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

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2022

BeiGene, Ltd. together with its subsidiaries (the "Company" or "BeiGene" or "we" or "us") hereby announces the unaudited condensed consolidated results of the Company for the six months ended June 30, 2022 (the "Reporting Period"), together with the comparative figures for the corresponding period in 2021, which have been prepared under generally accepted accounting principles in the United States (the "U.S. GAAP") and reviewed by the audit committee (the "Audit Committee") of the Board of Directors (the "Board" or "Directors") of the Company.

FINANCIAL HIGHLIGHTS

- Total revenues for the six months ended June 30, 2022 decreased by approximately US$107.7 million or approximately 14.2% to approximately US$648.2 million, as compared to the six months ended June 30, 2021. Product revenue increased by approximately US$321.3 million or approximately 131.3% to approximately US$566.1 million, as compared to the six months ended June 30, 2021. Collaboration revenue decreased by approximately US$429.0 million or 83.9% to approximately US$82.1 million, as compared to the six months ended June 30, 2021.

- Total expenses for the six months ended June 30, 2022 increased by approximately US$370.3 million or approximately 31.9% to approximately US$1,530.9 million, as compared to the six months ended June 30, 2021.

- Net loss for the six months ended June 30, 2022 increased by approximately US$591.9 million or approximately 143.0% to approximately US$1,005.7 million, as compared to the six months ended June 30, 2021.

- Basic and diluted loss per share for the six months ended June 30, 2022 amounted to US$0.75, representing an increase of 114.3% when compared with that of US$0.35 for the six months ended June 30, 2021.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Note	Six Months Ended June 30, 2022 US$'000	2021 US$'000
Revenues			
Product revenue, net	13	566,084	244,741
Collaboration revenue	3	82,114	511,123
Total revenues		648,198	755,864
Expenses			
Cost of sales – product		136,410	68,948
Research and development		768,122	676,817
Selling, general and administrative		625,976	414,395
Amortization of intangible assets		376	375
Total expenses		1,530,884	1,160,535
Loss from operations		(882,686)	(404,671)
Interest income (expense), net		21,502	(9,045)
Other expense, net		(117,650)	(4,990)
Loss before income taxes		(978,834)	(418,706)
Income tax expense (benefit)	9	26,889	(4,860)
Net loss		(1,005,723)	(413,846)
Net loss per share (in US$)		(0.75)	(0.35)
Weighted-average shares outstanding – basic and diluted	15	1,334,252,648	1,191,521,766
Net loss per American Depositary Share ("ADS") (in US$)		(9.80)	(4.52)
Weighted-average ADSs outstanding – basic and diluted		102,634,819	91,655,520

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

	Six Months Ended June 30,	
	2022	2021
	US$'000	US$'000
Net loss	(1,005,723)	(413,846)
Other comprehensive income (loss), net of tax of nil:		
Foreign currency translation adjustments	(88,085)	5,864
Pension liability adjustments	–	361
Unrealized holding loss, net	(12,315)	(1,072)
Comprehensive loss	(1,106,123)	(408,693)

UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS

	Note	As of June 30, 2022 US$'000 (unaudited)	As of December 31, 2021 US$'000 (audited)
Assets			
Current assets:			
Cash and cash equivalents		4,531,137	4,375,678
Short-term restricted cash	4	333	328
Short-term investments	4	1,172,554	2,241,962
Accounts receivable, net	5	172,259	483,113
Inventories	6	262,210	242,626
Prepaid expenses and other current assets	10	207,383	270,173
Total current assets		6,345,876	7,613,880
Non-current assets:			
Long-term restricted cash	4	3,939	6,881
Property, plant and equipment, net	7	633,100	587,605
Operating lease right-of-use assets		117,583	117,431
Intangible assets, net	8	43,325	46,679
Deferred tax assets	9	103,429	110,424
Other non-current assets	10	130,955	163,049
Total non-current assets		1,032,331	1,032,069
Total assets		7,378,207	8,645,949
Liabilities and shareholders' equity			
Current liabilities:			
Accounts payable	11	234,355	262,400
Accrued expenses and other payables	10	454,183	558,055
Deferred revenue, current portion	3	163,396	187,414
Tax payable	9	15,564	21,395
Operating lease liabilities, current portion		24,788	21,925
Research and development cost share liability, current portion	3	125,394	120,801
Short-term debt	12	380,729	427,565
Total current liabilities		1,398,409	1,599,555

UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS (CONTINUED)

	Note	As of June 30, 2022 US$'000 (unaudited)	As of December 31, 2021 US$'000 (audited)
Non-current liabilities:			
Long-term bank loans	12	185,207	202,113
Deferred revenue, non-current portion	3	167,570	220,289
Operating lease liabilities, non-current portion		41,921	43,041
Deferred tax liabilities	9	14,739	14,169
Research and development cost share liability, non-current portion	3	219,385	269,561
Other long-term liabilities	10	48,432	54,234
Total non-current liabilities		677,254	803,407
Total liabilities		2,075,663	2,402,962
Commitments and contingencies	20		
Equity:			
Ordinary shares, US$0.0001 par value per share; 9,500,000,000 shares authorized; 1,349,639,439 and 1,334,804,281 shares issued and outstanding as of June 30, 2022 and December 31, 2021, respectively		134	133
Additional paid-in capital		11,356,686	11,191,007
Accumulated other comprehensive income (loss)	17	(82,450)	17,950
Accumulated deficit		(5,971,826)	(4,966,103)
Total equity		5,302,544	6,242,987
Total liabilities and equity		7,378,207	8,645,949

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Six Months Ended June 30, 2022 US$'000	2021 US$'000
Operating activities:			
Net loss		(1,005,723)	(413,846)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization expense		32,061	21,159
Share-based compensation expenses	16	146,860	110,624
Unrealized losses on equity investments	4	23,529	6,033
Acquired in-process research and development		–	53,500
Amortization of research and development cost share liability	3	(45,583)	(53,902)
Deferred income tax benefits		7,550	(12,311)
Other items, net		6,360	11,212
Changes in operating assets and liabilities:			
Accounts receivable		307,430	(13,338)
Inventories		(31,633)	(28,294)
Other assets		32,315	(77,204)
Accounts payable		(30,362)	(42,558)
Accrued expenses and other payables		19,525	1,688
Deferred revenue		(76,737)	138,877
Other liabilities		(2,114)	3,189
Net cash used in operating activities		(616,522)	(295,171)
Investing activities:			
Purchases of property, plant and equipment		(95,421)	(80,920)
Purchases of investments		(11,504)	(1,357,051)
Proceeds from sale or maturity of investments		1,051,028	1,997,515
Purchase of in-process research and development		(75,000)	(8,500)
Other investing activities		–	(7,500)
Net cash provided by investing activities		869,103	543,544

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

	Note	Six Months Ended June 30, 2022 US$'000	2021 US$'000
Financing activities:			
Proceeds from long-term loan	12	–	10,819
Proceeds from short-term loans	12	67,586	112,589
Repayment of short-term loans	12	(115,405)	(15,959)
Proceeds from option exercises and employee share purchase plan		18,972	35,601
Net cash (used in) provided by financing activities		(28,847)	143,050
Effect of foreign exchange rate changes, net		(71,212)	5,257
Net increase in cash, cash equivalents, and restricted cash		152,522	396,680
Cash, cash equivalents, and restricted cash at beginning of period		4,382,887	1,390,005
Cash, cash equivalents, and restricted cash at end of period		4,535,409	1,786,685
Supplemental cash flow information:			
Cash and cash equivalents		4,531,137	1,776,448
Short-term restricted cash		333	310
Long-term restricted cash		3,939	9,927
Income taxes paid		24,436	14,527
Interest paid		12,899	14,267
Supplemental non-cash information:			
Acquisitions of equipment included in accounts payable		58,676	28,885
Acquired in-process research and development included in accrued expenses		–	45,000

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Ordinary Shares		Additional Paid-In	Accumulated Other Comprehensive	Accumulated	
	Shares	Amount US$'000	Capital US$'000	Income (loss) US$'000	Deficit US$'000	Total US$'000
Balance at December 31, 2021	1,334,804,281	133	11,191,007	17,950	(4,966,103)	6,242,987
Cost from issuance of ordinary shares	–	–	(152)	–	–	(152)
Use of shares reserved for share option exercises	2,165,904	–	–	–	–	–
Exercise of options, ESPP and release of Restricted Share Units ("RSUs")	12,669,254	1	18,971	–	–	18,972
Share-based compensation	–	–	146,860	–	–	146,860
Other comprehensive loss	–	–	–	(100,400)	–	(100,400)
Net loss	–	–	–	–	(1,005,723)	(1,005,723)
Balance at June 30, 2022	1,349,639,439	134	11,356,686	(82,450)	(5,971,826)	5,302,544
Balance at December 31, 2020	1,190,821,941	118	7,414,932	6,942	(3,552,749)	3,869,243
Use of shares reserved for share option exercises	(1,722,773)	–	–	–	–	–
Exercise of options, ESPP and release of Restricted Share Units ("RSUs")	15,467,855	2	35,599	–	–	35,601
Share-based compensation	–	–	110,624	–	–	110,624
Other comprehensive income	–	–	–	5,153	–	5,153
Net loss	–	–	–	–	(413,846)	(413,846)
Balance at June 30, 2021	1,204,567,023	120	7,561,155	12,095	(3,966,595)	3,606,775

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

Description of business

BeiGene, Ltd. (the "Company", "BeiGene", "it", "its") is a global biotechnology company focused on developing and commercializing innovative affordable oncology 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 ("UK"), 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 Inc. ("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 2,500-person global clinical development and medical affairs team that is running close to 80 ongoing or planned clinical trials in over 40 medicines and drug candidates. This includes more than 30 pivotal or potentially registration-enabling trials across its portfolio, including three internally discovered, approved medicines. The Company has enrolled in its clinical trials more than 16,000 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 is building 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 8,600 employees in 29 countries and regions, including China, the United States, Europe and Australia.

As of June 30, 2022, the Company had the following 45 subsidiaries:

Name of Company	Place of Incorporation	Particulars of issued/paid-in capital	Percentage of Ownership by the Company	Principal Activities and Place of Operation
BeiGene 101	Cayman Islands	–	100%	Inactive
BeiGene AUS Pty Ltd ("BeiGene Australia")	Australia	USD56,947,230	100%	Medical, pharmaceutical research and development and commercial, Australia
BeiGene (Beijing) Co., Ltd. ("BeiGene Beijing")	PRC*	RMB902,345,067	100%	Medical and pharmaceutical research and development, PRC
BeiGene Biologics Co., Ltd. ("BeiGene Biologics")	PRC*	RMB10,450,000,000	100%	Medical and pharmaceutical research and development and manufacturing, PRC
BeiGene (Canada) ULC	Canada	CAD100	100%	Medical, pharmaceutical research and development and commercial, Canada

Name of Company	Place of Incorporation	Particulars of issued/paid-in capital	Percentage of Ownership by the Company	Principal Activities and Place of Operation
BeiGene 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*	RMB8,870,000,000	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*	USD263,000,000	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	HKD1 and RMB7,700,000,000	100%	Investment holding
Beijing Innerway Bio-tech Co., Ltd.("Innerway")	PRC*	USD4,000,000	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) S.R.L	Italy	EUR10,000	100%	Medical, pharmaceutical research and development and commercial, Italy
BeiGene Brazil Ltda.	Brazil	BRL2,450,190	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, Republic of 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

Name of Company	Place of Incorporation	Particulars of issued/paid-in capital	Percentage of Ownership by the Company	Principal Activities and Place of Operation
BeiGene NZ Unlimited (formerly known as BeiGene NZ, Limited)	New Zealand	NZD100,000	100%	Medical, pharmaceutical research and development and commercial, New Zealand
BeiGene Pharmaceuticals GmbH	Switzerland	CHF 20,000	100%	Medical, pharmaceutical research and development and commercial, Switzerland
BeiGene Pharmaceuticals (Guangzhou) Co., Ltd. ("BeiGene Pharmaceutical (Guangzhou)")	PRC*	RMB3,800,000	100%	Drug commercialization, PRC
BeiGene Pharmaceuticals Israel Limited	Israel	–	100%	Medical, pharmaceutical research and development and commercial, Israel
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*	USD1,000,000	100%	Drug commercialization, PRC
BeiGene (Shanghai) Co., Ltd. ("BeiGene Shanghai")	PRC *	RMB934,344,311	100%	Medical and pharmaceutical research and development, PRC
BeiGene (Shanghai) Management Consulting Co., Ltd.	PRC*	–	100%	Business management and consulting, PRC
BeiGene (Shanghai) Research & Development Co., Ltd.	PRC*	RMB270,000,000	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*	RMB2,673,218,389	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	GBP142	100%	Medical, pharmaceutical research and development and commercial, United Kingdom
BeiGene United Kingdom, Ltd.	United Kingdom	GBP110	100%	Investment holding
BeiGene USA, Inc. ("BeiGene USA")	Delaware, United States	USD1	100%	Medical, pharmaceutical research and development and commercial, U.S.
BeiGene US Holdings, LLC	Delaware, United States	–	100%	Investment holding, U.S.

Name of Company	Place of Incorporation	Particulars of issued/paid-in capital	Percentage of Ownership by the Company	Principal Activities and Place of Operation
BeiGene US Manufacturing Co., Inc.	Delaware, United States	USD156,000,000	100%	Medical and pharmaceutical research and development and manufacturing. U.S.
BeiGene Hopewell Urban Renewal, LLC	New Jersey, United States	USD115,000,000	100%	Medical and pharmaceutical research and development and manufacturing. U.S.
Pi Health, Ltd.	Cayman Islands	USD12,000,000	100%	Health technology research and development, Cayman Islands
Pi Health USA, LLC	Delaware, United States	USD5,000,000	100%	Health technology research and development, U.S.
B10 Health Technologies Private Limited	India	–	100%	Health technology research and development, India
Newco 101	Cayman Islands	–	100%	Medical and pharmaceutical research and development, Cayman Islands

* Limited liability company established in PRC

Basis of presentation and consolidation

The accompanying condensed consolidated balance sheet as of June 30, 2022, the condensed consolidated statements of operations and comprehensive loss for the six months ended June 30, 2022 and 2021, the condensed consolidated statements of cash flows for the six months ended June 30, 2022 and 2021, and the condensed consolidated statements of shareholders' equity for the six months ended June 30, 2022 and 2021, and the related footnote disclosures are unaudited. The accompanying unaudited interim condensed financial statements were prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP"), including guidance with respect to interim financial information and in conformity with the instructions to Form 10-Q and Article 10 of Regulation S-X and the disclosure requirements of the Rules Governing the listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time (the "HK Listing Rules"). Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for annual financial statements. These financial statements should be read in conjunction with the consolidated financial statements and related footnotes included in the Company's HK Annual Report and Annual Report on Form 10-K for the year ended December 31, 2021 (the "Annual Report").

The unaudited interim condensed consolidated interim financial statements have been prepared on the same basis as the annual financial statements and, in the opinion of management, reflect all normal recurring adjustments, necessary to present a fair statement of the results for the interim periods presented. Results of operations for the six months ended June 30, 2022 are not necessarily indicative of the results expected for the full fiscal year or for any future annual or interim period.

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

Use of estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Areas where management uses subjective judgment include, but are not limited to, estimating the useful lives of long-lived assets, estimating variable consideration in product sales and collaboration revenue arrangements, identifying separate accounting units and determining the standalone selling price of each performance obligation in the Company's revenue arrangements, assessing the impairment of long-lived assets, valuation and recognition of share-based compensation expenses, realizability of deferred tax assets, estimating uncertain tax positions, valuation of inventory, estimating the allowance for credit losses, determining defined benefit pension plan obligations, measurement of right-of-use assets and lease liabilities and the fair value of financial instruments. Management bases the estimates on historical experience, known trends and various other assumptions that are believed to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities and reported amounts of revenues and expenses. Actual results could differ from these estimates.

Recent accounting pronouncements

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 adoption of this guidance to have a material impact on the Company's consolidated financial statements.

Significant accounting policies

For a more complete discussion of the Company's significant accounting policies and other information, the unaudited interim condensed consolidated financial statements and notes thereto should be read in conjunction with the consolidated financial statements included in the Company's Annual Report for the year ended December 31, 2021.

There have been no material changes to the Company's significant accounting policies as of and for the six months ended June 30, 2022, as compared to the significant accounting policies described in the Annual Report.

2. Fair Value Measurements

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

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

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

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

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

The following tables present the Company's financial assets and liabilities measured and recorded at fair value on a recurring basis using the above input categories as of June 30, 2022 and December 31, 2021:

As of June 30, 2022	**Quoted Price in Active Market for Identical Assets (Level 1) US$'000**	**Significant Other Observable Inputs (Level 2) US$'000**	**Significant Unobservable Inputs (Level 3) US$'000**
Cash equivalents			
U.S. Treasury securities	384,121	–	–
Money market funds	257,614	–	–
Short-term investments (Note 4):			
U.S. Treasury securities	1,172,554	–	–
Other non-current assets (Note 4):			
Equity securities with readily determinable fair values	8,451	3,003	–
Convertible debt instrument	–	–	5,000
Total	1,822,740	3,003	5,000

As of December 31, 2021	**Quoted Price in Active Market for Identical Assets (Level 1) US$'000**	**Significant Other Observable Inputs (Level 2) US$'000**	**Significant Unobservable Inputs (Level 3) US$'000**
Cash equivalents			
U.S. Treasury securities	107,855	–	–
Money market funds	315,564	–	–
Short-term investments (Note 4):			
U.S. Treasury securities	2,241,962	–	–
Other non-current assets (Note 4):			
Equity securities with readily determinable fair values	23,809	10,306	–
Total	2,689,190	10,306	–

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

The Company's equity securities carried at fair value consist of holdings in common stock and warrants to purchase additional shares of common stock of Leap Therapeutics, Inc. ("Leap"), which were acquired in connection with a collaboration and license agreement entered into in January 2020 and in Leap's underwritten public offering in September 2021. The common stock investment in Leap, a publicly-traded biotechnology company, is measured and carried at fair value and classified as Level 1. The warrants to purchase additional shares of common stock in Leap are classified as a Level 2 investment and are measured using the Black-Scholes option-pricing valuation model, which utilizes a constant maturity risk-free rate and reflects the term of the warrants, dividend yield and stock price volatility, that is based on the historical volatility of similar companies. Refer to Note 4, Restricted Cash and Investments for details of the determination of the carrying amount of private equity investments without readily determinable fair values and equity method investments.

The Company holds a convertible note of a private biotech company. The Company has elected the fair value option method of accounting for the convertible note. Accordingly, the convertible note is remeasured at fair value on a recurring basis using Level 3 inputs, with any changes in the fair value option recorded in other income (loss).

As of June 30, 2022 and December 31, 2021, the fair values of cash and cash equivalents, restricted cash, accounts receivable, accounts payable, and short-term debt approximated their carrying values due to their short-term nature. Long-term bank loans approximate their fair value due to the fact that the related interest rates approximate the rates currently offered by financial institutions for similar debt instrument of comparable maturities.

3. Collaborative and Licensing Arrangements

The Company has entered into collaborative arrangements for the research and development, manufacture and/or commercialization of medicines and drug candidates. To date, these collaborative arrangements have included out-licenses of 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

For the six months ended June 30, 2022 and 2021, the Company's collaboration revenue consisted entirely 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 six months ended June 30, 2022 and 2021:

	Six Months Ended June 30,	
	2022	2021
Revenue from Collaborators	**US$'000**	**US$'000**
License revenue	–	484,646
Research and development service revenue	24,240	26,477
Right to access intellectual property revenue	52,497	–
Other	5,377	–
Total	82,114	511,123

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

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

The Company satisfied the license performance obligation at a point in time when the license was delivered and the transfer of know-how completed which occurred during the six months ended June 30, 2021. As such, the Company recognized the entire amount of the transaction price allocated to the license as collaboration revenue during the six months ended June 30, 2021. The portion of the transaction price allocated to the tislelizumab R&D services was deferred and is being recognized as collaboration revenue as the tislelizumab 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$20,656,000 during the six months ended June 30, 2022, and US$26,477,000 during the six months ended June 30, 2021. The Company also recognized other collaboration revenue of US$5,377,000 related to the sale of tislelizumab clinical supply to Novartis in conjunction with the collaboration during the six months ended June 30, 2022.

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." In the first quarter of 2022, the Company initiated marketing and promotion of these five products.

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 to 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 ("ociperlimab R&D Services", together with "tislelizumab R&D services", "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 ociperlimab 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 at the outset of the arrangement as 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 ociperlimab 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 ociperlimab 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 ociperlimab R&D Services was deferred and is being recognized as collaboration revenue as the ociperlimab R&D Services are performed over the expected option period. The Company recognized collaboration revenue of US$52,497,000 related to Novartis right to access ociperlimab in clinical trials and the transfer of know how performance obligation during the six months ended June 30, 2022, and R&D service revenue of US$3,584,000 during the six months ended June 30, 2022.

In-Licensing Arrangements

Amgen

In October 2019, the Company entered into a global strategic oncology collaboration with Amgen ("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 R/R multiple myeloma. In April 2022, BLINCYTO® was conditionally approved for injection for the treatment of pediatric patients with R/R CD19-positive B-cell precursor ALL.

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 recognizes 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.

On April 20, 2022, the parties entered into the First Amendment to Amgen Collaboration Agreement, which amends certain terms and conditions relating to the financial responsibilities of the parties in connections with the development and commercialization of certain Amgen proprietary products for the treatment of oncology-related diseases and conditions.

In connection with the Amgen Collaboration Agreement, a Share Purchase Agreement ("Amgen SPA") was entered into by the parties in October 2019. On January 2, 2020, the closing date of the transaction, Amgen purchased 15,895,001 of the Company's ADSs for US$174.85 per ADS, representing a 20.5% ownership stake in the Company. Per the 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 total cash proceeds of US$2,779,241,000 were allocated based on the relative fair value method, with US$2,162,407,000 recorded to equity and US$616,834,000 recorded as a research and development cost share liability. The cost share liability is being amortized proportionately as the Company contributes cash and development services to its total co-development funding cap.

Amounts recorded related to the Company's portion of the co-development funding on the pipeline assets for the six months ended June 30, 2022 and 2021 were as follows:

	Six Months Ended June 30,	
	2022	2021
	US$'000	US$'000
Research and development expense	46,789	55,330
Amortization of research and development cost share liability	45,583	53,903
Total amount due to Amgen for BeiGene's portion of the development funding	92,372	109,233

	As of
	June 30, 2022
	US$'000
Remaining portion of development funding cap	698,687

As of June 30, 2022 and December 31, 2021, the research and development cost share liability recorded in the Company's balance sheet was as follows:

	As of	
	June 30, 2022	December 31, 2021
	US$'000	US$'000
Research and development cost share liability, current portion	125,394	120,801
Research and development cost share liability, non-current portion	219,385	269,561
Total research and development cost share liability	344,779	390,362

The total reimbursement due under the commercial profit-sharing agreement for product sales is classified in the income statement for the six months ended June 30, 2022 and 2021 as follows:

	Six Months Ended June 30,	
	2022	2021
	US$'000	US$'000
Cost of sales - product	3,478	678
Research and development	898	63
Selling, general and administrative	(26,642)	(15,917)
Total	(22,266)	(15,176)

The Company purchases commercial inventory from Amgen to distribute in China. Inventory purchases amounted to US$30,061,000 during the six months ended June 30, 2022. Inventory purchases amounted to US$18,854,000 during the six months ended June 30, 2021. Net amounts payable to Amgen as of June 30, 2022 and December 31, 2021 were US$101,580,000 and US$106,790,000, respectively.

4. Restricted Cash and Investments

Restricted Cash

The Company's restricted cash balance of US$4,272,000 and US$7,209,000 as of June 30, 2022 and December 31, 2021, respectively, primarily consists of RMB-denominated cash deposits held in designated bank accounts for collateral for letters of credit. The Company classifies restricted cash as current or non-current based on the term of the restriction.

Short-Term Investments

Short-term investments as of June 30, 2022 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	1,184,869	–	12,315	1,172,554
Total	1,184,869	–	12,315	1,172,554

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

As of June 30, 2022, the Company's available-for-sale debt securities consisted entirely of short-term U.S. treasury securities, which were determined to have zero risk of expected credit loss. Accordingly, no allowance for credit loss was recorded as of June 30, 2022.

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 June 30, 2022, 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% based on information from Leap. The Company measures the investment in the common stock and warrants at fair value, with changes in fair value recorded to other income (expense), net. The Company recorded unrealized losses of US$22,661,000 for the six months ended June 30, 2022, and US$5,376,000 for the six months ended June 30, 2021, in the consolidated statements of operations. As of June 30, 2022 and December 31, 2021, the fair value of the common stock and warrants was as follows:

	As of	
	June 30, 2022 US$'000	December 31, 2021 US$'000
Fair value of Leap common stock	8,451	23,809
Fair value of Leap warrants	3,003	10,306

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$44,033,000 and US$43,722,000 in equity securities without readily determinable fair values as of June 30, 2022 and December 31, 2021, respectively. The Company recorded a gain of US$366,000 related to an observable price change in an orderly transaction for a similar investment of the same issuer for the six months ended June 30, 2022, to other income (expense), net in the consolidated statements of operations.

Equity-Method Investments

The Company records equity-method investments at cost and subsequently adjusts the basis based on the Company's ownership percentage in the investee's income and expenses, as well as dividends, if any. The Company holds equity-method investments totaling US$27,100,000 and US$22,955,000 as of June 30, 2022 and December 31, 2021, respectively, that it does not consider to be individually significant to its financial statements. The Company recorded unrealized losses of US$1,234,000 for the six months ended June 30, 2022, and US$657,000 for the six months ended June 30, 2021, respectively, to other income (expense), net in the consolidated statements of operations.

5. Accounts Receivable

	As of	
	June 30, 2022 US$'000	December 31, 2021 US$'000
Accounts receivable	172,467	483,528
Impairment	(208)	(415)
Total	172,259	483,113

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

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

	As of	
	June 30, 2022 US$'000	December 31, 2021 US$'000
Within 3 months	171,294	483,058
3 months to 6 months	965	55
Total	172,259	483,113

The roll-forward of the allowance for credit losses related to trade accounts receivable for the six months ended June 30, 2022 and 2021 consists of the following activity:

	Six Months Ended June 30,	
	2022	2021
	US$'000	US$'000
Balance at beginning of the period	415	112
Current period provision for expected credit losses	(210)	(46)
Amounts written-off	–	–
Exchange rate changes	3	1
Balance at end of the period	208	67

6. Inventories

The Company's inventory balance consisted of the following:

	As of	
	June 30, 2022	December 31, 2021
	US$'000	US$'000
Raw materials	82,848	78,140
Work in process	37,992	9,397
Finished goods	141,370	155,089
Total inventories	262,210	242,626

7. Property, plant and equipment

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

	As of	
	June 30, 2022	December 31, 2021
	US$'000	US$'000
Land	65,485	65,485
Laboratory equipment	131,885	118,203
Leasehold improvements	50,878	50,288
Building	179,495	144,083
Manufacturing equipment	138,478	119,585
Software, electronics and office equipment	36,473	27,404
Property, plant and equipment, at cost	602,694	525,048
Less: accumulated depreciation	(142,561)	(124,286)
Construction in progress	172,967	186,843
Property, plant and equipment, net	633,100	587,605

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 is constructing a biologics manufacturing facility and research and development center on the land.

Depreciation expense was US$30,041,000 for the six months ended June 30, 2022, and US$20,667,000 for the six months ended June 30, 2021.

8. Intangible Assets

Intangible assets as of June 30, 2022 and December 31, 2021 are summarized as follows:

	As of					
	June 30, 2022			December 31, 2021		
	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	(3,625)	3,875	7,500	(3,250)	4,250
Developed product	42,016	(2,566)	39,450	43,394	(965)	42,429
Trading license	816	(816)	–	816	(816)	–
Total finite-lived intangible assets	50,332	(7,007)	43,325	51,710	(5,031)	46,679

Product distribution rights consist of distribution rights on the approved cancer therapies licensed from Bristol Myers Squibb ("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 license and commercialization agreements. 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 product is included in cost of sales - product in the accompanying consolidated statements of operations. Amortization expense for product distribution rights and the trading licenses is included in operating expenses in the accompanying consolidated statements of operations.

The weighted-average life for each finite-lived intangible assets is approximately 12 years. Amortization expense was as follows:

	Six Months Ended June 30,	
	2022 US$'000	2021 US$'000
Amortization expense - Cost of sales - product	1,644	117
Amortization expense - Operating expense	376	375
	2,020	492

Estimated amortization expense for each of the five succeeding years and thereafter, as of June 30, 2022 is as follows:

Year Ending December 31,	Cost of Sales – Product US$'000	Operating Expenses US$'000	Total US$'000
2022 (remainder of year)	1,614	375	1,989
2023	3,222	750	3,972
2024	3,222	750	3,972
2025	3,222	750	3,972
2026	3,222	750	3,972
2027 and thereafter	24,948	500	25,448
Total	39,450	3,875	43,325

9. Income Taxes

Income tax expense was US$26,889,000 for the six months ended June 30, 2022. Income tax benefit was US$4,860,000 for the six months ended June 30, 2021. The income tax expense for the six months ended June 30, 2022 relating to income reported by certain subsidiaries was primarily attributable to China tax expense determined after certain non-deductible expenses and U.S. tax expense determined after research and development tax credits, other special tax deductions and non-deductible U.S. stock compensation. The income tax benefit for the six months ended June 30, 2021 was primarily attributable to the deferred tax benefit of U.S. stock-based compensation deductions in excess of tax expense on income reported in certain China subsidiaries as adjusted for certain non-deductible expenses.

On a quarterly basis, the Company evaluates the realizability of deferred tax assets by jurisdiction and assesses the need for a valuation allowance. In assessing the realizability of deferred tax assets, the Company considers historical profitability, evaluation of scheduled reversals of deferred tax liabilities, projected future taxable income and tax-planning strategies. Valuation allowances have been provided on deferred tax assets where, based on all available evidence, it was considered more likely than not that some portion or all of the recorded deferred tax assets will not be realized in future periods. After consideration of all positive and negative evidence, the Company believes that as of June 30, 2022, it is more likely than not that deferred tax assets will not be realized for the Company's subsidiaries in Australia and Switzerland, in certain subsidiaries in China and for all U.S. tax credit carryforwards.

As of June 30, 2022, the Company had gross unrecognized tax benefits of US$11,765,000. The Company does not anticipate that the amount of existing unrecognized tax benefits will significantly change within the next 12 months. The Company's reserve for uncertain tax positions increased by US$1,840,000, in the six months ended June 30, 2022 primarily due to U.S. federal and state tax credits and incentives.

The Company has elected to record interest and penalties related to income taxes as a component of income tax expense. As of June 30, 2022 and December 31, 2021, the Company's accrued interest and penalties, where applicable, related to uncertain tax positions were not material.

The Company conducts business in a number of tax jurisdictions and, as such, is required to file income tax returns in multiple jurisdictions globally. As of June 30, 2022, Australia tax matters are open to examination for the years 2013 through 2022, China tax matters are open to examination for the years 2012 through 2022, Switzerland tax matters are open to examination for the years 2018 through 2022, and U.S. federal tax matters are open to examination for years 2015 through 2022. Various U.S. states and other non-US tax jurisdictions in which the Company files tax returns remain open to examination for 2011 through 2022.

10. Supplemental Balance Sheet Information

Prepaid expenses and other current assets consist of the following:

	As of	
	June 30, 2022 US$'000	**December 31, 2021 US$'000**
Prepaid research and development costs	72,474	87,239
Prepaid manufacturing cost	59,291	78,538
Prepaid taxes	18,627	58,579
Other receivables	17,409	12,010
Interest receivable	2,611	5,052
Prepaid insurance	8,462	1,695
Other current assets	28,509	27,060
Total	207,383	270,173

Other non-current assets consist of the following:

	As of	
	June 30, 2022 US$'000	**December 31, 2021 US$'000**
Goodwill	109	109
Prepayment of property and equipment	14,412	14,140
Prepayment of facility capacity expansion activities (1)	21,473	24,237
Prepaid VAT	29	17,162
Rental deposits and other	7,345	6,609
Long-term investments (Note 4)	87,587	100,792
Total	130,955	163,049

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

Accrued expenses and other payables consist of the following:

	As of	
	June 30, 2022 US$'000	**December 31, 2021 US$'000**
Compensation related	124,565	139,966
External research and development activities related	151,321	213,922
Commercial activities	55,366	71,560
Employee tax withholdings	23,525	45,661
Sales rebates and returns related	71,512	59,639
Professional fees and other	27,894	27,307
Total	454,183	558,055

Other long-term liabilities consist of the following:

	As of	
	June 30, 2022 US$'000	**December 31, 2021 US$'000**
Deferred government grant income	40,835	46,352
Pension liability	7,484	7,814
Other	113	68
Total	48,432	54,234

11. Accounts Payable

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

	As of	
	June 30, 2022 US$'000	**December 31, 2021 US$'000**
Within 3 months	229,217	257,977
3 to 6 months	1,725	3,210
6 months to 1 year	3,137	1,110
Over 1 year	276	103
Total	234,355	262,400

12. Debt

The following table summarizes the Company's short-term and long-term debt obligations as of June 30, 2022 and December 31, 2021:

Lender	Agreement Date	Line of Credit US$'000/ RMB'000	Term	Maturity Date	Interest Rate	June 30, 2022		December 31, 2021	
						US$'000	RMB'000	US$'000	RMB'000
China Construction Bank	April 4, 2018	RMB580,000	9-year	April 4, 2027	(1)	4,330	29,000	1,255	8,000
China Merchants Bank	January 22, 2020	(2)	9-year	January 20, 2029	(2)	1,493	10,000	1,569	10,000
China Merchants Bank	November 9, 2020	RMB378,000	9-year	November 8, 2029	(3)	2,613	17,500	–	–
China Minsheng Bank (the "Senior Loan")	September 24, 2020	US$200,000		(4)	4.5%	200,000	1,339,585	200,000	1,274,535
Zhuhai Hillhouse (the "Related Party Loan")	September 24, 2020	RMB500,000		(5)	4.5%	14,930	100,000	15,693	100,000
Shanghai Pudong Development Bank	February 25, 2022	US$50,000	1-year	February 25, 2023	2.2%	50,000	334,896	–	–
Other short-term debt (6)						107,363	719,115	209,048	1,332,197
Total short-term debt						380,729	2,550,096	427,565	2,724,732
China Construction Bank	April 4, 2018	RMB580,000	9-year	April 4, 2027	(1)	81,368	545,000	89,444	570,000
China Merchants Bank	January 22, 2020	(2)	9-year	January 20, 2029	(2)	50,016	335,000	53,353	340,000
China Merchants Bank	November 9, 2020	RMB378,000	9-year	November 8, 2029	(3)	53,823	360,500	59,316	378,000
Total long-term bank loans						185,207	1,240,500	202,113	1,288,000

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 June 30, 2022. The loan is secured by BeiGene Guangzhou Factory's land use right and certain Guangzhou Factory fixed assets in the first phase of the Guangzhou manufacturing facility's build out. The Company repaid US$598,000 (RMB4,000,000) during the six months ended June 30, 2022.

2. On January 22, 2020, BeiGene Guangzhou Biologics Manufacturing Co., Ltd.("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 placed into service upon completion of the second phase of the Guangzhou manufacturing facility's build out. In connection with the Company's short-term loan agreements with China Merchants Bank entered into during the year ended December 31, 2020, the borrowing capacity was reduced from RMB1,100,000,000 to RMB350,000,000. The loan interest rate was 4.4% as of June 30, 2022. The Company repaid US$771,000 (RMB5,000,000) during the six months ended June 30, 2022. BeiGene Guangzhou Biologics Manufacturing Co., Ltd. is a company incorporated under the laws of the PRC on March 3, 2017 and a wholly owned subsidiary of BeiGene Biologics.

3. The outstanding borrowings bear floating interest rates benchmarking RMB loan interest rates of financial institutions in the PRC. The loan interest rate was 4.3% as of June 30, 2022. The loan is secured by fixed assets placed into service upon completion of the third phase of the Guangzhou manufacturing facility's build out.

4. In September 2020, 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 designated to fund the purchase of non-controlling equity interest in BeiGene Biologics Co., Ltd. ("BeiGene Biologics") from Guangzhou GET Technology Development Co., Ltd. (now Guangzhou High-tech Zone Technology Holding Group Co., Ltd.) ("GET") and repayment of the loan provided by GET ("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 12 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. BeiGene Biologics Co., Ltd. is a company incorporated under the laws of the PRC on January 25, 2017 and an indirectly wholly owned subsidiary of the Company.

5. In September 2020, 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 loan maturity was 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.

6. During the year 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 RMB1,760,000,000 in aggregate, with maturity dates ranging from April 19, 2021 to May 24, 2023. The Company drew down US$17,586,000 (RMB117,000,000) and repaid US$114,036,000 (RMB730,082,000) of the short-term loans in the six months ended June 30, 2022. The weighted average interest rate for the short-term working capital loans was approximately 4.1% as of June 30, 2022.

Interest Expense

Interest expense recognized for the six months ended June 30, 2022 was US$10,984,000, among which US$1,935,000 was capitalized. Interest expense recognized for the six months ended June 30, 2021 was US$14,577,000, among which US$251,000 was capitalized.

13. 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; XGEVA®, BLINCYTO® and KYPROLIS® in China under a license from Amgen; and POBEVCY® in China under a license from Bio-Thera.

The table below presents the Company's net product sales for the six months ended June 30, 2022 and 2021.

	Six Months Ended June 30,	
	2022	2021
	US$'000	US$'000
Product revenue – gross	638,273	291,794
Less: Rebates and sales returns	(72,189)	(47,053)
Product revenue – net	566,084	244,741

The following table disaggregates net product sales by product for the six months ended June 30, 2022 and 2021:

	Six Months Ended June 30,	
	2022	2021
	US$'000	US$'000
BRUKINSA®	233,072	64,513
Tislelizumab	192,522	123,758
REVLIMID®	41,576	26,775
XGEVA®	29,008	17,792
POBEVCY®	19,798	–
BLINCYTO®	21,396	–
KYPROLIS®	8,405	–
VIDAZA®	8,946	6,961
Pamiparib	4,577	2,221
Other	6,784	2,721
Total product revenue – net	566,084	244,741

The following table presents the roll-forward of accrued sales rebates and returns for the six months ended June 30, 2022 and 2021:

	Six Months Ended June 30,	
	2022	2021
	US$'000	US$'000
Balance at beginning of the period	59,639	11,874
Accrual	72,189	47,053
Payments	(60,316)	(33,355)
Balance at end of the period	71,512	25,572

14. Loss Before Income Tax Expense

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

	Six Months Ended June 30,	
	2022	2021
	US$'000	US$'000
Cost of inventories sold	136,410	68,948
Depreciation and amortization expense	30,041	20,784
Research and development costs (note)	768,122	676,817
Amortization of operating lease right-of-use assets	13,366	10,141
Amortization of license rights	2,020	375
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages, salaries and other benefits	489,416	316,935
Share-based compensation expenses	146,860	110,632
Pension scheme contributions (defined contribution scheme)	25,966	17,523
	662,242	445,090
Foreign exchange differences, net	118,355	2,460
Bank interest income	(32,520)	(5,534)
Loss on disposal of property and equipment	73	–

Note:

During the six months ended June 30, 2022 and 2021, research and development costs of approximately US$293,291,000 and US$220,110,000 were also included in employee benefit expense.

15. Loss Per Share

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

	Six Months Ended June 30,	
	2022	2021
	US$'000	US$'000
Numerator:		
Net loss	(1,005,723)	(413,846)
Denominator:		
Weighted average shares outstanding – basic and diluted	1,334,252,648	1,191,521,766

For the six months ended June 30, 2022 and 2021, the computation of basic loss per share using the two-class method was not applicable as the Company was in a net loss position, and the effects of all share options, restricted shares, restricted share units and ESPP shares were excluded from the calculation of diluted loss per share, as their effect would have been anti-dilutive.

16. Share-Based Compensation Expense

2016 Share Option and Incentive Plan

In January 2016, in connection with the Company's initial public offering ("IPO") on the Nasdaq Stock Market, the board of directors and shareholders of the Company approved the 2016 Share Option and Incentive Plan (the "2016 Plan"), which became effective in February 2016. The Company initially reserved 65,029,595 ordinary shares for the issuance of awards under the 2016 Plan, plus any shares available under the 2011 Option Plan (the "2011 Plan"), and not subject to any outstanding options as of the effective date of the 2016 Plan, along with underlying share awards under the 2011 Plan that are cancelled or forfeited without issuance of ordinary shares. As of June 30, 2022, ordinary shares cancelled or forfeited under the 2011 Plan that were carried over to the 2016 Plan totaled 5,166,510. In December 2018, the shareholders approved an amended and restated 2016 Plan to increase the number of shares authorized for issuance by 38,553,159 ordinary shares, as well as amend the cap on annual compensation to independent directors and make other changes. In June 2020, the shareholders approved an Amendment No. 1 to the 2016 Plan to increase the number of shares authorized for issuance by 57,200,000 ordinary shares and to extend the term of the plan through April 13, 2030. The number of shares available for issuance under the 2016 Plan is subject to adjustment in the event of a share split, share dividend or other change in the Company's capitalization.

During the six months ended June 30, 2022, the Company granted options for 12,159,745 ordinary shares and restricted share units for 33,193,771 ordinary shares under the 2016 Plan. As of June 30, 2022, options and restricted share units for ordinary shares outstanding under the 2016 Plan totaled 63,489,649 and 57,144,906, respectively. As of June 30, 2022, share-based awards to acquire 74,479,333 ordinary shares were available for future grant under the 2016 Plan.

In order to continue to provide incentive opportunities under the 2016 Plan, the Board of Directors and shareholders of the Company approved an amendment to the 2016 Plan (the "Amendment No. 2"), which became effective as of June 22, 2022, to increase the number of authorized shares available for issuance under the 2016 Plan by 66,300,000 ordinary shares, or 5% of the Company's outstanding shares as of March 31, 2022.

2018 Inducement Equity Plan

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

During the six months ended June 30, 2022, the Company did not grant any options or restricted share units under the 2018 Plan. As of June 30, 2022, options and restricted share units for ordinary shares outstanding under the 2018 Plan totaled 30,901 and 408,408, respectively.

Upon the effectiveness of Amendment No. 2 to the 2016 Plan, on June 22, 2022, the 2018 Plan was terminated to the effect that no new equity awards shall be granted under the plan but the outstanding equity awards under the plan shall continue to vest and/or be exercisable in accordance with their terms.

2018 Employee Share Purchase Plan

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

As of June 30, 2022, 4,527,386 ordinary shares were available for future issuance under the ESPP.

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	
February 28, 2022	667,160	US$ 210.52	US$ 16.19		US$ 178.94	US$ 13.76		US$'000	9,183
August 31, 2021	425,386	US$ 308.30	US$ 23.72		US$ 262.06	US$ 20.16		US$'000	8,575
February 26, 2021	436,124	US$ 236.30	US$ 18.18		US$ 200.86	US$ 15.45		US$'000	6,738

1 The market price is the lower of the closing price on the Nasdaq Stock Market on the issuance date or the offering date, in accordance with the terms of the ESPP.

2 The purchase price is the price which was discounted from the applicable market price, in accordance with the terms of the ESPP.

The following table summarizes total share-based compensation expense recognized for the six months ended June 30, 2022 and 2021:

	Six Months Ended June 30,	
	2022	2021
	US$'000	US$'000
Research and development	67,965	52,082
Selling, general and administrative	78,895	58,542
Total	146,860	110,624

17. 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
Balance as of December 31, 2021	27,898	(3,700)	(6,248)	17,950
Other comprehensive loss before reclassifications	(88,085)	(12,315)	–	(100,400)
Amounts reclassified from accumulated other comprehensive income (loss)	–	–	–	–
Net-current period other comprehensive loss	(88,085)	(12,315)	–	(100,400)
Balance as of June 30, 2022	(60,187)	(16,015)	(6,248)	(82,450)

18. Shareholders' Equity

Share Purchase Agreement

In September 2021, 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 a Share Purchase Agreement dated October 31, 2019, as amended on December 6, 2019 and September 24, 2020 by and between Amgen and Company.

STAR Offering

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 prospectus of the Company for the STAR Offering ("STAR Prospectus") as well as the Company's proceeds management policy for the STAR Offering approved by the board of directors.

19. Restricted Net Assets

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

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

Foreign exchange and other regulations in the PRC may further restrict the Company's PRC subsidiaries from transferring funds to the Company in the form of dividends, loans and advances. As of June 30, 2022 and December 31, 2021, the net assets of the Company's PRC subsidiaries amounted to US$2,448,530,000 and US$799,574,000, respectively.

20. Commitments and Contingencies

Purchase Commitments

As of June 30, 2022, the Company had purchase commitments amounting to US$109,700,000, of which US$65,020,000 related to minimum purchase requirements for supply purchased from contract manufacturing organizations and US$44,680,000 related to binding purchase obligations of inventory from BMS and Amgen. The Company does not have any minimum purchase requirements for inventory from BMS or Amgen.

Capital Commitments

The Company had capital commitments amounting to US$308,141,000 for the acquisition of property, plant and equipment as of June 30, 2022, which were mainly for the Company's manufacturing and clinical R&D campus in Hopewell, NJ, and additional capacity at the Guangzhou and Suzhou manufacturing facilities.

Co-Development Funding Commitment

Under the Amgen Collaboration Agreement, the Company is responsible for co-funding global development costs for the Amgen oncology pipeline assets up to a total cap of US$1,250,000,000. The Company is funding its portion of the co-development costs by contributing cash and development services. As of June 30, 2022, the Company's remaining co-development funding commitment was US$698,687,000.

Research and Development Commitment

The Company entered into a long-term research and development agreement in June 2021, which includes obligations to make an upfront payment and fixed quarterly payments over the next four years. As of June 30, 2022, the total research and development commitment amounted to US$25,173,000.

Funding Commitment

The Company had committed capital related to an equity method investment in the amount of US$15,000,000. As of June 30, 2022, the remaining capital commitment was US$12,750,000 and is expected to be paid from time to time over the investment period.

Pension Commitment

The Company maintains a defined benefit pension plan in Switzerland. Funding obligations under the defined benefit pension plan are equivalent to US$1,536,000 per year based on annual funding contributions in effect as of June 30, 2022 to achieve fully funded status where the market value of plan assets equals the projected benefit obligations. Future funding requirements will be subject to change as a result of future changes in staffing and compensation levels, various actuarial assumptions and actual investment returns on plan assets.

Other Business Agreements

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

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

21. Related Party Transactions

(a) In addition to the transactions detailed elsewhere in this financial information, the Company had the following related party transactions for the six months ended June 30, 2022 and 2021:

Xiaodong Wang, Chairman of Scientific Advisory Board, director and shareholder, provided consulting service to the Company, and the compensation received by Dr. Wang for consulting service for the six months ended June 30, 2022 and 2021 consisted of (i) US$50,000 (2021: US$50,000) in consulting fees, (ii) US$75,000 (2021: US$75,000) as a performance-based cash bonus, (iii) share-based compensation expenses for options and RSUs of US$2,141,000 (2021:US$2,271,000).

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

	Six Months Ended June 30,	
	2022	**2021**
	US$'000	**US$'000**
Short term employee benefits	3,423	2,945
Post-employment benefits	37	65
Share-based compensation expenses	19,626	17,635
Total compensation paid to key management personnel	23,086	20,645

22. 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 primarily located in the PRC and 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:

	Six Months Ended June 30,	
	2022	**2021**
	US$'000	**US$'000**
PRC	403,164	218,617
United States	213,749	383,809
Rest of world	31,285	153,438
Total	648,198	755,864

PRC revenues consisted entirely of product revenues for the six months ended June 30, 2022 and 2021. U.S. revenues for six months ended June 30, 2022 consisted of collaboration revenue of US$57,480,000, and BRUKINSA® product sales of US$156,269,000. U.S. revenues for the six months ended June 30, 2021 consisted of collaboration revenue of US$357,786,000, and BRUKINSA® product sales of US$26,023,000. Rest of world revenues for the six months ended June 30, 2022 consisted of collaboration revenue of US$24,634,000, and BRUKINSA® product sales of US$6,651,000. Rest of world revenues consisted entirely of collaboration revenues for the six months ended June 30, 2021.

23. Reconciliation between U.S. GAAP and International Financial Reporting Standards

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

	Six months ended June 30, 2022			
	Amounts as reported under U.S. GAAP US$'000	IFRS adjustments US$'000	US$'000	Amounts under IFRS US$'000
Consolidated statement of operations data		Share-based compensation (note (i))	Tax benefit/ deficiency on share-based compensation (note (iii))	
Research and development	(768,122)	(5,520)	–	(773,642)
Selling, general and administrative	(625,976)	(4,044)	–	(630,020)
Loss before income taxes	(978,834)	(9,564)	–	(988,398)
Income tax (expense) benefit	(26,889)	1,082	(11,385)	(37,192)
Net loss	(1,005,723)	(8,482)	(11,385)	(1,025,590)
Net loss attributable to BeiGene, Ltd.	(1,005,723)	(8,482)	(11,385)	(1,025,590)

	Six months ended June 30, 2021			
	Amounts as reported under U.S. GAAP US$'000	IFRS adjustments US$'000	US$'000	Amounts under IFRS US$'000
Consolidated statement of operations data		Share-based compensation (note (i))	Tax benefit/ deficiency on share-based compensation (note (iii))	
Research and development	(676,817)	34,210	–	(642,607)
Selling, general and administrative	(414,395)	18,197	–	(396,198)
Loss before income taxes	(418,706)	52,407	–	(366,299)
Income tax (expense) benefit	4,860	(4,125)	(21,801)	(21,066)
Net loss	(413,846)	48,282	(21,801)	(387,365)
Net loss attributable to BeiGene, Ltd.	(413,846)	48,282	(21,801)	(387,365)

	As at June 30, 2022				
	Amounts as reported under U.S. GAAP US$'000	IFRS adjustments US$'000		US$'000	Amounts under IFRS US$'000
Consolidated balance sheet data		Share-based compensation (note (i))	Preferred Shares (note (ii))	Tax benefit/ deficiency on share-based compensation (note (iii))	
Deferred tax assets	103,429	1,082	–	(9,662)	110,169
		15,320*	–	–	
Total assets	7,378,207	16,402	–	(9,662)	7,384,947
Additional paid-in capital	11,356,686	9,564	307,894*	1,723	11,985,971
		174,049*	–	136,055*	
Accumulated deficit	(5,971,826)	(9,564)	(307,894)*	(11,385)	(6,594,371)
		1,082	–	–	
		(158,729)*	–	(136,055)*	
Total equity	5,302,544	16,402	–	(9,662)	5,309,284

	As at December 31, 2021				
	Amounts as reported under US GAAP US$'000	IFRS adjustments US$'000		US$'000	Amounts under IFRS US$'000
Consolidated balance sheet data		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

* 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$9,564,000 arose between the amount of share-based compensation (included in research and development expenses, and selling, general and administrative expenses) recognized under U.S. GAAP and IFRS for the six months ended June 30, 2022 (June 30, 2021: US$52,407,000). The related income tax impact of this item was US$1,082,000 for the six months ended June 30, 2022 (June 30, 2021: US$4,125,000).

The accumulated difference on share-based compensation recognized in expenses and additional paid in capital under U.S. GAAP and IFRS was US$174,049,000, the related income tax impact on above differences was US$15,320,000, and net impact on the accumulated deficit was US$158,729,000 as of December 31, 2021. The differences as of December 31, 2021 were all carried forward as opening IFRS adjustments to the balance sheet as of January 1, 2022.

(ii) Preferred Shares

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

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

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

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

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

A difference of US$9,662,000 between the amount of deferred tax assets recognized under U.S. GAAP and IFRS as of June 30, 2022 (June 30, 2021: nil) is determined based on the estimated tax deduction on share-based compensation at period end.

In addition, the income tax benefit on excess tax deductions of US$1,723,000 for the six months ended June 30, 2022 (June 30, 2021: US$21,801,000) is 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$136,055,000 recognized in equity amounted to US$136,055,000 as of December 31, 2021, and are carried forward as opening adjustments to the balance sheet as of January 1, 2022 under IFRS.

(iv) Lease

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

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

Based on the Company's assessment, the differences on lease recognized under U.S. GAAP and IFRS did not have material impact on unaudited financial statements as of June 30, 2022 and for the six months ended June 30, 2022.

(v) Investment

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

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

Based on the Company's assessment, the differences on investment recognized under U.S. GAAP and IFRS did not have material impact on unaudited financial statements as of June 30, 2022 and for the six months ended June 30, 2022.

24. Dividends

The board of directors of the Company did not recommend the distribution of any interim dividend for the six months ended June 30, 2022 (June 30, 2021: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

We are a global biotechnology company focused on developing and commercializing innovative and affordable oncology 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, China, EU, the UK, 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 2,500-person global clinical development team that is running close to 80 ongoing or planned clinical trials in over 40 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 16,000 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 are building a commercial-stage biologics manufacturing and clinical R&D center in New Jersey. We also work with high quality CMOs to manufacture our internally developed clinical and commercial products.

Since our inception in 2010, we have become a fully integrated global organization of over 8,600 employees in 29 countries and regions, including the United States, China, Europe, and Australia.

Recent Developments

Recent Business Developments

On August 23, 2022, we announced that the Center for Drug Evaluation of the China National Medical Products Administration ("NMPA)" has accepted a supplemental biologics license application (sBLA) for tislelizumab in combination with chemotherapy as first-line treatment in patients with unresectable locally advanced, recurrent or metastatic esophageal squamous cell carcinoma (ESCC).

On August 9, 2022, we announced that the global Phase 3 RATIONALE 301 trial with tislelizumab met its primary endpoint of non-inferior Overall Survival (OS) versus sorafenib as a first-line treatment in adult patients with unresectable hepatocellular carcinoma (HCC). The safety profile for tislelizumab was consistent with previous studies and no new safety signals were reported. More than 600 patients in the U.S., Europe, and Asia participated in the study.

On July 14, 2022, we announced that the U.S. Food and Drug Administration ("FDA") has deferred action on the Biologics License Application (BLA) for tislelizumab as a second-line treatment for patients with unresectable or metastatic ESCC. In the FDA's general advice letter communicating the deferral of action, the FDA cited only the inability to complete inspections due to restrictions on travel as the reason for the deferral and did not provide a new anticipated action date as they continue to monitor the public health situation and travel restrictions.

On June 30, 2022, we announced new data from RATIONALE 306, a global Phase 3 trial evaluating tislelizumab plus chemotherapy in adult patients with advanced or metastatic ESCC without prior systemic treatment for advanced disease, presented as a late-breaking oral presentation at the 2022 European Society for Medical Oncology (ESMO) World Congress on Gastrointestinal Cancer.

On June 21, 2022, we announced that the Center for Drug Evaluation of the NMPA has accepted a sBLA for the our anti-PD-1 inhibitor, tislelizumab, in combination with chemotherapy as a first-line treatment for patients with advanced or metastatic gastric or gastroesophageal junction adenocarcinoma whose tumors express PD-L1.

On June 13, 2022, we announced that our BTK inhibitor BRUKINSA® (zanubrutinib) has been approved by the Ministry of Health in Kuwait, the National Health Regulatory Authority in Bahrain and the Ministry of Public Health in Qatar for the treatment of adult patients with mantle cell lymphoma (MCL) who have received at least one prior therapy. We are working with NewBridge Pharmaceuticals, a specialty company in the Middle East and North Africa (MENA) regions established to bridge the access gap by partnering with global pharma and biotech companies, to bring BRUKINSA® to patients in Kuwait, Bahrain, Qatar, Saudi Arabia, United Arab Emirates, and other markets in the MENA region following regulatory approvals.

On June 13, 2022, we announced that the FDA has extended the Prescription Drug User Fee Act (PDUFA) goal date for the supplementary new drug application (sNDA) for BRUKINSA® as a treatment for adult patients with chronic lymphocytic leukemia (CLL) or small lymphocytic lymphoma (SLL) by three months to January 20, 2023. The FDA extended the PDUFA goal date to allow time to review additional clinical data submitted by us, which was deemed a major amendment to the sNDA. The submission included final response analysis from the global ALPINE clinical trial showing BRUKINSA® demonstrated superiority versus ibrutinib in overall response rate (ORR) as assessed by an Independent Review Committee (IRC) in adult patients with R/R CLL or SLL. We announced this final response analysis on April 11, 2022.

On June 10, 2022, we announced that the NMPA approved our anti-PD-1 antibody, tislelizumab, in combination with chemotherapy as a first-line treatment for patients with recurrent or metastatic nasopharyngeal cancer (NPC).

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 800 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 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 second half of 2022; multiple early-stage clinical assets, including BGB-A445 (OX40 antibody), surzebiclimab (TIM3 antibody), BGB-10188 (PI3K inhibitor), BGB-15025 (HPK-1 inhibitor), BGB-16673 (BTK-targeted CDAC), BGB-23330 (TYK2 inhibitor) and BGB-24714 (SMAC mimetic); 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 2,500 people worldwide that develops our product candidates largely without the assistance of third-party 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 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 over 50 markets, 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

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 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 tislelizumab R&D services was deferred and is being recognized as collaboration revenue as the tislelizumab 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 ociperlimab 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 ociperlimab R&D services was deferred and is being recognized as collaboration revenue as the ociperlimab 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 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 ("CDAC"), targeting BTK; and
- BGB-A425, an investigational humanized monoclonal antibody against TIM-3;
- BGB-10188, an investigational PI3Kδ inhibitor;
- BGB-23339, a potent, allosteric investigational tyrosine kinase 2 (TYK2) inhibitor; and
- LBL-007, a novel investigational antibody targeting the LAG-3 pathway

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 RMB-denominated cash deposits 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 (expense) consists primarily of gains and losses recognized related to fluctuations in foreign currency exchange rates, gains and losses on equity investments, government grants and subsidies received that involve no conditions or continuing performance obligations by us, 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 at U.S. functional currency entities, including a large portion of the cash generated from the STAR Market offering in December 2021. Other income (expense) includes the revaluation gains and losses of these cash deposits based on foreign currency exchange rates.

Results of Operations

The following table summarizes our results of operations for the six months ended June 30, 2022 and 2021:

	Six Months Ended June 30,		Change	
	2022	2021		%
	(US dollars in thousands)			
Revenues				
Product revenue, net	566,084	244,741	321,343	131.3%
Collaboration revenue	82,114	511,123	(429,009)	(83.9)%
Total revenues	648,198	755,864	(107,666)	(14.2)%
Expenses				
Cost of sales – product	136,410	68,948	67,462	97.8%
Research and development	768,122	676,817	91,305	13.5%
Selling, general and administrative	625,976	414,395	211,581	51.1%
Amortization of intangible assets	376	375	1	0.3%
Total expenses	1,530,884	1,160,535	370,349	31.9%
Loss from operations	(882,686)	(404,671)	(478,015)	118.1%
Interest income (expense), net	21,502	(9,045)	30,547	(337.7)%
Other expense, net	(117,650)	(4,990)	(112,660)	2,257.7%
Loss before income taxes	(978,834)	(418,706)	(560,128)	133.8%
Income tax expense (benefit)	26,889	(4,860)	31,749	(653.3)%
Net loss	(1,005,723)	(413,846)	(591,877)	143.0%

Comparison of the Six Months Ended June 30, 2022 and 2021

Revenue

Total revenue decreased to US$648.2 million, or 14.2%, for the six months ended June 30, 2022, from US$755.9 million for the six months ended June 30, 2021, primarily due to a decrease in collaboration revenue, as the prior year period included the recognition of the majority of the US$650 million upfront payment from Novartis as license revenue.

The following table summarizes the components of revenue for the six months ended June 30, 2022 and 2021, respectively:

	Six Months Ended June 30,		Changes	
	2022	2021		%
	(US dollars in thousands)			
Product revenue	566,084	244,741	321,343	131.3%
Collaboration revenue:				
License revenue	–	484,646	(484,646)	(100.0)%
Research and development service revenue	24,240	26,477	(2,237)	(8.4)%
Right to access intellectual property revenue	52,497	–	52,497	N/A
Other	5,377	–	5,377	N/A
Total collaboration revenue	82,114	511,123	(429,009)	(83.9)%
Total Revenue	648,198	755,864	(107,666)	(14.2)%

Net product revenues consisted of the following:

	Six Months Ended June 30,		Changes	
	2022	2021		%
	(US dollars in thousands)			
BRUKINSA®	233,072	64,513	168,559	261.3%
Tislelizumab	192,522	123,758	68,764	55.6%
REVLIMID®	41,576	26,775	14,801	55.3%
XGEVA®	29,008	17,792	11,216	63.0%
BLINCYTO®	21,396	–	21,396	N/A
POBEVCY®	19,798	–	19,798	N/A
VIDAZA®	8,946	6,961	1,985	28.5%
KYPROLIS®	8,405	–	8,405	N/A
Pamiparib	4,577	2,221	2,356	106.1%
Other	6,784	2,721	4,063	149.3%
Total product revenue	566,084	244,741	321,343	131.3%

Net product revenue increased 131.3% to US$566.1 million for the six months ended June 30, 2022, compared to US$244.7 million in the prior year period, primarily due to increased sales of BRUKINSA® in the United States and China and increased sales of tislelizumab in China, as well as sales of pamiparib. In addition, product revenues in the first half of 2022 were positively impacted by sales of Amgen's BLINCYTO® and KYPROLIS® in China, which we began distributing in August 2021 and January 2022, respectively, as well as Bio-Thera's POBEVCY®, which we began selling in January 2022. During the six months ended June 30, 2022, we continued to see increased patient demand in China for tislelizumab and BRUKINSA® due to the inclusion on the National Reimbursement Drug List ("NRDL"), and this demand more than offset the effect of the related price reductions.

Global sales of BRUKINSA® totaled US$233.1 million in the six months ended June 30, 2022, representing a 261.3% increase compared to the prior year period; U.S. sales of BRUKINSA® totaled US$156.3 million in the six months ended June 30, 2022, compared to US$26.0 million in the prior year period, representing growth of 500.5%. U.S. sales continued to accelerate in the period, driven by continued uptake in all approved indications. BRUKINSA® sales in China totaled US$70.2 million in the six months ended June 30, 2022, representing growth of 82.7% compared to the prior year period, driven by a significant increase in all approved indications, including chronic lymphocytic leukemia (CLL) and small lymphocytic lymphoma (SLL).

Sales of tislelizumab in China totaled US$192.5 million in the six months ended June 30, 2022, compared to US$123.8 million representing a 55.6% increase compared to the prior year period. In the six months ended June 30, 2022, 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.

Product revenues in the first half of 2021 were negatively impacted by an adjustment of US$28.1 million as a result of compensating distributors for products that remained in the distribution channel which were sold during the first quarter, prior to applying the lower prices of the NRDL, due to the first inclusion of tislelizumab, BRUKINSA®, and XGEVA® in the updated NRDL by the NHSA, which became effective on March 1, 2021. In the first half of 2021, the inclusion of tislelizumab, BRUKINSA®, and XGEVA® in the NRDL significantly increased patient demand that more than offset the net effect of price reductions as a result of NRDL inclusion.

Collaboration revenue totaled US$82.1 million for the six months ended June 30, 2022, of which US$24.2 million was recognized from deferred revenue for R&D services performed during the six months ended June 30, 2022 under both the tislelizumab and ociperlimab collaborations, US$52.5 million was recognized from deferred revenue for Novartis' right to access ociperlimab over the option period, and US$5.4 million was recognized related to the sale of tislelizumab clinical supply to Novartis. Collaboration revenue totaled US$511.1 million for the six months ended June 30, 2021, of which US$484.6 million was recognized upon delivery of the tislelizumab license right and transfer of know-how to Novartis, and US$26.5 million was recognized from deferred revenue for R&D services performed during the six months ended June 30, 2021 (see Footnote 3).

Cost of Sales

Cost of sales increased to US$136.4 million for the six months ended June 30, 2022 from US$68.9 million for the six months ended June 30, 2021, primarily due to increased product sales of tislelizumab, BRUKINSA® and XGEVA®, as well as initial sales of BLINCYTO®, which we began selling in August 2021, and initial sales of KYPROLIS® and POBEVCY®, which we began selling in January 2022.

Gross Margin

Gross margin on product sales increased to US$429.7 million for the six months ended June 30, 2022, compared to US$175.8 million in the prior year period, primarily due to increased product revenue in the current year period. Gross margin as a percentage of product sales increased to 75.9% for the six months ended June 30, 2022, from 71.8% in the comparable period of the prior year. The increase is primarily due to a proportionally higher sales mix of global BRUKINSA® compared to lower margin sales of in-licensed products and lower per unit costs for BRUKINSA® and tislelizumab, which offset the impact of lower prices resulting from the listing of tislelizumab and BRUKINSA® on the updated NRDL in January 2022. Pre-launch inventory carried at zero or low cost consumed during the six months ended June 30, 2022 and 2021 was immaterial and did not have a significant impact on our gross margin.

Research and Development Expense

Research and development expense increased by US$91.3 million, or 13.5%, to US$768.1 million for the six months ended June 30, 2022 from US$676.8 million for the six months ended June 30, 2021. The following table summarizes external clinical, external non-clinical and internal research and development expense for the six months ended June 30, 2022 and 2021, respectively:

	Six Months Ended June 30,		Changes	
	2022	2021		%
	(US dollars in thousands)			
External research and development expense:				
Cost of development programs	232,009	219,433	12,576	5.7%
Upfront license fees	–	53,500	(53,500)	(100.0)%
Amgen co-development expense[1]	46,789	55,330	(8,541)	(15.4)%
Total external research and development expenses	278,798	328,263	(49,465)	(15.1)%
Internal research and development expenses	489,324	348,554	140,770	40.4%
Total research and development expenses	768,122	676,817	91,305	13.5%

1 Our co-funding obligation for the development of the pipeline assets under the Amgen collaboration for the six months ended June 30, 2022 totaled US$92.4 million, of which US$46.8 million was recorded as R&D expense. The remaining US$45.6 million was recorded as a reduction of the R&D cost share liability.

The decrease in external research and development expenses in the six months ended June 30, 2022 was primarily attributable to decrease of US$53.5 million related to upfront license fees under collaboration agreements and a decrease in the expense recognized on co-development fees to Amgen, partially offset by increases external clinical and preclinical trial costs for certain assets in our portfolio.

Internal research and development expense increased US$140.8 million, or 40.4%, to US$489.3 million and was primarily attributable to the expansion of our global development organization and our clinical and preclinical drug candidates, as well as our continued efforts to internalize research and clinical trial activities, and included the following:

- US$65.0 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$43.2 million increase of materials and reagent expenses, primarily in connection with the in-house manufacturing of drug candidates used for clinical purposes;

- US$25.7 million increase of facilities, depreciation, office expense, rental fees, and other expenses to support the growth of our organization;

- US$15.9 million increase of share-based compensation expense, primarily attributable to our increased headcount of research and development employees, resulting in more awards being expensed related to the growing research and development employee population; and

- US$9.1 million decrease of consulting fees, which was mainly attributable to decreased 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$211.6 million, or 51.1%, to US$626.0 million, for the six months ended June 30, 2022, from US$414.4 million for the six months ended June 30, 2021. The increase was primarily attributable to the following:

- US$117.4 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 personnel to support our growing business;

- US$37.1 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;

- US$36.7 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; and

- US$20.3 million increase of share-based compensation expense, primarily attributable to our increased headcount of sales and administrative employees, resulting in more awards being expensed related to the growing sales and administrative employee population.

Interest Income (Expense), Net

Interest income (expense), net increased by US$30.5 million, or 337.7%, to US$21.5 million of net interest income for the six months ended June 30, 2022, from US$9.0 million of net interest expense for six months ended June 30, 2021. The increase in interest income (expense), net, was primarily attributable to increased interest income resulting from the increase in cash balances resulting from the STAR Offering proceeds in the fourth quarter of 2021, as well as higher interest rates earned on our cash, cash equivalents and short-term investments.

Other Expense, Net

Other expense, net increased to US$117.7 million of net other expense for the six months ended June 30, 2022, from US$5.0 million for the six months ended June 30, 2021. The increase in expense was primarily related to foreign exchanges losses resulting from the strengthening of the U.S. dollar and the revaluation impact of foreign currencies held in U.S. functional currency subsidiaries. Also contributing to the increase in expense was an increase in the unrealized loss on our equity investment in Leap Therapeutics. These losses were partially offset by increased income from government subsidies.

Income Tax Expense (Benefit)

Income tax expense was US$26.9 million for the six months ended June 30, 2022 as compared to an income tax benefit of US$4.9 million for the six months ended June 30, 2021. The income tax expense for six months ended June 30, 2022 relating to income reported by certain subsidiaries was primarily attributable to China tax expense determined after certain non-deductible expenses and U.S. tax expense determined after research and development tax credits, other special tax deductions and non-deductible U.S. stock compensation. The income tax benefit for six months ended June 30, 2021 was primarily attributable to the deferred tax benefit of U.S. stock-based compensation deductions in excess of tax expense on income reported in certain China subsidiaries as adjusted for certain non-deductible expenses.

Discussion of Certain Key Balance Sheet Items

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

As of June 30, 2022, the Company's cash, cash equivalents, restricted cash and short-term investments primarily comprised of (1) approximately US$2.1 billion denominated in US dollars; (2) approximately RMB23.7 billion (equivalent to approximately US$3.5 billion) denominated in Renminbi; and (3) approximately US$37.5 million denominated in Australian dollar, Euro and other currencies.

Accounts receivable

Accounts receivable decreased by 64.3% from US$483.1 million as of December 31, 2021 to US$172.3 million as of June 30, 2022, primarily due to receipt of the US$300.0 million upfront cash payment related to Novartis agreement for ociperlimab.

Inventories

The inventories increased by 8.1% from US$242.6 million as of December 31, 2021 to US$262.2 million as of June 30, 2022, primarily due to stock preparation for the increased sales of our internally-developed products.

Prepaid expenses and other current assets

Prepaid expenses and other current assets consist of the following:

	As of	
	June 30, 2022	**December 31, 2021**
	(US dollars in thousands)	
Prepaid research and development costs	72,474	87,239
Prepaid manufacturing cost	59,291	78,538
Prepaid taxes	18,627	58,579
Other receivables	17,409	12,010
Interest receivable	2,611	5,052
Prepaid insurance	8,462	1,695
Other current assets	28,509	27,060
Total	207,383	270,173

Property and equipment, net

The property and equipment increased by 7.7% from US$587.6 million as of December 31, 2021 to US$633.1 million as of June 30, 2022, primarily attributable to our on-going buildout of the Company's manufacturing and clinical R&D campus in Hopewell, NJ, and the Guangzhou and Suzhou manufacturing facilities expansion.

Accounts payable

Accounts payable includes amounts due to third parties and totaled US$234.4 million and US$262.4 million as of June 30, 2022 and December 31, 2021, respectively.

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

	As of	
	June 30, 2022	December 31, 2021
	(US dollars in thousands)	
Within 3 months	229,217	257,977
3 to 6 months	1,725	3,210
6 months to 1 year	3,137	1,110
Over 1 year	276	103
Total	234,355	262,400

Accrued expenses and other payables

Accrued expenses and other payables consist of the following as of June 30, 2022 and December 31, 2021:

	As of	
	June 30, 2022	December 31, 2021
	(US dollars in thousands)	
Compensation related	124,565	139,966
External research and development activities related	151,321	213,922
Commercial activities	55,366	71,560
Employee tax withholdings	23,525	45,661
Sales rebates and returns related	71,512	59,639
Professional fees and other	27,894	27,307
Total	454,183	558,055

Accrued expenses and other payables decreased by 18.6% from US$558.1 million as of December 31, 2021 to US$454.2 million as of June 30, 2022. The decrease was primarily due to lower accrued external research and development activities for the six months ended June 30, 2022.

Liquidity and Capital Resources

The following table represents our cash, short-term investments, and debt balances as of June 30, 2022 and December 31, 2021:

	As of	
	June 30, 2022	December 31, 2021
	(US dollars in thousands)	
Cash, cash equivalents and restricted cash	4,535,409	4,382,887
Short-term investments	1,172,554	2,241,962
Total debt	565,936	629,678

With the exception of the periods in which we received upfront payments from out-licensing rights to tislelizumab to Novartis, and prior to that BMS, we have incurred net losses and negative cash flows from operations since inception, resulting from the funding of our research and development programs and selling, general and administrative expenses associated with our operations, as well as to support the commercialization of our products globally. We recognized net losses of US$1.0 billion for the six months ended June 30, 2022, and net losses of US$413.8 million for the six months ended June 30, 2021. As of June 30, 2022, we had an accumulated deficit of US$6.0 billion.

To date, we have financed our operations principally through proceeds from public and private offerings of our securities and proceeds from our collaborations, together with product sales since September 2017. Based on our current operating plan, we expect that our existing cash, cash equivalents and short-term investments as of June 30, 2022 will enable us to fund our operating expenses and capital expenditure requirements for at least the next 12 months after the date that the financial statements included in this announcement are issued.

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.

The following table provides information regarding our cash flows for the six months ended June 30, 2022 and 2021:

	Six Months Ended June 30,	
	2022	2021
	(US dollars in thousands)	
Cash, cash equivalents and restricted cash at beginning of period	4,382,887	1,390,005
Net cash used in operating activities	(616,522)	(295,171)
Net cash provided by investing activities	869,103	543,544
Net cash (used in) provided by financing activities	(28,847)	143,050
Net effect of foreign exchange rate changes	(71,212)	5,257
Net increase in cash, cash equivalents, and restricted cash	152,522	396,680
Cash, cash equivalents and restricted cash at end of period	4,535,409	1,786,685

Operating Activities

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

Operating activities used US$616.5 million of cash in the six months ended June 30, 2022, principally from our net loss of US$1.0 billion, partially offset by a decrease in our net operating assets and liabilities of US$218.4 million and by non-cash charges of US$170.8 million.

The decrease in working capital was driven largely by decreases in accounts receivable (due to the receipt of the upfront from Novartis related to the ociperlimab collaboration), decreases in prepaid assets and other non-current assets, and an increase in taxes payable, partially offset by increases in inventories and decreases in accounts payable, accrued expenses, deferred revenue and other long-term liabilities. The non-cash charges were primarily driven by share-based compensation expense, depreciation and amortization expense, and unrealized loss on our Leap investment, offset by amortization of the research and development cost share liability and deferred income tax benefits.

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

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$869.1 million of cash in the six months ended June 30, 2022, consisting of sales and maturities of investment securities of US$1.1 billion, offset by US$11.5 million in purchases of investment securities, capital expenditures of US$95.4 million, and US$75.0 million of acquired in-process research and development.

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

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 ordinary shares and ADSs through employee equity compensation plans.

Financing activities used US$28.8 million of cash in the six months ended June 30, 2022, consisting primarily of US$115.4 million of repayment of short-term bank loans, partially offset by US$67.6 million from proceeds of short-term bank loans and US$19.0 million from the exercise of employee share options and proceeds from the issuance of shares through our employee share purchase plan.

Financing activities provided US$143.1 million of cash in the six months ended June 30, 2021, consisting primarily of US$112.6 million from proceeds of short-term bank loans, US$35.6 million from the exercise of employee share options and proceeds from the issuance of shares through our employee share purchase plan, US$10.8 million from proceeds of long-term bank loans, partially offset by US$16.0 million repayment of short-term bank loans.

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. We hold a significant amount of RMB-denominated deposits at our China subsidiaries. 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 as they are translated into U.S. dollars. The impact of foreign currency deposits being translated into the U.S. dollar negatively impacted ending cash by US$71.2 million in the six months ended June 30, 2022, compared to a positive impact of US$5.3 million in the prior year period.

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 the payment due date by period as of June 30, 2022:

	Payments Due by Period		
	Total	Short Term	Long Term
	(US dollars in thousands)		
Contractual obligations			
Operating lease commitments	71,364	14,282	57,082
Purchase commitments	109,700	51,358	58,342
Debt obligations	565,936	380,729	185,207
Interest on debt	40,909	13,896	27,013
Co-development funding commitment	698,687	254,109	444,578
Funding commitment	12,750	4,250	8,500
Research and development commitment	25,173	5,743	19,430
Pension plan	7,484	1,536	5,948
Capital commitments	308,141	308,141	–
Total	1,840,144	1,034,044	806,100

Operating Lease Commitments

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

Purchase Commitments

As of June 30, 2022, purchase commitments amounted to US$109.7 million, of which US$65.0 million related to minimum purchase requirements for supply purchased from contract manufacturers and US$44.7 million related to binding purchase obligations of inventory from BMS and Amgen. We do not have any minimum purchase requirements for inventory from BMS or Amgen.

Debt Obligations and Interest

Total debt obligations coming due in the next twelve months is US$380.7 million. Total long-term debt obligations are US$185.2 million. See Note 12 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 Commitment

Under the Amgen collaboration, we are responsible for co-funding global development costs for the licensed Amgen oncology pipeline assets up to a total cap of US$1.25 billion. We are funding our portion of the co-development costs by contributing cash and development services. As of June 30, 2022, our remaining co-development funding commitment was US$698.7 million.

Funding Commitment

Funding commitment represents our committed capital related to one of our equity method investments in the amount of US$15.0 million. As of June 30, 2022, 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 a long-term research and development agreement in June 2021, which includes obligations to make fixed quarterly payments over the next four years. As of June 30, 2022, the total research and development commitment amounted to US$25.2 million.

Pension Plan

We maintain a defined benefit pension plan in Switzerland. Funding obligations under the defined benefit pension plan are equivalent to US$1.5 million per year based on annual funding contributions in effect as of June 30, 2022 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$308.1 million for the acquisition of property, plant and equipment as of June 30, 2022, which were mainly for our manufacturing and clinical R&D campus in Hopewell, NJ and additional capacity at the Guangzhou and Suzhou manufacturing facilities.

Other Business Agreements

We expect to make a significant investment in our future manufacturing and clinical R&D center in the United States, a 42-acre site that will be constructed in Hopewell, NJ. We purchased this site for US$75.2 million and announced its groundbreaking on April 29, 2022. 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 contract research organizations 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.

Interest and Credit Risk

Financial instruments that are potentially subject to credit risk consist of cash, cash equivalents, restricted cash and short-term investments. The carrying amounts of cash, cash equivalents, restricted cash and short-term investments represent the maximum amount of loss due to credit risk. We had cash and cash equivalents of US$4.5 billion and US$4.4 billion, restricted cash of US$4.3 million and US$7.2 million, and short-term investments of US$1.2 billion and US$2.2 billion as of June 30, 2022 and December 31, 2021, respectively. Our cash and cash equivalent are deposited with various major reputable financial institutions located within or outside the PRC. The deposits placed with these financial institutions are not protected by statutory or commercial insurance. In the event of bankruptcy of one of these financial institutions, we may be unlikely to claim our deposits back in full. We believe that these financial institutions are of high credit quality, and we continually monitor the credit worthiness of these financial institutions. On June 30, 2022, our short-term investments consisted of U.S. treasury securities. We believe that the U.S. treasury securities are of high credit quality and continually monitor the credit worthiness of these institutions.

The primary objectives of our investment activities are to preserve principal, provide liquidity, and maximize income without significant increasing risk. Our primary exposure to market risk relates to fluctuations in the interest rates, which are affected by changes in the general level of PRC and U.S. interest rates. Given the short-term nature of our cash equivalents, we believe that a sudden change in market interest rates would not be expected to have a material impact on our financial condition and/or results of operation. We estimate that a hypothetical 100-basis point increase or decrease in market interest rates would result in a decrease of US$6.6 million or an increase of US$6.6 million, respectively, as of June 30, 2022.

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$172.3 million and US$483.1 million as of June 30, 2022 and December 31, 2021, respectively. Accounts receivable, net represent amounts arising from product sales and amounts due from 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.

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. While we hold significant amounts of RMB, and are subject to foreign currency exchange risk upon revaluation or translation into our reporting currency, we expect to utilize our existing RMB cash deposits in the operation of our China business over the next several years, and as a result, have not used derivative financial instruments to hedge exposure to such risk.

RMB is not freely convertible into foreign currencies for capital account transactions. The value of RMB against the U.S. dollar and other currencies is affected by, among other things, changes in China's political and economic conditions and China's foreign exchange prices. Since 2005, the RMB has been permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. The RMB compared to the U.S. dollar depreciated approximately 5.1% in the six months ended June 30, 2022 and appreciated approximately 2.3% in the year ended December 31, 2021, respectively. For the six months ended June 30, 2022, other non-operating loss in our consolidated statement of operations was US$117.7 million, which was primarily the result of the strengthening of the U.S. dollar and the related revaluation impact of foreign currencies held in U.S. functional currency subsidiaries. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between the RMB and the U.S. dollar in the future.

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

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

Currency Convertibility Risk

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

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

Effects of Inflation

Inflation generally affects us by increasing our cost of labor and clinical trial costs. We do not believe that inflation has had a material effect on our results of operations during the six months ended June 30, 2022.

Gearing Ratio

The gearing ratio of the Company, which was calculated by dividing total interest-bearing loans by total shareholders' equity as of the end of the period, was 10.7% as of June 30, 2022, which increased from 10.1% as of December 31, 2021. The increase was primarily due to a decrease in equity, which mainly resulted from the net loss incurred for the six months ended June 30, 2022.

Material Investments Held

Except as disclosed in notes to the consolidated financial statements, we did not hold any other material investments as of June 30, 2022.

Future Plans for Material Investments and Capital Assets

We are in the process of constructing a biologics manufacturing facility and research and development center on the land located in Hopewell, New Jersey, USA. 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 June 30, 2022.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

During the six months ended June 30, 2022, we did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

Employee and Remuneration Policy

As of June 30, 2022, we had a global team of over 8,600 employees, which increased from 8,000 employees as of December 31, 2021. Most of our employees are full-time.

The remuneration policy and package of our employees are periodically reviewed. In addition to cash compensation and benefits, we may issue share options, share appreciation rights, restricted shares, restricted share units, unrestricted shares, performance share awards, cash-based awards and dividend equivalent rights to our employees in accordance with our equity plans. We also provide external and internal training programs to our employees. The packages were set by benchmarking with companies in similar industries and companies with similar size. The total remuneration cost incurred by the Company for the six months ended June 30, 2022 was US$662.2 million (June 30, 2021: US$445.1 million).

Pledge of Assets

As of June 30, 2022, we pledged restricted deposits of US$4.3 million (December 31, 2021: US$7.2 million) held in designated bank accounts for collateral for letters of credit and letters of guarantee. As of June 30, 2022, BeiGene Guangzhou Factory's land use right and certain fixed assets of the first phase of the Guangzhou manufacturing facility's build out with a total carrying amount of US$132.1 million (December 31, 2021: US$145.8 million) were secured for a long-term bank loan.

Contingent Liabilities

As of June 30, 2022, we did not have any material contingent liabilities (December 31, 2021: nil).

Interim Dividend

The Board does not recommend any interim dividend for the six months ended June 30, 2022 (June 30, 2021: nil).

Recent Accounting Pronouncements

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

OTHER INFORMATION

Compliance with the Corporate Governance Code

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

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

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

Pursuant to code provision C.2.1 of the Corporate Governance Code, companies listed on The Stock Exchange of Hong Kong Limited (the "HKEX") are expected to comply with, but may choose to deviate from, the requirement that the responsibilities of the Chairman and the Chief Executive Officer should be segregated and should not be performed by the same individual. We do not have a separate Chairman and Chief Executive Officer and Mr. John V. Oyler currently performs these two roles. Our Board believes that Mr. John V. Oyler is the Director best suited to identify strategic opportunities and focus of the Board due to his extensive understanding of our business as a Co-Founder and our Chief Executive Officer. Our Board also believes that the combined role of Chairman and Chief Executive Officer can promote the effective execution of strategic initiatives and facilitate the flow of information between management and the Board. Our Board will continue to review and consider splitting the roles of Chairman and the Chief Executive Officer at a time when it is appropriate by taking into account the circumstances of our Company as a whole. Our Corporate Governance Guidelines provide the Board with the flexibility to choose the appropriate Board leadership structure of the Company based upon its view of what is in the best interest of the Company. Our Corporate Governance Guidelines also provide that if the same person holds the Chairman and Chief Executive Officer roles or if the Chairman does not otherwise qualify as independent, the independent Directors may elect a lead director. Mr. Ranjeev Krishana, an independent non-executive Director 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, and 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 D.3.3 and D.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 E.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 two independent non-executive Directors, namely Mr. Qingqing Yi and Mr. Ranjeev Krishana. Mr. Qingqing Yi is the chairman of the Compensation Committee. On June 22, 2022, Mr. Timothy Chen resigned from the Board. In connection with his resignation from the Board, Mr. Chen also resigned from 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 B.3.1 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 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 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, the General Counsel of the Company, has been designated as the insider trading compliance officer whom a director who intends to deal in the Company's securities must notify. Our Board believes that our insider trading compliance officer, despite not being a member of the Board, is able to carry out his duties properly and competently in accordance with the Company's insider dealing policies, the terms of which are otherwise no less exacting than those in the Model Code.

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

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

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

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

Upon specific enquiry by the Company and following confirmations from the Directors, 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 the Directors' information is set out below:

Directors	**Changes in Positions held with the Company**
Mr. Jing-Shyh (Sam) Su	Resigned as an independent non-executive Director and a member of the Nominating and Corporate Governance Committee and the commercial and medical affairs advisory committee of the Board (the "Commercial and Medical Affairs Advisory Committee") on January 31, 2022.
Dr. Margaret Han Dugan	Appointed as an independent non-executive Director and a member of the scientific advisory committee of the Board (the "Scientific Advisory Committee") effective February 1, 2022; appointed as a member of the Commercial and Medical Affairs Advisory Committee effective February 25, 2022.
Dr. Alessandro Riva	Appointed as an independent non-executive Director and a member of the Nominating and Corporate Governance Committee and the Scientific Advisory Committee effective February 1, 2022.
Mr. Timothy Chen	Resigned as an independent non-executive director and a member of the Compensation Committee and the Commercial and Medical Affairs Advisory Committee on June 22, 2022.

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; and (c) a 26% premium to the closing price of the Company's ADSs on the NASDAQ on October 31, 2019.

The net proceeds from the sale of the shares have been and will be utilized in accordance with the purposes set out in the proxy statement/circular of the Company dated November 29, 2019. The table below sets out the planned applications of the net proceeds and actual usage up to June 30, 2022:

Use of proceeds	Planned applications (US dollars in thousands)	Percentage of total net proceeds (%)	Actual usage up to December 31, 2021 (US dollars in thousands)	Actual usage up to June 30, 2022 (US dollars in thousands)	Unutilized net proceeds as of June 30, 2022 (US dollars in thousands)
To fund business operations[(a)]	2,779,241	100%	1,869,643	1,984,939	794,302

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 year 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 Amgen SPA. 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. As of June 30, 2022, none of the proceeds of approximately US$50,000,000 had been utilized, and the Company plans to gradually utilize the net proceeds in accordance with such intended purposes as described above depending on actual business needs, which is expected to be fully utilized in the next three years.

Use of Net Proceeds from Share Subscription in July 2020

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

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

As of June 30, 2022, net proceeds amounting to approximately US$1.92 billion had been utilized, and the remaining US$0.15 billion will be gradually utilized in accordance with such intended purposes depending on actual business needs, and are expected to be fully utilized within one year.

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. The net proceeds from the STAR Offering have been and will be utilized in accordance with the purposes set out in the STAR Prospectus, including (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 STAR 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, April 29, 2022 and the circular dated April 30, 2021 of the Company.

As of June 30, 2022, net proceeds amounting to RMB4.7 billion had been utilized, and the remaining RMB16.9 billion will be gradually utilized in accordance with such intended purposes depending on actual business needs, and are expected to be fully utilized in the next three to five years. The table below sets out the planned applications of the net proceeds and actual usage up to June 30, 2022:

Use of proceeds	**Planned applications** *RMB'000*	**Actual usage up to December 31, 2021** *RMB'000*	**Actual usage up to June 30, 2022** *RMB'000*	**Unutilized net proceeds as of June 30, 2022** *RMB'000*
Clinical Development and Research Projects	13,245,940	–	3,309,549	9,936,391
R&D Center Construction	467,700	–	348,120	119,580
Bio-Manufacture Plant Construction	150,000	–	91,092	58,908
Sales & Marketing Force Expansion	136,360	–	62,207	74,153
Replenishment of Working Capital	6,000,000	–	913,798	5,086,202
Excess of Proceeds	1,630,155	–	–	1,630,155
Total	21,630,155	–	4,724,766	16,905,389

The remaining balance of the net proceeds was placed in short-term deposits with banks. The Company plans to gradually apply the remaining net proceeds in the manner set out in the STAR Prospectus.

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 unaudited consolidated financial statements and interim results of the Company for the six months ended June 30, 2022. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with members of senior management and the external auditor of the Company, Ernst & Young.

Other Board Committees

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

Important Events after the Reporting Period

Save as disclosed above, no important events affecting the Company occurred since June 30, 2022 and up to the date of this announcement.

Publication of Interim Results and Interim Report

This interim results announcement is published on the website of the HKEX (www.hkexnews.hk) and the website of the Company (www.beigene.com). The interim report of the Company for the six months ended June 30, 2022 will be published on the aforesaid websites and dispatched to the Company's shareholders in due course.

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

Hong Kong, August 26, 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 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.