BeiGene

BeiGene, Ltd.

(incorporated in the Cayman Islands with limited liability
and trading as "百濟神州" or "百濟神州有限公司")

Stock Code : HKEX : 06160 NASDAQ : BGNE

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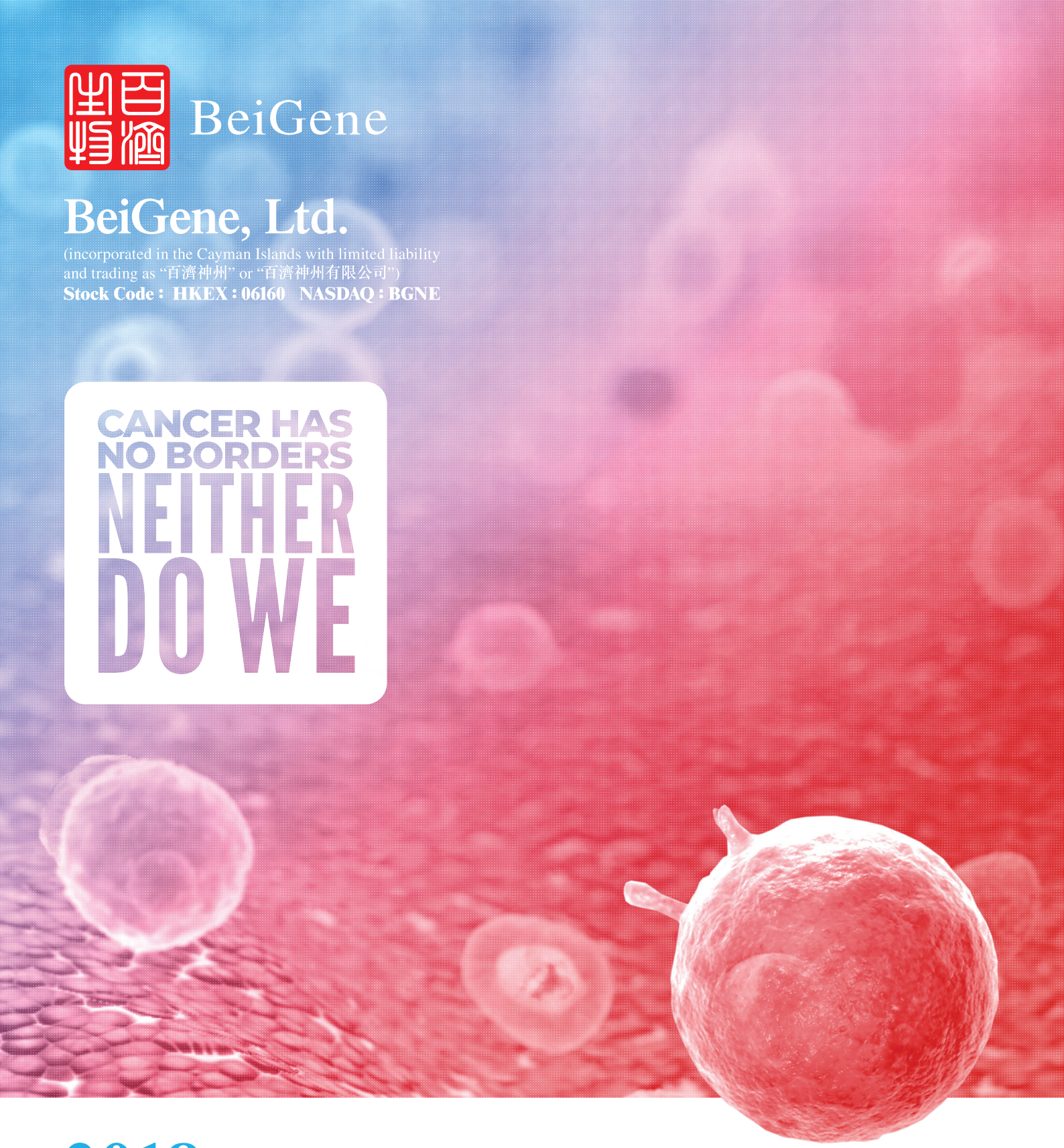

2018
INTERIM REPORT

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Director

Mr. John V. Oyler
(Chairman and Chief Executive Officer)

Non-Executive Director

Dr. Xiaodong Wang

Independent Non-Executive Directors

Mr. Timothy Chen
Mr. Donald W. Glazer
Mr. Michael Goller
Mr. Ranjeev Krishana
Mr. Thomas Malley
Mr. Jing-Shyh (Sam) Su
Mr. Qingqing Yi

AUDIT COMMITTEE

Mr. Thomas Malley *(Chairman)*
Mr. Timothy Chen
Mr. Qingqing Yi

COMPENSATION COMMITTEE

Mr. Qingqing Yi *(Chairman)*
Mr. Timothy Chen
Mr. Ranjeev Krishana

NOMINATING AND CORPORATE GOVERNANCE COMMITTEE

Mr. Donald W. Glazer *(Chairman)*
Mr. Michael Goller

COMPANY SECRETARY

Ms. Chau Hing Ling (FCIS, FCS)

AUTHORIZED REPRESENTATIVES

Mr. Scott A. Samuels
Dr. Howard Liang

AUDITOR

As to Hong Kong financial reporting audit

Ernst & Young

As to United States financial reporting audit

Ernst & Young Hua Ming, LLP

REGISTERED OFFICE

The offices of Mourant Governance Services (Cayman) Limited
94 Solaris Avenue
Camana Bay
Grand Cayman KY1-1108
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN CHINA

No.30 Science Park Road
Zhong-Guan-Cun Life Science Park
Changping District
Beijing
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1901, 19/F, Lee Garden One
33 Hysan Avenue
Causeway Bay
Hong Kong

LEGAL ADVISORS

As to Hong Kong law and United States law
Skadden, Arps, Slate, Meagher & Flom

As to PRC law
Fangda Partners

As to Cayman Islands law
Mourant Ozannes

COMPLIANCE ADVISOR

Somerley Capital Limited
20th Floor, China Building
29 Queen's Road Central
Central, Hong Kong

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Mourant Governance Services (Cayman) Limited
94 Solaris Avenue, Camana Bay
Grand Cayman KY1-1108
Cayman Islands

PRINCIPAL BANKER

Morgan Stanley & Co. Inc.

STOCK CODE

06160

COMPANY WEBSITE

www.beigene.com

MANAGEMENT DISCUSSION AND ANALYSIS

Unless the context requires otherwise, the terms "BeiGene," the "Company,""we,""us" and "our" refer to BeiGene, Ltd. and its subsidiaries, on a consolidated basis.

OVERVIEW

We are a commercial-stage biopharmaceutical company focused on developing and commercializing innovative molecularly targeted and immuno-oncology drugs for the treatment of cancer. We have three internally-developed late-stage clinical drug candidates: (1) zanubrutinib (BGB-3111), an investigational small molecule inhibitor of Bruton's tyrosine kinase, or BTK, (2) tislelizumab (BGB-A317), an investigational humanized monoclonal antibody against the immune checkpoint receptor PD-1, and (3) pamiparib (BGB-290), an investigational small molecule inhibitor of PARP1 and PARP2. All three of these drug candidates are currently in Phase 2 or 3 pivotal trials globally and in China, and we expect to file for regulatory approvals in China in 2018 for zanubrutinib and tislelizumab and in the United States in the first half of 2019 for zanubrutinib.

In addition, we have three internally-developed drug candidates in Phase 1 clinical development: lifirafenib (BGB-283), an investigational RAF dimer protein complex inhibitor; BGB-A333, an investigational humanized monoclonal antibody against the immune checkpoint receptor ligand PD-L1; and BGB-A425, an investigational humanized monoclonal antibody against T-cell immunoglobulin and mucin-domain containing-3, or TIM-3.

In 2017, we entered into a strategic collaboration with Celgene, in which we granted Celgene exclusive rights to develop and commercialize tislelizumab for solid tumors in the United States, Europe, Japan, and the rest of the world outside of Asia. We retained rights to tislelizumab for solid tumors in Asia (ex-Japan) and for hematological malignancies and internal combinations globally. In connection with the Celgene collaboration, we obtained an exclusive license to market Celgene's approved cancer therapies ABRAXANE®, REVLIMID®, and VIDAZA® in China, excluding Hong Kong, Macau and Taiwan, which has allowed us to generate product revenue in China since September 2017. We also obtained Celgene's commercial operations and personnel in China, which we expect to expand in preparation for the potential launch of our own internally-developed drug candidates and our other in-licensed drug candidates in China.

We initially started as a research and development organization in Beijing in 2010, and have since become a fully-integrated global biopharmaceutical company with operations in China in Beijing, Guangzhou, Shanghai and Suzhou, operations in the United States in Cambridge, MA; Fort Lee, NJ; and Emeryville and San Mateo, CA, and operations in Basel, Switzerland. In addition, we have a facility in Suzhou for the commercial-scale manufacturing of small molecule drugs and pilot-scale manufacturing of biologics, and another facility under construction in Guangzhou for the commercial-scale manufacturing of biologics.

RECENT DEVELOPMENTS

On July 22, 2018, we announced preliminary topline results from the independent review of response data from our first pivotal trial for tislelizumab in Chinese patients with Hodgkin's lymphoma (cHL). The single-arm pivotal trial enrolled 70 patients with cHL, and achieved an overall response rate of 72.9%, including a complete response rate of 50%, based on the Lugano 2014 criteria. The frequency and severity of adverse events were generally consistent with the previously reported Phase 1 safety and tolerability data for tislelizumab, or, in the case of certain immune-related events such as hypothyroidism and fever, consistent with previous reports of other PD-1 antibodies for the treatment of cHL. The full results of the trial are expected to be presented at an upcoming medical conference. The cHL data, along with additional follow up data from the clinical trial, are expected to be included in the BLA planned to be filed with the CDA later this year. On July 30, 2018, we filed a Current Report on Form 8-K with the SEC in which we disclosed updated preliminary topline results from this trial in which patients had a minimum of 24 weeks of follow-up, compared to a minimum of 18 weeks of follow-up reported on July 22, 2018. In the updated results with a data cut-off of May 25, 2018, and a median follow-up time of 7.85 months, a review of responses by an independent review committee showed an overall response rate of 85.7%, including 61.4% complete response. In both data sets, the median duration of response had not been reached.

On July 22, 2018, we announced that zanubrutinib was granted Fast Track designation by the FDA for the treatment of patients with WM. Based on interactions with the FDA, internal review of available data from the global Phase 1 trial of zanubrutinib in patients with WM, and supported by the Fast Track Designation, we are preparing to submit a NDA in the first half of 2019 to pursue an accelerated approval of zanubritinib for patients with WM based on the results from the global Phase 1 study. In addition, we announced that the global Phase 3 head-to-head study of zanubrutinib compared to ibrutinib in patients with WM has completed enrollment.

On July 24, 2018, we announced that the first patient was dosed in a global Phase 3 clinical trial of pamiparib as maintenance therapy in patients with inoperable locally advanced or metastatic gastric cancer who responded to platinum-based first-line chemotherapy.

On July 24, 2018, we announced that the first patient was dosed in a Phase 3 clinical trial of tislelizumab, combined with chemotherapy, as a potential first-line treatment in Chinese patients with Stage IIIB or IV non-squamous non-small cell lung cancer, or NSCLC.

On July 27, 2018, we announced a Hong Kong IPO and a global offering of 65,600,000 ordinary shares, and the proposed listing of our ordinary shares on the Main Board of the Stock Exchange.

On August 8, 2018, the Company completed an IPO on the Stock Exchange and a global offering in which it raised approximately $870,107,000 in net proceeds, after deducting underwriting discounts and commissions and estimated offering expenses. Effective August 8, 2018, the Company was dual-listed in both the U.S. and Hong Kong.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

To date, our revenue has consisted of product sales revenue since September 2017, upfront license fees, reimbursed research and development expenses, research and development service revenue and milestone payments from our strategic collaboration with Celgene for tislelizumab entered in 2017 and our collaboration agreements with Merck KGaA, Darmstadt Germany for pamiparib and lifirafenib entered in 2013. We do not expect to generate significant revenue from internally-developed drug candidates unless and until we successfully complete development and obtain regulatory approval for one or more of our drug candidates, which is subject to significant uncertainty.

Revenues from product sales are recognized when persuasive evidence of an arrangement exists, delivery has occurred and title of the product and associated risk of loss has transferred to the customer, the price is fixed or determinable, collection from the customer has been reasonably assured, and returns and allowances can be reasonably estimated. Product sales are recorded net of estimated rebates, estimated product returns and other deductions. Provisions for estimated reductions to revenue are provided for in the same period the related sales are recorded and are based on the sales terms, historical experience and trend analysis. Despite increased competition from generic products, we expect revenue from product sales to increase in 2018 compared to 2017 levels as we expand our efforts to promote and obtain reimbursement for ABRAXANE®, REVLIMID® and VIDAZA® in China.

We also record revenue from our collaboration and license agreements with Celgene and Merck KGaA, Darmstadt Germany. Under each agreement, we have received upfront payments related to the license fee which was recognized upon the delivery of the license right. Additionally, the reimbursement of remaining undelivered research and development services is recognized over the performance periods of the collaboration arrangement. In the case of the Celgene arrangement, we also receive research and development reimbursement revenue for the clinical trials that Celgene opts into.

Expenses

Cost of Revenue

Cost of revenue includes the acquisition costs of our commercial products.

Research and Development Expenses

Research and development expenses consist of the costs associated with our research and development activities, conducting preclinical studies and clinical trials and activities related to regulatory filings. Our research and development expenses, including on our Core Product Candidates (as defined in the Prospectus) consist of:

- expenses incurred under agreements with contract research organizations ("**CROs**"), contract manufacturing organizations, and consultants that conduct and support clinical trials and preclinical studies;
- costs of comparator drugs in certain of our clinical trials;
- costs associated with preclinical activities and development activities;
- costs associated with regulatory operations;
- employee-related expenses, including salaries, benefits, travel and share-based compensation expense for research and development personnel; and
- other expenses, which include direct and allocated expenses for rent and maintenance of facilities, insurance and other supplies used in research and development activities.

Our current research and development activities mainly relate to the clinical advancement of our six internally-developed drug candidates mentioned above:

- zanubrutinib, an investigational small molecule inhibitor of BTK;
- tislelizumab, an investigational humanized monoclonal antibody against PD-1;
- pamiparib, an investigational small molecule inhibitor of PARP1 and PARP2;
- lifirafenib, an investigational small molecule inhibitor of both the monomer and dimer forms of BRAF;
- BGB-A333, an investigational humanized monoclonal antibody against PD-L1; and
- BGB-A425, an investigational humanized monoclonal antibody against TIM-3.

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

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

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

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

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

Cautionary Statement required by Rule 18A.08(3) of the Listing Rules: We may not be able to ultimately develop and market any of our Core Product Candidates successfully.

Selling, General and Administrative Expenses

Selling, general and administrative expenses consist primarily of product promotion costs, distribution costs, salaries and related benefit costs, including share-based compensation for selling, general and administrative personnel. Other selling, general and administrative expenses include professional fees for legal, consulting, auditing and tax services as well as other direct and allocated expenses for rent and maintenance of facilities, travel costs, insurance and other supplies used in selling, general and administrative activities. We anticipate that our selling, general and administrative expenses will increase in future periods to support planned increases in commercialization activities with respect to ABRAXANE® (nanoparticle albumin–bound paclitaxel), REVLIMID® (lenalidomide), and VIDAZA® (azaciditine) in China and the preparation for launch and potential commercialization of our internally-developed drug candidates, if approved. We also expect selling, general and administrative expenses to increase in future periods to support our research and development efforts, including the continuation of the clinical trials of our drug candidates as treatments for various cancers and the initiation of clinical trials for potential new drug candidates. These cost increases will likely be due to increased promotional costs, increased headcount, increased share-based compensation expenses, expanded infrastructure and increased costs for insurance. We also anticipate increased legal, compliance, accounting, insurance and investor and public relations expenses associated with being a public company.

Interest Income (Expense), Net

Interest Income

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

Interest Expense

Interest expense consists primarily of interest on our long-term bank loan and shareholder loan.

Other Income (Expense), Net

Other income consists primarily of government grants and subsidies received that involve no conditions or continuing performance obligations by us. Other expense consists primarily of loss from property and equipment disposals and donations made to sponsor certain events. Other income (expense) also consists of unrealized gains and losses related to changes in foreign currency exchange rates and realized gains and losses on the sale of investments.

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS OF OPERATIONS

The following table summarizes our results of operations for the six months ended June 30, 2018 and 2017:

	Six Months Ended June 30,		Change	
	2018	2017		%
		(US dollars in thousands)		
Revenues				
Product revenue, net	**54,676**	—	54,676	—
Collaboration revenue	**30,672**	—	30,672	—
Total revenues	**85,348**	—	85,348	—
Expenses				
Cost of sales - product	**(10,806)**	—	(10,806)	—
Research and development	**(273,951)**	(90,018)	(183,933)	204%
Selling, general and administrative	**(74,075)**	(19,546)	(54,529)	279%
Amortization of intangible assets	**(375)**	—	(375)	—
Total expenses	**(359,207)**	(109,564)	(249,643)	228%
Loss from operations	**(273,859)**	(109,564)	(164,295)	150%
Interest income (expense), net	**3,444**	(1,796)	5,240	-292%
Other income, net	**804**	438	366	84%
Loss before income tax expense	**(269,611)**	(110,922)	(158,689)	143%
Income tax benefit (expense)	**6,780**	(381)	7,161	-1880%
Net loss	**(262,831)**	(111,303)	(151,528)	136%
Less: Net loss attributable to noncontrolling interest	**(1,348)**	(135)	(1,213)	899%
Net loss attributable to BeiGene, Ltd.	**(261,483)**	(111,168)	(150,315)	135%

COMPARISON OF THE SIX MONTHS ENDED JUNE 30, 2018 AND 2017

Revenue

Total revenue increased to $85.3 million for the six months ended June 30, 2018, from nil for the six months ended June 30, 2017. The following table summarizes the components of revenue for the six months ended June 30, 2018 and 2017, respectively:

	Six Months Ended June 30,		Change	
	2018	2017		%
	(US dollars in thousands)			
Product revenue	**54,676**	—	54,676	—
Collaboration revenue:				
Reimbursement of research and development costs	**25,730**	—	25,730	—
Research and development service revenue	**4,942**	—	4,942	—
Total	**85,348**	—	85,348	—

Net product revenue was US$54.7 million for the six months ended June 30, 2018, which related to sales of ABRAXANE®, REVLIMID® and VIDAZA® in China. We began recognizing product revenue with sales to our distributors in China in September 2017 following the closing of our strategic collaboration with Celgene. VIDAZA® was launched in China in February 2018. We had no product revenue for the six months ended June 30, 2017.

Collaboration revenue totaled US$30.6 million for the six months ended June 30, 2018, and was comprised of US$25.7 million for the reimbursement of research and development costs for the clinical trials that Celgene has opted into, US$3.4 million related to the recognition of deferred revenue for upfront fees allocated to undelivered research and development services to Celgene and US$1.5 million research and development services for achieving the milestone related to collaboration agreement with Merck KGaA, Darmstadt Germany. There was no collaboration revenue for the six months ended June 30, 2017.

Cost of Sales

Cost of sales increased to US$10.8 million for the six months ended June 30, 2018 from nil for the six months ended June 30, 2017. Cost of sales for the six months ended June 30, 2018 consisted entirely of the cost of products purchased from Celgene and distributed in the PRC. We had no product sales for the six months ended June 30, 2017.

Research and Development Expense

Research and development expense increased by US$183.9 million, or 204%, to US$274.0 million for the six months ended June 30, 2018 from US$90.0 million for the six months ended June 30, 2017. The following table summarizes external clinical, external preclinical and internal research and development expense for the six months ended June 30, 2018 and 2017, respectively:

	Six Months Ended June 30,		Change	
	2018	2017		%
	(US dollars in thousands)			
External cost of clinical-stage programs	**143,299**	46,758	96,541	206%
External cost of preclinical-stage programs	**28,331**	5,341	22,990	430%
Internal research and development expenses	**102,321**	37,919	64,402	170%
Total research and development expenses	**273,951**	90,018	183,933	204%

The increase in external research and development expense was primarily attributable to the advancement of our clinical and preclinical pipeline, and included the following:

- Increases of approximately US$35.0 million, US$41.2 million and US$12.1 million, respectively, for zanubrutinib, tislelizumab and pamiparib, partially offset by a decrease of approximately US$1.8 million for lifirafenib. The expense increases were primarily due to the expansion of clinical trials for these candidates, including the initiation or continuation of pivotal trials. In addition, external costs of clinical-stage programs include US$10 million of in-process research and development expense related to our in-license of sitravitinib for the Asia (excluding Japan), Australia and New Zealand territories.
- An increase of approximately US$23.0 million in external spending for our preclinical-stage programs, primarily related to costs associated with advancing our preclinical candidates toward clinical trials.
- The increase in internal research and development expense was primarily attributable to the expansion of our global development organization and our clinical and preclinical pipeline, and included the following:
  - a) US$26.0 million increase of employee salary and benefits, which was primarily attributable to hiring more research and development personnel to support our expanding research and clinical activities;
  - b) US$13.5 million increase of share-based compensation expense, primarily attributable to our increased headcount and higher share price;
  - c) US$9.9 million increase of materials and reagent expenses, mainly in connection with the in-house manufacturing of drug candidates used for clinical purposes, that were previously outsourced and recorded as external cost;
  - d) US$8.8 million increase of consulting fees, which was mainly attributable to increased scientific, regulatory and development consulting activities, in connection with the advancement of our pipeline; and
  - e) US$6.2 million increase of facilities, office expense, rental fee and other expenses to support the growth of our organization.

Selling, General and Administrative Expense

Selling, general and administrative expense increased by US$54.5 million, or 279%, to US$74.1 million for the six months ended June 30, 2018, from US$19.5 million for the six months ended June 30, 2017. The increase was primarily attributable to the following:

- US$20.1 million increase of employee salary and benefits, which was primarily attributable to the hiring of more personnel to support our growing organization, including the acquired workforce in the acquisition of Celgene's China operations;
- US$9.5 million increase of share-based compensation expense, primarily attributable to our increased headcount and higher share price;
- US$4.7 million increase of professional fees for legal, consulting, recruiting, accounting and audit services to support our growing business; and
- US$20.2 million increase of selling, facility, conference fees, travel expenses, rental fees and other administrative expenses, primarily attributable to the global expansion of our business, including the post-combination cost of our commercial operations in China.

Interest Income, Net

Interest income (net) increased to US$3.4 million for the six months ended June 30, 2018, as compared to the interest expense of US$1.8 million for six months ended June 30, 2017. The increase in interest income was primarily attributable to interest income on our larger cash and short-term investment balances.

Other Income, Net

Other income, net, increased by US$0.4 million to US$0.8 million for the six months ended June 30, 2018, from US$0.4 million for the six months ended June 30, 2017. The increase was mainly attributable to the impact of foreign currency exchange and related net gains.

Income Tax Benefit (Expense)

Income tax benefit was US$6.8 million for the six months ended June 30, 2018, as compared with income tax expense of US$0.4 million for the six months ended June 30, 2017. The income tax benefit as of June 30, 2018 was primarily attributable to income tax benefit due to the discrete tax benefit on employee share option exercises and the generation of research and development tax credits and the U.S. Orphan Drug Credit for our U.S. operating subsidiary, partially offset by income tax expense from our commercial operations in China.

LIQUIDITY AND CAPITAL RESOURCES

Since inception, we have incurred annual net losses and negative cash flows from our operations. Substantially all of our losses have resulted from the funding of our research and development programs and selling, general and administrative expenses associated with our operations. We incurred net losses of US$262.8 million and US$111.3 million, respectively, for the six months ended June 30, 2018 and 2017. As of June 30, 2018, we had an accumulated deficit of US$594.9 million. Our primary use of cash is to fund our research and development activities. Our operating activities used US$221.6 million and US$87.6 million during the six months ended June 30, 2018 and 2017, respectively. We have financed our operations principally through proceeds from public and private offerings of our securities and proceeds from our collaboration agreements with Celgene and Merck KGaA, Darmstadt Germany. During the six months ended June 30, 2018, we raised US$757.6 million, net of underwriting discounts and commissions and offering expenses, from a follow-on public offering of our ADSs. In addition, the June 30, 2018 unbilled receivable balance of US$12.7 million reflects research and development reimbursement funding under the Celgene collaboration for expenses incurred through the second quarter of 2018.

On August 8, 2018, the Company completed an IPO on the Stock Exchange and a global offering in which it raised approximately US$870,107,000 in net proceeds, after deducting underwriting discounts and commissions and estimated offering expenses. Effective August 8, 2018, the Company was dual-listed in both the U.S. and Hong Kong.

As of June 30, 2018, we had cash, cash equivalents, restricted cash, and short-term investments of US$1,401.2 million, including approximately US$145.3 million of cash, cash equivalents, restricted cash and short-term investments held by our joint venture, BeiGene Biologics, to build a commercial biologics facility in Guangzhou, China and to fund research and development of biologics drug candidates in China. Restricted cash of US$31.6 million represents secured deposits of BeiGene Guangzhou Factory held in designated bank accounts for issuance of letter of credit, and restricted cash deposits as security for long-term bank loan.

The following table provides information regarding our cash flows for the six months ended June 30, 2018 and 2017:

	Six Months Ended June 30,	
	2018	2017
	(US dollars in thousands)	
Net cash used in operating activities	**(221,638)**	(87,597)
Net cash (used in) provided by investing activities	**(360,220)**	113,249
Net cash provided by financing activities	**810,484**	147,600
Net effect of foreign exchange rate changes	**1,783**	240
Net increase in cash, cash equivalents, and restricted cash	**230,409**	173,492

Use of Funds

The use of cash in all periods presented resulted primarily from our net losses, adjusted for non-cash charges and changes in components of working capital. The primary use of our cash, cash equivalents and short-term investments in all periods presented was to fund research and development, regulatory and other clinical trial costs, selling costs and related supporting administrative expenses. Our prepaid expenses and other current assets, accounts payable and accrued expense balances in all periods presented were affected by the timing of vendor invoicing and payments.

OPERATING ACTIVITIES

Operating activities used US$221.6 million of cash in the six months ended June 30, 2018, which resulted principally from our net loss of US$262.8 million and an increase in our net operating assets and liabilities of US$2.8 million, offset by non-cash charges of US$44.0 million. The increase in our net operating assets was primarily due to an increase of US$27.7 million in prepaid expenses and other current assets primarily related to prepayments to CROs for clinical trials, a decrease in taxes payable of US$8.0 million, an increase in accounts receivables of US$3.7 million related to collections on product sales from our collaboration with Celgene, an increase of US$3.7 million in other non-current assets primarily related to rental deposits, and a decrease in deferred revenue and other long-term liabilities of US$3.6 million, which each had a negative impact on operating cash flow. These factors were partially offset by an increase of US$35.7 million in accounts payable and accrued expenses related to payments for external research and development costs, payroll-related costs and selling, general and administrative expenses to support our growing business, a decrease of US$4.6 million in inventories and a decrease in unbilled receivable of US$3.6 million related to the Celgene collaboration, which each had a positive impact on operating cash flow. Our non-cash charges and other adjustments to our net loss during the six months ended June 30, 2018 primarily consisted of US$36.0 million of share-based compensation expense, US$10.0 million of acquired in-process research and development related to the license agreement with Mirati, US$1.8 million of non-cash interest expense and US$4.6 million of depreciation expense, offset by US$8.4 million related to deferred tax benefits.

During the six months ended June 30, 2017, operating activities used US$87.6 million of cash, which resulted principally from our net loss of US$111.3 million, adjusting for non-cash charges of US$12.6 million and by cash provided by our operating assets and liabilities of US$11.1 million. Our net non-cash charges during the six months ended June 30, 2017 primarily consisted of US$13.1 million of share-based compensation expense, US$2.2 million of non-cash interest expense and US$1.4 million of depreciation expense, offset by US$4.1 million related to deferred tax benefits.

Investing Activities

Investing activities used US$360.2 million of cash in the six months ended June 30, 2018, which consisted of purchases of investment securities of US$1,198.9 million, a purchase of US$10.0 million of in-process research and development related to the license agreement with Mirati and capital expenditures of US$20.3 million primarily related to our Guangzhou and Suzhou manufacturing facilities, offset by sales and maturities of investment securities of US$869.0 million.

Investing activities provided US$113.2 million for the six months ended June 30, 2017, which consisted of sale or maturity of available-for-sale securities of US$161.9 million, offset by purchases of investment securities of US$27.7 million, capital expenditures of US$8.9 million and a US$12.1 million payment to acquire land use rights in Guangzhou, China.

Financing Activities

Financing activities provided US$810.5 million of cash in the six months ended June 30, 2018, which consisted of US$757.6 million of proceeds, net of underwriting discounts and commissions and offering expenses, from our follow-on public offering of ADSs, US$42.3 million from a new long-term bank loan and US$10.6 million from the exercise of employee stock options.

Financing activities provided US$147.6 million in the six months ended June 30, 2017, which related to proceeds from the Shareholder Loan of US$132.8 million and the capital contribution in BeiGene Biologics by GET of US$14.5 million.

Operating Capital Requirements

We do not expect to generate significant revenue from product sales of our internally developed drug candidates unless and until we obtain regulatory approval for and commercialize one of our current or future drug candidates. We have exclusive rights to distribute and promote Celgene's approved cancer therapies in China, for which we began recognizing revenue in the third quarter of 2017. We anticipate that we will continue to generate losses for the foreseeable future, and we expect our losses to increase as we continue the development of, and seek regulatory approvals for, our drug candidates, and prepare for commercialization and begin to commercialize any approved products. As a growing public company, we will continue to incur additional costs associated with our operations. In addition, we expect to incur significant commercialization expenses for product sales, marketing and manufacturing of our in-licensed drug products in China and, subject to obtaining regulatory approval, our drug candidates. Accordingly, we anticipate that we will need substantial additional funding in connection with our continuing operations.

Based on our current operating plan, we expect that our existing cash, cash equivalents and short-term investments as of June 30, 2018, will enable us to fund our operating expenses and capital expenditures requirements for at least the next 12 months after the date that the financial statements included in this report are issued. We expect that our expenses will continue to increase substantially as we fund our ongoing research and clinical development efforts, including our ongoing and planned pivotal trials for zanubrutinib, tislelizumab and pamiparib, both in China and globally; our other ongoing and planned clinical trials; regulatory filing and registration of our late-stage drug candidates; expansion of commercial operations in China and preparation for launch of our drug candidates globally; business development and manufacturing activities; and working capital and other general corporate purposes. We have based our estimates on assumptions that may prove to be wrong, and we may use our available capital resources sooner than we currently expect. Because of the numerous risks and uncertainties associated with the development and commercialization of our drug candidates, we are unable to estimate the amounts of increased capital outlays and operating expenditures necessary to complete the development and commercialization of our drug candidates.

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

- the costs, timing and outcome of regulatory reviews and approvals;
- the ability of our drug candidates to progress through clinical development successfully;
- the initiation, progress, timing, costs and results of nonclinical studies and clinical trials for our other programs and potential drug candidates;
- the number and characteristics of the drug candidates we pursue;
- the costs of establishing commercial manufacturing capabilities or securing necessary supplies from third-party manufacturers;
- the costs of preparing, filing and prosecuting patent applications, maintaining and enforcing our intellectual property rights and defending intellectual property-related claims;
- the costs of establishing and expanding our commercial operations and the success of those operations;
- the extent to which we acquire or in-license other products and technologies; and
- our ability to maintain and establish collaboration arrangements on favorable terms, if at all.

Until such time, if ever, as we can generate substantial product revenue, we expect to finance our cash needs through a combination of equity offerings, debt financings, collaborations, strategic alliances, licensing arrangements and government grants. Under SEC rules, we currently qualify as a "well-known seasoned issuer," which allows us to file shelf registration statements to register an unspecified amount of securities that are effective upon filing. On May 26, 2017, we filed such a shelf registration statement with the SEC for the issuance of an unspecified amount of ordinary shares (including in the form of ADSs), preferred shares, various series of debt securities and/or warrants to purchase any of such securities, either individually or in units, from time to time at prices and on terms to be determined at the time of any such offering. This registration statement was effective upon filing and will remain in effect for up to three years from filing. To the extent that we raise additional capital through the sale of equity or convertible debt securities, the ownership interest of our shareholders will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect your rights as a holder of ADSs or ordinary shares. Debt financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends and may require the issuance of warrants, which could potentially dilute your ownership interest. If we raise additional funds through collaborations, strategic alliances or licensing arrangements with third parties, we may have to relinquish valuable rights to our technologies, future revenue streams or research programs or to grant licenses on terms that may not be favorable to us. If we are unable to raise additional funds through equity or debt financings, collaborations or other sources when needed, we may be required to delay, limit, reduce or terminate our product development or future commercialization efforts or grant rights to develop and market products or drug candidates that we would otherwise prefer to develop and market ourselves.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

The following table summarizes our significant contractual obligations as of the payment due date by period at June 30, 2018:

	Payments Due by Period				
			Less Than		More Than
	Total	1 Year	1–3 Years	3–5 Years	5 Years
	(US dollars in thousands)				
Contractual obligations					
Operating lease commitments	38,275	11,982	18,903	6,658	732
Debt obligations	209,751	9,067	9,140	151,698	39,846
Capital commitments	55,957	55,957	—	—	—
Total	303,983	77,006	28,043	158,356	40,578

The above debt obligations represented the US$ equivalents of loans denominated in RMB.

Operating Lease Commitments

We lease office or manufacturing facilities in Beijing, Shanghai, Suzhou and Guangzhou, PRC and office facilities in the United States in California, Massachusetts and New Jersey under non-cancelable operating leases expiring on different dates. Payments under operating leases are expensed on a straight-line basis over the periods of the respective leases. The future minimum payments under these non-cancelable operating leases are summarized in the table above.

Debt Obligations

Long-term Bank Loan

On September 2, 2015, BeiGene (Suzhou) entered into a loan agreement with Suzhou Industrial Park Biotech Development Co., Ltd. and China Construction Bank, to borrow US$18.2 million at a 7% fixed annual interest rate. As of June 30, 2018, we have drawn down the entire US$18.2 million, which is secured by BeiGene (Suzhou)'s equipment with a net carrying amount of US$19.6 million and our rights to a PRC patent on a drug candidate. US$9.1 million is repayable on each of September 30, 2018 and 2019.

On April 4, 2018, BeiGene Guangzhou Factory entered into a nine-year loan agreement with China Construction Bank to borrow US$87.7 million at a floating interest rate benchmarking RMB loans interest rate of financial institutions in PRC. The Company plans to draw down the entire available amount before December 31, 2019. The loan is secured by BeiGene Guangzhou Factory's land use right with a net carrying amount of US$12.1 million. Interest expense will be paid quarterly until the loan is fully settled. As of June 30, 2018, the Company has drawn down US$42.3 million in aggregate principal amount of this loan, with maturity dates ranging from 2021 to 2027.

Shareholder Loan

On March 7, 2017, BeiGene Biologics entered into a Shareholder Loan Contract with GET, pursuant to which, GET provided a shareholder loan to BeiGene Biologics with the principal of RMB900 million at an 8% fixed annual interest rate. The term of the shareholder loan is 72 months, commencing from the actual drawdown date of April 14, 2017 and ending on April 13, 2023, unless converted earlier. On April 14, 2017, we drew down the entire RMB900 million from GET.

Capital Commitments

We had capital commitments amounting to US$56.0 million for the acquisition of property, plant and equipment as of June 30, 2018, which was primarily for BeiGene Guangzhou Factory's manufacturing facility in Guangzhou, China. See page 294 of the Prospectus for more information on our capital commitments,

Other Business Agreements

We enter into agreements in the normal course of business with CROs and other entities to license intellectual property. We have not included these future payments in the table of contractual obligations above since the contracts are cancelable at any time by us with prior written notice or the licensing fees are currently not determinable.

CRITICAL ACCOUNTING POLICIES AND SIGNIFICANT JUDGMENTS AND ESTIMATES

Our discussion and analysis of our financial condition and results of operations is based on our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America, or GAAP. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities and the disclosure of contingent assets and liabilities at the date of our financial statements and the reported amounts of revenues and expenses during the periods. We evaluate our estimates and judgments on an ongoing basis, including but not limited to, estimating the useful lives of long-lived assets, identifying separate accounting units and estimating the best estimate selling price of each deliverable in our revenue arrangements, assessing the impairment of long-lived assets, share-based compensation expenses, realizability of deferred tax assets and the fair value of warrant and option liabilities. We base our estimates on historical experience, known trends and events, contractual milestones and other various factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Our actual results may differ from these estimates under different assumptions or conditions.

INTEREST AND CREDIT RISK

Financial instruments that are potentially subject to credit risk consist of cash, cash equivalents, restricted cash and short-term investments. The carrying amounts of cash, cash equivalents, restricted cash and short-term investments represent the maximum amount of loss due to credit risk. We had cash and cash equivalents of US$438.4 million and US$239.6 million, restricted cash of US$31.6 million and nil, and short-term investments of US$931.2 million and US$597.9 million at June 30, 2018 and December 31, 2017, respectively. At June 30, 2018, our cash and cash equivalents were deposited with various major reputable financial institutions located inside and outside the PRC. The deposits placed with these financial institutions are not protected by statutory or commercial insurance. In the event of bankruptcy of one of these financial institutions, we may be unlikely to claim our deposits back in full. We believe that these financial institutions are of high credit quality, and we continually monitor the credit worthiness of these financial institutions. Restricted cash represents secured deposits held in designated bank accounts for issuance of letters of credit, and restricted cash deposits as security for long-term bank loan. At June 30, 2018, our short-term investments consisted primarily of U.S. treasury securities and time-denominated deposits. We believe that the U.S. treasury securities are of high credit quality and continually monitor the credit worthiness of these institutions.

The primary objectives of our investment activities are to preserve principal, provide liquidity and maximize income without 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 and short-term investments, 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 change in market interest rates would impact the fair value of our investment portfolio as of June 30, 2018 by US$2.8 million.

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

FOREIGN CURRENCY EXCHANGE RATE RISK

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

RMB is not freely convertible into foreign currencies for capital account transactions. The value of RMB against the U.S. dollar and other currencies is affected by, among other things, changes in China's political and economic conditions and China's foreign exchange prices. From July 21, 2005, the RMB is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. For the RMB against U.S. dollars, there was depreciation of approximately 1.7% in the six months ended June 30, 2018 and appreciation of approximately 6.5% in the year ended December 31, 2017, 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 and 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 earnings or losses.

CURRENCY CONVERTIBILITY RISK

A majority of our expenses and a significant portion of our assets and liabilities are denominated in RMB. On January 1, 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, or PBOC. However, the unification of exchange rates does not imply that the RMB may be readily convertible into U.S. dollars or other foreign currencies. All foreign exchange transactions continue to take place either through the PBOC or other banks authorized to buy and sell foreign currencies at the exchange rates quoted by the PBOC. Approvals of foreign currency payments by the PBOC or other institutions require submitting a payment application form together with suppliers' invoices, shipping documents and signed contracts.

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

EFFECTS OF INFLATION

Inflation generally affects us by increasing our cost of labor and clinical trial costs. We do not believe that inflation has had a material effect on our results of operations during the six months ended June 30, 2018.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of June 30, 2018, we had not entered into any off-balance sheet transactions.

GEARING RATIO

The gearing ratio of the Group, which was calculated by dividing total interest-bearing loans by total equity as at the end of the period, was 17.1% as of June 30, 2018, decreased from 24.2% as at December 31, 2017. The decrease was primarily due to the increase in equity.

SIGNIFICANT INVESTMENTS HELD

As of June 30, 2018, we did not hold any significant investments in the equity interests of any other companies.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As of June 30, 2018, we did not have other plans for material investments and capital assets.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the six months ended June 30, 2018, we did not have any materials acquisitions and disposals of subsidiaries and affiliated companies.

EMPLOYEE AND REMUNERATION POLICY

As of June 30, 2018, we had a global team of 1,250 employees, which increased from 900 full-time employees as of December 31, 2017. Approximately 940 of our employees are based in China, and approximately 290 employees are based in the United States. The remaining employees are based in Australia and Switzerland.

The remuneration policy and package of the Group'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 total remuneration cost incurred by the Group for the six months ended June 30, 2018 was US$107.4 million (June 30, 2017: US$36.8 million).

PLEDGE OF ASSETS

As at June 30, 2018, we pledged a restricted deposit of US$31.6 million (June 30, 2017: nil) in BeiGene Guangzhou Factory held in designated bank accounts for issuance of letter of credit, and restricted cash deposits as security for the long-term bank loan. As of June 30, 2018, BeiGene (Suzhou)'s equipment of US$19.6 million (June 30, 2017: US$22.8 million) and BeiGene Guangzhou Factory's land use right of US$12.1 million (June 30, 2017: nil) were secured for long-term bank loans.

CONTINGENT LIABILITIES

As at June 30, 2018, we did not have any material contingent liabilities (as of June 30, 2017: nil).

INTERIM DIVIDEND

The Board did not recommend any interim dividend for the six months ended June 30, 2018.

OTHER INFORMATION

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS

As the Company was not listed on the Stock Exchange as at June 30, 2018, Divisions 7 and 8 of Part XV of the SFO and section 352 of the SFO were not applicable to the Directors or chief executives of the Company as at June 30, 2018.

As at the date of this interim report, the interests and short positions of our Directors or chief executives of our Company in the Shares, underlying Shares and debentures of our Company or its associated corporation (within the meaning of Part XV of the SFO), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as contained in Appendix 10 to the Listing Rules were as follows:

Name of Director	Nature of interest	Number of ordinary shares	Approximate percentage of holding[1]
John V. Oyler	Beneficial owner	34,110,070[2]	4.44%
	Settlor of a trust/Beneficiary of a trust	10,000,000[3]	1.30%
	Settlor of a trust/Interest of a minor child	102,188[4]	0.01%
	Settlor of a trust/Beneficiary of a trust	7,952,787[5]	1.03%
	Settlor of a trust/Beneficiary of a trust	29,872,444[6]	3.89%
	Settlor of a trust	1,021,880[7]	0.13%
Xiaodong Wang	Beneficial owner	16,214,750[8]	2.11%
	Interest of a minor child	224,372[9]	0.03%
	Interest in controlled corporation	5,000,000[10]	0.65%
Timothy Chen	Beneficial owner	657,346[11]	0.09%
Donald W. Glazer	Beneficial owner	4,528,366[12]	0.59%
	Interest of spouse	38,160[13]	0.00%
Michael Goller	Beneficial owner	226,724[14]	0.03%
Ranjeev Krishana	Beneficial owner	226,724[15]	0.03%
Thomas Malley	Beneficial owner	1,139,472[16]	0.15%
Jinh-Shyh (Sam) Su	Beneficial owner	63,290[17]	0.01%
Qingqing Yi	Beneficial owner	226,724[18]	0.03%

Notes:

(1) The calculation is based on the total number of 768,463,184 Shares in issue as at the date of this interim report.

(2) Includes (1) 16,270,707 Shares held by Mr. Oyler, (2) Mr. Oyler's entitlement to receive up to 16,689,898 Shares pursuant to the exercise of options granted to him, subject to the conditions (including vesting conditions) of those options, and (3) Mr. Oyler's entitlement to restricted share units equivalent to 1,149,465 Shares, subject to vesting conditions.

(3) These Shares are held in a Roth IRA PENSCO trust account for the benefit of Mr. Oyler.

(4) These Shares are held by The John Oyler Legacy Trust for the benefit of Mr. Oyler's minor child, of which Mr. Oyler 's father is a trustee and Mr. Oyler is the settlor.

(5) These Shares are held by a grantor retained annuity trust for the benefit of Mr. Oyler, of which Mr. Oyler 's father is a trustee and Mr. Oyler is the settlor.

(6) These Shares are held by Oyler Investment LLC, the interest of which is 99% owned by a grantor retained annuity trust for the benefit of Mr. Oyler, of which Mr. Oyler's father is a trustee and Mr. Oyler is the settlor.

(7) These Shares are held by The Oyler Family Legacy Trust for the benefit of Mr. Oyler's family members, of which Mr. Oyler 's father is a trustee and Mr. Oyler is the settlor.

(8) Includes (1) 7,526,966 Shares held by Dr. Wang, (2) Dr. Wang's entitlement to receive up to 8,286,143 Shares pursuant to the exercise of options granted to him, subject to the conditions (including vesting conditions) of those options, and (3) Dr. Wang's entitlement to restricted share units equivalent to 401,641Shares, subject to vesting conditions.

(9) These Shares are held in a Uniform Transfers to Minors Act account for Dr. Wang's minor child, in which Dr. Wang is deemed to be interested for the purposes of the SFO.

(10) These Shares are held by Wang Investment LLC, the interest of which is 99% owned by two grantor retained annuity trusts, of which Dr. Wang's wife is a trustee and Dr. Wang is the Settlor.

(11) Includes (1) Mr. Chen's entitlement to receive up to 648,056 Shares pursuant to the exercise of options granted to him, subject to the conditions (including vesting conditions) of these options, and (2) Mr. Chen's entitlement to restricted share units equivalent to 9,290 Shares, subject to vesting conditions.

(12) Includes (1) 4,301,642 Shares held by Mr. Glazer; (2) Mr. Glazer's entitlement to receive up to 217,434 Shares pursuant to the exercise of options granted to him, subject to the conditions (including vesting conditions) of these options, and (3) Mr. Glazer's entitlement to restricted share units equivalent to 9,290 Shares, subject to vesting conditions.

(13) These Shares are held by Mr. Glazer's spouse, in which Mr. Glazer is deemed to be interested for the purposes of the SFO.

(14) Includes (1) Mr. Goller's entitlement to receive up to 217,434 Shares pursuant to the exercise of options granted to him, subject to the conditions (including vesting conditions) of these options, and (2) Mr. Goller's entitlement to restricted share units equivalent to 9,290 Shares, subject to vesting conditions.

(15) Includes (1) Mr. Krishana's entitlement to receive up to 217,434 Shares pursuant to the exercise of options granted to him, subject to the conditions (including vesting conditions) of these options, and (2) Mr. Krishana's entitlement to restricted share units equivalent to 9,290 Shares, subject to vesting conditions.

(16) Includes (1) 390,000 Shares held by Mr. Malley, (2) Mr. Malley's entitlement to receive up to 740,182 Shares pursuant to the exercise of options granted to him, subject to the conditions (including vesting conditions) of those options and (3) Mr. Malley's entitlement to restricted share units equivalent to 9,290 Shares, subject to vesting conditions.

(17) Mr. Su is entitled to receive up to 63,290 Shares pursuant to the exercise of options granted to him, subject to the conditions (including vesting conditions) of those options.

(18) Includes (1) Mr. Yi's entitlement to receive up to 217,434 Shares pursuant to the exercise of options granted to him, subject to the conditions (including vesting conditions) of these options, and (2) Mr. Yi's entitlement to restricted share units equivalent to 9,290 Shares, subject to vesting conditions.

Save as disclosed above, as at the date of this interim report, so far as is known to any Director or the chief executive of the Company, none of the Directors nor the chief executives of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO (including the interests and short positions which the Director is taken or deemed to have under such provisions of the SFO; or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As the Company was not listed on the Stock Exchange as at June 30, 2018, Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO were not applicable to the Company as at June 30, 2018. As at the date of this interim report, the following persons (other than our Directors or chief executives of our Company) had interests or short positions in the Shares or underlying Shares of the Company as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of Shareholder	Capacity/Nature of interest	Number of Shares/ underlying shares	Approximate percentage of holding[1]
Julian C. Baker[2]	Beneficial interest/Interest in controlled corporations	161,880,677	21.07%
Felix J. Baker[2]	Beneficial interest/Interest in controlled corporations	161,880,677	21.07%
Baker Bros. Advisors (GP) LLC. [2]	Interest in controlled corporations	161,745,282	21.05%
Baker Bros. Advisors LP[2]	Interest in controlled corporations	161,745,282	21.05%
Baker Brothers Life Sciences Capital, L.P.[2]	Beneficial interest	145,425,622	18.92%
Hillhouse Capital Management Ltd. [3]	Interest in controlled corporations	76,563,367	9.96%
Gaoling Fund, L.P.[3]	Beneficial interest	58,995,800	7.68%
Fidelity Management & Research Company[4]	Interest in controlled corporations	76,202,408	9.92%
FMR Co., Inc.[4]	Beneficial interest/ Interest in controlled corporations	71,180,714	9.26%
FMR LLC[4]	Beneficial interest	77,169,208	10.04%
Fidelity Mt. Vernon Street Trust[4]	Beneficial interest	38,393,094	5.00%
Wellington Management Group LLP[5]	Beneficial interest	49,576,878	6.45%

Notes:

(1) The calculation is based on the total number of 768,463,184 Shares in issue as at the date of this interim report.

(2) Julian C. Baker and Felix J. Baker are the managing members of Baker Bros. Advisors (GP) LLC. Baker Bros. Advisors (GP) LLC is the sole general partner of Baker Bros. Advisors LP, which is the investment advisor with sole voting and investment power to 667, L.P. and Baker Brothers Life Sciences, L.P. For the purposes of the SFO, Julian C. Baker, Felix J. Baker, Baker Bros. Advisors (GP) LLC and Baker Bros. Advisors LP are deemed to be interested in the 16,319,660 Shares held by 667, L.P. and the 145,425,622 Shares held by Baker Brothers Life Sciences, L.P. Each of Julian C. Baker and Felix J. Baker further holds 92,326 Shares, and 43,069 Shares through FBB3 LLC, a controlled corporation.

(3) (i) 58,995,800 Shares are held by Gaoling Fund, L.P.; (ii) 4,121,589 Shares are held by YHG Investment, L.P.; and (iii) 13,445,978 Shares are held by Hillhouse BGN Holdings Limited. Hillhouse Capital Management, Ltd. acts as the sole general partner of YHG Investment, L.P. and the sole management company of Gaoling Fund, L.P. and Hillhouse Fund II, L.P., which owns Hillhouse BGN Holdings Limited. Under the SFO, Hillhouse Capital Management, Ltd. is deemed to be interested in the 58,995,800 Shares held by Gaoling Fund, L.P., the 4,121,589 Shares held by YHG Investment, L.P. and the 13,445,978 Shares held by Hillhouse BGN Holdings Limited. Under the SFO, Hillhouse Fund II, L.P. is deemed to be interested in the 13,445,978 Shares held by Hillhouse BGN Holdings Limited.

(4) Members of the Johnson family including Abigail P. Johnson, are the predominant owners, directly or through trusts, of series B voting common shares of FMR LLC, representing 49% of the voting power of FMR LLC. The Johnson family group and all other Series B shareholders have entered into a shareholders' voting agreement under which all Series B voting common shares will be voted in accordance with the majority vote of Series B voting common shares.

Fidelity Management & Research Company is interested in 76,202,408 Shares, of which 69,720,508 are physically settled listed derivatives. Its controlled corporations FMR Co., Inc is directly interested in 12,048,805 and indirectly interested in 71,180,714 Shares, and Fidelity Management & Research (Hong Kong) Limited is directly interested in 4,694,900 Shares.

The 38,393,094 Shares in which Fidelity Mt. Vernon Street Trust is beneficially interested consist of 274,453 Shares directly held by Fidelity Mt. Vernon Street Trust, and 36,118,641 physically settled listed derivatives.

The 71,180,714 Shares in which FMR Co., Inc. is beneficially interested consist of 4,617,100 Shares directly held by FMR Co., Inc., and 66,563,614 physically settled listed derivatives.

(5) The interests of Wellington Management Group LLP reflect shared dispositive power over the 38,453,845 Shares (including shared voting power over a portion of such Shares), which are owned of record by clients of the one or more investment advisers including Wellington Management Company LLP, Wellington Management Singapore Pte Ltd, Wellington Management Hong Kong Ltd, and Wellington Management International Ltd, (the "Wellington Investment Advisers"). Wellington Investment Advisors Holdings LLP controls directly or indirectly through Wellington Management Global Holdings, Ltd., the Wellington Investment Advisers. Wellington Investment Advisors Holdings LLP is owned by Wellington Group Holdings LLP. Wellington Group Holdings LLP is owned by Wellington Management Group LLP. Under the SFO, Wellington Management Group (LLP), Wellington Investment Advisors Holdings LLP, Wellington Management Global Holdings, Ltd. and Wellington Group Holdings LLP are deemed to be interested in the 38,453,845 Shares owned by clients of the Wellington Investment Advisers.

Save as disclosed above, as at the date of this interim report, no other Directors or chief executives of the Company had any interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept under section 336 of the SFO.

SHARE OPTION AND AWARD SCHEMES

1. 2011 Share Option Scheme

The 2011 Plan was approved by the Board on April 15, 2011 and amended on April 17, 2015.

As at June 30, 2018, the Company has conditionally granted options to 240 participants under the 2011 Plan. All the options under the 2011 Plan were granted between May 20, 2011 and January 31, 2016 (both days inclusive). The exercise price of all the options granted under the 2011 Plan is between US$0.01 and US$1.85.

Further details of the 2011 Plan are set out in the Prospectus and note 20 to the unaudited interim condensed consolidated financial statements.

As at January 1, 2018, 21,550,936 shares were outstanding pursuant to options granted under the 2011 Plan, and as at June 30, 2018, 19,598,183 shares were outstanding under the 2011 Plan. Details of the movements of the options granted under the 2011 Plan from January 1, 2018 to June 30, 2018 are as follows:

					Number of options				
Name of grantee	Role	Date of grant	Option period	Exercise price	Outstanding as of January 1, 2018	Granted during the Period	Exercised during the Period	Cancelled/ Lapsed during the Period	Outstanding as of June 30, 2018
Directors of the Company									
Xiaodong Wang	Non-executive Director	May 20, 2011	10 years from the date of grant	US$0.01	88,235	–	–	–	88,235
		April 3, 2013	10 years from the date of grant	US$0.01	879,267	–	–	–	879,267
		June 29, 2015	10 years from the date of grant	US$0.50	500,000	–	–	–	500,000
Thomas Malley	Independent Non-executive Director	January 25, 2016	10 years from the date of grant	US$1.85	552,752	–	–	–	552,752
Senior Management of the Company									
Howard Liang	Chief Financial Officer and Chief Strategy Officer	June 29, 2015	10 years from the date of grant	US$0.50	4,900,000	–	455,000	–	4,445,000
Other grantees									
In aggregate		Between May 20, 2011 and January 31, 2016	10 years from the date of grant	Between US$0.01 to US$1.85	14,630,682	–	1,413,698	84,055	13,132,929
Total					21,550,936	–	1,868,698	84,055	19,598,183

2. Amended and Restated 2016 Share Option and Incentive Plan

The 2016 Plan was approved by the Board on January 14, 2016 to replace the 2011 Plan. On August 7, 2018, the Company amended the 2016 Plan to comply with Chapter 17 of the Listing Rules. The 2016 Plan provides the Company with the flexibility to use various equity-based incentive and other awards as compensation tools to motivate our workforce. These tools include share options, share appreciation rights, restricted shares, restricted share units, unrestricted shares, performance share awards, cash-based awards and dividend equivalent rights. The 2016 Plan became effective on February 2, 2016.

As at the date of June 30, 2018, the Company has conditionally granted options to 725 participants under the 2016 Plan. All the options under the 2016 Plan were granted between February 8, 2016 and June 26, 2018 (both days inclusive). The exercise price of all the options granted under the 2016 Plan is between US$0.5 and US$16.15.

Further details of the 2016 Plan are set out in the Prospectus and note 20 to the unaudited interim condensed consolidated financial statements.

As at January 1, 2018, 90,251,295 shares were outstanding pursuant to options granted under the 2016 Plan, and as at June 30, 2018, 89,918,184 shares were outstanding under the 2016 Plan. Details of the movements of the options granted from January 1, 2018 to June 30, 2018 are as follows:

Name of grantee	Role	Date of grant	Option period	Exercise price	Number of options: Outstanding as of January 1, 2018	Granted during the Period	Exercised during the Period	Cancelled/ Lapsed during the Period	Outstanding as of June 30, 2018
Directors of the Company									
John V. Oyler	Executive Director, Chairman and Chief Executive Officer	November 16, 2016	10 years from date of grant	US$2.84	2,047,500	–	–	–	2,047,500
		September 27, 2017	10 years from date of grant	US$7.70	935,000	–	–	–	935,000
		April 30, 2018	10 years from date of grant	US$13.04	–	996,810	–	–	996,810
		June 26, 2018	10 years from date of grant	US$12.34	–	1,310,088	–	–	1,310,088
Xiaodong Wang	Non-executive Director	November 16, 2016	10 years from the date of grant	US$2.84	1,613,430	–	–	–	1,613,430
		September 27, 2017	10 years from the date of grant	US$7.70	750,000	–	–	–	750,000
		June 26, 2018	10 years from the date of grant	US$12.34	–	655,044	–	–	655,044
Timothy Chen	Independent Non-executive Director	February 8, 2016	10 years from the date of grant	US$2.43	460,626	–	–	–	460,626
		June 2, 2017	10 years from the date of grant	US$3.15	169,988	–	–	–	169,988
		June 6, 2018	10 years from the date of grant	US$16.15	–	17,442	–	–	17,442
Donald W. Glazer	Independent Non-executive Director	April 19, 2017	10 years from the date of grant	US$2.83	199,992	–	–	–	199,992
		June 6, 2018	10 years from the date of grant	US$16.15	–	17,442	–	–	17,442
Michael Goller	Independent Non-executive Director	April 19, 2017	10 years from the date of grant	US$2.83	199,992	–	–	–	199,992
		June 6, 2018	10 years from the date of grant	US$16.15	–	17,442	–	–	17,442
Ranjeev Krishana	Independent Non-executive Director	April 19, 2017	10 years from the date of grant	US$2.83	199,992	–	–	–	199,992
		June 6, 2018	10 years from the date of grant	US$16.15	–	17,442	–	–	17,442
Thomas Malley	Independent Non-executive Director	June 2, 2017	10 years from the date of grant	US$3.15	169,988	–	–	–	169,988
		June 6, 2018	10 years from the date of grant	US$16.15	–	17,442	–	–	17,442
Jing-Shyh (Sam) Su	Independent Non-executive Director	April 1, 2018	10 years from the date of grant	US$12.72	–	63,290	–	–	63,290
Qingqing Yi	Independent Non-executive Director	April 19, 2017	10 years from the date of grant	US$2.83	199,992	–	–	–	199,992
		June 6, 2018	10 years from the date of grant	US$16.15	–	17,442	–	–	17,442

Name of grantee	Role	Date of grant	Option period	Exercise price	Number of options: Outstanding as of January 1, 2018	Granted during the Period	Exercised during the Period	Cancelled/ Lapsed during the Period	Outstanding as of June 30, 2018
Senior Management of the Company									
Howard Liang	Chief Financial Officer and Chief Strategy Officer	November 16, 2016	10 years from the date of grant	US$2.84	1,752,500	–	–	–	1,752,500
		June 29, 2017	10 years from the date of grant	US$3.46	1,250,000	–	–	–	1,250,000
		June 26, 2018	10 years from the date of grant	US$12.34	–	364,208	–	–	364,208
Amy Peterson	Chief Medical Office, Immuno-oncology	August 22, 2016	10 years from the date of grant	US$2.24	1,600,000	–	–	–	1,600,000
		June 27, 2017	10 years from the date of grant	US$3.49	1,016,178	–	–	–	1,016,178
		June 26, 2018	10 years from the date of grant	US$12.34	–	310,180	–	–	310,180
Jane Huang	Chief medical Officer, Hematology	September 2, 2016	10 years from the date of grant	US$2.27	1,367,500	–	–	–	1,367,500
		June 27, 2017	10 years from the date of grant	US$3.49	980,465	–	–	–	980,465
		June 26, 2018	10 years from the date of grant	US$12.34	–	310,180	–	–	310,180
Xiaobin Wu	General Manager, China and President	April 30, 2018	10 years from the date of grant	US$13.05	–	766,599	–	–	766,599
Other grantees									
In aggregate		Between February 8, 2016 and June 26, 2018	10 years from the date of grant	Between US$0.50 to US$13.55	75,338,152	3,584,835	4,075,046	4,723,951	70,123,990
Total					90,251,295	8,465,886	4,075,046	4,723,951	89,918,184

3. Amended and Restated 2018 Employee Share Purchase Plan

The ESPP was approved by the Board on June 6, 2018. On August 7, 2018, the Company amended the ESPP to comply with Chapter 17 of the Listing Rules. The ESPP allows eligible employees to purchase our Shares (including in the form of ADSs) at a 15% discount to the market price of our Shares or ADSs. Employees would purchase our Shares or ADSs at the end of an offering period using funds deducted from their payroll during the offering period.

As at June 30, 2018, no Shares had been granted, agreed to be granted, exercised, cancelled or lapsed pursuant to the ESPP.

4. Amended and Restated 2018 Inducement Equity Plan

On June 6, 2018, the Company adopted the 2018 Plan and reserved 12,000,000 ordinary shares to be used exclusively for grants of awards to individuals that were not previously employees of the Company or its subsidiaries, as a material inducement to the individual's entry into employment with the Company or its subsidiaries. The 2018 Inducement Equity Plan was approved by the Board upon recommendation of our compensation committee. On August 7, 2018, the Company amended the 2018 Plan to comply with Chapter 17 of the Listing Rules. The terms and conditions of the 2018 Plan, and the forms of award agreements are substantially similar to the 2016 Plan, save for the number of shares reserved under the 2018 Plan.

As at June 30, 2018 no options had been granted, agreed to be granted, exercised, cancelled or lapsed pursuant to the 2018 Plan.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company was incorporated in the Cayman Islands on October 28, 2010 with limited liability, and the shares of the Company were listed on the Main Board of the Stock Exchange on the Listing Date.

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 and to enhance the transparency and accountability of the Board to all shareholders.

As the shares of the Company were not yet listed on the Stock Exchange as of June 30, 2018, the principles and code provisions of the Corporate Governance Code contained in Appendix 14 to the Listing Rules were not applicable to the Company during the Reporting Period.

Pursuant to code provision A.2.1 of the Corporate Governance Code, companies listed on the Stock Exchange are expected to comply with, but may choose to deviate from the requirement that the responsibilities between 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. 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 of our Board and the chief executive officer of our Company at a time when it is appropriate by taking into account the circumstances of our Group as a whole.

Pursuant to code provision A.5.6 of the Corporate Governance Code, companies listed on the Stock Exchange are expected to comply with, but may choose to deviate from the requirement that the nomination committee for the board should have a policy concerning the diversity of board members. We have not adopted a policy on the diversity of board members. However, our nominating and governance committee and our Board may consider a broad range of factors relating to the qualifications and background of candidates for our Board, which may include diversity and are not limited to race, gender or national origin.

OTHER INFORMATION

Our audit committee is in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code set out in Appendix 14 to the Listing Rules, except for the terms of reference required by paragraphs C.3.3 and C.3.7 of the Corporate Governance Code. However, the charter of our audit committee complies with the rules of the Nasdaq Global Select Market 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. The audit committee comprises three independent non-executive Directors, namely Mr. Thomas Malley, Mr. Qingqing Yi and Mr. Timothy Chen. Mr. Thomas Malley, being the chairman of the committee, is appropriately qualified as required under Rules 3.10(2) and 3.21 of the Listing Rules.

Our compensation committee is in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code set out in Appendix 14 to the Listing Rules, except for the terms of reference required by paragraph B.1.2 of the Corporate Governance Code. However, the charter of our compensation committee complies with the rules of Nasdaq. 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 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. The compensation committee comprises Mr. Qingqing Yi, Mr. Ranjeev Krishana and Mr. Timothy Chen. Mr. Qingqing Yi is the chairman of the committee.

Our nominating and corporate governance committee complies with the Corporate Governance Code set out in Appendix 14 to the Listing Rules, except for the terms of reference required by paragraph A.5.2 of the Corporate Governance Code. However, the charter of our nominating and corporate governance committee complies with the rules of the Nasdaq. The primary duties of the nominating and corporate governance committee are among other things, to develop and recommend to the Board criteria for board and committee membership, recommend to the Board the persons to be nominated for election as Directors and to each of the Board's committees, and develop and recommend to the Board a set of corporate governance guidelines. The nominating and corporate governance committee comprises Mr. Donald W. Glazer and Mr. Michael Goller. Mr. Donald W. Glazer is the chairman of the committee.

Save as disclosed above, the Company has complied with all the code provisions set out in the Corporate Governance Code throughout the period from the Listing Date up to the date of this interim report.

COMPLIANCE WITH POLICIES EQUIVALENT TO THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

Save as disclosed below, the Company has adopted its own insider dealing policies on terms no less exacting than those in the Model Code as set out in Appendix 10 to the Listing Rules regarding the Directors' dealings in the securities of the Company. Such insider dealing policies have been applicable to the Company since the Listing Date. As the shares of the Company were not yet listed on the Stock Exchange as of June 30, 2018, such insider dealing policies were not applicable to the Company during the Reporting Period.

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, Scott A. Samuels, Senior Vice President and General Counsel of the Company, has been designated as the insider trading compliance officer whom a director who intends to deal in the Company's securities must notify. Our board believes that our insider trading compliance officer, despite not being a member of the board, is able to carry out his duties properly and competently in accordance with the Company's insider dealing policies the terms of which are otherwise no less exacting than those in the Model Code.

Having made specific enquiry of all the Directors of the Company, 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 period from the Listing Date up to the date of this interim report.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Since the Company was not listed on the Stock Exchange 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 Stock Exchange during the Reporting Period.

DISCLOSURE OF CHANGES IN DIRECTORS' INFORMATION PURSUANT TO LISTING RULE 13.51(B)(1)

Since the Company was not listed on the Stock Exchange during the Reporting Period, there is no change in the Directors' information pursuant to Rule 13.51(B)(1) of the Listing Rules.

USE OF NET PROCEEDS FROM LISTING

With the Shares of the Company listed on the Stock Exchange on August 8, 2018, the net proceeds from the Global Offering were approximately US$870,107,000, which will be utilized for the purposes as set out in the Prospectus.

DIFFERENCES BETWEEN US GAAP AND IFRSs

The interim financial statements for the six months ended June 30, 2018 is prepared by the Directors of the Company under US GAAP, and the differences between US GAAP and IFRSs has been disclosed in the Note 27 to such interim financial statements.

Basis of Preparation

Disclosure is set out by providing a comparison (the "GAAP Difference Reconciliation") between the Company's relevant financial information as extracted from the Company's interim financial statements on the one hand, and adjustments of such financial information had they instead been prepared in accordance with the IFRSs. The process applied in the preparation of such GAAP Difference Reconciliation is also set out below.

OTHER INFORMATION

Reconciliation Process

The GAAP Difference Reconciliation has been prepared by the Directors by comparing the differences between the "Amounts as reported under US GAAP" for each of the six months ended 30 June 2018 and 2017 on the one hand, and the "Amounts under IFRSs" on the other hand in respect of each of the six months ended 30 June 2018 and 2017, as appropriate, and quantifying the relevant financial effects of such differences, if any. Attention is drawn to the fact that as the GAAP Difference Reconciliation has not been subject to an independent audit and accordingly, no opinion is expressed by an auditor on whether the financial information in the GAAP Difference Reconciliation presents a true and fair view or not.

Assurance engagement and results

Ernst & Young was engaged by the Company to conduct work in accordance with the Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or reviews of Historical Financial Information" ("HKSAE 3000") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") on the GAAP Difference Reconciliation. The work consisted primarily of:

(i) Comparing the financial information in the columns "Amounts as reported under US GAAP" as disclosed in the Note 27 to the Company's unaudited interim financial statements (the "Note 27") with the respective line items in the Company's unaudited interim condensed consolidated statements of operations for the six months ended June 30, 2018 and 2017 and the unaudited condensed consolidated balance sheets as at June 30, 2018 and December 31, 2017 (collectively the "Financial statements Line Items"), as appropriate;

(ii) Considering the adjustments made and evidence supporting the adjustments made in arriving at the columns "IFRSs adjustments" as disclosed in the Note 27;

(iii) Checking the arithmetic accuracy of the computation of the Company's financial information in the columns "Amounts under IFRSs" as disclosed in the Note 27.

Ernst & Young's engagement did not involve independent examination of any of the underlying financial information. The work carried out in accordance with HKSAE 3000 is different in scope from an audit or a review conducted in accordance with Hong Kong Standards on Auditing or Hong Kong Standards on Review Engagements issued by the HKICPA and consequently, Ernst & Young did not express an audit opinion nor a review conclusion on the GAAP Difference Reconciliation. Ernst & Young's engagement was intended solely for the use of the Directors in connection with the above purpose for this interim report and may not be suitable for another purpose. Based on the work performed, Ernst & Young has concluded that nothing has come to their attention that causes them to believe:

(i) The amounts in the columns "Amounts as reported under US GAAP" as disclosed in the Note 27 are not in agreement with the respective Financial Statement Line Items amounts;

(ii) The IFRSs adjustments as disclosed in the Note 27 are not prepared, in all material respects, in accordance with the basis of preparation and reconciliation process as set out above; and

(iii) The computation of the amounts in the columns "Amounts under IFRSs" as disclosed in the Note 27 are not arithmetically accurate.

AUDIT COMMITTEE AND REVIEW OF FINANCIAL STATEMENTS

Our audit committee reviews the adequacy of our internal control to ensure that our internal control system is effective in identifying, managing and mitigating risks involved in our business operations. The audit committee consists of three members, namely Mr. Thomas Malley, Mr. Qingqing Yi and Mr. Timothy Chen. Each of our audit committee members is an independent non-executive director. Thomas Malley is the chairman of the audit committee.

The audit committee has reviewed the interim condensed consolidated financial statements of the Group for the six months ended June 30, 2018. The audit committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with members of senior management and the external auditor of the Company, Ernst & Young.

OTHER BOARD COMMITTEES

In addition to the audit committee, the Company has a nominating and corporate governance committee and a compensation committee.

IMPORTANT EVENTS AFTER THE REPORTING DATE

Save as disclosed above, no important events affecting the Company occurred since the Listing Date and up to the date of this interim report.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

The Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

On behalf of the Board
John V, Oyler
Chairman
Hong Kong
August 30, 2018

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS

	Note	Six Months Ended June 30, 2018 US$'000	2017 US$'000
Revenues			
Product revenue, net	17	**54,676**	—
Collaboration revenue	3	**30,672**	—
Total revenues		**85,348**	—
Expenses			
Cost of sales - product		**(10,806)**	—
Research and development		**(273,951)**	(90,018)
Selling, general and administrative		**(74,075)**	(19,546)
Amortization of intangible assets		**(375)**	—
Total expenses		**(359,207)**	(109,564)
Loss from operations		**(273,859)**	(109,564)
Interest income (expense), net		**3,444**	(1,796)
Other income, net		**804**	438
Loss before income tax expense	18	**(269,611)**	(110,922)
Income tax benefit (expense)	12	**6,780**	(381)
Net loss		**(262,831)**	(111,303)
Less: net loss attributable to noncontrolling interests		**(1,348)**	(135)
Net loss attributable to BeiGene, Ltd.		**(261,483)**	(111,168)
Net loss per share attributable to BeiGene, Ltd.			
Basic and diluted (in US$)	19	**(0.38)**	(0.22)
Weighted-average shares used in net loss per share calculation			
Basic and diluted (in shares)	19	**684,586,086**	517,054,109
Net loss per American Depositary Share ("ADS")			
Basic and diluted (in US$)		**(4.97)**	(2.80)
Weighted-average ADSs used in net loss per share calculation			
Basic and diluted (in ADSs)		**52,660,468**	39,773,393

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE LOSS

	Six Months Ended June 30,	
	2018	2017
	US$'000	US$'000
Net loss	**(262,831)**	(111,303)
Other comprehensive income, net of tax of nil:		
Foreign currency translation adjustments	**2,305**	644
Unrealized holding gain, net	**1,048**	7
Comprehensive loss	**(259,478)**	(110,652)
Less: comprehensive loss attributable to noncontrolling interests	**(1,326)**	(108)
Comprehensive loss attributable to BeiGene, Ltd.	**(258,152)**	(110,544)

UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS

	Note	As of June 30, 2018 US$'000 (unaudited)	As of December 31, 2017 US$'000 (audited)
Assets			
Current assets:			
Cash and cash equivalents		**438,420**	239,602
Restricted cash	5	**31,591**	—
Short-term investments	5	**931,208**	597,914
Accounts receivable	6	**33,171**	29,428
Unbilled receivable	6	**12,702**	—
Inventories	7	**6,322**	10,930
Prepaid expenses and other current assets	14	**63,293**	35,623
Total current assets		**1,516,707**	913,497
Property and equipment, net	8	**90,510**	62,568
Land use right, net	10	**12,132**	12,465
Intangible assets, net	11	**6,875**	7,250
Goodwill	4	**109**	109
Deferred tax assets	12	**16,071**	7,675
Other non-current assets	14	**11,452**	42,915
Total non-current assets		**137,149**	132,982
Total assets		**1,653,856**	1,046,479
Liabilities and shareholders' equity			
Current liabilities:			
Accounts payable	13	**85,878**	69,779
Accrued expenses and other payables	14	**75,037**	49,598
Deferred revenue, current portion		**15,302**	12,233
Tax payable	12	**1,151**	9,156
Current portion of long-term bank loan	15	**9,067**	9,222
Total current liabilities		**186,435**	149,988

UNAUDITED INTERIM CONDENSED CONSOLIDATED BALANCE SHEETS

	Note	As of June 30, 2018 US$'000 (unaudited)	As of December 31, 2017 US$'000 (audited)
Non-current liabilities:			
Long-term bank loans	15	**51,467**	9,222
Shareholder loan	16	**149,217**	146,271
Deferred revenue, non-current portion		**18,297**	24,808
Other long-term liabilities	14	**21,772**	31,959
Total non-current liabilities		**240,753**	212,260
Total liabilities		**427,188**	362,248
Commitments and contingencies	24		
Equity:			
Ordinary shares (par value of US$0.0001 per share; 9,500,000,000 shares authorized; 701,563,184 shares issued and outstanding as of June 30, 2018 (December 31, 2017: 592,072,330 shares))		**70**	59
Additional paid-in capital		**1,804,942**	1,000,747
Accumulated other comprehensive income/(loss)		**3,114**	(480)
Accumulated deficit		**(594,929)**	(330,517)
Total BeiGene, Ltd. shareholders' equity		**1,213,197**	669,809
Noncontrolling interest	21	**13,471**	14,422
Total equity		**1,226,668**	684,231
Total liabilities and equity		**1,653,856**	1,046,479

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

	Note	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$'000	Non controlling Interest US$'000	Total Equity US$'000
Balance as at December 31, 2017		**592,072,330**	**59**	**1,000,747**	**(480)**	**(330,517)**	**669,809**	**14,422**	**684,231**
Adjustment to opening balance of equity	1	—	—	—	263	(2,929)	(2,666)	375	(2,291)
Balance at January 1, 2018		**592,072,330**	**59**	**1,000,747**	**(217)**	**(333,446)**	**667,143**	**14,797**	**681,940**
Follow-on offering, net of transaction costs		**102,970,400**	**10**	**757,577**	—	—	**757,587**	—	**757,587**
Issuance of shares reserved for share options exercise		**727,927**	—	—	—	—	—	—	—
Share-based compensation		—	—	**36,037**	—	—	**36,037**	—	**36,037**
Exercise of options		**5,792,527**	**1**	**10,581**	—	—	**10,582**	—	**10,582**
Net loss		—	—	—	—	(261,483)	(261,483)	(1,348)	(262,831)
Other comprehensive income		—	—	—	3,331	—	3,331	22	3,353
Balance as of June 30, 2018		**701,563,184**	**70**	**1,804,942**	**3,114**	**(594,929)**	**1,213,197**	**13,471**	**1,226,668**
Balance as of December 31, 2016		515,833,609	52	591,213	(946)	(237,412)	352,907	—	352,907
Issuance of shares reserved for share options exercise		492,471	—	—	—	—	—	—	—
Contribution from shareholders		—	—	—	—	—	—	14,527	14,527
Share-based compensation		—	—	13,074	—	—	13,074	—	13,074
Exercise of options		2,576,269	—	316	—	—	316	—	316
Net loss		—	—	—	—	(111,168)	(111,168)	(135)	(111,303)
Other comprehensive income		—	—	—	624	—	624	27	651
Balance as of June 30, 2017		518,902,349	52	604,603	(322)	(348,580)	255,753	14,419	270,172

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Six Months Ended June 30, 2018 US$'000	2017 US$'000
Operating activities:			
Net loss		(262,831)	(111,303)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization expense		4,580	1,404
Share-based compensation expenses	20	36,037	13,074
Acquired in-process research and development	1	10,000	—
Non-cash interest expense		4,115	2,232
Deferred income tax benefits		(8,413)	(4,059)
Other non-cash income		(2,336)	(3)
Changes in operating assets and liabilities:			
Accounts receivable		(3,743)	—
Unbilled receivable		3,605	—
Inventories		4,608	—
Prepaid expenses and other current assets		(27,669)	(5,036)
Other non-current assets		(3,694)	(139)
Accounts payable		10,308	13,242
Accrued expenses and other payables		25,439	130
Tax payable		(8,005)	2,302
Deferred revenue		(3,442)	—
Other long-term liabilities		(197)	559
Net cash (used in) operating activities		(221,638)	(87,597)
Investing activities:			
Purchases of property and equipment		(20,309)	(8,881)
Payment for the acquisition of land use right		—	(12,124)
Purchases of investments		(1,198,922)	(27,646)
Proceeds from sale or maturity of available-for-sale securities		869,011	161,900
Purchase of in-process research and development	1	(10,000)	—
Net cash (used in) provided by investing activities		(360,220)	113,249

UNAUDITED INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Six Months Ended June 30, 2018 US$'000	2017 US$'000
Financing activities:			
Proceeds from public offering, net of underwriter discount		**758,001**	—
Payment of public offering cost		**(414)**	—
Proceeds from long-term loan	15	**42,315**	—
Proceeds from short-term loan		**—**	2,470
Repayment of short-term loan		**—**	(2,470)
Capital contribution from noncontrolling interest		**—**	14,527
Proceeds from shareholder loan	16	**—**	132,757
Proceeds from option exercises		**10,582**	316
Net cash provided by financing activities		**810,484**	147,600
Effect of foreign exchange rate changes, net		**1,783**	240
Net increase in cash, cash equivalents, and restricted cash		**230,409**	173,492
Cash, cash equivalents, and restricted cash at beginning of period		**239,602**	87,514
Cash, cash equivalents, and restricted cash at end of period		**470,011**	261,006
Supplemental cash flow disclosures:			
Cash and cash equivalents		**438,420**	261,006
Restricted cash		**31,591**	—
Income taxes paid		**11,842**	746
Interest expense paid		**667**	618
Non-cash activities:			
Acquisitions of equipment included in accounts payable		**8,006**	1,373
Changes in operating assets and liabilities adjusted through accumulated deficit		**2,291**	—

NOTES TO THE UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. DESCRIPTION OF BUSINESS, BASIS OF PRESENTATION AND CONSOLIDATION AND SIGNIFICANT ACCOUNTING POLICIES

Description of business

The Company is a commercial-stage biopharmaceutical company focused on developing and commercializing innovative molecularly targeted and immuno-oncology drugs for the treatment of cancer. The Company's internally-developed lead drug candidates are currently in late-stage clinical trials, and it is marketing three in-licensed drugs in China from which it has been generating product revenue since September 2017.

The Company was incorporated under the laws of the Cayman Islands as an exempted company with limited liability in October 2010. The Company completed its initial public offering on the NASDAQ Global Select Market in February 2016 and has completed subsequent follow-on public offerings and a sale of ordinary shares to Celgene Switzerland LLC ("Celgene Switzerland") in a business development transaction, as described in Note 22, Shareholders' Equity. On August 8, 2018, the Company completed an IPO on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and a global offering in which it raised approximately US$870,107,000 in net proceeds, after deducting underwriting discounts and commissions and estimated offering expenses. Effective August 8, 2018, the Company was dual-listed in both the U.S. and Hong Kong.

As at June 30, 2018, the Company's subsidiaries are as follows:

Name of Company	Place of Incorporation	Date of Incorporation	Percentage of Ownership by the Company	Principal Activities
BeiGene (Hong Kong) Co., Limited.	Hong Kong	November 22, 2010	100%	Investment holding
BeiGene (Beijing) Co., Ltd.	The People's Republic of China ("PRC" or "China")	January 24, 2011	100%	Medical and pharmaceutical research
BeiGene AUS PTY LTD.	Australia	July 15, 2013	100%	Clinical trial activities
BeiGene 101	Cayman Islands	August 30, 2012	100%	Medical and pharmaceutical research
BeiGene (Suzhou) Co., Ltd. ("BeiGene (Suzhou)")	PRC	April 9, 2015	100%	Medical and pharmaceutical research and manufacturing
BeiGene USA, Inc.	United States	July 8, 2015	100%	Clinical trial activities
BeiGene Biologics Co., Ltd. ("BeiGene Biologics")	PRC	January 25, 2017	95%	Biologics manufacturing
BeiGene (Shanghai) Co., Ltd.*	PRC	September 11, 2015	95%	Medical and pharmaceutical research

1. DESCRIPTION OF BUSINESS, BASIS OF PRESENTATION AND CONSOLIDATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Description of business *(Continued)*

As at June 30, 2018, the Company's subsidiaries are as follows: *(Continued)*

Name of Company	Place of Incorporation	Date of Incorporation	Percentage of Ownership by the Company	Principal Activities
BeiGene Guangzhou Biologics Manufacturing Co., Ltd. ("BeiGene Guangzhou Factory")*	PRC	March 3, 2017	95%	Biologics manufacturing
BeiGene (Guangzhou) Co., Ltd.	PRC	July 11, 2017	100%	Medical and pharmaceutical research
BeiGene Pharmaceutical (Shanghai) Co., Ltd.	PRC	December 15, 2009	100%	Medical and pharmaceutical consulting, marketing and promotional services
BeiGene Switzerland GmbH	Switzerland	September 1, 2017	100%	Research development, manufacturing, and commercial activities
BeiGene Ireland Limited	Republic of Ireland	August 11, 2017	100%	Clinical trial activities

* Wholly-owned by BeiGene Biologics

Basis of presentation and consolidation

The accompanying condensed consolidated balance sheet as of June 30, 2018, the condensed consolidated statements of operations and comprehensive loss for the six months ended June 30, 2018 and 2017, the condensed consolidated statements of cash flows for the six months ended June 30, 2018 and 2017, the condensed consolidated statements of shareholders'equity for the six months ended June 30, 2018 and 2017 and the related footnote disclosures are unaudited. The accompanying unaudited interim financial statements were prepared in accordance with U.S. generally accepted accounting principles ("US GAAP"), including guidance with respect to interim financial information and in conformity with the disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time (the "Listing Rules").

1. DESCRIPTION OF BUSINESS, BASIS OF PRESENTATION AND CONSOLIDATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of presentation and consolidation *(Continued)*

The unaudited interim condensed consolidated financial statements do not include all of the information and footnotes required by US GAAP for annual financial statements. These financial statements should be read in conjunction with the consolidated financial statements and related footnotes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2017 (the "**Annual Report**") filed with the Securities and Exchange Commission of the United States (the "**SEC**") on February 27, 2018.

The unaudited condensed consolidated interim financial statements have been prepared on the same basis as the annual financial statements in the Annual Report and, in the opinion of management, reflect all normal recurring adjustments, necessary to present a fair statement of the results for the interim periods presented. Results of the operations for the six months ended June 30, 2018 are not necessarily indicative of the results expected for the full fiscal year or for any future annual or interim period.

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

Noncontrolling interests are recognized to reflect the portion of the equity of subsidiaries which are not attributable, directly or indirectly, to the controlling shareholders. The Company consolidates BeiGene Biologics under the voting model and recognizes the minority shareholder's equity interest as a noncontrolling interest in its consolidated financial statements.

Use of estimates

The preparation of the consolidated financial statements in conformity with the US 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 sales rebates and returns allowance to arrive at net product revenues, identifying separate accounting units and the best estimate of selling price of each deliverable in the Company's revenue arrangements, variable consideration in revenue arrangements (including evaluations of the expected value and the most likely value method to estimate variable payments based on the type of variable consideration), estimating the fair value of net assets acquired in business combinations, assessing the impairment of long-lived assets, share-based compensation expenses, inventory, realizability of deferred tax assets 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.

1. DESCRIPTION OF BUSINESS, BASIS OF PRESENTATION AND CONSOLIDATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Recent accounting pronouncements

New accounting standards which have been adopted

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), or ASU 2014-09. Subsequently, the FASB issued ASU 2015-14, Revenue from Contracts with Customers (Topic 606), which adjusted the effective date of ASU 2014-09; ASU No. 2016-08, Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net), which amends the principal-versus-agent implementation guidance and illustrations in ASU 2014-09; ASU No. 2016-10, Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing, which clarifies identifying performance obligations and licensing implementation guidance and illustrations in ASU 2014-09; ASU No. 2016-12, Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients, which addresses implementation issues and is intended to reduce the cost and complexity of applying the new revenue standard in ASU 2014-09; ASU No. 2017-13, Revenue Recognition (Topic 605), Revenue from Contracts with Customers (Topic 606), Leases (Topic 840), and Leases (Topic 842): Amendments to SEC Paragraphs Pursuant to the Staff Announcement at the July 20, 2017 EITF Meeting and Rescission of Prior Securities and Exchange Commission, or SEC, Staff Announcements and Observer Comments (SEC Update), which codifies recent announcements by the SEC staff; and ASU No. 2017-14, Income Statement—Reporting Comprehensive Income (Topic 220), Revenue Recognition (Topic 605), and Revenue from Contracts with Customers (Topic 606) (SEC Update), which adds ASC 606-10-S25-1 as a result of SEC Release 33-10403, or collectively, the Revenue ASUs. The Revenue ASUs provide an accounting standard for a single comprehensive model for use in accounting for revenue arising from contracts with customers, and supersedes most current revenue recognition guidance. The accounting standard is effective for interim and annual periods beginning after December 15, 2017, with an option to early adopt for interim and annual periods beginning after December 15, 2016. The guidance permits two methods of adoption: retrospectively to each prior reporting period presented (the full retrospective method), or retrospectively with the cumulative effect of initially applying the guidance recognized at the date of initial application (the modified retrospective method).

On January 1, 2018, the Company adopted the new standard using the modified retrospective method.

1. DESCRIPTION OF BUSINESS, BASIS OF PRESENTATION AND CONSOLIDATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Recent accounting pronouncements *(Continued)*

New accounting standards which have been adopted (Continued)

The Revenue ASUs apply to all contracts with customers, except for contracts that are within the scope of other standards, such as leases, insurance, collaboration arrangements and financial instruments. Under the Revenue ASUs, an entity recognizes revenue when its customer obtains control of promised goods or services, in an amount that reflects the consideration that the entity expects to receive in exchange for those goods or services. To determine revenue recognition for arrangements that an entity determines are within the scope of the Revenue ASUs, the entity performs the following five steps: (i) identify the contract(s) with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the entity satisfies a performance obligation. The Company only applies the five-step model to contracts when it is probable that the entity will collect the consideration it is entitled to in exchange for the goods or services it transfers to the customer. At contract inception, once the contract is determined to be within the scope the Revenue ASUs, the Company assesses the goods or services promised within each contract and determines those that are performance obligations, and assesses whether each promised good or service is distinct. The Company then recognizes as revenue the amount of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied.

The impact to the Company on adoption of the Revenue ASUs relates to variable consideration related to its collaboration agreement with Celgene and the anticipated opt-in to certain clinical trials that are to be run by the Company, and funded by Celgene. Under Topic 605, even though the Company believed it was probable that the performance obligation related to the variable consideration would be satisfied as of December 31, 2017, the variable consideration was not realizable because formal notice had not been received. Upon its adoption of the Revenue ASUs, the Company determined it was probable that Celgene would opt-in to the clinical trials as of December 31, 2017 such that the variable consideration was not constrained, and therefore, the related revenue would have been recognized. In March 2018, the Company obtained formal notice of opt-in by Celgene.

The Company recognized the cumulative effect of initially applying the new revenue standard as an adjustment to the opening balance of retained earnings. The comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods. The cumulative effect of the changes made to the Company's consolidated January 1, 2018 balance sheet for the adoption of ASU 2014-09 resulted in an increase of US$16,307,000 to both unbilled receivables and the opening balance of accumulated deficit. Please refer to the "Adoption of New Accounting Standards" section below for a tabular presentation of the impact.

1. DESCRIPTION OF BUSINESS, BASIS OF PRESENTATION AND CONSOLIDATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Recent accounting pronouncements *(Continued)*

New accounting standards which have been adopted (Continued)

In October 2016, the FASB issued ASU No. 2016-16, Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory, which requires the recognition of the income tax consequences of an intra-entity transfer of an asset, other than inventory, when the transfer occurs. The Company adopted ASU 2016-16 during the first quarter of 2018 using the modified retrospective adoption method. In 2017, BeiGene (Hong Kong) Co., Limited's contribution of BeiGene Shanghai to BeiGene Biologics (and subsequent receipt of a related government grant) resulted in tax expenses of US$28,588,000, which were reflected as other non-current assets in the Company's December 31, 2017 balance sheet. The related government subsidy of US$9,990,000, which was received in 2017, was reflected as other long-term liabilities in the Company's December 31, 2017 balance sheet. The adoption of this accounting standard resulted in an adjustment to beginning accumulated deficit for both of these items. In addition, the Company has now established a deferred tax asset resulting from a previous transfer of intellectual property to one of its wholly-owned subsidiaries. This deferred tax asset is entirely offset by a corresponding valuation allowance and therefore did not result in a change to beginning accumulated deficit. Please refer to the "Adoption of New Accounting Standards" section below for a tabular presentation of the impact.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows: Restricted Cash*, which requires entities to present the aggregate changes in cash, cash equivalents, restricted cash and restricted cash equivalents in the statement of cash flows. As a result, the statement of cash flows will be required to present restricted cash and restricted cash equivalents as a part of the beginning and ending balances of cash and cash equivalents. The updated guidance became effective on January 1, 2018, and resulted in the presentation of restricted cash of US$31,591,000 within the ending cash, cash equivalents, and restricted cash balance on the Company's consolidated statement of cash flows.

In January 2017, the FASB issued ASU No. 2017-01, *Business Combinations: Clarifying the Definition of a Business*. The new standard requires an entity to evaluate if substantially all the fair value of the gross assets acquired is concentrated in a single identifiable asset or a group of similar identifiable assets; if so, the set would not be considered a business. The new standard also requires a business to include at least one substantive process and narrows the definition of outputs. The new standard is effective for interim and annual periods beginning on January 1, 2018, and may be adopted earlier. The Company elected to early adopt the updated guidance as of January 1, 2017. The standard is applied prospectively to any transaction occurring on or after the adoption date. The Company evaluated the acquisition of 100% of the equity interests of Celgene Pharmaceutical (Shanghai) Co., Ltd. ("Celgene Shanghai") under the new guidance, and determined that the transaction represents a business combination, as disclosed further in Note 4.

1. DESCRIPTION OF BUSINESS, BASIS OF PRESENTATION AND CONSOLIDATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Recent accounting pronouncements *(Continued)*

New accounting standards which have been adopted (Continued)

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles – Goodwill and Other: Simplifying the Test for Goodwill Impairment*. This ASU simplifies the test for goodwill impairment by removing Step 2 from the goodwill impairment test. Companies will now perform the goodwill impairment test by comparing the fair value of a reporting unit with its carrying amount, recognizing an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value not to exceed the total amount of goodwill allocated to that reporting unit. An entity still has the option to perform the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary. The amendments in this update are effective for goodwill impairment tests in fiscal years beginning after December 15, 2019, with early adoption permitted for goodwill impairment tests performed after January 1, 2017. The Company elected to early adopt this ASU, and there was no material impact to the Company's consolidated financial statements.

In May 2017, the FASB issued ASU No. 2017-09, *Compensation – Stock Compensation: Scope of Modification Accounting*. This standard provides clarity and reduces both (1) diversity in practice and (2) cost and complexity when applying the guidance in Topic 718, Compensation-Stock Compensation, to a change to the terms or conditions of a share-based payment award. The updated guidance became effective on January 1, 2018, and there was no material impact to the Company's consolidated financial statements.

Impact of adopted accounting standards:

The cumulative effect of changes made to the Company's consolidated January 1, 2018 balance sheet for the adoption of the revenue ASUs and ASU 2016-16 were as follows:

	Balance at December 31, 2017 US$'000	Adjustments Due to Revenue ASUs US$'000	Adjustments Due to ASU 2016-16 US$'000	**Balance at January 1, 2018 US$'000**
Assets:				
Unbilled receivable	—	16,307	—	**16,307**
Other non-current assets	42,915	—	(28,588)	**14,327**
Liabilities:				
Other long-term liabilities	31,959	—	(9,990)	**21,969**
Equity:				
Accumulated other comprehensive loss	(480)	—	263	**(217)**
Accumulated deficit	(330,517)	16,307	(19,236)	**(333,446)**
Noncontrolling interest	14,422	—	375	**14,797**

1. DESCRIPTION OF BUSINESS, BASIS OF PRESENTATION AND CONSOLIDATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Recent accounting pronouncements *(Continued)*

New accounting standards which have not yet been adopted:

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, which requires lessees to recognize assets and liabilities related to lease arrangements longer than 12 months on the balance sheet. This standard also requires additional disclosures by lessees and contains targeted changes to accounting by lessors. The updated guidance is effective for interim and annual periods beginning after December 15, 2018, and early adoption is permitted. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee have not significantly changed from previous US GAAP. The Company is currently evaluating the financial statement impact of adoption. As of June 30, 2018, the Company had non-cancellable operating lease commitments of US$38,275,000. The Company is in the process of evaluating its leasing arrangements to determine what extent these contractual commitments will affect the recognition of the related right-of-use assets and liabilities for future lease payments in the consolidated balance sheet. Some of the commitments under short term leases may be exempted from the recognition of relevant assets or liabilities under ASU 2016-02. The Company does not expect that the adoption of ASU 2016-02 will result in significant impact on the operating performance, cash flows and net assets of the Group, but does expect that a certain portion of these operating lease commitments will be required to be recognized on the balance sheet as right-of-use assets and lease liabilities under ASU 2016-02.

In February 2018, the FASB issued ASU 2018-02, *Income Statement—Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*. This update allows companies the option to reclassify to retained earnings the tax effects related to items in accumulated other comprehensive income (loss) as a result of the Tax Cuts and Jobs Act that was enacted in the United States on December 22, 2017. This update is effective in fiscal years, including interim periods, beginning after December 15, 2018, and early adoption is permitted. This guidance should be applied either in the period of adoption or retrospectively to each period in which the effects of the change in the U.S. federal income tax rate in the Tax Cuts and Jobs Act is recognized. The Company does not expect the impact of this guidance to have a material impact on the Company's consolidated financial statements.

In June 2018, the FASB issued ASU 2018-07, *Compensation—Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting*. This update expands the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from nonemployees. This update also specifies that Topic 718 applies to all share-based payment transactions in which a grantor acquires goods or services to be used or consumed in a grantor's own operations by issuing share-based payment awards. This update is effective in fiscal years, including interim periods, beginning after December 15, 2018. Early adoption is permitted, but no earlier than an entity's adoption date of Topic 606. The Company is currently evaluating the financial statement impact of adoption.

1. DESCRIPTION OF BUSINESS, BASIS OF PRESENTATION AND CONSOLIDATION AND SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Significant accounting policies

For a more complete discussion of the Company's significant accounting policies and other information, the consolidated financial statements and notes thereto should be read in conjunction with the consolidated financial statements included in the Company's Annual Report for the year ended December 31, 2017.

Acquired in-process research and development expense

The Company has acquired rights to develop and commercialize product candidates in 2018. Upfront payments that relate to the acquisition of a new drug compound, as well as pre-commercial milestone payments, are immediately expensed as acquired in-process research and development in the period in which they are incurred, provided that the new drug compound did not also include processes or activities that would constitute a "business" as defined under the US GAAP, the drug has not achieved regulatory approval for marketing and, absent obtaining such approval, has no established alternative future use. Milestone payments made to third parties subsequent to regulatory approval are capitalized as intangible assets and amortized over the estimated remaining useful life of the related product. Royalties owed on sales of the products licensed pursuant to the agreements are expensed in the period the related revenues are recognized.

Except for the changes to the Company's significant accounting policies related to the adoption of the Revenue ASUs and ASU 2016-16, and the accounting for the acquisition of in-process research and development expense, there have been no other material changes to the Company's significant accounting policies as of and for the six months ended June 30, 2018, as compared to the significant accounting policies described in the Annual Report.

2. FAIR VALUE MEASUREMENTS

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

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

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

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

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

The following tables present the Company's financial assets and liabilities measured and recorded at fair value on a recurring basis using the above input categories as of June 30, 2018 and December 31, 2017:

As of June 30, 2018	Quoted Price in Active Market for Identical Assets (Level 1) US$'000	Significant Other Observable Inputs (Level 2) US$'000	Significant Unobservable Inputs (Level 3) US$'000
Short-term investment (Note 5):			
U.S. treasury securities	903,415	—	—
U.S. agency securities	17,621	—	—
Time deposits	10,172	—	—
Cash equivalents			
U.S. treasury securities	9,988	—	—
Money market funds	127,423	—	—
Total	1,068,619	—	—

2. FAIR VALUE MEASUREMENTS *(Continued)*

As of December 31, 2017	Quoted Price in Active Market for Identical Assets (Level 1) US$'000	Significant Other Observable Inputs (Level 2) US$'000	Significant Unobservable Inputs (Level 3) US$'000
Short-term investment (Note 5):			
U.S. treasury securities	561,327	—	—
U.S. agency securities	17,663	—	—
Time deposits	18,924	—	—
Cash equivalents			
Money market funds	44,730	—	—
Total	642,644	—	—

The Company had no liabilities measured and recorded at fair value on a recurring basis as of June 30, 2018 or December 31, 2017.

3. RESEARCH AND DEVELOPMENT COLLABORATIVE ARRANGEMENTS

Celgene and Celgene Switzerland

On July 5, 2017, the Company entered into a license agreement with Celgene Switzerland pursuant to which the Company granted to the Celgene parties an exclusive right to develop and commercialize the Company's investigational PD-1 inhibitor, tislelizumab (BGB-A317), in all fields of treatment, other than hematology, in the United States, Europe, Japan and the rest of world other than Asia (the "**PD-1 License Agreement**"). In connection with the closing of the transactions on August 31, 2017, the Company, Celgene and Celgene Switzerland amended and restated the PD-1 License Agreement (the "**A&R PD-1 License Agreement**") to, among other things, clarify the parties' responsibilities relating to the conducting and funding of certain global registration clinical trials and clarify the scope of the regulatory materials transferred by BeiGene to Celgene.

3. RESEARCH AND DEVELOPMENT COLLABORATIVE ARRANGEMENTS *(Continued)*

Celgene and Celgene Switzerland *(Continued)*

Under the terms of the A&R PD-1 License Agreement, Celgene agreed to pay the Company US$263,000,000 in upfront non-refundable fees, of which US$92,050,000 was paid in the third quarter of 2017 and the remaining US$170,950,000 was paid in December 2017. In addition, subsequent to the completion of the research and development phase of the collaboration, the Company may be eligible to receive product development milestone payments based on the successful achievement of development and regulatory goals, commercial milestone payments based on the successful achievement of commercialization goals, and royalty payments based on a predetermined percentage of Celgene and Celgene Switzerland's aggregate annual net sales of all products in their territory for a period not to exceed the latest of the expiration of the last valid patent claim, the expiration of regulatory exclusivity or 12 years from the date of the first commercial sale on a product-by-product and country-by-country basis. The Company allocated US$13,000,000 of upfront fees to the fair value of assets related to the Company's acquisition of Celgene Shanghai, a wholly-owned subsidiary of Celgene Holdings East Corporation established under the laws of China, which was completed contemporaneously with the A&R PD-1 License Agreement.

In addition to the exclusive right to develop and commercialize tislelizumab, the terms of the A&R PD-1 License Agreement provide Celgene with the right to collaborate with the Company on the development of tislelizumab for specified indications, including required participation on a joint development committee and a joint steering committee as well as a joint commercialization committee upon achievement of commercialization. The joint development and joint steering committees are formed by an equal number of representatives from the Company and Celgene and are responsible for reviewing and approving the development plan and budget for the development of tislelizumab for clinical studies associated with specified indications. Celgene will reimburse the Company for certain research and development costs based on external cost, plus agreed upon markup for the development of tislelizumab related to the clinical trials that Celgene opts into, as outlined in the development plan.

The following table summarizes total collaboration revenue recognized for the six months ended June 30, 2018 and 2017:

	Six Months Ended June 30,	
	2018	2017
	US$'000	US$'000
Reimbursement of research and development costs	**25,730**	—
Research and development service revenue	**4,942**	—
Total	**30,672**	—

3. RESEARCH AND DEVELOPMENT COLLABORATIVE ARRANGEMENTS *(Continued)*

Celgene and Celgene Switzerland *(Continued)*

For the six months ended June 30, 2018, the Company recognized collaboration revenue of US$30,672,000. The Company recognized US$25,730,000 of research and development reimbursement revenue for the six months ended June 30, 2018 for the trials that Celgene has opted into. In addition, US$16,307,000 of reimbursement that was billed to Celgene was included as an adjustment to beginning accumulated deficit. The US$3,442,000 of research and development services revenue, for the six months ended June 30, 2018, reflect the recognition of upfront consideration that was allocated to R&D services at the time of the collaboration and is recognized from deferred revenue over the term of the respective clinical studies for the specified indications.

In May 2018, the Company achieved the milestone related to its collaboration agreement with Merck KGaA for dosing patients in the first Phase 3 clinical trial of pamiparib in the PRC Territory, and the related US$1,500,000 milestone payment was recognized as research and development services revenue for the six months ended June 30, 2018.

The Company did not have any collaboration revenue for the six months ended June 30, 2017.

4. BUSINESS COMBINATION

On August 31, 2017, BeiGene HK acquired 100% of the equity interests of Celgene Shanghai, a wholly-owned subsidiary of Celgene Holdings East Corporation established under the laws of the PRC, for total consideration of US$28,138,000. BeiGene HK made an initial cash payment of US$4,532,000, and issued non-cash consideration of US$23,606,000, related to the discount on ordinary shares issued to Celgene, pursuant to the Share Subscription Agreement dated July 5, 2017 by and between the Company and Celgene Switzerland (the "Share Subscription Agreement"). See Note 22 for further description of the Share Subscription Agreement.

Assets acquired and liabilities assumed were recorded at their estimated fair values as of the acquisition date. The excess of the purchase price over the assets acquired and liabilities assumed was recorded as goodwill. The preliminary fair values of goodwill, intangible assets and other net assets were US$109,000, US$7,500,000 and US$20,529,000, respectively. These preliminary amounts are subject to subsequent adjustment as the Company obtain additional information to finalize certain components of working capital.

5. RESTRICTED CASH AND SHORT-TERM INVESTMENTS

The Company's restricted cash balance of US$31,591,000 as of June 30, 2018 consisted of BeiGene Guangzhou Factory's secured deposits held in designated bank accounts for issuance of letter of credit, and restricted cash deposits as security for the long-term bank loan (Note 15).

Short-term investments as of June 30, 2018 consisted of the following available-for-sale debt securities and time deposits:

	Gross Amortized Cost US$'000	Gross Unrealized Gains US$'000	Fair Value Unrealized Losses US$'000	Net Carrying Amount US$'000
U.S. treasury securities	902,771	644	—	903,415
U.S. agency securities	17,612	9	—	17,621
Time deposits	10,172	—	—	10,172
Total	930,555	653	—	931,208

Short-term investments as of December 31, 2017 consisted of the following available-for-sale debt securities and time deposits:

	Gross Amortized Cost US$'000	Gross Unrealized Gains US$'000	Fair Value Unrealized Losses US$'000	Net Carrying Amount US$'000
U.S. treasury securities	561,733	—	406	561,327
U.S. agency securities	17,651	12	—	17,663
Time deposits	18,924	—	—	18,924
Total	598,308	12	406	597,914

Contractual maturities of all debt securities as of June 30, 2018 were within one year. The Company does not consider the investment in U.S. treasury securities or U.S. agency securities to be other-than-temporarily impaired at June 30, 2018.

6. ACCOUNTS AND UNBILLED RECEIVABLES

	As of	
	June 30, 2018	December 31, 2017
	US$'000	US$'000
Accounts receivable	**33,171**	29,428
Impairment	**—**	—
Total	**33,171**	29,428

The Group's trading terms with its customers are mainly on credit and the credit period is generally three months. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are regularly reviewed. In view of the fact that the Group's accounts receivable substantially relate to a limited number of customers, there is a concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its accounts receivable balances. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables, based on the invoice date, is as follows:

	As of	
	June 30, 2018	December 31, 2017
	US$'000	US$'000
Within 3 months	**33,171**	18,907
3 months to 6 months	**—**	10,521
Total	**33,171**	29,428

No allowance for doubtful accounts was recorded as of June 30, 2018 and December 31, 2017, respectively.

Unbilled receivable represented opt-in R&D revenue from Celgene not yet invoiced at June 30, 2018.

An ageing analysis of the unbilled receivable is as follows:

	As of	
	June 30, 2018	December 31, 2017
	US$'000	US$'000
Within 3 months	**12,702**	—

7. INVENTORIES

The Company's inventory balance of US$6,322,000 and US$10,930,000 as of June 30, 2018 and December 31, 2017, consisted entirely of finished goods product purchased from Celgene for distribution in the PRC.

8. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	As of	
	June 30, 2018	December 31, 2017
	US$'000	US$'000
Laboratory equipment	**17,986**	15,596
Leasehold improvements	**16,272**	15,298
Manufacturing equipment	**15,534**	15,737
Office equipment	**1,718**	1,597
Electronic equipment	**1,260**	1,244
Computer software	**1,238**	598
Construction in progress	**53,738**	26,125
Property and equipment, at cost	**107,746**	76,195
Less accumulated depreciation	**(17,236)**	(13,627)
Property and equipment, net	**90,510**	62,568

As of June 30, 2018 and December 31, 2017, construction in progress of US$53,738,000 and US$26,125,000 primarily related to the buildout of the Guangzhou manufacturing facility. In the six months ended June 30, 2018, assets totaling US$1,633,000 related to the Suzhou facilities were transferred to laboratory equipment, manufacturing equipment and leasehold improvements from construction in progress. Additions to property and equipment amounted to US$34,174,000 and US$8,348,000 for the six months ended June 30, 2018 and 2017 respectively. No material property and equipment was disposed of during the six months ended June 30, 2018 and 2017 respectively. Depreciation expense for the six months ended June 30, 2018 and 2017 was US$4,083,000 and US$1,404,000, respectively.

9. MANUFACTURING FACILITY IN GUANGZHOU

On March 7, 2017, BeiGene HK and Guangzhou GET Technology Development Co., Ltd. ("**GET**"), entered into a definitive agreement to establish a commercial scale biologics manufacturing facility in Guangzhou, Guangdong Province, PRC. BeiGene HK and GET entered into an Equity Joint Venture Contract (the "**JV Agreement**"). Under the terms of the JV Agreement, BeiGene HK agreed to make an initial cash capital contribution of RMB200,000,000 and a subsequent contribution of certain rights to one or more biologics assets in exchange for a 95% equity interest in BeiGene Biologics. GET agreed to provide a cash capital contribution of RMB100,000,000 to BeiGene Biologics, representing a 5% equity interest in BeiGene Biologics. In addition, BeiGene Biologics entered into a contract with GET, under which GET agreed to provide a RMB900,000,000 loan (the "Shareholder Loan") to BeiGene Biologics (see Note 16). BeiGene Biologics is working to establish a biologics manufacturing facility in Guangzhou, through a wholly-owned subsidiary, the BeiGene Guangzhou Factory, to manufacture biologics for the Company and its subsidiaries.

On April 11, 2017, BeiGene HK, GET and BeiGene Biologics amended the JV agreement and the capital contribution agreement, among other things, to adjust the capital contribution schedules and adjust the initial term of the governing bodies and a certain management position. On April 13, 2017 and May 4, 2017, BeiGene HK made cash capital contributions of RMB137,830,000 and RMB2,415,000, respectively, into BeiGene Biologics. The remainder of the cash capital contribution from BeiGene HK to BeiGene Biologics will be paid by April 10, 2020. On April 14, 2017, GET made cash capital contributions of RMB100,000,000 into BeiGene Biologics. On April 14, 2017, BeiGene Biologics drew down the Shareholder Loan of RMB900,000,000 from GET (as further described in Note 16).

In the fourth quarter of 2017, BeiGene HK and BeiGene Biologics entered into an Equity Transfer Agreement to transfer 100% of the equity interest of BeiGene Shanghai into BeiGene Biologics. The transfer consideration for the purchased interests under this Equity Transfer Agreement is the fair value of the 100% equity of BeiGene Shanghai appraised by a qualified Chinese valuation firm under the laws of PRC. Upon the transfer of equity in BeiGene Shanghai, BeiGene HK's equity interest in BeiGene Shanghai became 95%.

On April 4, 2018, BeiGene Guangzhou Factory entered into a nine-year loan agreement with China Construction Bank to borrow a RMB denominated loan of US$87,652,000 (RMB580,000,000) at a floating interest rate benchmarking RMB loans interest rate of financial institutions in PRC. As of June 30, 2018, the Company has drawn down the loan of US$42,315,000, as further described in Note 15.

As of June 30, 2018, the Company and GET held 95% and 5% equity interests in BeiGene Biologics, respectively. As of June 30, 2018, the Company's cash, cash equivalents, restricted cash and short-term investments included US$145,279,000 held by BeiGene Biologics to be used to build the commercial scale biologics facility and to fund research and development of the Company's biologics drug candidates in China.

10. LAND USE RIGHT

The land use right represents the land acquired for the purpose of constructing and operating the biologics manufacturing facility in Guangzhou. In 2017, the Company acquired the land use right from the local Bureau of Land and Resources in Guangzhou. The land use right is amortized over the total term of the right, which is 50 years. The land use right asset as of June 30, 2018 and December 31, 2017 is summarized as follows:

	As of	
	June 30, 2018	December 31, 2017
	US$'000	US$'000
Land use right, cost	**12,422**	12,633
Accumulated amortization	**(290)**	(168)
Land use right, net	**12,132**	12,465

Amortization expense of the land use right for the six months ended June 30, 2018 and 2017 was US$122,000 and nil, respectively.

As of June 30, 2018, expected amortization expense for the land use right was approximately US$124,000 for the remainder of 2018, US$248,000 in 2019, US$248,000 in 2020, US$248,000 in 2021, US$248,000 in 2022 and US$11,016,000 in 2023 and thereafter.

11. INTANGIBLE ASSETS

Intangible assets outstanding as of June 30, 2018 and December 31, 2017 are summarized as follows:

	As of					
	June 30, 2018			December 31, 2017		
	Gross carrying amount US$'000	**Accumulated amortization US$'000**	**Intangible assets, net US$'000**	Gross carrying amount US$'000	Accumulated amortization US$'000	Intangible assets, net US$'000
Finite-lived intangible assets:						
Product distribution rights	**7,500**	**(625)**	**6,875**	7,500	(250)	7,250
Total finite-lived intangible assets	**7,500**	**(625)**	**6,875**	7,500	(250)	7,250

Product distribution rights consist of distribution rights in China for the approved cancer therapies licensed from Celgene, ABRAXANE®, REVLIMID®, and VIDAZA®, and its investigational agent CC-122 acquired as part of the Celgene transaction. The Company is amortizing the product distribution rights over a period of 10 years.

Amortization expense for the six months ended June 30, 2018 and 2017 was US$375,000 and nil, respectively.

As of June 30, 2018, expected amortization expense for the unamortized finite-lived intangible assets is approximately US$375,000 for the remainder of 2018, US$750,000 in 2019, US$750,000 in 2020, US$750,000 in 2021, US$750,000 in 2022, and US$3,500,000 in 2023 and thereafter.

12. INCOME TAXES

Income tax benefit (expense) was US$6,780,000 and US$(381,000), respectively, for the six months ended June 30, 2018 and 2017. The income tax benefit for the six months ended June 30, 2018 was primarily attributable to the income tax benefit due to the discrete tax benefit on employee stock option exercises, the generation of research and development tax credits and the U.S. Orphan Drug Credit for the U.S. operating subsidiary. The income tax expense for the six months ended June 30, 2017 was primarily attributable to U.S. profit offset by the generation of research and development tax credits and the U.S. Orphan Drug Credit.

On a quarterly basis, the Company evaluates the realizability of deferred tax assets by jurisdiction and assesses the need for a valuation allowance. In assessing the realizability of deferred tax assets, the Company considers historical profitability, evaluation of scheduled reversals of deferred tax liabilities, projected future taxable income and tax-planning strategies. Valuation allowances have been provided on deferred tax assets where, based on all available evidence, it was considered more likely than not that some portion or all of the recorded deferred tax assets will not be realized in future periods. After consideration of all positive and negative evidence, the Company believes that as of June 30, 2018 it continues to be more likely than not the deferred tax assets will not be realized for the Company's subsidiaries in Australia, China and Switzerland. In addition, as of June 30, 2018, the Company maintained a valuation allowance for certain deferred tax assets in the U.S. primarily related to state tax credit carryforwards, due to the uncertainty regarding their realization.

As of June 30, 2018, the Company had gross unrecognized tax benefits of US$1,552,000. The Company does not anticipate that the amount of existing unrecognized tax benefits will significantly change within the next 12 months. The Company's reserve for uncertain tax positions increased by US$634,000 for the six months ended June 30, 2018 due to additions related to U.S. federal and state tax credits and incentives.

The Company has elected to record interest and penalties related to income taxes as a component of income tax expense. As of June 30, 2018 and December 31, 2017, 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, are required to file income tax returns in multiple jurisdictions globally. As of June 30, 2018, China tax matters are open for the years 2012 through 2018 and U.S. federal tax matters are open to examination for years 2015 through 2018. Various U.S. states and other non-US tax jurisdictions in which the Company files tax returns remain open to examination for 2010 through 2018.

13. ACCOUNTS PAYABLE

An ageing analysis of the accounts payable as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	As of	
	June 30, 2018	December 31, 2017
	US$'000	US$'000
Within 1 month	**78,106**	65,626
1 to 3 months	**5,364**	3,170
3 to 6 months	**1,664**	725
6 months to 1 year	**657**	189
Over 1 year	**87**	69
Total	**85,878**	69,779

The accounts payable are non-interest-bearing and are normally settled on 30-day terms.

14. SUPPLEMENTAL BALANCE SHEET INFORMATION

Prepaid expenses and other current assets consist of the following:

	As of	
	June 30, 2018	December 31, 2017
	US$'000	US$'000
Prepaid research and development costs	**41,723**	21,156
Prepaid taxes	**14,469**	9,894
Interest receivable	**1,791**	1,557
Other	**5,310**	3,016
Total	**63,293**	35,623

14. SUPPLEMENTAL BALANCE SHEET INFORMATION *(Continued)*

Other non-current assets consist of the following:

	As of	
	June 30, 2018	December 31, 2017
	US$'000	US$'000
Prepayment of property and equipment	**6,306**	12,867
Tax on intra-entity contribution of subsidiary	**—**	28,588
Rental deposits and other	**5,146**	1,460
Total	**11,452**	42,915

Accrued expenses and other payables consist of the following:

	As of	
	June 30, 2018	December 31, 2017
	US$'000	US$'000
Compensation related	**18,201**	17,051
External research and development activities related	**41,601**	18,721
Sales rebates and returns related	**687**	3,997
Professional fees and other	**14,548**	9,829
Total	**75,037**	49,598

Other long-term liabilities consist of the following:

	As of	
	June 30, 2018	December 31, 2017
	US$'000	US$'000
Deferred government grant income	**21,449**	31,804
Other	**323**	155
Total	**21,772**	31,959

15. LONG-TERM BANK LOAN

On September 2, 2015, BeiGene (Suzhou) entered into a loan agreement with Suzhou Industrial Park Biotech Development Co., Ltd. and China Construction Bank to borrow US$18,134,000 at a 7% fixed annual interest rate. As of June 30, 2018, the Company has drawn down the entire US$18,134,000, which is secured by BeiGene (Suzhou)'s equipment with a net carrying amount of US$19,585,000 and the Company's rights to a PRC patent on a drug candidate. The loan principal amounts of US$9,067,000 and US$9,067,000 are repayable on September 30, 2018 and 2019, respectively.

On April 4, 2018, BeiGene Guangzhou Factory entered into a nine-year loan agreement with China Construction Bank to borrow a RMB denominated loan of US$87,652,000 (RMB580,000,000) at a floating interest rate benchmarking RMB loans interest rate of financial institutions in PRC. The Company plans to draw down the entire available amount before December 31, 2019. The loan is secured by BeiGene Guangzhou Factory's land use right with a net carrying amount of US$12,132,000. Interest expense will be paid quarterly until the loan is fully settled. As of June 30, 2018, the Company has drawn down US$42,315,000 in aggregate principal amount of this loan, with loan interest rate of 4.9% for the six months ended June 30, 2018, and the maturity dates are ranging from 2021 to 2027.

As of June 30, 2018, the Company has unused long-term credit availability amounting to US$45,337,000. Interest expense recognized for the six months ended June 30, 2018 was US$752,000.

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

	As of	
	June 30, 2018	December 31, 2017
	US$'000	US$'000
Analyzed into:		
Bank loan repayable:		
Within one year	**9,067**	9,222
In the second year	**9,067**	9,222
In the third to fifth years, inclusive	**2,554**	—
Above five years	**39,846**	—
Total	**60,534**	18,444

16. SHAREHOLDER LOAN

On March 7, 2017, BeiGene Biologics entered into the Shareholder Loan Contract with GET, pursuant to which GET agreed to provide a shareholder loan of RMB900,000,000 to BeiGene Biologics. The Shareholder Loan has a conversion feature, settled in a variable number of shares of common stock upon conversion (the "debt-to-equity conversion"). On April 14, 2017, BeiGene Biologics drew down the entire Shareholder Loan of RMB900,000,000 from GET.

Key features of the Shareholder Loan

The Shareholder Loan bears interest at a fixed rate of 8% per annum and compounding interest shall not apply. No accrued interest is due and payable prior to the repayment of the principal or the debt-to-equity conversion. The term of the Shareholder Loan is 72 months, commencing from the actual drawdown date of April 14, 2017 and ending on April 13, 2023, unless converted earlier.

The Shareholder Loan can only be used for BeiGene Biologics, including the construction and operation of the biologics manufacturing facility and research and development and clinical trials to be carried out by BeiGene Biologics. If BeiGene Biologics does not use the Shareholder Loan proceeds for the specified purposes, GET may be entitled to certain liquidated damages. In the event of an early termination of the JV Agreement, the Shareholder Loan will become due and payable at the time of termination of the JV Agreement.

The Shareholder Loan may be repaid or converted, either partially or in full, to an additional mid-single digit percentage equity interest in BeiGene Biologics prior to its maturity date, pursuant to the terms of the JV Agreement. BeiGene Biologics has the right to make early repayment at any time; provided, however, that if repayment is to occur before the debt-to-equity conversion it would require written approval of both BeiGene Biologics and GET. Upon conversion of the shareholder loan, GET will receive an additional equity interest in BeiGene Biologics, which will be based on the formula outlined in the JV Agreement.

Accounting for the Shareholder Loan

The Shareholder Loan is classified as a long-term liability and initially measured at the principal of RMB900,000,000. Interest will be accrued based on the interest rate of 8% per annum. As the Shareholder Loan may be share-settled by a number of shares with a fair value equal to a fixed settlement amount, the settlement is not viewed as a conversion feature, but as a redemption feature because the settlement amount does not vary with the share price. This in-substance redemption feature does not require bifurcation because it is clearly and closely related to the debt host that does not involves a substantial premium or discount. Since there is no conversion feature embedded in the Shareholder Loan, no beneficial conversion feature was recorded. There are no other embedded derivatives that are required to be bifurcated. The portion of interest accrued on the Shareholder Loan related to borrowings used to construct the BeiGene factory in Guangzhou is being capitalized in accordance with ASC 835-20, *Interest – Capitalization of Interest*.

For the six months ended June 30, 2018, total interest expense generated from the Shareholder Loan was US$5,609,000, among which, US$1,568,000 was capitalized.

17. PRODUCT REVENUE

The Company's product sales are derived from the sale of ABRAXANE®, REVLIMID®, and VIDAZA® in China under a distribution license from Celgene. The table below presents the Company's net product sales for the six months ended June 30, 2018 and 2017.

	Six Months Ended June 30,	
	2018	2017
	US$'000	US$'000
Product revenue – gross	**55,155**	—
Less: Rebate and sales return	**(479)**	—
Product revenue – net	**54,676**	—

The following table presents the rollforward of accrued sales rebates and returns for the six months ended June 30, 2018:

	Sales Rebates and Returns
	US$'000
Balance as of December 31, 2017	3,997
Accrual	479
Payments	(3,789)
Balance as of June 30, 2018	687

18. LOSS BEFORE INCOME TAX EXPENSE

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

	Six Months Ended June 30,	
	2018	2017
	US$'000	US$'000
Cost of inventories sold	**10,806**	—
Depreciation and amortization expense	**4,580**	1,404
Research and development costs (note)	**273,951**	90,018
Minimum lease payments under operating leases	**3,870**	1,421
Amortization of land lease payments	**122**	—
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages and salaries	**66,406**	22,103
Share-based compensation expenses	**36,037**	13,074
Pension scheme contributions (defined contribution scheme)	**4,947**	1,630
	107,390	36,807
Gain (loss) on sale of available-for-sale securities	**327**	10
Foreign exchange differences, net	**(3,228)**	13
Bank interest income	**8,226**	1,054
Loss on disposal of property and equipment	**2**	7

Note:

During the six months ended June 30, 2017 and 2018, research and development costs of approximately US$28,051,000 and US$67,545,000 were also included in employee benefit expense.

19. NET LOSS PER SHARE

Net loss per share was calculated as follows:

	Six Months Ended June 30,	
	2018	2017
	US$'000	US$'000
Numerator:		
Net loss attributable to BeiGene, Ltd.	**(261,483)**	(111,168)
Denominator:		
Weighted average shares outstanding for computing basic and diluted loss per share	**684,586,086**	517,054,109
Net loss per share attributable to BeiGene, Ltd., basic and diluted in US$	**(0.38)**	(0.22)

The effects of all share options, restricted shares and restricted share units were excluded from the calculation of diluted earnings per share as their effect would have been anti-dilutive during the six months ended June 30, 2018 and 2017.

20. SHARE-BASED COMPENSATION EXPENSE

2016 Share Option and Incentive Plan

On January 14, 2016, in connection with the IPO on the NASDAQ Global select Market, the board of directors and shareholders of the Company approved the 2016 Share Option and Incentive Plan (the "2016 Plan"), which became effective on February 2, 2016. The Company initially reserved 65,029,595 ordinary shares for the issuance of awards under the 2016 Plan, plus any shares available under the 2011 Option Plan (the "2011 Plan"), and not subject to any outstanding options as of the effective date of the 2016 Plan, along with underlying share awards under the 2011 Plan that are cancelled or forfeited without issuance of ordinary shares. As of June 30, 2018, ordinary shares cancelled or forfeited under the 2011 Plan that were provided back to the 2016 Plan totaled 4,977,646. The number of shares available for issuance under the 2016 Plan is subject to adjustment in the event of a share split, share dividend or other change in the Company's capitalization.

During the six months ended June 30, 2018, the Company granted options for 8,465,886 ordinary shares, with an exercise price per ordinary share equal to 1/13 of the closing price of the Company's ADS quoted on the NASDAQ Stock Exchange on the applicable grant date, and restricted share units for 9,254,232 ordinary shares under the 2016 Plan. As of June 30, 2018, options and restricted share units for ordinary shares outstanding under the 2016 Plan totaled 89,918,184 and 10,526,672, respectively.

20. SHARE-BASED COMPENSATION EXPENSE *(Continued)*

2018 Inducement Equity Plan

On June 6, 2018, the board of directors of the Company approved the 2018 Inducement Equity Plan (the "2018 Plan") and reserved 12,000,000 ordinary shares to be used exclusively for grants of awards to individuals that were not previously employees of the Company or its subsidiaries, as a material inducement to the individual's entry into employment with the Company or its subsidiaries within the meaning of Rule 5635(c) (4) of the NASDAQ Listing Rules. The 2018 Plan was approved by the board of directors upon recommendation of the compensation committee, without shareholder approval pursuant to Rule 5635(c) (4) of the NASDAQ Listing Rules. The terms and conditions of the 2018 Plan, and the forms of award agreements to be used thereunder, are substantially similar to the 2016 Plan and the forms of award agreements thereunder. During the six months ended June 30, 2018, the Company granted restricted share units for 527,904 ordinary shares under the 2018 Plan. As of June 30, 2018, restricted share units for ordinary shares outstanding under the 2018 Plan totaled 527,904.

2018 Employee Share Purchase Plan

On June 6, 2018, the shareholders of the Company approved the 2018 Employee Stock Purchase Plan ("**ESPP**"). Initially, 3,500,000 ordinary shares of the Company are reserved for issuance under the ESPP. As of June 30, 2018, no shares have been issued under the ESPP.

The following table summarizes total share-based compensation expense recognized for the six months ended June 30, 2018 and 2017:

	Six Months Ended June 30,	
	2018	2017
	US$'000	US$'000
Research and development	**22,774**	9,278
Selling, general and administrative	**13,263**	3,796
Total	**36,037**	13,074

21. NONCONTROLLING INTEREST

As of June 30, 2018, a noncontrolling interest of US$13,471,000 was recognized in the Company's condensed consolidated balance sheet, representing the capital cash contribution by GET in BeiGene Biologics as of June 30, 2018, offset by comprehensive losses attributable to GET's noncontrolling interest in BeiGene Biologics.

For the six months ended June 30, 2018, net losses of US$1,348,000 attributable to the noncontrolling interest of BeiGene Biologics were recognized in the Company's condensed consolidated statements of operations, based on GET's 5% equity interest in BeiGene Biologics.

Reconciliation for the equity attributable to noncontrolling interests for the six months ended June 30, 2018 is as follows:

	Noncontrolling Interest US$'000
Balance as at December 31, 2017	**14,422**
Adjustment to opening balance of equity	**375**
Balance as of January 1, 2018	**14,797**
Net loss	**(1,348)**
Other comprehensive income, net of tax of nil:	
Foreign currency translation adjustments	**22**
Unrealized holding gain, net	**—**
Other comprehensive income, net of tax of nil	**22**
Balance as of June 30, 2018	**13,471**

22. SHAREHOLDERS' EQUITY

Follow-on public offerings

On January 22, 2018, the Company completed a follow-on public offering under the Company's effective registration statement on Form S-3 at a price of US$101.00 per ADS, or US$7.77 per ordinary share. In this offering, the Company sold 7,425,750 ADSs representing 96,534,750 ordinary shares. Additionally, the underwriters exercised their option to purchase an additional 495,050 ADSs representing 6,435,650 ordinary shares from the Company. Net proceeds from this offering including the underwriter option after deducting the underwriting discounts and offering expenses were US$757,587,000.

Share Subscription Agreement

On August 31, 2017, the Company sold 32,746,416 of its ordinary shares to Celgene Switzerland for an aggregate cash price of US$150,000,000, or US$4.58 per ordinary share, or US$59.55 per ADS, pursuant to the Share Subscription Agreement in connection with the entry into the A&R PD-1 License Agreement. Proceeds from the issuance are recorded net of US$72,000 of fees related to the share issuance. The offer and sale of the shares issued pursuant to the Share Subscription Agreement was made in a private placement in reliance upon the exemption from registration provided by Section 4(a) (2) of the Securities Act, for transactions by an issuer not involving a public offering, and/or Regulation D under the Securities Act.

23. RESTRICTED NET ASSETS

As a result of PRC laws and regulations, the Company's PRC subsidiaries are restricted in their ability to transfer a portion of their net assets to the Company. As of June 30, 2018 and December 31, 2017, amounts restricted were the net assets of the Company's PRC subsidiaries, which amounted to US$37,640,000 and US$29,920,000, respectively.

24. COMMITMENTS AND CONTINGENCIES

Operating lease commitments

The Company leases office and manufacturing facilities under non-cancelable operating leases expiring on different dates in the United States and China. Payments under operating leases are expensed on a straight-line basis over the periods of their respective leases. There are no restrictions placed upon the Company by entering into these leases. Total expenses under these operating leases were US$3,870,000 and US$1,421,000, respectively, for the six months ended June 30, 2018 and 2017.

Future minimum payments under non-cancelable operating leases consist of the following as of June 30, 2018:

	US$'000
Six months ending December 31, 2018	**6,103**
Year ending December 31, 2019	**11,064**
Year ending December 31, 2020	**9,907**
Year ending December 31, 2021	**5,784**
Year ending December 31, 2022	**3,961**
Year ending December 31, 2023 and thereafter	**1,456**
Total	**38,275**

Capital commitments

The Company had capital commitments amounting to US$55,957,000 for the acquisition of property, plant and equipment as of June 30, 2018, which were mainly for BeiGene Guangzhou Factory's manufacturing facility in Guangzhou, China.

25. RELATED PARTY TRANSACTIONS

(a) The Group had the following related party transactions for the six months ended June 30, 2018 and 2017:

	Six Months Ended June 30,	
	2018	2017
	US$'000	US$'000
Consulting service fee paid to a shareholder, Xiaodong Wang	**50**	50

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

	Six Months Ended June 30,	
	2018	2017
	US$'000	US$'000
Short term employee benefits	**2,090**	1,594
Post-employment benefits	**40**	18
Share-based compensation expenses	**11,206**	4,860
Total compensation paid to key management personnel	**13,336**	6,472

26. SEGMENT AND GEOGRAPHIC INFORMATION

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

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

Net product revenues by geographic areas 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 areas are presented as follows:

	Six Months Ended June 30,	
	2018	2017
	US$'000	US$'000
PRC	**56,176**	—
U.S.	**18,962**	—
Other	**10,210**	—
Total	**85,348**	—

27. RECONCILIATION BETWEEN US GAAP AND INTERNATIONAL FINANCIAL REPORTING STANDARDS

The consolidated financial statements are prepared in accordance with US GAAP, which differ in certain respects from International Financial Reporting Standards ("IFRSs"). The effects of material differences between the Financial Information of the Group prepared under US GAAP and IFRSs are as follows:

	Six months ended June 30, 2018				
	Amounts as reported under US GAAP	IFRSs adjustments			Amounts under IFRSs
	US$'000	US$'000	US$'000	US$'000	US$'000
Consolidated statement of operations data		Share based compensation (note (i))	Preferred Shares (note (ii))	Tax benefit/ deficiency on share based compensation (note (iii))	
Research and development	(273,951)	(14,228)	—	—	(288,179)
Selling, general and administrative	(74,075)	(8,644)	—	—	(82,719)
Loss before income tax expense	(269,611)	(22,872)	—	—	(292,483)
Income tax benefit (expense)	6,780	—	—	(6,810)	(30)
Net loss	(262,831)	(22,872)	—	(6,810)	(292,513)
Net loss attributable to BeiGene, Ltd.	(261,483)	(22,872)	—	(6,810)	(291,165)

27. RECONCILIATION BETWEEN US GAAP AND INTERNATIONAL FINANCIAL REPORTING STANDARDS *(Continued)*

	Six months ended June 30, 2017				
	Amounts as reported under US GAAP	IFRSs adjustments			Amounts under IFRSs
	US$'000	US$'000	US$'000	US$'000	US$'000
Consolidated statement of operations data		Share based compensation (note (i))	Preferred Shares (note (ii))	Tax benefit/ deficiency on share based compensation (note (iii))	
Research and development	(90,018)	(9,726)	—	—	(99,744)
Selling, general and administrative	(19,546)	(2,244)	—	—	(21,790)
Loss before income tax expense	(110,922)	(11,970)	—	—	(122,892)
Income tax benefit (expense)	(381)	2,453	—	—	2,072
Net loss	(111,303)	(9,517)	—	—	(120,820)
Net loss attributable to BeiGene, Ltd.	(111,168)	(9,517)	—	—	(120,685)

27. RECONCILIATION BETWEEN US GAAP AND INTERNATIONAL FINANCIAL REPORTING STANDARDS *(Continued)*

	As at June 30, 2018				
	Amounts as reported under US GAAP	IFRSs adjustments			Amounts under IFRSs
	US$'000	US$'000	US$'000	US$'000	US$'000
Consolidated balance sheet data		Share based compensation (note (i))	Preferred Shares (note (ii))	Tax benefit/ deficiency on share based compensation (note (iii))	
Deferred tax assets	16,071	5,184*	—	8,617*	27,197
		—	—	(2,675)	
Total assets	1,653,856	5,184*	—	5,942	1,664,982
Additional paid-in capital	1,804,942	22,872	307,894*	(2,675)	2,196,573
		46,047*	—	6,810	
		—	—	10,683*	
Accumulated deficit	(594,929)	(22,872)	(307,894)*	(6,810)	(975,396)
		(40,825)*	—	(2,066)*	
Noncontrolling interest	13,471	(38)*	—	—	13,433
Total equity	1,226,668	5,184	—	5,942	1,237,794

* IFRSs adjustments brought forward from December 31, 2017

27. RECONCILIATION BETWEEN US GAAP AND INTERNATIONAL FINANCIAL REPORTING STANDARDS *(Continued)*

	As at December 31, 2017						
	Amounts as reported under US GAAP	IFRSs adjustments					Amounts under IFRSs
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Consolidated balance sheet data		Share based compensation (note (i))	Preferred Shares (note (ii))	Tax benefit/ deficiency on share based compensation (note (iii))	PRC withholding tax (note (iv))	Government subsidies (note (v))	
Other non-current assets	42,915	—	—	—	(26,090)	(2,498)	14,327
Deferred tax assets	7,675	5,184	—	8,617	—	—	21,476
Total assets	1,046,479	5,184	—	8,617	(26,090)	(2,498)	1,031,692
Other long-term liabilities	31,959	—	—	—	—	(9,990)	21,969
Total liabilities	362,248	—	—	—	—	(9,990)	352,258
Additional paid-in capital	1,000,747	46,047	307,894*	10,683	—	—	1,365,371
Accumulated other comprehensive loss	(480)	—	—	—	—	263	(217)
Accumulated deficit	(330,517)	(40,825)	(307,894)*	(2,066)	(26,090)	6,854	(700,538)
Noncontrolling interest	14,422	(38)	—	—	—	375	14,759
Total equity	684,231	5,184	—	8,617	(26,090)	7,492	679,434

* IFRSs adjustments brought forward from December 31, 2016

27. RECONCILIATION BETWEEN US GAAP AND INTERNATIONAL FINANCIAL REPORTING STANDARDS *(Continued)*

Notes:

(i) Share based compensation

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

Hence difference of US$14,228,000 and US$8,644,000 (six months ended June 30, 2017: US$9,726,000 and US$2,244,000) arose between the amount of share based compensation recognised in research and development expenses, and selling, general and administrative expenses under US GAAP and IFRSs respectively for the six months ended June 30, 2018. Related income tax impact under IFRSs was nil for the six months ended June 30, 2018 because no additional deferred tax asset can be recognized during such period under IFRSs, which is after taking into account the extent of future available taxable profit against which the related tax deduction can be utilized. Related income tax impact of US$2,453,000 arose for the six months ended June 30, 2017.

The cumulative difference between the amount of share based compensation recognized under US GAAP and IFRSs and dealt with in the additional paid-in capital account as at December 31, 2017 was US$46,047,000, and the cumulative related impact on deferred tax assets and noncontrolling interest was US$5,184,000 and US$38,000 respectively as at December 31, 2017. The consequential net impact on the accumulated deficit as at December 31, 2017 was US$40,825,000. The above differences and impact as of December 31, 2017 are all carried forward as opening IFRSs adjustments to the balance sheet as at January 1, 2018.

(ii) Preferred Shares

Under US 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.

27. RECONCILIATION BETWEEN US GAAP AND INTERNATIONAL FINANCIAL REPORTING STANDARDS *(Continued)*

Notes: *(Continued)*

(ii) Preferred Shares *(Continued)*

Under the then IFRSs, certain redemption triggering events of the Preferred Shares are outside the control of the ordinary shareholders of the Company. In addition, the holders of the Preferred Shares are entitled to convert the Preferred Shares into a variable number of the Company's ordinary shares upon occurrence of certain anti-dilution events. Accordingly, the Preferred Shares are regarded as a hybrid instruments consisting of a host debt instrument and a conversion option as a derivative. The Company designated the entire Preferred Shares as financial liabilities at fair value through profit or loss such that the preferred Shares are initially recognized at fair value, with subsequent change in the amount of the fair value of the Preferred Shares recognised in the income statements 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 income statements under IFRSs, and the corresponding effect of such fair value changes was dealt with in the additional paid in capital account upon the conversion of the Preferred Shares into the ordinary shares. The resultant effect of such IFRSs adjustments on each of accumulated deficit and additional paid-in capital was US$307,894,000, which were all carried forward to opening balance sheets of subsequent financial years/periods.

(iii) Tax benefit/deficiency on share based compensation

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

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

Hence difference of US$8,617,000 arose between the amount of deferred tax asset recognised under US GAAP and IFRSs as at December 31, 2017, which is determined after taking into account the extent of future available taxable profit against which the estimated additional tax deduction can be utilized. Such difference is recognised in equity under IFRSs. The difference in the amount of deferred tax asset recognized as at June 30, 2018 under US GAAP and IFRSs decreased by US$2,675,000, when compared with that of December 31, 2017, which is determined based on the availability of future taxable profit. In addition, cumulative excess tax deduction of US$2,066,000 as at December 31, 2017 is recognized in equity under IFRSs, rather than statement of operations and carried to accumulated losses as at December 31, 2017 under US GAAP. Similarly, the excess tax deduction of US$6,810,000 recognised in statement of operations for the six months ended June 30, 2018 (six months ended June 30, 2017: nil) under US GAAP is credited to equity under IFRSs. As at December 31, 2017, deferred tax assets of US$8,617,000 and excess tax deduction of US$2,066,000 required to be recognised in equity under IFRSs aggregated to US$10,683,000, which is recognised in additional paid in capital and carried forward as opening adjustment to the balance sheet as at January 1, 2018 under IFRSs.

27. RECONCILIATION BETWEEN US GAAP AND INTERNATIONAL FINANCIAL REPORTING STANDARDS *(Continued)*

Notes: *(Continued)*

(iv) PRC withholding tax

Under the then US GAAP ASC 740 which was prior to the adoption of ASU 2016-16, the PRC withholding tax of US$26,090,000 incurred on intragroup transfer of the 100% equity interest in BeiGene Shanghai to BeiGene Guangzhou in 2017 was carried in the Group's consolidated balance sheet as a prepaid asset as at December 31, 2017.

Under IFRSs, such PRC withholding tax was charged to the Group's consolidated statement of operations for the year ended December 31, 2017.

The comparative interim consolidated statements of the operations for the six months ended June 30, 2017 is not affected as such PRC withholding tax was incurred in the second half year of 2017.

Upon the Company's adoption of ASU 2016-16 on January 1, 2018, the above PRC withholding tax of US$ 26,090,000 incurred in 2017 was charged to the opening accumulated deficit as of January 1, 2018 in the Company's US GAAP consolidated financial statements. Hence the above difference in accounting treatment between US GAAP and IFRSs no longer exist for the Company's accounting periods commencing from January 1, 2018.

(v) Government subsidies

Under the then US GAAP, the government subsidies of US$9,990,000 relating to the above PRC withholding tax was carried in the Group's consolidated balance sheet as at December 31, 2017 as other long-term liabilities as a result of the recognition of such PRC withholding tax as a prepaid asset in the balance sheet.

Under IFRSs, the above government subsidies was recognised as income in the Group's consolidated statement of operations for the year ended December 31, 2017 as a result of the recognition of such PRC withholding tax as an expense in 2017. In addition, the income tax expense of US$2,498,000 on the government subsidies deferred as a prepaid asset under the then US GAAP ASC 740 was charged as an expense in the Group's consolidated statement of operations for the year ended December 31, 2017 under IFRSs as a result of the recognition of such government subsidies as income in 2017. Finally, IFRSs adjustments were made in the Group's consolidated financial statements for the year ended December 31, 2017 to account for the consequential impact on the Group's noncontrolling interests of US$375,000 and a foreign currency translation difference of US$263,000 arising from the above adjustments of government subsidies and related income tax expense which are applicable to a non-wholly-owned PRC subsidiary.

27. RECONCILIATION BETWEEN US GAAP AND INTERNATIONAL FINANCIAL REPORTING STANDARDS *(Continued)*

Notes: *(Continued)*

(v) Government subsidies *(Continued)*

The comparative interim consolidated statements of the operations for the six months ended June 30, 2017 is not affected as the above government subsidies was received by the Group in the second half year of 2017.

As a result of the charge of the relevant PRC withholding tax to the opening accumulated deficit as of January 1, 2018 as mentioned in note (iv) above, the government subsidies of US$9,990,000 and its related income tax expense of US$ 2,498,000 were also recognized in the opening accumulated deficit as of January 1, 2018 in the Company's US GAAP consolidated financial statements, and the consequential effect on non controlling interest of US$ 375,000 and foreign currency translation difference of US$ 263,000 were dealt with in the Company's opening US GAAP consolidated balance sheet as of January 1, 2018 accordingly. Hence the above differences in accounting treatment between US GAAP and IFRSs no longer exist for the Company's accounting periods commencing from January 1, 2018.

28. RECONCILIATION OF THE COMPARATIVE BALANCE SHEET WITH THE ACCOUNTANTS' REPORT IN THE PROSPECTUS

The comparative consolidated balance sheet of the Company as at December 31, 2017 in this report was prepared based on the previously published consolidated financial statements in the Company's 2017 Annual Report on Form 10-K filed with SEC on February 27, 2018. In preparing such financial statements, those new US GAAPs early adopted in preparation of the accountants' report were not early adopted, and hence differences arose between the Company's comparative consolidated balance sheet as at December 31, 2017 disclosed in this report when compared with the Company's consolidated balance sheet as at December 31, 2017 as disclosed in the accountants' report.

28. RECONCILIATION OF THE COMPARATIVE BALANCE SHEET WITH THE ACCOUNTANTS' REPORT IN THE PROSPECTUS *(Continued)*

The reconciliation of the comparative consolidated balance sheet of the Company as of December 31, 2017 in this report with the consolidated balance sheet of the Company as of December 31, 2017 disclosed in the accountants' report in the Prospectus are as follows:

	As of December 31, 2017				
Consolidated balance sheet data	As reported in this report US$'000	Adjustments adopted in preparing accountants' report US$'000 (i)	US$'000 (ii)	US$'000 (iii)	As reported in the accountants' report US$'000
Unbilled receivable	—	16,307	—	—	16,307
Other non-current assets	42,915	—	(26,090)	(2,498)	14,327
Total assets	1,046,479	16,307	(26,090)	(2,498)	1,034,198
Other long-term liabilities	31,959	—	—	(9,990)	21,969
Total liabilities	362,248	—	—	(9,990)	352,258
Accumulated other comprehensive loss	(480)	—	—	263	(217)
Accumulated deficit	(330,517)	16,307	(26,090)	6,854	(333,446)
Noncontrolling interest	14,422	—	—	375	14,797
Total equity	684,231	16,307	(26,090)	7,492	681,940

(i) Adjustment to recognize the variable consideration of US$16,307,000 under the collaboration arrangement with Celgene Corporation as revenue in the Group's consolidated financial statements for the year ended December 31, 2017 upon the early adoption of ASC 606 — Revenue from Contracts with Customers in preparing the accountants' report. This is because such variable consideration related to Celgene's opt-in of certain clinical trials of the Group was not constrained, which meets with the revenue recognition criteria of ASC 606.

28. RECONCILIATION OF THE COMPARATIVE BALANCE SHEET WITH THE ACCOUNTANTS' REPORT IN THE PROSPECTUS *(Continued)*

(ii) Adjustment to charge the PRC withholding tax of US$26,090,000 incurred on intragroup transfer of the 100% equity interest in BeiGene Shanghai to BeiGene Guangzhou as an expense in the Group's consolidated statement of operations for the year ended December 31, 2017 upon the early adoption of ASU 2016-16 in preparing the accountants' report. Prior to the early adoption of ASU 2016-16, such PRC withholding tax arising from intragroup transfer of equity interest was deferred and carried in the Group's consolidated balance sheet as a prepaid asset as at December 31, 2017 under ASC 740.

(iii) Adjustment to recognize the government subsidies of US$9,990,000 relating to the above mentioned PRC withholding tax as income in the Group's consolidated statement of operations for the year ended December 31, 2017 as a result of the early adoption of ASU 2016-16 to recognize such PRC withholding tax as an expense in 2017 in preparing the accountants' report. In addition, the income tax expense of US$2,498,000 on the government subsidies previously deferred as a prepaid asset under ASC 740 is charged as an expense in the accountants' report as a result of the recognition of such government subsidies as income in 2017. Finally, adjustments are made in the accountants' report to account for the consequential impact on the Group's noncontrolling interests of US$375,000 and a foreign currency translation difference of US$263,000 arising from the above adjustments of government subsidies and related income tax expense which are applicable to a non-wholly-owned PRC subsidiary.

The above early adoption adjustments did not have any effect on the comparative consolidated statement of operations of the Company for the six months ended June 30, 2017, because such adjustments were related to transactions occurred in the second half of 2017.

29. DIVIDENDS

The board of directors of the Company did not recommend the distribution of any interim dividend for the six months ended June 30, 2018 (six months ended June 30, 2017: nil).

30. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

These unaudited interim condensed consolidated financial statements were approved by the Company on August 30, 2018.

"2011 Plan"	the 2011 Option Plan adopted by the Company on April 15, 2011 and most recently amended on April 17, 2015
"2016 Plan"	the Amended and Restated 2016 Share Option and Incentive Plan adopted by the Company on January 14, 2016 and most recently amended on August 7, 2018
"2018 Plan"	the Amended and Restated 2018 Inducement Equity Plan adopted by the Company on June 6, 2018 and most recently amended on August 7, 2018
"ADS(s)"	American Depositary Shares (each representing 13 ordinary shares of the Company)
"affiliate(s)"	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
"associate(s)"	has the meaning ascribed to it under the Listing Rules
"BeiGene Biologics"	BeiGene Biologics Co., Ltd.* (百濟神州生物藥業有限公司), a company incorporated under the laws of the PRC on January 25, 2017 and indirectly held by the Company as to 95% of its equity interests and by GET as to 5% of its equity interests
"BeiGene Guangzhou Factory"	BeiGene Guangzhou Biologics Manufacturing Co., Ltd.* (廣州百濟神州生物製藥有限公司), a company incorporated under the laws of the PRC on March 3, 2017 and a wholly owned subsidiary of BeiGene Biologics
"BeiGene (Suzhou)"	BeiGene (Suzhou) Co., Ltd.* (百濟神州(蘇州)生物科技有限公司), a company incorporated under the laws of the PRC on April 9, 2015 and an indirectly wholly owned subsidiary of the Company
"Board"	the board of directors of the Company
"Celgene"	Celgene Corporation, a company incorporated under the laws of Delaware, US, on April 7, 1986 and an Independent Third Party
"China" or "PRC"	the People's Republic of China and, except where the context requires and only for the purpose of this report, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan. "Chinese" shall be construed accordingly

DEFINITIONS

"Company", "our Company" or "the Company"	BeiGene, Ltd., an exempted company with limited liability incorporated under the laws of the Cayman Islands on October 28, 2010
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Core Product Candidates"	zanubrutinib (BGB-3111), an investigational small molecule inhibitor of Bruton's tyrosine kinase; tislelizumab (BGB-A317), an investigational humanized monoclonal antibody against the immune checkpoint receptor PD-1; and pamiparib (BGB-290), an investigational small molecule inhibitor of the PARP1 and PARP2 enzymes
"Corporate Governance Code"	the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 of the Listing Rules
"Director(s)"	the director(s) of our Company
"Equity Plans"	the 2011 Plan, 2016 Plan, 2018 Plan and ESPP
"FDA"	U.S. Food and Drug Administration
"GET"	Guangzhou GET Technology Development Co., Ltd., a limited liability company established under the laws of the PRC on November 27, 1998 and an Independent Third Party
"Global Offering"	has the meaning ascribed to it under the Prospectus
"Group", "our Group", "the Group", "we", "us", or "our"	the Company and its subsidiaries from time to time
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong dollars" or "HK dollar" or "HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Independent Third Party(ies)"	any entity or person who is not a connected person of the Company within the meaning ascribed thereto under the Listing Rules
"IFRSs"	International Financial Reporting Standards
"IPO"	initial public offering
"Listing"	the listing of our Shares on the Main Board

"Listing Date"	August 8, 2018, the date on which the Shares are listed and on which dealings in the Shares are first permitted to take place on the Stock Exchange
"Listing Rules"	the Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules
"Over-allotment Option"	has the meaning ascribed to it under the Prospectus
"Prospectus"	the prospectus of the Company dated July 30, 2018
"RMB" or "Renminbi"	Renminbi, the lawful currency of PRC
"Reporting Period"	the six months ended June 30, 2018
"SEC"	the Securities and Exchange Commission of the United States
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Shareholder(s)"	holder(s) of the Share(s)
"Share(s)"	ordinary share(s) in the share capital of the Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"subsidiary(ies)"	has the meaning ascribed to it thereto in section 15 of the Companies Ordinance
"substantial shareholder"	has the meaning ascribed to it in the Listing Rules
"Switzerland"	Swiss Confederation
"United States", "U.S." or "US"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"US dollars", "U.S. dollars" or "US$"	United States dollars, the lawful currency of the United States
"US GAAP"	United States generally accepted accounting principles
"%"	per cent

GLOSSARY OF TECHNICAL TERMS

"BRAF"	means	a human gene that makes the B-raf protein involved in sending internal cell signals that direct cell growth
"BTK"	means	Bruton's tyrosine kinase. BTK is a key component of the BCR signaling pathway and is an important regulator of cell proliferation and cell survival in various lymphomas
"CDA"	means	the China Drug Administration
"complete response"	means	the disappearance of all signs of cancer in response to treatment
"immunoglobulin"	means	glycoprotein molecules produced by plasma cells (white blood cells), which are also known as antibodies. They act as a critical part of the immune response by specifically recognizing and binding to particular antigens, such as bacteria or viruses, and aiding in their destruction
"Kinase"	means	a type of enzyme that catalyzes the transfer of phosphate groups from high-energy, phosphate-donating molecules to specific substrates. The protein kinases make up the majority of all kinases. Protein kinases act on proteins, phosphorylating them on their serine, threonine, tyrosine, or histidine residues. These kinases play a major role in protein and enzyme regulation as well as signaling in the cell
"NDA"	means	new drug application
"NSCLA"	means	non-small cell lung cancer
"PARP"	means	poly ADP ribose polymerase, a family of proteins involved in numerous cellular processes, mostly involving DNA replication and transcriptional regulation, which plays an essential role in cell survival in response to DNA damage
"PD-1"	means	programmed cell death protein 1, an immune checkpoint receptor expressed on T-cells and pro-B-cells that binds two ligands, PD-L1 and PD-L2. PD-1 is a cell surface receptor that plays an important role in down-regulating the immune system by preventing the activation of T-cells
"pivotal trials"	means	a potentially registration-enabling trial or program that is intended to provide clinical data to support a regulatory approval for marketing the drug candidate
"RAF dimer"	means	a protein complex formed by two copies of RAF proteins. This could be a BRAF-BRAF complex, a BRAF-CRAF complex, or a CRAF-CRAF complex
"T-Cell"	means	a type of white blood cell that play a large role in immune response and that differs from other white blood cells like B-cells by the presence of the T-cell receptor on the T-cell's outer surface, which is responsible for recognizing antigens bound to major histocompatibility complex molecules
"TIM-3"	means	T-cell immunoglobulin and mucin-domain containing-3, a Th1-specific cell surface protein that functions as an immune checkpoint, regulating macrophage activation and enhancing the severity of experimental autoimmune encephalomyelitis in mice
"WM"	means	Waldenstrom macroglobulinemia