**BeiGene, Ltd.**
**百濟神州有限公司**
*(incorporated in the Cayman Islands with limited liability)*
**(Stock Code: 06160)**

# ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2021

BeiGene, Ltd., together with its subsidiaries (the "Company" or "BeiGene" or "we" or "us"), hereby announces the consolidated results of the Company for the year ended December 31, 2021 (the "Reporting Period"), together with the comparative figures for the corresponding periods 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 year ended December 31, 2021 increased by approximately US$867.4 million or approximately 280.8% to approximately US$1.2 billion, as compared to the year ended December 31, 2020. Product revenue increased by approximately US$325.1 million or approximately 105.3% to approximately US$634.0 million, as compared to the year ended December 31, 2020. Collaboration revenue increased by approximately US$542.3 million to approximately US$542.3 million, as compared to the year ended December 31, 2020.*

- *Total expenses for the year ended December 31, 2021 increased by approximately US$648.5 million or approximately 33.0% to approximately US$2,615.0 million, as compared to the year ended December 31, 2020.*

- *Net loss for the year ended December 31, 2021 decreased by approximately US$187.2 million or approximately 11.7% to approximately US$1,413.4 million, as compared to the year ended December 31, 2020.*

- *Basic and diluted loss per share for the year ended December 31, 2021 amounted to US$1.17, representing a decrease of 20.4% when compared with that of US$1.47 for the year ended December 31, 2020.*

## CONSOLIDATED BALANCE SHEETS

| | Note | As of December 31, 2021 US$'000 | 2020 US$'000 |
|---|---|---|---|
| **Assets** | | | |
| Current assets: | | | |
| Cash and cash equivalents | | 4,375,678 | 1,381,950 |
| Short-term restricted cash | 4 | 328 | 307 |
| Short-term investments | 5 | 2,241,962 | 3,268,725 |
| Accounts receivable, net | 6 | 483,113 | 60,403 |
| Inventories | 7 | 242,626 | 89,293 |
| Prepaid expenses and other current assets | 13 | 270,173 | 160,012 |
| Total current assets | | 7,613,880 | 4,960,690 |
| Non-current assets: | | | |
| Long-term restricted cash | 4 | 6,881 | 7,748 |
| Property, plant and equipment, net | 10 | 587,605 | 357,686 |
| Operating lease right-of-use assets | 9 | 117,431 | 90,581 |
| Intangible assets, net | 11 | 46,679 | 5,000 |
| Deferred tax assets | 12 | 110,424 | 65,962 |
| Other non-current assets | 13 | 163,049 | 113,090 |
| Total non-current assets | | 1,032,069 | 640,067 |
| Total assets | | 8,645,949 | 5,600,757 |
| **Liabilities and shareholders' equity** | | | |
| Current liabilities: | | | |
| Accounts payable | 14 | 262,400 | 231,957 |
| Accrued expenses and other payables | 13 | 558,055 | 346,144 |
| Deferred revenue, current portion | | 187,414 | – |
| Tax payable | 12 | 21,395 | 20,380 |
| Operating lease liabilities, current portion | 9 | 21,925 | 13,895 |
| Research and development cost share liability, current portion | 3 | 120,801 | 127,808 |
| Short-term debt | 15 | 427,565 | 335,015 |
| Total current liabilities | | 1,599,555 | 1,075,199 |

**CONSOLIDATED BALANCE SHEETS (continued)**

| | Note | As of December 31, 2021 US$'000 | 2020 US$'000 |
|---|---|---|---|
| Non-current liabilities: | | | |
| Long-term debt | 15 | 202,113 | 183,637 |
| Deferred revenue, non-current portion | | 220,289 | – |
| Operating lease liabilities, non-current portion | 9 | 43,041 | 29,417 |
| Deferred tax liabilities | 12 | 14,169 | 10,792 |
| Research and development cost share liability, non-current portion | 3 | 269,561 | 375,040 |
| Other long-term liabilities | 13 | 54,234 | 57,429 |
| Total non-current liabilities | | 803,407 | 656,315 |
| Total liabilities | | 2,402,962 | 1,731,514 |
| Commitments and contingencies | 24 | | |
| Equity: | | | |
| Ordinary shares, US$0.0001 par value per share; 9,500,000,000 shares authorized; 1,334,804,281 and 1,190,821,941 shares issued and outstanding as of December 31, 2021 and 2020, respectively | | 133 | 118 |
| Additional paid-in capital | | 11,191,007 | 7,414,932 |
| Accumulated other comprehensive income | 20 | 17,950 | 6,942 |
| Accumulated deficit | | (4,966,103) | (3,552,749) |
| Total equity | | 6,242,987 | 3,869,243 |
| Total liabilities and equity | | 8,645,949 | 5,600,757 |

## CONSOLIDATED STATEMENTS OF OPERATIONS

| | Note | Year Ended December 31, 2021 US$'000 | 2020 US$'000 |
|---|---|---|---|
| Revenues | | | |
| Product revenue, net | 16 | 633,987 | 308,874 |
| Collaboration revenue | 3 | 542,296 | – |
| Total revenues | | 1,176,283 | 308,874 |
| Expenses | | | |
| Cost of sales – product | | 164,906 | 70,657 |
| Research and development | | 1,459,239 | 1,294,877 |
| Selling, general and administrative | | 990,123 | 600,176 |
| Amortization of intangible assets | 11 | 750 | 846 |
| Total expenses | | 2,615,018 | 1,966,556 |
| Loss from operations | | (1,438,735) | (1,657,682) |
| Interest (expense) income, net | | (15,757) | 1,998 |
| Other income, net | 5 | 15,904 | 37,490 |
| Loss before income taxes | | (1,438,588) | (1,618,194) |
| Income tax benefit | 12 | (25,234) | (17,671) |
| Net loss | | (1,413,354) | (1,600,523) |
| Less: net loss attributable to noncontrolling interests | | – | (3,617) |
| Net loss attributable to BeiGene, Ltd. | | (1,413,354) | (1,596,906) |
| Net loss per share attributable to BeiGene, Ltd., basic and diluted (in US$) | 18 | (1.17) | (1.47) |
| Weighted-average shares outstanding, basic and diluted | 18 | 1,206,210,049 | 1,085,131,783 |
| Net loss per American Depositary Share ("ADS"), basic and diluted (in US$) | | (15.23) | (19.13) |
| Weighted-average ADSs outstanding, basic and diluted | | 92,785,388 | 83,471,676 |

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

| | Note | Year Ended December 31, 2021 US$'000 | 2020 US$'000 |
|---|---|---|---|
| Net loss | | (1,413,354) | (1,600,523) |
| Other comprehensive income (loss), net of tax of nil: | | | |
| Foreign currency translation adjustments | 20 | 13,714 | 23,603 |
| Pension liability adjustments | 23 | 1,865 | (8,113) |
| Unrealized holding loss, net | 20 | (4,571) | (419) |
| Comprehensive loss | | (1,402,346) | (1,585,452) |
| Less: comprehensive loss attributable to noncontrolling interests | | – | (3,489) |
| Comprehensive loss attributable to BeiGene, Ltd. | | (1,402,346) | (1,581,963) |

## CONSOLIDATED STATEMENTS OF CASH FLOWS

| | Note | Year Ended December 31, 2021 US$'000 | 2020 US$'000 |
|---|---|---|---|
| **Cash flows from operating activities:** | | | |
| Net loss | | (1,413,354) | (1,600,523) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | | |
| Depreciation and amortization expense | | 46,457 | 31,789 |
| Share-based compensation expense | 19 | 240,712 | 183,481 |
| Acquired in-process research and development | | 83,500 | 109,500 |
| Amortization of research and development cost share liability | 3 | (112,486) | (113,986) |
| Unrealized gains on equity investments | 5 | (7,632) | (11,826) |
| Deferred income tax benefits | | (41,085) | (27,807) |
| Other items, net | | 23,510 | (4,673) |
| Changes in operating assets and liabilities: | | | |
| Accounts receivable | | (423,019) | 10,363 |
| Inventories | | (153,333) | (58,906) |
| Other assets | | (107,128) | (56,217) |
| Accounts payable | | 20,008 | 95,835 |
| Accrued expenses and other payables | | 140,044 | 185,012 |
| Deferred revenue | | 407,703 | – |
| Other liabilities | | (2,620) | (25,503) |
| Net cash used in operating activities | | (1,298,723) | (1,283,461) |
| **Cash flows from investing activities:** | | | |
| Purchases of property and equipment | | (262,942) | (117,508) |
| Purchases of short-term investments | | (2,147,881) | (5,663,727) |
| Proceeds from sale or maturity of short-term investments | | 3,146,891 | 2,751,075 |
| Purchase of in-process research and development | | (8,500) | (109,500) |
| Purchase of intangible assets | | (43,409) | – |
| Purchase of long-term investments | | (43,500) | (26,681) |
| Other investing activities | | – | (2,025) |
| Net cash provided by (used in) investing activities | | 640,659 | (3,168,366) |

**CONSOLIDATED STATEMENTS OF CASH FLOWS (continued)**

| | Note | Year Ended December 31, 2021 US$'000 | 2020 US$'000 |
|---|---|---|---|
| **Cash flows from financing activities:** | | | |
| Proceeds from public offering, net of cost | 20 | 3,392,616 | – |
| Proceeds from sale of ordinary shares, net of cost | 20 | 50,000 | 4,232,017 |
| Proceeds from research and development cost share liability | 3 | – | 616,834 |
| Payment to acquire joint venture (JV) minority interest | 8 | – | (28,723) |
| Proceeds from long-term loan | 15 | 16,838 | 110,208 |
| Repayment of long-term loan | 15 | – | (132,061) |
| Proceeds from short-term loans | 15 | 406,449 | 323,697 |
| Repayment of short-term loans | 15 | (321,754) | (12,247) |
| Proceeds from option exercises and employee share purchase plan | | 92,762 | 93,101 |
| Net cash provided by financing activities | | 3,636,911 | 5,202,826 |
| Effect of foreign exchange rate changes, net | | 14,035 | 18,231 |
| Net increase in cash, cash equivalents, and restricted cash | | 2,992,882 | 769,230 |
| Cash, cash equivalents, and restricted cash, beginning of year | | 1,390,005 | 620,775 |
| **Cash, cash equivalents, and restricted cash, end of year** | | 4,382,887 | 1,390,005 |
| **Supplemental cash flow disclosures:** | | | |
| Cash and cash equivalents | | 4,375,678 | 1,381,950 |
| Short-term restricted cash | | 328 | 307 |
| Long-term restricted cash | | 6,881 | 7,748 |
| Income taxes paid | | 15,695 | 10,596 |
| Interest paid | | 29,967 | 44,130 |
| **Supplemental non-cash activities:** | | | |
| Acquisitions of equipment included in accounts payable | | 53,197 | 42,762 |
| Purchase of in-process research and development included in accounts payable | | 75,000 | – |

## CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

| | Attributable to BeiGene, Ltd. | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Ordinary Shares | | Additional Paid-In Capital | Accumulated Other Comprehensive Income/(Loss) | Accumulated Deficit | Total | Non-Controlling Interests | Total |
| | Shares | Amount US$'000 | US$'000 | US$'000 | US$'000 | US$'000 | US$'000 | US$'000 |
| Balance at December 31, 2019 | 801,340,698 | 79 | 2,925,970 | (8,001) | (1,955,843) | 962,205 | 16,150 | 978,355 |
| Proceeds from issuance of ordinary shares, net of cost | 145,838,979 | 14 | 2,069,596 | – | – | 2,069,610 | – | 2,069,610 |
| Issuance of ordinary shares in connection with collaboration | 206,635,013 | 21 | 2,162,386 | – | – | 2,162,407 | – | 2,162,407 |
| Exercise of options, ESPP and release of RSUs | 38,020,892 | 3 | 93,098 | – | – | 93,101 | – | 93,101 |
| Use of shares reserved for share option exercises and RSU releases | (1,013,641) | 1 | – | – | – | 1 | – | 1 |
| Share-based compensation | – | – | 183,481 | – | – | 183,481 | – | 183,481 |
| Deconsolidation of a subsidiary | – | – | – | – | – | – | (3,545) | (3,545) |
| Acquisition of joint venture (JV) minority interest | – | – | (19,599) | – | – | (19,599) | (9,116) | (28,715) |
| Other comprehensive income | – | – | – | 14,943 | – | 14,943 | 128 | 15,071 |
| Net loss | – | – | – | – | (1,596,906) | (1,596,906) | (3,617) | (1,600,523) |
| Balance at December 31, 2020 | 1,190,821,941 | 118 | 7,414,932 | 6,942 | (3,552,749) | 3,869,243 | – | 3,869,243 |
| Issuance of ordinary shares in connection with STAR Offering | 115,055,260 | 12 | 3,392,604 | – | – | 3,392,616 | – | 3,392,616 |
| Proceeds from issuance of ordinary shares, net of cost | 2,151,877 | – | 50,000 | – | – | 50,000 | – | 50,000 |
| Exercise of options, ESPP and release of RSUs | 28,778,893 | 3 | 92,759 | – | – | 92,762 | – | 92,762 |
| Use of shares reserved for share option exercises and RSU releases | (2,003,690) | – | – | – | – | – | – | – |
| Share-based compensation | – | – | 240,712 | – | – | 240,712 | – | 240,712 |
| Other comprehensive income | – | – | – | 11,008 | – | 11,008 | – | 11,008 |
| Net loss | – | – | – | – | (1,413,354) | (1,413,354) | – | (1,413,354) |
| Balance at December 31, 2021 | 1,334,804,281 | 133 | 11,191,007 | 17,950 | (4,966,103) | 6,242,987 | – | 6,242,987 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1. Organization

BeiGene, Ltd. (the "Company", "BeiGene", "it", "its") 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 currently has three approved medicines that were discovered and developed in its own labs, including 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 has obtained approvals to market BRUKINSA® in the United States, the People's Republic of China (China or the PRC), the European Union (EU), the United Kingdom (U.K.), Canada, Australia and additional international markets, and tislelizumab and pamiparib in China. By leveraging its China commercial capabilities, the Company has in-licensed the rights to distribute 13 approved medicines for the China market. Supported by its global clinical development and commercial capabilities, the Company has entered into collaborations with world-leading biopharmaceutical companies such as Amgen and Novartis Pharma AG (Novartis) to develop and commercialize innovative medicines.

The Company is committed to advancing best and first-in-class clinical candidates internally or with like-minded partners to develop impactful and affordable medicines for patients across the globe. Its internal clinical development capabilities are deep, including a more than 2,200-person global clinical development team that is running more than 90 ongoing or planned clinical trials in over 30 medicines and drug candidates. This includes more than 30 pivotal or potentially registration-enabling trials across its portfolio, including its three internally discovered, approved medicines. The Company has enrolled in its clinical trials more than 14,500 subjects, of which approximately one-half have been outside of China.

The Company has built, and is expanding, its internal manufacturing capabilities, through its 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 R&D center in New Jersey. The Company also works with high quality contract manufacturing organizations (CMOs) to manufacture its internally developed clinical and commercial products.

Since its inception in 2010, the Company has become a fully integrated global organization of over 8,000 employees in 23 countries and regions, including the United States, China, Europe, and Australia.

As of December 31, 2021, the Company had the following 42 subsidiaries:

| Name of Company | Place of Incorporation | Particulars of issued/paid-in capital | Percentage of Ownership by the Company | Principal Activities |
|---|---|---|---|---|
| BeiGene 101 | Cayman Islands | – | 100% | No substantial business activities |
| 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* | RMB5,050,000,000 | 100% | Medical and pharmaceutical research and development and manufacturing, PRC |
| BeiGene (Canada) ULC | Canada | CAD100 | 100% | Medical, pharmaceutical research and development and commercial, Canada |
| BeiGene ESP, S.L. | Spain | EUR3,000 | 100% | Medical, pharmaceutical research and development and commercial, Spain |
| BeiGene France Sarl | France | EUR7,500 | 100% | Medical, pharmaceutical research and development and commercial, France |
| BeiGene Guangzhou Biologics Manufacturing Co., Ltd. ("BeiGene Guangzhou Factory") | PRC* | RMB3,870,000,000 | 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 activities, holding property for company operations, PRC |
| BeiGene International GmbH | Switzerland | CHF20,000 | 100% | Medical, pharmaceutical research and development and commercial, Switzerland |
| BeiGene (Italy) Sarl | Italy | EUR10,000 | 100% | Medical, pharmaceutical research and development and commercial, Italy |
| BeiGene Brasil Ltda. | Brazil | BRL50,000 | 100% | Medical, pharmaceutical research and development and commercial, Brazil |
| BeiGene Poland sp. z o.o. | Poland | PLN5,000 | 100% | Medical, pharmaceutical research and development and commercial, Poland |
| BeiGene Sweden AB | Sweden | SEK25,000 | 100% | Medical, pharmaceutical research and development and commercial, Sweden |
| BeiGene Turkey Medical Products Trade Limited Company | Turkey | TRY10,000 | 100% | Medical, pharmaceutical research and development and commercial, Turkey |
| BeiGene Ireland Limited ("BeiGene Ireland") | Republic of Ireland | – | 100% | Medical, pharmaceutical research and development and commercial, Ireland |
| BeiGene Japan, Ltd. | Japan | JPY1,781,660 | 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 Unlimited (formerly known as BeiGene NZ, Limited) | New Zealand | NZD100,000 | 100% | Medical, pharmaceutical research and development and commercial, New Zealand |

| Name of Company | Place of Incorporation | Particulars of issued/paid-in capital | Percentage of Ownership by the Company | Principal Activities |
|---|---|---|---|---|
| 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 |
| SuGene Pharmaceuticals (Suzhou) Co., Ltd. (formerly known as BeiGene Pharmaceuticals (Suzhou) Co., Ltd.) | PRC* | RMB7,000,000 | 100% | Drug commercialization, PRC |
| BeiGene Pharmaceutical (Shanghai) Co., Ltd. ("BeiGene Pharmaceutical (Shanghai)") | PRC* | US$1,000,000 | 100% | Drug commercialization, PRC |
| BeiGene (Shanghai) Co., Ltd. ("BeiGene Shanghai") | PRC* | RMB534,344,310 | 100% | Medical and pharmaceutical research and development, PRC |
| 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 | TWD168,000,000 | 100% | Medical, pharmaceutical research and development and commercial, Taiwan, China |
| BeiGene UK, Ltd. ("BeiGene UK") | United Kingdom | GBP140 | 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$101,000,000 | 100% | Medical and pharmaceutical research and development and manufacturing. U.S. |
| BeiGene Hopewell Urban Renewal, LLC | New Jersey, United States | US$75,000,000 | 100% | Medical and pharmaceutical research and development and manufacturing. U.S. |
| Pi Health, Ltd. | Cayman Islands | US$12,000,000 | 100% | Health technology research and development, Cayman Islands |
| Pi Health USA, LLC | Delaware, United States | US$5,000,000 | 100% | Health technology research and development, U.S |
| Newco 101 | Cayman Islands | – | 100% | Medical and pharmaceutical research and development, Cayman Islands |

* Limited liability company established in PRC

## 2. Summary of Significant Accounting Policies

***Basis of Presentation and Principles of Consolidation***

The consolidated financial statements of the Company have been prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP). The consolidated financial statements include the financial statements of the Company and its subsidiaries. All significant intercompany transactions and balances between the Company and its wholly-owned 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. Prior to 2020, the Company consolidated its interests in its joint ventures, BeiGene Biologics Co., Ltd. (BeiGene Biologics) and MapKure, LLC (MapKure), under the voting model and recognized the minority shareholders' equity interest as a noncontrolling interest in its 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 5). 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 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 Financial Accounting Standards Board (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.

*New accounting standards which have not yet been adopted*

In November 2021, the FASB issued ASU 2021-10, Government Assistance (Topic 832): Disclosures by Business Entities about Government Assistance. This update requires certain annual disclosures about transactions with a government that are accounted for by applying a grant or contribution accounting model by analogy. This update is effective for annual periods beginning after December 15, 2021, and early application is permitted. This guidance should be applied either prospectively to all transactions that are reflected in financial statements at the date of initial application and new transactions that are entered into after the date of initial application or retrospectively to those transactions. The Company does not expect the impact of this guidance to have a material impact on the Company's consolidated financial statements.

## 3. Collaborative and Licensing Arrangements

The Company enters into collaborative arrangements for the research and development, manufacture and/or commercialization of drug products and drug candidates. To date, these collaborative arrangements have included out-licenses of and options to out-license 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***

During the year ended December 31, 2021, the Company's collaboration revenue related to its out-licensing collaborative agreements has consisted of upfront license fees, research and development services revenue and right to access intellectual property revenue from its collaboration agreements with Novartis for tislelizumab and ociperlimab.

The following table summarizes total collaboration revenue recognized for the years ended December 31, 2021 and 2020:

| | Year Ended December 31, | |
|---|---|---|
| | 2021 | 2020 |
| **Revenue from Collaborators** | **US$'000** | **US$'000** |
| License revenue | 484,646 | – |
| Research and development service revenue | 53,671 | – |
| Right to access intellectual property revenue | 3,979 | – |
| Total | 542,296 | – |

***Novartis***

*Tislelizumab Collaboration and License*

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 probability-weighted present value of forecasted cash flows associated with out-licensing tislelizumab in the Novartis Territory. The standalone selling price of the R&D services was valued using a cost plus margin valuation approach based on the present value of estimated tislelizumab clinical trial costs plus a reasonable margin. 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 estimates of the standalone selling prices involved management's key assumptions such as revenue growth rate, estimated clinical trial costs, mark-up rate, probability of technical and regulatory success, and discount rates. These significant assumptions are forward looking and could be affected by future economic, regulatory and market conditions.

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 year ended December 31, 2021. As such, the Company recognized the entire amount of the transaction price allocated to the license as collaboration revenue during the year ended December 31, 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 service revenue of US$53,421,000 during the year ended December 31, 2021.

***Ociperlimab Option, Collaboration and License Agreement and China Broad Market Development Agreement***

In December 2021, the Company expanded its collaboration with Novartis by entering into an option, collaboration and license agreement with Novartis to develop, manufacture and commercialize the Company's investigational TIGIT inhibitor ociperlimab in the Novartis Territory. In addition, the Company and Novartis entered into an agreement granting the Company rights to market, promote and detail five approved Novartis oncology products, TAFINLAR® (dabrafenib), MEKINIST® (trametinib), VOTRIENT® (pazopanib), AFINITOR® (everolimus), and ZYKADIA® (ceritinib), across designated regions of China referred to as "broad markets."

Under the terms of the option, collaboration and license agreement, the Company received an upfront cash payment of US$300,000,000 in January 2022 from Novartis and will receive an additional payment of US$600,000,000 or US$700,000,000 in the event Novartis exercises its exclusive time-based option prior to mid-2023 or between then and late-2023, respectively. Following option exercise, the Company is eligible to receive up to US$745,000,000 upon the achievement of regulatory approval milestones, US$1,150,000,000 upon the achievement of sales milestones, and royalties on future sales of ociperlimab in the Novartis Territory. Subject to the terms of the option, collaboration and license agreement, during the option period, Novartis has agreed to initiate and fund additional global clinical trials with ociperlimab and the Company has agreed to expand enrollment in two ongoing trials. Following the option exercise, Novartis has agreed to share development costs of global trials. Following approval, the Company has agreed to provide 50 percent of the co-detailing and co-field medical efforts in the United States, and has an option to co-detail up to 25 percent in Canada and Mexico, funded in part by Novartis. Each party retains the worldwide right to commercialize its propriety products in combination with ociperlimab, as is the case with tislelizumab under the tislelizumab collaboration and license agreement. The existing tislelizumab collaboration and license agreement was not modified as a result of the ociperlimab option, collaboration and license agreement.

The Company evaluated the Novartis agreements under ASC 606 as the units of account within the agreement represented transactions with a customer. The Company identified the following material promises under the agreement: (1) exclusive option for Novartis to license the rights develop, manufacture, and commercialize ociperlimab in the Novartis Territory; (2) Novartis' right to access ociperlimab in its own clinical trials during the option period; (3) initial transfer of BeiGene know-how; and (4) conducting and completing ongoing trials of ociperlimab during the option period (R&D Services). The market development activities are considered immaterial in the context of the contracts.

The Company concluded that, at the inception of the agreement, the option for the exclusive product license constitutes a material right as it represents a significant and incremental discount to the fair value of the exclusive product license that Novartis would not have received without entering into the agreement and is therefore considered a distinct performance obligation. The Company determined that Novartis' right to access ociperlimab in its own trials over the option period and the initial transfer of know-how were not distinct from each other, as the right to access ociperlimab has limited value without the corresponding know-how transfer, and therefore should be combined into one distinct 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 determined the transaction price as of the outset of the arrangement was the upfront payment of US$300,000,000. The option exercise fee is contingent upon Novartis exercising its right and is considered fully constrained until the option is exercised. Additionally, the milestone and royalty payments are not applicable until after the option is exercised, at which point the likelihood of meeting milestones, regulatory approval and meeting certain sales thresholds will be assessed. The transaction price was allocated to the three identified performance obligations based on a relative fair value basis. The standalone selling price of the material right for the option to the exclusive product license was calculated as the incremental discount between (i) the value of the license determined using a discounted cash flow method adjusted for probability of the option being exercised and (ii) the expected option exercise fee using the most-likely-amount method at option exercise. The standalone selling price of the combined performance obligation for Novartis' right to access ociperlimab for its own clinical trials during the option period and the initial transfer of BeiGene know-how was determined using a discounted cash flow method. The standalone selling price of the R&D Services was determined using an expected cost plus margin approach. Based on the relative standalone selling prices of the three performance obligations, US$71,980,000 of the total transaction price was allocated to the material right, US$213,450,000 was allocated to Novartis' right to use ociperlimab in its own clinical trials during the option period and the transfer of BeiGene know-how, and US$14,570,000 was allocated to the R&D Services.

The Company will satisfy the material right performance obligation at a point in time at the earlier of when Novartis exercises the option and the license is delivered or the expiration of the option period. As such, the entire amount of the transaction price allocated to the material right was deferred. The portion of the transaction price allocated to Novartis' right to access ociperlimab in its own clinical trials during the option period and the initial transfer of BeiGene know-how was deferred and is being recognized over the expected option period. 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 over the expected option period. The Company recognized collaboration revenue of US$3,979,000 related to Novartis right to access ociperlimab in clinical trials and the transfer of know how performance obligation and R&D service revenue of US$250,000 during the year ended December 31, 2021.

***Celgene Corporation, a Bristol Myers Squibb company (BMS)***

On July 5, 2017, the Company entered into a license agreement with Celgene Corporation, now a BMS company, pursuant to which the Company granted to the BMS parties an exclusive right to develop and commercialize the Company's investigational PD-1 inhibitor, tislelizumab, in all fields of treatment, other than hematology, in the United States, Europe, Japan and the rest of world other than Asia (the "PD-1 License Agreement"). In connection with the closing of the transactions on August 31, 2017, the Company and BMS amended and restated the PD-1 License Agreement (the "A&R PD-1 License Agreement") to, among other things, clarify the parties' responsibilities relating to the conducting and funding of certain global registration clinical trials and clarify the scope of the regulatory materials transferred by BeiGene to BMS. The Company entered into a mutual agreement with BMS to terminate the A&R PD-1 License Agreement effective June 14, 2019 in advance of the acquisition of Celgene by BMS.

Under the terms of the A&R PD-1 License Agreement, BMS paid the Company US$263,000,000 in upfront non-refundable fees, of which US$92,050,000 was paid in the third quarter of 2017 and the remaining US$170,950,000 was paid in December 2017. The Company allocated US$13,000,000 of upfront fees to the fair value of assets related to the Company's acquisition of Celgene Shanghai, a wholly-owned subsidiary of Celgene Holdings East Corporation established under the laws of China, which was completed contemporaneously with the A&R PD-1 License Agreement. The Company was also eligible to receive product development and commercial milestone payments based on the successful achievement of development and regulatory and commercialization goals, respectively, and potential royalty payments.

In addition to the exclusive right to develop and commercialize tislelizumab, the terms of the A&R PD-1 License Agreement provided BMS with the right to collaborate with the Company on the development of tislelizumab for specified indications, including required participation on a joint development committee and a joint steering committee as well as a joint commercialization committee upon achievement of commercialization. BMS reimbursed the Company for certain research and development costs at a cost plus agreed upon markup for the development of tislelizumab related to the clinical trials that BMS opted into, as outlined in the development plan.

Under ASC 606, the Company identified the following deliverables of the collaboration agreement as distinct performance obligations: (a) the license provided to BMS for the exclusive right to develop and commercialize tislelizumab, in all fields of treatment, other than hematology, in the United States, Europe, Japan and the rest of world other than Asia (the "License"); and (b) the research and development services provided to BMS to develop tislelizumab within specified indications (R&D services). For each deliverable, the Company determined the stand-alone selling price and allocated the non-constrained consideration of US$250,000,000 to the units of accounting using the relative selling price method. The consideration allocated to the License was recognized upon transfer of the License to BMS at contract inception and the consideration allocated to the R&D services was deferred and recognized over the term of the respective clinical studies for the specified indications. The payments associated with the defined developmental, regulatory, and commercialization goals were considered variable consideration and were fully constrained at contract inception through the date of termination.

In connection with the termination in June 2019, the Company regained full global rights to tislelizumab and received a US$150,000,000 payment from BMS. The payment was recognized as other collaboration revenue upon termination as the Company had no further performance obligations under the collaboration. Upon termination, the Company also recognized the remainder of the deferred revenue balance related to the upfront consideration allocated to research and development services at the time of the original collaboration. The Company's license from BMS to distribute the approved cancer therapies ABRAXANE®, REVLIMID®, and VIDAZA® in China was not affected by the termination of the tislelizumab collaboration. On March 25, 2020, the China National Medical Products Administration (NMPA) suspended the importation, sales and use of ABRAXANE® in China supplied to us by BMS, and the drug was subsequently recalled by BMS and is not currently available for sale in China. This suspension was based on inspection findings at BMS's contract manufacturing facility in the United States. Additionally, in October 2021, BMS provided 180-days' notice to us, which we dispute, purporting to terminate our license to market ABRAXANE® in China. We have not had any sales of ABRAXANE® since the suspension and do not expect future revenue from ABRAXANE®. We have initiated an arbitration proceeding against BMS asserting that it has breached and continues to breach the terms and conditions of the license and supply agreement.

***In-Licensing Arrangements – Commercial***

*Amgen*

In October 2019, the Company entered into a global strategic oncology collaboration with Amgen (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 LUMAKRAS®).

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 will recognize 100% of net product revenue on these sales. Amounts due to Amgen for its portion of net product sales will be recorded as cost of sales. Cost reimbursements due to or from Amgen under the profit share will be 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 ("Amgen SPA") was entered into by the parties on October 31, 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 Amgen SPA, the cash proceeds shall be used as necessary to fund the Company's development obligations under the Amgen Collaboration Agreement. Pursuant to the Amgen SPA, Amgen also received the right to designate one member of the Company's board of directors, and Anthony 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 estimation of future cash flows involved management assumptions of revenue growth rates and probability of technical and regulatory success of 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 cash proceeds received from the Amgen collaboration for the year ended December 31, 2020 were as follows:

| | **Year Ended December 31, 2020 US$'000** |
|---|---|
| Fair value of equity issued to Amgen | 2,162,407 |
| Fair value of research and development cost share liability | 616,834 |
| Total cash proceeds | 2,779,241 |

Amounts recorded related to the Company's portion of the co-development funding on the pipeline assets for the year ended December 31, 2021 and 2020 were as follows:

| | **Year Ended December 31,** | |
|---|---|---|
| | **2021 US$'000** | **2020 US$'000** |
| Research and development expense | 115,464 | 117,005 |
| Amortization of research and development cost share liability | 112,486 | 113,986 |
| Total amount due to Amgen for BeiGene's portion of the development funding | 227,950 | 230,991 |

| | **As of December 31, 2021 US$'000** |
|---|---|
| Remaining portion of development funding cap | 791,059 |

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

| | As of December 31, | |
|---|---|---|
| | 2021 | 2020 |
| | US$'000 | US$'000 |
| Research and development cost share liability, current portion | 120,801 | 127,808 |
| Research and development cost share liability, non-current portion | 269,561 | 375,040 |
| Total research and development cost share liability | 390,362 | 502,848 |

The net reimbursement due under the commercial profit-sharing agreement for in-line product sales is classified in the consolidated statements of operations for the year ended December 31, 2021 and 2020 as follows:

| | Year Ended December 31, | |
|---|---|---|
| | 2021 | 2020 |
| | US$'000 | US$'000 |
| Cost of sales – product | 1,893 | (1,210) |
| Selling, general and administrative | (45,152) | (9,750) |
| Research and development | 423 | (660) |
| Total | (42,836) | (11,620) |

The Company purchases commercial inventory from Amgen to distribute in China. Total inventory purchases amounted to US$110,303,000 and US$38,392,000, respectively, during the year ended December 31, 2021 and 2020. Net amounts payable to Amgen as of December 31, 2021 and 2020 were US$106,790,000 and US$122,828,000, respectively.

***In-Licensing Arrangements – Development***

The Company has in-licensed the rights to develop, manufacture and, if approved, commercialize multiple development stage drug candidates globally or in specific territories. These arrangements typically include non-refundable upfront payments, contingent obligations for potential development, regulatory and commercial performance milestone payments, cost-sharing arrangements, royalty payments, and profit sharing.

Upfront and milestone payments made under these arrangements for the years ended December 31, 2021 and 2020 are set forth below. All upfront and development milestones were expensed to research and development expense. All regulatory and commercial milestones were capitalized as intangible assets and are being amortized over the remainder of the respective product patent or the term of the commercialization agreements.

| | | Year Ended December 31, | |
|---|---|---|---|
| **Payments due to collaboration partners** | **Classification** | **2021** US$'000 | **2020** US$'000 |
| Upfront payments | Research and development expense | 83,500 | 109,500 |
| Development milestone payments | Research and development expense | 15,000 | 15,800 |
| Regulatory and commercial milestone payments | Intangible asset | 43,394 | – |
| Total | | 141,894 | 125,300 |

Our significant license agreements are described below:

*Shoreline Biosciences, Inc.*

In June 2021, the Company entered into an exclusive worldwide strategic collaboration with Shoreline Biosciences, Inc. (Shoreline) to develop and commercialize a portfolio of natural killer (NK)-based cell therapeutics with Shoreline's induced pluripotent stem cells (iPSC) NK cell technology and the Company's research and clinical development capabilities for different malignancies. Under the collaboration, the Company and Shoreline are working jointly to develop cell therapies for four designated therapeutic targets, with an option to expand the collaboration at a future date. Clinical development is being led by the Company globally, with Shoreline responsible for clinical manufacturing. The Company has commercial rights globally, with Shoreline having an option to retain commercialization rights in the United States and Canada for two targets. Under the terms of the agreement, Shoreline received a US$45,000,000 upfront payment in January 2022 and is eligible to receive additional R&D funding, milestone payments and royalties based upon the achievement of certain development, regulatory, and commercial milestones. The upfront payment was expensed to research and development expense during the year ended December 31, 2021 in accordance with the Company's acquired in-process research and development expense policy.

*Nanjing Leads Biolabs, Inc.*

In December 2021, the Company entered into a license and collaboration agreement with Nanjing Leads Biolabs, Inc. (Leads Biolabs) for worldwide research, development and manufacturing rights and exclusive commercialization rights outside of China to LBL-007, a novel investigational antibody targeting the LAG-3 pathway. Under the terms of the agreement, Leads Biolabs received an upfront payment of US$30,000,000 in January 2022 and is eligible to receive up to US$742,000,000 in clinical development, regulatory approval and sales milestones. Leads Biolabs is also eligible to receive tiered royalties on future sales in the licensed territory. The upfront payment was expensed to research and development expense during the year ended December 31, 2021 in accordance with the Company's acquired in-process research and development expense policy.

*EUSA Pharma*

In January 2020, the Company entered into an exclusive development and commercialization agreement with EUSA Pharma (EUSA) for the orphan biologic products SYLVANT® (siltuximab) and QARZIBA® (dinutuximab beta) in China. Under the terms of the agreement, EUSA granted the Company exclusive rights to SYLVANT® in greater China and to QARZIBA® in mainland China. Under the agreement, the Company is funding and undertaking all clinical development and regulatory submissions in the territories, and commercializing both products once approved. EUSA received a US$40,000,000 upfront payment upon contract execution and is eligible to receive additional payments upon the achievement of regulatory and commercial milestones up to a total of US$120,000,000. The upfront payment was expensed to research and development expense during the year ended December 31, 2020 in accordance with the Company's acquired in-process research and development expense policy. In 2021, QARZIBA® and SYLVANT® were approved and launched in mainland China and greater China, respectively. The approvals triggered regulatory milestone payments that were capitalized as intangible assets and are being amortized over the remaining term of the license agreement. EUSA is receiving tiered royalties on SYLVANT® product sales, which the Company records as cost of sales in the period the respective sales are generated.

*Assembly Biosciences, Inc.*

In July 2020, the Company entered into a collaboration agreement with Assembly Biosciences, Inc. (Assembly) for Assembly's portfolio of three clinical-stage core inhibitor candidates for the treatment of patients with chronic hepatitis B virus (HBV) infection in China. Under the terms of the agreement, Assembly granted BeiGene exclusive rights to develop and commercialize ABI-H0731, ABI-H2158 and ABI-H3733 in China, including Hong Kong, Macau, and Taiwan. BeiGene is responsible for development, regulatory submissions, and commercialization in China. Assembly retains full worldwide rights outside of the partnered territory for its HBV portfolio. Assembly received an upfront payment of US$40,000,000 and is eligible to receive payments upon achievement of development, regulatory and commercial milestones up to a total of US$503,750,000. Assembly is also eligible to receive tiered royalties on net sales. The upfront payment was expensed to research and development expense during the year ended December 31, 2020 in accordance with the Company's acquired in-process research and development expense policy.

*Bio-Thera Solutions, Ltd.*

In August 2020, the Company entered into a license, distribution and supply agreement with Bio-Thera Solutions, Ltd. (Bio-Thera) for Bio-Thera's POBEVCY® (BAT1706), a biosimilar to Avastin® (bevacizumab) in China. The agreement became effective on September 10, 2020 upon approval of Bio-Thera's shareholders, and was subsequently assigned by the Company to its affiliate BeiGene (Guangzhou) Co., Ltd. (BeiGene Guangzhou) on September 18, 2020, as permitted by the agreement. Under the terms of the agreement, Bio-Thera agreed to grant BeiGene the right to develop, manufacture, and commercialize POBEVCY® in China, including Hong Kong, Macau, and Taiwan. Bio-Thera retained rights outside of the partnered territory. Bio-Thera received an upfront payment of US$20,000,000 in October 2020 and is eligible to receive payments upon the achievement of regulatory and commercial milestones up to a total of US$145,000,000. The upfront payment was expensed to research and development expense during the year ended December 31, 2020 in accordance with the Company's acquired in-process research and development expense policy. In November 2021, POBEVCY® obtained regulatory approval, and was subsequently launched, in China, triggering a milestone payment that was capitalized as an intangible asset that is being amortized over the remaining term of the license agreement. Bio-Thera is also receiving tiered royalties on product sales, which the Company records as cost of sales in the period the respective sales are generated.

*Seagen, Inc.*

In November 2019, the Company entered into a license agreement with Seagen, Inc. (formerly known as "Seattle Genetics, Inc.") for an advanced pre-clinical product candidate for treating cancer. The agent utilizes a proprietary Seagen antibody-based technology. Under the terms of the agreement, Seagen retained rights to the product candidate in the Americas (United States, Canada and Latin American countries), Europe and Japan. The Company was granted exclusive rights to develop and commercialize the product candidate in Asia (except Japan) and the rest of the world. Seagen will lead global development and BeiGene will fund and operationalize the portion of global clinical trials attributable to its territories. BeiGene will also be responsible for all clinical development and regulatory submissions specific to its territories. Seagen received an upfront payment of US$20,000,000 and is eligible to receive progress-dependent milestones and tiered royalties on any product sales. Seagen is a related party due to a common shareholder, and that shareholder has different representatives serving on each companies' respective board of directors. The upfront payment was expensed to research and development expense during the year ended December 31, 2019 in accordance with the Company's acquired in-process research and development expense policy.

*Zymeworks Inc.*

In November 2018, the Company and Zymeworks entered into collaboration and license agreements whereby the Company acquired licenses to develop and commercialize Zymeworks' clinical-stage HER2-targeted bispecific antibody candidate ZW25 (zanidatamab) and its preclinical-stage bispecific antibody drug conjugate (ADC) ZW49 in Asia (excluding Japan), Australia, and New Zealand. In addition, Zymeworks granted BeiGene a license to Zymeworks' proprietary Azymetric™ and EFECT™ platforms to develop and commercialize globally up to three other bispecific antibodies using the platforms.

Under the collaboration agreements, BeiGene will be responsible for all clinical development and regulatory submissions in the licensed territories. BeiGene and Zymeworks have also agreed to collaborate on global development of zanidatamab and ZW49 in HER2-expressing solid tumors, including gastric and breast cancer, with BeiGene enrolling patients and contributing clinical trial data from the licensed territories. Zymeworks retains full rights to both zanidatamab and ZW49 outside of the specified countries and will continue to lead global development of these drug candidates.

Under the terms of the license and collaboration agreements for ZW49 and zanidatamab, Zymeworks received total upfront payments of US$40,000,000 and is eligible to receive additional payments upon the achievement of development and commercial milestones for both product candidates. In addition, Zymeworks will be eligible to receive tiered royalties on future sales of zanidatamab and ZW49 in the licensed territory.

Under the terms of the research and license agreement for the Azymetric™ and EFECT™ platforms, Zymeworks received an upfront payment of US$20,000,000 and is eligible to receive additional payments upon the achievement of development and commercial milestones for up to three bispecific product candidates developed under the agreement. In addition, Zymeworks will be eligible to receive tiered royalties on future global sales of bispecific products developed by BeiGene under the agreement.

The upfront payments were expensed to research and development expense during the year ended December 31, 2018, in accordance with the Company's acquired in-process research and development expense policy. The Company recognized development milestone payments related to the development of zanidatamab during the years ended December 31, 2021 and 2020 within research and development expense.

*Other*

In addition to the collaborations discussed above, the Company has entered into additional collaborative arrangements during the years ended December 31, 2021 and 2020. The Company may be required to pay additional amounts upon the achievement of various development and commercial milestones under these agreements. The Company may also incur significant research and development costs if the related product candidate were to advance to late-stage clinical trials. In addition, if any products related to these collaborations are approved for sale, the Company may be required to pay significant milestones upon approval and milestones and/or royalties on future sales. The payment of these amounts, however, is contingent upon the occurrence of various future events, which have a high degree of uncertainty of occurrence.

## 4. Restricted Cash

The Company's restricted cash balance of US$7,209,000 and US$8,055,000 as of December 31, 2021 and 2020, respectively, primarily consist 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 term of restriction.

## 5. Investments

***Short-Term Investments***

Short-term investments as of December 31, 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 | 2,245,662 | – | 3,700 | 2,241,962 |
| Total | 2,245,662 | – | 3,700 | 2,241,962 |

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 | 3,267,875 | 850 | – | 3,268,725 |

The Company does not consider the investments in U.S. treasury securities to be other-than-temporarily impaired at December 31, 2021. As of December 31, 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 December 31, 2021.

***Equity Securities with Readily Determinable Fair Values***

*Leap Therapeutics, Inc. (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. In September 2021, the Company purchased US$7,250,000 of common stock in Leap's underwritten public offering. As of December 31, 2021, the Company's ownership interest in the outstanding common stock of Leap was 8.3% 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 13.1%. The Company measures the investment in the common stock and warrants at fair value, with changes in fair value recorded to other income, net. During the year ended December 31, 2021 and 2020, the Company recorded an unrealized gain of US$9,386,000 and US$12,479,000, respectively, in the consolidated statement of operations.

As of December 31, 2021 and 2020, the fair value of the common stock and warrants was as follows:

| | As of December 31, | |
|---|---|---|
| | 2021 | 2020 |
| | US$'000 | US$'000 |
| Fair value of Leap common stock | 23,809 | 10,810 |
| Fair value of Leap warrants | 10,306 | 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$43,722,000 and US$9,705,000 in equity securities without readily determinable fair values as of December 31, 2021 and 2020, respectively. There were no adjustments to the carrying values of these securities for the year ended December 31, 2021 and 2020.

***Equity-Method Investments***

*MapKure*

In June 2019, the Company announced the formation of 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 investigational 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 share purchase agreement 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 income, net. The Company recognized losses of US$1,176,000 and US$491,000 for the years ended December 31, 2021 and 2020, respectively. As of December 31, 2021 and 2020, the carrying amount of the Company's investment in MapKure was US$8,333,000 and US$9,509,000, respectively.

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

In July 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 six 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. As of December 31, 2021, BeiGene Guangzhou, as a limited partner, holds an ownership interest in the fund of 19.3%. 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 losses of US$145,000 and US$68,000 for its portion of the fund's net loss for the years ended December 31, 2021 and 2020, respectively. As of December 31, 2021 and 2020, the carrying amount of the Company's investment in the fund was US$12,333,000 and US$12,189,000, respectively.

***Other Equity-Method Investment***

In addition to the equity-method investments mentioned above, the Company made an additional equity-method investment during the year ended December 31, 2021 and 2020 that it does not consider to be individually significant to its financial statements. The Company recognized the equity-method investment 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 investee's results of operations within other income, net.

## 6. Accounts receivable, net

| | As of December 31, | |
|---|---|---|
| | **2021** | **2020** |
| | **US$'000** | **US$'000** |
| Accounts receivable | 483,528 | 60,515 |
| Impairment | (415) | (112) |
| Total | 483,113 | 60,403 |

The Company's trading terms with its customers are mainly on credit and the credit periods generally range 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 December 31, | |
|---|---|---|
| | **2021** | **2020** |
| | **US$'000** | **US$'000** |
| Within 3 months | 483,058 | 60,403 |
| 3 months to 6 months | 55 | – |
| Total | 483,113 | 60,403 |

Changes in the allowance for credit losses related to trade accounts receivable consist of the following:

| | Year Ended December 31, | |
|---|---|---|
| | 2021 | 2020 |
| | US$'000 | US$'000 |
| Beginning balance, as of January 1 | 112 | – |
| Provision charged to selling, general and administrative expenses | 309 | 109 |
| Exchange rate changes | (6) | 3 |
| Ending balance, as of December 31 | 415 | 112 |

## 7. Inventories

The Company's inventory balance consisted of the following:

| | As of December 31, | |
|---|---|---|
| | 2021 | 2020 |
| | US$'000 | US$'000 |
| Raw materials | 78,140 | 19,330 |
| Work in process | 9,397 | 1,378 |
| Finished goods | 155,089 | 68,585 |
| Total inventories | 242,626 | 89,293 |

## 8. Manufacturing Facility in Guangzhou, China

***Manufacturing legal entity structure***

BeiGene Shanghai, originally established as a wholly-owned subsidiary of BeiGene (Hong Kong) Co., Ltd. (BeiGene HK), and currently a wholly-owned subsidiary of BeiGene Biologics, as described below, provides clinical development services for BeiGene affiliates and is the clinical trial authorization (CTA) holder and marketing authorization application (MAA) holder for tislelizumab in China.

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, the BeiGene Guangzhou Biologics Manufacturing Co., Ltd. (BeiGene Guangzhou Factory), to manufacture biologics for the Company and its subsidiaries.

BeiGene HK and BeiGene Biologics subsequently entered into an Equity Transfer Agreement to transfer 100% of the equity interest of BeiGene Shanghai to BeiGene Biologics, as required by the JV agreement, such that the CTA holder and MAA holder for tislelizumab in China was controlled by BeiGene Biologics. Upon the transfer of equity in BeiGene Shanghai, BeiGene HK's equity interest in BeiGene Shanghai became 95%.

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 connection 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 was used to fund the JV share repurchase and repayment of the shareholder loan and US$80,000,000 could 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. On October 9, 2021, the Company repaid US$198,320,000 and drew down US$200,000,000 from the Senior Loan. 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$15,693,000 (RMB100,000,000) of the Related Party Loan as of December 31, 2021. See Note 15 for further discussion of the loans.

## 9. Leases

The Company has operating leases for office and manufacturing facilities in the United States, Switzerland, and China. The leases have remaining lease terms of up to five years, some of which include options to extend the leases that have not been included in the calculation of the Company's lease liabilities and ROU assets. The Company has land use rights, which represent land acquired for the biologics manufacturing facility in Guangzhou, the land acquired for the Company's research, development and office facility in Changping, Beijing, and the land acquired for the Company's research, development and manufacturing facility in Suzhou. The land use rights represent lease prepayments and are expensed over the remaining term of the rights, which is 50 years for the Guangzhou land use rights, 36 years for the Changping land use right, and 30 years for the Suzhou land use right. The Company also has certain leases with terms of 12 months or less for certain equipment, office and lab space, which are not recorded on the balance sheet.

The components of lease expense were as follows:

| | Year Ended December 31, | |
|---|---|---|
| | 2021 | 2020 |
| | US$'000 | US$'000 |
| Operating lease cost | 22,536 | 18,271 |
| Variable lease cost | 4,892 | 2,465 |
| Short-term lease cost | 1,823 | 1,018 |
| Total lease cost | 29,251 | 21,754 |

Supplemental balance sheet information related to leases was as follows:

| | As of December 31, | |
|---|---|---|
| | 2021 | 2020 |
| | US$'000 | US$'000 |
| Operating lease right-of-use assets | 60,762 | 41,850 |
| Land use rights, net | 56,669 | 48,731 |
| Total operating lease right-of-use assets | 117,431 | 90,581 |
| Current portion of operating lease liabilities | 21,925 | 13,895 |
| Operating lease liabilities, non-current portion | 43,041 | 29,417 |
| Total lease liabilities | 64,966 | 43,312 |

Maturities of operating lease liabilities are as follows:

| | US$'000 |
|---|---|
| Year ending December 31, 2022 | 24,225 |
| Year ending December 31, 2023 | 20,072 |
| Year ending December 31, 2024 | 16,103 |
| Year ending December 31, 2025 | 8,272 |
| Year ending December 31, 2026 | 1,546 |
| Total lease payments | 70,218 |
| Less imputed interest | (5,252) |
| Present value of lease liabilities | 64,966 |

Other supplemental information related to leases is summarized below:

| | Year ended December 31, | |
|---|---|---|
| | 2021 | 2020 |
| | US$'000 | US$'000 |
| Operating cash flows used in operating leases | 19,962 | 17,571 |
| ROU assets obtained in exchange for new operating lease liabilities | 37,454 | 17,634 |

| | As of December 31, | |
|---|---|---|
| | 2021 | 2020 |
| Weighted-average remaining lease term (years) | 3 | 3 |
| Weighted-average discount rate | 5.15% | 6.26% |

## 10. Property, Plant and Equipment, net

Property, plant and equipment, net are recorded at cost less accumulated depreciation and consisted of the following:

| | As of December 31, | |
|---|---|---|
| | 2021 | 2020 |
| | US$'000 | US$'000 |
| Land | 65,485 | – |
| Laboratory equipment | 118,203 | 78,640 |
| Leasehold improvements | 50,288 | 37,643 |
| Building | 144,083 | 111,527 |
| Manufacturing equipment | 119,585 | 96,669 |
| Software, electronics and office equipment | 27,404 | 20,782 |
| Property and equipment, at cost | 525,048 | 345,261 |
| Less: Accumulated depreciation | (124,286) | (73,354) |
| Construction in progress | 186,843 | 85,779 |
| Property, plant and equipment, net | 587,605 | 357,686 |

In November 2021, the Company purchased a 42-acre site located in Hopewell, NJ for US$75,197,000. The total purchase price was allocated between the land and an existing building on the property based on their relative fair values. The Company plans to construct a biologics manufacturing facility and research and development center on the land. Construction had not yet commenced as of December 31, 2021.

Construction in progress ("CIP") as of December 31, 2021 and 2020 primarily related to the buildout of additional capacity at the Guangzhou and Suzhou manufacturing facilities. CIP by fixed asset class are summarized as follows:

| | As of December 31, | |
|---|---|---|
| | 2021 | 2020 |
| | US$'000 | US$'000 |
| Building | 90,229 | 48,824 |
| Manufacturing equipment | 63,361 | 29,858 |
| Laboratory equipment | 17,178 | 4,507 |
| Other | 16,075 | 2,590 |
| Total | 186,843 | 85,779 |

Depreciation expense for the years ended December 31, 2021 and 2020 were US$44,742,000 and US$30,943,000, respectively.

## 11. Intangible Assets

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

| | December 31, 2021 | | | 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 | (3,250) | 4,250 | 7,500 | (2,500) | 5,000 |
| Developed products | 43,394 | (965) | 42,429 | – | – | – |
| Trading license | 816 | (816) | – | 816 | (816) | – |
| Total finite-lived intangible assets | 51,710 | (5,031) | 46,679 | 8,316 | (3,316) | 5,000 |

Product distribution rights consist of distribution rights for the approved cancer therapies licensed from BMS as part of the BMS collaboration. The Company is amortizing the product distribution rights, as a single identified asset, over a period of 10 years from the date of acquisition. Developed products represent the post-approval milestone payments under the license agreement with Merck KGaA that was terminated during the year ended December 31, 2018 and the license and commercialization agreements with EUSA Pharma and Bio-Thera. The Company is amortizing the developed products over the remainder of the respective product patent or the term of the commercialization agreements. Trading license represents the Guangzhou drug distribution license acquired in September 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 products is included in cost of sales – product in the accompanying consolidated statements of operations. Amortization expense for product distribution rights and trading licenses is included in operating expenses in the accompanying consolidated statements of operations. The weighted-average life for each finite-lived intangible assets is approximately 13 years. Amortization expense is as follows:

| | Year Ended December 31, | |
|---|---|---|
| | 2021 US$'000 | 2020 US$'000 |
| Amortization expense – Cost of sales – product | 965 | – |
| Amortization expense – Operating expense | 750 | 846 |
| Total | 1,715 | 846 |

Estimated amortization expense for each of the five succeeding years and thereafter, as of December 31, 2021 is as follows:

| Year Ending December 31, | Cost of Sales – Product US$'000 | Operating Expenses US$'000 | Total US$'000 |
|---|---|---|---|
| 2022 | 3,314 | 750 | 4,064 |
| 2023 | 3,314 | 750 | 4,064 |
| 2024 | 3,314 | 750 | 4,064 |
| 2025 | 3,314 | 750 | 4,064 |
| 2026 | 3,314 | 750 | 4,064 |
| 2027 and thereafter | 25,859 | 500 | 26,359 |
| Total | 42,429 | 4,250 | 46,679 |

## 12. Income Taxes

The components of income (loss) before income taxes are as follows:

| | Year Ended December 31, 2021 US$'000 | 2020 US$'000 |
|---|---|---|
| PRC | (606,752) | (369,066) |
| U.S. | 34,923 | 33,608 |
| Other | (866,759) | (1,282,736) |
| Total | (1,438,588) | (1,618,194) |

The current and deferred components of the income tax expense (benefit) from continuing operations are as follows:

| | Year Ended December 31, 2021 US$'000 | 2020 US$'000 |
|---|---|---|
| **Current Tax Expense (Benefit):** | | |
| PRC | 15,252 | 16,121 |
| U.S. | (9) | (5,678) |
| Other | 805 | 68 |
| Total | 16,048 | 10,511 |
| **Deferred Tax Expense (Benefit):** | | |
| PRC | 7,516 | (1,152) |
| U.S. | (47,094) | (27,030) |
| Other | (1,704) | – |
| Total | (41,282) | (28,182) |
| **Income Tax Benefit** | (25,234) | (17,671) |

The reconciliation of the statutory tax rate to our effective income tax rate is as follow:

| | Year Ended December 31, | |
|---|---|---|
| | 2021 | 2020 |
| | US$'000 | US$'000 |
| Loss before tax | (1,438,588) | (1,618,194) |
| China statutory tax rate | 25% | 25% |
| Expected taxation at China statutory tax rate | (359,647) | (404,549) |
| Foreign and preferential tax rate differential | 185,874 | 218,473 |
| Non-deductible expenses | (2,826) | 8,436 |
| Stock compensation expenses | (27,411) | (22,032) |
| Effect of tax rate change | – | (3,827) |
| Change in valuation allowance | 210,306 | 209,085 |
| Research tax credits and incentives | (31,530) | (23,257) |
| Taxation for the year | (25,234) | (17,671) |
| Effective tax rate | 1.8% | 1.1% |

Significant components of deferred tax assets (liabilities) are as follows:

| | As of December 31, | |
|---|---|---|
| | 2021 | 2020 |
| | US$'000 | US$'000 |
| Deferred Tax Assets: | | |
| Accruals and reserves | 84,766 | 33,512 |
| Net operating losses carryforward | 625,114 | 358,425 |
| Stock-based compensation | 14,982 | 13,981 |
| Research tax credits | 82,060 | 58,835 |
| Depreciable and amortizable assets | 937,069 | 724,779 |
| Lease liability obligation | 11,571 | 9,066 |
| Gross deferred tax assets | 1,755,562 | 1,198,598 |
| Less valuation allowance | (1,647,985) | (1,134,585) |
| Total deferred tax assets | 107,577 | 64,013 |
| Deferred tax liabilities: | | |
| Right of use lease asset | (11,322) | (8,843) |
| Total deferred tax liabilities | (11,322) | (8,843) |
| Net deferred tax asset | 96,255 | 55,170 |

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 December 31, 2021, it is more likely than not that certain deferred tax assets will not be realized for our subsidiaries in Australia, Switzerland, the United States, and for certain subsidiaries in China. For the years ended December 31, 2021 and 2020, there were increases in the valuation allowance of US$210,306,000 and US$209,085,000, respectively. Adjustments may be required in the future if the Company estimates that the amount of deferred tax assets to be realized is more or less than the net amount recorded.

As of December 31, 2021 and 2020, the Company had net operating losses of approximately US$3,644,005,000 and US$2,230,857,000, respectively. As of December 31, 2021, net operating losses were primarily comprised of: US$942,541,000 from entities in the PRC which expire in years 2023 through 2031; US$2,325,359,000 derived from Switzerland which expires in years 2025 through 2028; and, US$351,645,000 derived from entities in the United States that have an indefinite carryforward. The Company has approximately US$88,632,000 of U.S. research tax credits which will expire between 2035 and 2041, if not utilized.

The gross unrecognized tax benefits for the years ended December 31, 2021 and 2020 were as follows:

| | Year Ended December 31, | |
|---|---|---|
| | **2021** | **2020** |
| | **US$'000** | **US$'000** |
| Beginning balance, as of January 1 | 7,123 | 4,633 |
| Additions based on tax positions related to the current tax year | 2,802 | 2,497 |
| Reductions based on lapse of statute of limitations | – | (7) |
| Ending balance, as of December 31 | 9,925 | 7,123 |

Current and prior year additions include an assessment of U.S. federal and state tax credits and incentives. None of the unrecognized tax benefits as of December 31, 2021 would impact the consolidated income tax rate if ultimately recognized due to valuation allowances. The Company does not anticipate that the amount of existing unrecognized tax benefits will significantly change within the next 12 months.

The Company has elected to record interest and penalties related to income taxes as a component of income tax expense. For the years ended December 31, 2021 and 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 December 31, 2021, Australia tax matters are open to examination for the years 2013 through 2021, China tax matters are open to examination for the years 2011 through 2021, Switzerland tax matters are open to examination for the years 2018 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 2011 through 2021.

The Company qualifies for the Technology Advanced Service Enterprises (TASE) and High and New Technology Enterprise (HNTE) status for certain subsidiaries in China, which expire at the end of 2022. The income tax benefits attributable to this status for the year ended December 31, 2021 is approximately US$2,863,000, or less than US$0.01 per share outstanding.

During the years ended December 31, 2021 and 2020, the Company completed intra-group transfers of certain intangible assets in anticipation of potential commercialization, which resulted in the establishment of deferred tax assets that were fully offset by valuation allowances.

As of December 31, 2021, the Company asserts indefinite reinvestment on the excess of the financial reporting bases over tax bases in the Company's investments in foreign subsidiaries to the extent reversal would incur a significant tax liability. A deferred tax liability has not been established for the approximately US$1,844,000 of cumulative undistributed foreign earnings. Determination of the unrecognized deferred tax liability is not practicable due to the uncertainty and overall complexity of the hypothetical calculation.

## 13. Supplemental Balance Sheet Information

Prepaid expenses and other current assets consist of the following:

| | As of December 31, | |
|---|---|---|
| | 2021 | 2020 |
| | US$'000 | US$'000 |
| Prepaid research and development costs | 87,239 | 71,341 |
| Prepaid taxes | 58,579 | 30,392 |
| Other receivables | 12,010 | 12,651 |
| Interest receivable | 5,052 | 6,619 |
| Prepaid insurance | 1,695 | 1,347 |
| Prepaid manufacturing cost | 78,538 | 25,996 |
| Other current assets | 27,060 | 11,666 |
| Total | 270,173 | 160,012 |

Other non-current assets consist of the following:

| | As of December 31, | |
|---|---|---|
| | 2021 | 2020 |
| | US$'000 | US$'000 |
| Goodwill | 109 | 109 |
| Prepayment of property and equipment | 14,140 | 16,984 |
| Payment of facility capacity expansion activities [(1)] | 24,237 | 29,778 |
| Prepaid VAT | 17,162 | 10,913 |
| Rental deposits and other | 6,609 | 5,962 |
| Long-term investments | 100,792 | 49,344 |
| Total | 163,049 | 113,090 |

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

Accrued expenses and other payables consisted of the following:

| | As of December 31, | |
|---|---|---|
| | 2021 | 2020 |
| | US$'000 | US$'000 |
| Compensation related | 139,966 | 106,765 |
| External research and development activities related | 213,922 | 143,302 |
| Commercial activities | 71,560 | 66,131 |
| Individual income tax and other taxes | 45,661 | 14,373 |
| Sales rebates and returns related | 59,639 | 11,874 |
| Other | 27,307 | 3,699 |
| Total accrued expenses and other payables | 558,055 | 346,144 |

Other long-term liabilities consist of the following:

| | As of December 31, | |
|---|---|---|
| | 2021 | 2020 |
| | US$'000 | US$'000 |
| Deferred government grant income | 46,352 | 49,139 |
| Pension liability | 7,814 | 8,113 |
| Other | 68 | 177 |
| Total other long-term liabilities | 54,234 | 57,429 |

## 14. Accounts payable

An aging analysis of the accounts payable as of December 31, 2021 and December 31, 2020, based on the invoice date, is as follows:

| | As of December 31, | |
|---|---|---|
| | 2021 | 2020 |
| | US$'000 | US$'000 |
| Within 3 months | 257,977 | 230,638 |
| 3 to 6 months | 3,210 | 312 |
| 6 months to 1 year | 1,110 | 147 |
| Over 1 year | 103 | 860 |
| Total | 262,400 | 231,957 |

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

## 15. Debt

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

| Lender | Agreement Date | Line of Credit US$'000/RMB'000 | Term | Maturity Date | Interest Rate | As of December 31, 2021 US$'000 | 2021 RMB'000 | 2020 US$'000 | 2020 RMB'000 |
|---|---|---|---|---|---|---|---|---|---|
| China Construction Bank | April 4, 2018 | RMB580,000 | 9-year | April 4, 2027 | (1) | 1,255 | 8,000 | 307 | 2,000 |
| China Merchants Bank | January 22, 2020 | (2) | 9-year | January 20, 2029 | (2) | 1,569 | 10,000 | – | – |
| China Minsheng Bank (the "Senior Loan") | September 24, 2020 | US$200,000 | | (3) | 4.5% | 200,000 | 1,274,535 | 198,320 | 1,294,010 |
| Zhuhai Hillhouse (the "Related Party Loan") | September 24, 2020 | RMB500,000 | | (4) | 4.5% | 15,693 | 100,000 | 15,326 | 100,000 |
| Other short-term debt (5) | | | | | | 209,048 | 1,332,197 | 121,062 | 789,918 |
| Total short-term debt | | | | | | 427,565 | 2,724,732 | 335,015 | 2,185,928 |
| China Construction Bank | April 4, 2018 | RMB580,000 | 9-year | April 4, 2027 | (1) | 89,444 | 570,000 | 88,584 | 578,000 |
| China Merchants Bank | January 22, 2020 | (2) | 9-year | January 20, 2029 | (2) | 53,353 | 340,000 | 53,641 | 350,000 |
| China Merchants Bank | November 9, 2020 | RMB378,000 | 9-year | November 8, 2029 | (6) | 59,316 | 378,000 | 41,412 | 270,206 |
| Total long-term debt | | | | | | 202,113 | 1,288,000 | 183,637 | 1,198,206 |

1. 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 December 31, 2021. The Company repaid US$312,000 (or RMB2,000,000) during the year ended December 31, 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.

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 December 31, 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 had an original maturity date of October 8, 2021, which was 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 twelve month periods. On October 8, 2021, the Company extended the maturity date for twelve months to October 8, 2022 and repurposed the Senior Loan for general working capital purposes. On October 9, 2021, the Company repaid US$198,320,000 and drew down US$200,000,000 from the Senior Loan.

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 originally matured 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. On October 8, 2021, the Company extended the maturity date of the Related Party Loan to the earlier of: (i) November 9, 2022, 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 years ended December 31, 2021 and 2020, the Company entered into additional short-term working capital loans with China Industrial Bank and China Merchants Bank to borrow up to RMB1,940,000,000 in aggregate, with maturity dates ranging from April 19, 2021 to December 15, 2022. The Company drew down US$206,449,000 (RMB1,332,197,000) during the year ended December 31, 2021. The Company repaid US$123,122,000 (RMB789,918,000) of the short-term loans during the year ended. December 31, 2021. The weighted average interest rate for the short-term working capital loans was approximately 4.2% as of December 31, 2021.

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 December 31, 2021. The Company drew down US$16,838,000 (RMB107,794,000) during the year ended December 31, 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.

***Contractual Maturities of Debt Obligations***

The aggregate contractual maturities of all borrowings due subsequent to December 31, 2021 are as follows:

| **Maturity dates** | **Amounts US$'000** |
|---|---|
| Year ending December 31, 2022 | 427,565 |
| Year ending December 31, 2023 | 15,300 |
| Year ending December 31, 2024 | 31,832 |
| Year ending December 31, 2025 | 38,027 |
| Year ending December 31, 2026 | 42,726 |
| Thereafter | 74,228 |
| Total | 629,678 |

***Interest Expense***

Interest on bank loans and the Related Party Loan is paid quarterly until the respective loans are fully settled. Interest expense recognized for the years ended December 31, 2021 and 2020 amounted to US$29,263,000 and US$18,309,000, respectively, among which, US$1,054,000 and US$338,000 was capitalized, respectively.

## 16. Product Revenue

The Company's product revenue is primarily derived from the sale of its internally developed products BRUKINSA® in the United States and China, and tislelizumab and pamiparib in China; REVLIMID® and VIDAZA® in China under a license from BMS; and XGEVA® and BLINCYTO® in China under a license from Amgen.

The table below presents the Company's net product sales for the years ended December 31, 2021 and 2020.

| | Year Ended December 31, | |
|---|---|---|
| | 2021 | 2020 |
| | US$'000 | US$'000 |
| Product revenue – gross | 748,824 | 324,672 |
| Less: Rebates and sales returns | (114,837) | (15,798) |
| Product revenue – net | 633,987 | 308,874 |

The following table disaggregates net product revenue by product for the years ended December 31, 2021 and 2020.

| | Year Ended December 31, | |
|---|---|---|
| | 2021 | 2020 |
| | US$'000 | US$'000 |
| Tislelizumab | 255,119 | 163,358 |
| BRUKINSA® | 217,987 | 41,702 |
| REVLIMID® | 70,065 | 47,372 |
| VIDAZA® | 19,591 | 29,975 |
| ABRAXANE® | – | 17,770 |
| XGEVA® | 45,956 | 8,496 |
| BLINCYTO® | 12,515 | – |
| Other | 12,754 | 201 |
| Total product revenue – net | 633,987 | 308,874 |

The following table presents the roll-forward of accrued sales rebates and returns for the years ended December 31, 2021 and December 31, 2020.

| | Year Ended December 31, | |
|---|---|---|
| | 2021 | 2020 |
| | US$'000 | US$'000 |
| Beginning balance, as of January 1 | 11,874 | 3,198 |
| Accrual | 114,837 | 15,798 |
| Payment | (67,072) | (7,122) |
| Ending balance, as of December 31 | 59,639 | 11,874 |

Sales rebates accrued and paid during the year ended December 31, 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 effective March 1, 2021 and additional indications for tislelizumab, BRUKINSA® and pamiparib effective January 1, 2022. The impact of the NRDL price reductions on net revenue totaled US$57,450,000 for the year ended December 31, 2021. The majority of the accrued compensation related to sales of tislelizumab.

## 17. Loss before Income Tax Expense

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

| | Notes | Year Ended December 31, 2021 US$'000 | 2020 US$'000 |
|---|---|---|---|
| Cost of inventories sold | | 164,906 | 70,657 |
| Depreciation of property, plant and equipment | 10 | 44,742 | 30,943 |
| Research and development costs (note) | | 1,459,239 | 1,294,877 |
| Amortization of operating lease right-of-use assets | 9 | 22,536 | 18,271 |
| Amortization of license rights | 11 | 1,715 | 846 |
| Employee benefit expense (including directors'and chief executive's remuneration): | | | |
| Wages, salaries and other benefits | | 720,551 | 466,962 |
| Share-based compensation expenses | | 240,712 | 183,481 |
| Pension scheme contributions (defined contribution scheme) | | 38,810 | 13,372 |
| | | 1,000,073 | 663,815 |
| Gain on sale of available-for-sale securities | | (67) | (1,492) |
| Foreign exchange differences, net | | 5,991 | (4,813) |
| Bank interest income | | (13,528) | (20,352) |
| Loss on disposal of property and equipment | | 106 | 9 |

*Note:*

During the years ended December 31, 2021 and 2020, research and development costs of approximately US$463,441,000 and US$346,203,000 were also included in employee benefit expense.

## 18. Loss Per Share

Loss per share was calculated as follows:

| | Year Ended December 31, 2021 US$'000 | 2020 US$'000 |
|---|---|---|
| Numerator: | | |
| Net loss | (1,413,354) | (1,600,523) |
| Less: Net loss attributable to noncontrolling interest | – | (3,617) |
| Net loss attributable to BeiGene, Ltd. | (1,413,354) | (1,596,906) |
| Denominator: | | |
| Weighted average shares outstanding for computing basic and diluted loss per share | 1,206,210,049 | 1,085,131,783 |
| Net loss per share attributable to BeiGene, Ltd., basic and diluted (in US$) | (1.17) | (1.47) |

For the years ended December 31, 2021 and 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.

The effects of all share options and restricted share units were excluded from the calculation of diluted loss per share as their effect would have been anti-dilutive during the years ended December 31, 2021 and 2020.

## 19. Share-Based Compensation Expense

### *2016 Share Option and Incentive Plan*

In January 2016, in connection with its U.S. IPO, 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 December 31, 2021, ordinary shares cancelled or forfeited under the 2011 Plan that were carried over to the 2016 Plan totaled 5,166,510. The 2016 Plan provided for an annual increase in the shares available for issuance, to be added on the first day of each fiscal year, beginning on January 1, 2017, equal to the lesser of (i) five percent (5)% of the outstanding shares of the Company's ordinary shares on the last day of the immediately preceding fiscal year or (ii) such number of shares determined by the Company's board of directors or the compensation committee. On January 1, 2018, 29,603,616 ordinary shares were added to the 2016 Plan under this provision. However, in August 2018, in connection with the Hong Kong IPO, the board of directors of the Company approved an amended and restated 2016 Plan to remove this "evergreen" provision and implement other changes required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "HK Listing Rules"). In December 2018, the shareholders of the Company approved a second 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.

As of December 31, 2021, share-based awards to acquire 50,886,939 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 who 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 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 listing of the Company's ordinary shares on the HKEX, the board of directors of the Company approved an amended and restated 2018 Plan to implement changes required by the HK Listing Rules.

As of December 31, 2021, share-based awards to acquire 9,344,659 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 August 2018, in connection with the Hong Kong IPO, the board of directors of the Company approved an amended and restated ESPP to remove an "evergreen" share replenishment provision originally included in the plan and implement other changes required by the HK Listing Rules. In December 2018, the shareholders of the Company approved a second 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. 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.

The following tables summarizes the shares issued under the ESPP:

| | | **Market Price[1]** | | **Purchase Price[2]** | | |
|---|---|---|---|---|---|---|
| **Issuance Date** | **Number of Ordinary Shares Issued** | **ADS** | **Ordinary** | **ADS** | **Ordinary** | **Proceeds** |
| | | US$ | US$ | US$ | US$ | US$'000 |
| August 31, 2021 | 425,386 | 308.30 | 23.72 | 262.06 | 20.16 | 8,575 |
| February 26, 2021 | 436,124 | 236.30 | 18.18 | 200.86 | 15.45 | 6,738 |
| August 31, 2020 | 485,069 | 164.06 | 12.62 | 139.45 | 10.73 | 5,203 |
| February 28, 2020 | 425,425 | 145.54 | 11.20 | 123.71 | 9.52 | 4,048 |
| August 30, 2019 | 233,194 | 143.75 | 11.06 | 122.19 | 9.40 | 2,192 |
| February 28, 2019 | 154,505 | 137.05 | 10.54 | 116.49 | 8.96 | 1,385 |

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.

As of December 31, 2021, 5,194,546 ordinary shares were available for future issuance under the ESPP.

***Share options***

Generally, share options have a contractual term of 10 years and vest over a three – to five-year period, with the first tranche vesting one calendar year after the grant date or the service relationship start date and the remainder of the awards vesting on a monthly basis thereafter. Restricted shares and restricted share units generally vest over a four-year period, with the first tranche vesting one calendar year after the grant date or the service relationship start date and the remainder of the awards vesting on a yearly basis thereafter, or sometimes vest upon the achievement of pre-specified performance conditions.

The following table summarizes the Company's share option activities under the 2011, 2016 and 2018 Plans:

| | Number of Options | Weighted Average Exercise Price US$ | Weighted Average Grant Date Fair Value US$ | Weighted Average Remaining Contractual Term Years | Aggregate Intrinsic Value US$'000 |
|---|---|---|---|---|---|
| Outstanding at December 31, 2019 | 108,417,254 | 3.96 | | | |
| Granted | 8,999,536 | 13.54 | 7.15 | | |
| Exercised | (29,707,587) | 2.82 | | | 416,509 |
| Forfeited | (2,717,488) | 7.22 | | | |
| Outstanding at December 31, 2020 | 84,991,715 | 5.27 | | | |
| Granted | 6,244,524 | 26.46 | 12.40 | | |
| Exercised | (17,233,853) | 4.52 | | | 367,110 |
| Forfeited | (1,797,498) | 13.27 | | | |
| Outstanding at December 31, 2021 | 72,204,888 | 7.08 | | 5.81 | 1,026,958 |
| Exercisable as of December 31, 2021 | 55,576,828 | 4.31 | | 5.08 | 919,118 |
| Vested and expected to vest at December 31, 2021 | 70,043,242 | 6.79 | | 5.73 | 1,012,938 |

As of December 31, 2021, the unrecognized compensation cost related to 14,466,414 unvested share options expected to vest was US$88,394,000. This unrecognized compensation will be recognized over an estimated weighted-average amortization period of 2.1 years.

The total fair value of employee share option awards vested during the years ended December 31, 2021 and 2020 was US$53,571,000 and US$55,127,000, respectively.

***Fair value of options***

The Company uses the binomial option-pricing model in determining the estimated fair value of the options granted. The model requires the input of highly subjective assumptions including the estimated expected stock price volatility and, the exercise multiple for which employees are likely to exercise share options. For expected volatilities, the trading history and observation period of the Company's own share price is used in conjunction with historical price volatilities of ordinary shares of several comparable companies in the same industry as the Company. For the exercise multiple, the Company was not able to develop an exercise pattern as reference, thus the exercise multiple is based on management's estimation, which the Company believes is representative of the future exercise pattern of the options. The risk-free rate for periods within the contractual life of the option is based on the U.S. Treasury Bills yield curve in effect at the time of grant.

The following table presents the range of fair values and the assumptions used to estimate those fair values of the share options granted in the years presented:

| | Year Ended December 31, | |
|---|---|---|
| | **2021** | **2020** |
| Fair value of ordinary share | US$9.94 ~ US$14.97 | US$4.95 ~ US$11.89 |
| Risk-free interest rate | 1.1% ~ 1.7% | 0.6% ~ 1.1% |
| Expected exercise multiple | 2.8 | 2.8 |
| Expected volatility | 51% ~ 59% | 58% ~ 59% |
| Expected dividend yield | 0% | 0% |
| Contractual life | 10 years | 10 years |

***Restricted shares***

The following table summarizes the Company's restricted share activities under the 2016 Plan:

| | **Numbers of Shares** | **Weighted-Average Grant Date Fair Value US$** |
|---|---|---|
| Outstanding at December 31, 2019 | 75,000 | 2.27 |
| Granted | – | – |
| Vested | (75,000) | 2.27 |
| Forfeited | – | – |
| Outstanding at December 31, 2020 | – | – |
| Granted | – | – |
| Vested | – | – |
| Forfeited | – | – |
| Outstanding at December 31, 2021 | – | – |
| Expected to vest at December 31, 2021 | – | – |

The Company had no non-employee restricted share activities during the year ended December 31, 2021 and 2020.

As of December 31, 2021, all compensation cost related to restricted shares was fully recognized.

***Restricted share units***

The following table summarizes the Company's restricted share unit activities under the 2016 and 2018 Plans:

| | Numbers of Shares | Weighted-Average Grant Date Fair Value US$ |
|---|---|---|
| Outstanding at December 31, 2019 | 26,852,267 | 10.72 |
| Granted | 18,820,581 | 14.20 |
| Vested | (7,302,828) | 10.88 |
| Forfeited | (3,493,048) | 11.36 |
| Outstanding at December 31, 2020 | 34,876,972 | 12.50 |
| Granted | 17,173,767 | 25.58 |
| Vested | (10,703,381) | 12.23 |
| Forfeited | (5,264,376) | 15.82 |
| Outstanding at December 31, 2021 | 36,082,982 | 18.33 |
| Expected to vest at December 31, 2021 | 31,392,194 | 18.33 |

As of December 31, 2021, the unrecognized compensation cost related to unvested restricted share units expected to vest was US$469,862,000. This unrecognized compensation will be recognized over an estimated weighted-average amortization period of 2.6 years.

The following table summarizes total share-based compensation cost recognized for the years ended December 31, 2021 and 2020:

| | Year Ended December 31, | |
|---|---|---|
| | 2021 US$'000 | 2020 US$'000 |
| Research and development | 114,357 | 92,999 |
| Selling, general and administrative | 126,355 | 90,482 |
| Total | 240,712 | 183,481 |

## 20. Accumulated Other Comprehensive Income (Loss)

The movement of accumulated other comprehensive income (loss) 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 |
|---|---|---|---|---|
| December 31, 2019 | (9,291) | 1,290 | – | (8,001) |
| Other comprehensive income (loss) before reclassifications | 23,475 | 1,073 | (8,113) | 16,435 |
| Amounts reclassified from accumulated other comprehensive income (loss)[(1)] | – | (1,492) | – | (1,492) |
| Net-current period other comprehensive (loss) income | 23,475 | (419) | (8,113) | 14,943 |
| December 31, 2020 | 14,184 | 871 | (8,113) | 6,942 |
| Other comprehensive income (loss) before reclassifications | 13,714 | (4,504) | 309 | 9,519 |
| Amounts reclassified from accumulated other comprehensive income (loss)[(1)] | – | (67) | 1,556 | 1,489 |
| Net-current period other comprehensive (loss) income | 13,714 | (4,571) | 1,865 | 11,008 |
| December 31, 2021 | 27,898 | (3,700) | (6,248) | 17,950 |

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

## 21. Shareholders' Equity

During the years ended December 31, 2021 and 2020, the Company completed the following equity offerings:

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 Share Purchase Agreement executed in connection with the Amgen Collaboration Agreement. On March 17, 2020, BeiGene, Ltd. and Amgen entered into an Amendment No. 2 (the "Second Amendment") to the Share Purchase Agreement in order to account for periodic dilution from the issuance of shares by the Company, which was restated in its entirety on September 24, 2020 (the "Restated Second Amendment"). Pursuant to the Restated Second Amendment, Amgen has an option (the "Direct Purchase Option") to subscribe for additional ordinary shares of the Company in the form of ADSs (the "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 shares. The Direct Purchase Option is exercisable on a monthly basis, but only if Amgen's interest in the outstanding shares of the Company at the monthly reference date is less than 20.4%. The Direct Purchase Option (i) will be exercisable by Amgen solely as a result of dilution arising from issuance of new shares under the Company's equity incentive plans from time to time, and (ii) is subject to annual approval by the Company's independent shareholders each year during the term of the Restated Second Amendment. 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 and its affiliates collectively own 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) December 1, 2023. The Direct Purchase Option has no vesting period.

In July 2020, the Company issued 145,838,979 ordinary shares, par value US$0.0001, to eight existing investors, including entities associated with Hillhouse Capital and Baker Bros. Advisors LP, as well as Amgen, in a registered direct offering under the Company's effective Registration Statement on Form S-3 (File No. 333-238181). Each ordinary share was sold for a purchase price of US$14.2308 per share (US$185.00 per ADS), resulting in net proceeds, after offering expenses, of US$2,069,610,000. Amgen purchased 29,614,832 ordinary shares for US$421,443,000 as part of this offering. The offering was made without an underwriter or a placement agent, and as a result the Company did not pay any underwriting discounts or commissions in connection with the offering.

In September 2021, upon Amgen's exercise of its Direct Purchase Option, the Company issued an aggregate of 165,529 ADSs, representing 2,151,877 ordinary shares, to Amgen Inc. for a total consideration of US$50,000,000, in a private placement pursuant to a Share Purchase Agreement dated October 31, 2019, as amended on December 6, 2019 and September 24, 2020 by and between Amgen and Company.

In December 2021, the Company completed an initial public offering of (STAR Offering) on the Science and Technology Innovation Board (STAR Market) of the Shanghai Stock Exchange (SSE). The shares offered in the STAR Offering were issued to and subscribed for by permitted investors in the PRC in Renminbi (RMB Shares). The public offering price of the RMB Shares was RMB192.60 per ordinary share, or US$391.68 per ADS. In this offering, the Company sold 115,055,260 ordinary shares. Net proceeds after deducting underwriting discounts and commission and offering expenses were US$3,392,616,000. As required by the PRC securities laws, the net proceeds from the STAR Offering must be used in strict compliance with the planned uses as disclosed in the PRC prospectus as well as the Company's proceeds management policy for the STAR Offering approved by the board of directors.

## 22. 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 laws and regulations permit payments of dividends by the Company's PRC subsidiaries only out of its retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. The results of operations reflected in the consolidated financial statements prepared in accordance with U.S. GAAP differ from those reflected in the statutory financial statements of the 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 invested enterprises and therefore were subject to the above-mentioned restrictions on distributable profits.

During the years ended December 31, 2021 and 2020, no appropriation to statutory reserves was made, because the PRC subsidiaries had an accumulated deficit as of the end of such periods.

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 December 31, 2021 and 2020, amounts restricted were the net assets of the Company's PRC subsidiaries, which amounted to US$799,574,000 and US$119,776,000, respectively.

## 23. Employee Benefit Plans

***Defined Contribution Plans***

Full-time employees of the Company in the PRC participate in a government mandated defined contribution plan, pursuant to which certain pension benefits, medical care, employee housing fund and other welfare benefits are provided to employees. Chinese labor regulations require that the Company's PRC subsidiaries make contributions to the government for these benefits based on certain percentages of the employees' salaries. The Company has no legal obligation for the benefits beyond the contributions made. The total amounts for such employee benefits, which were expensed as incurred, were US$63,772,000 and US$23,717,000 for the years ended December 31, 2021 and 2020, respectively.

The Company maintains a defined contribution 401(k) savings plan (the "401(k) Plan") for U.S. employees. The 401(k) Plan covers all U.S. employees, and allows participants to defer a portion of their annual compensation on a pretax basis. In addition, the Company has a matching contribution to the 401(k) Plan, which, in the 2021 plan year, matched dollar for dollar of eligible contributions up to 4%. Company contributions to the 401(k) plan totaled US$7,483,000 and US$4,840,000 in the years ended December 31, 2021 and 2020, respectively.

The Company maintains a government mandated program to cover its employees in Switzerland for pension, death, or disability. The program is considered a defined contribution plan. Employer and employee contributions are made based on various percentages of salaries and wages that vary based on employee age and other factors. Company contributions into the program amounted to US$2,986,000 and US$2,960,000 in the years ended December 31, 2021 and 2020, respectively.

Employee benefit expenses for the remaining subsidiaries were immaterial.

***Defined Benefit Plan***

The Company maintains a defined benefit pension plan covering its employees in Switzerland (the "Swiss Plan"). This plan is a government mandated fund that provides benefits to employees upon retirement, death, or disability. Contributions are made based on various percentages of participants' salaries and wages determined based on participants' age and other factors. As of December 31, 2021 and 2020, the projected benefit obligations under the Swiss Plan were approximately US$34,517,000 and US$23,566,000, respectively, and plan assets were approximately US$26,703,000 and US$15,453,000, respectively. The funded status of the Swiss Plan is included in other long-term liabilities in the accompanying consolidated balance sheets. The initial determination of the pension liability was recorded as other comprehensive loss during the year ended December 31, 2020 and subsequently amortized as a component of net periodic pension cost (see Note 20).

The Company's annual contribution to the Swiss Plan is estimated to be approximately US$1,604,000 in 2022 and is expected to evolve thereafter proportionally with changes in staffing and compensation levels, actuarial assumptions and actual investment returns on plan assets.

The following table reflects the total expected benefit payments to Swiss Plan participants and have been estimated based on the same assumptions used to measure the Company's benefit obligations as of December 31, 2021:

| Year(s) | **Amounts US$'000** |
|---|---|
| 2022 | 44 |
| 2023 | 68 |
| 2024 | 528 |
| 2025 | 271 |
| 2026 | 197 |
| 2027 – 2031 | 3,760 |
| Total | 4,868 |

## 24. Commitments and Contingencies

***Purchase Commitments***

As of December 31, 2021, the Company had purchase commitments amounting to US$168,687,000, of which US$75,976,000 related to minimum purchase requirements for supply purchased from contract manufacturing organizations and US$92,711,000 related to binding purchase order 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$42,394,000 for the acquisition of property, plant and equipment as of December 31, 2021, which were mainly for the Company's biologics manufacturing facility in Guangzhou, China, small molecule manufacturing facility in Suzhou, 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 clinical 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/or development services. As of December 31, 2021, the Company's remaining co-development funding commitment was US$791,059,000.

***Research and Development Commitment***

The Company entered into long-term research and development agreements, which include obligations to make upfront payments and fixed quarterly payments over the next five years. As of December 31, 2021, the total research and development commitment amounted to US$27,985,000.

***Funding Commitment***

The Company had committed capital related to an equity method investment in the amount of US$15,000,000. As of December 31, 2021, the remaining capital commitment was US$12,750,000 and is expected to be paid from time to time over the investment period.

***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 cancellable at any time by the Company 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 consolidated 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 consolidated financial statements.

## 25. 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, with the exception of land which is in the U.S.

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:

| | Year Ended December 31, | |
|---|---|---|
| | **2021** | **2020** |
| | **US$'000** | **US$'000** |
| PRC | 517,173 | 290,646 |
| U.S. | 495,265 | 18,228 |
| ROW | 163,845 | – |
| Total | 1,176,283 | 308,874 |

PRC revenues for each of the two years in the period ended December 31, 2021 consisted entirely of product sales. U.S. revenues for the year ended December 31, 2021 consisted of collaboration revenues of US$379,607,000 and BRUKINSA® product sales of US$115,658,000, respectively. U.S. revenues for the year ended December 31, 2020 consisted entirely of BRUKINSA® product sales. Rest of world revenues for each of the two years in the period ended December 31, 2021 consisted primarily of collaboration revenues.

## 26. Reconciliation between U.S. GAAP and international financial reporting standards

The 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:

| | Year ended December 31, 2021 | | | |
|---|---|---|---|---|
| **Consolidated statement of operations data** | **Amounts as reported under U.S. GAAP US$'000** | **IFRS adjustments US$'000** | **US$'000** | **Amounts under IFRS US$'000** |
| | | **Share-based compensation (note (i))** | **Tax benefit/ deficiency on share-based compensation (note (iii))** | |
| Research and development | (1,459,239) | (21,541) | – | (1,480,780) |
| Selling, general and administrative | (990,123) | (27,189) | – | (1,017,312) |
| Loss before income tax expense | (1,438,588) | (48,730) | – | (1,487,318) |
| Income tax (expense) benefit | 25,234 | 5,253 | (56,237) | (25,750) |
| Net loss | (1,413,354) | (43,477) | (56,237) | (1,513,068) |
| Net loss attributable to BeiGene, Ltd. | (1,413,354) | (43,477) | (56,237) | (1,513,068) |

| | Year ended December 31, 2020 | | | |
|---|---|---|---|---|
| **Consolidated statement of operations data** | **Amounts as reported under U.S. GAAP US$'000** | **IFRS adjustments US$'000** | **US$'000** | **Amounts under IFRS US$'000** |
| | | **Share-based compensation (note (i))** | **Tax benefit/ deficiency on share-based compensation (note (iii))** | |
| Research and development | (1,294,877) | (5,338) | – | (1,300,215) |
| Selling, general and administrative | (600,176) | (12,280) | – | (612,456) |
| Loss before income tax expense | (1,618,194) | (17,618) | – | (1,635,812) |
| Income tax (expense) benefit | 17,671 | 1,143 | (41,404) | (22,590) |
| Net loss | (1,600,523) | (16,475) | (41,404) | (1,658,402) |
| Net loss attributable to BeiGene, Ltd. | (1,596,906) | (16,475) | (41,404) | (1,654,785) |

| Consolidated balance sheet data | Amounts as reported under US GAAP US$'000 | As at December 31, 2021 IFRS adjustments US$'000 | | US$'000 | Amounts under IFRS US$'000 |
|---|---|---|---|---|---|
| | | Share based compensation (note (i)) | Preferred Shares (note (ii)) | Tax benefit/ deficiency on share based compensation (note (iii)) | |
| Deferred tax assets | 110,424 | 5,253 | – | – | 125,744 |
| | | 10,067* | – | – | |
| Total assets | 8,645,949 | 15,320 | – | – | 8,661,269 |
| Additional paid-in capital | 11,191,007 | 48,730 | – | 56,237 | 11,809,005 |
| | | 125,319* | 307,894* | 79,818* | |
| Accumulated deficit | (4,966,103) | (48,730) | – | (56,237) | (5,568,781) |
| | | 5,253 | – | – | |
| | | (115,252)* | (307,894)* | (79,818)* | |
| Total equity | 6,242,987 | 15,320 | – | – | 6,258,307 |

| Consolidated balance sheet data | Amounts as reported under US GAAP US$'000 | As at December 31, 2020 IFRS adjustments US$'000 | | US$'000 | Amounts under IFRS US$'000 |
|---|---|---|---|---|---|
| | | Share based compensation (note (i)) | Preferred Shares (note (ii)) | Tax benefit/ deficiency on share based compensation (note (iii)) | |
| 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 | – | 41,404 | 7,927,963 |
| | | 107,701* | 307,894* | 38,414* | |
| Accumulated deficit | (3,552,749) | (17,618) | – | (41,404) | (4,055,713) |
| | | 1,143 | – | – | |
| | | (98,777)* | (307,894)* | (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 grant date 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$48,730,000 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 year ended December 31, 2021 (2020: US$17,618,000). The related income tax impact of this item was US$5,253,000 for the year ended December 31, 2021 (2020: US$1,143,000).

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 U.S. IPO, the Company had Preferred Shares, which were converted into ordinary shares at the time of the U.S. IPO. Under U.S. GAAP, the Preferred Shares issued by the Company are classified as mezzanine equity as these convertible preferred shares are redeemable upon the occurrence of a conditional event (i.e., Liquidation Transaction). The holders of the Preferred Shares have 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 are not redeemable currently and is not probable that the Preferred Shares will become redeemable because the likelihood of the Liquidation Transaction is remote. Therefore, no adjustment will be made to the initial carrying amount of the Preferred Shares until it is probable that they will become redeemable.

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 December 31, 2021 and December 31, 2020. The cumulative income tax benefit on excess tax deductions of US$56,237,000 for the year ended December 31, 2021 (2020: US$41,404,000) 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 the financial statements as of December 31, 2021 and for the year ended December 31, 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 the financial statements as of December 31, 2021 and for the year ended December 31, 2021.

**27. Dividends**

The board of directors of the Company did not recommend the distribution of any annual dividend for the year ended December 31, 2021 (year ended December 31, 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 currently have three approved medicines that were discovered and developed in our own labs, including 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. We have obtained approvals to market BRUKINSA® in the United States, the People's Republic of China (China or the PRC), the European Union (EU), the United Kingdom (U.K.), Canada, Australia and additional international markets, and tislelizumab and pamiparib in China. By leveraging our China commercial capabilities, we have in-licensed the rights to distribute 13 approved medicines for the China market. Supported by our global clinical 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.

We are committed to advancing best and first-in-class clinical candidates internally or with like-minded partners to develop impactful and affordable medicines for patients across the globe. Our internal clinical development capabilities are deep, including a more than 2,200-person global clinical development team that is running more than 90 ongoing or planned clinical trials in over 30 medicines and drug candidates. This includes more than 30 pivotal or potentially registration-enabling trials across our portfolio, including our three internally discovered, approved medicines. We have enrolled in our clinical trials more than 14,500 subjects, of which approximately one-half have been outside of China.

We have built, and are expanding, our internal manufacturing capabilities through our 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 contract manufacturing organizations (CMOs) to manufacture our internally developed clinical and commercial products.

Since our inception in 2010, we have become a fully integrated global organization of over 8,000 employees in 23 countries and regions, including the United States, China, Europe, and Australia.

**Recent Business Developments**

On March 11, 2022, we announced that the NMPA has granted conditional approval to our anti-PD-1 antibody, tislelizumab, for the treatment of adult patients with advanced unresectable or metastatic microsatellite instability-high (MSI-H) or mismatch repair deficient (dMMR) solid tumors.

On February 22, 2022, we announced that the U.S. Food and Drug Administration (FDA) has accepted a supplemental new drug application (sNDA) for BRUKINSA® (zanubrutinib) for the treatment of adult patients with chronic lymphocytic leukemia (CLL) or small lymphocytic lymphoma (SLL). CLL is the most common form of adult leukemia. The Prescription Drug User Fee Act (PDUFA) target action date is October 22, 2022.

On February 22, 2022, we announced that the European Medicines Agency (EMA) has accepted for review two new indication applications for our BTK inhibitor BRUKINSA® (zanubrutinib), for the treatment of patients with CLL and for the treatment of patients with marginal zone lymphoma (MZL).

On February 17, 2022, we announced that BRUKINSA® (zanubrutinib) received approval from Swissmedic for the treatment of adult patients with Waldenström's macroglobulinemia (WM) who have received at least one prior line of therapy, or for treatment-naïve patients who are not suited for standard chemo-immunotherapy. BRUKINSA® had previously been granted orphan drug status.

On January 28, 2022, we announced that the Center for Drug Evaluation (CDE) of NMPA has accepted an sNDA for BRUKINSA® (zanubrutinib) as a treatment for adult patients with CLL or SLL and granted BRUKINSA® breakthrough therapy designation (BTD).

On January 20, 2022, we announced that the CDE of the NMPA accepted an sNDA for BRUKINSA® as a treatment for adult patients with WM.

On January 6, 2022, we announced that the NMPA approved our anti-PD-1 antibody tislelizumab as a second – or third-line treatment for patients with locally advanced or metastatic non-small cell lung cancer (NSCLC).

On December 20, 2021, we announced an option, collaboration and license agreement with Novartis to develop, manufacture and commercialize our investigational TIGIT inhibitor ociperlimab in North America, Europe, and Japan. We granted Novartis an exclusive time-based option under which, upon exercise by Novartis prior to late 2023, we agreed to jointly develop ociperlimab, with Novartis responsible for regulatory submissions after a transition period and for commercialization upon regulatory approvals in the licensed territory. During the option period Novartis will conduct and fund additional global clinical trials of ociperlimab in combination with tislelizumab in selected tumor types. In addition, following option exercise, both companies may conduct clinical trials globally to explore combinations of ociperlimab with other cancer treatments. Following approval, we will co-detail the product in the U.S. In addition, the companies entered into an agreement granting BeiGene rights to market, promote and detail five approved Novartis oncology products, TAFINLAR® (dabrafenib), MEKINIST® (trametinib), VOTRIENT® (pazopanib), AFINITOR® (everolimus), and ZYKADIA® (ceritinib).

On December 20, 2021, we announced the official launch of the BeiGene Bioisland Innovation Center (BIC) in Guangzhou, China to enable scientists and entrepreneurs to accelerate development of highly differentiated, cutting-edge medical innovations. The BIC is an innovator-centric incubator built on BeiGene's goal of supporting exploration of new paths to meet patient needs around the world.

On December 15, 2021, we announced that the UK Medicines and Healthcare products Regulatory Agency (MHRA) has granted a marketing authorization for BRUKINSA® in Great Britain, for the treatment of eligible adult patients with Waldenström's macroglobulinemia (WM) who have received at least one prior therapy or for the first-line treatment of eligible patients unsuitable for chemo-immunotherapy.

On December 13, 2021, we announced that we entered into a collaboration agreement with Nanjing Leads Biolabs, Inc. (Leads Biolabs) granting BeiGene worldwide research, development and manufacturing rights and exclusive commercialization rights outside of China to LBL-007, a novel investigational antibody targeting the LAG-3 pathway. Leads Biolabs received an upfront cash payment and is eligible to receive additional milestone payments and royalties pending successful development, regulatory approval and commercialization of the licensed candidates.

On December 2, 2021, we announced inclusion in the National Reimbursement Drug List (NRDL) of anti-PD-1 antibody tislelizumab in three new indications, including in lung and liver cancers; BRUKINSA® in one new indication; and the initial listing for PARP inhibitor pamiparib. The changes to the NRDL were effective on January 1, 2022.

On December 2, 2021, we announced that the NMPA approved SYLVANT® (siltuximab for injection), licensed from EUSA Pharma (EUSA), for the treatment of adult patients with multicentric Castleman disease (MCD) who are human immunodeficiency virus (HIV) negative and human herpes virus-8 (HHV-8) negative, also known as idiopathic MCD (iMCD). Siltuximab is a monoclonal antibody approved in the United States, European Union, and other countries and regions around the world.

On November 23, 2021, we announced the commencement of an initial public offering (STAR Offering) on the Science and Technology Innovation Board (STAR Market) of the Shanghai Stock Exchange (SSE). The total number of shares offered in the STAR Offering was 115,055,260 ordinary shares, par value US$0.0001 per share, which represents 8.62% of our total outstanding ordinary shares as of October 31, 2021, after giving effect to the shares being offered. The shares offered in the STAR Offering (the RMB Shares) were issued to and subscribed for by permitted investors in the PRC and listed and traded on the STAR Market in Renminbi. On November 30, 2021, we announced that the public offering price of the RMB Shares was RMB192.60 per RMB Share, which equates to HK$234.89 per ordinary share and US$391.68 per ADS, based on an assumed exchange rate of RMB0.81996 to HK$1.00 and RMB6.3924 to US$1.00. On December 14, 2021, we announced that we completed the STAR Offering and the RMB Shares began trading on the STAR Market under the stock code "688235" on December 15, 2021. The gross proceeds from the STAR Offering, before deducting underwriting commissions and other estimated offering expenses, were approximately RMB22.2 billion, or approximately US$3.5 billion.

On November 23, 2021, we announced that the European Commission (EC) approved BRUKINSA® for the treatment of adult patients with Waldenström's macroglobulinemia (WM) who have received at least one prior therapy or for the first-line treatment of patients unsuitable for chemo-immunotherapy. The approval is applicable to all 27 European Union (EU) member states, plus Iceland and Norway.

On November 23, 2021, we announced that we purchased a 42-acre site at the Princeton West Innovation Park in Hopewell, N.J. to house a new state-of-the-art manufacturing campus and clinical R&D center.

On November 14, 2021, we and NewBridge Pharmaceuticals, a specialty company in the Middle East and North Africa regions established to bridge the access gap by partnering with global pharma and biotech companies, announced that BRUKINSA® was approved in Saudi Arabia for the treatment of adult patients with mantle cell lymphoma (MCL) who have received at least one prior therapy.

## FUTURE AND OUTLOOK

We were founded to fight cancer with a belief that millions of people around the world still have limited or no access to high-quality, innovative, and affordable medicines. We also believe that the industry is in a time of fundamental change driven by regulatory policy updates, scientific progress, and globalization. To seize this opportunity, we have built key competitive advantages in research, clinical development, commercialization, and manufacturing that are designed to drive our business into the future. We intend to continue to 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 significant oncology research capabilities with a team of more than 700 scientists with a proven track record of discovering innovative medicines. Our approach is to leverage our deep internal capabilities and technology platforms to develop medicines that are expected to be highly impactful and have a clear differentiation hypothesis. The strength of our research has been validated by our global clinical trial results, regulatory approvals, and collaborations. From our internal discovery engine, we have successfully developed three approved medicines: BRUKINSA®, tislelizumab, and pamiparib. We are also developing ociperlimab (TIGIT antibody), which is in pivotal stage trials and was recently entered into an option, collaboration and license agreement with Novartis for North America, Europe and Japan; BGB-11417 (BCL2 inhibitor), which is expected to start pivotal trials in 2022; multiple early-stage clinical assets, including OX40, TIM3, and PI3K delta, HPK-1, that are expected to have initial clinical data readouts in 2022 and 2023; and have over 50 additional pre-clinical programs, approximately one-half of which may potentially be first-in-class or best-in-class. Going forward, we plan to continue to invest in research and innovation with the aim of discovering additional first-in-class or best-in-class innovative medicines for patients.

2. **World-class clinical development.** We believe that global clinical development capabilities are essential to succeed in the current and future environment. We have built an internal clinical development and medical affairs team of over 2,200 people worldwide that develops our product candidates largely without the assistance of third-party contract research organizations (CROs). We believe this approach has several benefits: first, we can be more inclusive in the location and number of clinical sites to help improve enrollment speed and the diversity of patients in our trials; second, we have control over our own technology systems and can focus on improved operational excellence; and third, we believe there are cost advantages through large scale and China-inclusive multi-regional clinical trials that have a broad patient population. We aim to improve the speed and cost-efficiency of clinical development while maintaining the highest global quality standards. We believe that our demonstrated ability to successfully complete large-scale, multi-regional clinical trials is one of our most important strategic competitive advantages and addresses a large challenge in the pharmaceutical industry – clinical development, which accounts for the majority of time and cost required to bring most oncology medicines to patients.

3. **China commercial leadership.** We have built a strong, science-based commercial team in China, with over 3,100 colleagues spread across the country, for broad and deep coverage and organized under experienced executive leadership. We have built a commercial portfolio of oncology medicines through our internal discovery and in-licensing efforts, 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 leverage our China commercial organization and create advantages in scale, speed, and quality to continue to establish ourselves as a commercial leader in China.

4. **Global leadership, access, and reputation.** In the United States, we market BRUKINSA® and have a targeted commercial team focused on medical thought leaders in blood cancer treatments. This competitive foothold is based on the differentiated clinical profile of BRUKINSA®. BRUKINSA® sales have continued to grow in the U.S. as we expand our label in multiple new indications. Our strategy is to commercialize our medicines broadly throughout the world. In Europe, we recently received approval for BRUKINSA® in WM, and we are launching the product across European countries. Our commercial capabilities have also expanded into Canada through our own affiliate and into Latin America through a distribution partner. In the Asia Pacific region, we have launched, or are planning to launch our products, including in China, Australia and other key countries. Altogether, BRUKINSA® has been approved in 45 countries, with additional filings pending or planned. We aspire to establish our reputation globally as a leading biotechnology company by continuing to deliver highly effective and differentiated medicines in the United States, China, Europe, and other international markets.

5. **Broad accessibility.** We believe that our commercial scale in China, potentially lower costs and faster speed in clinical development, sizeable portfolio of innovative product candidates, and overall commercial expertise in serving large, underserved populations give us a unique competitive advantage and create an opportunity for us to be an early mover in providing innovative medicines at more affordable prices to many geographies that are not traditionally the focus for international 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

### Components of Operating Results

#### *Revenue*

*Product Revenue*

We generate product revenue through the sale of our three internally developed products and our in-licensed medicines from our partners.

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 revenue 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.

In December 2021, we expanded our collaboration with Novartis by entering into an option, collaboration and license agreement with Novartis to develop, manufacture and commercialize our investigational TIGIT inhibitor ociperlimab in the Novartis Territory. In addition, we entered into an agreement with Novartis which granted us rights to market, promote and detail five approved Novartis oncology products, TAFINLAR® (dabrafenib), MEKINIST® (trametinib), VOTRIENT® (pazopanib), AFINITOR® (everolimus), and ZYKADIA® (ceritinib), across designated regions of China referred to as "broad markets." There were three performance obligations identified at the outset of the arrangement: (1) a material right for the option to the exclusive product license, (2) the right to access ociperlimab in clinical trials during the option period provided to Novartis, combined with the initial transfer of BeiGene know-how, and (3) conducting clinical trials of ociperlimab during the option period (R&D services). The market development activities are considered immaterial in the context of the agreements. Under this agreement, we received an upfront cash payment, which was allocated between the three performance obligations identified in the agreement based on the relative standalone selling prices of the performance obligations. The portion allocated to the material right was deferred and will be recognized at the earlier of when Novartis exercises the option and the license is delivered or the expiration of the option period. The portion of the transaction price allocated to Novartis' right to access ociperlimab in its own clinical trials during the option period and the initial transfer of BeiGene know-how was deferred and is being recognized over the expected option period. 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 over the expected option period.

The option exercise fee under the ociperlimab agreement is contingent upon Novartis exercising its right, and is considered fully constrained until the option is exercised. The potential milestone payments that we are eligible to receive under both of the Novartis collaborations were excluded from the initial transaction prices, 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. Additionally, cost of sales included the cost of in-licensed products purchased for sale in the PRC. 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 has not had 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 contract research organizations (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;
- ociperlimab, an investigational humanized monoclonal antibody against TIGIT;
- pamiparib, a selective small molecule inhibitor of PARP1 and PARP2;
- BGB-15025, an investigational hematopoietic progenitor kinase 1 (HPK1) inhibitor;
- BGB-11417, an investigational small molecular inhibitor of Bcl-2;
- BGB-A445, an investigational non-ligand competing OX40 monoclonal antibody;
- BGB-16673, an investigational Chimeric Degradation Activating Compound, or CDAC, targeting BTK; 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);

- ZW25 (zanidatamab) and ZW49, two investigational bispecific antibody-based product candidates targeting HER2, licensed from Zymeworks Inc. (Zymeworks); and

- POBEVCY® (BAT1706), a biosimilar to Avastin® (bevacizumab), licensed from Bio-Thera Solutions, Ltd. (Bio-Thera).

We expense research and development costs when incurred. 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 research and development 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 and in-licensed medicines and drug candidates. 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 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.

Research and development activities are central to our business model. We expect research and development costs to increase 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 factors associated with the successful commercialization of any of our medicines and drug candidates, including future trial design and various regulatory 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 for our approved medicines, 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, ordinary shares and RMB Shares listed for trading on The NASDAQ Global Select Market, The Hong Kong Stock Exchange and The STAR Market of the Shanghai Stock Exchange, respectively.

*Interest Income (Expense), 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 and related party loan.

*Other Income (Expense), Net*

Other 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. We hold significant cash in the form of RMB-denominated deposits, including the cash generated from the STAR Market offering in December 2021. Other income (expense) includes foreign currency remeasurement gains and losses based on foreign currency exchange rates.

## Results of Operations

### *Comparison of the Years Ended December 31, 2021 and 2020*

The following table summarizes our results of operations for the years ended December 31, 2021 and 2020:

| | Year Ended December 31, | | Changes | |
|---|---|---|---|---|
| | 2021 | 2020 | | % |
| | (US dollars in thousands) | | | |
| Revenues | | | | |
| Product revenue, net | 633,987 | 308,874 | 325,113 | 105.3% |
| Collaboration revenue | 542,296 | – | 542,296 | N/A |
| Total revenues | 1,176,283 | 308,874 | 867,409 | 280.8% |
| Expenses | | | | |
| Cost of sales – product | 164,906 | 70,657 | 94,249 | 133.4% |
| Research and development | 1,459,239 | 1,294,877 | 164,362 | 12.7% |
| Selling, general and administrative | 990,123 | 600,176 | 389,947 | 65.0% |
| Amortization of intangible assets | 750 | 846 | (96) | (11.3)% |
| Total expenses | 2,615,018 | 1,966,556 | 648,462 | 33.0% |
| Loss from operations | (1,438,735) | (1,657,682) | 218,947 | (13.2)% |
| Interest (expense) income, net | (15,757) | 1,998 | (17,755) | (888.6)% |
| Other income, net | 15,904 | 37,490 | (21,586) | (57.6)% |
| Loss before income tax expense | (1,438,588) | (1,618,194) | 179,606 | (11.1)% |
| Income tax benefit | (25,234) | (17,671) | (7,563) | 42.8% |
| Net loss | (1,413,354) | (1,600,523) | 187,169 | (11.7)% |
| Less: Net loss attributable to noncontrolling interest | – | (3,617) | 3,617 | (100.0)% |
| Net loss attributable to BeiGene, Ltd. | (1,413,354) | (1,596,906) | 183,552 | (11.5)% |

*Revenue*

Total revenue increased by US$867.4 million to US$1.2 billion for the year ended December 31, 2021, from US$308.9 million for the year ended December 31, 2020, primarily due to collaboration revenue from the Novartis arrangement, increased sales of our internally developed products, and increased sales from our in-licensed products.

The following table summarizes the components of our revenue for the year ended December 31, 2021 and 2020, respectively:

| | Year Ended December 31, | | Changes | |
|---|---|---|---|---|
| | 2021 | 2020 | | % |
| | (US dollars in thousands) | | | |
| Product revenue | 633,987 | 308,874 | 325,113 | 105.3% |
| Collaboration revenue: | | | | |
| License revenue | 484,646 | – | 484,646 | N/A |
| Research and development service revenue | 53,671 | – | 53,671 | N/A |
| Right to access intellectual property revenue | 3,979 | – | 3,979 | N/A |
| Total collaboration revenue | 542,296 | – | 542,296 | N/A |
| **Total Revenue** | 1,176,283 | 308,874 | 867,409 | 280.8% |

Net product revenue consisted of the following:

| | Year Ended December 31, | | Changes | |
|---|---|---|---|---|
| | 2021 | 2020 | | % |
| | (US dollars in thousands) | | | |
| Tislelizumab | 255,119 | 163,358 | 91,761 | 56.2% |
| BRUKINSA® | 217,987 | 41,702 | 176,285 | 422.7% |
| REVLIMID® | 70,065 | 47,372 | 22,693 | 47.9% |
| VIDAZA® | 19,591 | 29,975 | (10,384) | (34.6)% |
| ABRAXANE® | – | 17,770 | (17,770) | (100.0)% |
| XGEVA® | 45,956 | 8,496 | 37,460 | 440.9% |
| BLINCYTO® | 12,515 | – | 12,515 | N/A |
| Other | 12,754 | 201 | 12,553 | 6,245.3% |
| **Total product revenue** | 633,987 | 308,874 | 325,113 | 105.3% |

Net product revenue was US$634.0 million for the year ended December 31, 2021, compared to US$308.9 million in the prior year, primarily due to increased sales of BRUKINSA® in the United States and China and tislelizumab in China and in-licensed sales of Amgen's XGEVA® and BLINCYTO® in China, which we began distributing in July 2020 and August 2021, respectively.

Product revenues for the year ended December 31, 2021 were negatively impacted by adjustments of US$57.5 million 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 updated NRDL effective March 1, 2021 and additional indications for tislelizumab, BRUKINSA® and pamiparib effective January 1, 2022. During the year ended December 31, 2021, the inclusion of tislelizumab, BRUKINSA®, XGEVA®, and pamiparib in the NRDL significantly increased patient demand that more than offset the net effect of price reductions as a result of NRDL inclusion.

Global sales of BRUKINSA® totaled US$218.0 million for the year ended December 31, 2021, representing a 422.7% increase compared to the prior year; U.S. sales of BRUKINSA® totaled US$115.7 million for the year ended December 31, 2021 compared to US$18.2 million in the prior year. U.S. sales accelerated in the period, driven by continued uptake in MCL and FDA approvals in WM and MZL. BRUKINSA® sales in China totaled US$101.2 million for the year ended December 31, 2021, representing growth of 331% compared to the prior year, driven by a significant increase in all approved indications, including CLL/SLL.

Sales of tislelizumab in China totaled US$255.1 million for the year ended December 31, 2021, representing a 56.2% increase compared to the prior year. During the year ended December 31, 2021, new patient demand from broader reimbursement and further expansion of our salesforce and hospital listings continued to drive increased market penetration and market share for tislelizumab. Full year 2021 sales of tislelizumab included two negative adjustments totaling US$45.6 million for distributor channel inventory compensation as a result of inclusion in the March 2021 and January 2022 NRDL lists.

Collaboration revenue totaled US$542.3 million for the year ended December 31, 2021. US$484.6 million was recognized upon delivery of the tislelizumab license right and transfer of know-how to Novartis under our collaboration and license agreement with Novartis, US$53.7 million was recognized from deferred revenue for R&D services performed during the year ended December 31, 2021 under both the tislelizumab and ociperlimab collaborations, and US$4.0 million was recognized from deferred revenue for Novartis' right to access ociperlimab over the option period (see Note 3). We did not have any collaboration revenue during the year ended December 31, 2020.

*Cost of Sales*

Cost of sales increased to US$164.9 million for the year ended December 31, 2021 from US$70.7 million for the year ended December 31, 2020, primarily due to increased product sales of BRUKINSA®, tislelizumab, and Amgen products.

*Gross Margin*

Gross margin on global product sales increased to US$469.1 million for the year ended December 31, 2021, compared to US$238.2 million for the year ended December 31, 2020, primarily due to increased product revenue in the current year period. Gross margin as a percentage of product sales decreased to 74.0% for the year ended December 31, 2021, from 77.1% in the prior year. The decrease is primarily due to the impact of the accrued compensation in the first and fourth quarters 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 global BRUKINSA® sales and sales of tislelizumab in China compared to lower margin sales of in-licensed products. Pre-launch inventory carried at zero or low cost consumed during the year ended December 31, 2021 and December 31, 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$164.4 million, or 12.7%, to US$1.5 billion for the year ended December 31, 2021, from US$1,294.9 million for the year ended December 31, 2020. The following table summarizes the external cost of development programs, upfront license fees, and internal research and development expense for the years ended December 31, 2021 and 2020:

| | Year Ended December 31, | | Changes | |
|---|---|---|---|---|
| | 2021 | 2020 | | % |
| | (US dollars in thousands) | | | |
| External research and development expense: | | | | |
| Cost of development programs | 477,761 | 502,399 | (24,638) | (4.9)% |
| Upfront license fees | 83,500 | 109,500 | (26,000) | (23.7)% |
| Amgen co-development expenses[1] | 115,464 | 117,005 | (1,541) | (1.3)% |
| Total external research and development expenses | 676,725 | 728,904 | (52,179) | (7.2)% |
| Internal research and development expenses | 782,514 | 565,973 | 216,541 | 38.3% |
| **Total research and development expenses** | 1,459,239 | 1,294,877 | 164,362 | 12.7% |

1. Our co-funding obligation for the development of the pipeline assets under the Amgen collaboration for the year ended December 31, 2021 totaled US$228.0 million, of which US$115.5 million was recorded as R&D expense. The remaining US$112.5 million was recorded as a reduction for the R&D cost share liability.

The decrease in external research and development expenses for the year ended December 31, 2021 was primarily attributable to lower upfront license fees under collaboration agreements, lower external spending related to fees paid to external CROs as we internalize previously outsourced activities, and a decrease in the expense recognized on co-development fees to Amgen.

Internal research and development expense increased US$216.5 million, primarily attributable to the expansion of our global development organization including the internalization of previously outsourced activities and the continued development of our clinical and preclinical drug candidates, and included the following:

- US$109.0 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$52.4 million increase of facilities, depreciation, office expense, rental fees, and other expenses to support the growth of our organization;

- US$21.4 million increase of share-based compensation expense, primarily attributable to our increased headcount, resulting in more awards being expensed related to the growing employee population; and

- US$17.7 million increase of materials and reagent expenses, primarily in connection with the in-house manufacturing of drug candidates used for clinical purposes; and

- US$16.1 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.

*Selling, General and Administrative Expense*

Selling, general and administrative expense increased by US$389.9 million, or 65.0%, to US$990.1 million for the year ended December 31, 2021, from US$600.2 million for the year ended December 31, 2020. The increase was primarily attributable to the following:

- US$175.7 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$119.1 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$59.3 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$35.9 million increase in 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$17.8 million, or 888.6%, to US$15.8 million of net interest expense for the year ended December 31, 2021, from US$2.0 million of net interest income for the year ended December 31, 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 Income, Net*

Other income, net decreased by US$21.6 million to US$15.9 million for the year ended December 31, 2021, from US$37.5 million for the year ended December 31, 2020. The income for the year ended December 31, 2021 was primarily due to the unrealized gain on our investment in Leap Therapeutics, as well as a realized foreign exchange loss on the proceeds received from the STAR Market offering. The income for the year ended December 31, 2020 resulted from unrealized gains on equity investments, as well as a gain recognized in conjunction with the deconsolidation of MapKure LLC.

*Income Tax Benefit*

Income tax benefit was US$25.2 million for the year ended December 31, 2021 compared with income tax benefit of US$17.7 million for the year ended December 31, 2020. The income tax benefit for the year ended December 31, 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.

**Discussion of Certain Key Balance Sheet Items**

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

As of December 31, 2021, the Company's cash, cash equivalents, restricted cash and short-term investments primarily comprised (i) US$2.8 billion denominated in US dollars; (ii) approximately RMB24.4 billion (equivalent to approximately US$3.8 billion) denominated in Renminbi; and (iii) approximately US$23.3 million denominated in Euro, Australian dollar, and other currencies.

*Accounts receivable*

Accounts receivable increased by 699.8% from US$60.4 million as of December 31, 2020 to US$483.1 million as of December 31, 2021, primarily due to the invoicing of the US$300 million upfront fee related to the Ociperlimab option, collaboration and license agreement, as well as the increase in product sales in China and the United States for the year ended December 31, 2021.

*Inventories*

The inventories increased by 171.7% from US$89.3 million as of December 31, 2020 to US$242.6 million as of December 31, 2021, primarily due to stock preparation for the increased sales of our internally-developed products and in-licensed products.

*Prepaid expenses and other current assets*

Prepaid expenses and other current assets consist of the following as of December 31, 2021 and 2020:

| | As of December 31, | |
|---|---|---|
| | 2021 | 2020 |
| | (US dollars in thousands) | |
| Prepaid research and development costs | 87,239 | 71,341 |
| Prepaid taxes | 58,579 | 30,392 |
| Other receivables | 12,010 | 12,651 |
| Interest receivable | 5,052 | 6,619 |
| Prepaid insurance | 1,695 | 1,347 |
| Prepaid manufacturing cost | 78,538 | 25,996 |
| Other current assets | 27,060 | 11,666 |
| Total | 270,173 | 160,012 |

Prepaid expenses and other current assets increased by 68.8% from US$160.0 million as of December 31, 2020 to US$270.2 million as of December 31, 2021. The increase was primarily due to (i) the increase of prepaid VAT; (ii) the expansion of manufacturing cost of our internally developed products.

*Property, plant and equipment, net*

The property, plant and equipment, net increased by 64.3% from US$357.7 million as of December 31, 2020 to US$587.6 million as of December 31, 2021, primarily attributable to our ongoing buildout of the Guangzhou facilities as well as the purchase of a 42-acre site located in Hopewell, NJ in November 2021.

*Accounts payable*

Accounts payable includes amounts due to third parties and totaled US$262.4 million and US$232.0 million as of December 31, 2021 and 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 December 31, | |
|---|---|---|
| | 2021 | 2020 |
| | (US dollars in thousands) | |
| Within 3 months | 257,977 | 230,638 |
| 3 to 6 months | 3,210 | 312 |
| 6 months to 1 year | 1,110 | 147 |
| Over 1 year | 103 | 860 |
| Total | 262,400 | 231,957 |

*Accrued expenses and other payables*

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

| | As of December 31, | |
|---|---|---|
| | 2021 | 2020 |
| | (US dollars in thousands) | |
| Compensation related | 139,966 | 106,765 |
| External research and development activities related | 213,922 | 143,302 |
| Commercial activities | 71,560 | 66,131 |
| Individual income tax and other taxes | 45,661 | 14,373 |
| Sales rebates and returns related | 59,639 | 11,874 |
| Other | 27,307 | 3,699 |
| Total accrued expenses and other payables | 558,055 | 346,144 |

Accrued expenses and other payables increased by 61.2% from US$346.1 million as of December 31, 2020 to US$558.1 million as of December 31, 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) the impact of the accrued compensation in 2021 to customers for sales of tislelizumab, BRUKINSA®, and pamiparib that remained in the channel and were sold at the pre-NRDL price.

**Liquidity and Capital Resources**

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

| | Year Ended December 31, | |
|---|---|---|
| | 2021 | 2020 |
| | (US dollars in thousands) | |
| Cash, cash equivalents and restricted cash | 4,382,887 | 1,390,005 |
| Short-term investments | 2,241,962 | 3,268,725 |
| Total debt | 629,678 | 518,652 |

We have incurred annual 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 incurred net losses of US$1.4 billion and US$1.6 billion for the years ended December 31, 2021 and 2020, respectively. As of December 31, 2021, we had an accumulated deficit of US$5.0 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 December 31, 2021 will enable us to fund our operating expenses and capital expenditure requirements for at least the next 12 months after the date of this announcement.

On June 28, 2021, the Listing Committee of the STAR Market of the SSE approved the listing application which we submitted in January 2021 to the SSE for a proposed STAR Offering. On December 15, 2021, we completed the initial public offering on the SSE. The shares offered in the STAR Offering were issued to and subscribed for by permitted investors in the PRC in Renminbi (RMB Shares). The public offering price of the RMB Shares was RMB192.60 per ordinary share, or US$391.68 per ADS. In this offering, we sold 115,055,260 ordinary shares. Net proceeds after deducting underwriting discounts and commissions and offering expenses were US$3.4 billion. As required by the PRC securities laws, the net proceeds from the STAR Offering must be used in compliance with the planned uses as disclosed in the PRC prospectus as well as our proceeds management policy for the STAR Offering approved by our board of directors.

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. In December 2021, we expanded our collaboration with Novartis by entering into an option, collaboration and license agreement with Novartis to develop, manufacture and commercialize our investigational TIGIT inhibitor ociperlimab in the Novartis Territory. In addition, we and Novartis entered into an agreement granting us rights to market, promote and detail five approved Novartis oncology products. Under the terms of the agreement, we received an upfront cash payment of US$300 million in January 2022, which is not included in our cash balance at December 31, 2021.

The following table provides information regarding our cash flows for the years ended December 31, 2021 and 2020:

| | Year Ended December 31, | |
|---|---|---|
| | 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 | (1,298,723) | (1,283,461) |
| Net cash provided by (used in) investing activities | 640,659 | (3,168,366) |
| Net cash provided by financing activities | 3,636,911 | 5,202,826 |
| Net effect of foreign exchange rate changes | 14,035 | 18,231 |
| Net increase in cash, cash equivalents and restricted cash | 2,992,882 | 769,230 |
| Cash, cash equivalents and restricted cash at end of period | 4,382,887 | 1,390,005 |

***Operating Activities***

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

Operating activities used US$1.3 billion of cash for the year ended December 31, 2021, which resulted principally from our net loss of US$1.4 billion and an increase in our net operating assets and liabilities of US$118.3 million, partially offset by non-cash charges and adjustments of US$233.0 million. The non-cash charges and adjustments were primarily driven by share-based compensation expense, charges for acquired in-process research and development costs, and depreciation and amortization expense, 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 increases in accounts receivable, inventory and prepaid expenses, offset by increases in accounts payable, accrued expenses and other liabilities and deferred revenue resulting from the upfront option payment from Novartis.

Operating activities used US$1.3 billion of cash for the year ended December 31, 2020, which resulted principally from our net loss of US$1.6 billion, partially offset by non-cash charges and adjustments of US$166.5 million and a decrease in our net operating assets and liabilities of US$150.6 million. The non-cash charges and adjustments 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 largely by increases in accounts payable, accrued expenses and other liabilities, offset by increases in inventory and prepaid expenses.

***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$640.7 million of cash for the year ended December 31, 2021, consisting of US$2.1 billion in purchases of short-term investment securities, US$262.9 million of capital expenditures, US$43.4 million in purchases of intangible assets, US$43.5 million in purchases of long-term investments and US$8.5 million upfront collaboration payments, all of which were offset by sales and maturities of investment securities of US$3.1 billion.

Investing activities used US$3.2 billion of cash for the year ended December 31, 2020, consisting of US$5.7 billion in purchases of investment securities, US$117.5 million of capital expenditures, and US$109.5 million upfront collaboration payments, all of which were offset by sales and maturities of investment securities of US$2.8 billion.

***Financing Activities***

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

Financing activities provided US$3.6 billion of cash for the year ended December 31, 2021, consisting primarily of US$3.4 billion of net proceeds from our STAR Offering in December 2021, US$406.4 million from proceeds of short-term loans, US$92.8 million from the exercise of employee share options and proceeds from the issuance of shares through our employee share purchase plan, US$50.0 million from the sale of our shares to Amgen, and US$16.8 million from proceeds of long-term bank loans. These inflows were partially offset by US$321.8 million of repayment of short-term loans.

Financing activities provided US$5.2 billion of cash for the year ended December 31, 2020. This consisted primarily of US$2.8 billion received from our collaboration with Amgen and US$2.1 billion from a registered direct offering of ordinary shares to certain existing investors. Other inflows included US$93.1 million from the exercise of employee share options and proceeds from the issuance of shares through our employee share purchase plan, and US$433.9 million from loan proceeds. These inflows were partially offset by US$144.3 million of repayment of principal under the loan between Guangzhou High-tech Zone Technology Holding Group Co., Ltd. (GET) BeiGene Biologics (the Shareholder Loan) and US$28.7 million of cash consideration paid for the acquisition of the remaining 5% minority interest in our subsidiary BeiGene Biologics Co., Ltd. (BeiGene Biologics).

***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. Additionally, on December 15, 2021, we received RMB21.7 billion in net proceeds from the STAR Offering. 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.

***Future Liquidity and Material Cash Requirements***

Until such time, if ever, as we can generate substantial product revenue sufficient to cover our costs and capital investments, 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 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, ordinary shares, or RMB 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.

Our material cash requirements in the short – and long-term consist of the following operational, capital, and manufacturing expenditures, a portion of which contain contractual or other obligations. We plan to fund our material cash requirements with our current financial resources together with our anticipated receipts of accounts receivable, product sales and royalty revenues, and reimbursements we expect to receive under our existing collaboration and license agreements.

### *Contractual and Other Obligations*

The following table summarizes our significant contractual obligations as of December 31, 2021:

| | | Payments Due by Period | |
|---|---|---|---|
| | **Total** | **Short-term** | **Long-term** |
| | **(US dollars in thousands)** | | |
| **Contractual obligations:** | | | |
| Operating lease commitments | 70,218 | 24,225 | 45,993 |
| Purchase commitments | 168,687 | 110,345 | 58,342 |
| Debt obligations | 629,678 | 427,565 | 202,113 |
| Interest on debt | 57,299 | 24,336 | 32,963 |
| Co-development funding commitment | 791,059 | 244,800 | 546,259 |
| Funding commitment | 12,750 | 4,250 | 8,500 |
| Research and development commitment | 27,985 | 5,659 | 22,326 |
| Pension plan | 7,814 | 1,604 | 6,210 |
| Capital commitments | 42,394 | 42,394 | – |
| Total | 1,807,884 | 885,178 | 922,706 |

### *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 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 December 31, 2021, purchase commitments amounted to US$168.7 million, of which US$76.0 million related to minimum purchase requirements for supply purchased from CMOs and US$92.7 million related to binding purchase order obligations of inventory from BMS and Amgen. We do not have any minimum purchase requirements for inventory from BMS or Amgen.

### *Debt Obligations and interest*

Total debt obligations coming due in the next twelve months is US$427.6 million. Total long-term debt obligations are US$202.1 million. See Note 15 in the Notes to the Financial Statements for further detail of our debt obligations.

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 Commitments***

Under our collaboration with Amgen, we are responsible for co-funding global clinical development costs for the licensed 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/or development services. As of December 31, 2021, our remaining co-development funding commitment was US$0.8 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 December 31, 2021, our remaining capital commitment was US$12.8 million and is expected to be paid from time to time over the investment period.

***Research and Development Commitment***

We entered into long-term research and development agreements, which includes obligations to make upfront payments and fixed quarterly payments over the next five years. As of December 31, 2021, the total research and development commitment amounted to US$28.0 million.

***Pension Plan***

We maintain a defined benefit pension plan in Switzerland. Funding obligations under the defined benefit pension plan are equivalent to US$1.6 million per year based on annual funding contributions in effect as of December 31, 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$42.4 million for the acquisition of property, plant and equipment as of December 31, 2021, which were mainly for our biologics manufacturing facility in Guangzhou, China, small molecule manufacturing facility in Suzhou, China, and research and development operations at the Changping facility in Beijing, China.

***Other Obligations***

We expect to make a significant investment in our future manufacturing facility in the United States, a 42-acre site that will be constructed in Hopewell, NJ, and for which we purchased for US$75.2 million. We expect significant capital expenditures as we build out the Hopewell facility over the next several years.

We also 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. Future milestone payments potentially owed related to in-licensed technology totaled US$5.7 billion as of December 31, 2021.

***Interest and Credit Risk***

Financial instruments that are potentially subject to credit risk consist of cash and cash equivalents, restricted cash, short term investments and accounts receivable.

We had cash and cash equivalents of US$4.4 billion and US$1.4 billion, restricted cash of US$7.2 million and US$8.1 million, and short-term investments of US$2.2 billion and US$3.3 billion, at December 31, 2021 and 2020, respectively. Our cash and cash equivalents are deposited with various major reputable financial institutions located within or without 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. At December 31, 2021, our short-term investments consisted primarily of U.S. treasury securities. We believe that 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$15.1 million or increase of US$6.7 million, respectively, in the fair value of our investment portfolio as of December 31, 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.

We had accounts receivable, net of US$483,113,000 and US$60,403,000 at December 31, 2021 and 2020, respectively. Accounts receivable, net represent amounts arising from product sales and amounts due from the our collaboration partners. We monitor economic conditions to identify facts or circumstances that may indicate receivables are at risk of collection. To date, we have not experienced any significant losses with respect to the collection of our accounts receivable.

### *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.

### *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.

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 2.3% and appreciated approximately 6.3% for the years ended December 31, 2021 and 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.

### *Effects of Inflation*

Inflation generally affects us by increasing our cost of labor and clinical development costs. We do not believe that inflation has had a material effect on our results of operations during the year ended December 31, 2021.

## Gearing Ratio

The gearing ratio of the Company, which was calculated by dividing total interest-bearing loans by total equity as of the end of the year, was 10.1% as of December 31, 2021, representing a decrease from 13.4% as of December 31, 2020. The decrease was primarily due to the net proceeds from the STAR Market offering on December 15, 2021.

## Significant Investments Held

Except as disclosed in notes to the consolidated financial statements, we did not hold any other significant investments as of December 31, 2021.

## Future Plans for Material Investments and Capital Assets

As of December 31, 2021, we expect to make a significant investment in our future manufacturing facility in the United States, a 42-acre site that will be constructed in Hopewell, NJ, and for which we purchased for US$75.2 million. We expect significant capital expenditures as we build out the Hopewell facility over the next several years.

Except as disclosed above, we did not have other plans for material investments and capital assets as of December 31, 2021.

## Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

During the year ended December 31, 2021, we did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures.

## Employee and Remuneration Policy

As of December 31, 2021, we had a global team of approximately 8,000 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 the Company's 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 of similar size. The total remuneration cost incurred by the Company for the year ended December 31, 2021 was US$1.0 billion (2020: US$663.8 million).

## Pledge of Assets

As of December 31, 2021, we pledged a restricted deposit of US$7.2 million primarily consist of RMB-denominated cash deposits held in designated bank accounts for collateral for letters of credit (December 31, 2020: US$8.1 million) and BeiGene Guangzhou Factory's land use right and certain Guangzhou Factory fixed assets of the first phase of the Guangzhou manufacturing facility build out with a total carrying amount of US$145.8 million (December 31, 2020: US$148.6 million) were secured for long-term bank loans.

## Contingent Liabilities

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

## Final Dividend

The Board does not recommend any final dividend for the year ended December 31, 2021.

## Recent Accounting Pronouncements

See Note 2 to our 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") (in effect during the relevant period) which are applicable to the Company.

Pursuant to code provision A.2.1 of the Corporate Governance Code (re-arranged as code provision C.2.1 since January 1, 2022), 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 nonexecutive Director of the Company, 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 Dr. Alessandro Riva 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 (in effect during the relevant period) 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 and 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.

As disclosed in Note 21 above and the paragraph headed "Use of Net Proceeds from STAR Offering" below, on December 15, 2021, the Company completed the STAR Offering on the STAR Market of the SSE. The Company sold 115,055,260 RMB Shares in this offering. The RMB Shares are not listed on the HKEX and are not fungible with the ordinary shares of the Company 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 Directors, save 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 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-Charis of the scientific advisory committee of the Board (the "Scientific Advisory Committee") effective February 24, 2021. |
| Mr. Jing-Shyh (Sam) Su *(Note)* | 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. |

*(Note)* Mr. Jing-Shyh (Sam) Su resigned as an independent non-executive director on January 31, 2022.

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 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 Amgen SPA (as amended) executed in connection with the 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 Amgen 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 Amgen 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 December 31, 2021:

| Purposes of use of proceeds | 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 December 31, 2021 (US dollars in thousands) | Unutilized net proceeds as of December 31, 2021 (US dollars in thousands) |
|---|---|---|---|---|---|
| To fund business operations[(a)] | 2,779,241 | 100% | 1,095,499 | 1,869,643 | 909,598 |

*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 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.

In September 2021, upon Amgen's exercise of its Direct Purchase Option, the Company issued an aggregate of 165,529 ADSs, representing 2,151,877 ordinary shares, to Amgen for a total consideration of US$50,000,000 in a private placement pursuant to the Restated Second Amendment.

**Use of Net Proceeds from July 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 December 31, 2021, net proceeds amounting to approximately US$1.09 billion had been utilized, and the remaining US$0.98 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 years.

**Use of Net Proceeds from STAR Offering**

On December 15, 2021, the Company completed STAR Offering on the STAR Market of the SSE. The shares offered in the STAR Offering were issued to and subscribed for by permitted investors in China in Renminbi (RMB Shares) 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 public offering price of the RMB Shares was RMB192.60 per RMB Share, which equates to HK$234.89 per ordinary share and US$391.68 per ADS. In this offering, the Company sold 115,055,260 RMB Shares. The RMB Shares are not fungible with the ordinary shares of the Company listed on the HKEX or with the ADSs representing the Company's ordinary shares listed on the NASDAQ Global Select Market. Net proceeds after deducting underwriting commission and offering expenses were US$3,392,616,000. We expect to use the net proceeds from the STAR Offering for (i) clinical development and research project, (ii) research and development center construction, (iii) bio-manufacturing plant construction, (iv) sales and marketing force expansion, and (v) working capital and general corporate purposes. As required by the PRC securities laws, the net proceeds from the STAR Offering must be used in strict compliance with the planned uses as disclosed in the PRC prospectus as well as the Company's proceeds management policy for the STAR Offering approved by the Board.

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, July 28, 2021, October 15, 2021, November 16, 2021, November 23, 2021, November 24, 2021, November 29, 2021, November 30, 2021, December 2, 2021, December 6, 2021, December 7, 2021, December 13, 2021, December 21, 2021, December 28, 2021 and the circular dated April 30, 2021 of the Company.

As of December 31, 2021, none of the net proceeds of approximately US$3.4 billion had been utilized, and the Company plans to gradually utilize the net proceeds in accordance with such intended purposes depending on actual business needs, which is expected to be fully utilized in the next three to five years.

**Audit Committee Review of Financial Statements**

Our 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. 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 consolidated financial statements and annual results of the Company for the year ended December 31, 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.

**Scope of Work of the Company's auditor**

The figures contained in this announcement of our Company's consolidated annual results for the year ended December 31, 2021 have been agreed by the Company's auditor, Ernst & Young, to the figures set out in the consolidated financial statements of our Company for the year ended December 31, 2021. The Company's auditor performed this work in accordance with Hong Kong Standard on Related Services 4400 Engagements to Perform Agreed-upon Procedures Regarding Financial Information and with reference to Practice Note 730 (Revised) Guidance for Auditors Regarding Preliminary Announcements of Annual Results ("PN 730") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The work performed by the Company's auditor in this respect does not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and, consequently, no assurance has been expressed by the Company's auditor in this announcement.

**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.

**Important Events after the Reporting Period**

Mr. Jing-Shyh (Sam) Su resigned as an independent non-executive director on January 31, 2022. On February 1, 2022, the Board was enlarged from 11 to 12 members. Effective February 1, 2022, Dr. Margaret Han Dugan and Dr. Alessandro Riva have been appointed to the Board as independent non-executive directors to fill the two vacancies arising from the resignation of Mr. Su and the enlargement of the size of the Board. In addition, effective February 1, 2022, Dr. Dugan has been appointed to serve as a member of the Scientific Advisory Committee of the Board and Dr. Riva has been appointed to serve as a member of the Nominating and Corporate Governance Committee and the Scientific Advisory Committee of the Board.

Effective February 25, 2022, Dr. Dugan, an independent non-executive director of the Company, has been appointed as a member of the Commercial and Medical Affairs Advisory Committee of the Board.

Save as disclosed above, no important events affecting the Company occurred since December 31, 2021 and up to the date of this announcement.

**Annual General Meeting and Record Date**

The annual general meeting of the Company (the "AGM") is scheduled to be held on or around June 22, 2022.

The Company hereby announces that for the purpose of determining the entitlement to attend and vote at the AGM, the record date will be 5:00 a.m. Cayman Islands time on Monday, April 18, 2022. In order to be eligible to attend and vote at the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. Hong Kong time on Monday, April 18, 2022.

A notice convening the AGM will be published and dispatched to the shareholders of the Company in the manner required by the HK Listing Rules in due course.

**Publication of Annual Results and Annual Report**

This annual results announcement is published on the website of the HKEX (www.hkexnews.hk) and the website of the Company (www.beigene.com). The annual report of the Company for the year ended December 31, 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, March 30, 2022

*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, Dr. Margaret Han Dugan, Mr. Donald W. Glazer, Mr. Michael Goller, Mr. Ranjeev Krishana, Mr. Thomas Malley, Dr. Alessandro Riva, Dr. Corazon (Corsee) D. Sanders and Mr. Qingqing Yi as Independent Non-executive Directors.*