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, 2023

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, 2023 (the "Reporting Period"), together with the comparative figures for the corresponding period in 2022, 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, 2023 increased by approximately US$394.9 million or approximately 60.9% to approximately US$1,043.1 million, as compared to the six months ended June 30, 2022. Product revenue increased by approximately US$398.0 million or approximately 70.3% to approximately US$964.0 million, as compared to the six months ended June 30, 2022.

- Total expenses for the six months ended June 30, 2023 increased by approximately US$202.2 million or approximately 13.2% to approximately US$1,733.0 million, as compared to the six months ended June 30, 2022.

- Net loss for the six months ended June 30, 2023 decreased by approximately US$271.4 million or approximately 27.1% to approximately US$729.6 million, as compared to the six months ended June 30, 2022.

- Basic and diluted loss per share for the six months ended June 30, 2023 amounted to US$0.54, representing a decrease of 28.0% when compared with that of US$0.75 for the six months ended June 30, 2022.

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Note	Six Months Ended June 30, 2023 US$'000	2022 US$'000
Revenues			
Product revenue, net	14	964,036	566,084
Collaboration revenue	4	79,026	82,114
Total revenues		1,043,062	648,198
Expenses			
Cost of sales – product		177,779	136,410
Research and development		831,348	768,122
Selling, general and administrative		723,533	625,976
Amortization of intangible assets		375	376
Total expenses		1,733,035	1,530,884
Loss from operations		(689,973)	(882,686)
Interest income, net		31,086	21,502
Other expense, net		(45,515)	(117,650)
Loss before income taxes		(704,402)	(978,834)
Income tax expense	10	25,166	22,090
Net loss		(729,568)	(1,000,924)
Net loss per share (in US$)		(0.54)	(0.75)
Weighted-average shares outstanding – basic and diluted		1,357,211,308	1,334,252,648
Net loss per American Depositary Share ("ADS") (in US$)		(6.99)	(9.75)
Weighted-average ADSs outstanding – basic and diluted		104,400,870	102,634,819

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

	Six Months Ended June 30,	
	2023	2022
	US$'000	US$'000
Net loss	(729,568)	(1,000,924)
Other comprehensive income (loss), net of tax of nil:		
Foreign currency translation adjustments	(73,172)	(88,085)
Unrealized holding income (loss), net	6,902	(12,315)
Comprehensive loss	(795,838)	(1,101,324)

UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS

	Note	As of June 30, 2023 US$'000 (unaudited)	As of December 31, 2022 US$'000 (audited)
Assets			
Current assets:			
Cash and cash equivalents		3,410,368	3,869,564
Short-term restricted cash	5	9,693	196
Short-term investments	5	105,693	665,251
Accounts receivable, net	6	299,282	173,168
Inventories	7	321,333	282,346
Prepaid expenses and other current assets	11	255,050	216,553
Total current assets		4,401,419	5,207,078
Non-current assets:			
Long-term restricted cash	5	1,513	5,277
Property, plant and equipment, net	8	1,031,938	845,946
Operating lease right-of-use assets		99,422	109,960
Intangible assets, net	9	46,895	40,616
Other non-current assets	11	147,549	170,413
Total non-current assets		1,327,317	1,172,212
Total assets		5,728,736	6,379,290
Liabilities and shareholders' equity			
Current liabilities:			
Accounts payable	12	266,975	294,781
Accrued expenses and other payables	11	454,950	467,352
Deferred revenue, current portion	4	159,034	213,861
Tax payable	10	17,074	25,189
Operating lease liabilities, current portion		23,508	24,041
Research and development cost share liability, current portion	4	62,516	114,335
Short-term debt	13	421,052	328,969
Total current liabilities		1,405,109	1,468,528

UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS (CONTINUED)

	Note	As of June 30, 2023 US$'000 (unaudited)	As of December 31, 2022 US$'000 (audited)
Non-current liabilities:			
Long-term bank loans	13	207,426	209,148
Deferred revenue, non-current portion	4	24,276	42,026
Operating lease liabilities, non-current portion		25,821	34,517
Deferred tax liabilities	10	15,652	15,996
Research and development cost share liability, non-current portion	4	208,775	179,625
Other long-term liabilities	11	43,118	46,095
Total non-current liabilities		525,068	527,407
Total liabilities		1,930,177	1,995,935
Commitments and contingencies	21		
Equity:			
Ordinary shares, US$0.0001 par value per share; 9,500,000,000 shares authorized; 1,376,251,336 and 1,356,140,180 shares issued and outstanding as of June 30, 2023 and December 31, 2022, respectively		137	135
Additional paid-in capital		11,752,019	11,540,979
Accumulated other comprehensive loss	18	(143,687)	(77,417)
Accumulated deficit		(7,809,910)	(7,080,342)
Total equity		3,798,559	4,383,355
Total liabilities and equity		5,728,736	6,379,290

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Six Months Ended June 30, 2023 US$'000	2022 US$'000
Operating activities:			
Net loss		(729,568)	(1,000,924)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization expense		42,346	32,061
Share-based compensation expenses	17	178,693	146,860
Unrealized losses on equity investments	5	2,178	23,529
Amortization of research and development cost share liability	4	(22,669)	(45,583)
Deferred income tax (expense) benefits		(15)	555
Other items, net		767	6,360
Changes in operating assets and liabilities:			
Accounts receivable		(131,923)	307,430
Inventories		(53,598)	(31,633)
Other assets		(30,627)	32,335
Accounts payable		(32,678)	(30,362)
Accrued expenses and other payables		(8,082)	21,168
Deferred revenue		(72,577)	(76,737)
Other liabilities		88	(1,581)
Net cash used in operating activities		(857,665)	(616,522)
Investing activities:			
Purchases of property, plant and equipment		(247,055)	(95,421)
Purchases of investments		(11,582)	(11,504)
Proceeds from sale or maturity of investments		567,500	1,051,028
Purchase of in-process research and development		–	(75,000)
Net cash provided by investing activities		308,863	869,103

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

	Note	Six Months Ended June 30, 2023 US$'000	2022 US$'000
Financing activities:			
Proceeds from long-term loan	13	15,771	–
Proceeds from short-term loans	13	161,846	67,586
Repayment of short-term loans	13	(66,574)	(115,405)
Proceeds from option exercises and employee share purchase plan		35,169	18,972
Net cash provided by (used in) financing activities		146,212	(28,847)
Effect of foreign exchange rate changes, net		(50,873)	(71,212)
Net (decrease) increase in cash, cash equivalents, and restricted cash		(453,463)	152,522
Cash, cash equivalents, and restricted cash at beginning of period		3,875,037	4,382,887
Cash, cash equivalents, and restricted cash at end of period		3,421,574	4,535,409
Supplemental cash flow information:			
Cash and cash equivalents		3,410,368	4,531,137
Short-term restricted cash		9,693	333
Long-term restricted cash		1,513	3,939
Income taxes paid		32,529	24,436
Interest paid		10,015	12,899
Supplemental non-cash information:			
Capital expenditures included in accounts payable and accrued expenses expenses		95,404	58,676

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, 2022	1,356,140,180	135	11,540,979	(77,417)	(7,080,342)	4,383,355
Use of shares reserved for share option exercises	121,342	–	–	–	–	–
Exercise of options, ESPP and release of RSUs	19,989,814	2	32,347	–	–	32,349
Share-based compensation	–	–	178,693	–	–	178,693
Other comprehensive loss	–	–	–	(66,270)	–	(66,270)
Net loss	–	–	–	–	(729,568)	(729,568)
Balance at June 30, 2023	1,376,251,336	137	11,752,019	(143,687)	(7,809,910)	3,798,559
Balance at December 31, 2021	1,334,804,281	133	11,191,007	17,950	(5,076,527)	6,132,563
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 RSUs	12,669,239	1	18,971	–	–	18,972
Share-based compensation	–	–	146,860	–	–	146,860
Other comprehensive loss	–	–	–	(100,400)	–	(100,400)
Net loss	–	–	–	–	(1,000,924)	(1,000,924)
Balance at June 30, 2022	1,349,639,424	134	11,356,686	(82,450)	(6,077,451)	5,196,919

NOTES TO THE UNAUDITED INTERIM 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 that is discovering and developing innovative oncology treatments that are more accessible and affordable to cancer patients worldwide.

The Company currently has three approved medicines that were internally discovered and developed, including BRUKINSA®, a small molecule inhibitor of Bruton's Tyrosine Kinase 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 strong commercial capabilities, the Company has in-licensed the rights to distribute an additional 14 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. The Company has conducted more than 120 clinical trials in-house, with over 21,000 subjects enrolled in approximately 45 regions. This includes more than 35 pivotal or potentially registration-enabling trials across its portfolio, including three internally discovered, approved medicines.

The Company has built, and is expanding, its internal manufacturing capabilities. The Company is building a commercial-stage biologics manufacturing and clinical R&D center in New Jersey, in addition to its state-of-the-art biologic and small molecule manufacturing facilities in China to support current and potential future demand of its medicines. The Company also works with high quality global 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 10,000 employees worldwide, including the United States, China, Europe and Australia.

As of June 30, 2023, the Company had the following 57 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%	No substantial business activities, Cayman Islands
BeiGene AUS Pty Ltd ("BeiGene Australia")	Australia	USD56,947,230	100%	Medical, pharmaceutical research and development and commercialization, Australia
BeiGene Austria GmbH	Austria	EUR35,000	100%	Medical, pharmaceutical research and development and commercialization, Austria
BeiGene (Beijing) Co., Ltd. ("BeiGene Beijing")	PRC*	RMB1,922,787,023	100%	Medical and pharmaceutical research and development, PRC

Name of Company	Place of Incorporation	Particulars of issued/paid-in capital	Percentage of Ownership by the Company	Principal Activities and Place of Operation
BeiGene Biologics Co., Ltd. ("BeiGene Biologics")	PRC*	RMB14,540,000,000	100%	Medical and pharmaceutical research and development and manufacturing, PRC
BeiGene (Canada) ULC	Canada	CAD100	100%	Medical, pharmaceutical research and development and commercialization, Canada
BeiGene Colombia S.A.S.	Colombia	–	100%	Medical, pharmaceutical commercialization, Colombia
BeiGene ESP, S.L.U.	Spain	EUR3,000	100%	Medical, pharmaceutical research and development and commercialization, Spain
BeiGene France Sarl	France	EUR7,500	100%	Medical, pharmaceutical research and development and commercialization, France
BeiGene Guangzhou Biologics Manufacturing Co., Ltd. ("BeiGene Guangzhou Factory")	PRC*	RMB12,490,389,800	100%	Medical and pharmaceutical research and development, manufacturing and commercialization, PRC
BeiGene (Guangzhou) Innovation Technology Co., Ltd. ("BeiGene Guangzhou")	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 commercialization, Germany
BeiGene (Hong Kong) Co., Limited ("BeiGene HK")	Hong Kong, China	HKD1 and RMB13,700,000,000	100%	Investment holding, Hong Kong, China
Beijing Innerway Bio-tech Co., Ltd. ("Innerway")	PRC*	USD4,000,000	100%	Holding property for company operations, PRC
BeiGene International GmbH	Switzerland	CHF20,000	100%	Medical, pharmaceutical research and development and commercialization, Switzerland
BeiGene (Italy) S.r.l.	Italy	EUR10,000	100%	Medical, pharmaceutical research and development and commercialization, Italy
BeiGene Brasil Ltda.	Brazil	BRL2,450,190	100%	Medical, pharmaceutical research and development and commercialization, Brazil
BeiGene Malaysia Sdn. Bhd.	Malaysia	–	100%	Medical, pharmaceutical research and development and commercialization, Malaysia
BeiGene Poland sp. z o.o.	Poland	PLN5,000	100%	Medical, pharmaceutical research and development and commercialization, Poland
BeiGene South Africa Pty Ltd.	South Africa	–	100%	Medical, pharmaceutical research and development and commercialization, South Africa
BeiGene Sweden AB	Sweden	SEK25,000	100%	Medical, pharmaceutical research and development and commercialization, Sweden
BeiGene Turkey Medical Products Trade Limited Company	Turkey	TRY10,000	100%	Medical, pharmaceutical research and development and commercialization, Turkey
BeiGene Ireland Limited ("BeiGene Ireland")	Republic of Ireland	–	100%	Medical, pharmaceutical research and development and commercialization, Republic of Ireland

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 Japan, Ltd.	Japan	JPY1,781,660	100%	Medical, pharmaceutical research and development and commercialization, Japan
BeiGene Korea Y.H.	South Korea	KRW145,000,000	100%	Medical, pharmaceutical research and development and commercialization, South Korea
BeiGene Netherlands B.V.	Netherlands	–	100%	Medical, pharmaceutical research and development and commercialization, Netherlands
BeiGene NZ Unlimited	New Zealand	NZD100,000	100%	Medical, pharmaceutical research and development and commercialization, New Zealand
BeiGene Pharmaceuticals GmbH	Switzerland	CHF20,000	100%	Medical, pharmaceutical research and development and commercialization, Switzerland
BeiGene Pharmaceuticals (Guangzhou) Co., Ltd. ("BeiGene Pharmaceutical (Guangzhou)")	PRC*	RMB3,800,000	100%	Drug commercialization, PRC
BeiGene Pharmaceuticals Israel Ltd.	Israel	ILS10,000	100%	Medical, pharmaceutical research and development and commercialization, Israel
SuGene 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	Cayman Islands	–	100%	Investment holding, Cayman Islands
BeiGene Shanghai 101	Cayman Islands	–	100%	Investment holding, Cayman Islands
BeiGene Shanghai Asset Limited	Hong Kong, China	–	100%	Investment holding, Hong Kong, China
BeiGene (Shanghai) Co., Ltd. ("BeiGene Shanghai")	PRC*	RMB1,434,344,311	100%	Medical and pharmaceutical research and development, PRC
BeiGene (Shanghai) Development Co., Ltd.	PRC*	–	100%	No substantial business activities, holding property for company operations, PRC
BeiGene (Shanghai) Management Consulting Co., Ltd.	PRC*	RMB1,000,000	100%	Business management and consulting, PRC
BeiGene (Shanghai) Research & Development Co., Ltd.	PRC*	RMB270,000,000	100%	Medical and pharmaceutical research and development, PRC
BeiGene Singapore Pte. Ltd.	Singapore	SGD1	100%	Medical, pharmaceutical research and development and commercialization, Singapore
BeiGene (Suzhou) Co., Ltd. ("BeiGene Suzhou")	PRC*	RMB3,673,218,389	100%	Medical and pharmaceutical research and manufacturing and commercialization, PRC
BeiGene Switzerland GmbH ("BeiGene Switzerland")	Switzerland	CHF20,000	100%	Medical, pharmaceutical research and development and commercialization, Switzerland
BeiGene (Taiwan) Limited	Taiwan, China	TWD168,000,000	100%	Medical, pharmaceutical research and development and commercialization, Taiwan, China
BeiGene (Thailand) Ltd.	Thailand	THB5,000,000	100%	Medical, pharmaceutical research and development and commercialization, Thailand
BeiGene UK, Ltd. ("BeiGene UK")	United Kingdom	GBP23,956,065	100%	Medical, pharmaceutical research and development and commercialization, United Kingdom
BeiGene United Kingdom, Ltd.	United Kingdom	GBP 110	100%	Investment holding, United Kingdom

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 USA, Inc. ("BeiGene USA")	Delaware, United States	USD1	100%	Medical, pharmaceutical research and development and commercialization, U.S.
BeiGene US Holdings, LLC	Delaware, United States	USD318,100,000	100%	Investment holding, U.S.
BeiGene US Manufacturing Co., Inc.	Delaware, United States	USD474,100,000	100%	Medical and pharmaceutical research and development and manufacturing. U.S.
BeiGene Hopewell Urban Renewal, LLC	New Jersey, United States	USD399,943,128	100%	Medical and pharmaceutical research and development and manufacturing. U.S.
Pi Health Aus Pty Ltd	Australia	–	100%	Health technology research and development, Australia
Pi Health, Ltd.	Cayman Islands	USD30,500,000	100%	Health technology research and development, Cayman Islands
Pi Health USA, LLC	Delaware, United States	USD8,500,000	100%	Health technology research and development, U.S.
Pi Health Brasil Consultoria Ltda.	Brazil	BRL1,299,275	100%	Investment holding and business management and consulting, Brazil
Pi Health Hong Kong Limited	Hong Kong, China	–	100%	Investment holding, Hong Kong, China
B10 Health Technologies Private Limited	India	INR370,344,475	100%	Health technology research and development, India
Newco 101	Cayman Islands	–	100%	No substantial business activities, Cayman Islands

* Limited liability company established in PRC

Basis of presentation and consolidation

The accompanying condensed consolidated balance sheet as of June 30, 2023, the condensed consolidated statements of operations and comprehensive loss for the six months ended June 30, 2023 and 2022, the condensed consolidated statements of cash flows for the six months ended June 30, 2023 and 2022, and the condensed consolidated statements of shareholders' equity for the six months ended June 30, 2023 and 2022, 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, 2022 (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, 2023 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.

Revision of prior period financial statements

The Company evaluates the recoverability of its deferred tax assets on a jurisdiction-by-jurisdiction basis by assessing the adequacy of future expected taxable income from all sources, including reversal of temporary differences, forecasted operating earnings and available tax planning strategies in accordance with ASC 740. This assessment is subject to a high degree of subjectivity, as the sources of income rely heavily on estimates that are based on a number of factors, including historical experience and short-range and long-range business forecasts. A valuation allowance is provided when the Company determines that it is more-likely-than-not that some portion or all of a deferred tax asset will not be realized.

Prior to the third quarter of 2022, the Company determined that the majority of its net deferred tax assets (primarily in the U.S.) were realizable on a more-likely-than-not basis, primarily due to cumulative pre-tax income at the taxpaying entity and the weighting of available positive and negative evidence. Accordingly, no valuation allowance was previously recorded related to those deferred tax assets. In October 2022, in connection with the preparation of its condensed consolidated financial statements for the three and nine months ended September 30, 2022, the Company reassessed its position on the realizability of its net deferred tax assets and determined that the negative evidence associated with cumulative losses at the consolidated financial statement level are not able to be overcome by other positive evidence, and therefore, a valuation allowance should be applied to its net deferred tax asset balance. The Company determined the previous conclusion to not apply a valuation allowance to certain net deferred tax assets was an error.

In accordance with Staff Accounting Bulletin (SAB) No. 99, "Materiality," and SAB No. 108, "Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements," the Company evaluated the error and determined that the related impact was not material to any of its previously issued financial statements, but that correcting the cumulative impact of the error would be significant to its statements of operations for the three and nine months ended September 30, 2022. Accordingly, the Company has revised the six months ended June 30, 2022 condensed consolidated financial statements and related notes included herein to record a valuation allowance against the Company's net deferred tax asset balance for all periods presented. A summary of revisions to previously reported financial statements is presented in Note 2, *Revision of Prior Period Financial Statements*. Note 10, *Income Taxes* and Note 16, *Loss Per Share* have been updated to reflect the revision. The Company will also correct previously reported financial information for this error in its future filings, as applicable.

Recent accounting pronouncements

New accounting standards which have not yet been adopted

In March 2023, the FASB issued ASU 2023-01, *Leases (Topic 842): Common Control Arrangements*. This update requires leasehold improvements associated with common control leases be amortized by the lessee over the useful life of the leasehold improvements to the common control group (regardless of the lease term) as long as the lessee controls the use of the underlying asset (the leased asset) through a lease. However, if the lessor obtained the right to control the use of the underlying asset through a lease with another entity not within the same common control group, the amortization period may not exceed the amortization period of the common control group. Further, leasehold improvements associated with common control leases be accounted for as a transfer between entities under common control through an adjustment to equity if, and when, the lessee no longer controls the use of the underlying asset. Those leasehold improvements are subject to the impairment guidance in *Topic 360, Property, Plant, and Equipment*. This update is effective for annual periods beginning after December 15, 2023, and early application is permitted. This guidance should be applied either (i) prospectively to all new leasehold improvements recognized on or after the date of initial application; (ii) prospectively to all new and existing leasehold improvements recognized on or after the date of initial application, with any remaining unamortized balance of existing leasehold improvements amortized over their remaining useful life to the common control group determined at that date; or (iii) retrospectively to the beginning of the period in which the entity first applied Topic 842, with any leasehold improvements that otherwise would not have been amortized or impaired recognized through a cumulative-effect adjustment to the opening balance of retained earnings at the beginning of the earliest period presented in accordance with Topic 842. 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, 2022.

There have been no material changes to the Company's significant accounting policies as of and for the six months ended June 30, 2023, as compared to the significant accounting policies described in the Annual Report.

2. Revision of Prior Period Financial Statements

As discussed in Note 1, the Company revised certain prior period financial statements to correct an error related to the valuation of net deferred tax assets, the impact of which was immaterial to its previously filed financial statements for the six months ended June 30, 2022 (See Note 1). Specifically, a valuation allowance should have been recorded on all net deferred tax assets and such a valuation allowance was not previously recorded. A summary of revisions to the Company's previously reported financial statements for the comparative periods presented within this announcement is presented below.

Condensed Consolidated Statements of Operations (unaudited)

	Six Months Ended June 30, 2022		
	As Reported US$'000	**Adjustments US$'000**	**As Revised US$'000**
Income tax expense	26,889	(4,799)	22,090
Net loss	(1,005,723)	4,799	(1,000,924)
Net loss per share (in US$)	(0.75)	–	(0.75)
Net loss per ADS (in US$)	(9.80)	0.05	(9.75)

Condensed Consolidated Statements of Comprehensive Loss (unaudited)

	Six Months Ended June 30, 2022		
	As Reported US$'000	Adjustments US$'000	As Revised US$'000
Net loss	(1,005,723)	4,799	(1,000,924)
Comprehensive loss	(1,106,123)	4,799	(1,101,324)

Condensed Consolidated Statement of Cash Flows (unaudited)

	Six Months Ended June 30, 2022		
	As Reported US$'000	Adjustments US$'000	As Revised US$'000
Operating activities:			
Net loss	(1,005,723)	4,799	(1,000,924)
Adjustments to reconcile net loss to net cash used in operating activities:			
Deferred income tax benefits	7,550	(6,995)	555
Changes in operating assets and liabilities:			
Other assets	32,315	20	32,335
Accrued expenses and other payables	19,525	1,643	21,168
Other liabilities	(2,114)	533	(1,581)
Net cash used in operating activities	(616,522)	–	(616,522)

Condensed Consolidated Statement of Stockholders' Equity (unaudited)

	Accumulated Deficit			Total Equity		
	As Reported US$'000	Adjustments US$'000	As Revised US$'000	As Reported US$'000	Adjustments US$'000	As Revised US$'000
Balance at December 31, 2021	(4,966,103)	(110,424)	(5,076,527)	6,242,987	(110,424)	6,132,563
Net loss	(1,005,723)	4,799	(1,000,924)	(1,005,723)	4,799	(1,000,924)
Balance at June 30, 2022	(5,971,826)	(105,625)	(6,077,451)	5,302,544	(105,625)	5,196,919

3. 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, 2023 and December 31, 2022:

As of June 30, 2023	**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			
Money market funds	847,781	–	–
Short-term investments (Note 5):			
U.S. Treasury securities	105,693	–	–
Prepaid expenses and other current assets (Note 5):			
Convertible debt instrument	–	–	5,190
Other non-current assets (Note 5):			
Equity securities with readily determinable fair values	2,300	1,077	–
Convertible debt instrument	–	–	3,000
Total	955,774	1,077	8,190

As of December 31, 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			
Money market funds	758,114	–	–
Short-term investments (Note 5):			
U.S. Treasury securities	665,251	–	–
Prepaid expenses and other current assets (Note 5):			
Convertible debt instrument	–	–	5,190
Other non-current assets (Note 5):			
Equity securities with readily determinable fair values	3,307	706	–
Convertible debt instrument	–	–	3,000
Total	1,426,672	706	8,190

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 5, *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 convertible notes issued by two private biotech companies. The Company has elected the fair value option method of accounting for the convertible notes. Accordingly, the convertible notes are remeasured at fair value on a recurring basis using Level 3 inputs, with any changes in the fair value option recorded in other income, net.

As of June 30, 2023 and December 31, 2022, 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.

4. 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, 2023 and 2022, the Company's collaboration revenue primarily consisted of 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, 2023 and 2022:

	Six Months Ended June 30,	
	2023	2022
Revenue from Collaborators	**US$'000**	**US$'000**
Research and development service revenue	20,380	24,240
Right to access intellectual property revenue	52,497	52,497
Other	6,149	5,377
Total	79,026	82,114

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$16,796,000 during the six months ended June 30, 2023, and US$20,656,000 during the six months ended June 30, 2022. The Company also recognized other collaboration revenue of US$5,013,000 during the six months ended June 30, 2023, and US$5,377,000 during the six months ended June 30, 2022, related to the sale of tislelizumab clinical supply to Novartis in conjunction with the collaboration.

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 would have received an additional payment of US$600,000,000 or US$700,000,000 in the event Novartis exercised 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 six months ended June 30, 2023, and US$52,497,000 during the six months ended June 30, 2022. The Company recognized R&D service revenue of US$3,583,000 during the six months ended June 30, 2023, and US$3,584,000 during the six months ended June 30, 2022. The Company also recognized other collaboration revenue of US$2,636,000 related primarily to revenue generated under the broad markets marketing and promotion agreement in conjunction with the collaboration during the six months ended June 30, 2023.

In July 2023, the Company entered into a Mutual Termination and Release Agreement (the "Termination Agreement") to mutually terminate the ociperlimab option, collaboration and license agreement with Novartis, effective immediately. Pursuant to the Termination Agreement, the Company regained full, global rights to develop, manufacture and commercialize ociperlimab.

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).

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 Company's ongoing assessment of the Amgen Collaboration Agreement cost-share contributions, the Company determined that further investment in the development of LUMAKRAS was no longer commercially viable for BeiGene. As a result, in February 2023, the Company and Amgen entered into the Second Amendment to the Amgen Collaboration Agreement to (i) stop sharing costs with Amgen for the further development of LUMAKRAS during the period starting January 1, 2023 and ending August 31, 2023; and (ii) cooperate in good faith to prepare a transition plan with the anticipated termination of LUMAKRAS from the Amgen Collaboration Agreement.

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.

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. Amgen relinquished its right to appoint a designated director to the Company's board of directors in January 2023.

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, 2023 and 2022 were as follows:

	Six Months Ended June 30,	
	2023	**2022**
	US$'000	**US$'000**
Research and development expense	23,274	46,789
Amortization of research and development cost share liability	22,669	45,583
Total amount due to Amgen for BeiGene's portion of the development funding	45,943	92,372

	As of June 30, 2023
	US$'000
Remaining portion of development funding cap	549,765

As of June 30, 2023 and December 31, 2022, the research and development cost share liability recorded in the Company's balance sheet was as follows:

	As of	
	June 30, 2023	**December 31, 2022**
	US$'000	**US$'000**
Research and development cost share liability, current portion	62,516	114,335
Research and development cost share liability, non-current portion	208,775	179,625
Total research and development cost share liability	271,291	293,960

The total reimbursement due to (from) Amgen under the commercial profit-sharing agreement for product sales is classified in the income statement for the six months ended June 30, 2023 and 2022 as follows:

	Six Months Ended June 30,	
	2023	2022
	US$'000	US$'000
Cost of sales – product	1,184	3,478
Research and development	1,311	898
Selling, general and administrative	(29,388)	(26,642)
Total	(26,893)	(22,266)

The Company purchases commercial inventory from Amgen to distribute in China. Inventory purchases amounted to US$39,277,000 during the six months ended June 30, 2023, and US$30,061,000 during the six months ended June 30, 2022. Net amounts receivable from Amgen as of June 30, 2023 was US$11,069,000 and net amounts payable to Amgen as of December 31, 2022 was US$54,064,000, respectively.

5. Restricted Cash and Investments

Restricted Cash

The Company's restricted cash balance of US$11,206,000 and US$5,473,000 as of June 30, 2023 and December 31, 2022, 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.

In addition to the restricted cash balances above, the Company is required by the PRC securities law to use the proceeds from the STAR Offering in strict compliance with the planned uses as disclosed in the prospectus of STAR Offering (the "STAR Prospectus") as well as those disclosed in the Company's proceeds management policy approved by the board of directors.

Short-Term Investments

Short-term investments as of June 30, 2023 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	107,802	–	2,109	105,693
Total	107,802	–	2,109	105,693

Short-term investments as of December 31, 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	674,262	–	9,011	665,251
Total	674,262	–	9,011	665,251

As of June 30, 2023, 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, 2023.

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, 2023, the Company's ownership interest in the outstanding common stock of Leap was 6.2% 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 9.8% 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, net. The Company recorded an unrealized loss of US$636,000 for the six months ended June 30, 2023, and unrealized losses of US$22,661,000 for the six months ended June 30, 2022, in the consolidated statements of operations. As of June 30, 2023 and December 31, 2022, the fair value of the common stock and warrants were as follows:

	As of	
	June 30, 2023 US$'000	**December 31, 2022 US$'000**
Fair value of Leap common stock	2,300	3,307
Fair value of Leap warrants	1,077	706

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$59,209,000 and US$57,054,000 in equity securities without readily determinable fair values as of June 30, 2023 and December 31, 2022, respectively. The Company recorded a gain of US$1,081,000 for the six months ended June 30, 2023, and a gain of US$366,000 for the six months ended June 30, 2022, related to observable price changes in orderly transactions for similar investments of the same issuer to other income, 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$30,020,000 and US$27,710,000 as of June 30, 2023 and December 31, 2022, respectively, that it does not consider to be individually significant to its financial statements. The Company recorded net unrealized losses of US$2,624,000 for the six months ended June 30, 2023, and net unrealized losses of US$1,234,000 for the six months ended June 30, 2022, to other income, net in the consolidated statements of operations.

6. Accounts Receivable, net

	As of	
	June 30, 2023 US$'000	December 31, 2022 US$'000
Accounts receivable	299,668	173,379
Impairment	(386)	(211)
Total	299,282	173,168

The Company's trading terms with its customers are mainly on credit and the credit period generally ranges from 30 to 120 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, 2023 US$'000	December 31, 2022 US$'000
Within 6 months	299,180	172,633
6 months to 12 months	102	535
Total	299,282	173,168

The roll-forward of the allowance for credit losses related to trade accounts receivable for the six months ended June 30, 2023 and 2022 consists of the following activity:

	Six Months Ended June 30,	
	2023 US$'000	2022 US$'000
Balance at beginning of the period	211	415
Current period provision for expected credit losses	234	(210)
Amounts written-off	(43)	–
Exchange rate changes	(16)	3
Balance at end of the period	386	208

7. Inventories

The Company's inventory balance consisted of the following:

	As of	
	June 30, 2023 US$'000	December 31, 2022 US$'000
Raw materials	109,048	88,957
Work in process	31,472	20,886
Finished goods	180,813	172,503
Total inventories	321,333	282,346

8. Property, Plant and Equipment, Net

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

	As of	
	June 30, 2023 US$'000	December 31, 2022 US$'000
Land	65,485	65,485
Building	214,080	222,448
Manufacturing equipment	172,844	175,679
Laboratory equipment	170,424	158,908
Leasehold improvement	53,366	53,786
Software, electronics and office equipment	72,839	47,483
Property, plant and equipment, at cost	749,038	723,789
Less: accumulated depreciation	(201,406)	(171,470)
Construction in progress	484,306	293,627
Property, plant and equipment, net	1,031,938	845,946

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. As of June 30, 2023, the Company has construction in process of US$314,707,000 related to the Hopewell facility construction.

Depreciation expense was US$40,332,000 and US$30,041,000 for the six months ended June 30, 2023 and 2022, respectively.

9. Intangible Assets

Intangible assets as of June 30, 2023 and December 31, 2022 are summarized as follows:

	As of					
	June 30, 2023			December 31, 2022		
	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	(4,375)	3,125	7,500	(4,000)	3,500
Developed products	49,388	(5,618)	43,770	41,235	(4,119)	37,116
Trading license	816	(816)	–	816	(816)	–
Total finite-lived intangible assets	57,704	(10,809)	46,895	49,551	(8,935)	40,616

Product distribution rights consist of distribution rights on the approved cancer therapies licensed from Bristol-Myers Squibb Company ("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 products 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,	
	2023	**2022**
	US$'000	**US$'000**
Amortization expense – Cost of sales – product	1,639	1,644
Amortization expense – Operating expense	375	376
Total	2,014	2,020

Estimated amortization expense for each of the five succeeding years and thereafter, as of June 30, 2023 is as follows:

Year Ending December 31,	**Cost of Sales – Product US$'000**	**Operating Expenses US$'000**	**Total US$'000**
2023 (remainder of year)	1,857	375	2,232
2024	3,714	750	4,464
2025	3,714	750	4,464
2026	3,714	750	4,464
2027	3,714	500	4,214
2028 and thereafter	27,057	–	27,057
Total	43,770	3,125	46,895

10. Income Taxes

Income tax expense was US$25,166,000 for the six months ended June 30, 2023. Income tax expense was US$22,090,000 for the six months ended June 30, 2022. The income tax expense for the six months ended June 30, 2023 and 2022 was primarily attributable to current China tax expense due to certain non-deductible expenses and current U.S. tax expense determined after other special tax deductions and research and development tax credits.

On a quarterly basis, the Company evaluates the realizability of deferred tax assets by jurisdiction and assesses the need for a valuation allowance. In assessing the realizability of deferred tax assets, the Company considers historical profitability, evaluation of scheduled reversals of deferred tax liabilities, projected future taxable income and tax-planning strategies. Valuation allowances have been provided on deferred tax assets where, based on all available evidence, it was considered more likely than not that some portion or all of the recorded deferred tax assets will not be realized in future periods. After consideration of all positive and negative evidence, as of June 30, 2023, the Company will maintain a full valuation allowance against its net deferred tax assets.

As of June 30, 2023, the Company had gross unrecognized tax benefits of US$12,524,000. 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$969,000 in the six months ended June 30, 2023 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, 2023 and December 31, 2022, 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, 2023, Australia tax matters are open to examination for the years 2013 through 2023, China tax matters are open to examination for the years 2013 through 2023, Switzerland tax matters are open to examination for the years 2018 through 2023, and U.S. federal tax matters are open to examination for years 2015 through 2023. Various U.S. states and other non-US tax jurisdictions in which the Company files tax returns remain open to examination for 2012 through 2023.

11. Supplemental Balance Sheet Information

Prepaid expenses and other current assets consist of the following:

	As of	
	June 30, 2023 US$'000	**December 31, 2022 US$'000**
Prepaid research and development costs	72,391	71,488
Prepaid manufacturing cost	69,319	58,950
Prepaid taxes	18,485	20,478
Other receivables	36,866	22,777
Interest receivable	1,992	3,039
Prepaid insurance	7,593	3,664
Short-term deposit for sale rebates	7,198	1,510
Other current assets	41,206	34,647
Total	255,050	216,553

Other non-current assets consist of the following:

	As of	
	June 30, 2023 US$'000	**December 31, 2022 US$'000**
Goodwill	109	109
Prepayment of property and equipment	13,140	22,025
Prepaid supply cost [(1)]	30,539	48,642
Prepaid VAT	1,734	804
Rental deposits and other	6,420	7,054
Long-term investments	95,607	91,779
Total	147,549	170,413

(1) Represents payments for future supply purchases under the license agreement with Luye Pharma Group and facility expansion under commercial supply agreements. The payments are providing future benefit to the Company through credits on commercial supply purchases.

Accrued expenses and other payables consist of the following:

	As of	
	June 30, 2023 US$'000	December 31, 2022 US$'000
Compensation related	135,719	184,775
External research and development activities related	91,108	139,168
Commercial activities	65,506	51,806
Individual income tax and other taxes	38,486	18,815
Sales rebates and returns related	85,591	41,817
Other	38,540	30,971
Total	454,950	467,352

Other long-term liabilities consist of the following:

	As of	
	June 30, 2023 US$'000	December 31, 2022 US$'000
Deferred government grant income	34,865	38,176
Pension liability	7,996	7,760
Other	257	159
Total	43,118	46,095

12. Accounts Payable

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

	As of	
	June 30, 2023 US$'000	December 31, 2022 US$'000
Within 3 months	259,700	290,284
3 to 6 months	6,857	2,570
6 months to 1 year	270	1,379
Over 1 year	148	548
Total	266,975	294,781

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

13. Debt

The following table summarizes the Company's short-term and long-term debt obligations as of June 30, 2023 and December 31, 2022:

Lender	Agreement Date	Line of Credit US$'000/ RMB'000	Term	Maturity Date	Interest Rate	As of June 30, 2023		As of December 31, 2022	
						US$'000	RMB'000	US$'000	RMB'000
China Construction Bank	April 4, 2018	RMB580,000	9-year	April 4, 2027	(1)	10,343	75,000	7,250	50,000
China Merchants Bank	January 22, 2020	(2)	9-year	January 20, 2029	(2)	5,024	36,429	1,450	10,000
China Merchants Bank	November 9, 2020	RMB378,000	9-year	November 8, 2029	(3)	5,516	40,000	5,437	37,500
China Minsheng Bank (the "Senior Loan")	September 24, 2020	US$200,000		(4)	4.3%	150,000	1,087,666	150,000	1,034,554
Shanghai Pudong Development Bank	February 25, 2022	US$50,000	1-year	February 25, 2023	2.2%	–	–	50,000	344,851
China Merchants Bank	June 5, 2023	RMB400,000	1-year	June 4, 2024	3.2%	55,164	400,000	–	–
HSBC Bank	May 4, 2023	RMB340,000	1-year	May 3,2024	4.7%	46,889	340,000	–	–
China Industrial Bank	May 30, 2023	RMB200,000	1-year	May 29,2024	2.8%	27,582	200,000	–	–
Other short-term debt (5)						120,534	874,000	114,832	792,000
Total short-term debt						421,052	3,053,095	328,969	2,268,905
China Construction Bank	April 4, 2018	RMB580,000	9-year	April 4, 2027	(1)	64,818	470,000	75,395	520,000
China Merchants Bank	January 22, 2020	(2)	9-year	January 20, 2029	(2)	41,176	298,571	47,847	330,000
China Merchants Bank	November 9, 2020	RMB378,000	9-year	November 8, 2029	(3)	44,200	320,500	49,369	340,500
China CITIC Bank	July 29, 2022	RMB480,000	10-year	July 28, 2032	(6)	57,232	415,000	36,537	252,000
Total long-term bank loans						207,426	1,504,071	209,148	1,442,500

1. The outstanding borrowings bear floating interest rates benchmarking RMB loan interest rates of financial institutions in the PRC. The loan interest rate was 4.5% as of June 30, 2023. The loan is secured by BeiGene Guangzhou Factory's land use right and certain fixed assets in the first phase of the Guangzhou manufacturing facility's build out. The Company repaid US$3,483,000 (RMB25,000,000) during the six months ended June 30, 2023.

2. On January 22, 2020, BeiGene Guangzhou Factory entered into a nine-year bank loan with China Merchants Bank to borrow up to RMB1,100,000,000 at a floating interest rate benchmarked against prevailing interest rates of certain PRC financial institutions. The loan is secured by BeiGene 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 4.1% as of June 30, 2023. The Company repaid US$731,000 (RMB5,000,000) during the six months ended June 30, 2023. BeiGene Guangzhou Factory 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 4.0% as of June 30, 2023. The loan is secured by fixed assets placed into service upon completion of the third phase of the Guangzhou manufacturing facility's build out. The Company repaid US$2,518,000 (RMB17,500,000) during the six months ended June 30, 2023.

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 noncontrolling equity interest in 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 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. On September 30, 2022, the Company entered into an amendment and restatement agreement with China Minsheng Bank to extend the maturity date to October 9, 2023. BeiGene Biologics is a company incorporated under the laws of the PRC on January 25, 2017 and an indirectly wholly owned subsidiary of the Company.

5. During the years ended December 31, 2022 and 2021, the Company entered into short-term working capital loans with China Industrial Bank and China Merchants Bank to borrow up to RMB875,000,000 in aggregate, with maturity dates ranging from December 15, 2022 to September 18, 2023. The Company repaid US$16,574,000 (RMB117,000,000) and drew down US$28,174,000 (RMB199,000,000) during the six months ended June 30, 2023. The weighted average interest rate for the short-term working capital loans was approximately 2.6% as of June 30, 2023.

6. In July 2022, the Company entered into a 10-year bank loan agreement with China CITIC Bank to borrow up to RMB480,000,000 at a floating interest rate benchmarked against prevailing interest rates of certain PRC financial institutions. The Company drew down US$22,502,000 (RMB163,000,000) during the six months ended June 30, 2023. The weighted average loan interest rate was 4.1% as of June 30, 2023. The loan is secured by BeiGene Suzhou's land use right.

Interest Expense

Interest expense recognized for the six months ended June 30, 2023 was US$9,465,000, among which, US$772,000 was capitalized. Interest expense recognized for the six months ended June 30, 2022 was US$10,984,000, among which, US$1,935,000 was capitalized.

14. Product Revenue

The Company's product revenue is primarily derived from the sale of its internally developed products BRUKINSA in the United States China, and other regions, and tislelizumab and pamiparib in China; XGEVA, BLINCYTO and KYPROLIS in China under a license from Amgen; REVLIMID® and VIDAZA® in China under a license from BMS; 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, 2023 and 2022.

	Six Months Ended June 30,	
	2023	**2022**
	US$'000	**US$'000**
Product revenue – gross	1,176,933	638,273
Less: Rebates and sales returns	(212,897)	(72,189)
Product revenue – net	964,036	566,084

The following table disaggregates net product sales by product for the six months ended June 30, 2023 and 2022:

	Six Months Ended June 30,	
	2023	**2022**
	US$'000	**US$'000**
BRUKINSA®	519,658	233,072
Tislelizumab	264,314	192,522
REVLIMID®	45,005	41,576
XGEVA®	44,165	29,008
POBEVCY®	27,764	19,798
BLINCYTO®	25,524	21,396
KYPROLIS®	15,995	8,405
VIDAZA®	7,119	8,946
Pamiparib	3,725	4,577
Other	10,767	6,784
Total product revenue – net	964,036	566,084

The following table presents the roll-forward of accrued sales rebates and returns for the six months ended June 30, 2023 and 2022:

	Six Months Ended June 30,	
	2023	**2022**
	US$'000	**US$'000**
Balance at beginning of the period	41,817	59,639
Accrual	212,897	72,189
Payments	(169,123)	(60,316)
Balance at end of the period	85,591	71,512

15. Loss Before Income Tax Expense

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

	Note	Six Months Ended June 30, 2023 US$'000	2022 US$'000
Cost of inventories sold		177,779	136,410
Depreciation of property, plant and equipment	8	40,332	30,041
Research and development costs (note)		831,348	768,122
Operating lease cost		13,429	13,366
Amortization of license rights	9	2,014	2,020
Employee benefit expense (including directors' and chief executive's remuneration):			
Wages, salaries and other benefits		542,029	489,416
Share-based compensation expenses		178,717	146,860
Pension scheme contributions (defined contribution scheme)		32,302	25,966
		753,048	662,242
Foreign exchange differences, net		68,911	118,355
Impairment of trade receivables, net	6	234	(210)
Bank interest income		(40,584)	(32,520)
(Gain)/Loss on disposal of property and equipment		(67)	73

Note:

During the six months ended June 30, 2023 and 2022, research and development costs of approximately US$344,713,000 and US$293,291,000 were also included in employee benefit expense.

16. Loss Per Share

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

	Six Months Ended June 30, 2023 US$'000	2022 US$'000
Numerator:		
Net loss	(729,568)	(1,000,924)
Denominator:		
Weighted average shares outstanding – basic and diluted	1,357,211,308	1,334,252,648

For the six months ended June 30, 2023 and 2022, the computation of basic loss per share using the two-class method was not applicable as the Company was in a net loss position, and the effects of all share options, restricted shares, restricted share units and ESPP shares were excluded from the calculation of diluted loss per share, as their effect would have been anti-dilutive.

17. Share-Based Compensation Expense

2016 Share Option and Incentive Plan

In January 2016, in connection with the Company's initial public offering ("IPO") on the Nasdaq Global Select Market ("NASDAQ"), 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, 2023, ordinary shares cancelled or forfeited under the 2011 Plan that were carried over to the 2016 Plan totaled 5,166,822. 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, 2023, the Company granted options for 9,396,660 ordinary shares and restricted share units for 29,453,021 ordinary shares under the 2016 Plan. As of June 30, 2023, options and restricted share units for ordinary shares outstanding under the 2016 Plan totaled 64,070,175 and 68,073,668, respectively. As of June 30, 2023, share-based awards to acquire 38,873,106 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 HK Listing Rules.

As of June 30, 2023, there were no options or restricted share units for ordinary shares outstanding under the 2018 Plan.

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, 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, 2023, 2,735,219 ordinary shares were available for future issuance under the ESPP.

The following tables summarizes the shares issued under the ESPP:

Issuance Date	Number of Ordinary Shares Issued	Market Price[1]		Purchase Price[2]		Proceeds
		ADS US$	Ordinary US$	ADS US$	Ordinary US$	US$'000
February 28, 2023	930,582	171.10	13.16	145.44	11.19	10,414
August 31, 2022	861,315	171.66	13.20	145.91	11.22	9,667
February 28, 2022	667,160	210.52	16.19	178.94	13.76	9,183

1 The market price is the lower of the closing price on the NASDAQ 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, 2023 and 2022:

	Six Months Ended June 30,	
	2023 US$'000	2022 US$'000
Research and development	79,976	67,965
Selling, general and administrative	98,741	78,895
Total	178,717	146,860

18. Accumulated Other Comprehensive Loss

The movement of accumulated other comprehensive 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, 2022	(62,523)	(9,011)	(5,883)	(77,417)
Other comprehensive (loss) income before reclassifications	(73,172)	6,902	–	(66,270)
Net-current period other comprehensive (loss) income	(73,172)	6,902	–	(66,270)
Balance as of June 30, 2023	(135,695)	(2,109)	(5,883)	(143,687)

19. 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, September 24, 2020 and January 30, 2023 by and between Amgen and Company.

STAR Offering

In December 2021, the Company completed an initial public offering ("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 STAR Prospectus as well as the Company's proceeds management policy for the STAR Offering approved by the board of directors.

20. Restricted Net Assets

The Company's ability to pay dividends may depend on the Company receiving distributions of funds from its PRC subsidiaries. Relevant PRC statutory laws and regulations permit payments of dividends by the Company's PRC subsidiaries only out of the subsidiary's retained earnings, if any, as determined in accordance with PRC accounting standards and regulations. The results of operations reflected in the condensed consolidated financial statements prepared in accordance with 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, 2023 and December 31, 2022, the net assets of the Company's PRC subsidiaries amounted to US$3,305,583,000 and US$3,548,881,000, respectively.

21. Commitments and Contingencies

Purchase Commitments

As of June 30, 2023, the Company had purchase commitments amounting to US$104,115,000 of which US$40,295,000 related to minimum purchase requirements for supply purchased from contract manufacturing organizations and US$63,820,000 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$381,187,000 for the acquisition of property, plant and equipment as of June 30, 2023, which were mainly for the Company's manufacturing and clinical R&D campus in Hopewell, NJ, additional capacity at the Guangzhou and Suzhou manufacturing facilities, and new building for Beijing Innerway Bio-tech Co., Ltd.

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, 2023, the Company's remaining co-development funding commitment was US$549,765,000.

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, 2023, the total research and development commitment amounted to US$17,990,000.

Funding Commitment

The Company had committed capital related to two equity method investments in the amount of US$15,057,000. As of June 30, 2023, the remaining capital commitment was US$10,557,000 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$2,627,000 per year based on annual funding contributions in effect as of June 30, 2023 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 with contract research organizations ("CROs") to some extent 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.

Legal Proceedings

In the ordinary course of business, the Company may be subject to legal proceedings, claims and litigation as the Company operates in an industry susceptible to patent legal claims. The Company accounts for estimated losses with respect to legal proceedings and claims when such losses are probable and estimable. Legal costs associated with these matters are expensed when incurred.

22. Related Party Transactions

(a) In addition to the transactions detailed elsewhere in this financial information, the Company had the following related party transactions for the six months ended June 30, 2023 and 2022:

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, 2023 and 2022 consisted of (i) US$50,000 (2022: US$50,000) in consulting fees, (ii) US$75,000 (2022: US$75,000) as a performance-based cash bonus, (iii) share-based compensation expenses for options and RSUs of US$2,017,000 (2022:US$2,141,000).

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

	Six Months Ended June 30,	
	2023	**2022**
	US$'000	**US$'000**
Short term employee benefits	2,914	3,423
Post-employment benefits	32	37
Share-based compensation expenses	19,857	19,626
Total compensation paid to key management personnel	22,803	23,086

23. Segment and Geographic Information

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

The Company's long-lived assets are 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 product revenues by geographic area are presented as follows:

	Six Months Ended June 30,	
	2023	**2022**
	US$'000	**US$'000**
PRC	540,828	403,164
United States	362,307	156,269
Rest of world	60,901	6,651
Total	964,036	566,084

Total collaboration revenues by geographic area are presented as follows:

	Six Months Ended June 30,	
	2023	**2022**
	US$'000	**US$'000**
PRC	2,636	–
United States	54,523	57,480
Rest of world	21,867	24,634
Total	79,026	82,114

24. Subsequent Events

On July 28, 2023 (the "Signing Date"), a credit facility agreement (the "Credit Agreement") was entered into by and between the Company, as the borrower, and China Merchants Bank Co., Ltd., as the lender (the "Lender"). The Credit Agreement provides for a US$400 million uncommitted and unsecured credit facility (the "Credit Facility"), pursuant to which each loan issued has a term up to one year, provided that all loans must be repaid within eighteen months of the Signing Date. Loans under the Credit Facility have a floating interest rate based on the secured overnight financing rate plus an applicable margin and are calculated daily from the date the loan is utilized and settled on a quarterly basis. The proceeds of the loans under the Credit Facility are available to finance the working capital needs and for daily operations of the Company and its subsidiaries. The Credit Agreement contains financial covenants that require the Company to uphold certain ratios of liabilities to ownership equity, maintain specified amounts of both consolidated net assets and consolidated cash balance, and reach a certain amount of annual sales revenue for products, all which are tested either quarterly or annually. The Credit Agreement also contains operating covenants including, among other things, (i) maintaining its listing status on The Stock Exchange of Hong Kong Limited and The Science and Technology Innovation Board of the Shanghai Stock Exchange, (ii) preserving interest reserve in the account with the Lender, (iii) limitations on the incurrence of certain additional indebtedness, and (iv) preservation of ownership of key patents and other covenants surrounding the Company's intellectual property. Other certain covenants, representations and warranties, and events of default, are contained in the Credit Agreement, many of which would be breached or triggered solely to the extent they have a material adverse effect on the Company's ability to perform its obligations under the Credit Agreement or affect the Company's normal operations. As of the date of this announcement, no borrowings were outstanding under the Credit Agreement.

On August 1, 2023, the Company entered into a Settlement and Termination Agreement (the "Settlement Agreement") with BMS-Celgene and certain of its affiliates relating to the termination of the parties' ongoing contractual relationships, the previously-disclosed ongoing arbitration proceeding concerning ABRAXANE® (the "Arbitration"), the License and Supply Agreement ("LSA"), the Amended and Restated Quality Agreement (the "QA"), and the Share Subscription Agreement (the "SSA"), entered into by the parties in 2017 and 2018. Pursuant to the Settlement Agreement, the parties agreed to mutually dismiss the Arbitration and BMS-Celgene and its affiliates agreed to transfer 23,273,108 ordinary shares of the Company originally purchased in 2017, in each case subject to and in accordance with the terms and conditions of the Settlement Agreement. The Company has no payment obligation in exchange for the transferred shares pursuant to the Settlement Agreement. Furthermore, the parties agreed to terminate the LSA and QA on December 31, 2023, subject to the Company's right to continue selling all inventory of Revlimid and Vidaza until sold out or December 31, 2024, whichever is earlier. The Settlement Agreement provides for a settlement and release by each party of claims arising from or relating to the Arbitration, the LSA, the QA and the SSA, as well as other disputes and potential disputes between the parties, in each case subject to and in accordance with the terms and conditions of the Agreement.

25. 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, 2023				
	Amounts as reported under U.S. GAAP US$'000	IFRS adjustments			Amounts under IFRS US$'000
Consolidated statement of operations data		Share based compensation and related tax (note (i)) US$'000	Income taxes in the interim period (note (iii)) US$'000	Lease (note (iv)) US$'000	
Research and development	(831,348)	(13,557)	–	830	(844,075)
Selling, general and administrative	(723,533)	(13,107)	–	650	(735,990)
Interest income (expense), net	31,086	–	–	(1,556)	29,530
Loss before income tax expense	(704,402)	(26,664)	–	(76)	(731,142)
Income tax (expense) benefit	(25,166)	(1,567)	7,376	–	(19,357)
Net loss	(729,568)	(28,231)	7,376	(76)	(750,499)

	Six months ended June 30, 2022		
	Amounts as reported under U.S. GAAP US$'000	IFRS adjustments	Amounts under IFRS US$'000
Consolidated statement of operations data		Share based compensation and related tax (note (i)) US$'000	
Research and development	(768,122)	(5,520)	(773,642)
Selling, general and administrative	(625,976)	(4,044)	(630,020)
Loss before income tax expense	(978,834)	(9,564)	(988,398)
Income tax expense	(22,090)	(15,102)	(37,192)
Net loss	(1,000,924)	(24,666)	(1,025,590)

Consolidated balance sheet data	Amounts as reported under U.S. GAAP US$'000	IFRS adjustments: Share based compensation and related tax (note (i)) US$'000	IFRS adjustments: Preferred Shares (note (ii)) US$'000	IFRS adjustments: Income taxes in the interim period (note (iii)) US$'000	IFRS adjustments: Lease (note (iv)) US$'000	Amounts under IFRS US$'000
As at June 30, 2023						
Operating lease right-of-use assets	99,422	–	–	–	(2,381)	97,041
Prepaid expenses and other current assets	255,050	–	–	7,376	–	262,426
Total assets	5,728,736	–	–	7,376	(2,381)	5,733,731
Additional paid-in capital	11,752,019	28,231 208,042*	– 307,894*	–	–	12,296,186
Accumulated deficit	(7,809,910)	(28,231) (208,042)*	– (307,894)*	7,376	(76) (2,305)*	(8,349,082)
Total equity	3,798,559	–	–	7,376	(2,381)	3,803,554

Consolidated balance sheet data	Amounts as reported under U.S. GAAP US$'000	IFRS adjustments: Share-based compensation and related tax (note (i)) US$'000	IFRS adjustments: Preferred Shares (note (ii)) US$'000	IFRS adjustments: Lease (note (iv)) US$'000	Amounts under IFRS US$'000
As at December 31, 2022					
Operating lease right-of-use assets	109,960	–	–	(2,305)	107,655
Total assets	6,379,290	–	–	(2,305)	6,376,985
Additional paid-in capital	11,540,979	33,993 174,049*	– 307,894*	– –	12,056,915
Accumulated deficit	(7,080,342)	(33,993) 10,311 (184,360)*	– – (307,894)*	(2,305) – –	(7,598,583)
Total equity	4,383,355	–	–	(2,305)	4,381,050

* IFRS adjustments brought forward from prior years.

Notes:

(i) Share based compensation and related tax

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$26,664,000 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, 2023 (six months ended June 30, 2022: US$9,564,000).

Under IFRS, the excess tax benefit resulting from the pre-tax deductible amount arising from U.S. employee share-based payments over the cumulative share-based payment-related expenses recognized for accounting purposes should be recorded in shareholders' equity rather than in current income tax expenses/benefits under U.S. GAAP.

(ii) Preferred Shares

Prior to the Company's U.S. IPO, the Company had preferred shares, which were converted into ordinary shares at the time of the U.S. IPO. Under U.S. GAAP, the preferred shares issued by the Company 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 will be made to the initial carrying amount of the Preferred Shares until it is probable that they will become redeemable.

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

(iii) Income taxes in the interim period

Under U.S. GAAP, the interim tax provision is determined by applying the estimated annual worldwide effective tax rate for the consolidated entity to the worldwide consolidated year-to-date pretax income.

Under IFRS, the interim tax provision is determined by applying an estimated average annual effective tax rate to interim period pretax income. A separate estimated average annual effective tax rate is determined for each material tax jurisdiction and applied individually to the interim period pretax income of each jurisdiction.

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

(iv) Lease

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

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

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

(v) Investment

Under U.S. GAAP, for equity securities without readily determinable fair value and do not qualify for the existing practical expedient in ASC 820, Fair Value Measurements and Disclosures ("ASC 820"), the Company elected to measure the equity securities at cost, less any impairment, plus or minus changes resulting from observable price changes in orderly transactions for identical or similar investments of the same issuer, if any.

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, 2023 and for the six months ended June 30, 2023.

26. Dividends

The board of directors of the Company did not recommend the distribution of any interim dividend for the six months ended June 30, 2023 (six months ended June 30, 2022: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

We are a global biotechnology company that is discovering and developing innovative oncology treatments that are more accessible and affordable to cancer patients worldwide.

We currently have three approved medicines that were internally discovered and developed, 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, the EU, the UK, Canada, Australia and additional international markets, and tislelizumab and pamiparib in China. By leveraging our strong commercial capabilities, we have in-licensed the rights to distribute an additional 14 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 Inc. ("Amgen") and Novartis Pharma AG ("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. We have conducted more than 120 clinical trials in-house, with over 21,000 subjects enrolled in approximately 45 regions. This includes more than 35 pivotal or potentially registration-enabling trials across our portfolio, including our three internally discovered, approved medicines.

We have built, and are expanding, our internal manufacturing capabilities. The Company is building a commercial-stage biologics manufacturing and clinical R&D center in New Jersey, in addition to our state-of-the-art biologic and small molecule manufacturing facilities in China to support current and potential future demand of our medicines. We also work with high quality global contract manufacturing organizations ("CMOs") to manufacture our internally developed clinical and commercial products.

Since our inception in 2010, we have become a fully integrated global organization of over 10,000 employees worldwide, including the United States, China, Europe, and Australia.

Recent Developments

Recent Business Developments

On July 21, 2023, we announced that the Committee for Medicinal Products for Human Use of the European Medicines Agency issued a positive opinion recommending approval for tislelizumab as monotherapy for the treatment of adult patients with unresectable, locally advanced or metastatic esophageal squamous cell carcinoma after prior platinum-based chemotherapy.

On July 12, 2023, we announced the U.S. Food and Drug Administration ("FDA") accepted for review our supplemental new drug application for BRUKINSA in combination with obinutuzumab for the treatment of adult patients with relapsed or refractory follicular lymphoma after at least two prior lines of therapy. BRUKINSA was previously granted Fast Track and Orphan designation for this indication. The FDA has assigned a target action date in the first quarter of 2024, under the Prescription Drug User Fee Act.

On July 10, 2023, we announced entering into an agreement with DualityBio for BeiGene to acquire an exclusive option for a global clinical and commercial license to an investigational, preclinical antibody drug conjugate ("ADC") therapy for patients with select solid tumors.

On July 10, 2023, we announced we regained full, global rights to develop, manufacture and commercialize investigational TIGIT inhibitor ociperlimab as a result of a mutual decision with Novartis to terminate the Option, Collaboration and License Agreement with Novartis pursuant to which BeiGene granted Novartis an exclusive time-based option to receive such rights in North America, Europe, and Japan.

On July 4, 2023, with Luye Pharma Group Ltd. ("Luye"), we announced that Luye's innovative formulation, Goserelin Microspheres for Injection (Baituowei), was approved by China's National Medical Products Administration on June 30, 2023, for the treatment of prostate cancer in patients who need to be treated with an androgen deprivation therapy. This product is the world's first and only formulation of long-acting goserelin microspheres approved for launch, and the two companies have officially kicked off a strategic partnership for its commercialization.

On May 30, 2023, we announced that BRUKINSA was approved by Health Canada for the treatment of adult patients with chronic lymphocytic leukemia ("CLL").

On May 6, 2023, we announced that the China National Medical Products Administration approved four applications for BRUKINSA, including two supplemental new drug applications for treatment-naïve adults with CLL or small lymphocytic lymphoma ("SLL") and Waldenström's macroglobulinemia, and two supplemental applications for conversions from conditional approval to regular approval.

FUTURE AND OUTLOOK

We were founded with the vision to create an integrated biopharmaceutical company to transform the biotech industry, creating impactful medicines that will be affordable and accessible to far more patients around the world. We have made significant progress towards accomplishing this vision over our first 13 years and have five strategic competitive advantages positioning us for success both near- and long-term:

1. **We have built one of the world's largest, most productive and cost-effective oncology research teams** with about 1,100 scientists. Their efforts have been validated by commercial approvals, clinical data, and collaborations that have secured US$1.4 billion in collaboration payments to the Company. We have successfully developed three commercially approved medicines from our internal discovery engine, including BRUKINSA and tislelizumab. We design each research program with a differentiated biological hypothesis or a first-in-class mechanism of action. Our lead medicine, BRUKINSA, has demonstrated superiority for both progression-free survival and overall response rate versus ibrutinib in relapsed or refractory CLL. Our broad pipeline also includes internally developed products with the potential to be best-in-class or first-in-class, including our BCL-2 inhibitor, sonrotoclax (BGB-11417), our HPK1 inhibitor, BGB-15025, and BGB-16673, a BTK-targeted CDAC program that has demonstrated its potential with early data. Our pipeline also includes many early-stage assets for targets like OX40, LAG-3, and TIM-3. We have invested in technology platforms, including CDAC protein degraders, bispecific antibodies, tri-specific antibodies, ADC, CAR-NK, and mRNA. Our research and innovation capabilities will ensure we discover high-quality and impactful medicines for patients. On July 18, 2023, we hosted an investor Research and Development Day to provide an update on our deep and broad global innovation pipeline and platforms, and to share insights on our vision, differentiated capabilities, and value creation drivers.

2. **We have built a substantial global clinical development team** of more than 3,000 people on five continents, allowing us to run clinical trials predominantly without reliance on third party contract research organizations ("CROs"). Clinical development accounts for over 75% of the cost and most of the time to develop a medicine. We believe that by fully integrating these capabilities, we can create a strategic competitive advantage. By retaining clinical development activities internally, we can decrease the costs of our trials, increase enrollment speed, and leverage technology to ensure quality and consistency across trials and clinical sites. It also allows us to become more inclusive in the location and number of clinical sites to help improve the diversity of patients in our trials. Our demonstrated ability to complete large-scale, multi-regional clinical trials is one of our most important strategic competitive advantages and addresses an immense challenge in the pharmaceutical industry.

3. **We have built a strong commercial portfolio, centered around two cornerstone medicines, BRUKINSA and tislelizumab**, that are becoming primary revenue sources and will support the development of our future pipeline and additional combination therapies. Our hematological franchise is led by BRUKINSA, which is supported by a broad clinical program with over 5,000 patients in 35 trials in 29 markets. We ran two extensive head-to-head studies versus ibrutinib with over 800 patients enrolled. We are the first and only BTK inhibitor to demonstrate superior efficacy versus ibrutinib, and the data from the head-to-head ALPINE trial were selected for the prestigious late-breaker session at the American Society of Hematology ("ASH") meeting in late 2022, with simultaneous publication in ***The New England Journal of Medicine***. Based on the pooled safety data generated from our trials, we have shown a very favorable safety profile, especially when compared to ibrutinib in cardiovascular safety, including atrial fibrillation, ventricle arrhythmia, and hypertension. We believe BRUKINSA allows us to build a strong position in heme-oncology with our pipeline medicines, including our BCL-2 inhibitor, sonrotoclax, in both monotherapy and combination settings. Our solid tumor franchise is led by our anti-PD-1 monoclonal antibody, tislelizumab, which is currently approved in China in 11 indications. Tislelizumab has achieved the commercial market leader position in China in the PD-1/PDL-1 class. Outside of China, in conjunction with our partner Novartis, we have filed applications for approval in the U.S. and EU. With tislelizumab and the potentially best-in-class or first-in-class pipeline assets targeting OX40, TIGIT, LAG-3, and TIM-3, we are well-positioned to build our immuno-oncology business and deliver innovative therapies and combinations to patients.

4. **We have a differentiated international commercial organization** of over 3,500 people to deliver medicines to patients around the globe. In China, the commercial team is actively driving the uptake of our internally developed and partnered medicines across solid tumors and hematology. BRUKINSA and tislelizumab have achieved market leadership positions in China in the BTKi and PD-1/PDL-1 classes, respectively, and we have launched and sell 14 products from our business partners around the globe. In North America, our U.S. team has continued to grow BRUKINSA sales as we launch new indications and expand to Canada. In Europe, we have built a targeted commercial team focused on medical thought leaders in blood cancer treatments. Altogether, BRUKINSA has been approved in over 65 markets, with additional filings pending or planned. Our strategy is to commercialize our medicines broadly throughout the world. Our commercial capabilities have expanded into the Asia Pacific region through our affiliates, the Latin America region, and other emerging markets through distribution partners. We have built a global commercial organization that will drive the delivery of highly effective and differentiated medicines to patients around the globe, and will collaborate with business partners to bridge health inequities.

5. **We have financial strength**. In a time when the cost of capital has risen, we are well positioned financially. We already have substantial revenue from our cornerstone assets, which we expect to continue to grow significantly in 2023 and beyond. We expect product revenue growth to outpace our operating expense growth in the near-term, which will allow us to continue to improve our operating leverage. We will continue to be thoughtful and strategic in how we deploy our capital, and we are committed to generating long-term value.

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 EU, UK, 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 or termination of the option. 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 or terminated. 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.

In July 2023, we entered into a Mutual Termination and Release Agreement (the "Termination Agreement") to mutually terminate the ociperlimab option, collaboration and license agreement with Novartis, effective immediately. Pursuant to the Termination Agreement, we regained full, global rights to develop, manufacture and commercialize ociperlimab.

Expenses

Cost of Sales

Cost of sales includes the costs to manufacture our internally developed commercial products, as well as costs to purchase our internally developed products from commercial manufacturing organizations. 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;
- Sonrotoclax (BGB-11417), an investigational small molecular inhibitor of Bcl-2;
- BGB-16673, an investigational Chimeric Degradation Activating Compound (CDAC), targeting BTK;
- pamiparib, a selective small molecule inhibitor of PARP1 and PARP2;
- BGB-15025, an investigational hematopoietic progenitor kinase 1 (HPK1) inhibitor;
- BGB-A445, an investigational non-ligand competing OX40 monoclonal antibody;

- Surzebiclimab (BGB-A425), an investigational humanized monoclonal antibody against TIM-3;

- BGB-10188, an investigational PI3Kδ inhibitor;

- Lifirafenib, an investigational small molecule inhibitor with RAF monomer and dimer inhibition activities;

- BGB-24714, an investigational second mitochondrial-derived activator of caspase (SMAC) mimetic;

- BGB-B167, an investigational carcinoembryonic antigen (CEA) and 4-1BB bispecific antibody (CEA x 4-1BB bispecific); and

- LBL-007, a novel investigational antibody targeting the LAG-3 pathway.

The Company stopped clinical development of BGB-23339, a potent, allosteric investigational tyrosine kinase 2 inhibitor, in systematic use due to change in the competitive landscape and prioritization of our internal R&D portfolio during the three months ended June 30, 2023.

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.; and

- ZW25 (zanidatamab), an investigational bispecific antibody-based product candidates targeting HER2, licensed from Zymeworks Inc.

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 our medicines and drug candidates could 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 continued substantial investment in research and development for the foreseeable future as our discovery and 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 our 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 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, The Hong Kong Stock Exchange (the "HKEX") and the STAR Market of the SSE, 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), net 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 Offering in December 2021. Other income (expense), net 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, 2023 and 2022:

	Six Months Ended June 30,		Change	
	2023	2022		%
	(US dollars in thousands)			
Revenues				
Product revenue, net	964,036	566,084	397,952	70.3%
Collaboration revenue	79,026	82,114	(3,088)	(3.8)%
Total revenues	1,043,062	648,198	394,864	60.9%
Expenses				
Cost of sales – product	177,779	136,410	41,369	30.3%
Research and development	831,348	768,122	63,226	8.2%
Selling, general and administrative	723,533	625,976	97,557	15.6%
Amortization of intangible assets	375	376	(1)	(0.3)%
Total expenses	1,733,035	1,530,884	202,151	13.2%
Loss from operations	(689,973)	(882,686)	192,713	(21.8)%
Interest income, net	31,086	21,502	9,584	44.6%
Other expense, net	(45,515)	(117,650)	72,135	(61.3)%
Loss before income taxes	(704,402)	(978,834)	274,432	(28.0)%
Income tax expense	25,166	22,090	3,076	13.9%
Net loss	(729,568)	(1,000,924)	271,356	(27.1)%

1 We revised certain prior period financial statements for an error related to the valuation of net deferred tax assets, the impact of which was immaterial to our previously filed financial statements in the second quarter of 2022 (see "Notes to the Condensed Consolidated Financial Statements, Note 1. *Description of Business, Basis of Presentation and Consolidation and Significant Accounting Policies*" and "Note 2. *Revision of Prior Period Financial Statements*" included in this announcement).

Comparison of the Six Months Ended June 30, 2023 and 2022

Revenue

Total revenue increased to US$1,043.1 million, or 60.9%, for the six months ended June 30, 2023, from US$648.2 million for the six months ended June 30, 2022, primarily due to increased sales of our internally developed products, BRUKINSA and tislelizumab, as well as increased sales of in-licensed products, most notably from the Amgen products.

The following table summarizes the components of revenue for the six months ended June 30, 2023 and 2022, respectively:

	Six Months Ended June 30,		Changes	
	2023	2022		%
	(US dollars in thousands)			
Product revenue	964,036	566,084	397,952	70.3%
Collaboration revenue:				
Research and development service revenue	20,380	24,240	(3,860)	(15.9)%
Right to access intellectual property revenue	52,497	52,497	–	–%
Other	6,149	5,377	772	14.4%
Total collaboration revenue	79,026	82,114	(3,088)	(3.8)%
Total Revenue	1,043,062	648,198	394,864	60.9%

Net product revenues consisted of the following:

	Six Months Ended June 30,		Changes	
	2023	2022		%
	(US dollars in thousands)			
BRUKINSA®	519,658	233,072	286,586	123.0%
Tislelizumab	264,314	192,522	71,792	37.3%
REVLIMID®	45,005	41,576	3,429	8.2%
XGEVA®	44,165	29,008	15,157	52.3%
POBEVCY®	27,764	19,798	7,966	40.2%
BLINCYTO®	25,524	21,396	4,128	19.3%
KYPROLIS®	15,995	8,405	7,590	90.3%
VIDAZA®	7,119	8,946	(1,827)	(20.4)%
Pamiparib	3,725	4,577	(852)	(18.6)%
Other	10,767	6,784	3,983	58.7%
Total product revenue	964,036	566,084	397,952	70.3%

Net product revenue increased 70.3% to US$964.0 million for the six months ended June 30, 2023, compared to US$566.1 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. In addition, there were increased sales of our in-licensed products from Amgen.

Global sales of BRUKINSA totaled US$519.7 million in the six months ended June 30, 2023, representing a 123.0% increase compared to the prior year period; U.S. sales of BRUKINSA totaled US$362.3 million in the six months ended June 30, 2023, compared to US$156.3 million in the prior year period, representing growth of 131.8%. U.S. sales continued to accelerate in the period, driven by the approval and launch of BRUKINSA for adult patients with CLL and SLL. BRUKINSA sales in China totaled US$96.5 million in the six months ended June 30, 2023, representing growth of 37.6% compared to the prior year period, driven by an increase in all approved indications. BRUKINSA rest of world sales totaled US$60.8 million in the six months ended June 30, 2023, representing growth of 814.4% compared to the prior-year period, driven by a significant increase in all approved indications, including CLL and SLL in Europe.

Sales of tislelizumab in China totaled US$264.3 million in the six months ended June 30, 2023, compared to US$192.5 million representing a 37.3% increase compared to the prior year period. In the six months ended June 30, 2023, 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.

Collaboration revenue totaled US$79.0 million for the six months ended June 30, 2023, of which US$20.4 million was recognized from deferred revenue for R&D services performed during the six months ended June 30, 2023 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$6.1 million was recognized primarily related to the sale of tislelizumab clinical supply to Novartis and revenue generated under the broad markets marketing and promotion agreement. 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, 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 (see Note 4 to our condensed consolidated financial statements included in this announcement).

Cost of Sales

Cost of sales increased to US$177.8 million for the six months ended June 30, 2023 from US$136.4 million for the six months ended June 30, 2022, primarily due to increased product sales of BRUKINSA and tislelizumab as well as sales of in-licensed products from Amgen in China.

Gross Margin

Gross margin on product sales increased to US$786.3 million for the six months ended June 30, 2023, compared to US$429.7 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 81.6% for the six months ended June 30, 2023, from 75.9% 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, partially offset by the impact of lower selling prices in China from the listing of tislelizumab and BRUKINSA on the updated National Reimbursement Drug List.

Research and Development Expense

Research and development expense increased by US$63.2 million, or 8.2%, to US$831.3 million for the six months ended June 30, 2023 from US$768.1 million for the six months ended June 30, 2022. The following table summarizes external clinical, external non-clinical and internal research and development expense for the six months ended June 30, 2023 and 2022, respectively:

	Six Months Ended June 30,		Changes	
	2023	2022		%
	(US dollars in thousands)			
External research and development expenses:				
Cost of development programs	258,219	232,009	26,210	11.3%
Amgen co-development expenses[1]	23,274	46,789	(23,515)	(50.3)%
Total external research and development expenses	281,493	278,798	2,695	1.0%
Internal research and development expenses	549,855	489,324	60,531	12.4%
Total research and development expenses	831,348	768,122	63,226	8.2%

1 Our co-funding obligation for the development of the pipeline assets under the Amgen collaboration for the six months ended June 30, 2023 totaled US$45.9 million, of which US$23.3 million was recorded as R&D expense. The remaining US$22.7 million was recorded as a reduction of the R&D cost share liability.

The increase in external research and development expenses in the six months ended June 30, 2023 was primarily attributable to increases in external clinical trial costs for BRUKINSA and sonrotoclax (BGB-11417) and preclinical trial costs for certain assets in our portfolio, partially offset by a decrease in Amgen co-development expenses and lower external clinical trial costs for tislelizumab.

Internal research and development expense increased US$60.5 million, or 12.4%, to US$549.9 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$39.5 million increase of employee salary and benefits, primarily attributable to hiring more research and development personnel to support our expanding research and development activities;

- US$12.0 million increase of share-based compensation expense, primarily attributable to our increased headcount of research and development employees, resulting in more awards being expensed related to the growing research and development employee population;

- US$11.0 million increase of facilities, depreciation, office expense, rental fees, lab consumables and other expenses to support the growth of our organization, partially offset by a US$7.0 million decrease in clinical inventory; and

- US$5.0 million increase in meetings, seminars and travel expenses mainly attributable to increased meetings and conferences travel normalizing.

Selling, General and Administrative Expense

Selling, general and administrative expense increased by US$97.6 million, or 15.6%, to US$723.5 million, for the six months ended June 30, 2023, from US$626.0 million for the six months ended June 30, 2022. The increase was primarily attributable to the following:

- US$68.2 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, including commercial expansion of BRUKINSA in CLL in the United States and Europe, as we continue to build our worldwide footprint and capabilities;

- US$18.9 million increase of employee salary and benefits, which was primarily attributable to the expansion of our commercial organizations in the United States, Europe, Canada, China and emerging markets, and the hiring of personnel to support our growing business;

- US$19.9 million increase of share-based compensation expense, primarily attributable to our increased headcount of sales and administrative employees, resulting in more awards being expensed related to the growing sales and administrative employee population;

- US$9.4 million decrease in general and administrative and other expenses primarily attributable to increased legal fees related to increased arbitration activities for the prior six months period ended June 30, 2022.

Interest Income, Net

Interest income, net increased by US$9.6 million, or 44.6%, to US$31.1 million of net interest income for the six months ended June 30, 2023, from US$21.5 million of net interest income for six months ended June 30, 2022. The increase in interest income was primarily attributable to higher interest rates earned on our cash, cash equivalents and short-term investments.

Other Expense, Net

Other expense, net decreased to US$45.5 million of net other expense for the six months ended June 30, 2023, from US$117.7 million for the six months ended June 30, 2022. The decrease in expense was primarily related to foreign exchanges losses resulting from the strengthening of the U.S. dollar compared to the RMB and the revaluation impact of RMB-denominated deposits held in U.S. functional currency subsidiaries being greater in the prior-year period. Also contributing to the decrease in expense was decrease in the unrealized loss on our equity investment in Leap Therapeutics.

Income Tax Expense

Income tax expense increased to US$25.2 million for the six months ended June 30, 2023, from US$22.1 million for the six months ended June 30, 2022. The income tax expense for the six months ended June 30, 2023 and June 30, 2022 was primarily attributable to current China tax expense due to certain non-deductible expenses and current U.S. tax expense determined after other special deductions and research and development tax credits.

Discussion of Certain Key Balance Sheet Items

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

As of June 30, 2023, the Company's cash, cash equivalents, restricted cash and short-term investments primarily comprised of (1) approximately US$1.2 billion denominated in US dollars; (2) approximately RMB16.3 billion (equivalent to approximately US$2.2 billion) denominated in Renminbi; and (3) approximately US$68.3 million denominated in Australian dollar, Euro and other currencies.

Accounts receivable, net

Accounts receivable increased by 72.8% from US$173.2 million as of December 31, 2022 to US$299.3 million as of June 30, 2023, primarily due to the increased sales of our internally-developed products and in-licensed products.

Inventories

The inventories increased by 13.8% from US$282.3 million as of December 31, 2022 to US$321.3 million as of June 30, 2023, 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 increased by 17.8% from US$216.6 million as of December 31, 2022 to US$255.1 million as of June 30, 2023. The increase was primarily due to: (i) the increase of manufacturing costs of our internally developed products; and (ii) the increase of other receivables associated with the employee tax payments on share-based compensation.

Property, plant and equipment, net

Property, plant and equipment, net increased by 22.0% from US$845.9 million as of December 31, 2022 to US$1,031.9 million as of June 30, 2023, primarily attributable to our on-going buildout of the Hopewell facility construction.

Accounts payable

Accounts payable includes amounts due to third parties and totaled US$267.0 million and US$294.8 million as of June 30, 2023 and December 31, 2022, 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, 2023	**December 31, 2022**
	US$'000	**US$'000**
Within 3 months	259,700	290,284
3 to 6 months	6,857	2,570
6 months to 1 year	270	1,379
Over 1 year	148	548
Total	266,975	294,781

Accrued expenses and other payables

Accrued expenses and other payables consist of the following as of June 30, 2023 and December 31, 2022:

	As of	
	June 30, 2023	**December 31, 2022**
	US$'000	**US$'000**
Compensation related	135,719	184,775
External research and development activities related	91,108	139,168
Commercial activities	65,506	51,806
Individual income tax and other taxes	38,486	18,815
Sales rebates and returns related	85,591	41,817
Other	38,540	30,971
Total	454,950	467,352

Accrued expenses and other payables decreased by 2.7% from US$467.4 million as of December 31, 2022 to US$455.0 million as of June 30, 2023. The decrease was primarily due to the payment of compensation and accrued external research and development activities for the six months ended June 30, 2023, partially offset by the increase of commercial activities and sales rebates and returns.

Debt

Debt increased by 16.8% from US$538.1 million as of December 31, 2022 to US$628.5 million as of June 30, 2023. The increase was mainly due to the increase of new short-term bank loans during the six months ended June 30, 2023.

Liquidity and Capital Resources

The following table represents our cash, short-term investments, and debt balances as of June 30, 2023 and December 31, 2022:

	As of	
	June 30, 2023	**December 31, 2022**
	(US dollars in thousands)	
Cash, cash equivalents and restricted cash	3,421,574	3,875,037
Short-term investments	105,693	665,251
Total debt	628,478	538,117

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 to support the commercialization of our products and our global operations. We recognized net losses of US$729.6 million for the six months ended June 30, 2023, and net losses of US$1.0 billion for the six months ended June 30, 2022. As of June 30, 2023, we had an accumulated deficit of US$7.8 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, 2023 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, in certain areas of China, referred to as the "broad markets". Under the terms of the agreement, we received an upfront cash payment of US$300 million in January 2022. The ociperlimab option, collaboration and license agreement was terminated in July 2023.

The following table provides information regarding our cash flows for the six months ended June 30, 2023 and 2022:

	Six Months Ended June 30,	
	2023	**2022**
	(US dollars in thousands)	
Cash, cash equivalents and restricted cash at beginning of period	3,875,037	4,382,887
Net cash used in operating activities	(857,665)	(616,522)
Net cash provided by investing activities	308,863	869,103
Net cash provided by (used in) financing activities	146,212	(28,847)
Net effect of foreign exchange rate changes	(50,873)	(71,212)
Net (decrease) increase in cash, cash equivalents, and restricted cash	(453,463)	152,522
Cash, cash equivalents and restricted cash at end of period	3,421,574	4,535,409

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$857.7 million of cash in the six months ended June 30, 2023, principally from our net loss of US$729.6 million and an increase in our net operating assets and liabilities of US$329.4 million, partially offset by non-cash charges of US$201.3 million.

The increase in net operating assets and liabilities was primarily driven by increased working capital associated with our growth in product sales. The non-cash charges were primarily the result of share-based compensation expense, depreciation and amortization expense, offset by amortization of the research and development cost share liability. Net loss for the six months ended June 30, 2023 includes US$45.5 million of other losses due primarily to the strengthening of the U.S. dollar and the related revaluation of RMB-denominated deposits held by U.S. functional currency subsidiaries.

Operating activities used US$616.5 million of cash in the six months ended June 30, 2022, which resulted principally from our net loss of US$1.0 billion, partially offset by a decrease in our net operating assets and liabilities of US$220.6 million and by non-cash charges of US$163.8 million. Net loss for the six months ended June 30, 2022 includes US$117.7 million of other losses due primarily to the strengthening of the U.S. dollar and the related revaluation of RMB-denominated deposits held by U.S. functional currency subsidiaries.

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.

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$308.9 million of cash in the six months ended June 30, 2023, consisting of sales and maturities of investment securities of US$567.5 million, partially offset by capital expenditures of US$247.1 million, and US$11.6 million in purchases of investment securities.

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$1,051.0 million, 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.

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 provided US$146.2 million of cash in the six months ended June 30, 2023, consisting primarily of US$15.8 million of net proceeds from long-term bank loans, US$161.8 million of proceeds from short-term bank loans and US$35.2 million from the exercise of employee share options and proceeds from the issuance of shares through our employee share purchase plan, which were partially offset by US$66.6 million in repayments of short-term bank loans.

Financing activities used US$28.8 million of cash in the six months ended June 30, 2022, consisting primarily of US$115.4 million repayment of short-term bank loans, which were partially offset by US$67.6 million of proceeds from 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.

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$50.9 million in the six months ended June 30, 2023, compared to a negative impact of US$71.2 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, 2023:

	Payments Due by Period		
	Total	Short Term	Long Term
	(US dollars in thousands)		
Contractual obligations			
Operating lease commitments	53,220	13,074	40,146
Purchase commitments	104,115	63,820	40,295
Debt obligations	628,478	421,052	207,426
Interest on debt	46,169	17,246	28,923
Co-development funding commitment	549,765	126,688	423,077
Funding commitment	10,557	2,625	7,932
Research and development commitment	17,990	5,959	12,031
Pension plan	7,986	2,627	5,359
Capital commitments	381,187	381,187	–
Total	1,799,467	1,034,278	765,189

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, 2023, purchase commitments amounted to US$104.1 million, of which US$40.3 million related to minimum purchase requirements for supply purchased from contract manufacturers and US$63.8 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$421.1 million. Total long-term debt obligations are US$207.4 million. See Note 13 in the Notes to the Financial Statements for further detail of our debt obligations.

Interest on bank loans 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, 2023, our remaining co-development funding commitment was US$549.8 million.

Funding Commitment

Funding commitment represents our committed capital related to two equity method investments. As of June 30, 2023, our remaining capital commitment was US$10.6 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, 2023, the total research and development commitment amounted to US$18.0 million.

Pension Plan

We maintain a defined benefit pension plan in Switzerland. Funding obligations under the defined benefit pension plan are equivalent to US$2.6 million per year based on annual funding contributions in effect as of June 30, 2023 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$381.2 million for the acquisition of property, plant and equipment as of June 30, 2023, 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 are making a significant investment in our future manufacturing and clinical R&D center in the United States, a 42-acre site that is being constructed in Hopewell, NJ. We purchased this site for US$75.2 million, announced its groundbreaking on April 29, 2022 and have US$314.7 million of construction in process related to the project. We expect continued significant capital expenditures as we build out the Hopewell facility over the next several years.

We also enter into agreements with contract research organizations to some extent 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.

Legal Proceedings

In the ordinary course of business, the Company may be subject to legal proceedings, claims and litigation as the Company operates in an industry susceptible to patent legal claims. The Company accounts for estimated losses with respect to legal proceedings and claims when such losses are probable and estimable. Legal costs associated with these matters are expensed when incurred.

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$3.4 billion and US$3.9 billion, restricted cash of US$11.2 million and US$5.5 million, and short-term investments of US$0.1 billion and US$0.7 billion as of June 30, 2023 and December 31, 2022, 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, 2023, 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$0.4 million or an increase of US$0.4 million, respectively, as of June 30, 2023.

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$299.3 million and US$173.2 million as of June 30, 2023 and December 31, 2022, 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 4.9% in the six months ended June 30, 2023 and depreciated approximately 8.2% in the year ended December 31, 2022, respectively. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between the RMB and the U.S. dollar in the future.

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

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

Currency Convertibility Risk

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

Additionally, the value of 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, 2023.

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 16.5% as of June 30, 2023, which increased from 12.3% as of December 31, 2022. The increase was primarily due to the decrease in total shareholders' equity. The decrease of total shareholders' equity was mainly resulted from the net loss incurred during the six months ended June 30, 2023.

Material Investments Held

We are making a significant investment in our future manufacturing and clinical R&D center in the United States, a 42-acre site that is being constructed in Hopewell, NJ. We purchased this site for US$75.2 million, announced its groundbreaking on April 29, 2022 and have US$314.7 million of construction in process related to the project. We expect continued significant capital expenditures as we build out the Hopewell facility over the next several years.

Except as disclosed above, we did not hold any other material investments as of June 30, 2023.

Future Plans for Material Investments and Capital Assets

Except as disclosed in notes to the consolidated financial statements, we did not have other plans for material investments and capital assets as of June 30, 2023.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

During the six months ended June 30, 2023, we did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

Employee and Remuneration Policy

As of the date of this announcement, we had a global team of over 10,000 employees, which increased from approximately 9,000 employees as of December 31, 2022. 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, 2023 was US$753.0 million (June 30, 2022: US$662.2 million).

Pledge of Assets

As of June 30, 2023, we pledged restricted deposits of US$11.2 million (December 31, 2022: US$5.5 million) held in designated bank accounts for collateral for letters of credit and letters of guarantee, and land use right and certain property, plant, and equipment with a total carrying amount of US$183.3 million (December 31, 2022: US$123.9 million) were secured for long-term bank loans.

Contingent Liabilities

As of June 30, 2023, we did not have any material contingent liabilities (December 31, 2022: nil).

Interim Dividend

The Board does not recommend any interim dividend for the six months ended June 30, 2023 (For the six months ended June 30, 2022: 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 and complied with the code provisions in the Corporate Governance Code save for the following deviations.

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

Our Audit Committee is in compliance with Rule 3.21 of the HK Listing Rules and the Corporate Governance Code, except for the terms of reference required by paragraphs 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 three independent non-executive Directors, namely Mr. Thomas Malley, Mr. Anthony C. Hooper (redesignated as an independent non-executive director since April 17, 2023) and Dr. Corazon (Corsee) D. Sanders. 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, and review and approve matters relating to incentive-based compensation plans and equity-based plans. As of the date of this announcement, the Compensation Committee comprises three independent non-executive Directors, namely Dr. Margaret Han Dugan, Mr. Ranjeev Krishana and Mr. Qingqing Yi. Dr. Margaret Han Dugan is the chair of the Compensation Committee.

Our nominating and corporate governance committee (the "Nominating and Corporate Governance Committee") is in compliance with Rule 3.27A of the HK Listing Rules and 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 four independent non-executive Directors, namely Mr. Donald W. Glazer, Mr. Michael Goller, Mr. Anthony C. Hooper (redesignated as an independent non-executive director since April 17, 2023) and Dr. Alessandro Riva. 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:

Director	**Change in Position held with the Company**
Mr. Anthony C. Hooper	Redesignated as an independent non-executive director effective April 17, 2023 and remains as a member of the Audit Committee and the Nominating and Corporate Governance Committee and the chairman of the commercial and medical affairs advisory committee of the Board.

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, 2023:

Use of proceeds	Planned applications (US dollars in thousands)	Percentage of total net proceeds (%)	Actual usage up to December 31, 2022 (US dollars in thousands)	Actual usage up to June 30, 2023 (US dollars in thousands)	Unutilized net proceeds as of June 30, 2023 (US dollars in thousands)
To fund business operations[(a)]	2,779,241	100%	2,080,068	2,186,658	592,583

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 2026. 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 December 31, 2022, net proceeds amounting to US$50,000,000 had been fully utilized. Amgen did not exercise the Direct Purchase Option in the first half of 2023.

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. 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, June 27, 2022, August 30, 2022, September 28, 2022, April 25, 2023 and the circular dated April 30, 2021 of the Company.

As of June 30, 2023, net proceeds amounting to RMB10.9 billion had been utilized, and the remaining RMB10.7 billion will be gradually utilized in accordance with such intended purposes depending on actual business needs, and are expected to be fully utilized within five years after the completion of STAR Offering. The table below sets out the planned applications of the net proceeds and actual usage up to June 30, 2023:

Use of proceeds	Planned applications RMB'000	Actual usage up to December 31, 2022 RMB'000	Actual usage up to June 30, 2023 RMB'000	Unutilized net proceeds as of June 30, 2023 RMB'000
Clinical Development and Research Projects	13,245,940	4,499,849	5,859,120	7,386,820
R&D Center Construction	467,700	376,601	405,821	61,879
Bio-Manufacture Plant Construction	150,000	153,451	153,451	(3,451)*
Sales & Marketing Force Expansion	136,360	71,580	80,180	56,180
Replenishment of Working Capital	6,000,000	2,662,674	3,957,192	2,042,808
Excess of Proceeds	1,630,155	489,000	489,000	1,141,155
Total	21,630,155	8,253,155	10,944,764	10,685,391

* The excess over the planned applications for Bio-Manufacture Plant Construction was provided by interest income from the STAR Offering proceeds.

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 independent non-executive Directors, namely Mr. Thomas Malley, Mr. Anthony C. Hooper (redesignated as an independent non-executive director since April 17, 2023) and Dr. Corazon (Corsee) D. Sanders. 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, 2023. 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, 2023 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, 2023 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 25, 2023

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