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

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2023

BeiGene, Ltd. together with its subsidiaries (the "Company" or "BeiGene" or "we" or "us"), hereby announces the consolidated results of the Company for the year ended December 31, 2023 (the "Reporting Period"), together with the comparative figures for the corresponding period in 2022, which have been prepared under U.S. generally accepted accounting principles (the "U.S. GAAP" or "GAAP") and reviewed by the audit committee (the "Audit Committee") of the Board of Directors (the "Board") of the Company.

FINANCIAL HIGHLIGHTS

- *Total revenues for the year ended December 31, 2023, increased by approximately US$1.0 billion or approximately 73.7% to approximately US$2.5 billion, as compared to the year ended December 31, 2022. Product revenue increased by approximately US$935.2 million or approximately 74.5% to approximately US$2.2 billion, as compared to the year ended December 31, 2022.*

- *Total operating expenses for the year ended December 31, 2023, increased by approximately US$367.5 million or approximately 12.6% to approximately US$3,286.6 million, as compared to the year ended December 31, 2022.*

- *Net loss for the year ended December 31, 2023, decreased by approximately US$1.1 billion or approximately 56.0% to approximately US$881.7 million, as compared to the year ended December 31, 2022.*

- *Basic and diluted loss per share for the year ended December 31, 2023, amounted to US$0.65, representing a decrease of 56.4% when compared with that of US$1.49 for the year ended December 31, 2022.*

CONSOLIDATED BALANCE SHEETS

	Note	As of December 31, 2023 US$'000	2022 US$'000
Assets			
Current assets:			
Cash and cash equivalents		3,171,800	3,869,564
Short-term restricted cash	4	11,473	196
Short-term investments	5	2,600	665,251
Accounts receivable, net	6	358,027	173,168
Inventories, net	7	416,122	282,346
Prepaid expenses and other current assets	12	243,392	216,553
Total current assets		4,203,414	5,207,078
Non-current assets:			
Property, plant and equipment, net	9	1,324,154	845,946
Operating lease right-of-use assets	8	95,207	109,960
Intangible assets, net	10	57,138	40,616
Other non-current assets	12	125,362	175,690
Total non-current assets		1,601,861	1,172,212
Total assets		5,805,275	6,379,290
Liabilities and shareholders' equity			
Current liabilities:			
Accounts payable	13	315,111	294,781
Accrued expenses and other payables	12	693,731	467,352
Deferred revenue, current portion	3	–	213,861
Tax payable	11	22,951	25,189
Operating lease liabilities, current portion	8	21,950	24,041
Research and development cost share liability, current portion	3	68,004	114,335
Short-term debt	14	688,366	328,969
Total current liabilities		1,810,113	1,468,528

CONSOLIDATED BALANCE SHEETS (Continued)

	Note	As of December 31, 2023 US$'000	2022 US$'000
Non-current liabilities:			
Long-term debt	14	197,618	209,148
Deferred revenue, non-current portion	3	300	42,026
Operating lease liabilities, non-current portion	8	22,251	34,517
Deferred tax liabilities	11	16,494	15,996
Research and development cost share liability, non-current portion	3	170,662	179,625
Other long-term liabilities	12	50,510	46,095
Total non-current liabilities		457,835	527,407
Total liabilities		2,267,948	1,995,935
Commitments and contingencies	23		
Shareholders' Equity:			
Ordinary shares, US$0.0001 par value per share; 9,500,000,000 shares authorized; 1,359,513,224 and 1,356,140,180 shares issued and outstanding as of December 31, 2023 and 2022, respectively		135	135
Additional paid-in capital		11,598,688	11,540,979
Accumulated other comprehensive loss	19	(99,446)	(77,417)
Accumulated deficit		(7,962,050)	(7,080,342)
Total shareholders' equity		3,537,327	4,383,355
Total liabilities and shareholders' equity		5,805,275	6,379,290

CONSOLIDATED STATEMENTS OF OPERATIONS

	Note	Year Ended December 31, 2023 US$'000	2022 US$'000
Revenues			
Product revenue, net	15	2,189,852	1,254,612
Collaboration revenue	3	268,927	161,309
Total revenues		2,458,779	1,415,921
Cost of sales – product		379,920	286,475
Gross profit		2,078,859	1,129,446
Operating expenses			
Research and development		1,778,594	1,640,508
Selling, general and administrative		1,504,501	1,277,852
Amortization of intangible assets	10	3,500	751
Total operating expenses		3,286,595	2,919,111
Loss from operations		(1,207,736)	(1,789,665)
Interest income, net		74,009	52,480
Other income (expense), net	5	307,891	(223,852)
Loss before income taxes		(825,836)	(1,961,037)
Income tax expense	11	55,872	42,778
Net loss		(881,708)	(2,003,815)
Net loss per share (in US$)	17	(0.65)	(1.49)
Weighted-average shares outstanding – basic and diluted	17	1,357,034,547	1,340,729,572
Net loss per American Depositary Share ("ADS") (in US$)		(8.45)	(19.43)
Weighted-average ADSs outstanding – basic and diluted		104,387,273	103,133,044

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

	Note	Year Ended December 31, 2023 US$'000	2022 US$'000
Net loss		(881,708)	(2,003,815)
Other comprehensive (loss) income, net of tax of nil:			
Foreign currency translation adjustments	19	(25,464)	(90,421)
Pension liability adjustments, net	22	(5,611)	365
Unrealized holding loss, net	19	9,046	(5,311)
Comprehensive loss		(903,737)	(2,099,182)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Year Ended December 31, 2023 US$'000	2022 US$'000
Cash flows from operating activities:			
Net loss		(881,708)	(2,003,815)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization expense		87,675	66,278
Share-based compensation expense	18	367,618	303,162
Acquired in-process research and development	3	46,800	68,665
Amortization of research and development cost share liability	3	(55,294)	(96,402)
Unrealized losses on equity investments	5	16,221	21,996
Deferred income tax expense		689	2,059
Gain on BMS termination settlement	20	(362,917)	–
Other items, net		(5,998)	9,047
Changes in operating assets and liabilities:			
Accounts receivable		(188,306)	304,112
Inventories		(140,948)	(56,689)
Other assets		12,120	(3,282)
Accounts payable		21,484	(4,352)
Accrued expenses and other payables		180,111	45,627
Deferred revenue		(255,587)	(151,816)
Other liabilities		587	(1,209)
Net cash used in operating activities		(1,157,453)	(1,496,619)
Cash flows from investing activities:			
Purchases of property and equipment		(561,896)	(325,434)
Purchases of short-term investments		(2,075)	(1,485)
Proceeds from sale or maturity of short-term investments		673,240	1,563,618
Purchase of in-process research and development		(15,000)	(143,665)
Purchase of intangible assets	10	(19,365)	–
Purchase of long-term investments	5	(14,900)	(15,911)
Net cash provided by investing activities		60,004	1,077,123

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

	Note	Year Ended December 31, 2023 US$'000	2022 US$'000
Cash flows from financing activities:			
Proceeds from long-term loan	14	22,502	37,372
Proceeds from short-term loans	14	661,530	313,774
Repayment of loans	14	(323,266)	(417,081)
Proceeds from option exercises and employee share purchase plan		55,712	46,964
Net cash provided by (used in) financing activities		416,478	(18,971)
Effect of foreign exchange rate changes, net		(8,082)	(69,383)
Net decrease in cash, cash equivalents, and restricted cash		(689,053)	(507,850)
Cash, cash equivalents, and restricted cash, beginning of year		3,875,037	4,382,887
Cash, cash equivalents, and restricted cash, end of year		3,185,984	3,875,037
Supplemental cash flow disclosures:			
Cash and cash equivalents		3,171,800	3,869,564
Short-term restricted cash		11,473	196
Long-term restricted cash		2,711	5,277
Income taxes paid		56,003	29,500
Interest paid		19,753	25,169
Supplemental non-cash activities:			
Accruals for capital expenditures		91,804	95,346
Purchase of in-process research and development included in accounts payable		31,800	–

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Ordinary Shares					
	Shares	Amount US$'000	Additional Paid-In Capital US$'000	Accumulated Other Comprehensive Income/(Loss) US$'000	Accumulated Deficit US$'000	Total US$'000
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)
Issuance of shares reserved for share option exercises	1,375,621	–	–	–	–	–
Exercise of options, ESPP and release of RSUs	19,960,278	2	46,962	–	–	46,964
Share-based compensation	–	–	303,162	–	–	303,162
Other comprehensive loss	–	–	–	(95,367)	–	(95,367)
Net loss	–	–	–	–	(2,003,815)	(2,003,815)
Balance at December 31, 2022	1,356,140,180	135	11,540,979	(77,417)	(7,080,342)	4,383,355
Issuance of shares reserved for share option exercises	84,227	–	–	–	–	–
Exercise of options, ESPP and release of RSUs	26,561,925	2	53,006	–	–	53,008
Cancellation of ordinary shares	(23,273,108)	(2)	(362,915)	–	–	(362,917)
Share-based compensation	–	–	367,618	–	–	367,618
Other comprehensive loss	–	–	–	(22,029)	–	(22,029)
Net loss	–	–	–	–	(881,708)	(881,708)
Balance at December 31, 2023	1,359,513,224	135	11,598,688	(99,446)	(7,962,050)	3,537,327

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Organization

BeiGene, Ltd. (the "Company", "BeiGene", "it", "its") is a global oncology company discovering and developing innovative treatments that are more accessible and affordable to cancer patients worldwide. The Company generated global revenue of approximately US$2.5 billion in 2023, which increased by approximately US$1.0 billion, while reducing its net loss by approximately US$1.1 billion in comparison to 2022.

The Company currently has three approved medicines that were internally discovered and developed, including BRUKINSA® (zanubrutinib), a small molecule inhibitor of Bruton's Tyrosine Kinase ("BTK") for the treatment of various blood cancers; TEVIMBRA® (tislelizumab), an anti-PD-1 antibody immunotherapy for the treatment of various solid tumor and blood cancers; and PARTRUVIX® (pamiparib), a selective small molecule inhibitor of PARP1 and PARP2. The Company has obtained approvals to market BRUKINSA in the United States ("U.S."), the People's Republic of China ("China" or the "PRC"), the European Union ("EU"), the United Kingdom ("UK"), Canada, Australia, and additional international markets; TEVIMBRA (tislelizumab) in the EU and China; and PARTRUVIX 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 Beijing Novartis Pharma Co., Ltd. ("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. Recognizing the importance of clinical trial activities in its industry and the challenges associated with outsourcing to third-party contract research organizations ("CROs"), the Company has built its own 3,000+ person internal clinical team and is largely CRO-free. The Company has conducted more than 130 clinical trials in-house, with over 22,000 subjects enrolled in approximately 45 regions. This includes more than 40 pivotal or potentially registration-enabling trials across its portfolio.

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 at the Princeton West Innovation Park in Hopewell, New Jersey (the "Hopewell facility"), in addition to its existing 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 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 in the U.S., China, and Europe.

As of December 31, 2023, the Company had the following principal 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 (Beijing) Co., Ltd. ("BeiGene Beijing")	PRC*	RMB2,722,787,023	100%	Medical and pharmaceutical research and development, PRC
BeiGene Guangzhou Biologics Manufacturing Co., Ltd. ("BeiGene GuangzhouFactory")	PRC*	RMB14,530,380,600	100%	Medical and pharmaceutical research and development, manufacturing and commercialization, PRC
BeiGene (Shanghai) Co., Ltd. ("BeiGene Shanghai")	PRC*	RMB1,434,344,311	100%	Medical and pharmaceutical research and development, PRC
BeiGene (Suzhou) Co., Ltd. ("BeiGene Suzhou")	PRC*	RMB4,273,218,389	100%	Medical and pharmaceutical research and manufacturing and commercialization, PRC
BeiGene Pharmaceutical (Shanghai) Co., Ltd. ("BeiGene Pharmaceutical (Shanghai)")	PRC*	USD1,000,000	100%	Drug commercialization, PRC
BeiGene (Shanghai) Research & Development Co., Ltd.	PRC*	RMB620,000,000	100%	Medical and pharmaceutical research and development, PRC
BeiGene USA, Inc. ("BeiGene USA")	Delaware, United States	USD1	100%	Medical, pharmaceutical research and development and commercialization, U.S.
BeiGene AUS Pty Ltd ("BeiGene Australia")	Australia	USD56,947,230	100%	Medical, pharmaceutical research and development and commercialization, Australia
BeiGene Switzerland GmbH ("BeiGene Switzerland")	Switzerland	CHF20,000	100%	Medical, pharmaceutical research and development and commercialization, Switzerland
BeiGene Hopewell Urban Renewal, LLC	New Jersey, United States	USD507,943,128	100%	Medical and pharmaceutical research and development and manufacturing. U.S.

* Limited liability company established in PRC

2. Summary of Significant Accounting Policies

Basis of Presentation and Principles of Consolidation

The consolidated financial statements of the Company have been prepared in accordance with U.S. GAAP and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements include the financial statements of the Company and its subsidiaries. All significant intercompany transactions and balances between the Company and its wholly-owned subsidiaries are eliminated upon consolidation.

Use of Estimates

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

Recent Accounting Pronouncements

New accounting standards which have not yet been adopted

In November 2023, the FASB issued ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures. This update requires disclosure of incremental segment information on an annual and interim basis. This update is effective for annual periods beginning after December 15, 2023, and interim periods within annual periods beginning after December 15, 2024. Early adoption is permitted. This guidance should be applied retrospectively to all prior periods presented in the financial statements. The Company is currently evaluating the impact on its financial statements of adopting this guidance.

In December 2023, the FASB issued ASU 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures. This update requires that public entities on an annual basis, (1) in the rate reconciliation, disclose specific categories and provide additional information for reconciling items that meet a quantitative threshold; (2) about income taxes paid, disclose the amount of income taxes paid (net of refunds received) disaggregated by federal, state, and foreign taxes and by individual jurisdiction in which income taxes paid (net of refunds received) is equal to or greater than 5 percent of total income taxes paid (net of refunds received); and (3) disclose income (or loss) from continuing operations before income tax expense (or benefit) disaggregated between domestic and foreign and income tax expense (or benefit) disaggregated by federal, state, and foreign. This update is effective for annual periods beginning after December 15, 2024. Early adoption is permitted. This guidance should be applied on a prospective basis. Retrospective application is permitted. The Company is currently evaluating the impact on its financial statements of adopting this guidance.

3. Collaborative and Licensing Arrangements

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

Out-Licensing Arrangements

During the two years ended December 31, 2023, the Company's collaboration revenue related to its out-licensing collaborative agreements has consisted of upfront license fees, research and development services revenue and right to access intellectual property revenue from its collaboration agreements with Novartis for tislelizumab and ociperlimab.

The following table summarizes total collaboration revenue recognized for the years ended December 31, 2023 and 2022:

Revenue from Collaborators	**Year Ended December 31,**	
	2023	**2022**
	US$'000	**US$'000**
Research and development service revenue	79,431	46,822
Right to access intellectual property revenue	104,477	104,994
Material rights revenue	71,980	–
Other	13,039	9,493
Total	268,927	161,309

Novartis

Tislelizumab Collaboration and License

In January 2021, the Company entered into a collaboration and license agreement with Novartis, granting Novartis rights to develop, manufacture and commercialize tislelizumab in North America, Europe, and Japan (the "Novartis Territory"). The Company and Novartis 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 had the ability to 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 was 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 was responsible for funding ongoing clinical trials of tislelizumab, Novartis agreed to fund new registrational, bridging, or post-marketing studies in its territory, and each party was responsible for funding clinical trials evaluating tislelizumab in combination with its own or third party products. Each party retained the worldwide right to commercialize its propriety products in combination with tislelizumab.

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

The Company determined that the license, transfer of know-how and use of trademarks were not distinct from each other and represented a single performance obligation. The tislelizumab R&D services represented a material promise and were determined to be a separate performance obligation at the outset of the agreement as the promise was distinct and had standalone value to Novartis. The Company evaluated the supply component of the contract and noted the supply was not 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 would 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 was eligible to receive were excluded from the transaction price, as all milestone amounts were fully constrained due to uncertainty of achievement. The transaction price was allocated to the two identified performance obligations based on a relative fair value basis. The standalone selling price of the license, transfer of know-how and use of trademarks performance obligation was determined using the adjusted market assessment approach based on the probability-weighted present value of forecasted cash flows associated with out-licensing tislelizumab in the Novartis Territory. The standalone selling price of the R&D services was valued using a cost plus margin valuation approach based on the present value of estimated tislelizumab clinical trial costs plus a reasonable margin. Based on the relative standalone selling prices of the two performance obligations, US$484,646,000 of the total transaction price was allocated to the license and US$165,354,000 was allocated to the R&D services.

The Company satisfied the license performance obligation at a point in time when the license was delivered and the transfer of know-how completed which occurred during the year ended December 31, 2021. As such, the Company recognized the entire amount of the transaction price allocated to the license as collaboration revenue during the year ended December 31, 2021. The portion of the transaction price allocated to the R&D services was deferred and was being recognized as collaboration revenue as the R&D services were performed using a percentage-of-completion method. Estimated costs to complete were reassessed on a periodic basis and any updates to the revenue earned were recognized on a prospective basis.

In September 2023, the Company and Novartis agreed to mutually terminate the collaboration and license agreement, effective immediately. Pursuant to the termination agreement, the Company regained full, global rights to develop, manufacture and commercialize tislelizumab with no royalty payments due to Novartis. Novartis may continue its ongoing clinical trials and has the ability to conduct future combination trials with tislelizumab subject to BeiGene's approval. BeiGene agreed to provide Novartis with ongoing clinical supply of tislelizumab to support its clinical trials. Pursuant to the termination agreement, Novartis agreed to provide transition services to the Company to enable key aspects of the tislelizumab development and commercialization plan to proceed without disruption, including manufacturing, regulatory, safety and clinical support. Upon termination of the agreement in September 2023, there were no further performance obligations, and the remaining deferred revenue balance associated with the tislelizumab R&D services was recognized in full.

The following table summarizes collaboration revenue recognized in connection with the tislelizumab collaboration and license agreement for the years ended December 31, 2023 and 2022:

	Year Ended December 31,	
	2023	**2022**
	US$'000	**US$'000**
Research and development service revenue	72,278	39,655
Other[(1)]	5,067	9,493
Total	77,345	49,148

(1) Represents revenue recognized on 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 would have been 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 had 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 had agreed to share development costs of global trials. Following approval, the Company had agreed to provide 50 percent of the co-detailing and co-field medical efforts in the U.S., and had an option to co-detail up to 25 percent in Canada and Mexico, funded in part by Novartis. Each party retained the worldwide right to commercialize its propriety products in combination with ociperlimab, as was the case with tislelizumab under the tislelizumab collaboration and license agreement.

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

The Company concluded that, at the inception of the agreement, the option for the exclusive product license constitutes a material right as it represented 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 was 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 had limited value without the corresponding know-how transfer, and therefore should be combined into one distinct performance obligation. The R&D Services represented a material promise and were determined to be a separate performance obligation at the outset of the agreement as the promise is distinct and has standalone value to Novartis.

The Company determined the transaction price as of the outset of the arrangement was the upfront payment of US$300,000,000. The option exercise fee was contingent upon Novartis exercising its right and was considered fully constrained until the option is exercised. Additionally, the milestone and royalty payments were not applicable until after the option is exercised, at which point the likelihood of meeting milestones, regulatory approval and meeting certain sales thresholds will be assessed. The transaction price was allocated to the three identified performance obligations based on a relative fair value basis. The standalone selling price of the material right for the option to the exclusive product license was calculated as the incremental discount between (i) the value of the license determined using a discounted cash flow method adjusted for probability of the option being exercised and (ii) the expected option exercise fee using the most-likely-amount method at option exercise. The standalone selling price of the combined performance obligation for Novartis' right to access ociperlimab for its own clinical trials during the option period and the initial transfer of BeiGene know-how was determined using a discounted cash flow method. The standalone selling price of the R&D Services was determined using an expected cost plus margin approach. Based on the relative standalone selling prices of the three performance obligations, US$71,980,000 of the total transaction price was allocated to the material right, US$213,450,000 was allocated to Novartis' right to use ociperlimab in its own clinical trials during the option period and the transfer of BeiGene know-how, and US$14,570,000 was allocated to the R&D Services.

The Company would have satisfied the material right performance obligation at a point in time at the earlier of when Novartis exercised the option and the license was 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 was recognized over the expected option period. The portion of the transaction price allocated to the R&D Services was deferred and was recognized as collaboration revenue as the R&D Services were performed over the expected option period.

In July 2023, the Company and Novartis mutually agreed to terminate the ociperlimab option, collaboration and license agreement, effective immediately. Pursuant to the termination agreement, the Company regained full, global rights to develop, manufacture and commercialize ociperlimab. Upon termination, the Company had no further performance obligations under the collaboration, and all remaining deferred revenue balances were recognized in full. The China broad markets agreement remains in place.

The following table summarizes collaboration revenue recognized in connection with the ociperlimab option, collaboration and license agreement for the years ended December 31, 2023 and 2022:

	Year Ended December 31,	
	2023	2022
	US$'000	US$'000
Research and development service revenue	7,153	7,167
Right to access intellectual property revenue	104,477	104,994
Material rights revenue	71,980	–
Other[(2)]	8,859	–
Total	192,469	112,161

(2) Represents revenue generated under the broad markets marketing and promotion agreement in conjunction with the collaboration.

In-Licensing Arrangements – Commercial

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) ("AMG 510"), 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 AMG 510).

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 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 will recognize 100% of net product revenue on these sales. Amounts due to Amgen for its portion of net product sales will be recorded as cost of sales. Cost reimbursements due to or from Amgen under the profit share will be recognized as incurred and recorded to cost of sales; selling, general and administrative expense; or research and development expense, based on the underlying nature of the related activity subject to reimbursement. Costs incurred for the Company's portion of the global co-development funding are recorded to research and development expense as incurred.

In connection with the Amgen Collaboration Agreement, a Share Purchase Agreement ("Amgen SPA") was entered into by the parties on October 31, 2019. On January 2, 2020, the closing date of the transaction, Amgen purchased 15,895,001 of the Company's ADSs for US$174.85 per ADS, representing a 20.5% ownership stake in the Company. Per the Amgen SPA, the cash proceeds shall be used as necessary to fund the Company's development obligations under the Amgen Collaboration Agreement. Pursuant to the Amgen SPA, Amgen also received the right to designate one member of the Company's Board, and Anthony Hooper joined the Company's Board as the Amgen designee in January 2020. Amgen relinquished its right to appoint a designated director to the Company's Board 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 estimation of future cash flows involved management assumptions of revenue growth rates and probability of technical and regulatory success of the pipeline assets. The total cash proceeds of US$2,779,241,000 were allocated based on the relative fair value method, with US$2,162,407,000 recorded to equity and US$616,834,000 recorded as a research and development cost share liability. The cost share liability is being amortized proportionately as the Company contributes cash and development services to its total co-development funding cap.

Amounts recorded related to the Company's portion of the co-development funding on the pipeline assets for the years ended December 31, 2023 and 2022 were as follows:

	Year Ended December 31,	
	2023	2022
	US$'000	US$'000
Research and development expense	53,314	98,955
Amortization of research and development cost share liability	55,294	96,402
Total amount due to Amgen for BeiGene's portion of the development funding	108,608	195,357

	As of December 31, 2023
	US$'000
Remaining portion of development funding cap	483,651

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

	As of December 31,	
	2023	2022
	US$'000	US$'000
Research and development cost share liability, current portion	68,004	114,335
Research and development cost share liability, non-current portion	170,662	179,625
Total research and development cost share liability	238,666	293,960

The net reimbursement paid under the commercial profit-sharing agreement for in-line product sales is classified in the consolidated statements of operations for the two years ended December 31, 2023 as follows:

	Year Ended December 31,	
	2023	2022
	US$'000	US$'000
Cost of sales – product	8,358	5,898
Selling, general and administrative	(60,917)	(54,865)
Research and development	1,688	(1,216)
Total	(50,871)	(50,183)

The Company purchases commercial inventory from Amgen to distribute in China. Total inventory purchases amounted to US$108,691,000 and US$71,720,000, respectively, during the year ended December 31, 2023 and 2022. Net amounts payable to Amgen as of December 31, 2023 and 2022 were US$55,474,000 and US$54,064,000, respectively.

In-Licensing Arrangements – Development

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

Upfront and milestone payments made under these arrangements for the years ended December 31, 2023 and 2022 are set forth below. All upfront and development milestones were expensed to research and development expense. All regulatory and commercial milestones were capitalized as intangible assets and are being amortized over the remainder of the respective product patent or the term of the commercialization agreements.

Payments due to collaboration partners	Classification	Year Ended December 31, 2023 US$'000	2022 US$'000
Upfront payments	Research and development expense	46,800	68,665
Development milestone payments	Research and development expense	–	5,500
Regulatory and commercial milestone payments	Intangible asset	24,365	–
Total		71,165	74,165

Our significant license agreements are described below:

Ensem Therapeutics, Inc.

In November 2023, the Company entered into an exclusive global license to an Investigational New Drug application-ready oral cyclin-dependent kinase 2 inhibitor with Ensem Therapeutics, Inc. ("Ensem"). Under the terms of the agreement, Ensem received an upfront payment of US$30,000,000 in January 2024 and will be eligible for additional payments upon the achievement of certain development, regulatory, and commercial milestones, totaling up to US$1,300,000,000 in addition to tiered royalties. The upfront payment was expensed to research and development expense during the year ended December 31, 2023 in accordance with the Company's acquired in-process research and development expense policy.

Shandong Luye Pharmaceutical Co., Ltd.

In December 2022, the Company entered into an exclusive license agreement with Shandong Luye Pharmaceutical Co., Ltd. ("Luye") to develop (exclusive of indications for which Luye has submitted the drug marketing authorization application to the China National Medical Products Administration) and commercialize Luye's proprietary goserelin acetate extended-release microspheres for intramuscular injection known as LY01005 in mainland China. Under the terms of the agreement, the Company paid Luye an upfront license payment of US$48,665,000, exclusive of VAT, which was recognized as in-process research and development expense, and a prepayment of US$30,000,000 to be applied toward future supply purchases in December 2022. Luye is also eligible to receive future milestone payments upon achievement of certain regulatory milestones and tiered royalties on net sales. Luye is considered a related party due to a significant common shareholder. That shareholder has different representatives serving on each company's respective board of directors. The Company capitalized regulatory milestones of US$19,365,000 related to the Luye collaboration during the year ended December 31, 2023.

Shoreline Biosciences, Inc.

In June 2021, the Company entered into an exclusive worldwide strategic collaboration with Shoreline Biosciences, Inc. ("Shoreline") to develop and commercialize a portfolio of natural killer ("NK")-based cell therapeutics with Shoreline's induced pluripotent stem cells NK cell technology and the Company's research and clinical development capabilities for different malignancies. Under the collaboration, the Company and Shoreline were working jointly to develop cell therapies for four designated therapeutic targets, with an option to expand the collaboration at a future date. Clinical development was being led by the Company globally, with Shoreline responsible for clinical manufacturing. The Company had commercial rights globally, with Shoreline having an option to retain commercialization rights in the U.S. and Canada for two targets. Under the terms of the agreement, Shoreline received a US$45,000,000 upfront payment in January 2022 and was eligible to receive additional R&D funding, milestone payments and royalties based upon the achievement of certain development, regulatory, and commercial milestones. The upfront payment was expensed to research and development expense during the year ended December 31, 2021 in accordance with the Company's acquired in-process research and development expense policy. The Company and Shoreline terminated the collaboration effective in the first quarter of 2024.

Nanjing Leads Biolabs, Inc.

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

EUSA Pharma

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

Assembly Biosciences, Inc.

In July 2020, the Company entered into a collaboration agreement with Assembly Biosciences, Inc. ("Assembly") for Assembly's portfolio of three clinical-stage core inhibitor candidates for the treatment of patients with chronic hepatitis B virus ("HBV") infection in China. Under the terms of the agreement, Assembly granted BeiGene exclusive rights to develop and commercialize ABI-H0731, ABI-H2158 and ABI-H3733 in China, including Hong Kong, Macau, and Taiwan. BeiGene was responsible for development, regulatory submissions, and commercialization in China. Assembly retains full worldwide rights outside of the partnered territory for its HBV portfolio. Assembly received an upfront payment of US$40,000,000 and was eligible to receive payments upon achievement of development, regulatory and commercial milestones up to a total of US$503,750,000. Assembly was also eligible to receive tiered royalties on net sales. The upfront payment was expensed to research and development expense during the year ended December 31, 2020 in accordance with the Company's acquired in-process research and development expense policy. The Company received a termination notice from Assembly in December 2023.

Bio-Thera Solutions, Ltd.

In August 2020, the Company entered into a license, distribution and supply agreement with Bio-Thera Solutions, Ltd. ("Bio-Thera") for Bio-Thera's POBEVCY® (BAT1706), a biosimilar to Avastin® (bevacizumab) in China. The agreement became effective on September 10, 2020 upon approval of Bio-Thera's shareholders, and was subsequently assigned by the Company to its affiliate BeiGene (Guangzhou) Innovation Technology Co., Ltd. ("BeiGene Guangzhou") on September 18, 2020, as permitted by the agreement. Under the terms of the agreement, Bio-Thera agreed to grant BeiGene the right to develop, manufacture, and commercialize POBEVCY in China, including Hong Kong, Macau, and Taiwan. Bio-Thera retained rights outside of the partnered territory. Bio-Thera received an upfront payment of US$20,000,000 in October 2020 and is eligible to receive payments upon the achievement of regulatory and commercial milestones up to a total of US$145,000,000. The upfront payment was expensed to research and development expense during the year ended December 31, 2020 in accordance with the Company's acquired in-process research and development expense policy. In November 2021, POBEVCY obtained regulatory approval, and was subsequently launched, in China, triggering a milestone payment that was capitalized as an intangible asset that is being amortized over the remaining term of the license agreement. Bio-Thera is also receiving tiered royalties on product sales, which the Company records as cost of sales in the period the respective sales are generated. In December 2023, the Company capitalized a commercial milestone payable of US$5,000,000.

Other

In addition to the collaborations discussed above, the Company has entered into additional collaborative arrangements during the years ended December 31, 2023 and 2022. The Company may be required to pay additional amounts upon the achievement of various development and commercial milestones under these agreements. The Company may also incur significant research and development costs if the related product candidate were to advance to late-stage clinical trials. In addition, if any products related to these collaborations are approved for sale, the Company may be required to pay significant milestones upon approval and milestones and/or royalties on future sales. The payment of these amounts, however, is contingent upon the occurrence of various future events, which have a high degree of uncertainty of occurrence.

4. Restricted Cash

The Company's restricted cash primarily consist of RMB-denominated cash deposits held in designated bank accounts for collateral for letters of credit. The Company classifies restricted cash as current or non-current based on term of restriction. Restricted cash as of December 31, 2023 and 2022 was as follows:

	As of December 31,	
	2023	**2022**
	US$'000	**US$'000**
Short-term restricted cash	11,473	196
Long-term restricted cash	2,711	5,277
Total	14,184	5,473

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 PRC offering prospectus as well as those disclosed in the Company's proceeds management policy approved by the Board of the Company. As of December 31, 2023, the Company had cash remaining related to the STAR Offering proceeds of US$1,191,583,000.

5. Investments

Short-Term Investments

Short-term investments as of December 31, 2023 consisted of the following available-for-sale debt securities:

	Amortized Cost	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value (Net Carrying Amount)**
	US$'000	**US$'000**	**US$'000**	**US$'000**
U.S. treasury securities	2,565	35	–	2,600
Total	2,565	35	–	2,600

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

The Company does not consider the investments in U.S. treasury securities to be other-than-temporarily impaired at December 31, 2023. As of December 31, 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 December 31, 2023.

Equity Securities with Readily Determinable Fair Values

Leap Therapeutics, Inc.

In January 2020, the Company purchased US$5,000,000 of Series B mandatorily convertible, non-voting preferred stock of Leap Therapeutics, Inc. ("Leap") in connection with a strategic collaboration and license agreement the Company entered into with Leap. The Series B shares were subsequently converted into shares of Leap common stock and warrants to purchase additional shares of common stock upon approval of Leap's shareholders in March 2020. In September 2021, the Company purchased US$7,250,000 of common stock in Leap's underwritten public offering. As of December 31, 2023, the Company's ownership interest in the outstanding common stock of Leap was 2.9% 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 4.7%. The Company measures the investment in the common stock and warrants at fair value, with changes in fair value recorded to other income (expense), net.

The following table summarizes unrealized losses recognized on the Company's investment in Leap:

	Year Ended December 31, 2023 US$'000	2022 US$'000
Other expense, net	425	30,102

As of December 31, 2023 and 2022, the fair value of the common stock and warrants was as follows:

	As of December 31, 2023 US$'000	2022 US$'000
Fair value of Leap common stock	3,046	3,307
Fair value of Leap warrants	542	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$55,860,000 and US$57,054,000 in equity securities without readily determinable fair values as of December 31, 2023 and 2022, respectively.

The following table summarizes unrealized (losses) gains recognized on the Company's investment in equity securities without readily determinable fair values:

	Year Ended December 31,	
	2023	2022
	US$'000	US$'000
Other income (expense), net	(6,448)	5,065

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 investees' income and expenses, as well as dividends, if any. The Company holds equity-method investments totaling US$25,981,000 and US$27,710,000 as of December 31, 2023 and 2022, respectively.

The following table summarizes losses recognized on the Company's equity-method investments:

	Year Ended December 31,	
	2023	2022
	US$'000	US$'000
Other expense, net	7,856	3,682

6. Accounts receivable, net

	As of December 31,	
	2023	2022
	US$'000	US$'000
Accounts receivable	360,053	173,379
Less: impairment	(2,026)	(211)
Total	358,027	173,168

The Company's trading terms with its customers are mainly on credit and the credit periods generally range 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 December 31,	
	2023	2022
	US$'000	US$'000
Within 6 months	356,243	172,633
6 months to 12 months	1,784	535
Total	358,027	173,168

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

	Note	Year Ended December 31, 2023 US$'000	2022 US$'000
Beginning balance, as of January 1		211	415
Impairment losses/(reversal), net	*16*	1,861	(219)
Written-off		(43)	–
Exchange rate changes		(3)	15
Ending balance, as of December 31		2,026	211

7. Inventories, net

The Company's inventories, net balance consisted of the following:

	As of December 31, 2023 US$'000	2022 US$'000
Raw materials	148,772	88,957
Work in process	39,098	20,886
Finished goods	228,252	172,503
Total inventories	416,122	282,346

8. Leases

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

The components of lease expense were as follows:

	Year Ended December 31, 2023 US$'000	2022 US$'000
Operating lease cost	25,978	25,938
Variable lease cost	6,101	6,834
Short-term lease cost	1,683	1,299
Total lease cost	33,762	34,071

Supplemental balance sheet information related to leases was as follows:

	As of December 31,	
	2023	2022
	US$'000	US$'000
Operating lease right-of-use assets	43,490	56,008
Land use rights, net	51,717	53,952
Total operating lease right-of-use assets	95,207	109,960
Current portion of operating lease liabilities	21,950	24,041
Operating lease liabilities, non-current portion	22,251	34,517
Total lease liabilities	44,201	58,558

Maturities of operating lease liabilities are as follows:

	Amounts
	US$'000
Year ending December 31, 2024	23,499
Year ending December 31, 2025	14,148
Year ending December 31, 2026	5,740
Year ending December 31, 2027	3,155
Year ending December 31, 2028	1,682
Thereafter	932
Total lease payments	49,156
Less: imputed interest	(4,955)
Present value of lease liabilities	44,201

Other supplemental information related to leases is summarized below:

	Year ended December 31,	
	2023	2022
	US$'000	US$'000
Operating cash flows used in operating leases	27,985	28,064
ROU assets obtained in exchange for new operating lease liabilities	11,854	22,278

	As of December 31,	
	2023	2022
Weighted-average remaining lease term (years)	3	3
Weighted-average discount rate	7.22%	5.76%

9. Property, Plant and Equipment, Net

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

	As of December 31,	
	2023	2022
	US$'000	US$'000
Land	65,485	65,485
Laboratory equipment	205,349	158,908
Leasehold improvements	60,124	53,786
Building	231,656	222,448
Manufacturing equipment	186,856	175,679
Software, electronics and office equipment	83,281	47,483
Property and equipment, at cost	832,751	723,789
Less: accumulated depreciation	(249,212)	(171,470)
Construction in progress	740,615	293,627
Property, plant and equipment, net	1,324,154	845,946

Construction in progress ("CIP") as of December 31, 2023 and 2022 primarily related to the construction of the manufacturing and clinical R&D campus in Hopewell, a new building for Beijing Innerway Bio-tech Co., Ltd., and additional capacity at the Guangzhou and Suzhou manufacturing facilities. CIP by fixed asset class are summarized as follows:

	As of December 31,	
	2023	2022
	US$'000	US$'000
Building	579,649	224,392
Manufacturing equipment	119,380	33,332
Laboratory equipment	16,135	12,256
Other	25,451	23,647
Total	740,615	293,627

Depreciation expense for the years ended December 31, 2023 and 2022 were US$80,436,000 and US$62,302,000, respectively.

10. Intangible Assets

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

	December 31, 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:						
Developed products	64,274	(7,807)	56,467	41,235	(4,119)	37,116
Other	8,987	(8,316)	671	8,316	(4,816)	3,500
Total finite-lived intangible assets	73,261	(16,123)	57,138	49,551	(8,935)	40,616

Developed products represent 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.

Amortization expense for developed products is included in cost of sales-product in the accompanying consolidated statements of operations. Amortization expense for other intangible assets 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 is as follows:

	Year Ended December 31,	
	2023	2022
	US$'000	US$'000
Amortization expense – Cost of sales – product	3,739	3,225
Amortization expense – Operating expense	3,500	751
Total	7,239	3,976

Estimated amortization expense for each of the five succeeding years and thereafter, as of December 31, 2023 is as follows:

Year Ending December 31,	Cost of Sales – Product US$'000	Operating Expenses US$'000	Total US$'000
2024	4,776	224	5,000
2025	4,776	224	5,000
2026	4,776	223	4,999
2027	4,776	–	4,776
2028	4,776	–	4,776
2029 and thereafter	32,587	–	32,587
Total	56,467	671	57,138

11. Income Taxes

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

	Year Ended December 31,	
	2023	2022
	US$'000	US$'000
U.S.	117,446	67,744
PRC	(315,852)	(583,610)
Other	(627,430)	(1,445,171)
Total	(825,836)	(1,961,037)

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

	Year Ended December 31,	
	2023	2022
	US$'000	US$'000
Current Tax Expense:		
U.S.	25,170	4,844
PRC	24,956	27,905
Other	5,059	6,547
Total	55,185	39,296
Deferred Tax Expense:		
PRC	687	3,480
Other	–	2
Total	687	3,482
Income Tax Expense	55,872	42,778

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

	Year Ended December 31,	
	2023	2022
	US$'000	US$'000
Loss before tax	(825,836)	(1,961,037)
U.S. statutory tax rate	21%	21%
Expected taxation at U.S. statutory tax rate	(173,426)	(411,818)
Foreign and preferential tax rate differential	141,902	209,692
Non-deductible expenses	19,134	29,223
Stock compensation expenses	32,581	33,872
State tax expense (benefit)	(3,464)	1,375
Change in valuation allowance	845,811	229,550
Tax relief credits	(704,928)	–
Research tax credits and incentives	(64,343)	(42,844)
Foreign-derived intangible income	(37,395)	(6,272)
Taxation for the year	55,872	42,778
Effective tax rate	(6.8)%	(2.2)%

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

	Year Ended December 31,	
	2023	2022
	US$'000	US$'000
Accruals and reserves	106,708	97,896
Net operating losses carryforward	996,588	862,214
Stock-based compensation	26,687	19,700
Research tax credits	68,117	86,000
Tax relief credits	704,928	–
Depreciable and amortizable assets	687,600	798,563
Lease liability obligation	7,893	10,348
R&D and other capitalized costs	164,190	63,156
Right-of-use assets	(7,735)	(10,098)
Gross deferred tax assets	2,754,976	1,927,779
Less:valuation allowance	(2,771,470)	(1,943,775)
Net deferred tax liabilities	(16,494)	(15,996)

Valuation allowances have been provided on deferred tax assets where, based on all available evidence, it was considered more likely than not that some portion or all of the recorded deferred tax assets will not be realized in future periods. After consideration of all positive and negative evidence, the Company believes that as of December 31, 2023, it is more likely than not that net deferred tax assets will not be realized. Adjustments may be required in the future if the Company estimates that the amount of deferred tax assets to be realized is more or less than the net amount recorded.

The valuation allowances for the years ended December 31, 2023 and 2022 were as follows:

	Year Ended December 31,	
	2023	2022
	US$'000	US$'000
Beginning balance, as of January 1	1,943,775	1,758,409
Additions charged to income tax provision	845,811	229,550
Currency translation and other	(18,116)	(44,184)
Ending balance, as of December 31	2,771,470	1,943,775

As of December 31, 2023 and 2022, the Company had net operating losses of approximately US$5,945,753,000 and US$5,077,247,000, respectively. As of December 31, 2023, net operating losses were primarily comprised of: US$1,839,748,000 from entities in the PRC which expire in years 2024 through 2033; US$4,088,658,000 derived from Switzerland which expires in years 2025 through 2030; and, US$2,047,000 derived from entities in the U.S. that have an indefinite carryforward. The Company has approximately US$76,794,000 of U.S. research tax credits which will expire between 2036 and 2043 and approximately US$704,928,000 of Switzerland tax relief credits which will expire in 2028, if not utilized.

The gross unrecognized tax benefits for the years ended December 31, 2023 and 2022 were as follows:

	Year Ended December 31,	
	2023	2022
	US$'000	US$'000
Beginning balance, as of January 1	11,555	9,925
Additions based on tax positions related to the current tax year	2,709	1,630
Ending balance, as of December 31	14,264	11,555

Current and prior year additions include an assessment of U.S. federal and state tax credits and incentives. None of the unrecognized tax benefits as of December 31, 2023 would impact the consolidated income tax rate if ultimately recognized due to valuation allowances. The Company does not anticipate that the amount of existing unrecognized tax benefits will significantly change within the next 12 months.

The Company has elected to record interest and penalties related to income taxes as a component of income tax expense. For the years ended December 31, 2023 and 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 December 31, 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 2020 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 2013 through 2023.

The Company qualifies for the Technology Advanced Service Enterprises and High and New Technology Enterprise status for certain subsidiaries in China, which expire at the end of 2025. The income tax benefits attributable to this status for the year ended December 31, 2023 is approximately US$3,092,000, or less than US$0.01 per share outstanding.

As of December 31, 2023, the Company asserts indefinite reinvestment on the excess of the financial reporting bases over tax bases in the Company's investments in foreign subsidiaries to the extent reversal would incur a significant tax liability. A deferred tax liability has not been established for the approximately US$2,969,000 of cumulative undistributed foreign earnings. Determination of the unrecognized deferred tax liability is not practicable due to the uncertainty and overall complexity of the hypothetical calculation.

12. Supplemental Balance Sheet Information

Prepaid expenses and other current assets consisted of the following:

	As of December 31,	
	2023	2022
	US$'000	US$'000
Prepaid research and development costs	60,476	71,488
Prepaid taxes	37,320	20,478
Other receivables	36,124	22,777
Interest receivable	1,735	3,039
Prepaid insurance	8,872	3,664
Prepaid manufacturing cost	42,066	58,950
Other current assets	56,799	36,157
Total	243,392	216,553

Other non-current assets consisted of the following:

	As of December 31,	
	2023	2022
	US$'000	US$'000
Prepayment of property and equipment	4,144	22,025
Prepaid supply cost[(1)]	18,122	48,642
Prepaid VAT	2,546	804
Rental deposits and other	8,195	7,054
Long-term restricted cash	2,711	5,277
Long-term investments	89,644	91,779
Other	–	109
Total	125,362	175,690

(1) Represents payments for future supply purchases under the license agreement with Luye 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 consisted of the following:

	As of December 31,	
	2023	2022
	US$'000	US$'000
Compensation related	217,803	184,775
External research and development activities related	162,969	139,168
Commercial activities	87,572	51,806
Individual income tax and other taxes	30,083	18,815
Sales rebates and returns related	139,936	41,817
Other	55,368	30,971
Total accrued expenses and other payables	693,731	467,352

Other long-term liabilities consist of the following:

	As of December 31,	
	2023	2022
	US$'000	US$'000
Deferred government grant income	34,204	38,176
Pension liability	14,995	7,760
Asset retirement obligation	1,127	–
Other	184	159
Total other long-term liabilities	50,510	46,095

13. Accounts payable

An aging analysis of the accounts payables as of December 31, 2023 and 2022, based on the invoice date, is as follows:

	As of December 31,	
	2023	2022
	US$'000	US$'000
Within 3 months	302,310	290,284
3 to 6 months	8,205	2,570
6 months to 1 year	4,551	1,379
Over 1 year	45	548
Total	315,111	294,781

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

14. Debt

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

Lender	Agreement Date	Line of Credit US$'000/RMB'000	Term	Maturity Date	Interest Rate	As of December 31, 2023 US$'000	2023 RMB'000	2022 US$'000	2022 RMB'000
China Construction Bank	April 4, 2018	RMB580,000	9-year	April 4, 2027	(1)	14,089	100,000	7,250	50,000
China Merchants Bank	January 22, 2020	(2)	9-year	January 20, 2029	(2)	8,856	62,857	1,450	10,000
China Merchants Bank	November 9, 2020	RMB378,000	9-year	November 8, 2029	(3)	5,636	40,000	5,437	37,500
China Merchants Bank	July 28, 2023	US$380,000	1-year	December 25, 2024	(4)	300,000	2,129,321	–	–
China Minsheng Bank	December 20, 2023	US$150,000	1-year	December 19, 2024	7.3%	150,000	1,064,660	–	–
China Minsheng Bank	September 24, 2020	US$200,000		(5)		–	–	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%	56,356	400,000	–	–
HSBC Bank	May 4, 2023	RMB340,000	1-year	May 3, 2024	(6)	47,903	340,000	–	–
China Industrial Bank	May 30, 2023	RMB200,000	1-year	May 29, 2024	2.8%	28,177	200,000	–	–
Shanghai Pudong Development Bank	November 14, 2023	RMB700,000	1-year	November 21, 2024	2.9%	49,312	350,000	–	–
Other short-term debt (7)						28,037	199,000	114,832	792,000
Total short-term debt						688,366	4,885,838	328,969	2,268,905
China Construction Bank	April 4, 2018	RMB580,000	9-year	April 4, 2027	(1)	59,174	420,000	75,395	520,000
China Merchants Bank	January 22, 2020	(2)	9-year	January 20, 2029	(2)	37,638	267,143	47,847	330,000
China Merchants Bank	November 9, 2020	RMB378,000	9-year	November 8, 2029	(3)	42,337	300,500	49,369	340,500
China CITIC Bank	July 29, 2022	RMB480,000	10-year	July 28, 2032	(8)	58,469	415,000	36,537	252,000
Total long-term debt						197,618	1,402,643	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 December 31, 2023. The Company repaid US$6,987,000 (or RMB50,000,000) during the year ended December 31, 2023. The loan is secured by BeiGene Guangzhou Factory's land use right and certain Guangzhou Factory fixed assets in the first phase of the Guangzhou manufacturing facility's build out.

2. On January 22, 2020, BeiGene Guangzhou Factory entered into a nine-year bank loan with China Merchants Bank to borrow up to RMB1,100,000,000 at a floating interest rate benchmarked against prevailing interest rates of certain PRC financial institutions. The loan is secured by Guangzhou Factory's second land use right and certain fixed assets in 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, 2021, the borrowing capacity was reduced from RMB1,100,000,000 to RMB350,000,000. The loan interest rate was 4.1% as of December 31, 2023. The Company repaid US$1,422,000 (RMB10,000,000) during the year ended December 31, 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 Co., Ltd. ("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 3.9% as of December 31, 2023. The loan is secured by fixed assets that will be placed into service upon completion of the third phase of the Guangzhou manufacturing facility's build out. The Company repaid US$5,281,000 (RMB37,500,000) during the year ended December 31, 2023.

4. The outstanding borrowings bear floating interest rates benchmarking the Secured Overnight Financing Rate ("SOFR"). The loan interest rate was 7.2% as of December 31, 2023.

5. 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, of which US$120,000,000, 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 Shareholder Loan and US$80,000,000 was designated for general working capital purposes. The loan had an original maturity date of October 8, 2021, which was the first anniversary of the first date of utilization of the loan. The Company may extend the original maturity date for up to two additional twelve-month periods. On October 8, 2021, the Company extended the maturity date for twelve months to October 8, 2022 and repurposed the 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. The Company repaid the outstanding principal of the loan in the amount of US$150,000,000 during the year ended December 31, 2023.

6. The outstanding borrowings bear floating interest rates benchmarking Hong Kong interbank market rate for RMB. The loan interest rate was 4.5% as of December 31, 2023.

7. During the two years ended December 31, 2023, the Company entered into additional 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 May 24, 2024. The Company drew down US$28,174,000 (RMB199,000,000) and repaid US$109,576,000 (RMB792,000,000) during the year ended December 31, 2023. The weighted average interest rate for the short-term working capital loans was approximately 3.2% as of December 31, 2023. The outstanding principal balance is due in May 2024.

8. 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 loan interest rate was 3.9% as of December 31, 2023. The loan is secured by BeiGene Suzhou's land use right and certain fixed assets that will be placed into service upon completion of the small molecule manufacturing campus in Suzhou, China. The Company drew down US$22,502,000 (RMB163,000,000) during the year ended December 31, 2023.

The Company has numerous financial and non-financial covenants on its debt obligations with various banks and other lenders. Some of these covenants include cross-default provisions that could require acceleration of repayment of loans in the event of default. However, the Company's debt is primarily short-term in nature. Any acceleration would be a matter of months but may impact the Company's ability to refinance debt obligations if an event of default occurs. As of December 31, 2023, the Company is in compliance with all covenants of our material debt agreements.

Contractual Maturities of Debt Obligations

The aggregate contractual maturities of all borrowings due subsequent to December 31, 2023 are as follows:

Maturity dates	**Amounts US$'000**
Year ending December 31, 2024	688,366
Year ending December 31, 2025	35,565
Year ending December 31, 2026	46,279
Year ending December 31, 2027	46,279
Year ending December 31, 2028	25,146
Thereafter	44,349
Total	885,984

Interest Expense

Interest on bank loans is paid quarterly until the respective loans are fully settled. Interest expense recognized for the years ended December 31, 2023 and 2022 amounted to US$20,800,000 and US$21,699,000, respectively, among which, US$16,571,000 and US$2,594,000 was capitalized, respectively.

15. Product Revenue

The Company's product revenue is primarily derived from the sale of its internally developed products BRUKINSA in the U.S., 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 years ended December 31, 2023 and 2022.

	Year Ended December 31,	
	2023	2022
	US$'000	US$'000
Product revenue – gross	2,718,969	1,438,440
Less: Rebates and sales returns	(529,117)	(183,828)
Product revenue – net	2,189,852	1,254,612

The following table disaggregates net product revenue by product for the years ended December 31, 2023 and 2022.

	Year Ended December 31,	
	2023	2022
	US$'000	US$'000
BRUKINSA®	1,290,396	564,651
Tislelizumab	536,620	422,885
REVLIMID®	76,018	79,049
XGEVA®	92,828	63,398
POBEVCY®	56,547	38,124
BLINCYTO®	54,342	36,107
KYPROLIS®	39,799	13,696
VIDAZA®	13,960	15,213
Pamiparib	6,668	5,460
Other	22,674	16,029
Total product revenue – net	2,189,852	1,254,612

The following table presents the roll-forward of accrued sales rebates and returns for the years ended December 31, 2023 and 2022.

	Year Ended December 31,	
	2023	2022
	US$'000	US$'000
Beginning balance, as of January 1	41,817	59,639
Accrual	529,117	183,828
Payment	(430,998)	(201,650)
Ending balance, as of December 31	139,936	41,817

16. Loss before Income Tax Expense

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

	Note	Year Ended December 31, 2023 US$'000	2022 US$'000
Cost of inventories sold		379,920	286,475
Depreciation of property, plant and equipment	9	80,436	62,302
Research and development costs (note)		1,778,594	1,640,508
Operating lease cost	8	25,978	25,938
Amortization of license rights	10	7,239	3,976
Employee benefit expense (including directors' and chief executive's remuneration):			
Wages, salaries and other benefits		1,120,403	1,000,890
Share-based compensation expenses	18	367,588	303,162
Pension scheme contributions (defined contribution scheme)		62,092	50,358
		1,550,083	1,354,410
Foreign exchange differences, net		64,760	233,812
Impairment of accounts receivable, net	6	1,861	(219)
Impairment of inventories		2,964	1,140
Bank interest income		(78,373)	(74,234)

Note:

During the year ended December 31, 2023 and 2022, research and development costs of approximately US$699,289,000 and US$602,585,000 were also included in employee benefit expense.

17. Loss Per Share

Loss per share was calculated as follows:

	Year Ended December 31, 2023 US$'000	2022 US$'000
Numerator:		
Net loss	(881,708)	(2,003,815)
Denominator:		
Weighted average shares outstanding for computing basic and diluted loss per share	1,357,034,547	1,340,729,572
Loss per share (in US$)	(0.65)	(1.49)

For the years ended December 31, 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.

The effects of all share options and restricted share units were excluded from the calculation of diluted loss per share as their effect would have been anti-dilutive during the years ended December 31, 2023 and 2022.

18. Share-Based Compensation

2016 Share Option and Incentive Plan

In January 2016, in connection with its U.S. IPO, the Board and shareholders of the Company approved the 2016 Share Option and Incentive Plan (the "2016 Plan"), which became effective in February 2016. The Company initially reserved 65,029,595 ordinary shares for the issuance of awards under the 2016 Plan, plus any shares available under the 2011 Option Plan (the "2011 Plan"), and not subject to any outstanding options as of the effective date of the 2016 Plan, along with underlying share awards under the 2011 Plan that are cancelled or forfeited without issuance of ordinary shares. As of December 31, 2023, ordinary shares cancelled or forfeited under the 2011 Plan that were carried over to the 2016 Plan totaled 5,166,822. The 2016 Plan provided for an annual increase in the shares available for issuance, to be added on the first day of each fiscal year, beginning on January 1, 2017, equal to the lesser of (i) five percent (5%)% of the outstanding shares of the Company's ordinary shares on the last day of the immediately preceding fiscal year or (ii) such number of shares determined by the Company's Board or the compensation committee. On January 1, 2018, 29,603,616 ordinary shares were added to the 2016 Plan under this provision. However, in August 2018, in connection with the Hong Kong IPO, the Board of the Company approved an amended and restated 2016 Plan to remove this "evergreen" provision and implement other changes required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "HK Listing Rules"). In December 2018, the shareholders of the Company approved a second amended and restated 2016 Plan to increase the number of shares authorized for issuance by 38,553,159 ordinary shares, as well as amend the cap on annual compensation to independent directors and make other changes. In June 2020, the shareholders approved an Amendment No. 1 to the 2016 Plan to increase the number of shares authorized for issuance by 57,200,000 ordinary shares and to extend the term of the plan through April 13, 2030. The number of shares available for issuance under the 2016 Plan is subject to adjustment in the event of a share split, share dividend or other change in the Company's capitalization.

As of December 31, 2023, share-based awards to acquire 37,575,472 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 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 the Company approved the 2018 Inducement Equity Plan (the "2018 Plan") and reserved 12,000,000 ordinary shares to be used exclusively for grants of awards to individuals who were not previously employees of the Company or its subsidiaries, as a material inducement to the individual's entry into employment with the Company or its subsidiaries, within the meaning of Rule 5635(c)(4) of the NASDAQ Listing Rules. The 2018 Plan was approved by the Board upon recommendation of the compensation committee, without shareholder approval pursuant to Rule 5635(c)(4) of the NASDAQ Listing Rules. The terms and conditions of the 2018 Plan, and the forms of award agreements to be used thereunder, are substantially similar to the 2016 Plan and the forms of award agreements thereunder. In August 2018, in connection with the listing of the Company's ordinary shares on The Stock Exchange of Hong Kong Limited (the "HKEX"), the Board of the Company approved an amended and restated 2018 Plan to implement changes required by the HK Listing Rules.

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 August 2018, in connection with the Hong Kong IPO, the Board of the Company approved an amended and restated ESPP to remove an "evergreen" share replenishment provision originally included in the plan and implement other changes required by the HK Listing Rules. In December 2018, the shareholders of the Company approved a second amended and restated ESPP to increase the number of shares authorized for issuance by 3,855,315 ordinary shares to 7,355,315 ordinary shares. The ESPP allows eligible employees to purchase the Company's ordinary shares (including in the form of ADSs) at the end of each offering period, which will generally be six months, at a 15% discount to the market price of the Company's ADSs at the beginning or the end of each offering period, whichever is lower, using funds deducted from their payroll during the offering period. Eligible employees are able to authorize payroll deductions of up to 10% of their eligible earnings, subject to applicable limitations.

The following tables summarizes the shares issued under the ESPP:

		Market Price[1]		Purchase Price[2]		
Issuance Date	**Number of Ordinary Shares Issued**	**ADS US$**	**Ordinary US$**	**ADS US$**	**Ordinary US$**	**Proceeds US$'000**
August 31, 2023	794,144	207.55	15.97	176.42	13.57	10,777
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
August 31, 2021	425,386	308.30	23.72	262.06	20.16	8,575
February 26, 2021	436,124	236.30	18.18	200.86	15.45	6,738

1 The market price is the lower of the closing price on 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.

As of December 31, 2023, 1,941,075 ordinary shares were available for future issuance under the ESPP.

Share options

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

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

	Number of Options	Weighted Average Exercise Price US$	Weighted Average Grant Date Fair Value US$	Weighted Average Remaining Contractual Term Years	Aggregate Intrinsic Value US$'000
Outstanding at December 31, 2021	72,204,888	7.08			
Granted	12,516,816	12.34	6.40		
Exercised	(5,898,217)	4.63			52,258
Forfeited	(2,296,634)	16.46			
Outstanding at December 31, 2022	76,526,853	7.85			
Granted	9,817,925	16.37	8.14		
Exercised	(6,974,331)	4.54			92,051
Forfeited	(1,225,334)	17.60			
Outstanding at December 31, 2023	78,145,113	9.06		5.09	465,231
Exercisable as of December 31, 2023	59,221,091	6.93		3.91	452,750
Vested and expected to vest at December 31, 2023	75,306,510	8.81		4.95	463,359

As of December 31, 2023, the unrecognized compensation cost related to 16,085,419 unvested share options expected to vest was US$96,053,000. This unrecognized compensation will be recognized over an estimated weighted-average amortization period of 2.5 years.

The total fair value of employee share option awards vested during the years ended December 31, 2023 and 2022 was US$61,121,000 and US$62,548,000, respectively.

Fair value of options

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

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

	Year Ended December 31,	
	2023	**2022**
Fair value of ordinary share	US$7.26 ~ US$10.72	US$5.51 ~ US$9.04
Risk-free interest rate	3.4% ~ 4.6%	1.8% ~ 3.9%
Expected exercise multiple	2.8	2.8
Expected volatility	58% ~ 60%	51% ~ 60%
Expected dividend yield	0%	0%
Contractual life	10 years	10 years

Restricted shares

The Company had no restricted share activities during the years ended December 31, 2023 and 2022.

As of December 31, 2023, all compensation cost related to restricted shares was fully recognized.

Restricted share units

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

	Numbers of Shares	**Weighted-Average Grant Date Fair Value US$**
Outstanding at December 31, 2021	36,082,982	18.33
Granted	38,707,669	12.46
Vested	(12,533,586)	16.37
Forfeited	(6,859,892)	16.72
Outstanding at December 31, 2022	55,397,173	14.87
Granted	34,573,994	15.57
Vested	(17,862,598)	14.71
Forfeited	(5,707,546)	15.47
Outstanding at December 31, 2023	66,401,023	15.22
Expected to vest at December 31, 2023	56,440,870	15.22

As of December 31, 2023, the unrecognized compensation cost related to unvested restricted share units expected to vest was US$702,778,000. This unrecognized compensation will be recognized over an estimated weighted-average amortization period of 2.8 years.

Share-based compensation expense

The following table summarizes total share-based compensation cost recognized for the years ended December 31, 2023 and 2022:

	Year Ended December 31,	
	2023	**2022**
	US$'000	**US$'000**
Research and development	163,550	139,348
Selling, general and administrative	204,038	163,814
Total	367,588	303,162

19. Accumulated Other Comprehensive (Loss) Income

The movement of accumulated other comprehensive (loss) income was as follows:

	Foreign Currency Translation Adjustments US$'000	**Unrealized Gains/Losses on Available-for-Sale Securities US$'000**	**Pension Liability Adjustments US$'000**	**Total US$'000**
December 31, 2021	27,898	(3,700)	(6,248)	17,950
Other comprehensive loss before reclassifications	(90,421)	(5,311)	(446)	(96,178)
Amounts reclassified from accumulated other comprehensive (loss) income[(1)]	–	–	811	811
Net-current period other comprehensive (loss) income	(90,421)	(5,311)	365	(95,367)
December 31, 2022	(62,523)	(9,011)	(5,883)	(77,417)
Other comprehensive income (loss) before reclassifications	(25,464)	9,046	(6,422)	(22,840)
Amounts reclassified from accumulated other comprehensive (loss) income[(1)]	–	–	811	811
Net-current period other comprehensive (loss) income	(25,464)	9,046	(5,611)	(22,029)
December 31, 2023	(87,987)	35	(11,494)	(99,446)

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

20. Shareholders' Equity

BMS Settlement

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. In consideration for the shares being returned, the Company agreed to drop its claims 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. The receipt of the shares occurred on August 15, 2023. The Company recorded a noncash gain upon receipt of US$362,917,000, which represents the fair value on the day the shares were received. The gain was recorded within other income (expense), net in the consolidated statements of operations. The shares were constructively retired as of December 31, 2023. The Company recorded the amount of the cancelled shares in excess of par to additional paid-in capital.

21. Restricted Net Assets

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

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

During the years ended December 31, 2023 and 2022, no appropriation to statutory reserves was made, because the PRC subsidiaries had an accumulated deficit as of the end of such periods.

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

Foreign exchange and other regulations in the PRC may further restrict the Company's PRC subsidiaries from transferring funds to the Company in the form of dividends, loans, and advances. As of December 31, 2023 and 2022, amounts restricted were the net assets of the Company's PRC subsidiaries, which amounted to US$4,125,458,000 and US$3,548,881,000, respectively.

22. Employee Benefit Plans

Defined Contribution Plans

Full-time employees of the Company in the PRC participate in a government mandated defined contribution plan, pursuant to which certain pension benefits, medical care, employee housing fund and other welfare benefits are provided to employees. Chinese labor regulations require that the Company's PRC subsidiaries make contributions to the government for these benefits based on certain percentages of the employees' salaries. The Company has no legal obligation for the benefits beyond the contributions made. The total amounts for such employee benefits, which were expensed as incurred, were US$94,358,000 and US$83,860,000 for the years ended December 31, 2023 and 2022, respectively.

The Company maintains a defined contribution 401(k) savings plan (the "401(k) Plan") for U.S. employees. The 401(k) Plan covers all U.S. employees, and allows participants to defer a portion of their annual compensation on a pretax basis. In addition, the Company has a matching contribution to the 401(k) Plan, which, in the 2023 plan year, matched dollar for dollar of eligible contributions up to 4%. Company contributions to the 401(k) Plan totaled US$15,316,000 and US$10,298,000 in the years ended December 31, 2023 and 2022, respectively.

The Company maintains a government mandated program to cover its employees in Switzerland for pension, death, or disability. The program is considered a defined contribution plan. Employer and employee contributions are made based on various percentages of salaries and wages that vary based on employee age and other factors. Company contributions into the program amounted to US$2,710,000 and US$3,887,000 in the years ended December 31, 2023 and 2022, respectively.

Company contributions into defined contribution plans for the remaining subsidiaries were immaterial.

Defined Benefit Plan

The Company maintains a defined benefit pension plan covering its employees in Switzerland (the "Swiss Plan"). This plan is a government mandated fund that provides benefits to employees upon retirement, death, or disability. Contributions are made based on various percentages of participants' salaries and wages determined based on participants' age and other factors. As of December 31, 2023 and 2022, the projected benefit obligations under the Swiss Plan were approximately US$70,600,000 and US$45,835,000, respectively, and plan assets were approximately US$55,605,000 and US$38,075,000, respectively. The funded status of the Swiss Plan is included in other long-term liabilities in the accompanying consolidated balance sheets. The initial determination of the pension liability was recorded as other comprehensive loss during the year ended December 31, 2021 and subsequently amortized as a component of net periodic pension cost (see Note 19).

The Company's annual contribution to the Swiss Plan is estimated to be approximately US$3,577,000 in 2023 and is expected to evolve thereafter proportionally with changes in staffing and compensation levels, actuarial assumptions and actual investment returns on plan assets.

The following table reflects the total expected benefit payments to Swiss Plan participants and have been estimated based on the same assumptions used to measure the Company's benefit obligations as of December 31, 2023:

Year(s)	**Amounts US$'000**
Year ending December 31, 2024	607
Year ending December 31, 2025	214
Year ending December 31, 2026	580
Year ending December 31, 2027	985
Year ending December 31, 2028	811
Thereafter	9,569
Total	12,766

23. Commitments and Contingencies

Purchase Commitments

As of December 31, 2023, the Company had purchase commitments amounting to US$169,212,000, of which US$41,186,000 related to minimum purchase requirements for supply purchased from contract manufacturing organizations and US$128,026,000 related to binding purchase order obligations of inventory from BMS and Amgen. The Company does not have any minimum purchase requirements for inventory from BMS or Amgen.

Capital commitments

The Company had capital commitments amounting to US$333,498,000 for the acquisition of property, plant and equipment as of December 31, 2023, which were mainly for the Company's manufacturing and clinical R&D campus in Hopewell, New Jersey, additional capacity at the Guangzhou and Suzhou manufacturing facilities, and a 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 clinical development costs for the Amgen oncology pipeline assets up to a total cap of US$1,250,000,000. The Company is funding its portion of the co-development costs by contributing cash and/or development services. As of December 31, 2023, the Company's remaining co-development funding commitment was US$483,651,000.

Funding Commitment

The Company had committed capital related to two equity method investments in the amount of US$15,055,000. As of December 31, 2023, the remaining capital commitment was US$8,905,000 and is expected to be paid from time to time over the investment period.

Other Business Agreements

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

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

24. Segment and Geographic Information

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

The Company's long-lived assets are primarily located in the PRC and the U.S.

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

	Year Ended December 31,	
	2023	**2022**
	US$'000	**US$'000**
U.S. – total revenue	**1,128,219**	**502,626**
Product revenue	945,551	389,710
Collaboration revenue	182,668	112,916
China – total revenue	**1,101,951**	**840,032**
Product revenue	1,093,091	840,032
Collaboration revenue	8,860	–
Europe – total revenue	**202,014**	**63,257**
Product revenue	122,228	14,864
Collaboration revenue	79,786	48,393
Rest of world – total revenue	**26,595**	**10,006**
Product revenue	28,982	10,006
Collaboration revenue	(2,387)	–
Total Revenue	**2,458,779**	**1,415,921**

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

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

	Year ended December 31, 2023			
		IFRS adjustments		
Consolidated statement of operations data	**Amounts as reported under U.S. GAAP**	**Share-based compensation and related tax (note (i))**	**Lease (note (iii))**	**Amounts under IFRS**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Research and development	(1,778,594)	(31,745)	1,344	(1,808,995)
Selling, general and administrative	(1,504,501)	(21,942)	1,659	(1,524,784)
Interest income (expense), net	74,009	–	(3,082)	70,927
Loss before income tax expense	(825,836)	(53,687)	(79)	(879,602)
Income tax expense	(55,872)	(15,000)	–	(70,872)
Net loss	(881,708)	(68,687)	(79)	(950,474)

	Year ended December 31, 2022			
		IFRS adjustments		
Consolidated statement of operations data	**Amounts as reported under U.S. GAAP**	**Share-based compensation and related tax (note (i))**	**Lease (note (iii))**	**Amounts under IFRS**
	US$'000	**US$'000**	**US$'000**	**US$'000**
Research and development	(1,640,508)	(14,697)	471	(1,654,734)
Selling, general and administrative	(1,277,852)	(19,296)	366	(1,296,782)
Interest income (expense), net	52,480	–	(3,142)	49,338
Loss before income tax expense	(1,961,037)	(33,993)	(2,305)	(1,997,335)
Income tax (expense) benefit	(42,778)	10,311	–	(32,467)
Net loss	(2,003,815)	(23,682)	(2,305)	(2,029,802)

Consolidated balance sheet data	Year ended December 31, 2023				
		IFRS adjustments			
	Amounts as reported under U.S. GAAP	Share based compensation and related tax (note (i))	Preferred Shares (note (ii))	Lease (note (iii))	Amounts under IFRS
	US$'000	US$'000	US$'000	US$'000	US$'000
Operating lease right-of-use assets	95,207	–	–	(2,384)	92,823
Total assets	5,805,275	–	–	(2,384)	5,802,891
Additional paid-in capital	11,598,688	68,687	–	–	12,183,311
		208,042*	307,894*	–	
Accumulated deficit	(7,962,050)	(68,687)	–	(79)	(8,549,057)
		(208,042)*	(307,894)*	(2,305)*	
Total equity	3,537,327	–	–	(2,384)	3,534,943

Consolidated balance sheet data	Year ended December 31, 2022				
		IFRS adjustments			
	Amounts as reported under U.S. GAAP	Share based compensation and related tax (note (i))	Preferred Shares (note (ii))	Lease (note (iii))	Amounts under IFRS
	US$'000	US$'000	US$'000	US$'000	US$'000
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	–	–	12,056,915
		174,049*	307,894*	–	
Accumulated deficit	(7,080,342)	(33,993)	–	(2,305)	(7,598,583)
		10,311	–	–	
		(184,360)*	(307,894)*	–	
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$53,687,000 arose between the amount of share-based compensation (included in research and development expenses, and selling, general and administrative expenses) recognized under U.S. GAAP and IFRS for the year ended December 31, 2023 (2022: US$33,993,000).

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 are classified as mezzanine equity as these convertible preferred shares are redeemable upon the occurrence of a conditional event (i.e., Liquidation Transaction). The holders of the Preferred Shares have a liquidation preference upon the occurrence of the conditional event. The conversion options and contingent redemption options of the convertible preferred shares do not qualify for bifurcation accounting because the conversion options are clearly and closely related to the host instrument and the underlying ordinary shares of the conversion options and redemption options are not publicly traded nor readily convertible into cash. No beneficial conversion features are recognized for the convertible preferred shares as the fair values per ordinary share at the respective commitment dates were less than the most favorable conversion prices. The Company concluded that the Preferred Shares are not redeemable currently and is not probable that the Preferred Shares will become redeemable because the likelihood of the Liquidation Transaction is remote. Therefore, no adjustment will be made to the initial carrying amount of the Preferred Shares until it is probable that they will become redeemable.

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

(iii) 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 assets 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.

26. Dividends

The Board of the Company did not recommend the distribution of any annual dividend for the year ended December 31, 2023 (year ended December 31, 2022: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Non-GAAP Financial Measures

We provide certain financial measures that are not defined under U.S. GAAP, commonly referred to as non-GAAP financial measures, including Adjusted Operating Expenses and Adjusted Income (Loss) from Operations and certain other non-GAAP measures, each of which include adjustments to U.S. GAAP figures. These non-GAAP measures are intended to provide additional information on our operating performance. Adjustments to our U.S. GAAP figures exclude, as applicable, non-cash items such as share-based compensation, depreciation and amortization. Certain other special items or substantive events may also be included in the non-GAAP adjustments periodically when their magnitude is significant within the periods incurred. We maintain an established non-GAAP policy that guides the determination of what items may be excluded in non-GAAP financial measures. We believe that these non-GAAP measures, when considered together with the U.S. GAAP figures, can enhance an overall understanding of our operating performance. The non-GAAP financial measures are included with the intent of providing investors with a more complete understanding of our historical and expected financial results and trends and to facilitate comparisons between periods and with respect to projected information. In addition, these non-GAAP financial measures are among the indicators BeiGene's management uses for planning and forecasting purposes and measuring our performance. These non-GAAP financial measures should be considered in addition to, and not as a substitute for, or superior to, U.S. GAAP financial measures. The non-GAAP financial measures used by BeiGene may be calculated differently from, and therefore may not be comparable to, non-GAAP financial measures used by other companies.

Overview

BeiGene made great progress for the full year of 2023 toward our goal to become an impactful next-generation oncology innovator. We have solidified our leadership in hematology with the continued success of BRUKINSA's global launch, led by U.S. and Europe. Our cost advantaged research and development and manufacturing have enabled us to build one of the largest and most exciting oncology pipelines in the industry. We look forward to a transformative year for BeiGene as we continue to deliver on operational excellence propelled by outstanding growth in revenue across new and existing geographies.

Key highlights for the full year 2023 are as follows:

- Continued rapid global growth with record total revenues of $2.5 billion for the full year 2023, an increase of 73.7% from prior year;

- Strengthened leadership in hematology with global BRUKINSA® (zanubrutinib) sales of $1.3 billion for the full year 2023, an increase of 128.5% from prior year;

- Progressed innovative hematology pipeline with initiation of four registrational trials for sonrotoclax, including global Phase 3 study in treatment-naïve CLL, and two global expansion cohorts for BTK CDAC in R/R CLL, R/R MCL; and

- Sustained growth with diverse product and geographic revenue mix and improved operating leverage.

Recent Business Developments

On March 14, 2024 (U.S. Eastern Time), we announced that the U.S. Food and Drug Administration ("FDA") has approved TEVIMBRA® (tislelizumab) as monotherapy for the treatment of adult patients with unresectable or metastatic esophageal squamous cell carcinoma ("ESCC") after prior systemic chemotherapy that did not include a PD-(L)1 inhibitor.

On December 22, 2023, we announced FDA has approved a label update for BRUKINSA to include superior progression-free survival ("PFS") results from the Phase 3 ALPINE trial comparing BRUKINSA against IMBRUVICA® (ibrutinib) in previously treated patients with relapsed or refractory ("R/R") chronic lymphocytic leukemia ("CLL").

On November 21, 2023, we announced an agreement to acquire an exclusive global license to Ensem Therapeutics, Inc.'s ("Ensem") Investigational New Drug ("IND") application-ready oral cyclin-dependent kinase 2 ("CDK2") inhibitor. Ensem will receive an upfront payment, and will be eligible for additional payments upon the achievement of certain development, regulatory, and commercial milestones, in addition to tiered royalties.

On November 17, 2023, we announced that the European Commission ("EC") granted marketing authorization for BRUKINSA in combination with obinutuzumab for the treatment of adult patients with R/R follicular lymphoma ("FL") who have received at least two prior lines of systemic therapy.

In the first quarter of 2024, we incurred US$35.0 million related to milestone payments in connection with business development transactions.

FUTURE AND OUTLOOK

We were founded with the vision to create an integrated biopharmaceutical company to address challenges in the pharmaceutical 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 a substantial global development and medical affairs team** of 3,000+ people on five continents, allowing us to run clinical trials predominantly without reliance on 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.

2. **We have built one of the world's largest, most productive and cost-effective oncology research teams** with 1,100+ scientists. Their efforts have been validated by commercial approvals, clinical data, and collaborations that have secured US$1.5 billion in collaboration payments to the Company. We have successfully developed three commercially approved medicines from our internal discovery engine, including BRUKINSA and TEVIMBRA. 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 ("R/R") chronic lymphocytic leukemia ("CLL"). Our broad pipeline also includes internally developed products with the potential to be best-in-class or first-in-class, including sonrotoclax (our BCL-2 inhibitor) and BGB-16673 (a BTK-targeted CDAC) that have both demonstrated their potential with early data. Our pipeline also includes many early-stage assets for targets including, pan-KRAS, PRMT5, CDK4, CDK2, B7H3 ADC, CEA-ADC, B7H4-ADC, MUC1 x CD16A bispecific antibody ("BsAb"), and Claudin6 x CD3 BsAb. We have invested in technology platforms, including CDAC protein degraders, bispecific antibodies, tri-specific antibodies, ADCs, cell therapies, and mRNA. Our research and innovation capabilities will ensure we discover high-quality and impactful medicines for patients.

3. **We have built a strong commercial portfolio, centered around two foundational medicines, BRUKINSA and TEVIMBRA,** that are primary revenue sources and 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 37 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. In December 2023, the U.S. Food and Drug Administration ("FDA") approved a label update for BRUKINSA to include superior progression-free survival ("PFS") results from the Phase 3 ALPINE trial comparing BRUKINSA against IMBRUVICA in previously treated patients with R/R CLL. We believe the differentiation of BRUKINSA has been recognized by the market and global BRUKINSA sales increased 128.5% in 2023 vs. 2022. BRUKINSA allows us to build a strong position in heme-oncology and we plan to solidify our leadership in CLL with sonrotoclax (BCL2i) and our BTK-CDAC while amplifying our impact in other B-cell malignancies with progressive treatment strategies such as fixed duration and rational sequencing. Our solid tumor franchise is led by our anti-PD-1 monoclonal antibody, TEVIMBRA, which is currently approved in China in twelve indications and has achieved the commercial market leader position in China in the PD-1/PD-L1 class. Outside of China, TEVIMBRA has been approved in Europe and South Korea and we anticipate U.S. approval on or before July 2024 for first-line ESCC. With TEVIMBRA and the potentially best-in-class or first-in-class pipeline assets targeting pan-KRAS, PRMT5, CDK4, CDK2, B7H3 ADC, CEA-ADC, B7H4-ADC, MUC1 x CD16A BsAb, and Claudin6 x CD3 BsAb, we are well-positioned to build our solid tumor business and deliver innovative therapies and combinations to patients.

4. **We have a differentiated global commercial organization** of over 3,700 people to deliver medicines to patients around the globe, including over 500 in North America and Europe. In North America, our team continues to grow BRUKINSA sales following the approvals in the U.S. and Canada for CLL and small lymphocytic lymphoma ("SLL") indications in 2023. In China, the commercial team is marketing 17 internally developed and licensed medicines across solid tumors and hematology. BRUKINSA and TEVIMBRA continue to strengthen market leadership positions in China in the BTKi and PD-1/PD-L1 classes, respectively. Altogether, BRUKINSA has been approved in more than 65 markets, with additional filings pending or planned. We reacquired the global rights of TEVIMBRA from Novartis in 2023 upon bilateral agreement. TEVIMBRA received approval from EMA and South Korea and additional approvals and filings are pending or planned. Our strategy is to commercialize our medicines broadly throughout the world. Our commercial capabilities have expanded into the Asia Pacific, Latin America and Middle East regions through our affiliates or 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 continue to 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 had cash and cash equivalents of US$3.2 billion as of December 31, 2023. We already have substantial product revenue of US$2.2 billion including from our cornerstone assets, which we expect to continue to grow significantly in 2024 and beyond. We expect product revenue growth to outpace our operating expense growth, which will allow us to continue to improve our operating leverage and cash flow. We will continue to be thoughtful and strategic in how we deploy our capital, and we are committed to generating long-term value for our shareholders.

FINANCIAL REVIEW

Results of Operations

Comparison of the Years Ended December 31, 2023 and 2022

The following table summarizes our results of operations for the years ended December 31, 2023 and 2022:

	Year Ended December 31,		Change	
	2023	2022	US$	%
	(US dollars in thousands)			
Revenues				
Product revenue, net	2,189,852	1,254,612	935,240	74.5%
Collaboration revenue	268,927	161,309	107,618	66.7%
Total revenues	2,458,779	1,415,921	1,042,858	73.7%
Cost of sales – product	379,920	286,475	93,445	32.6%
Gross profit	2,078,859	1,129,446	949,413	84.1%
Operating expenses				
Research and development	1,778,594	1,640,508	138,086	8.4%
Selling, general and administrative	1,504,501	1,277,852	226,649	17.7%
Amortization of intangible assets	3,500	751	2,749	366.0%
Total operating expenses	3,286,595	2,919,111	367,484	12.6%
Loss from operations	(1,207,736)	(1,789,665)	581,929	(32.5)%
Interest income, net	74,009	52,480	21,529	41.0%
Other income (expense), net	307,891	(223,852)	531,743	(237.5)%
Loss before income tax expense	(825,836)	(1,961,037)	1,135,201	(57.9)%
Income tax expense	55,872	42,778	13,094	30.6%
Net loss	(881,708)	(2,003,815)	1,122,107	(56.0)%

Revenue

Total revenue increased by US$1.0 billion to US$2.5 billion for the year ended December 31, 2023, from US$1.4 billion for the year ended December 31, 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 and POBEVCY. Additionally, collaboration revenue increased due to the recognition of the remaining deferred revenue associated with the Novartis collaborations upon termination of the agreements.

The following table summarizes the components of revenue for the year ended December 31, 2023 and 2022, respectively:

	Year Ended December 31,		Changes	
	2023	2022	US$	%
	(US dollars in thousands)			
Product revenue	2,189,852	1,254,612	935,240	74.5%
Collaboration revenue:				
Material rights revenue	71,980	–	71,980	NA
Research and development service revenue	79,431	46,822	32,609	69.6%
Right to access intellectual property revenue	104,477	104,994	(517)	(0.5)%
Other	13,039	9,493	3,546	37.4%
Total collaboration revenue	268,927	161,309	107,618	66.7%
Total Revenue	2,458,779	1,415,921	1,042,858	73.7%

Total revenue by geographic area is presented as follows (amounts in thousands of U.S. dollars)[1]:

	Twelve Months Ended December 31,			
	2023	%	2022	%
United States total revenue	**1,128,219**	**45.9%**	**502,626**	**35.5%**
Product revenue	945,551	38.5%	389,710	27.5%
Collaboration revenue	182,668	7.4%	112,916	8.0%
China total revenue	**1,101,951**	**44.8%**	**840,032**	**59.3%**
Product revenue	1,093,091	44.5%	840,032	59.3%
Collaboration revenue	8,860	0.3%	–	–%
Europe total revenue	**202,014**	**8.2%**	**63,257**	**4.5%**
Product revenue	122,228	5.0%	14,864	1.0%
Collaboration revenue	79,786	3.2%	48,393	3.5%
Rest of word total revenue	**26,595**	**1.1%**	**10,006**	**0.7%**
Product revenue	28,982	1.2%	10,006	0.7%
Collaboration revenue	(2,387)	(0.1)%	–	–%
Total Revenue	**2,458,779**	**100.0%**	**1,415,921**	**100.0%**

1 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.

Net product revenue consisted of the following:

	Year Ended December 31,		Changes	
	2023	2022	US$	%
	(US dollars in thousands)			
BRUKINSA®	1,290,396	564,651	725,745	128.5%
Tislelizumab	536,620	422,885	113,735	26.9%
REVLIMID®	76,018	79,049	(3,031)	(3.8)%
XGEVA®	92,828	63,398	29,430	46.4%
POBEVCY®	56,547	38,124	18,423	48.3%
BLINCYTO®	54,342	36,107	18,235	50.5%
VIDAZA®	13,960	15,213	(1,253)	(8.2)%
KYPROLIS®	39,799	13,696	26,103	190.6%
Pamiparib	6,668	5,460	1,208	22.1%
Other	22,674	16,029	6,645	41.5%
Total product revenue	2,189,852	1,254,612	935,240	74.5%

Net product revenue was US$2.2 billion for the year ended December 31, 2023, compared to US$1.3 billion in the prior year, primarily due to increased sales volume of BRUKINSA in the U.S., Europe and China and increased sales volume of tislelizumab in China slightly offset by lower selling price due to expansion in NRDL listing. In addition, there were increased sales of our Amgen in-licensed products due to a new marketing strategy.

Global sales of BRUKINSA totaled US$1.3 billion for the year ended December 31, 2023, representing a 128.5% increase compared to the prior year and U.S. sales of BRUKINSA totaled US$945.6 million for the year ended December 31, 2023 compared to US$389.7 million in the prior year, representing growth of 142.6%. 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$193.8 million for the year ended December 31, 2023, representing growth of 28.9% compared to the prior year, driven by an increase in all approved indications. BRUKINSA sales in the EU and rest of world totaled US$122.2 million and US$28.8 million, respectively, for the year ended December 31, 2023, representing growth of 722.3% and 194.8%, respectively, compared to the prior-year period, driven by a significant increase in all approved indications, specifically in CLL, SLL and WM.

Sales of tislelizumab in China totaled US$536.6 million for the year ended December 31, 2023, representing a 26.9% increase compared to the prior year. During the year ended December 31, 2023, new patient demand on account of broader reimbursement in NRDL listing and further expansion of our salesforce and hospital listings continued to drive increased market penetration and market share for tislelizumab. Full year 2023 sales of tislelizumab included two negative adjustments totaling US$13.2 million for distributor channel inventory compensation as a result of inclusion in the March 2023 and January 2024 NRDL lists.

Collaboration revenue totaled US$268.9 million for the year ended December 31, 2023, primarily related to the recognition of the remaining deferred revenue associated with the Novartis collaborations upon termination of the agreements during 2023. Collaboration revenue consisted of US$79.4 million recognized from deferred revenue for R&D services performed during the year ended December 31, 2023 under both the tislelizumab and ociperlimab collaborations, US$104.5 million recognized from deferred revenue for Novartis' right to access ociperlimab over the option period, US$72.0 million recognized from deferred material right revenue associated with the ociperlimab collaboration upon termination and US$13.0 million recognized related primarily to revenue generated under the broad markets marketing and promotion agreement. Collaboration revenue totaled US$161.3 million for the year ended December 31, 2022, of which US$46.8 million was recognized from deferred revenue for R&D services performed during the year ended December 31, 2022 under both the tislelizumab and ociperlimab collaborations, US$105.0 million was recognized from deferred revenue for Novartis' right to access ociperlimab over the option period, and US$9.5 million was recognized related to the sale of tislelizumab clinical supply to Novartis (see Note 3 to our consolidated financial statements included in this announcement).We expect collaboration revenue to decrease for the year ended December 31, 2024 due to the recent terminations with Novartis.

Cost of Sales

Cost of sales increased to US$379.9 million for the year ended December 31, 2023 from US$286.5 million for the year ended December 31, 2022, primarily due to increased sales volume of BRUKINSA and tislelizumab as well as sales of in-licensed products from Amgen in China.

Gross Margin

Gross margin on global product sales increased to US$1.8 billion, or 82.7% as a percentage of sales, for the year ended December 31, 2023, compared to US$1.0 billion, or 77.2% as a percentage of sales, for the year ended December 31, 2022, primarily due to increased revenue volume, regional price mix in the current year period and slightly lower per unit costs due to higher production volumes.

Research and Development Expense

Research and development expense increased by US$138.1 million, or 8.4%, to US$1.8 billion for the year ended December 31, 2023, from US$1.6 billion for the year ended December 31, 2022. The following table summarizes the external cost of development programs, upfront license fees, and internal research and development expense for the years ended December 31, 2023 and 2022:

	Year Ended December 31,		Changes	
	2023	2022	US$	%
	(US dollars in thousands)			
External research and development expense:				
Cost of development programs	551,417	469,497	81,920	17.4%
Upfront license fees	46,800	68,665	(21,865)	(31.8)%
Amgen co-development expenses[1]	53,315	98,955	(45,640)	(46.1)%
Total external research and development expenses	651,532	637,117	14,415	2.3%
Internal research and development expenses	1,127,062	1,003,391	123,671	12.3%
Total research and development expenses	1,778,594	1,640,508	138,086	8.4%
Adjusted research and development expense[2]	1,558,960	1,474,919	84,041	5.7%

1. Our co-funding obligation for the development of the pipeline assets under the Amgen collaboration for the year ended December 31, 2023 totaled US$108.6 million, of which US$53.3 million was recorded as R&D expense. The remaining US$55.3 million was recorded as a reduction for the R&D cost share liability.

2. Adjusted research and development expense is intended to provide investors and others with information about our performance without the effect of items that, by their nature, tend to obscure core operating results due to potential variability across periods based on the timing, frequency and magnitude of such items. Refer to Non-GAAP Financial Measures and Non-GAAP Reconciliation in this MD&A for more information about, and a detailed reconciliation of, these items.

The increase in external research and development expenses for the year ended December 31, 2023 was primarily attributable to higher external clinical trial costs for BRUKINSA, on account of comparator drug purchases, and due to a ramp up of clinical studies for sonrotoclax (BGB-11417) as well as clinical supply and preclinical trial costs for certain other assets in our portfolio. The increase was partially offset by lower external clinical trial costs for TEVIMBRA (tislelizumab) and ociperlimab due to certain studies winding down, lower upfront license fees under collaboration agreements and a decrease in the expense recognized on co-development fees to Amgen.

Internal research and development expense increased by US$123.7 million, or 12.3%, to US$1.1 billion from US$1.0 billion for the year ended December 31, 2022, 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.

Selling, General and Administrative Expense

	Year Ended December 31,		Changes	
	2023	2022	US$	%
	(US dollars in thousands)			
Selling, general and administrative expense	1,504,501	1,277,852	226,649	17.7%
Adjusted selling, general and administrative expense[1]	1,284,689	1,077,977	206,712	19.2%

1. Adjusted selling, general and administrative expense is intended to provide investors and others with information about our performance without the effect of items that, by their nature, tend to obscure core operating results due to potential variability across periods based on the timing, frequency and magnitude of such items. Refer to Non-GAAP Financial Measures and Non-GAAP Reconciliation in this MD&A for more information about, and a detailed reconciliation of, these items.

Selling, general and administrative expense increased by US$226.6 million, or 17.7%, to US$1.5 billion for the year ended December 31, 2023, from US$1.3 billion for the year ended December 31, 2022. The increase was primarily attributable to the expansion of our commercial organizations primarily in the U.S. and Europe.

Interest Income, Net

Interest income, net increased by US$21.5 million, or 41.0%, to US$74.0 million for the year ended December 31, 2023, compared to US$52.5 million for the year ended December 31, 2022. The increase in interest income, net, was primarily attributable to higher interest rates earned on our cash, cash equivalents and short-term investments and lower interest expense due to an increase in interest capitalization related to the Hopewell construction.

Other Income (Expense), Net

Other income, net for the year ended December 31, 2023 was US$307.9 million, primarily due to the noncash gain of US$362.9 million recorded for the receipt of our ordinary shares as consideration for our settlement with BMS and government subsidy income, partially offset by foreign exchange 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 and unrealized losses on equity investments.

For the year ended December 31, 2022, other expense, net was US$223.9 million primarily related to foreign exchange losses resulting from the strengthening of the U.S. dollar and the revaluation impact of foreign currencies held in U.S. functional currency subsidiaries and unrealized losses on our equity investments. These losses were partially offset by increased income from government subsidies.

Income Tax Expense

Income tax expense was US$55.9 million for the year ended December 31, 2023 compared with US$42.8 million for the year ended December 31, 2022. The income tax expense for the year ended December 31, 2023, was primarily attributable to current China tax expense for certain subsidiaries determined after non-deductible expenses and current U.S. tax expense, as a result of capitalization and amortization of research and development expenditures required pursuant to Internal Revenue Code Section 174. Other current tax expense was primarily attributable to foreign non-creditable withholding taxes.

In December 2021, the Organization for Economic Cooperation and Development ("OECD") enacted model rules for a new global minimum tax framework ("BEPS Pillar Two"), and various governments around the world have enacted, or are in the process of enacting legislation on this. While we do not anticipate that this will have a material impact on our tax provision or effective tax rate, we will continue to monitor and assess pending legislation and implementation by individual countries and evaluate the potential impact on our business in future periods.

Non-GAAP Reconciliation

	Year Ended December 31,	
	2023	2022
	(US dollars in thousands)	
Reconciliation of GAAP to adjusted cost of sales – products:		
GAAP cost of sales – products	379,920	286,475
Less: Depreciation	8,578	–
Less: Amortization of intangibles	3,739	3,225
Adjusted cost of sales – products	367,603	283,250
Reconciliation of GAAP to adjusted research and development:		
GAAP research and development	1,778,594	1,640,508
Less: Share-based compensation expenses	163,550	139,348
Less: Depreciation	56,084	26,241
Adjusted research and development	1,558,960	1,474,919
Reconciliation of GAAP to adjusted selling, general and administrative:		
GAAP selling, general and administrative	1,504,501	1,277,852
Less: Share-based compensation expenses	204,038	163,814
Less: Depreciation	15,774	36,061
Adjusted selling, general and administrative	1,284,689	1,077,977
Reconciliation of GAAP to adjusted operating expenses		
GAAP operating expenses	3,286,595	2,919,111
Less: Share-based compensation expenses	367,588	303,162
Less: Depreciation	71,858	62,302
Less: Amortization of intangibles	3,500	751
Adjusted operating expenses	2,843,649	2,552,896
Reconciliation of GAAP to adjusted loss from operations:		
GAAP loss from operations	(1,207,736)	(1,789,665)
Plus: Share-based compensation expenses	367,588	303,162
Plus: Depreciation	80,436	62,302
Plus: Amortization of intangibles	7,239	3,976
Adjusted loss from operations	(752,473)	(1,420,225)

DISCUSSION OF CERTAIN KEY BALANCE SHEET ITEMS

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

As of December 31, 2023, the Company's cash, cash equivalents, restricted cash and short-term investments primarily comprised of (i) approximately US$1.3 billion denominated in US dollars; (ii) approximately RMB13.0 billion (equivalent to approximately US$1.8 billion) denominated in Renminbi; and (iii) approximately US$69.7 million denominated in Euro, Australian dollar, and other currencies.

Accounts receivable

Accounts receivable increased by 106.8% from US$173.2 million as of December 31, 2022 to US$358.0 million as of December 31, 2023, primarily due to the increased sales of our internally-developed products and in-licensed products.

Inventories

The inventories increased by 47.4% from US$282.3 million as of December 31, 2022 to US$416.1 million as of December 31, 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 12.4% from US$216.6 million as of December 31, 2022 to US$243.4 million as of December 31, 2023. The increase was primarily due to (i) the increase of prepaid taxes; (ii) the increase of other receivables associated with the employee tax payments on share-based compensation.

Property and equipment, net

The property and equipment increased by 56.5% from US$845.9 million as of December 31, 2022 to US$1,324.2 million as of December 31, 2023, primarily attributable to our ongoing buildout of the Company's manufacturing and clinical R&D campus in Hopewell and the Guangzhou and Suzhou manufacturing facilities expansion.

Accounts payable

Accounts payable includes amounts due to third parties and totaled US$315.1 million and US$294.8 million as of December 31, 2023 and 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 December 31,	
	2023	2022
	(US dollars in thousands)	
Within 3 months	302,310	290,284
3 to 6 months	8,205	2,570
6 months to 1 year	4,551	1,379
Over 1 year	45	548
Total	315,111	294,781

Accrued expenses and other payables

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

	As of December 31,	
	2023	2022
	(US dollars in thousands)	
Compensation related	217,803	184,775
External research and development activities related	162,969	139,168
Commercial activities	87,572	51,806
Individual income tax and other taxes	30,083	18,815
Sales rebates and returns related	139,936	41,817
Other	55,368	30,971
Total accrued expenses and other payables	693,731	467,352

Accrued expenses and other payables increased by 48.4% from US$467.4 million as of December 31, 2022 to US$693.7 million as of December 31, 2023. The increase was primarily due to (i) the increase of sales rebates and returns in line with increased sales volume of our internally developed products; (ii) the increase of commercial activities with the expansion of our commercial organizations primarily in the U.S. and Europe; (iii) increased hiring of more personnel to support the expansion of our global organization.

Debt

The company's total debt increased by 64.6% from US$538.1 million as of December 31, 2022 to US$886.0 million as of December 31, 2023, primarily due to the increase of short-term debt.

Liquidity and Capital Resources

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

	Year Ended December 31,	
	2023	2022
	(US dollars in thousands)	
Cash, cash equivalents and restricted cash	3,185,984	3,875,037
Short-term investments	2,600	665,251
Total debt	885,984	538,117

We have incurred annual net losses and negative cash flows from operations since inception, resulting from the cost of funding our research and development programs and selling, general and administrative expenses associated with our operations, as well as supporting the commercialization of our products globally. We incurred net losses of US$0.9 billion and US$2.0 billion for the years ended December 31, 2023 and 2022, respectively. As of December 31, 2023, we had an accumulated deficit of US$8.0 billion.

To date, we have financed our operations principally through proceeds from public and private offerings of our securities, proceeds from debt, sales of marketable 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 and cash equivalents as of December 31, 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. We have also financed our operations and investments with proceeds from debt incurred primarily from various banks both through our subsidiaries and BeiGene, Ltd. of US$886.0 million at December 31, 2023. The majority of those debt obligations, or approximately US$547.2 million, owed by BeiGene, Ltd., have due dates within the next 12 months. We believe we will have sufficient cash and cash equivalents and other sources of capital to be able to repay and/or refinance those debt obligations.

On December 15, 2021, we completed our initial public offering on the STAR Market of the Shanghai Stock Exchange (the "STAR Offering"). The shares offered in the STAR Offering were issued to and subscribed for by permitted investors in the People's Republic of China ("PRC") in Renminbi ("RMB Shares"). The public offering price of the RMB Shares was RMB192.60 per ordinary share, or US$391.68 per ADS. In this offering, we sold 115,055,260 ordinary shares. Net proceeds after deducting underwriting commissions and offering expenses were US$3.4 billion (RMB21.7 billion). As required by the PRC securities laws, the net proceeds from the STAR Offering must be used in compliance with the planned uses as disclosed in the PRC prospectus as well as our proceeds management policy for the STAR Offering approved by our Board. As of December 31, 2023, the Company had cash remaining related to the STAR Offering proceeds of US$1.2 billion.

The following table provides information regarding our cash flows for the years ended December 31, 2023 and 2022:

	Year Ended December 31,	
	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	(1,157,453)	(1,496,619)
Net cash provided by investing activities	60,004	1,077,123
Net cash provided by (used in) financing activities	416,478	(18,971)
Net effect of foreign exchange rate changes	(8,082)	(69,383)
Net decrease in cash, cash equivalents and restricted cash	(689,053)	(507,850)
Cash, cash equivalents and restricted cash at end of period	3,185,984	3,875,037

Operating Activities

Cash flows from operating activities is determined indirectly by taking net loss and adjusting for certain non-cash items and changes in assets and liabilities related to operations.

Operating activities used US$1.2 billion of cash for the year ended December 31, 2023, which resulted principally from our net loss of US$881.7 million, and by an increase in our net operating assets and liabilities of US$370.5 million, partially offset by non-cash charges and adjustments of US$94.8 million. The non-cash charges and adjustments were primarily driven by share-based compensation expense, charges for acquired in-process research and development costs, and depreciation and amortization expense, offset by two non-cash gains related to the share settlement from the BMS arbitration and amortization of the research and development cost share liability. The increase in working capital was driven largely by increases in accounts receivable and inventory and a decrease in deferred revenue, partially offset by increases in accounts payable and accrued expenses and other current liabilities.

Operating activities used US$1.5 billion of cash for the year ended December 31, 2022, which resulted principally from our net loss of US$2.0 billion, inclusive of US$223.9 million of other losses due primarily to the strengthening of the U.S. dollar and the related revaluation of foreign currencies held by U.S. functional currency subsidiaries, partially offset by non-cash charges and adjustments of US$374.8 million, and by a decrease in our net operating assets and liabilities of US$132.4 million. The non-cash charges and adjustments were primarily driven by share-based compensation expense, charges for acquired in-process research and development costs, and depreciation and amortization expense, offset by amortization of the research and development cost share liability. The decrease in working capital was driven largely by decreases in accounts receivable and prepaid expenses and an increase in taxes payable, partially offset by a decrease in deferred revenue and an increase in inventories.

Investing Activities

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

Investing activities provided US$60.0 million of cash for the year ended December 31, 2023, consisting of US$673.2 million in sales and maturities of investment securities, partially offset by US$561.9 million of capital expenditures, US$15.0 million upfront collaboration payments, US$19.4 million in purchases of intangible assets, US$14.9 million in purchases of long-term investments and US$2.1 million in purchases of short-term investment securities.

Investing activities provided US$1.1 billion of cash for the year ended December 31, 2022, consisting of US$1.6 billion in sales and maturities of investment securities, partially offset by US$325.4 million of capital expenditures, US$143.7 million upfront collaboration payments, US$15.9 million in purchases of long-term investments and US$1.5 million in purchases of short-term investment securities.

Financing Activities

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

Financing activities provided US$416.5 million of cash for the year ended December 31, 2023, consisting primarily of US$661.5 million from proceeds of short-term loans, US$55.7 million from the exercise of employee share options and proceeds from the issuance of shares through our employee share purchase plan and US$22.5 million from proceeds of long-term bank loans, partially offset by US$309.6 million of repayments on short-term loans and US$13.7 million of repayments on long-term bank loans. Our borrowing and repayment cycle is dictated by the short-term maturities of our debt and the ability to increase our borrowings is dependent on interest rates, credit spreads, bank lending capacity and other factors. We expect to repay approximately US$688.4 million of loans in 2024 and expect to be able to re-finance those on a consistent basis with our historical experience, with the cost of those borrowings depending on prevailing interest rates and credit spreads.

Financing activities used US$19.0 million of cash for the year ended December 31, 2022, consisting primarily of US$417.1 million of repayment of short-term loans, partially offset by US$313.8 million from proceeds of short-term loans, US$47.0 million from the exercise of employee share options and proceeds from the issuance of shares through our employee share purchase plan and US$37.4 million from proceeds of long-term bank loans.

Effects of Exchange Rates on Cash

We have substantial operations in the PRC, which generate a significant amount of RMB-denominated cash from product sales and require a significant amount of RMB-denominated cash to pay our obligations. 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 denominated in U.S. dollar but do not affect the ability to pay our RMB-denominated liabilities.

Future Liquidity and Material Cash Requirements

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 cash on hand.

Contractual and Other Obligations

The following table summarizes our significant contractual obligations as of December 31, 2023:

		Payments Due by Period	
	Total	Short-term	Long-term
	(US dollars in thousands)		
Contractual obligations:			
Operating lease commitments	49,156	23,499	25,657
Purchase commitments	169,212	140,775	28,437
Debt obligations	885,984	688,366	197,618
Interest on debt	32,101	8,939	23,162
Co-development funding commitment	483,651	137,809	345,842
Funding commitment	8,905	2,213	6,692
Pension plan	14,995	3,577	11,418
Capital commitments	333,498	333,498	–
Total	1,977,502	1,338,676	638,826

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 U.S.; and in Basel, Switzerland under non-cancelable operating leases expiring on various dates. Payments under operating leases are expensed on a straight-line basis over the respective lease terms. The aggregate future minimum payments under these non-cancelable operating leases are summarized in the table above.

Purchase Commitments

As of December 31, 2023, purchase commitments amounted to US$169.2 million, of which US$41.2 million related to minimum purchase requirements for supply purchased from CMOs and US$128.0 million related to binding purchase order obligations of inventory from BMS and Amgen. We do not have any minimum purchase requirements for inventory from BMS or Amgen.

Debt Obligations and Interest

Total debt obligations coming due in the next twelve months is US$688.4 million. Total long-term debt obligations are US$197.6 million. We have numerous financial and non-financial covenants on our debt obligations with various banks and other lenders. Some of these covenants include cross-default provisions that could require acceleration of repayment of our loans in the event of default. However, our debt is primarily short-term in nature. Any acceleration would be a matter of months but may impact our ability to refinance our debt obligations if an event of default occurs. As of December 31, 2023, we are in compliance with all covenants of our material debt agreements. See Note 14 to our consolidated financial statements included in this announcement 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 Commitments

Under our collaboration with Amgen, we are responsible for co-funding global clinical development costs for the licensed oncology pipeline assets, up to a total cap of US$1.25 billion. We are funding our portion of the co-development costs by contributing cash and/or development services. As of December 31, 2023, our remaining co-development funding commitment was US$483.7 million.

Funding Commitment

Funding commitment represents our committed capital related to two of our equity method investments in the amount of US$15.1 million. As of December 31, 2023, our remaining capital commitment was US$8.9 million and is expected to be paid from time to time over the investment period.

Pension Plan

We maintain a defined benefit pension plan in Switzerland. Funding contributions under the defined benefit pension plan are equivalent to US$3.6 million per year based on annual funding contributions in effect as of December 31, 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$333.5 million for the acquisition of property, plant and equipment as of December 31, 2023, which were mainly for our manufacturing and clinical R&D campus in Hopewell, New Jersey, additional capacity at the Guangzhou and Suzhou manufacturing facilities, and a new building for Beijing Innerway Bio-tech Co., Ltd.

We are making a significant investment in our future manufacturing facility in the U.S., a 42-acre site that is being constructed in Hopewell, New Jersey. We purchased this site for US$75.2 million, announced its groundbreaking on April 29, 2022 and have US$502.4 million of construction in process related to the project as of December 31, 2023.

Interest and Credit Risk

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

We had cash and cash equivalents of US$3.2 billion and US$3.9 billion, restricted cash of US$14.2 million and US$5.5 million, and short-term investments of US$2.6 million and US$0.7 billion, at December 31, 2023 and 2022, respectively. Our cash and cash equivalents are deposited with various major reputable global financial institutions. 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.

The primary objectives of our investment activities are to preserve principal, provide liquidity, and maximize income without significantly 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$0.1 million or increase of US$0.1 million, respectively, in the fair value of our investment portfolio as of December 31, 2023.

We are exposed to risk related to changes in interest rates on our outstanding borrowings. We had US$574.1 million of outstanding floating rate debt as of December 31, 2023. A 100-basis point increase in interest rates as of December 31, 2023 would increase our annual pre-tax interest expense by approximately US$5.7 million.

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$358.0 million and US$173.2 million at December 31, 2023 and 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.

Currency Convertibility Risk

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

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

Foreign Currency Exchange Rate Risk

We are exposed to foreign exchange risk arising from various currency exposures. Our reporting currency is the U.S. dollar, but a portion of our operating transactions and assets and liabilities are in other currencies, such as RMB, Euro, and Australian dollar.

RMB is not freely convertible into foreign currencies for capital account transactions. The value of RMB against the U.S. dollar and other currencies is affected by, among other things, changes in China's political and economic conditions and China's foreign exchange prices. Since 2005, the RMB has been permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. The RMB compared to the U.S. dollar depreciated approximately 2.8% and depreciated approximately 8.2% for the years ended December 31, 2023 and 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.

Effects of Inflation

Inflation generally affects us by increasing our cost of labor and clinical development costs. We do not believe that inflation has had a material effect on our results of operations during the year ended December 31, 2023.

Gearing Ratio

The gearing ratio of the Company, which was calculated by dividing total interest-bearing loans by total equity as of the end of the year, was 25.0% as of December 31, 2023, representing an increase from 12.3% as of December 31, 2022. The increase was primarily due to the increase of short-term debt and accumulated deficit.

Significant Investments Held

We are making a significant investment in our future manufacturing facility in the U.S., a 42-acre site that is being constructed in Hopewell, New Jersey. We purchased this site for US$75.2 million, announced its groundbreaking on April 29, 2022 and have US$502.4 million of construction in process related to the project as of December 31, 2023.

Except as disclosed above, we did not hold any other significant investments as of December 31, 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 December 31, 2023.

Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

During the year ended December 31, 2023, we did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures.

Employee and Remuneration Policy

As of December 31, 2023, we had a global team of close to 10,500 employees, which increased from 9,000 employees as of December 31, 2022. Most of our employees are full-time.

The remuneration policy and package of the Company's employees are periodically reviewed. In addition to cash compensation and benefits, we may issue share options, share appreciation rights, restricted shares, restricted share units, unrestricted shares, performance share awards, cash-based awards and dividend equivalent rights to our employees in accordance with our equity plans. We also provide external and internal training programs to our employees. The packages were set by benchmarking with companies in similar industries and companies of similar size. The total remuneration cost incurred by the Company for the year ended December 31, 2023 was US$1.6 billion (2022: US$1.4 billion).

Pledge of Assets

As of December 31, 2023, we pledged restricted deposits of US$14.2 million (December 31, 2022: US$5.5 million) primarily consist of cash deposits held in designated bank accounts for collateral for letters of credit and letters of guarantee, and land use right and certain property, plant and equipments with a total carrying amount of US$200.4 million (December 31, 2022: US$123.9 million) were secured for long-term bank loans.

Contingent Liabilities

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

Final Dividend

The Board does not recommend any final dividend for the year ended December 31, 2023.

Recent Accounting Pronouncements

See Note 2 to our consolidated financial statements included in this announcement for information regarding recent accounting pronouncements.

OTHER INFORMATION

Compliance with the Corporate Governance Code

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

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

During the Reporting Period, the Company has applied the principles in the Corporate Governance Code as set out in Appendix C1 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. Anthony C. Hooper (redesignated as an independent non-executive director since April 17, 2023), Dr. Olivier Brandicourt and Dr. Corazon (Corsee) D. Sanders. Effective as of September 13, 2023, Mr. Anthony C. Hooper has been appointed as the chair of the Audit Committee and Mr. Thomas Malley ceased to serve as the chair of the Audit Committee but remains a member of the Audit Committee. Mr. Anthony C. Hooper, being the chair of the Audit Committee, is appropriately qualified as required under Rules 3.10(2) and 3.21 of the HK Listing Rules. On January 22, 2024, Mr. Thomas Malley resigned from the Board. In connection with his resignation from the Board, Mr. Thomas Malley also resigned from the Audit Committee. Effective as of January 23, 2024, the Board appointed Dr. Olivier Brandicourt as an independent non-executive director to fill the vacancy arising from the resignation of Mr. Malley. In connection with his appointment to the Board, effective as of January 23, 2024, Dr. Olivier Brandicourt has been appointed to serve as a member of the Audit Committee.

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 chair 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 C3 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.

During the Reporting Period, 23,273,108 ordinary shares were transferred by BMS-Celgene to the Company (please refer to the Company's announcement dated August 2, 2023 for details) and were cancelled on November 1, 2023.

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 and up to the date of this announcement. The change of the directors' information is set out below:

Directors	**Changes in Positions 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 chair of the Commercial and Medical Affairs Advisory Committee; appointed as the chair of the Audit Committee effective September 13, 2023.
Mr. Thomas Malley	Ceased to serve as the chair of the Audit Committee effective September 13, 2023 but remains a member of the Audit Committee; resigned as an independent non-executive director and a member of the Audit Committee and the Scientific Advisory Committee effective January 22, 2024.
Dr. Olivier Brandicourt	Appointed as an independent non-executive director and a member of the Audit Committee effective January 23, 2024; appointed as a member of the Commercial and Medical Affairs Advisory Committee effective March 19, 2024.

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 December 31, 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 December 31, 2023 (US dollars in thousands)	Unutilized net proceeds as of December 31, 2023 (US dollars in thousands)
To fund business operations[(a)]	2,779,241	100%	2,080,068	2,229,632	549,609

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 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 during the Reporting Period.

Use of Net Proceeds from STAR Offering

On December 15, 2021, the Company completed the 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 prospectus of the STAR Offering (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. On November 10, 2023, the Board approved to adjust the amount of proceeds to be invested in each subcategory projects under the "clinical development and research project". 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, August 29, 2023, November 13, 2023 and the circular dated April 30, 2021 of the Company.

As of December 31, 2023, net proceeds amounting to RMB13.7 billion had been utilized, and the remaining RMB8.0 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 December 31, 2023:

Use of proceeds	Planned applications RMB'000	Actual usage up to December 31, 2022 RMB'000	Actual usage up to December 31, 2023 RMB'000	Unutilized net proceeds as of December 31, 2023 RMB'000
Clinical Development and Research Projects	13,245,940	4,499,849	7,169,470	6,076,470
R&D Center Construction	467,700	376,601	434,188	33,512
Bio-Manufacture Plant Construction	150,000	153,451	153,451	(3,451)*
Sales & Marketing Force Expansion	136,360	71,580	110,240	26,120
Replenishment of Working Capital	6,000,000	2,662,674	4,832,281	1,167,719
Excess of Proceeds	1,630,155	489,000	978,000	652,155
Total	21,630,155	8,253,155	13,677,630	7,952,525

* 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. As of the date of this announcement, the Audit Committee consists of three independent non-executive directors, namely Mr. Anthony C. Hooper (redesignated as an independent non-executive director since April 17, 2023), Dr. Olivier Brandicourt and Dr. Corazon (Corsee) D. Sanders. Effective as of September 13, 2023, Mr. Anthony C. Hooper has been appointed as the chair of the Audit Committee and Mr. Thomas Malley ceased to serve as the chair of the Audit Committee but remains a member of the Audit Committee. On January 22, 2024, Mr. Thomas Malley resigned from the Board. In connection with his resignation from the Board, Mr. Malley also resigned from the Audit Committee. Effective as of January 23, 2024, the Board appointed Dr. Olivier Brandicourt as an independent non-executive director to fill the vacancy arising from the resignation of Mr. Malley. In connection with his appointment to the Board, effective as of January 23, 2024, Dr. Olivier Brandicourt has been appointed to serve as a member of the Audit Committee.

The Audit Committee has reviewed the consolidated financial statements and annual results of the Company for the year ended December 31, 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.

Scope of Work of the Company's auditor

The figures contained in this announcement of our Company's consolidated annual results for the year ended December 31, 2023, have been agreed by the Company's auditor, Ernst & Young, to the figures set out in the consolidated financial statements of our Company for the year ended December 31, 2023. The Company's auditor performed this work in accordance with Hong Kong Standard on Related Services 4400 Engagements to Perform Agreed-upon Procedures Regarding Financial Information and with reference to Practice Note 730 (Revised) Guidance for Auditors Regarding Preliminary Announcements of Annual Results ("PN 730") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The work performed by the Company's auditor in this respect does not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and, consequently, no assurance has been expressed by the Company's auditor in this announcement.

Other Board Committees

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

Important Events after the Reporting Period

Mr. Thomas Malley resigned as an independent non-executive director on January 22, 2024. In connection with his resignation from the Board, Mr. Thomas Malley also resigned from the Audit Committee and the Scientific Advisory Committee of the Board. Effective as of January 23, 2024, the Board appointed Dr. Olivier Brandicourt as an independent non-executive director to fill the vacancy arising from the resignation of Mr. Thomas Malley. In connection with his appointment to the Board, effective as of January 23, 2024, Dr. Olivier Brandicourt has been appointed to serve as a member of the Audit Committee. Effective on March 19, 2024, Dr. Olivier Brandicourt has been appointed as a member of the Commercial and Medical Affairs Advisory Committee. For further details, please refer to the announcements of the Company dated January 23, 2024 and March 21, 2024.

Save as disclosed above, no important events affecting the Company occurred since December 31, 2023 and up to the date of this announcement.

Annual General Meeting and Record Date

The annual general meeting of the Company (the "AGM") is scheduled to be held on or around June 5, 2024.

The Company hereby announces that for the purpose of determining the entitlement to attend and vote at the AGM, the record date will be 5:00 a.m. Cayman Islands time on Friday, April 19, 2024. In order to be eligible to attend and vote at the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. Hong Kong time on Friday, April 19, 2024.

A notice convening the AGM will be published and dispatched to the shareholders of the Company in the manner required by the HK Listing Rules and other applicable rules, including rules of the U.S. Securities and Exchange Commission, in due course.

Publication of Annual Results and Annual Report

This annual results announcement is published on the website of the HKEX (www.hkexnews.hk) and the website of the Company (www.beigene.com). The annual report of the Company for the year ended December 31, 2023 will be published on the aforesaid websites in due course.

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

Hong Kong, March 28, 2024

As of the date of this announcement, the Board of Directors of the Company consists of Mr. John V. Oyler as Chairman and Executive Director, Dr. Xiaodong Wang as Non-executive Director, and Dr. Olivier Brandicourt, Dr. Margaret Han Dugan, Mr. Donald W. Glazer, Mr. Michael Goller, Mr. Anthony C. Hooper, Mr. Ranjeev Krishana, Dr. Alessandro Riva, Dr. Corazon (Corsee) D. Sanders and Mr. Qingqing Yi as Independent Non-executive Directors.