.

As of June 30, 2021, net proceeds amounting to approximately US\$173.1 million had been utilized, and the remaining US\$1.9 billion will be gradually utilized in accordance with such intended purposes depending on actual business needs, and are expected to be fully utilized in the next three to five years.

Audit Committee Review of Financial Statements

The Audit Committee reviews the adequacy of our internal controls to ensure that our internal control system is effective in identifying, managing and mitigating risks involved in our business operations. As of the date of this announcement, the Audit Committee currently consists of three members, namely Mr. Thomas Malley, Mr. Anthony C. Hooper and Dr. Corazon (Corsee) D. Sanders. Mr. Thomas Malley and Dr. Corazon (Corsee) D. Sanders are independent non-executive Directors and Mr. Anthony C. Hooper is a non-executive Director. Mr. Thomas Malley is the chairman of the Audit Committee.

The Audit Committee has reviewed the unaudited consolidated financial statements and interim results of the Company for the six months ended June 30, 2021. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with members of senior management and the external auditor of the Company, Ernst & Young.

Other Board Committees

In addition to the Audit Committee, the Company has a Nominating and Corporate Governance Committee, a Compensation Committee, a Scientific Advisory Committee and a Commercial and Medical Affairs Advisory Committee.

Proposed STAR Offering

On January 29, 2021, the Company filed a listing application (as updated from time to time, the “Listing Application”) for a proposed public offering of the Company’s ordinary shares and initial listing of such shares on the STAR Market of the SSE. The ordinary shares will be issued to and subscribed for by investors in RMB in the PRC and listed and traded on the STAR Market pursuant to the general mandate to issue shares, which was approved by the shareholders at the Company’s 2021 annual general meeting of shareholders held on June 16, 2021 (the “Proposed Issue of RMB Shares”). The RMB Shares will not be fungible with the ordinary shares of the Company listed on the Hong Kong Stock Exchange or with the American Depositary Shares representing the Company’s ordinary shares listed on the NASDAQ Global Select Market. The Listing Application was prepared in accordance with the listing rules of the STAR Market and the applicable securities laws and regulations of the PRC (the “PRC Securities Laws”). On June 28, 2021, the Listing Committee of the STAR Market approved the Company’s Listing Application. On July 28, 2021, the Company filed a registration application for the STAR Offering with the CSRC, including an updated prospectus. The consummation of the STAR Offering is subject to, among other things, market conditions and additional applicable regulatory approvals, including registration granted by the CSRC.

For details, please refer to the Company’s announcements dated November 16, 2020, January 29, 2021, April 20, 2021, May 14, 2021, June 1, 2021, June 21, 2021, June 28, 2021, June 30, 2021, July 9, 2021 and July 28, 2021 and the proxy statement/circular dated April 30, 2021.

Important Events after the Reporting Period

Except as disclosed above, no important events affecting the Company occurred since June 30, 2021 and up to the date of this announcement.

Publication of Interim Results and Interim Report

This interim results announcement is published on the website of the HKEx (www.hkexnews.hk) and the website of the Company (www.beigene.com). The interim report of the Company for the six months ended June 30, 2021 will be published on the aforesaid websites and dispatched to the Company’s shareholders in due course.

By order of the Board
BeiGene, Ltd.
Mr. John V. Oyler
Chairman

Hong Kong, August 27, 2021

As of the date of this announcement, the Board of Directors of the Company comprises Mr. John V. Oyler as Chairman and Executive Director, Dr. Xiaodong Wang and Mr. Anthony C. Hooper as Non-executive Directors, and Mr. Timothy Chen, Mr. Donald W. Glazer, Mr. Michael Goller, Mr. Ranjeev Krishana, Mr. Thomas Malley, Dr. Corazon (Corsee) D. Sanders, Mr. Jing-Shyh (Sam) Su and Mr. Qingqing Yi as Independent Non-executive Directors.