

BeiGene, Ltd. 百濟神州有限公司

(incorporated in the Cayman Islands with limited liability)

Stock Code : NASDAQ : BGNE

HKEX : 06160 SSE : 688235

2023 Annual Report



BeiGene

Cancer has no borders. Neither do we.

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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

Dr. Olivier Brandicourt *(Note 1)*
Dr. Margaret Han Dugan
Mr. Donald W. Glazer
Mr. Michael Goller
Mr. Anthony C. Hooper *(Note 2)*
Mr. Ranjeev Krishana
Dr. Alessandro Riva
Dr. Corazon (Corsee) D. Sanders
Mr. Qingqing Yi

AUDIT COMMITTEE

Mr. Anthony C. Hooper *(Chair) (Note 3)*
Dr. Olivier Brandicourt *(Note 1)*
Dr. Corazon (Corsee) D. Sanders

COMPENSATION COMMITTEE

Dr. Margaret Han Dugan *(Chair)*
Mr. Ranjeev Krishana
Mr. Qingqing Yi

NOMINATING AND CORPORATE GOVERNANCE COMMITTEE

Mr. Donald W. Glazer *(Chair)*
Mr. Michael Goller
Mr. Anthony C. Hooper
Dr. Alessandro Riva

SCIENTIFIC ADVISORY COMMITTEE

Dr. Xiaodong Wang *(Co-Chair)*
Dr. Alessandro Riva *(Co-Chair)*
Dr. Margaret Han Dugan
Mr. Michael Goller
Dr. Corazon (Corsee) D. Sanders
Mr. Qingqing Yi

COMMERCIAL AND MEDICAL AFFAIRS ADVISORY COMMITTEE

Mr. Anthony C. Hooper *(Chair)*
Dr. Olivier Brandicourt *(Note 4)*
Dr. Margaret Han Dugan
Mr. Ranjeev Krishana
Dr. Corazon (Corsee) D. Sanders

Notes:

- * On January 22, 2024, Mr. Thomas Malley resigned from the Board to devote more time to his other commitments. The decision by Mr. Malley to resign was not the result of any disagreement with respect to the operations, policies, or practices of the Company. There is no matter in respect of Mr. Malley's resignation that needs to be brought to the attention of shareholders of the Company or HKEx. In connection with his resignation from the Board, Mr. Malley also resigned from the Audit Committee and the Scientific Advisory Committee of the Board.
1. The relevant appointment with effect from January 23, 2024;
 2. The Board redesignated Mr. Anthony C. Hooper as an independent non-executive Director effective from April 17, 2023. For the period up to April 16, 2023, Mr. Anthony C. Hooper was a non-executive Director of the Company;
 3. Appointed as the chair of the Audit Committee effective September 13, 2023;
 4. The relevant appointment with effect from March 19, 2024.

CORPORATE INFORMATION

COMPANY SECRETARY

Ms. Chau Hing Ling (FCG, HKFCG) of
Vistra Corporate Services (HK) Limited

AUTHORIZED REPRESENTATIVES

Mr. John V. Oyler
Ms. Chau Hing Ling

AUDITORS

As to Hong Kong financial reporting audit
Ernst & Young, Registered Public Interest Entity Auditor

As to United States financial reporting audit
Ernst & Young LLP

As to PRC 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

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

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

STOCK CODE

06160

COMPANY WEBSITE

www.beigene.com

FORWARD-LOOKING STATEMENTS

This annual report contains forward-looking statements that involve substantial risks and uncertainties. These forward-looking statements are based on management's current expectations and projections about future events and trends that may affect the business, financial condition, and operating results. All statements other than statements of historical facts contained in this annual report, including statements regarding our strategy, future operations, future financial position, future revenue, projected costs, prospects, plans, objectives of management and expected growth, are forward-looking statements. Forward-looking statements often include words such as, but not limited to, "aim," "anticipate," "believe," "can," "continue," "could," "estimate," "expect," "goal," "intend," "may," "ongoing," "plan," "potential," "predict," "project," "seek," "should," "target," "will," "would" or the negative of these terms or similar expressions. These forward-looking statements include, among other things, statements about:

- our ability to successfully commercialize our approved medicines and to obtain approvals in additional indications and territories for our medicines;
- our ability to successfully develop and commercialize our in-licensed medicines and drug candidates and any other medicines and drug candidates we may in-license;
- our ability to further develop sales and marketing capabilities and launch and commercialize new medicines, if approved;
- our ability to maintain and expand regulatory approvals for our medicines and drug candidates, if approved;
- the pricing and reimbursement of our medicines and drug candidates, if approved;
- the initiation, timing, progress and results of our preclinical studies and clinical trials and our research and development programs;

FORWARD-LOOKING STATEMENTS

- our ability to advance our drug candidates into, and successfully complete, clinical trials and obtain regulatory approvals;
- our reliance on the success of our clinical stage drug candidates;
- our plans, expected milestones and the timing or likelihood of regulatory filings and approvals;
- the implementation of our business model, strategic plans for our business, medicines, drug candidates and technology;
- the scope of protection we (or our licensors) are able to establish and maintain for intellectual property rights covering our medicines, drug candidates and technology;
- our ability to operate our business without infringing, misappropriating or otherwise violating the intellectual property rights and proprietary technology of third parties;
- costs associated with enforcing or defending against intellectual property infringement, misappropriation or violation, product liability and other claims;
- the regulatory environment and regulatory developments in the United States, China, the United Kingdom, Switzerland, the European Union and other jurisdictions in which we operate;
- the accuracy of our estimates regarding expenses, revenues, including collaboration revenue, capital requirements and our need for additional financing;
- the potential benefits of strategic collaboration and licensing agreements and our ability to enter into and maintain strategic arrangements;
- our construction and operation of independent production facilities for small molecule medicines and large molecule biologics, as well as clinical R&D facilities, to support the global demand for both commercial and clinical supply;
- our reliance on third parties to conduct drug development, manufacturing and other services;

FORWARD-LOOKING STATEMENTS

- our ability to manufacture and supply, or have manufactured and supplied, drug candidates for clinical development and medicines for commercial sale;
- the rate and degree of market access and acceptance of our medicines and drug candidates, if approved;
- developments relating to our competitors and our industry, including competing therapies;
- the size of the potential markets for our medicines and drug candidates and our ability to serve those markets;
- our ability to effectively manage our growth;
- our ability to attract and retain qualified employees and key personnel;
- statements regarding future revenue, key milestones, expenses, capital expenditures, capital requirements and share performance; and
- the future trading price of our American Depositary Shares (“ADSs”) listed on NASDAQ, our ordinary shares listed on HKEx, and our ordinary shares issued to permitted investors in China and listed and traded on the STAR in Renminbi (“RMB Shares”), as well as the impact of securities analysts’ reports on these prices.

FORWARD-LOOKING STATEMENTS

These statements involve risks and uncertainties, including those that are described in “Risk Factors” of this annual report, that may cause actual future events or results to differ materially from those expected. Given these uncertainties, you should not place undue reliance on these forward-looking statements. Actual results or events could differ materially from the plans, intentions and expectations disclosed in the forward-looking statements we make. We have based these forward-looking statements largely on our current expectations and projections about future events and trends that we believe may affect our business, financial condition and operating results. We have included important factors in the cautionary statements included in this annual report, particularly in “Risk Factors,” that could cause actual future results or events to differ materially from the forward-looking statements that we make. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures or investments we may make.

Since actual results or outcomes could differ materially from those expressed in any forward-looking statements, we strongly caution investors against placing undue reliance on any such forward-looking statements. Any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “HK Listing Rules”), we undertake no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. Statements of or references to our intentions or those of any of our Directors are made as of the date of this annual report. Any such intentions may change in light of future developments.

This annual report includes statistical and other industry and market data that we obtained from industry publications and research, surveys and studies conducted by third parties. Industry publications and third-party research, surveys and studies generally indicate that their information has been obtained from sources believed to be reliable, although they do not guarantee the accuracy or completeness of such information. While we believe these industry publications and third-party research, surveys and studies are reliable, you are cautioned not to give undue weight to this information. All forward-looking statements in this annual report are expressly qualified by reference to this cautionary statement.

BUSINESS

Unless the context requires otherwise, in this annual report, the terms “BeiGene,” the “Company,” “we,” “us,” and “our” refer to BeiGene, Ltd. and its subsidiaries, on a consolidated basis.

OVERVIEW

We are a global oncology company discovering and developing innovative treatments that are more accessible and affordable to cancer patients worldwide. We generated global revenue of approximately US\$2.5 billion in 2023, which increased by approximately US\$1.0 billion, while reducing our net loss by approximately US\$1.1 billion in comparison to 2022.

We currently have three approved medicines that were internally discovered and developed, including BRUKINSA® (zanubrutinib), a small molecule inhibitor of Bruton’s Tyrosine Kinase (“BTK”) for the treatment of various blood cancers; TEVIMBRA® (tislelizumab), an anti-PD-1 antibody immunotherapy for the treatment of various solid tumor and blood cancers; and PARTRUVIX® (pamiparib), a selective small molecule inhibitor of PARP1 and PARP2. We have obtained approvals to market BRUKINSA in the United States (“U.S.”), the People’s Republic of China (“China” or the “PRC”), the European Union (“EU”), the United Kingdom (“UK”), Canada, Australia, and additional international markets; TEVIMBRA (tislelizumab) in the U.S., the EU and China; and PARTRUVIX in China. By leveraging our strong commercial capabilities, we have in-licensed the rights to distribute an additional 14 approved medicines for the China market. Supported by our global clinical development and commercial capabilities, we have entered into collaborations with world-leading biopharmaceutical companies such as Amgen Inc. (“Amgen”) and Beijing Novartis Pharma Co., Ltd. (“Novartis”) to develop and commercialize innovative medicines.

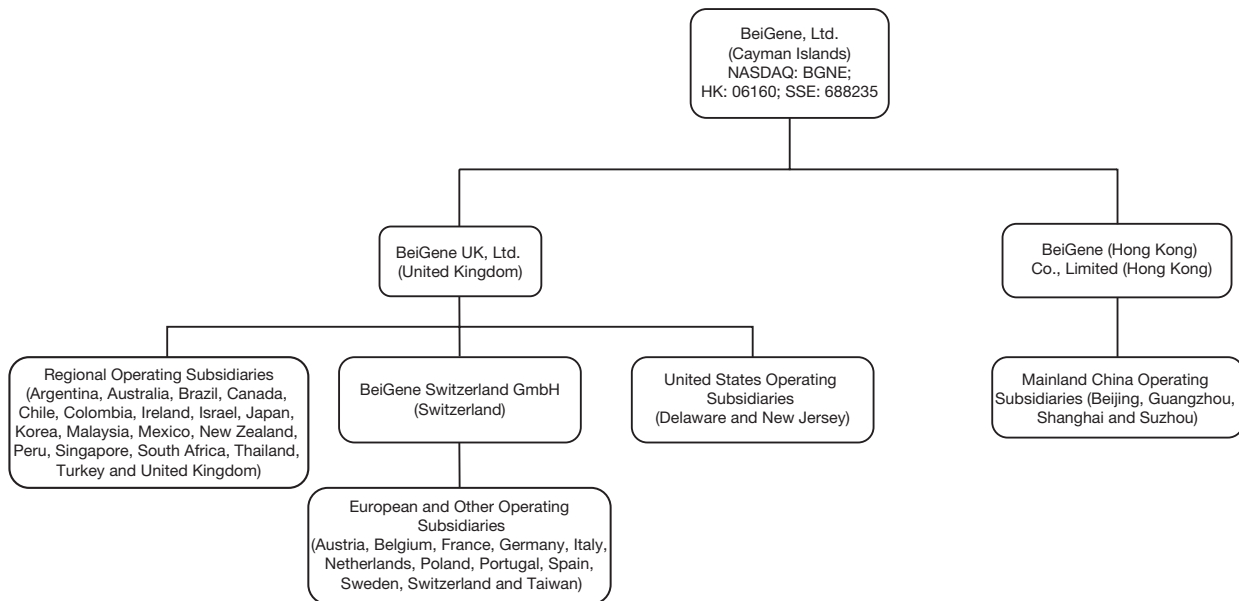
We are committed to advancing best- and first-in-class clinical candidates internally or with like-minded partners to develop impactful and affordable medicines for patients across the globe. Recognizing the importance of clinical trial activities in our industry and the challenges associated with outsourcing to third-party contract research organizations (“CROs”), we have built our own 3,000+ person internal clinical team and are largely CRO-free. We have conducted more than 130 clinical trials in-house, with over 22,000 subjects enrolled in approximately 45 regions. This includes more than 40 pivotal or potentially registration-enabling trials across our portfolio.

We have built, and are expanding, our internal manufacturing capabilities. We are building a commercial-stage biologics manufacturing and clinical R&D center at the Princeton West Innovation Park in Hopewell, New Jersey (the “Hopewell facility”), in addition to our existing state-of-the-art biologic and small molecule manufacturing facilities in China to support current and potential future demands of our medicines. We also work with high quality contract manufacturing organizations (“CMOs”) to manufacture our internally developed clinical and commercial products.

Since our inception in 2010, we have become a fully integrated global organization of over 10,000 employees worldwide, primarily in the U.S., China, and Europe.

Our Holding Company Structure

We are a holding company incorporated in the Cayman Islands with operations primarily conducted through our subsidiaries in the U.S., China, UK, Switzerland, and Australia. The following diagram depicts a summary of our corporate structure. Our corporate structure contains no variable interest entities.



BUSINESS

OUR STRATEGY

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

1. **We have built a substantial global development and medical affairs team** of 3,000+ people on five continents, allowing us to run clinical trials predominantly without reliance on CROs. Clinical development accounts for over 75% of the cost and most of the time to develop a medicine. We believe that by fully integrating these capabilities, we can create a strategic competitive advantage. By retaining clinical development activities internally, we can decrease the costs of our trials, increase enrollment speed, and leverage technology to ensure quality and consistency across trials and clinical sites. It also allows us to become more inclusive in the location and number of clinical sites to help improve the diversity of patients in our trials. Our demonstrated ability to complete large-scale, multi-regional clinical trials is one of our most important strategic competitive advantages and addresses an immense challenge in the pharmaceutical industry.
2. **We have built one of the world's largest, most productive and cost-effective oncology research teams** with 1,100+ scientists. Their efforts have been validated by commercial approvals, clinical data, and collaborations that have secured US\$1.5 billion in collaboration payments to the company. We have successfully developed three commercially approved medicines from our internal discovery engine, including BRUKINSA and TEVIMBRA. We design each research program with a differentiated biological hypothesis or a first-in-class mechanism of action. Our lead medicine, BRUKINSA, has demonstrated superiority for both progression-free survival and overall response rate versus ibrutinib in relapsed or refractory ("R/R") chronic lymphocytic leukemia ("CLL"). Our broad pipeline also includes internally developed products with the potential to be best-in-class or first-in-class, including sonrotoclax (our BCL-2 inhibitor) and BGB-16673 (a BTK-targeted CDAC) that have both demonstrated their potential with early data. Our pipeline also includes many early-stage assets for targets including, pan-KRAS, PRMT5, CDK4, CDK2, B7H3 ADC, CEA-ADC, B7H4-ADC, MUC1 x CD16A bispecific antibody ("BsAb"), and Claudin6 x CD3 BsAb. We have invested in technology platforms, including CDAC protein degraders, bispecific antibodies, tri-specific antibodies, ADCs, cell therapies, and mRNA. Our research and innovation capabilities will ensure we discover high-quality and impactful medicines for patients.

3. **We have built a strong commercial portfolio, centered around two foundational medicines, BRUKINSA and TEVIMBRA,** that are primary revenue sources and support the development of our future pipeline and additional combination therapies. Our hematological franchise is led by BRUKINSA, which is supported by a broad clinical program with over 5,000 patients in 37 trials in 29 markets. We ran two extensive head-to-head studies versus ibrutinib with over 800 patients enrolled. We are the first and only BTK inhibitor to demonstrate superior efficacy versus ibrutinib, and the data from the head-to-head ALPINE trial were selected for the prestigious late-breaker session at the American Society of Hematology (“ASH”) meeting in late 2022, with simultaneous publication in *The New England Journal of Medicine*. Based on the pooled safety data generated from our trials, we have shown a very favorable safety profile, especially when compared to ibrutinib in cardiovascular safety, including atrial fibrillation, ventricle arrhythmia, and hypertension. In December 2023, the U.S. Food and Drug Administration (“FDA”) approved a label update for BRUKINSA to include superior progression-free survival (“PFS”) results from the Phase 3 ALPINE trial comparing BRUKINSA against IMBRUVICA in previously treated patients with R/R CLL. We believe the differentiation of BRUKINSA has been recognized by the market and global BRUKINSA sales increased 128.5% in 2023 vs. 2022. BRUKINSA allows us to build a strong position in heme-oncology and we plan to solidify our leadership in CLL with sonrotoclax (BCL2i) and our BTK-CDAC while amplifying our impact in other B-cell malignancies with progressive treatment strategies such as fixed duration and rational sequencing. Our solid tumor franchise is led by our anti-PD-1 monoclonal antibody, TEVIMBRA, which is currently approved in China in twelve indications and has achieved the commercial market leader position in China in the PD-1/PD-L1 class. Outside of China, TEVIMBRA has been approved in Europe and South Korea and we anticipate U.S. approval on or before July 2024 for first-line ESCC. With TEVIMBRA and the potentially best-in-class or first-in-class pipeline assets targeting pan-KRAS, PRMT5, CDK4, CDK2, B7H3 ADC, CEA-ADC, B7H4-ADC, MUC1 x CD16A BsAb, and Claudin6 x CD3 BsAb, we are well-positioned to build our solid tumor business and deliver innovative therapies and combinations to patients.

4. **We have a differentiated global commercial organization** of over 3,700 people to deliver medicines to patients around the globe, including over 500 in North America and Europe. In North America, our team continues to grow BRUKINSA sales following the approvals in the U.S. and Canada for CLL and small lymphocytic lymphoma (“SLL”) indications in 2023. In China, the commercial team is marketing 17 internally developed and licensed medicines across solid tumors and hematology. BRUKINSA and TEVIMBRA continue to strengthen market leadership positions in China in the BTKi and PD-1/PD-L1 classes, respectively. Altogether, BRUKINSA has been approved in more than 65 markets, with additional filings pending or planned. We reacquired the global rights of TEVIMBRA from Novartis in 2023 upon bilateral agreement. TEVIMBRA received approval from EMA and South Korea and additional approvals and filings are pending or planned. Our strategy is to commercialize our medicines broadly throughout the world. Our commercial capabilities have expanded into the Asia Pacific, Latin America and Middle East regions through our affiliates or distribution partners. We have built a global commercial organization that will drive the delivery of highly effective and differentiated medicines to patients around the globe and will continue to collaborate with business partners to bridge health inequities.
















5. **We have financial strength.** In a time when the cost of capital has risen, we are well positioned financially. We had cash and cash equivalents of US\$3.2 billion as of December 31, 2023. We already have substantial product revenue of US\$2.2 billion including from our cornerstone assets, which we expect to continue to grow significantly in 2024 and beyond. We expect product revenue growth to outpace our operating expense growth, which will allow us to continue to improve our operating leverage and cash flow. We will continue to be thoughtful and strategic in how we deploy our capital, and we are committed to generating long-term value for our shareholders.

BUSINESS

OUR COMMERCIAL AND REGISTRATION STAGE PRODUCTS

The following table summarizes the status of our commercial products as of February 26, 2024:

PRODUCT	LEAD INDICATIONS	MECHANISM OF ACTION	REGULATORY STATUS	BEIGENE COMMERCIAL RIGHTS	PARTNER
 Brukinsa [®] zanubrutinib 30mg capsules	U.S.: CLL/SLL, R/R MCL ¹ , WM & R/R MZL ¹ ; China: R/R MCL ² , R/R CLL/SLL, TN CLL/SLL, R/R WM & TN WM; EU ³ : WM, R/R MZL, R/R CLL/SLL, R/R FL	BTK inhibitor	Approved in more than 65 markets, incl. U.S., China, EU, and other markets	Global	N/A
 TEVIMBRA [™] Tislelizumab	China: 1L squamous and non-squamous NSCLC/2/3 L NSCLC/R/R classical hodgkin's lymphoma ^{2/2/3} L HCC ² /R/R PD-L1+ UC ² , MSI-H or dMMR solid tumors, 2L ESCC, 1L NPC, 1L GC/GEJC, 1L ESCC, 1L HCC; EU: 2L ESCC	Anti-PD-1 antibody	Approved in China, EU ⁴ , and 3 other markets; BLA accepted in U.S. ⁴	Global	N/A
 Partruvix pamiparib	3L BRCA-mutated ovarian cancer ²	PARP inhibitor	Approved in China	Global	N/A
 XGEVA [®] (denosumab) injection	Giant cell tumor of bone/Skeletal related events (SREs) ³	Anti-RANK ligand antibody	Approved in China	Mainland China	
 BLINCYTO [®] (blinatumomab) injection 35 mcg single-dose vial	R/R acute lymphocytic leukemia	Anti-CD19 x anti-CD3 bispecific T-cell engager (BITE)	Approved in China	Mainland China	
 Kyprolis [®] (carfilzomib) injection	R/R multiple myeloma ³	Proteasome inhibitor	Approved in China	Mainland China	

PRODUCT	LEAD INDICATIONS	MECHANISM OF ACTION	REGULATORY STATUS	BEIGENE COMMERCIAL RIGHTS	PARTNER
 Revlimid (lenalidomide) <small>商品名</small>	R/R adult multiple myeloma, newly diagnosed multiple myeloma, previously treated follicular lymphoma	Anti-angiogenesis, immuno-modulation	Approved in China	Mainland China ⁹	 Bristol Myers Squibb [®]
 Vidaza azacitidine for injection	Myelodysplastic syndromes, acute myeloid leukemia, chronic myelomonocytic leukemia	DNA hypomethylation	Approved in China	Mainland China ⁹	 Bristol Myers Squibb [®]
 sylvant siltuximab	Idiopathic multicentric Castlemann disease	IL-6 antagonist	Approved in China	Greater China	 EUSA Pharma
 Qarziba [®] ▼ Dinutuximab beta	High-risk neuroblastoma ²	Anti-GD2 antibody	Approved in China	Mainland China	 EUSA Pharma
POBEVCY [®] (Avastin biosimilar)	Colorectal, lung, glioblastoma, ovarian, fallopian tube or primary peritoneal, and cervical cancers	Anti-VEGF antibody	Approved in China	Greater China	 百奥泰 BIO-THERA
BAITUOWEI [®] (goserelin microspheres for injection)	Breast and prostate cancers	Gonadotropinreleasing hormone (GnRH) agonist	Approved in China	Mainland China	 Luye Pharma 绿叶制药
TAFINLAR [®] (dabrafenib)	NSCLC ⁵ , melanoma	BRAF inhibitor	Approved in China	China Broad Markets ⁷	 NOVARTIS
MEKINIST [®] (trametinib)	NSCLC ⁵ , melanoma	MEK inhibitor	Approved in China	China Broad Markets ⁷	 NOVARTIS
VOTRIENT [®] (pazopanib)	Advance renal cell carcinoma	VEGFR inhibitor	Approved in China	China Broad Markets ⁷	 NOVARTIS
AFINITOR [®] (everolimus)	Advanced renal cell carcinoma ⁶ , NET, SEGA & breast cancers	mTOR inhibitor	Approved in China	China Broad Markets ⁷	 NOVARTIS
ZYKADIA [®] (ceritinib)	ALK + NSCLC	ALK inhibitor	Approved in China	China Broad Markets ⁷	 NOVARTIS

BUSINESS

1. Approved under accelerated approval. Continued approval for this indication may be contingent upon verification and description of clinical benefit in a confirmatory trial. 2. Conditionally approved. Full approval for these indications is contingent upon results from ongoing randomized, controlled confirmatory clinical trials. 3. The approval is applicable to all 27 EU member states, plus Iceland, Lichtenstein and Norway. 4. U.S.: For patients with unresectable recurrent locally advanced or metastatic ESCC after prior systemic therapy, and as a first-line treatment for patients with unresectable, recurrent, locally advanced, or metastatic ESCC. EU: Accepted for review for patients with NSCLC including: locally advanced or metastatic NSCLC after prior chemo, in combination with chemotherapy for 1L advanced or metastatic squamous NSCLC, and in combination with chemotherapy for 1L locally advanced or metastatic non-squamous NSCLC with no EGFR or ALK positive mutations. 5. TAFINLAR, in combination with MEKINIST, is indicated for the treatment of patients with metastatic NSCLC with BRAF V600E mutation as detected by an FDA-approved test. 6. Following progression on or after vascular endothelial growth factor (VEGF)-targeted therapy. 7. Rights to promote and market in China's broad markets pursuant to a Market Development Agreement with an affiliate of Novartis Pharma AG. 8. Conditionally approved. Full approval of any particular indication will depend on the results of required post-marketing study(ies) in China. 9. As part of the settlement agreement with BMS, the license and supply agreement covering REVLIMID and VIDAZA was terminated as of December 31, 2023, subject to our right to continuing selling inventory until it is sold out or December 31, 2024.

Abbreviations: ALK = anaplastic lymphoma kinase; BLA = Biologics License Application; BRAF = B-rapidly accelerated fibrosarcoma; CLL = chronic lymphocytic leukemia; EGFR = epidermal growth factor receptor; ESCC = esophageal squamous cell carcinoma; GC = gastric cancer; GEJC = gastroesophageal junction cancer; HCC = hepatocellular carcinoma; MAA = marketing authorization application; MCL = mantle cell lymphoma; MEK = mitogen-activated protein kinase (MAPK)/Extracellular-signal regulated kinase (ERK); mTOR = Mammalian target of rapamycin; MZL = marginal zone lymphoma; NET = neuroendocrine tumor; NPC = nasopharyngeal cancer; NSCLC = non-small cell lung cancer; R/R = relapsed/refractory; SEGA = subependymal giant cell astrocytoma; SLL = small lymphocytic lymphoma; UC = urothelial carcinoma; VEGFR = vascular endothelial growth factor receptor; WM = Waldenström's macroglobulinemia

Please see the section of this annual report titled "Management Discussion and Analysis" for revenue by product.

We commercialize the following internally developed cancer medicines:

BRUKINSA

BRUKINSA is a next-generation small molecule inhibitor of BTK designed to maximize BTK occupancy and minimize off-target binding effects. It is an orally active inhibitor that covalently binds to BTK, resulting in irreversible inactivation of the enzyme.

We are marketing BRUKINSA in the U.S., China, Europe, the UK, Canada, Australia, and other markets.

In the U.S., BRUKINSA received accelerated approval as a treatment for mantle cell lymphoma (“MCL”) in adult patients who have received at least one prior therapy (November 2019), and has since also been approved for patients with Waldenström’s macroglobulinemia (“WM”) and R/R marginal zone lymphoma (“MZL”) who have received at least one anti-CD20-based regimen. The MCL and MZL indications were approved under accelerated approval based on overall response rate. Continued approval for these indications may be contingent upon verification and description of clinical benefit in a confirmatory trial. In January 2023, BRUKINSA was approved by the U.S. FDA for the treatment of adult patients with CLL or SLL. In December 2023, the FDA approved a label update for BRUKINSA to include superior progression-free survival (“PFS”) results from the Phase 3 ALPINE trial comparing BRUKINSA against IMBRUVICA in previously treated patients with R/R CLL. The FDA is currently reviewing a supplemental new drug application (“sNDA”) submission for BRUKINSA in R/R follicular lymphoma (“FL”) with a Prescription Drug User Fee Act date in March 2024.

In Europe, BRUKINSA has received approval from the European Commission (“EC”) for the treatment of adult patients with WM who have received at least one prior therapy or for the first-line treatment of patients unsuitable for chemo-immunotherapy, as well as for the treatment of patients with R/R MZL and for the treatment of patients with CLL. In November 2023, the EC approved BRUKINSA in combination with obinutuzumab for the treatment of adult patients with R/R FL who have received at least two prior lines of systemic therapy. BRUKINSA is now approved to treat more patient populations in the EU than any other BTK inhibitor.

In China, BRUKINSA has received approval from the China National Medical Products Administration (“NMPA”) for treatment-naïve adults with CLL or SLL, treatment-naïve adults with WM, R/R CLL/SLL, R/R WM, and conditional approval for adult patients with MCL who have received at least one prior therapy. Currently, all five approved indications for BRUKINSA are included in the updated National Reimbursement Drug List (“NRDL”) by the China National Healthcare Security Administration (“NHS”).

BRUKINSA is approved across several indications in more than 65 markets as of February 2024.

BUSINESS

Market Opportunity

Lymphomas are blood-borne cancers involving lymphatic cells of the immune system. They can be broadly categorized into non-Hodgkin's lymphoma and Hodgkin's lymphoma. In 2022, estimated global revenues for BTK inhibitors were approximately US\$8.5 billion according to published reports. Global revenues are projected to be more than US\$15 billion in 2028, according to published reports. Please see the section of this annual report titled "Management Discussion and Analysis" for BRUKINSA net revenue generated in 2022 and 2023.

TEVIMBRA (tislelizumab)

TEVIMBRA is a humanized IgG4 monoclonal antibody against the immune checkpoint receptor programmed cell death protein 1 ("PD-1") that we specifically designed to minimize binding to Fc receptor gamma ("Fc γ R"), which is believed to play an essential role in activating phagocytosis in macrophages, to minimize its negative impact on T effector cells.

Tislelizumab is approved in China in twelve indications:

- full approval for the first-line treatment of patients with locally advanced unresectable or metastatic gastric or gastroesophageal junction adenocarcinoma with high PD-L1 expression in combination with fluoropyrimidine and platinum chemotherapy;
- for first-line treatment of patients with advanced squamous non-small cell lung cancer ("NSCLC") in combination with chemotherapy;
- for first-line treatment of patients with advanced non-squamous NSCLC in combination with chemotherapy;
- for second- or third-line treatment of patients with locally advanced or metastatic NSCLC who progressed on prior platinum-based chemotherapy;
- for the treatment of patients with locally advanced or metastatic esophageal squamous cell carcinoma ("ESCC") who have disease progression following or are intolerant to first-line standard chemotherapy;
- for first-line treatment of patients with locally advanced or metastatic ESCC in combination with chemotherapy;
- for first-line treatment of patients with recurrent or metastatic nasopharyngeal cancer ("NPC");
- for first-line treatment of patients with unresectable or metastatic hepatocellular carcinoma ("HCC");
- for the treatment of patients with HCC who have received at least one systemic therapy;

- conditional approval for the treatment of patients with classical Hodgkin’s lymphoma (“cHL”) who received at least two prior therapies;
- for the treatment of patients with locally advanced or metastatic urothelial carcinoma (“UC”) with PD-L1 high expression whose disease progressed during or following platinum-containing chemotherapy or within 12 months of neoadjuvant or adjuvant treatment with platinum-containing chemotherapy; and
- for patients with previously treated, locally advanced unresectable or metastatic microsatellite instability-high (“MSI-H”) or mismatch repair-deficient (“dMMR”) solid tumors.

Full approval for these indications is contingent upon results from ongoing randomized, controlled, confirmatory clinical trials.

Tislelizumab was included in the NRDL in 2020 for cHL and UC, in 2021 for non-squamous NSCLC, squamous NSCLC and HCC, in 2022 for locally advanced or metastatic NSCLC, MSI-H solid tumors, locally advanced or metastatic ESCC following progression or intolerance to prior first-line chemotherapy, and first-line recurrent or metastatic NPC, and in 2023 for first-line locally advanced unresectable or metastatic gastric or gastroesophageal junction adenocarcinoma with high PD-L1 expression and first-line unresectable locally advanced, recurrent or metastatic ESCC.

In addition, three supplemental Biologics License Applications (“sBLAs”) for tislelizumab for patients with first-line extensive stage small cell lung cancer (“ES-SCLC”) and for patients with first-line locally advanced unresectable or metastatic gastric or gastroesophageal junction adenocarcinoma (“GC/GEJ”) regardless of PD-L1 status and tislelizumab in combination with platinum-based doublet chemotherapy as neoadjuvant treatment for patients with NSCLC are under review by the Center for Drug Evaluation of the NMPA.

In Europe, the EC has approved TEVIMBRA as monotherapy for the treatment of adult patients with unresectable, locally advanced or metastatic ESCC after prior platinum-based chemotherapy, along with additional filings.

In the U.S., we have filed a Biologics License Application (“BLA”) with the FDA for TEVIMBRA as a treatment for patients with unresectable recurrent locally advanced or metastatic ESCC after prior systemic therapy. Additionally, the FDA accepted for review a BLA for TEVIMBRA as a first-line treatment for patients with unresectable, recurrent, locally advanced, or metastatic ESCC.

We are evaluating tislelizumab in a broad pivotal clinical program for both solid tumor and hematological indications globally. BeiGene has launched more than 17 potentially registration-enabling trials with tislelizumab, of which 11 Phase 3 randomized trials and 4 Phase 2 trials have already had positive readouts. More than 900,000 patients have been prescribed TEVIMBRA globally to-date.

In September 2023, we announced that we had entered into an agreement with Novartis to regain worldwide rights to develop, manufacture, and commercialize TEVIMBRA.

BUSINESS

Market Opportunity

Globally, the top four PD-1/PD-L1 antibody medicines had revenues of approximately US\$36 billion in 2022 based on public reports. The 2022 China PD-1/L1 market (net revenue) was approximately US\$2.2 billion.

Global revenues are projected to be more than US\$50 billion by 2025 according to published reports, driven by multiple factors including indication expansion, approvals and adoptions in earlier lines of therapies, further market penetration, and extension of duration of therapy.

PARTRUVIX (pamiparib)

PARTRUVIX is a selective small molecule inhibitor of poly ADP-ribose polymerase 1 (“PARP1”) and PARP2 enzymes. Pamiparib has demonstrated pharmacological properties such as brain penetration and PARP-DNA complex trapping in preclinical models.

In China, PARTRUVIX received conditional approval for treatment of patients with germline BRCA (“gBRCA”) mutation-associated recurrent advanced ovarian, fallopian tube, or primary peritoneal cancer who have been treated with two or more lines of chemotherapy in May 2021. Full approval for this indication is contingent upon results from ongoing corroborative trials confirming the clinical benefit of PARTRUVIX in this population. PARTRUVIX was included in the 2021 NRDL in its approved indication.

In-Licensed Products from Amgen

We are currently commercializing the following cancer medicines in China under an exclusive license from Amgen:

XGEVA®

XGEVA (denosumab) is an antibody-based RANK ligand (“RANKL”) inhibitor that was approved globally for the prevention of skeletal-related events (“SREs”) in patients with bone metastases from solid tumors and in patients with multiple myeloma (“MM”), and for the treatment of adults and skeletally mature adolescents with giant cell tumor of bone (“GCTB”). XGEVA is approved in over 70 countries worldwide. In China, XGEVA received conditional approval in the GCTB indication in May 2019 (converted to regular approval) and received conditional approval for the SRE indications in November 2020. We began marketing XGEVA in China in July 2020. In December 2020, we announced the inclusion of XGEVA in the NRDL for the treatment of GCTB, which was successfully renewed for inclusion in 2023. Beginning in January 2024, the SRE indication was also included in the NRDL.

BLINCYTO®

BLINCYTO (blinatumomab), a bispecific CD-19 directed CD3 T-cell engager, is the first and only approved bi-specific T-cell engager (“BiTE”) immunotherapy. It has been approved in 60 countries for use in patients with acute lymphoblastic leukemia (“ALL”). In China, BLINCYTO received conditional approval as a treatment for adult patients with R/R ALL in December 2020 (converted to regular approval) and was conditionally approved in April 2022 for pediatric patients with R/R B-cell precursor ALL. We began commercializing BLINCYTO in August 2021.

KYPROLIS®

KYPROLIS (carfilzomib), a proteasome inhibitor, has been approved in over 60 countries for use in patients with R/R MM. It was approved in China as a treatment for patients with R/R MM in July 2021 and we began commercializing KYPROLIS in January 2022. KYPROLIS was included on the NRDL beginning in March 2023 for its approved indication in China.

In-Licensed Products from BMS

We commercialize the following cancer medicines in China under an exclusive license from BMS through 2024:

REVLIMID®

REVLIMID (lenalidomide) is an oral immunomodulatory medicine that was approved in China in 2013 for the treatment of MM in combination with dexamethasone in adult patients who have received at least one prior therapy. In February 2018, REVLIMID received NMPA approval of a new indication for the treatment of MM in combination with dexamethasone in adult patients with previously untreated MM who are not eligible for transplant.

REVLIMID was listed on the NRDL in June 2017. In November 2019, we announced that REVLIMID received formal inclusion on the NRDL in China for R/R MM. In November 2020 our sNDA for the use of REVLIMID in combination with rituximab in adult patients with previously treated follicular lymphoma was approved by the NMPA.

VIDAZA®

VIDAZA (azacitidine for injection) is a pyrimidine nucleoside analog that has been shown to reverse the effects of DNA hypermethylation and promote subsequent gene re-expression. VIDAZA was approved in China in April 2017 for the treatment of intermediate-2 and high-risk myelodysplastic syndromes (“MDS”), chronic myelomonocyte leukemia (“CMML”) and acute myeloid leukemia (“AML”) with 20% to 30% blasts and multi-lineage dysplasia. In January 2018, VIDAZA became commercially available in China.

BUSINESS

In addition to REVLIMID and VIDAZA, we previously commercialized ABRAXANE® (paclitaxel albumin-bound particles for injectable suspension), a solvent-free chemotherapy approved for use in certain patients with metastatic breast cancer, in China until March 2020. On March 25, 2020, the NMPA suspended the importation, sales and use of ABRAXANE in China previously supplied to us by BMS, and the drug was subsequently recalled by BMS. This suspension was based on inspection findings at BMS's contract manufacturing facility in the U.S. Following the suspension and recall of ABRAXANE, we initiated an arbitration proceeding against BMS which has since been settled. As part of the settlement agreement, the license and supply agreement covering REVLIMID and VIDAZA was terminated as of December 31, 2023, subject to our right to continuing selling inventory until it is sold out or December 31, 2024.

In-Licensed Products from EUSA Pharma

We commercialize the following medicines in China under an exclusive license from EUSA Pharma:

SYLVANT®

SYLVANT (siltuximab), an interleukin-6 ("IL-6") antagonist, was approved as a treatment for patients with idiopathic multicentric Castleman disease ("iMCD") who are human immunodeficiency virus ("HIV") negative and human herpesvirus-8 ("HHV-8") negative. SYLVANT was approved in China in December 2021 for the treatment of adult patients with multicentric Castleman disease ("MCD") who are HIV negative and HHV-8 negative, also known as iMCD. Beginning in January 2024, Sylvant was included in the NRDL.

QARZIBA® ▼

QARZIBA (dinutuximab beta), a mouse-human chimeric monoclonal GD2 antibody, was granted conditional approval by the NMPA for the treatment of high-risk neuroblastoma in patients aged 12 months and above who have previously received induction chemotherapy and achieved at least a partial response, followed by myeloablative therapy and stem cell transplantation, as well as patients with a history of R/R neuroblastoma with or without residual disease. We began commercializing QARZIBA in December 2021.

In-Licensed Product from Bio-Thera

We commercialize the following product in China under an exclusive license from Bio-Thera:

POBEVCY® (BAT1706)

POBEVCY is a biosimilar to Avastin (bevacizumab) developed by Bio-Thera Solutions, Ltd., a commercial-stage biopharmaceutical company located in Guangzhou, China. In China, Avastin is approved for the treatment of patients with metastatic colorectal cancer, NSCLC, glioblastoma, ovarian, fallopian tube or primary peritoneal, and cervical cancers.

POBEVCY was approved by the NMPA in China in November 2021 and launched in late 2021 for the treatment of patients with advanced, metastatic or recurrent NSCLC, and metastatic colorectal cancer.

We have acquired the right to develop, manufacture and commercialize POBEVCY in China, including Hong Kong, Macau, and Taiwan.

In-Licensed Product from Luye Pharma

We commercialize the following product in China under an exclusive license from Luye Pharma:

BAITUOWEI® (goserelin microspheres for injection)

Baituowei (Goserelin Microspheres for Injection), developed by Luye Pharma, is the world's first and only approved microsphere formulation of Goserelin. With its innovative microsphere formulation, Baituowei is able to ensure efficacy and safety while significantly improving patient experience. Baituowei was approved by the NMPA in China in June 2023 for the treatment of patients with prostate cancer requiring androgen deprivation therapy and included in the NRDL in 2023, and was approved by the NMPA in China in September 2023 for treating breast cancer in premenopausal and perimenopausal women that can be treated with hormones.

Reimbursement and Market Access

Our sales are largely dependent on the availability and extent of coverage and reimbursement by third party payors. In many markets these third parties are government health systems and in some markets such as the U.S. there are also private payors such as private health insurers and health systems. As of December 31, 2023, we have commercialized our products in over 65 markets.

BUSINESS

In China, there is one main payor, the government's national health care coverage system, which provides Basic Medical Insurance to the majority (greater than 95%) of China's approximately 1.4 billion people. There are three types of coverage plans in China at the national level that depend on if a resident lives in an urban or rural setting and if they are employed. The different plans have different characteristics in terms of how the plan is paid for and what it covers. Coverage and reimbursement of pharmaceuticals in China comes under the purview of the NHSA, which oversees the NRDL. The NRDL is composed of three lists. The 'A' and 'B' list are commonly referred to as the 'regular' lists. The A list generally includes older, off-patent medicines, while the B list generally includes newer medicines, some with remaining patent protection, which are reimbursed at a lower rate compared to the A list. In 2017, a third list was added to the system, often referred to as the 'C' list or the 'negotiation' list. This list generally includes newer innovative medicines which are accepted on the list after successful negotiation between the NHSA and the company. Typically, inclusion on the C list is accompanied by a discount to the prevailing list price in China for the medicine at the time of inclusion. The NRDL price for a medicine is its prevailing price in China, but the actual reimbursement rate that is used can be modified at the provincial level. Innovatively, in the 2022 NRDL, a price bidding process for non-exclusive drugs was undertaken on the C list to set the national reimbursement price benchmark. As additional indications are included in the NRDL, the price of the medicine is reduced to reflect increased patient demand as a result of NRDL inclusion.

In the 2023 NRDL, some new rules were added into contract renewal rules:

- For Category 1 chemical drugs, therapeutic biological products, as well as Category 1 and 3 traditional Chinese medicines, manufacturers could apply for re-negotiation. The price cut may not necessarily be higher than that of simple contract renewal rules. If re-negotiation is failed, the drug will lose NRDL listing.
- Drugs that have been included in negotiation list for more than 4 years (including 4) could have a half price cut based on the simple contract renewal rules.
- Drugs that have been included in negotiation list for more than 8 years (including 8) could be transferred to Category B.

Several of our medicines are listed on the NRDL. In the latest NRDL list announced in December 2023, the following medicines and indications have been included in the NRDL, effective January 1, 2024:

- Tislelizumab in eleven of its eligible approved indications:
 - In combination with fluoropyrimidine – and platinum-based chemotherapy, for the first-line treatment of patients with locally advanced unresectable or metastatic gastric or gastroesophageal junction adenocarcinoma with high PD-L1 expression (approved in February 2023 and included in the NRDL at the end of 2023);
 - In combination with paclitaxel plus platinum-based or fluoropyrimidine – plus platinum-based chemotherapy, for the first-line treatment of patients with unresectable locally advanced, recurrent or metastatic ESCC (approved in May 2023 and included in the NRDL at the end of 2023);

- For the treatment of adult patients with locally advanced or metastatic non-squamous NSCLC who are negative for epidermal growth factor receptor (“EGFR”) and anaplastic mesenchymal lymphoma kinase (“ALK”) mutations and have progressed after or are intolerant of prior chemotherapy with platinum-containing regimens; and adult patients with locally advanced or metastatic squamous NSCLC who are negative or unknown for EGFR and ALK mutations and have progressed after or are intolerant of prior chemotherapy with platinum-containing regimens (approved in January 2022 and included in the NRDL at the beginning of 2023);
- For the treatment of adult patients with advanced unresectable or metastatic MSI-H or dMMR solid tumors: patients with advanced colorectal cancer with disease progression after prior treatment with fluoropyrimidines, oxaliplatin and irinotecan; patients with other advanced solid tumors with disease progression after prior treatment and no satisfactory alternative treatment options (approved in March 2022 and included in the NRDL at the beginning of 2023);
- For the treatment of patients with locally advanced or metastatic ESCC who have progressed after or are intolerant of prior first-line standard chemotherapy (approved in April 2022 and included in the NRDL at the beginning of 2023);
- As a first-line treatment for patients with recurrent or metastatic NPC (approved in June 2022 and included in the NRDL at the beginning of 2023);
- For use in combination with pemetrexed and platinum chemotherapy as a first-line treatment in patients with unresectable, locally advanced or metastatic non-squamous NSCLC, with EGFR genomic tumor aberrations negative and ALK genomic tumor negative (approved in June 2021 and included in the NRDL in 2021);
- For the treatment of patients with HCC who have been previously treated with at least one systemic therapy (conditionally approved in June 2021 and included in the NRDL in 2021);
- For use in combination with paclitaxel and carboplatin as a first-line treatment in patients with unresectable, locally advanced or metastatic squamous NSCLC (approved in January 2021 and included in the NRDL in 2021);
- For the treatment of patients with locally advanced or metastatic UC with PD-L1 high expression whose disease progressed during or following platinum-containing chemotherapy or within 12 months of neoadjuvant or adjuvant treatment with platinum-containing chemotherapy (conditionally approved in April 2020 and included in the NRDL in 2020); and
- For the treatment of patients with cHL who have received at least two prior therapies (conditionally approved in December 2019 and included in the NRDL in 2020).

BUSINESS

- BRUKINSA in all five of its approved indications:
 - For treatment-naïve patients with CLL or SLL (approved in April 2023 and included in the NRDL at the end of 2023);
 - For treatment-naïve patients with WM (approved in April 2023 and included in the NRDL at the end of 2023);
 - For the treatment of adult patients with WM who have received at least one prior therapy (conditionally approved in June 2021 and included in the NRDL in 2021; converted to regular approval in May 2023);
 - For the treatment of adult patients with MCL who have received at least one prior therapy (conditionally approved in June 2020 and included in the NRDL in 2020); and
 - For the treatment of adult patients with CLL/SLL who have received at least one prior therapy (conditionally approved in June 2020 and included in the NRDL in 2020; converted to regular approval in May 2023).
- BAITUOWEI in one of its eligible approved indication:
 - For the treatment of patients with prostate cancer requiring androgen deprivation therapy (approved in June 2023 and included in the NRDL at the end of 2023).
- SYLVANT in its approved indication:
 - For the treatment of adult patients with MCD who are HIV negative and HHV-8 negative (approved in December 2021 and included in the NRDL at the end of 2023).
- XGEVA now listed as a Category B medicine and included all of the approved indications:
 - Prevention of skeletal-related events (fracture, spinal cord compression, or the need for radiation or surgery to bone) in patients with MM and in patients with bone metastases from solid tumors (approved in November 2020 and included in the NRDL at the end of 2023); and
 - For the treatment of patients with GCTB that is unresectable or where surgical resection is likely to result in severe morbidity (first included in the NRDL in 2020).
- PARTRUVIX successfully renewed its approved indication:
 - For the treatment of patients with gBRCA mutation-associated recurrent advanced ovarian, fallopian tube, or primary peritoneal cancer who have been treated with two or more lines of chemotherapy (conditionally approved in May 2021 and included in the NRDL in 2021).

- KYPROLIS in its approved indication:
 - In combination with dexamethasone for the treatment of patients with relapsed or refractory multiple myeloma who have received at least two lines of therapy, including proteasome inhibitor and immunomodulator. (approved in July 2021 and included in the NRDL at the beginning of 2023).

Additionally, two of our medicines were listed in past NRDLs: REVLIMID was included in the 2017 NRDL negotiation list and later received formal inclusion in the 2019 Category B list, while VIDAZA was listed in the 2018 NRDL negotiation list and later received formal inclusion to the 2020 Category B list.

In 2018, China started a new program to centrally purchase non-exclusive medicines for the nation's health care system called "volume-based procurement", or "group purchasing organization" or "4+7" when the program was first piloted in 11 major cities. After the 2018 pilot program, it was implemented nationally in 2019. It is a tender-based system that provides guaranteed volume for lowered pricing. Participation in the program requires a product to have passed a generic quality consistency evaluation, which in turn requires passing a bioequivalence comparison to the reference listed drug ("RLD"). The system offers a major portion of a market's volume to winning bidders. More than one company can win a given tender, and more guaranteed volume is awarded as more bidders win. The system is still evolving and, as such, the exact terms of how many bidders win and what amount of volume is won and at what price are also evolving.

It is common in China for pharmaceutical companies to employ patient assistance programs to help patients afford their innovative medicines. These programs have typically been offered to patients who are self-paying. A typical program provides a certain number of free doses to patients after a certain number of doses have been paid for. Usually these programs end when a medicine is included in the NRDL. We offer these types of patient assistance programs to our patients.

In the U.S., most health insurance coverage is provided by private insurers, often accessed via employer-sponsored plans, and the two main public insurance programs, Medicare and Medicaid. All three types of programs usually have some type of coverage for pharmaceutical products. Often this is through a pharmacy benefit manager ("PBM"). The structure of the pharmacy benefit can be quite different for different beneficiaries depending on the negotiations between plan sponsors and plan purchasers. There is no central list of covered pharmaceuticals in the U.S., as there is no single payer system. As such, the prices paid for pharmaceuticals in the U.S. can vary.

We offer patient assistance programs in the U.S. under our myBeiGene program. This program seeks to enhance access to BRUKINSA by assisting with obtaining reimbursement, co-pay assistance when allowed, temporary supply of free product for insurance delays, and free product assistance for some uninsured and underinsured patients. The programs also seek to support patients and caregivers by providing education and information about BRUKINSA and its approved indications, nurse advocates, and connecting patients to sources of support such as support groups and transportation/lodging assistance.

BUSINESS

OUR PIPELINE PRODUCTS

The following table summarizes the status of our internally-discovered drug candidates as of February 26, 2024:

Phase 1		Phase 2		Phase 3		Registration		Approved	
Sonrotoclax	BCL2	Zanubrutinib	BTK	Zanubrutinib	BTK	Zanubrutinib	BTK	Zanubrutinib	BTK
<ul style="list-style-type: none"> 101/102 B-cell malignancies 103 AML/MDS 105 MM t (11; 14) 		<ul style="list-style-type: none"> 215 B-cell lymphoma 218 CD79B R/R DLBCL 217 Lupus nephritis 		<ul style="list-style-type: none"> 306 TN MCL 308 R/R MZL, R/R FL 309 pMN 		<ul style="list-style-type: none"> 304 TN CLL/SLL (JP) 305 R/R CLL/SLL (JP) 212 R/R FL (US, CN) 302 TN R/R WM (JP) 		<ul style="list-style-type: none"> 304 TN CLL/SLL (US, EU, CN, Others) 305 R/R CLL/SLL (US, EU, Others) 205 R/R CLL (CN) 206 R/R MCL (US, CN, Others) 212 R/R FL (EU) 214 R/R MZL (US, EU, Others) 302 TN R/R WM (US, EU, CN, Others) 	
BGB-16673	BTK CDAC	Sonrotoclax	BCL2	Sonrotoclax	BCL2	Tislelizumab	PD1	Tislelizumab	PD1
<ul style="list-style-type: none"> 101/102 B-cell malignancies 		<ul style="list-style-type: none"> 201 R/R MCL 202 R/R CLL 203 R/R WM 		<ul style="list-style-type: none"> 301 TN CLL 		<ul style="list-style-type: none"> 304 1L NSCLC (EU) 303 2/3L NSCLC (EU) 307 1L Sq. NSCLC (EU) 312 1L ES-SCLC (CN) 305 1L GC/GEJC (ITT-US, CN) 306 1L ESCC (US, EU) 302 2L ESCC (US) 		<ul style="list-style-type: none"> 304 1L Non-sq. NSCLC (CN) 303 1L Sq. NSCLC (CN) 307 2/3L NSCLC (CN) 305 1L GC (CN) 301 1L HCC (CN) 208 2/3L HCC (CN) 306 1L ESCC (CN) 302 2L ESCC (EU, CN) 204 2L UBC (CN) 309 1L NPC (CN) 209 2L MSI-H/dMMR (CN) 203 R/R cHL (CN) 	
BGB-21447	next gen BCL2	Ociperlimab	TIGIT	Tislelizumab	PD1				
<ul style="list-style-type: none"> 101 B-cell malignancies 		<ul style="list-style-type: none"> 205 1L NSCLC 		<ul style="list-style-type: none"> 315 Neo/adj NSCLC* 310 1L UBC 311 LA ESCC 314 R/R cHL 					
BGB-A445	OX40	BGB-A445	OX40	Pamiparib	PARP				
<ul style="list-style-type: none"> 101 Solid tumors 		<ul style="list-style-type: none"> 201 Melanoma, RCC, UC 		<ul style="list-style-type: none"> 302 2L MTx gBRCAm PSOC 					
Surzebiclimab	TIM3	Umbrella Study	Multiple	Ociperlimab	TIGIT				
<ul style="list-style-type: none"> 102 Solid tumors 		<ul style="list-style-type: none"> LC-201 1L NSCLC LC-203 2L+ NSCLC LC-202 Neoadj NSCLC HNSCC-201 1L HNSCC 		<ul style="list-style-type: none"> 302 1L NSCLC PDL1-high 					
BGB-15025/26808	HPK1								
<ul style="list-style-type: none"> 15025- Solid tumors 26808- Solid tumors 									
BGB-30813	DGKζ								
<ul style="list-style-type: none"> 101 Solid tumors 									
BGB-A3055	CCR8								
<ul style="list-style-type: none"> 101 Solid tumors 									
BGB-24714	SMAC mimetic								
<ul style="list-style-type: none"> 101 Solid tumors 									
BGB-10188	PI3Kδ								
<ul style="list-style-type: none"> 101 Solid tumors 									
BGB-43395	CDK4								
<ul style="list-style-type: none"> 101 BC & Solid tumors 									

● Heme ● Solid tumors ● Non-Oncology
 Registration includes select accepted submissions
 * Primary endpoint met; CN = China

The following table summarizes the status of our in-licensed drug candidates as of February 26, 2024:

Partner	Molecule/Asset	Indications	Phase	Commercial Rights
	tarlatamab ^^	SCLC	Phase 3	China
	Xaluritamig	Prostate cancer	Phase 1	China
	Sitravatinib † + Tislelizumab	NSCLC	Phase 3	Asia, Australia, New Zealand
	Sitravatinib † + Tislelizumab	ESCC	Phase 2	China
	Zanidatamab + chemo + Tislelizumab	GEA	Phase 3	Asia, Australia, New Zealand
	Zanidatamab (monotherapy)	BTC	Phase 2	Asia, Australia, New Zealand
	Zanidatamab	BC, GC, GEA	Phase 2	Asia, Australia, New Zealand
	BGB-3245 ¹	Solid tumors	Phase 1	Ex-Asia plus Japan
	SEA-CD70	MDS, AML	Phase 1	Asia, Australia, New Zealand
	LBL-007 + Tislelizumab	CRC, NSCLC, HNSCC, ESCC, Melanoma, NPC	Phase 2	Ex-China
	BG-C9074/DB1312	BC, EC, OC, CCA, sqNSCLC	Phase 1a	Global
	CDK2i	Breast cancer and other solid tumors	Pre-clinical	Global
	INOVA-1, INOVA-2, cancer vaccine LNP	NSCLC TAA and KRAS neoantigen, liver-specific LNP, and cancer vaccine LNP	Pre-clinical	Global

^ BiTE[®] molecule; ^^ Half-life extended BiTE[®]; † XmAb[®] is a registered trademark of Xencor, Inc. *Mirati was acquired by Bristol Myers Squibb in January 2024; †† ZW25; 1 By MapKure, a JV with SpringWorks

Abbreviations: AML = acute myelogenous leukemia; BC = breast cancer; BTC = biliary tract cancers; CRC = colorectal cancer; GC = gastric cancer; GEA = gastroesophageal adenocarcinoma; GEJC = gastroesophageal junction cancer; HCC = hepatocellular carcinoma; LNP = lipid nanoparticle; MDS = myelodysplastic syndromes; NSCLC = non-small cell lung cancer; SCLC = small cell lung cancer

OUR COMMERCIAL – AND CLINICAL-STAGE DRUG CANDIDATES

A description of our commercial- and clinical-stage drug candidates and clinical data from selected clinical trials is set forth below. Historically, we have made available, and we intend to continue to make available, clinical data and/or topline results from clinical trials of our drug candidates in our press releases and/or filings with the U.S. Securities and Exchange Commission (“SEC”), the Stock Exchange of Hong Kong Limited (“HKEx”), and the Shanghai Stock Exchange (“SSE”), copies of which are available on the Investors section of our website.

BUSINESS

Commercial-Stage

BRUKINSA (zanubrutinib), a BTK Inhibitor

We are currently evaluating zanubrutinib in a broad pivotal clinical program globally to treat a number of B-cell malignancies. Zanubrutinib has demonstrated sustained 24-hour BTK occupancy in both the peripheral blood and lymph node compartments in patients. Zanubrutinib is the only BTK inhibitor to demonstrate superior progression-free survival in R/R CLL versus IMBRUVICA® (ibrutinib), an approved BTK inhibitor.

Overview of Clinical Development Program and Regulatory Status

We have announced BRUKINSA approvals around the world, including in the U.S., China, the EU, the UK, Canada, Australia, South Korea and Switzerland. As of December 2023, 32 additional marketing authorization applications for BRUKINSA have been submitted and are under review, including by BeiGene and with support from our five distribution partners: Adium Pharma in Latin America and the Caribbean, NewBridge Pharmaceuticals in the Middle East and North Africa, Erkim in Turkey, Nanolek in Russia, and Medison in Israel.

Based on the clinical data to date, we believe that BRUKINSA has a best-in-class profile, BeiGene has initiated broad global pivotal programs in multiple indications, including 11 registration or registration-enabling clinical trials. Six of the 11 trials are Phase 3, 3 are designed to be registration-enabling Phase 2 trials, and 2 are confirmatory trials.

- ROSEWOOD A Global Randomized Study of Zanubrutinib plus Obinutuzumab vs Obinutuzumab Monotherapy in Relapsed/Refractory Follicular Lymphoma (FL) (NCT03332017).
- MAGNOLIA A Single-Arm Multicenter Study of Zanubrutinib subjects With Relapsed or Refractory Marginal Zone Lymphoma (MZL) (NCT03846427).
- A Phase 2, Single-Arm, Open-Label, Multicenter Study of the Bruton Tyrosine Kinase Inhibitor Zanubrutinib in subjects With CD79B Mutant Relapsed/Refractory Diffuse Large B-Cell Lymphoma (NCT05068440).
- ASPEN A Global Randomized Study of Zanubrutinib vs Ibrutinib in Subjects With Waldenström's Macroglobulinemia (WM) (NCT03053440).
- SEQUOIA A Global Randomized Study of Zanubrutinib vs Bendamustine Plus Rituximab in subjects With Previously Untreated Chronic Lymphocytic Leukemia or Small Lymphocytic Lymphoma (CLL/SLL) (NCT03336333).
- ALPINE A Global Randomized Study of Zanubrutinib vs Ibrutinib in subjects With Relapsed/Refractory Chronic Lymphocytic Leukemia or Small Lymphocytic Lymphoma (CLL/SLL) (NCT03734016).
- MANGROVE A Randomized Global Study Comparing Zanubrutinib Plus Rituximab vs. Bendamustine Plus Rituximab in subjects With Previously Untreated Mantle Cell Lymphoma Who Are Ineligible for Stem Cell Transplantation (MCL) (NCT04002297).

- MAHOGANY Zanubrutinib Plus Obinutuzumab vs Lenalidomide plus Rituximab in Relapsed/Refractory Follicular Lymphoma (FL) (NCT05100862).
- A Phase 2, Multicenter, Single-arm Study of Zanubrutinib in Patients With Previously Treated B-Cell Lymphoma Intolerant of Prior Treatment With Ibrutinib and/or Acalabrutinib.
- A Global Randomized Study of zanubrutinib vs tacrolimus in Primary Membranous Nephropathy (NCT05707377).
- A Multicenter, Randomized, Double Blind, Placebo Controlled Study to Evaluate the Safety and Efficacy of Zanubrutinib in Patients With Active Proliferative Lupus Nephritis (NCT04643470).

In addition, Nature Medicine (December 9, 2023) published compelling combination data of an investigator-initiated multicenter Phase 2 trial (NCT04271956) investigating BRUKINSA plus our anti-PD-1 TEVIMBRA (tislelizumab) in CLL patients with Richter's transformation ("RT"). Extended follow-up data from ALPINE trial was presented at Annual American Society for Hematology ("ASH") 2023. In December 2023, we received a U.S. Label Update which includes PFS superiority in R/R CLL (HR 0.65, p=0.0024); sustained with extended follow-up. Based on positive readout from ROSEWOOD study, EC has granted approval for the treatment of R/R FL. Finally, we are also investigating zanubrutinib in several combination studies in MCL, MZL and CLL/SLL, including a Phase 3 trial in combination with sonrotoclax in front-line CLL/SLL. We continue to examine opportunities for zanubrutinib combos with both sonrotoclax and tislelizumab.

We continue to pursue regulatory approvals for BRUKINSA globally. Besides our recent label updates in CLL/SLL in the U.S. (December 2023) and FL in EU (November 2023) we expect continued regulatory decisions for some of our global submissions this year, including potential additional approvals in more than 10 markets.

TEVIMBRA (tislelizumab), an anti-PD-1 Antibody

Tislelizumab is a humanized monoclonal antibody against the immune checkpoint receptor PD-1 that is currently being evaluated in pivotal clinical trials globally and for which we plan to commence additional pivotal trials as a monotherapy and in combination with standard of care to treat various solid and hematological cancers.

Overview of Clinical Development Program and Regulatory Status

BeiGene has launched more than 17 potentially registration-enabling clinical trials globally, including 13 Phase 3 randomized trials and 4 Phase 2 trials intended to support regulatory submissions globally.

BUSINESS

Our trials in lung cancer include:

- A global Phase 3 trial evaluating tislelizumab as a second- or third-line treatment compared to docetaxel in patients with locally advanced or metastatic NSCLC (NCT03358875);
- Two Phase 3 trials in China evaluating tislelizumab plus chemotherapy versus chemotherapy in squamous and non-squamous NSCLC (NCT03594747 and NCT03663205, respectively);
- A Phase 3 trial in China in 1L SCLC evaluating tislelizumab plus chemotherapy versus chemotherapy (NCT04005716); and
- A Phase 3 trial in China of tislelizumab in combination with platinum-based doublet chemotherapy as neoadjuvant treatment for patients with NSCLC (NCT04379635).

Our trials in liver cancer include:

- A global Phase 3 trial comparing tislelizumab with sorafenib as first-line treatment for patients with HCC (NCT03412773); and
- A global single-arm pivotal Phase 2 trial in second or third line unresectable HCC (NCT03419897).

Our trials in gastric cancer include:

- A global Phase 3 trial of tislelizumab combined with chemotherapy versus placebo combined with chemotherapy as first-line treatment for patients with gastric cancer (NCT03777657).

Our trials in lymphoma include:

- A Phase 3 trial in China comparing tislelizumab to salvage chemotherapy in patients with relapsed or refractory classical Hodgkin Lymphoma (cHL; NCT04486391); and
- A Phase 2 trial in China in patients with relapsed or refractory cHL (NCT03209973).

Our trials in urothelial carcinoma include:

- A Phase 3 trial in China in patients with locally advanced or metastatic urothelial carcinoma (NCT03967977); and
- Phase 2 trial in China in patients with locally advanced or metastatic urothelial bladder cancer (NCT04004221).

Our trials in ESCC include:

- A global Phase 3 trial comparing tislelizumab with chemotherapy as second-line treatment for patients with advanced ESCC (NCT03430843);
- A global Phase 3 trial of tislelizumab in combination with chemotherapy as first-line treatment for patients with ESCC (NCT03783442); and
- A Phase 3 trial in China of tislelizumab versus placebo in combination with chemoradiotherapy in patients with localized ESCC (NCT03957590).

Finally, our trials in solid tumors and nasopharyngeal cancer include:

- A Phase 2 trial in China in patients with MSI-H/dMMR solid tumors (NCT03736889); and
- A Phase 3 trial in China and Thailand of tislelizumab combined with chemotherapy versus placebo combined with chemotherapy as first-line treatment in patients with nasopharyngeal cancer (NCT03924986).

As of December 2023, we had enrolled over 13,000 subjects in clinical trials of tislelizumab in more than 30 countries, including 3,500+ subjects outside of China. These studies include 11 multi-regional registrational trials that are designed for global regulatory approvals. Data from our trials thus far suggested that tislelizumab was generally well-tolerated and exhibited anti-tumor activity in a variety of tumor types.

BUSINESS

PARTRUVIX (pamiparib), a PARP1 and PARP2 Inhibitor

Pamiparib is a selective small molecule inhibitor of PARP1 and PARP2 enzymes that is being evaluated as a potential monotherapy and in combinations for the treatment of various solid tumors.

Overview of Clinical Development Program and Regulatory Status

In China, pamiparib received conditional approval in May 2021 for treatment of patients with gBRCA mutation-associated recurrent advanced ovarian, fallopian tube, or primary peritoneal cancer who have been treated with two or more lines of chemotherapy. Full approval for this indication is contingent upon results from ongoing corroborative trials confirming the clinical benefit of pamiparib in this population.

In addition, our clinical development program includes a Phase 3 trial as a maintenance therapy in patients with platinum-sensitive recurrent OC (NCT03519230).

Clinical-Stage

Sonrotoclax (BGB-11417), a Small Molecule Bcl-2 Inhibitor

BGB-11417 is an investigational small molecule Bcl-2 inhibitor that is in late-stage clinical trials. We have completed preclinical studies and have ongoing investigational new drug (“IND”) – enabling studies of BGB-11417, which demonstrate potent activity and high selectivity against the pro-apoptotic protein Bcl-2. The molecule appears to be more potent than venetoclax and shows the potential to common venetoclax resistance mutations. Further, it is more selective than venetoclax for Bcl-2 relative to Bcl-xL. Designed with a shorter half-life, we believe this will lead to a more favorable tolerability profile and better handling. Finally, we believe that it is well-positioned to be ideal backbone for combination therapies, especially with zanubrutinib and our BTK-CDAC in fixed duration treatment strategy.

The preliminary clinical data on pharmacokinetic/pharmacodynamic (“PK/PD”), efficacy and safety from more than 700 patients enrolled by December 2023 in different indications and in different combinations are consistent with the preclinical best-in-class hypothesis of a more potent and selective BCL2 inhibitor compared to venetoclax. In TN-CLL sonrotoclax was safe and tolerable in combination with BRUKINSA; with deep and durable responses.

Clinical data of a Phase 1 trial investigating TN-CLL/SLL, MZL (NCT04277637) and 1/2 trials investigating MM with t(11,14) was presented at ASH 2023. With these encouraging results, our BCL2 inhibitor sonrotoclax (BGB-11417) program is steadily progressing at pivotal stage. Clinical trials with registration-potential have already been initiated in R/R MCL globally (NCT05471843), R/R WM globally (NCT05952037) and R/R CLL/SLL for China only (NCT05479994). Notably, we have just initiated the Phase 3 study of sonrotoclax + BRUKINSA vs venetoclax + obinutuzumab to support the development of sonrotoclax in the 1L CLL indication. This study has started enrollment.

BGB-16673, a BTK-targeted CDAC

BGB-16673 is an investigational BTK-targeting chimeric degradation activation compound (“CDAC”) active against both wild-type and mutant BTK. BGB-16673 has demonstrated preclinical antitumor activity in models with wild-type BTK and models with BTK inhibitor-resistant mutations commonly observed in patients who have progressed on prior BTK inhibitor treatment. A Phase 1 open-label, dose-escalation, and dose-expansion trial (NCT05006716) in adult patients with R/R B-cell malignancies is currently enrolling. Preliminary results are presented at ASH 2023. We expect to initiate dose expansion in 2024.

BGB-10188, a PI3K δ Inhibitor

BGB-10188 is an investigational PI3K δ inhibitor being evaluated in a Phase 1 clinical trial (NCT04282018) as monotherapy or in combination with BRUKINSA in hematology malignancies, or in combination with tislelizumab in solid tumors.

BGB-21447, a Bcl-2 Inhibitor

BGB-21447 is an investigational Bcl-2 inhibitor being evaluated in a Phase 1 clinical trial (NCT05828589) as monotherapy in mature B-cell malignancies. In preclinical studies, BGB-21447 shows additional potency and selectivity, with a longer half-life than sonrotoclax. We believe the differentiated profiles of sonrotoclax and BGB-21447 may lead to unique development options for these programs.

Ociperlimab (BGB-A1217), a TIGIT Inhibitor

Ociperlimab (BGB-A1217) is an investigational humanized IgG1-variant monoclonal antibody directed against TIGIT. An immune checkpoint molecule, ociperlimab is currently being investigated in a global Phase 3 trial, AdvanTIG-302 (NCT04746924), in combination with tislelizumab in NSCLC. As of December 2023, more than 2,000 subjects have been enrolled across the ociperlimab development program, which includes eight global trials in patients with lung cancers, esophageal squamous cell carcinoma, and cervical cancer.

In December 2021 we announced an option, collaboration and license agreement with Novartis to develop, manufacture and commercialize ociperlimab in North America, Europe, and Japan. In July 2023, the agreement was mutually terminated and we regained the full global rights for ociperlimab.

BUSINESS

Due to the changing treatment paradigm, we discontinued AdvanTIG 301 (NCT04866017), a Phase 3 trial of ociperlimab in combination with its anti-PD-1 antibody tislelizumab versus AstraZeneca's Imfinzi (durvalumab) following concurrent chemoradiotherapy in patients with stage III unresectable NSCLC.

We will continue patient enrollment in AdvanTIG-302, while evaluating all available data to inform future development opportunities with ociperlimab.

Zanidatamab, a bispecific HER2-targeted antibody

Zanidatamab, a novel investigational Azymetric™ bispecific antibody targeting HER2, is currently in late-stage clinical development with Zymeworks Inc. BeiGene has development and commercial rights to zanidatamab in Asia (excluding Japan), Australia, and New Zealand. We are participating in three ongoing clinical studies with zanidatamab. The first is a Phase 1/2 study (NCT04215978) in HER2-positive breast and gastric cancer. The breast cancer arm combines zanidatamab with docetaxel, and the gastric cancer arm combines zanidatamab with our PD-1 inhibitor tislelizumab and chemotherapy. The second study HERIZON-BTC-01 (NCT04466891) is a Phase 2b study in patients with advanced or metastatic HER2-amplified biliary tract cancers ("BTC") in which zanidatamab is being used as monotherapy. Positive topline results from this trial were announced in 2022 and presented at ASCO 2023. We are continuing the global Phase 3 clinical trial (NCT05152147) examining zanidatamab in combination with chemotherapy with and without tislelizumab in HER2-positive gastroesophageal cancer.

Surzebiclimab (BGB-A425), a TIM-3 Inhibitor

Surzebiclimab (BGB-A425) is an investigational humanized IgG1-variant monoclonal antibody against T-cell immunoglobulin and mucin-domain containing-3. We have an ongoing Phase 2 trial (NCT03744468) of surzebiclimab in combination with tislelizumab in NSCLC and HNSCC.

BGB-A445, an OX40 Agonist Antibody

BGB-A445 is an investigational agonistic antibody directed to the OX40 antigen. BGB-A445 is a non-ligand competing antibody that does not disrupt OX40 to OX40 ligand engagement. Preclinical experiments showed that BGB-A445 has increasing effectiveness at higher doses versus an antibody that was ligand-competing, which showed falling effectiveness at higher doses. BGB-A445 has also showed in preclinical tests the potential to be combined with several agents. BGB-A445 is being evaluated in a Phase 1 trial (NCT04215978) in patients with advanced solid tumors, a Phase 2 basket trial in melanoma, renal cell cancer and bladder cancer (NCT05661955), a Phase 2 umbrella trial in 1L NSCLC (NCT05635708), and a Phase 2 umbrella trial in 2L+ NSCLC (NCT06029127).

BGB-15025, a Small Molecule HPK1 Inhibitor

BGB-15025 is an investigational small molecule inhibitor of HPK1, which is a key negative feedback regulator of TCR signaling. Inhibition of HPK1 leads to enhanced T-cell activation pre-clinically. In addition, preclinical studies showed that BGB-15025 exhibits combination activity with tislelizumab and has a wide therapeutic window. We initiated a Phase 1 trial (NCT04649385) of BGB-15025 alone and in combination with tislelizumab in patients with advanced solid tumors in 2021. This trial is being conducted in multiple countries globally and has entered dose expansion. BGB-15025 is also being tested in a 1L NSCLC umbrella study in combination with tislelizumab and other novel agents.

BGB-24714, a SMAC mimetic

BGB-24714 is an investigational Second Mitochondrial-derived Activator of Caspase (“SMAC”) mimetic currently enrolling in a Phase 1 clinical trial (NCT05381909) as monotherapy and in combination with paclitaxel, or in combination with chemoradiotherapy in advanced solid tumors.

BGB-26808, a HPK-1 Inhibitor

BGB-26808 is a second-generation HPK-1 inhibitor with a different scaffold from BGB-15025 being evaluated in a Phase 1 clinical trial (NCT05981703) as monotherapy or in combination with tislelizumab in participants with advanced solid tumors.

Lifirafenib (BGB-283) and BGB-3245, Inhibitors of RAF

Lifirafenib is an investigational novel small molecule inhibitor with RAF monomer and dimer inhibition activities. Lifirafenib has shown antitumor activities in preclinical models and in cancer patients with tumors harboring BRAF V600E mutations, non-V600E BRAF mutations or KRAS/NRAS mutations. We have been developing lifirafenib for the treatment of cancers with aberrations in the mitogen-activated protein kinase (“MAPK”), pathway, including BRAF gene mutations and KRAS/NRAS gene mutations where first generation BRAF inhibitors are not effective. We believe that lifirafenib as monotherapy or in combination with other agents may have potential for treating various malignancies such as melanoma, NSCLC, and endometrial cancer.

BeiGene is working together with SpringWorks Therapeutics, Inc. (“SpringWorks”) in a global clinical collaboration and has initiated a Phase 1b clinical trial (NCT03905148) to evaluate the safety, tolerability, and preliminary efficacy of lifirafenib in combination with SpringWorks’ investigational MEK inhibitor, mirdametinib (PD-0325901), in patients with advanced solid tumors.

BUSINESS

In addition to the collaboration, BeiGene and SpringWorks formed a separate company, MapKure, LLC, to develop BGB-3245, an investigational, selective next-generation RAF kinase inhibitor discovered by BeiGene scientists. MapKure has an ongoing Phase 1 clinical trial of BGB-3245 (NCT04249843) in patients with advanced or refractory tumors harboring specific v-RAF murine sarcoma viral oncogene homolog B (“B-RAF”) genetic mutations.

BGB-30813, a DGK ζ Inhibitor

BGB-30813 is an investigational DGK ζ inhibitor being evaluated in a Phase 1 clinical trial (NCT05904496) as monotherapy and in combination with tislelizumab in participants with advanced or metastatic solid tumors.

BGB-A3055, an anti-CCR8 Antibody

BGB-A3055 is an investigational anti-CCR8 antibody being evaluated in a Phase 1 clinical trial (NCT05935098) as monotherapy or in combination with tislelizumab in participants with advanced or metastatic solid tumors.

BGB-43395, a CDK-4 Inhibitor

BGB-43395 is an investigational CDK4 inhibitor being evaluated in a Phase 1 clinical trial (NCT06120283) as monotherapy or in combination with either fulvestrant or letrozole in participants with hormone receptor positive (“HR+”) and human epidermal growth factor 2 negative (“HER2-”) breast cancer (“BC”) and other advanced solid tumors.

OUR PRECLINICAL PROGRAMS

We have a proprietary biology research platform that has allowed us to research and develop both small molecules and biologic molecules. In the last decade, this platform has generated more than 10 clinical stage assets, including three internally-developed molecules that have been approved by regulatory bodies in the U.S., China, EU, and other markets, with other filings pending globally and planned to be submitted. The platform is a full-process technology system spanning from early discovery to commercialization of oncology medicines based on multiple drug technology platforms that can be applied to oncology and other fields. We have core technology platforms for the development of small molecule and antibody medicines and the manufacturing of our own and potentially other medicines. Currently, we have over 50 preclinical programs and we believe the majority have best-in-class or first-in-class potential.

We anticipate advancing many of our preclinical drug candidates into the clinic in the next 12 months. We believe that we have the opportunity to combine tislelizumab with our preclinical candidates to target multiple points in the cancer immunity cycle. We also may seek to develop companion diagnostics that will help identify patients who are most likely to benefit from the use of our medicines and drug candidates.

MANUFACTURING AND SUPPLY

We manufacture our medicines and drug candidates internally and in some cases with the help of third-party CMOs. The manufacturing of our medicines and drug candidates is subject to extensive regulations that impose various procedural and documentation requirements governing recordkeeping, manufacturing processes and controls, personnel, quality control, and quality assurance, among others. Our manufacturing facilities and the facilities of the CMOs we use to manufacture our medicines and drug candidates operate under current good manufacturing practice regulations (“cGMP”) conditions. cGMP regulations are requirements for the production of pharmaceuticals that will be used in humans.

BUSINESS

Our Manufacturing Facilities

We have manufacturing facilities for small molecule drugs and large molecule biologics in Suzhou and Guangzhou, China, respectively, to support the commercialization and potential future demand of our internally developed or in-licensed products. We are also in the process of building a new campus for clinical R&D and biologics manufacturing in New Jersey, U.S..

Our manufacturing facility in Suzhou is over 13,000 square meters and consists of a manufacturing base for small molecule drug products with an annual production capacity of about 100 million tablets and capsules and a biologics clinical development production facility with 2 x 500 liters capacity to produce biologics candidates for clinical supply. The facility meets or exceeds design criteria of the U.S., EU, and China regulatory requirements. The facility previously received a manufacturing license to produce commercial volumes of BRUKINSA and PARTRUVIX for the China market and successfully passed FDA inspection for BRUKINSA in 2023. In 2023, as a result of our growing commercial and clinical demands, we opened our new small molecule manufacturing facility nearby in Suzhou with the capability to produce up to 1 billion solid oral dosages annually. This approximately 50,000 square meter facility is expected to replace our current Suzhou site and support our growing pipeline of small molecule medicines and drug candidates.

Our state-of-the-art commercial-scale manufacturing facility of large molecule biologics in Guangzhou is approximately 158,000 square meters. Phases 1 and 2 of the facility were completed in September 2019 and December 2020, respectively, with 24,000 liters of single use disposable capacity. Additionally, total committed capacity has been increased to 64,000 liters, with an additional expansion of 10,000 liters mechanically completed in 2023 with qualification expected by the end of 2024. Phase 1 and 2 are currently approved for the end-to-end commercial production of tislelizumab for the China market. We have purchased an adjacent tract of land to the south of the current site and expect opening in the first half of 2024. The new campus will be equipped with the state-of-the-art ADC production facility and 2 x 500 liters biologics clinical capacity while reserving additional land for the next phase of expansion to support our growing pipeline of large molecule medicines and drug candidates. With the ADC expansion, our Guangzhou manufacturing facility will have total biologics capacity of 65,000 liters.

We have almost completed construction at the U.S. flagship manufacturing and clinical R&D facility at the 42-acre site at the Princeton West Innovation Park in Hopewell, New Jersey. The property, located strategically in the Interstate 95 corridor of New Jersey, with a deep and rich talent pool, has more than one million square feet of developable real estate for potential future expansion to cover our existing medicines and pipeline. This site will have 8,000 liters of large molecule biologics manufacturing capacity and is anticipated to be operational in summer 2024.

Contract Manufacturing Organizations

We currently rely on, and expect to continue to rely on, a limited number of third-party CMOs and CROs for the production of some drug products and drug substances and the supply of raw materials to meet the commercial, clinical, and preclinical needs of our medicines and drug candidates. We have adopted procedures to ensure that the production qualifications, facilities, and processes of the third-party suppliers engaged by us comply with relevant regulatory requirements and our internal quality and operational guidelines. We select our third-party suppliers carefully by considering a number of factors, including their qualifications, relevant expertise, production capacity, geographic proximity, reputation, track record, product quality, reliability in meeting delivery schedules, and business terms.

With our U.S. manufacturing site expected to open this year and continued partnership with global manufacturers, we continue to diversify our global supply network and do not anticipate any disruption to supply on account of our established strategy to maintain sufficient safety stock of our products. We have commercial supply and related agreements with most of our manufacturing service providers. For example, we entered into a commercial supply agreement with Catalent Pharma Solutions, LLC (“Catalent”) to produce BRUKINSA at Catalent’s Kansas City, Missouri site and have added Catalent’s facility in Winchester, Kentucky for clinical and commercial use in the U.S. and other countries outside of China. We currently source the active pharmaceutical ingredient for BRUKINSA from a supplier in China and full qualification of a supplier outside of China is near completion and will be soon active. In addition, we entered into a commercial supply agreement with Boehringer Ingelheim Biopharmaceuticals (China) Ltd. (“Boehringer Ingelheim”) for tislelizumab, which is being manufactured at Boehringer Ingelheim’s facility in Shanghai, China. Additionally, we entered into an agreement with Novartis to regain worldwide rights to develop, manufacture, and commercialize tislelizumab. We will continue to work with Novartis on development, regulatory and manufacturing priorities. Novartis will manufacture tislelizumab for many markets worldwide and explore its potential in combination with their oncology assets. For our commercial and clinical stage products in-licensed from Amgen, BMS and others, we rely on the licensors and their manufacturing facilities or their CMOs for the supply of those medicines and drug candidates.

Our agreements with the outsourced suppliers engaged by us generally set out terms, including product quality or service details, technical standards or methods, delivery terms, agreed price and payment, and product inspection and acceptance criteria. We are generally allowed to return any products that fail to meet specified quality standards. Our outsourced suppliers procure raw materials themselves. Typically, outsourced suppliers request settlement of payment within 30 days from the date of invoice. Either party may terminate the agreements by serving notice to the other party under certain circumstances.

BUSINESS

We generally obtain raw materials for our manufacturing activities from various suppliers who we believe have sufficient capacity to meet our demands. Raw materials and starting materials used at our facilities in Beijing and Suzhou include active pharmaceutical ingredients custom-made by our third-party CROs and excipients, which are commercially available from well-known vendors that meet the requirements of the relevant regulatory agencies. The core raw materials used in manufacturing at our Guangzhou facility are genetically modified cell lines that we have co-developed and licensed from Boehringer Ingelheim and other third parties.

We typically order raw materials on a purchase order basis and do not enter into long-term, dedicated capacity or minimum supply arrangements. We pay for our purchases of raw materials on credit. Credit periods granted to us by our suppliers generally range from 30 to 60 days. Our suppliers are generally not responsible for any defects in our finished products.

AMGEN COLLABORATION

Collaboration Agreement

On October 31, 2019, our wholly-owned subsidiary, BeiGene Switzerland GmbH (“BeiGene Switzerland”), entered into a Collaboration Agreement with Amgen, which became effective on January 2, 2020 (as amended, the “Amgen Collaboration Agreement”). Pursuant to the terms of the Amgen Collaboration Agreement, we are responsible for commercializing Amgen’s oncology products XGEVA, BLINCYTO and KYPROLIS in China (excluding Hong Kong, Macao and Taiwan) for a period of five or seven years following each product’s regulatory approval in China, as specified in the Amgen Collaboration Agreement, with the commercialization period for XGEVA commencing following the transition of operational responsibilities for the product. In addition, as specified in the agreement, we have the option to retain one of the three products to commercialize for as long as the product is sold in China. The parties have agreed to equally share profits and losses for the products in China during each product’s commercialization period. After expiration of the commercialization period for each product, the products not retained will be transitioned back to Amgen and we will be eligible to receive tiered mid-single to low-double digit royalties on net sales in China of each product for an additional five years.

Additionally, pursuant to the terms of the Amgen Collaboration Agreement, we and Amgen have agreed to collaborate on the global clinical development and commercialization of a portfolio of Amgen clinical- and late-preclinical-stage oncology pipeline products. Starting from the commencement of the Amgen Collaboration Agreement, we and Amgen will co-fund global development costs, with BeiGene contributing up to US\$1.25 billion worth of development services and cash over the term of the collaboration. We will be eligible to receive tiered mid-single digit royalties on net sales of each product globally outside of China on a product-by-product and country-by-country basis, until the latest of the expiration of the last valid patent claim, the expiration of regulatory exclusivity, or the earlier of eight years after the first commercial sale of such product in the country of sale and 20 years from the date of first commercial sale of such product anywhere in the world.

For each pipeline product that is approved in China, we will have the right to commercialize the product for seven years, with the parties sharing profits and losses for the product in China equally. In addition, we will have the right to retain approximately one of every three approved products, up to a total of six, other than AMG 510, to commercialize for as long as each such product is sold in China. After the expiration of the seven-year commercialization period, each product will be transitioned back to Amgen and we will be eligible to receive tiered mid-single to low-double digit royalties on net sales in China for an additional five years. The parties are subject to specified exclusivity requirements in China and the rest of the world.

In connection with our ongoing assessment of the Amgen Collaboration Agreement cost-share contributions, we determined that our further investment in the development of AMG 510 was no longer commercially viable for BeiGene. As a result, in February 2023, we entered into an amendment to the Amgen Collaboration Agreement to (i) stop sharing costs with Amgen for the further development of AMG 510 during the period starting January 1, 2023 and ending August 31, 2023; and (ii) cooperate in good faith to prepare a transition plan with the termination of AMG 510 from the Amgen Collaboration Agreement.

BeiGene, Ltd. has guaranteed certain obligations of BeiGene Switzerland under the Amgen Collaboration Agreement pursuant to the terms of a separate Guarantee Agreement.

The Amgen Collaboration Agreement contains customary representations, warranties and covenants by the parties. The agreement will continue in effect on a product-by-product basis unless terminated by either party pursuant to its terms. The agreement may be terminated by mutual written consent of the parties, or by either party upon the other party's uncured material breach, insolvency, failure to comply with specified compliance provisions, or subject to a specified negotiation mechanism, certain adverse economic impacts or the failure to meet commercial objectives. In addition, Amgen may terminate the agreement with respect to a pipeline product in the event it suspends development of such pipeline product on specified terms, subject to the parties determining whether to continue development of the pipeline product in China.

Share Purchase Agreement

In connection with the Amgen Collaboration Agreement, pursuant to a share purchase agreement dated October 31, 2019, as amended, by and between BeiGene, Ltd. and Amgen (as amended, the "Share Purchase Agreement"), we issued to Amgen 206,635,013 ordinary shares in the form of 15,895,001 ADSs of the Company on January 2, 2020, representing approximately 20.5% of our then outstanding shares, for an aggregate purchase price of US\$2.78 billion, or US\$13.45 per ordinary share, or US\$174.85 per ADS.

BUSINESS

Pursuant to the Share Purchase Agreement, Amgen agreed to (i) a lock-up on sales of its shares until the earliest of (a) the fourth anniversary of the closing, (b) the expiration or termination of the Collaboration Agreement and (c) a change of control of BeiGene, Ltd., (ii) a standstill until the date on which it holds less than 5% of our then outstanding shares, and (iii) a voting agreement to vote its shares on certain matters presented for shareholder approval until the later of (a) the fifth anniversary of the closing and (b) the expiration of the standstill period, all under specified circumstances and as set forth in the agreement. Following the later of (i) the expiration of the lock-up period and (ii) the expiration of the standstill period, Amgen has agreed not to sell shares representing more than 5% of our then outstanding shares in any rolling 12-month period. The lock-up has since expired and under the terms of the Share Purchase Agreement, Amgen now has specified registration rights. Additionally, we have agreed to use reasonable best efforts to provide Amgen with an opportunity to participate in subsequent new securities offerings upon the same terms and conditions as other purchasers in the offering in an amount needed to allow Amgen to hold up to 20.6% of our shares, subject to applicable law and HKEx rules and other specified conditions.

On March 17, 2020, BeiGene, Ltd. and Amgen entered into an Amendment No. 2 (the “Second Amendment”) to the Share Purchase Agreement in order to account for periodic dilution from the issuance of shares by us, which agreement was restated in its entirety on September 24, 2020 (the “Restated Second Amendment”). Pursuant to the Restated Second Amendment, Amgen had an option (the “Direct Purchase Option”) to subscribe for additional ADSs in an amount necessary to enable it to increase (and subsequently maintain) its ownership at approximately 20.6% of our outstanding shares. The Direct Purchase Option was exercisable on a monthly basis, but only if Amgen’s interest in our outstanding shares at the monthly reference date was less than 20.4%. The Direct Purchase Option (i) was exercisable by Amgen solely as a result of dilution arising from issuance of new shares by us under our equity incentive plans from time to time, and (ii) was subject to annual approval by our independent shareholders each year during the term of the Restated Second Amendment. The exercise period of the Direct Purchase Option commenced on December 1, 2020 and terminated on December 1, 2023.

On January 30, 2023, BeiGene, Ltd. and Amgen entered into an Amendment No. 3 (the “Third Amendment”) to the Share Purchase Agreement, pursuant to which Amgen elected to relinquish its right to appoint a designated director to the Company’s board of directors on account of the Company’s global growth. The Company has retained Anthony C. Hooper, who was Amgen’s director designee on the Company’s board of directors until Amgen relinquished its right to appoint a designated director. Mr. Hooper was most recently re-elected by shareholders in 2022 to serve a three-year term ending 2025.

NOVARTIS COLLABORATION**Collaboration and License Agreement for Tislelizumab**

On January 11, 2021, BeiGene Switzerland entered into a Collaboration and License Agreement, which became effective on February 26, 2021 (the “Novartis Collaboration and License Agreement”) with Novartis, pursuant to which Novartis will have the right to develop, manufacture and commercialize tislelizumab in the U.S., Canada, Mexico, member countries of the EU, UK, Norway, Switzerland, Iceland, Liechtenstein, Russia, and Japan (the “Licensed Territory”).

Under the Novartis Collaboration and License Agreement, we received an upfront cash payment of US\$650 million from Novartis. Additionally, we were eligible to receive up to US\$1.3 billion upon the achievement of regulatory milestones, US\$250 million upon the achievement of sales milestones, and tiered royalties based on percentages of annual net sales of tislelizumab in the Licensed Territory ranging from the high-teens to high-twenties, with customary reductions in specified circumstances.

Under the Novartis Collaboration and License Agreement, we and Novartis agreed to jointly develop tislelizumab in the Licensed Territory, with Novartis responsible for regulatory submissions after a transition period and for commercialization upon regulatory approvals. In addition, both companies could conduct clinical trials to explore potential combinations of tislelizumab with other cancer treatments. We were responsible for funding the ongoing clinical trials of tislelizumab, and Novartis agreed to fund any new registrational, bridging, or post-marketing studies in the Licensed Territory. Subject to specified conditions, both parties agreed to jointly fund other new clinical trials in the Licensed Territory agreed by the parties, provided that each party would be responsible for funding clinical trials evaluating tislelizumab in combination with its own- or third-party cancer treatments.

In September 2023, we mutually agreed to terminate the Novartis Collaboration and License Agreement. Pursuant to the termination agreement, we regained full, global rights to develop, manufacture and commercialize tislelizumab with no royalty payments due to Novartis. Upon termination we have no further performance obligations under the collaboration, and all remaining deferred revenue balances were recognized in full. Novartis may continue its ongoing clinical trials and has the ability to conduct future combination trials with tislelizumab subject to our approval. We agreed to provide Novartis with ongoing clinical supply of tislelizumab to support its clinical trials, while Novartis agreed to provide us with transition services to enable key aspects of the tislelizumab development and commercialization plan to proceed without disruption, including manufacturing, regulatory, safety and clinical support.

BUSINESS

Option, Collaboration and License Agreement for Ociperlimab

On December 19, 2021, we entered into an Option, Collaboration and License Agreement (the “Novartis Option, Collaboration and License Agreement”) with Novartis, pursuant to which we granted Novartis an exclusive time-based option to receive an exclusive license to develop, manufacture and commercialize our investigational TIGIT inhibitor ociperlimab in the Licensed Territory.

Under the Novartis Option, Collaboration and License Agreement, we received an upfront cash payment of US\$300 million from Novartis and were eligible to receive an additional payment of US\$600 million or US\$700 million upon exercise by Novartis of an exclusive time-based option prior to mid-2023 or late-2023, respectively, subject to receipt of required antitrust approval. Additionally, following the option exercise, we were eligible to receive up to US\$745 million upon the achievement of regulatory approval milestones, US\$1.15 billion upon the achievement of sales milestones, and tiered royalties based on percentages of annual net sales of ociperlimab in the Licensed Territory ranging from the high-teens to mid-twenties, with customary reductions in specified circumstances.

Under the Novartis Option, Collaboration and License Agreement, during the option period, Novartis agreed to initiate, conduct and fund additional global clinical trials of ociperlimab in combination with tislelizumab in selected tumor types and we agreed to expand enrollment in two ongoing trials. Additionally, following the option exercise, the companies agreed to jointly develop ociperlimab in the Licensed Territory, with Novartis sharing development costs of global trials and responsible for regulatory submissions after a transition period and for commercialization upon regulatory approvals in the Licensed Territory. We were initially responsible for supplying ociperlimab to Novartis, with Novartis having the right to conduct manufacturing for its use in the Licensed Territory after successful transfer of the manufacturing process.

In July 2023, we mutually agreed to terminate the Novartis Option, Collaboration and License Agreement. Pursuant to the termination agreement, we regained full, global rights to develop, manufacture and commercialize ociperlimab. Upon termination we have no further performance obligations under the collaboration, and all remaining deferred revenue balances were recognized in full.

CELGENE LICENSE AND SUPPLY AGREEMENT

On July 5, 2017, we and Celgene Logistics Sàrl, now a wholly-owned subsidiary of BMS, entered into a License and Supply Agreement, pursuant to which we were granted the right to exclusively distribute and promote BMS's approved cancer therapies, REVLIMID, VIDAZA and ABRAXANE in China, excluding Hong Kong, Macau and Taiwan. In addition, if Celgene decided to commercialize a new oncology product through a third party in the licensed territory during the first five years of the term, we had a right of first negotiation to obtain the right to commercialize the product, subject to certain conditions. We subsequently assigned the agreement to our wholly-owned subsidiary, BeiGene Switzerland.

On March 25, 2020, the NMPA suspended the importation, sales and use of ABRAXANE in China previously supplied to us by BMS, and the drug was subsequently recalled by BMS. This suspension was based on inspection findings at BMS's contract manufacturing facility in the U.S. Additionally, in October 2021, BMS provided 180-days' notice to us, which we dispute, purporting to terminate our license to market ABRAXANE in China. We initiated an arbitration proceeding against BMS asserting that it breached the terms and conditions of the license and supply agreement. In August 2023, we entered into a settlement agreement which terminated the License and Supply Agreement on December 31, 2023, subject to our right to continue selling all inventory of REVLIMID and VIDAZA until sold out or December 31, 2024, whichever is earlier.

INTELLECTUAL PROPERTY

The proprietary nature of, and protection for, our medicines, drug candidates, and their methods of use are an important part of our strategy to develop and commercialize novel medicines, as described in more detail below. We have filed patent applications and obtained patents in the U.S. and other countries and regions, such as China and Europe, relating to our medicines and certain of our drug candidates, and are pursuing additional patent protection for them and for our other drug candidates and technologies. We sometimes rely on trade secrets to protect aspects of our business that are not amenable to, or that we do not consider appropriate for, patent protection, including our manufacturing processes. We also rely on know-how, continuing technological innovation and in-licensing opportunities to develop, strengthen, and support our development programs.

As of February 14, 2024, we owned 63 issued U.S. patents, 46 issued China patents, a number of pending U.S. and China patent applications, and corresponding patents and patent applications internationally.

BUSINESS

The key patents for our medicines and late-stage clinical drug candidates as of February 14, 2024, are summarized below:

Molecule	Territory	General Subject Matter	Expiration ¹
BRUKINSA® (Zanubrutinib)	U.S.	Compound and composition	2034
	U.S.	Oral dosage form	2034
	U.S.	Use for modulating Bruton's tyrosine kinase activity	2034
	U.S.	Crystalline forms	2037
	U.S.	Use for the treatment of mantle cell lymphoma	2037
	U.S.	Use for the treatment of B-cell proliferative disorder	2037
	U.S.	Use for the treatment of B-cell proliferative disorder	2043
	China	Compound and composition	2034
	China	Crystalline forms	2037
TEVIMBRA® (Tislelizumab)	U.S.	Antibodies	2033
	U.S.	Use for the treatment of cancer	2033
	U.S.	Antibodies and use for the treatment of cancer	2033
	U.S.	Antibodies	2033
	U.S.	Antibodies	2033
	China	Antibodies	2033
	China	Antibodies	2033
	China	Antibodies	2033
	China	Antibodies	2033
PARTRUVIX® (Pamiparib)	U.S.	Compound and composition	2031
	U.S.	Compound and composition	2031
	U.S.	Use for the treatment of cancer	2031
	U.S.	Compositions	2031
	U.S.	Crystalline forms	2036
	China	Compound and composition	2031
	China	Use for the treatment of cancer	2031
	China	Crystalline forms	2036
	Ociperlimab	U.S.	Antibodies
Sonrotoclax	U.S.	Compound and composition	2039
	China	Compound and composition	2039

(1) The expected expiration does not include any additional term for patent term extensions.

Under our collaboration with Amgen, we have the right to commercialize three medicines in China. The key patents for them in China as of February 14, 2024 are summarized below:

Product	Territory	General Subject Matter	Expiration
BLINCYTO® (blinatumomab)	China	Use for the treatment of pediatric acute lymphoblastic leukemia	2029
KYPROLIS® (carfilzomib)	China	Compound and Composition	2025

We have one in-licensed medicine in China from Shandong Luye Pharmaceutical Co., Ltd (“Luye”). The key patent for it in China as of February 14, 2024 is summarized below:

Product	Territory	General Subject Matter	Expiration
BAITUOWEI® (goserelin microsphere)	China	Formulation	2034

Although various extensions may be available, the life of a patent and the protection it affords, is limited. We may face competition from generic medications for our medicines and any approved drug candidates even if we successfully obtain patent protection. The scope, validity or enforceability of our or our collaborators’ patents may be challenged in court or other authorities, and we or they may not be successful in enforcing or defending those intellectual property rights and, as a result, may not be able to develop or market the relevant product exclusively, which would have a material adverse effect on any potential sales of that product. Additionally, in China, the NMPA may approve a generic version of a brand-name medicine that still has patent protection. As such, any issued patents may not protect us from generic or biosimilar competition for these medicines. Under our license agreement with Amgen, they retain the responsibility, but are not obligated, to prosecute, defend and enforce the patents for the corresponding in-licensed products. Under our license agreement with Luye, Luye retains the responsibility, but is not obligated, to prosecute the in-licensed patents for the corresponding in-licensed product, and BeiGene retains the responsibility, but is not obligated, to defend and enforce the patents for the corresponding in-licensed product.

BUSINESS

The term of individual patents may vary based on the countries in which they are obtained. In most countries in which we file, including the U.S. and China, the term of an issued patent is generally 20 years from the earliest claimed filing date of a non-provisional patent application in the applicable country. In the U.S., a patent's term may be lengthened in some cases by a patent term adjustment, which extends the term of a patent to account for administrative delays by the United States Patent and Trademark Office ("USPTO"), in excess of a patent applicant's own delays during the prosecution process, or may be shortened if a patent is terminally disclaimed over a commonly owned patent having an earlier expiration date. In addition, in certain instances, a patent term can be extended to recapture a portion of the term effectively lost in obtaining FDA regulatory approval. However, the restoration period cannot be longer than five years and the total patent term including the restoration period must not exceed 14 years following FDA approval. In China, the Amended PRC Patent Law also provides both patent term adjustment and patent term extension.

In certain foreign jurisdictions similar extensions as compensation for regulatory delays are also available. The actual protection afforded by a patent varies on a claim by claim and country by country basis and depends upon many factors, including the type of patent, the scope of its coverage, the availability of any patent term extensions or adjustments, the availability of legal remedies in a particular country and the validity and enforceability of the patent.

We may rely, in some circumstances, on trade secrets and unpatented know-how to protect aspects of our technology. We seek to protect our proprietary technology and processes, in part, by entering into confidentiality agreements with employees, consultants, scientific advisors and contractors and invention assignment agreements with our employees. We also seek to preserve the integrity and confidentiality of our data and trade secrets by maintaining physical security of our premises and physical and electronic security of our information technology systems.

Additionally, we currently own a number of registered trademarks and pending trademark applications. We currently have registered trademarks for BeiGene, our corporate logo and product names and logos in the U.S., China, the EU and other jurisdictions, and we are seeking further trademark protection for BeiGene, our corporate logo, product names and logos, and other marks in jurisdictions where available and appropriate.

COMPETITION

We operate in a highly competitive environment and our marketed products face intense competition in regulated markets around the world. Our main competitors include other global research-based biopharmaceutical companies as well as smaller regional and local companies. These companies participate in one or more activities including the development, production, and promotion of products that are intended to treat diseases or indications that are like products we currently market or are in the process of developing to market. For example:

BRUKINSA – Conventional methods of treating lymphomas vary according to the specific disease or histology, but generally include chemotherapy, antibodies directed at CD20, a molecular marker found on the surface of B-cells, and, less frequently, radiation. Recently, significant progress has been made in the development of new therapies for lymphomas, including BTK inhibitors. The BTK inhibitor **IMBRUVICA** (ibrutinib), marketed by AbbVie and Janssen, was first approved by the FDA in 2013 for the treatment of patients with MCL who have received at least one prior therapy. Since that time, ibrutinib has been approved in over 90 countries and regions and has expanded its indications. Another BTK inhibitor, AstraZeneca’s **CALQUENCE**® (acalabrutinib), was approved by the FDA in 2017 under accelerated approval for the treatment of patients with MCL who have received at least one prior therapy, and in November 2019 for use in adults with CLL/SLL as a single agent or in combination with obinutuzumab. In January 2023, the FDA approved Lilly’s **JAYPIRCA**™ (pirtobrutinib, a reversible BTK inhibitor) for the treatment of adult patients with R/R MCL after at least two lines of systemic therapy, including a BTK inhibitor. In China, BRUKINSA competes with IMBRUVICA (ibrutinib), which received approval in 2017, **YINUOKAI**® (orelabrutinib) from Innocare, which was approved in 2020, and **CALQUENCE**® (acalabrutinib), which was approved in 2023.

TEVIMBRA – A number of PD-1 or PD-L1 antibody medicines have been approved by the FDA or EMA. These include Merck’s **KEYTRUDA**® (pembrolizumab), BMS’s **OPDIVO**® (nivolumab), Roche’s **TECENTRIQ**® (atezolizumab), AstraZeneca’s **IMFINZI**® (durvalumab), Pfizer and Merck Sereno’s **BAVENCIO**® (avelumab), Regeneron and Sanofi’s **LIBTAYO**® (cemiplimab), GSK’s **JEMPERLI**® (dostarlimab), and Junshi’s toripalimab. In the global setting, several PD-1 or PD-L1 antibody agents are in late-stage clinical development in addition to tislelizumab. In China, as of December 25, 2023, there are nine other approved PD-1 antibodies: **OPDIVO**® (nivolumab) and **KEYTRUDA**® (pembrolizumab), Junshi’s **TUOYI**® (toripalimab), Innovent’s **TYVYT**® (sintilimab), Hengrui’s **AIRUIKA**® (camrelizumab), Akeso’s **ANNIKE**® (penpulimab), Gloria’s **YUTUO**® (zimberelimab), Henlius’s **HANSIZHUANG**® (serplulimab) and Lepu’s **PUYOUHENG**® (pucotenlimab). There are five approved PD-L1 antibody agents: AstraZeneca’s **IMFINZI**® (durvalumab), Roche’s **TECENTRIQ**® (atezolizumab), CStone’s **ZEJIMEI**® (sugemalimab), Alphamab’s **ENWEIDA**® (envafolimab), and Hengrui’s **AIRUILI**® (adabrelimab). Akeso’s PD-1xCTLA-4 bispecific antibody, **KAITANNI**® (cadonilimab) was approved in China. There are approximately 40 more PD-1 and PD-L1 agents in clinical development in China.

BUSINESS

PARTRUVIX – We are competing with multiple PARP inhibitors in China. AstraZeneca received approval for olaparib in August 2018. Zai Labs obtained development and commercial rights for niraparib in China, and its NDA was approved by the NMPA in December 2019. Fluzoparib from Hengrui/Hansoh was approved in December 2020.

Ociperlimab – We are aware of several pharmaceutical companies developing TIGIT antibodies, including Agenus, Arcus, BMS, Compugen, Roche/Genentech, Innovent, iTeos Therapeutics, Merck KGaA, Mereo BioPharma, Seagen, Junshi, Bio-Thera and Akeso. To our knowledge, there are currently no approved anti-TIGIT antibodies and the most advanced agent is in Phase 3 development.

Sonrotoclax – We are aware of several pharmaceutical companies developing BCL2 inhibitors, including AbbVie, Roche, Ascentage Pharma, Fochon Pharma, Chia Tai Tianqing Pharmaceutical, AstraZeneca, Lupeng Pharmaceutical, TargetRx, Novartis, Servier, Zentalis Pharmaceuticals and InnoCare Pharma. To our knowledge, venetoclax was approved by the FDA in April 2016, the EMA in December 2016 and by the NMPA in December 2020.

Many of the larger companies we compete with are well-capitalized and dedicate a significant number of financial resources to support their research and development, while using business development to supplement their internal pipelines. As a result, we must continuously invest and gain experience in the development, acquisition, and marketing of innovative and branded medicines and drug candidates to compete effectively in both current and future markets. This requires us to devote substantial funds and resources to R&D to prevent or slow the erosion of the sales of our existing products and potential sales of products in development. Please see the section of this annual report titled “Management Discussion and Analysis” for R&D expenses incurred in 2022 and 2023.

The main forms of competition include efficacy, safety, and cost. The long-term success of our products depends on our ability to effectively demonstrate the value that each one of them offers to physicians, patients, and third-party payers. This requires a much greater use of a direct sales force to realize significant revenues. We also have and will continue to enter into co-promotion, contract sales force or other such arrangements with third parties, for example, where our own direct sales force is not large enough or sufficiently well-aligned to achieve maximum market penetration. Furthermore, robust compliance system, science-based promotion model, and integrated management will also be competitive advantage in the industry in the long run, which we invest significant effort to establish.

RISK FACTORS

The following section includes material factors that we believe may adversely affect our business and operations. You should carefully consider the risks and uncertainties described below and all information contained in this annual report, including our financial statements and the related notes and the “Management Discussion and Analysis” section of this annual report before deciding to invest in our ADSs, ordinary shares, or RMB Shares. The occurrence of any of the events or developments described below could harm our business, financial condition, results of operations, and growth prospects. In such an event, the market price of our ADSs, ordinary shares, and RMB Shares could decline, and you may lose all or part of your investment. Additional risks and uncertainties not presently known to us or that we currently deem immaterial also may impair our business operations.

Risks Related to Clinical Development and Commercialization of Our Medicines and Drug Candidates

Our medicines may fail to achieve and maintain the degree of market acceptance by physicians, patients, third-party payors, and others in the medical community necessary for commercial success.

Our medicines may fail to achieve and maintain sufficient market acceptance by physicians, patients, third-party payors, and others in the medical community. For example, current cancer treatments like chemotherapy and radiation therapy are well established in the medical community, and doctors may continue to rely on these treatments to the exclusion of our medicines. If our medicines do not achieve and maintain an adequate level of market acceptance, the sales of our medicines may be limited and we may not become profitable. The degree of market acceptance of our medicines will depend on a number of factors, including: the clinical indications for which our medicines are approved; physicians, hospitals, cancer treatment centers, and patients considering our medicines safe and effective; government agencies, professional societies, practice management groups, insurance carriers, physicians’ groups, private health and science foundations recommending our medicines; the perceived advantages and relative cost of alternative treatments; the prevalence and severity of any side effects; product labeling, including limitations or warnings, or product insert requirements of regulatory authorities; the timing of market introduction of our medicines as well as competitive medicines; the availability of adequate coverage, reimbursement and pricing by third-party payors and government authorities; and the effectiveness of our sales and marketing efforts.

Even if our medicines achieve market acceptance, we may not be able to maintain that market acceptance over time if new products or technologies are introduced that are more favorably received, are more cost effective or render our medicines obsolete.

RISK FACTORS

We have limited experience in launching and marketing our internally developed and in-licensed medicines. If we are unable to further develop marketing and sales capabilities or enter into agreements with third parties to market and sell our medicines, we may not be able to generate substantial product sales revenue.

We became a commercial-stage company in 2017, when we entered into a license and supply agreement with Celgene Logistics Sàrl, now a Bristol-Myers Squibb Company (“BMS”), to commercialize three of BMS’s approved cancer therapies, in the People’s Republic of China (“PRC” or “China”). In October 2019, we entered into a collaboration with Amgen for its commercial-stage oncology products and a portfolio of clinical- and late-preclinical-stage oncology pipeline products. We received the first approvals for our internally developed drug candidates in late 2019 in the United States (“U.S.”), in 2020 in China, and in 2021 in Europe. Given this, we have limited experience in commercializing our internally developed and in-licensed medicines, including building and managing a commercial team, conducting a comprehensive market analysis, obtaining state licenses and reimbursement, and managing distributors and a sales force for our medicines. As a result, our ability to successfully commercialize our medicines may involve more inherent risk, take longer, and cost more than it would if we were a company with substantial experience in launching medicines.

If we are unable to, or decide not to, further develop internal sales, marketing, and commercial distribution capabilities for any or all of our medicines, we will likely pursue collaborative arrangements regarding the sales and marketing of our medicines. However, there can be no assurance that we will be able to establish or maintain such collaborative arrangements, or whether they will have effective sales forces. We would have little or no control over the marketing and sales efforts of such third parties, and our revenue from product sales may be lower than if we had commercialized our medicines ourselves.

There can be no assurance that we will be able to further develop and successfully maintain internal sales and commercial distribution capabilities or establish or maintain relationships with third-party collaborators to successfully commercialize any medicine, and as a result, we may not be able to generate substantial product sales revenue.

We face substantial competition, which may result in others discovering, developing, or commercializing competing medicines before or more successfully than we do.

The development and commercialization of new medicines is highly competitive. We face competition from major pharmaceutical companies, specialty pharmaceutical companies and biotechnology companies worldwide. There are a number of large pharmaceutical and biotechnology companies that currently market and sell medicines or are pursuing the development of medicines for the treatment of cancer for which we are commercializing our medicines or developing our drug candidates. For example, BRUKINSA, tislelizumab, and pamiparib face substantial competition, and some of our products face or are expected to face competition from generic therapies. Potential competitors also include academic institutions, government agencies and other public and private research organizations that conduct research, seek patent protection and establish collaborative arrangements for research, development, manufacturing, and commercialization.

RISK FACTORS

Our commercial opportunity could be reduced or eliminated if our competitors develop and commercialize medicines that are safer, more effective, have fewer or less severe side effects, are more convenient or are less expensive than our medicines. Our competitors also may obtain approval from regulatory authorities for their medicines more rapidly than we may obtain approval for ours, which could result in our competitors establishing a strong market position before we are able to enter the market and/or slow our regulatory approval.

Many of the companies against which we are competing or against which we may compete in the future have significantly greater financial resources and expertise in research and development, manufacturing, preclinical testing, conducting clinical trials, obtaining regulatory approvals and marketing approved medicines than we do. Mergers and acquisitions in the pharmaceutical and biotechnology industries may result in even more resources being concentrated among a smaller number of our competitors. Smaller and other early-stage companies may also prove to be significant competitors, particularly through collaborative arrangements with large and established companies. These third parties compete with us in recruiting and retaining qualified scientific, management and marketing personnel, establishing clinical trial sites and patient registration for clinical trials, as well as in acquiring technologies complementary to, or necessary for, our programs.

The market opportunities for our medicines may be limited to those patients who are ineligible for or have failed prior treatments and may be small.

In markets with approved therapies, we have and expect to initially seek approval of our drug candidates as a later stage therapy for patients who have failed other approved treatments. Subsequently, for those medicines that prove to be sufficiently beneficial, if any, we would expect to seek approval as a second-line therapy and potentially as a first-line therapy, but there is no guarantee that our medicines and drug candidates, even if approved, would be approved for second-line or first-line therapy.

Our projections of both the number of people who have the diseases we are targeting, as well as the subset of people with these diseases in a position to receive later stage therapy and who have the potential to benefit from treatment with our medicines and drug candidates, may prove to be inaccurate and new studies may change the estimated incidence or prevalence of these cancers. Additionally, the potentially addressable patient population for our medicines and drug candidates may be limited or may not be amenable to treatment with our medicines and drug candidates. Even if we obtain significant market share for our medicines and drug candidates, because the potential target populations are small, we may never achieve profitability without obtaining regulatory approval for additional indications, including use as a first- or second-line therapy.

RISK FACTORS

If we or any third parties with which we may collaborate to market and sell our medicines are unable to achieve and maintain coverage and adequate levels of reimbursement or are subject to unfavorable pricing regulations, our commercial success and business operations could be adversely affected.

Our ability or the ability of any third parties with which we collaborate to commercialize our medicines successfully will depend in part on the extent to which reimbursement for these medicines is available from government health administration authorities, private health insurers and other organizations. In the U.S. and other countries, patients generally rely on third-party payors to reimburse all or part of the costs associated with their treatment. Adequate coverage and reimbursement from governmental healthcare programs, such as Medicare and Medicaid, and commercial payors is critical to new product acceptance. Sales of our medicines will depend substantially, on the extent to which the costs of our medicines will be paid by health maintenance, managed care, pharmacy benefit and similar healthcare management organizations, or reimbursed by government health administration authorities, private health coverage insurers and other third-party payors. Without third-party payor reimbursement, patients may not be able to obtain or afford prescribed medications. Third-party payors also are seeking to encourage the use of generic or biosimilar products or entering into sole source contracts with healthcare providers, which could effectively limit the coverage and level of reimbursement for our medicines and have an adverse impact on the market access or acceptance of our medicines. In addition, reimbursement guidelines and incentives provided to prescribing physicians by third party payors may have a significant impact on the prescribing physicians' willingness and ability to prescribe our products.

A primary trend in the global healthcare industry is cost containment. Government authorities and third-party payors have attempted to control costs by limiting coverage and the amount of reimbursement for particular medications.

In the U.S., no uniform policy of coverage and reimbursement for drugs exists among third-party payors. As a result, obtaining coverage and reimbursement approval of a drug from a government or other third-party payor is a time-consuming and costly process that could require us to provide to each payor supporting scientific, clinical and cost – effectiveness data for the use of our medicines on a payor-by-payor basis, with no assurance that coverage and adequate reimbursement will be obtained. The principal decisions about reimbursement for new medicines are typically made by the Centers for Medicare and Medicaid Services (the “CMS”). They decide whether and to what extent a new medicine will be covered and reimbursed under Medicare and private payors tend to follow CMS to a substantial degree. Factors payors consider in determining reimbursement are based on whether the product is: a covered benefit under its health plan; safe, effective and medically necessary; appropriate for the specific patient; cost-effective; and neither experimental nor investigational.

Coverage may be more limited than the purposes for which the medicine is approved by the U.S. Food and Drug Administration (“FDA”) or comparable regulatory authorities in other countries. Even if we obtain coverage for a given medicine, the resulting reimbursement rates might not be adequate for us to achieve or sustain profitability or may require co-payments that patients find unacceptably high. Additionally, third-party payors may not cover, or provide adequate reimbursement for, long-term follow-up evaluations required following the use of our medicines. Patients are unlikely to use our medicines unless coverage is provided and reimbursement is adequate to cover a significant portion of the cost of the medicine. Because some of our medicines and drug candidates have a higher cost of goods than conventional therapies and may require long-term follow-up evaluations, the risk that coverage and reimbursement rates may be inadequate for us to achieve profitability may be greater.

RISK FACTORS

Net prices for drugs may also be reduced by mandatory discounts or rebates required by government healthcare programs or private payors and by any future relaxation of laws that presently restrict imports of drugs from countries where they may be sold at lower prices than in the U.S.

In China, drug prices are typically lower than in the U.S. and Europe, and until recently, the market has been dominated by generic drugs. Government authorities regularly review the inclusion or removal of medicines from China's National Reimbursement Drug List (the "NRDL"), or provincial or local medical insurance catalogues for the National Medical Insurance Program, and the tier under which a medicine will be classified, both of which affect the amounts reimbursable to program participants for their purchases of those medicines. Products included in the NRDL have typically been generic and essential drugs. Innovative drugs similar to our medicines and drug candidates have historically been more limited on their inclusion in the NRDL due to the affordability of the Chinese government's Basic Medical Insurance, although this has been changing in recent years. For example, BRUKINSA, tislelizumab, PARTRUVIX, XGEVA and KYPROLIS have been included in the NRDL. While the demand for these medicines has generally increased after inclusion in the NRDL, there can be no assurance that demand will continue to increase and such increases will be sufficient to offset the reduction in the prices and our margins, which could have a material adverse effect on our business, financial condition and results of operations. We prepare for the NRDL negotiations in China for our eligible medicines/indications annually. If any of these medicines/indications are not included in the NRDL or included at a significantly lower price, the revenues for such medicines could be limited, which could have a material adverse effect on our business, financial condition and results of operations.

The government in China also launched a national program for volume-based, centralized drug procurement with minimum quantity commitments to negotiate lower prices from drug manufacturers and reduce the price of drugs. The Chinese government awards contracts to the lowest bidders who can satisfy the quality and quantity requirements. The successful bidders are guaranteed a sale volume for at least a year. A volume guarantee gives an opportunity to gain or increase market share. The volume guarantee is intended to make manufacturers more willing to cut their prices to win a bid. It may also enable manufacturers to lower their distribution and commercial costs. Many types of drugs are covered under the program, including drugs made by international pharmaceutical companies and generics made by domestic Chinese manufacturers. For example, in 2020, ABRAXANE and its generic forms were included in the program. We won the bid and became one of the three companies who were awarded a government contract, with a price for sales of ABRAXANE under the government contract that would have been significantly lower than the price that we had been charging. Also in 2020, VIDAZA and its generic forms were included for bidding in the program. We did not win the bid for VIDAZA, which resulted in the drug being restricted from use in public hospitals, which account for a large portion of the market, and a decline in sales revenue. Moreover, the program may change how generic drugs are priced and procured in China and is likely to accelerate the replacement of originator drugs with generics. We cannot be sure whether there will be any changes to the program in the future. The implementation of the program may negatively impact our existing commercial operations in China as well as our strategies on how to commercialize our drugs in China, which could have a material adverse effect on our business, financial condition and results of operations.

RISK FACTORS

Countries in Europe provide options to restrict the range of medicinal products for which their national health insurance systems provide reimbursement and to control the prices of medicinal products for human use. To obtain reimbursement or pricing approval, some of these countries may require the completion of clinical trials that compare the cost effectiveness of a particular product candidate to currently available therapies. Countries may approve a specific price for the medicinal product or it may instead adopt a system of direct or indirect controls on the profitability of the company placing the medicinal product on the market. Furthermore, some countries require approval of the sale price of a medicine before it can be marketed. In many countries, the pricing review period begins after marketing or licensing approval is granted. In some non-U.S. markets, prescription pharmaceutical pricing remains subject to continuing governmental control even after initial approval is granted. As a result, we might obtain regulatory approval for a medicine in a particular country, but then be subject to price regulations that delay our commercial launch of the medicine and negatively impact our revenues and results of operations.

Increasingly, third-party payors are requiring that companies provide them with predetermined discounts from list prices and are challenging the prices charged for medical products. We cannot be sure that reimbursement will be available for any medicine that we commercialize and, if reimbursement is available, what the level of reimbursement will be. Reimbursement may impact the demand for, or the price of, any medicine which we commercialize. Obtaining or maintaining reimbursement for our medicines may be particularly difficult because of the higher prices often associated with medicines administered under the supervision of a physician. If reimbursement is not available or is available only to limited levels, we may not be able to successfully commercialize any medicine and drug candidate that we in-license or successfully develop.

There may be significant delays in obtaining reimbursement for approved medicines, and coverage may be more limited than the purposes for which the medicine is approved by regulatory authorities. Moreover, eligibility for reimbursement does not imply that any medicine will be paid for in all cases or at a rate that covers our costs, including research, development, manufacture, sale and distribution. Interim payments for new medicines, if applicable, may also not be sufficient to cover our costs and may not be made permanent. Payment rates may vary according to the use of the medicine and the clinical setting in which it is used, may be based on payments allowed for lower cost medicines that are already reimbursed, and may be incorporated into existing payments for other services. Net prices for medicines may be reduced by mandatory discounts or rebates required by government healthcare programs or private payors and by any future weakening of laws that presently restrict imports of medicines from countries where they may be sold at lower prices than in the U.S. Our inability to promptly obtain coverage and profitable payment rates from both government-funded and private payors for our medicines and any new medicines that we develop could have a material adverse effect on our business, our operating results, and our overall financial condition.

We intend to seek approval to market our medicines and drug candidates in the U.S., China, Europe and in other jurisdictions. In some countries, such as those in Europe, the pricing of drugs and biologics is subject to governmental control, which can take considerable time even after obtaining regulatory approval. Market acceptance and sales of our medicines will depend significantly on the availability of adequate coverage and reimbursement from third-party payors for our medicines and may be affected by existing and future health care reform measures.

RISK FACTORS

We have operations in the U.S., China, Europe, and other markets and plan to expand in these and new markets on our own or with collaborators, which exposes us to risks of conducting business in international markets.

We are currently developing and commercializing or plan to commercialize our medicines in international markets, including China, Europe and other markets outside of the U.S., either on our own or with third party collaborators or distributors. Our international business relationships subject us to additional risks that may materially adversely affect our ability to attain or sustain profitable operations, including:

- difficulty of effective enforcement of contractual provisions in local jurisdictions;
- potential third-party patent rights or potentially reduced protection for intellectual property rights;
- unexpected changes in tariffs, trade barriers and regulatory requirements, including the loss of normal trade status between China and the U.S. or actions taken by U.S. or China governmental authorities on companies with significant operations in the U.S. and China, such as us;
- economic weakness;
- compliance with tax, employment, immigration and labor laws for employees traveling abroad;
- the effects of applicable non-U.S. tax structures and potentially adverse tax consequences;
- currency fluctuations, which could result in increased operating expenses and reduced revenue;
- workforce uncertainty and labor unrest;
- failure of our employees and contracted third parties to comply with Office of Foreign Asset Control rules and regulations and the Foreign Corrupt Practices Act and other anti-bribery and corruption laws;
- business interruptions resulting from geo-political actions, including trade disputes, war and terrorism, public health crises or natural disasters, including earthquakes, volcanoes, typhoons, floods, hurricanes and fires; and
- international military conflicts and related sanctions.

These and other risks, including the risks described in “Risks Related to Our Doing Business in the PRC”, may materially adversely affect our ability to attain or sustain revenue in international markets.

RISK FACTORS

The illegal distribution and sale by third parties of counterfeit versions of our medicines or stolen products could have a negative impact on our reputation and business.

Third parties might illegally distribute and sell counterfeit or unfit versions of our medicines, which do not meet our or our collaborators' rigorous manufacturing and testing standards. A patient who receives a counterfeit or unfit medicine may be at risk for a number of dangerous health consequences. Our reputation and business could suffer harm as a result of counterfeit or unfit medicines sold under our or our collaborators' brand name(s). In addition, thefts of inventory at warehouses, plants or while in transit, which are not properly stored and which are sold through unauthorized channels, could adversely impact patient safety, our reputation and our business.

Clinical development involves a lengthy and expensive process with an uncertain outcome, and results of earlier studies and trials may not be predictive of future trial results.

Clinical development is expensive and can take many years to complete, and its outcome is inherently uncertain. Failure can occur at any time during the clinical trial process. The results of preclinical studies and early clinical trials of our drug candidates may not be predictive of the results of later-stage clinical trials, and initial or interim results of a trial may not be predictive of the final results. Drug candidates in later stages of clinical trials may fail to show the desired safety and efficacy traits despite having progressed through preclinical studies and initial clinical trials. In some instances, there can be significant variability in safety and/or efficacy results between different trials of the same drug candidate due to numerous factors, including changes in trial procedures set forth in protocols, differences in the size and type of the patient populations, patient adherence to the dosing regimen and the rate of dropout among clinical trial participants. In the case of any trials we conduct, results may differ from earlier trials due to the larger number of clinical trial sites and additional countries involved in such trials. A number of companies in our industry have suffered significant setbacks in advanced clinical trials due to lack of efficacy or adverse safety profiles, notwithstanding promising results in earlier trials. Our future clinical trial results may not be favorable.

RISK FACTORS

If clinical trials of our drug candidates fail to demonstrate safety and efficacy to the satisfaction of regulatory authorities or do not otherwise produce positive results, we may incur additional costs or experience delays in completing, or ultimately be unable to complete, the development and commercialization of our drug candidates.

Before obtaining regulatory approval for the sale of our drug candidates, we must conduct extensive clinical trials to demonstrate the safety and efficacy of our drug candidates in humans. We may experience numerous unexpected events during clinical trials that could delay or prevent our ability to receive regulatory approval or commercialize our drug candidates, including but not limited to: regulators, institutional review boards (“IRBs”), or ethics committees may not authorize us to conduct a clinical trial or may require us or our investigators to suspend or terminate clinical research or not rely on the results of our clinical research for various reasons, including noncompliance with regulatory requirements; our inability to reach agreements on acceptable terms with contract research organizations (“CROs”) and trial sites, the terms of which can be subject to extensive negotiation and may vary significantly; manufacturing issues, including problems with supply quality, compliance with good manufacturing practice (“GMP”), or obtaining sufficient quantities of a drug candidate for use in a clinical trial; clinical trials of our drug candidates may produce negative or inconclusive results, and we may decide, or regulators may require us, to conduct additional clinical trials or abandon drug development programs; the number of patients required for clinical trials may be larger than we anticipate, enrollment may be insufficient or slower than we anticipate or patients may drop out at a higher rate than we anticipate; our third-party contractors, including clinical investigators, may fail to comply with regulatory requirements or meet their contractual obligations to us in a timely manner, or at all; we might have to suspend or terminate clinical trials for various reasons, including a finding of a lack of clinical response or other unexpected characteristics or a finding that participants are being exposed to unacceptable health risks; the cost of clinical trials of our drug candidates may be greater than we anticipate; and the supply or quality of our medicines and drug candidates or other materials necessary to conduct clinical trials may be insufficient or inadequate.

If we are required to conduct additional clinical trials or other testing of our drug candidates beyond those that we currently contemplate, if we are unable to successfully complete clinical trials of our drug candidates or other testing, if the results of these trials or tests are not positive or are only modestly positive or if they raise safety concerns, we may be delayed in obtaining regulatory approval for our drug candidates, or not obtain regulatory approval at all; obtain approval for indications that are not as broad as intended; have the drug removed from the market after obtaining regulatory approval; be subject to additional post-marketing testing requirements; be subject to warning labels or restrictions on how the drug is distributed or used; or be unable to obtain reimbursement or obtain reimbursement at a commercially viable level for use of the drug.

Significant clinical trial delays may also increase our development costs and could shorten any periods during which we have the exclusive right to commercialize our drug candidates or allow our competitors to bring drugs to market before we do. This could impair our ability to commercialize our drug candidates and may harm our business and results of operations.

RISK FACTORS

If we encounter difficulties enrolling patients in our clinical trials, our clinical development activities could be delayed or otherwise adversely affected.

The timely completion of clinical trials in accordance with their protocols depends, among other things, on our ability to enroll a sufficient number of patients who remain in the trial until its conclusion. We have and may continue to experience difficulties in patient enrollment in our clinical trials for a variety of reasons, including the size and nature of the patient population and the patient eligibility criteria defined in the protocol, competition from competing companies, and natural disasters or public health crises.

Our clinical trials will likely compete with other clinical trials for drug candidates that are in the same therapeutic areas as our drug candidates, and this competition will reduce the number and types of patients available to us, because some patients who might have opted to enroll in our trials may instead enroll in a trial being conducted by a competitor. Because the number of qualified clinical investigators and clinical trial sites is limited, we expect to conduct some of our clinical trials at the same sites that some of our competitors use, which will reduce the number of patients who are available for our clinical trials at such sites. Even if we are able to enroll a sufficient number of patients in our clinical trials, delays in patient enrollment may result in increased costs or may affect the timing or outcome of the planned clinical trials, which could delay or prevent completion of these trials and adversely affect our ability to advance the development of our drug candidates.

Risks Related to Regulatory Approval and Extensive Government Regulation

All material aspects of the research, development, manufacturing and commercialization of pharmaceutical products are heavily regulated, and we may face difficulties in complying with or be unable to comply with such regulations, which could have a material adverse effect on our business.

We are currently focusing our pharmaceutical-industry activities in the major markets of the U.S., China, Europe, and other select countries and regions. These areas all strictly regulate the pharmaceutical industry, and in doing so they employ broadly similar regulatory strategies, including regulation of product development and approval, manufacturing, and marketing, sales and distribution of products. However, there are differences in the regulatory regimes that make for a more complex and costly regulatory compliance burden. Additionally, the China National Medical Products Administration's ("NMPA") reform of the medicine and approval system may face implementation challenges. The timing and full impact of such reforms is uncertain and could prevent us from commercializing our medicines and drug candidates in a timely manner.

RISK FACTORS

The process of obtaining regulatory approvals and compliance with laws and regulations require the expenditure of substantial time and financial resources. Failure to comply with requirements at any time during the product development process, approval process, or after approval, may subject us to administrative or judicial sanctions. These sanctions could include a regulator's refusal to approve pending applications, withdrawal of an approval, license revocation, a clinical hold, voluntary or mandatory product recalls, product seizures, total or partial suspension of production or distribution, injunctions, fines, refusals of government contracts, restitution, disgorgement, or civil or criminal penalties. The failure to comply with these regulations could have a material adverse effect on our business. For example, in 2020, the NMPA suspended the importation, sales and use of ABRAXANE in China previously supplied to us by BMS, and the drug was subsequently recalled by BMS. This suspension was based on inspection findings at BMS's contract manufacturing facility in the U.S. In any event, the receipt of regulatory approval does not assure the success of our commercialization efforts for our medicines.

We may be subject to anti-kickback, false claims laws, physician payment transparency laws, fraud and abuse laws or similar healthcare and security laws and regulations, which could expose us to criminal sanctions, civil penalties, contractual damages, reputational harm and diminished sales.

Healthcare providers, physicians and others play a primary role in the recommendation and prescription of our approved products. Our operations are subject to various federal and state fraud and abuse laws, including, without limitation, the federal Anti-Kickback Statute, the federal False Claims Act ("FCA"), and physician payment sunshine laws and regulations. These laws may impact, among other things, our proposed sales, marketing and education programs. In addition, we are subject to patient privacy regulation by both the federal government and the states in which we conduct our business.

In addition, the approval and commercialization for our medicines and drug candidates outside the U.S. subjects us to non-U.S. equivalents of the healthcare laws mentioned above, among other non-U.S. laws. Some of these non-U.S. laws may be broader in scope and subject to the discretion of non-U.S. law enforcement authorities, including Chinese authorities who recently increased anti-bribery efforts to reduce improper payments and other benefits received by physicians, staff and hospital administrators in relation to sales, marketing and purchase of pharmaceuticals. There are ambiguities as to what is required to comply with these state requirements, and if we fail to comply with an applicable state law requirement, we could be subject to penalties.

RISK FACTORS

In the past, we have made grants to independent charitable foundations that help financially needy patients with their premium, co-pay, and co-insurance obligations and we expect to make such grants in the future. If we choose to do so, and if we or our vendors or donation recipients are deemed to fail to comply with relevant laws or regulations in the operation of these programs, we could be subject to damages, fines, penalties, or other criminal, civil, or administrative sanctions or enforcement actions. We cannot ensure that our compliance controls and procedures will be sufficient to protect against acts of our employees, business partners, or vendors that may violate the laws or regulations of the jurisdictions in which we operate. Furthermore, there has been increased scrutiny of company-sponsored patient assistance programs, including co-pay assistance programs, and donations to third-party charities that provide such assistance. There has also been enhanced scrutiny by governments of reimbursement support offerings, clinical education programs and promotional speaker programs. Regardless of whether we have complied with the law, a government investigation could impact our business practices, harm our reputation, divert the attention of management, increase our expenses, and reduce the availability of foundation support for our patients who need assistance.

Violations of fraud and abuse laws may be punishable by criminal and/or civil sanctions, including penalties, fines and/or exclusion or suspension from federal and state healthcare programs such as Medicare and Medicaid and debarment from contracting with the U.S. government. In addition, private individuals have the ability to bring actions on behalf of the U.S. government under the federal FCA as well as under the false claims laws of several states. Neither the U.S. government nor the U.S. courts have provided definitive guidance on the applicability of fraud and abuse laws to our business. Law enforcement authorities are increasingly focused on enforcing these laws, and it is possible that some of our practices may be challenged under these laws. Efforts to ensure that our business arrangements with third parties will comply with applicable healthcare laws and regulations will involve substantial costs. It is possible that governmental authorities will conclude that our business practices may not comply with current or future statutes, regulations or case law involving applicable fraud and abuse or other healthcare laws and regulations. If any such actions are instituted against us, and we are not successful in defending ourselves or asserting our rights, those actions could have a significant impact on our business, including the imposition of civil, criminal and administrative penalties, damages, disgorgement, monetary fines, possible exclusion from participation in Medicare, Medicaid and other federal healthcare programs, contractual damages, individual imprisonment, reputational harm, diminished profits and future earnings, and curtailment or restructuring of our operations, as well as additional reporting obligations and oversight if we become subject to a corporate integrity agreement or other agreement to resolve allegations of non-compliance with these laws. Furthermore, if any of the physicians or other providers or entities with whom we do business are found to be not in compliance with applicable laws, they may be subject to criminal, civil or administrative sanctions, including exclusions from government funded healthcare programs, which may adversely affect our business.

RISK FACTORS

If we fail to comply with our reporting and payment obligations under the Medicaid Drug Rebate Program or other governmental pricing programs, we could be subject to additional reimbursement requirements, penalties, sanctions and fines, which could have a material adverse effect on our business, financial condition, results of operations and growth prospects.

We participate in the Medicaid Drug Rebate Program, the 340B program, the U.S. Department of Veterans Affairs, Federal Supply Schedule (“FSS”) pricing program, and the Tricare Retail Pharmacy program, which require us to disclose average manufacturer pricing, and, in the future may require us to report the average sales price for certain of our drugs to the Medicare program. Pricing and rebate calculations vary across products and programs, are complex, and are often subject to interpretation by us, governmental or regulatory agencies and the courts. Furthermore, regulatory and legislative changes, and judicial rulings relating to these programs and policies (including coverage expansion), have increased and will continue to increase our costs and the complexity of compliance, have been and will continue to be time-consuming to implement, and could have a material adverse effect on our results of operations, particularly if CMS or another agency challenges the approach we take in our implementation. For example, in the case of our Medicaid pricing data, if we become aware that our reporting for a prior quarter was incorrect or has changed as a result of recalculation of the pricing data, we are generally obligated to resubmit the corrected data for up to three years after those data originally were due. Such restatements increase our costs and could result in an overage or underage in our rebate liability for past quarters. Price recalculations also may affect the ceiling price at which we are required to offer our products under the 340B program and give rise to an obligation to refund entities participating in the 340B program for overcharges during past quarters impacted by a price recalculation.

Civil monetary penalties can be applied if we are found to have knowingly submitted any false price or product information to the government, if we are found to have made a misrepresentation in the reporting of our average sales price, if we fail to submit the required price data on a timely basis, or if we are found to have charged 340B covered entities more than the statutorily mandated ceiling price. Additionally, our agreement to participate in the 340B program or our Medicaid drug rebate agreement could be terminated, in which case federal payments may not be available under Medicaid or Medicare Part D for our covered outpatient drugs. Additionally, if we overcharge the government in connection with our arrangements with FSS or Tricare Retail Pharmacy, we are required to refund the difference to the government. Failure to make necessary disclosures and/or to identify contract overcharges can result in allegations against us under the FCA and other laws and regulations. Unexpected refunds to the government, and responding to a government investigation or enforcement action, would be expensive and time-consuming, and could have a material adverse effect on our business, financial condition, results of operations and growth prospects.

RISK FACTORS

Further, legislation may be introduced that, if passed, would, among other things, further expand the 340B program to additional covered entities or would require participating manufacturers to agree to provide 340B discounted pricing on drugs used in an inpatient setting, and any additional future changes to the definition of average manufacturer price or the Medicaid rebate amount could affect our 340B ceiling price calculations and negatively impact our results of operations. Additionally, certain pharmaceutical manufacturers are involved in ongoing litigation regarding contract pharmacy arrangements under the 340B program. The outcome of those judicial proceedings and the potential impact on the way in which manufacturers extend discounts to covered entities through contract pharmacies remain uncertain.

The approval processes of regulatory authorities in the United States, China, Europe and other comparable regulatory authorities are lengthy, time consuming, costly, and inherently unpredictable. If we experience delays or are ultimately unable to obtain regulatory approval for our drug candidates, our business will be substantially harmed.

Before obtaining regulatory approvals for the commercial sale of any drug candidate for a target indication, we must demonstrate in preclinical studies and well-controlled clinical trials, and, with respect to approval in the U.S., to the satisfaction of the FDA, that the drug candidate is safe and effective, or the biologic drug candidate is safe, pure, and potent, for use for that target indication and that the manufacturing facilities, processes and controls are adequate. In addition to preclinical and clinical data, the new drug application (“NDA”) or biologics license application (“BLA”) must include comprehensive information regarding the chemistry, manufacturing and controls (“CMC”) for the drug candidate. If we submit an NDA or BLA to the FDA, we cannot be certain that a submission will be accepted for filing and review by the FDA.

Regulatory authorities outside of the U.S., such as the NMPA and European Medicines Agency (“EMA”), also have requirements for approval of medicines for commercial sale with which we must comply prior to marketing in those areas. Regulatory requirements, approval processes and review periods can vary from country to country and could delay or prevent the introduction of our drug candidates. Clinical trials conducted in one country may not be accepted by regulatory authorities in other countries, and obtaining regulatory approval in one country does not mean that regulatory approval will be obtained in any other country. Seeking regulatory approvals outside of the U.S. could require additional nonclinical studies or clinical trials, which could be costly and time consuming. For all of these reasons, we may not obtain regulatory approvals on a timely basis, if at all.

RISK FACTORS

The processes required to obtain approval by the FDA, the NMPA, the EMA, and other comparable regulatory authorities are complex, costly, unpredictable and typically take many years following the commencement of preclinical studies and clinical trials and depend on numerous factors, including the substantial discretion of the regulatory authorities. Regulatory approval is never guaranteed. Furthermore, we have limited experience in obtaining regulatory approvals for our drug candidates, including preparing the required materials for regulatory submission and navigating the regulatory approval process. As a result, our ability to successfully obtain regulatory approval for our drug candidates may involve more inherent risk, take longer, and cost more than it would if we were a company with substantial experience in obtaining regulatory approvals.

Our drug candidates could be delayed or fail to receive regulatory approval for many reasons, including:

- failure to begin or complete clinical trials due to disagreements with regulatory authorities;
- failure to demonstrate that a drug candidate is safe and effective or that a biologic candidate is safe, pure, and potent for its proposed indication;
- failure of clinical trial results to meet the level of statistical significance required for approval;
- reporting or data integrity issues related to our clinical trials;
- disagreement with our interpretation of data from preclinical studies or clinical trials;
- changes in approval policies or regulations that render our preclinical and clinical data insufficient for approval or require us to amend our clinical trial protocols;
- regulatory requests for additional analyses, reports, data, nonclinical studies and clinical trials, or questions regarding interpretations of data and results and the emergence of new information regarding our drug candidates or other products;
- failure to satisfy regulatory conditions regarding endpoints, patient population, available therapies and other requirements for our clinical trials in order to support marketing approval on an accelerated basis or at all;
- a delay in or the inability of health authorities to complete regulatory inspections of our development activities, regulatory filings or manufacturing operations, whether as a result of a global pandemic or other reasons, or our failure to satisfactorily complete such inspections;
- our failure to conduct a clinical trial in accordance with regulatory requirements or our clinical trial protocols; and
- clinical sites, investigators or other participants in our clinical trials deviating from a trial protocol, failing to conduct the trial in accordance with regulatory requirements, or dropping out of a trial.

RISK FACTORS

For example, in 2022, the FDA extended the Prescription Drug User Fee Act goal date for the supplemental new drug application (“sNDA”) for BRUKINSA as a treatment for adult patients with chronic lymphocytic leukemia or small lymphocytic lymphoma by three months, to allow time to review additional clinical data submitted by us, which was deemed a major amendment to the sNDA. Additionally, in 2022, the FDA deferred action on the BLA for tislelizumab as a second-line treatment for patients with unresectable or metastatic ESCC, citing only the inability to complete inspections due to COVID-19 related restrictions on travel.

Our development activities, regulatory filings and manufacturing operations also could be harmed or delayed by a shutdown of the U.S. government, including the FDA, or governments and regulatory authorities in other jurisdictions. If the FDA or other health authorities are delayed or unable to complete required regulatory inspections of our development activities, regulatory filings or manufacturing operations due to government shutdowns, public health crises, or other reasons, or we do not satisfactorily complete such inspections, our business could be materially harmed.

Delays in the completion of a clinical trial of any of our drug candidates will increase our costs, slow down our drug development and approval process, and jeopardize our ability to commence product sales and generate revenues for that candidate. Any of these occurrences may harm our business, financial condition and prospects significantly. In addition, many of the factors that cause, or lead to, a delay in the commencement or completion of clinical trials may also ultimately lead to the denial of regulatory approval of our drug candidates.

RISK FACTORS

We are currently conducting and may in the future conduct clinical trials for our drug candidates outside the U.S., and the FDA and comparable foreign regulatory authorities may not accept data from such trials.

We are currently conducting and may in the future conduct clinical trials for our drug candidates outside the U.S., including in China. The acceptance of data from clinical trials conducted outside the U.S. or another jurisdiction by the FDA or comparable foreign regulatory authority may be subject to certain conditions or may not be accepted at all. The FDA will generally not consider the data from a foreign clinical trial not conducted under an IND unless (i) the trial was well-designed and well-conducted in accordance with good clinical practice (“GCP”) requirements, including requirements for the design, conduct, performance, monitoring, auditing, recording, analysis, and reporting of clinical trials in a way that provides assurance that the data and reported results are credible and accurate and that the rights, safety, and well-being of trial subjects are protected, and (ii) the FDA is able to validate the data from the trial through an onsite inspection, if necessary. In cases where data from foreign clinical trials are intended to serve as the sole basis for marketing approval in the U.S., the FDA will generally not approve the application on the basis of foreign data alone unless (i) the data are applicable to the U.S. population and U.S. medical practice; (ii) the trials were performed by clinical investigators of recognized competence; and (iii) the data may be considered valid without the need for an on-site inspection by the FDA or, if the FDA considers such an inspection to be necessary, the FDA is able to validate the data through an on-site inspection or other appropriate means. Additionally, the FDA’s clinical trial requirements, including sufficient size of patient populations and statistical powering must be met. Many foreign regulatory authorities have similar approval requirements. There can be no assurance that the FDA or any comparable foreign regulatory authority will accept data from trials conducted outside of the U.S. or the applicable jurisdiction. If the FDA or any comparable foreign regulatory authority does not accept such data, it would result in the need for additional trials, which could be costly and time-consuming, and which may result in drug candidates that we may develop not receiving approval for commercialization in the applicable jurisdiction.

Our medicines and any future approved drug candidates will be subject to ongoing regulatory obligations and continued regulatory review, which may result in significant additional expense and we may be subject to penalties if we fail to comply with regulatory requirements or experience unanticipated problems with our medicines and drug candidates.

Our medicines and any additional drug candidates that are approved will be subject to ongoing regulatory requirements for manufacturing, labeling, packaging, storage, advertising, promotion, sampling, record-keeping, conduct of post-marketing studies, and submission of safety, efficacy, and other post-marketing information, including both federal and state requirements in the U.S. and requirements of comparable regulatory authorities in China, Europe and other regions. As such, we and our collaborators will be subject to ongoing review and periodic inspections to assess compliance with applicable post-approval regulations. Additionally, to the extent we want to make certain changes to the approved medicines, product labeling, or manufacturing processes, we will need to submit new applications or supplements to regulatory authorities for approval.

RISK FACTORS

Manufacturers and manufacturers' facilities are required to comply with extensive FDA, NMPA, EMA and comparable regulatory authority requirements, including, in the U.S., ensuring that quality control and manufacturing procedures conform to GMP regulations. As such, we and our contract manufacturers are and will be subject to continual review and inspections to assess compliance with GMP and adherence to commitments made in any NDA, BLA or other marketing application, and previous responses to any inspection observations. Accordingly, we and others with whom we work must continue to expend time, money and effort in all areas of regulatory compliance, including manufacturing, production and quality control. The failure to comply with these requirements could have a material adverse effect on our business. For example, in 2020, the NMPA suspended the importation, sales and use of ABRAXANE in China previously supplied to us by BMS, and the drug was subsequently recalled by BMS. This suspension was based on inspection findings at BMS's contract manufacturing facility in the U.S.

The regulatory approvals for our medicines and any approvals that we receive for our drug candidates are and may be subject to limitations on the approved indicated uses for which the medicine may be marketed or to the conditions of approval, which could adversely affect the medicine's commercial potential or contain requirements for potentially costly post-marketing testing and surveillance to monitor the safety and efficacy of the medicine or drug candidate. Failure to exhibit due diligence when conducting post-marketing requirements could result in withdrawal of approval for products. The FDA, NMPA, EMA or comparable regulatory authorities may also require a Risk Evaluation Mitigation Strategy ("REMS") program or comparable program as a condition of approval of our drug candidates or following approval. In addition, if the FDA, NMPA, EMA or a comparable regulatory authority approves our drug candidates, we will have to comply with requirements including, for example, submissions of safety and other post-marketing information and reports, establishment registration, as well as continued compliance with GMP and GCP for any clinical trials that we conduct post-approval.

RISK FACTORS

The FDA, NMPA, EMA or comparable regulatory authorities may seek to impose a consent decree or withdraw marketing approval if compliance with regulatory requirements is not maintained or if problems occur after the drug reaches the market. Later discovery of previously unknown problems with our medicines or drug candidates or with our drug's manufacturing processes, or failure to comply with regulatory requirements, may result in revisions to the approved labeling to add new safety information; imposition of post-market studies or clinical studies to assess new safety risks; or imposition of distribution restrictions or other restrictions under a REMS program. Other potential consequences include, among other things:

- restrictions on the marketing or manufacturing of our medicines, withdrawal of the product from the market, or voluntary or mandatory product recalls;
- fines, untitled or warning letters, or holds on clinical trials;
- refusal by the FDA, NMPA, EMA or comparable regulatory authorities to approve pending applications or supplements to approved applications filed by us or suspension or revocation of license approvals or withdrawal of approvals;
- product seizure or detention, or refusal to permit the import or export of our medicines and drug candidates; and
- injunctions or the imposition of civil or criminal penalties.

The FDA, NMPA, EMA and other regulatory authorities strictly regulate the marketing, labeling, advertising and promotion of products that are placed on the market. Drugs may be promoted only for their approved indications and for use in accordance with the provisions of the approved label. The FDA, NMPA, EMA and other regulatory authorities actively enforce the laws and regulations prohibiting the promotion of off-label uses, and a company that is found to have improperly promoted off-label uses may be subject to significant liability. The policies of the FDA, NMPA, EMA and of other regulatory authorities may change and additional government regulations may be enacted that could prevent, limit or delay regulatory approval of our drug candidates. We cannot predict the likelihood, nature or extent of government regulation that may arise from future legislation or administrative action, either in the U.S. or abroad, particularly in China, where the regulatory environment is constantly evolving. If we are slow or unable to adapt to changes in existing requirements or the adoption of new requirements or policies, or if we are not able to maintain regulatory compliance, we may lose any regulatory approval that we may have obtained and we may not achieve or sustain profitability.

RISK FACTORS

In addition, if we obtain accelerated approval or conditional approval of any of our drug candidates, as we have done with the accelerated approval of BRUKINSA in the U.S. and China and certain approvals of tislelizumab, PARTRUVIX, XGEVA, BLINCYTO, KYPROLIS and QARZIBA in China, we will be required to conduct a confirmatory study to verify the predicted clinical benefit and may also be required to conduct post-marketing safety studies. The Food and Drug Omnibus Reform Act of 2022 (“FDORA”) granted the FDA the authority to require, as appropriate, that a post-approval confirmatory study or studies be underway prior to granting accelerated approval or within a specified time period after the date accelerated approval is granted. FDORA also gave the FDA increased authority to withdraw approval of a drug granted accelerated approval on an expedited basis if the sponsor fails to conduct such studies in a timely manner or such studies fail to verify clinical benefit. While operating under accelerated approval, we will be subject to certain restrictions that we would not be subject to upon receiving regular approval. For example, the FDA generally requires that all advertising and promotional materials be submitted to the FDA for review prior to dissemination or publication for products receiving accelerated approval, which could adversely impact the timing of the commercial launch of the product. However, the provisions for patent term extension are unclear and/or remain subject to the approval of implementing regulations that are still in draft form or have not yet been proposed, leading to uncertainty about their scope and implementation. Until the relevant implementing regulations for patent term extension in the Amended PRC Patent Law are implemented, and until data exclusivity is adopted and implemented, we may be subject to earlier generic or biosimilar competition in China than in the U.S. and other jurisdictions with stronger regulatory data protection for pharmaceutical products.

Undesirable adverse events caused by our medicines and drug candidates could interrupt, delay or halt clinical trials, delay or prevent regulatory approval, limit the commercial profile of an approved label, or result in significant negative consequences following any regulatory approval.

Undesirable adverse events (“AEs”) caused by our medicines and drug candidates could cause us or regulatory authorities to interrupt, delay or halt clinical trials and could result in a more restrictive label or the delay or denial of regulatory approval, or could result in limitations or withdrawal following approvals. If the conduct or results of our trials or patient experience following approval reveal a high and unacceptable severity or prevalence of AEs, our trials could be suspended or terminated and regulatory authorities could order us to cease further development of, or deny approval of, our drug candidates or require us to cease commercialization following approval.

RISK FACTORS

As is typical in the development of pharmaceutical products, drug-related AEs and serious AEs (“SAEs”) have been reported in our clinical trials. Some of these events have led to patient deaths. Drug-related AEs or SAEs could affect patient recruitment or the ability of enrolled subjects to complete the trial and could result in product liability claims. Any of these occurrences may harm our reputation, business, financial condition and prospects significantly. In our periodic and current reports filed with the SEC and our press releases and scientific and medical presentations released from time to time, we disclose clinical results for our drug candidates, including the occurrence of AEs and SAEs. Each such disclosure speaks only as of the date of the data cutoff used in such report, and we undertake no duty to update such information unless required by applicable law. Also, a number of immune-related adverse events (“IRAEs”) have been associated with treatment with checkpoint inhibitors such as tislelizumab, including immune-mediated pneumonitis, colitis, hepatitis, endocrinopathies, nephritis and renal dysfunction, skin adverse reactions, and encephalitis. These IRAEs may be more common in certain patient populations (potentially including elderly patients) and may be exacerbated when checkpoint inhibitors are combined with other therapies.

Additionally, undesirable side effects caused by our medicines and drug candidates, or caused by our medicines and drug candidates when used in combination with other drugs, could potentially cause significant negative consequences, including:

- regulatory authorities could delay or halt pending clinical trials;
- we may suspend, delay or alter development of the drug candidate or marketing of the medicine;
- regulatory authorities may withdraw approvals or revoke licenses of the medicine, or we may determine to do so even if not required;
- regulatory authorities may require additional warnings on the label;
- we may be required to implement a REMS for the drug, as is the case with REVLIMID, or, if a REMS is already in place, to incorporate additional requirements under the REMS, or to develop a similar strategy as required by a regulatory authority;
- we may be required to conduct post-marketing studies; and
- we could be sued and held liable for harm caused to subjects or patients.

Any of these events could prevent us from achieving or maintaining market acceptance of the particular drug or drug candidate, and could significantly harm our business, results of operations, financial condition, and prospects.

RISK FACTORS

If safety, efficacy, or other issues arise with any medical product that is used in combination with our medicines, we may be unable to market such medicine or may experience significant regulatory delays or supply shortages, and our business could be materially harmed.

We plan to develop certain of our medicines and drug candidates for use as a combination therapy. If a regulatory authority revokes its approval of the other therapeutic that we use in combination with our medicines or drug candidates, we will not be able to market our medicines or drug candidates in combination with such revoked therapeutic. If safety or efficacy issues arise with these or other therapeutics that we seek to combine with our medicines and drug candidates in the future, we may experience significant regulatory delays, and we may be required to redesign or terminate the applicable clinical trials. In addition, if manufacturing or other issues result in a supply shortage of any component of our combination medicines or drug candidates, we may not be able to complete clinical development of our drug candidates on our current timeline or at all, or we may experience disruptions in the commercialization of our approved medicines. For example, we have in-licensed drug candidates from third parties to conduct clinical trials in combination with our drug candidates. We may rely on those third parties to manufacture the in-licensed drug candidates and may not have control over their manufacturing process. If these third parties encounter any manufacturing difficulties, disruptions or delays and are not able to supply sufficient quantities of drug candidates, our drug combination study program may be delayed. For additional information, please see the section of this annual report titled “Risks Related to Our Reliance on Third Parties – We rely on third parties to manufacture some of our commercial and clinical drug supplies. Our business could be harmed if those third parties fail to provide us with sufficient quantities of product or fail to do so at acceptable quality levels or prices.”

Recently enacted and future legislation and regulations may increase the difficulty and cost for us to obtain regulatory approval of and commercialize our medicines and drug candidates and affect the prices we may obtain.

In the U.S., China, Europe and some other jurisdictions, there have been a number of legislative and regulatory changes and proposed changes regarding healthcare that could prevent or delay regulatory approval of our drug candidates, restrict or regulate post-approval activities and affect our ability to profitably sell our medicines and any drug candidates for which we obtain regulatory approval. We expect that healthcare reform measures may result in more rigorous coverage criteria and in additional downward pressure on the price that we receive for any approved medicine.

RISK FACTORS

We cannot predict the initiatives that may be adopted in the future. The continuing efforts of the government, insurance companies, managed care organizations and other payors of healthcare services to contain or reduce costs of healthcare and/or impose price controls may adversely affect the demand for our product candidates, if we obtain regulatory approval; our ability to set a price that we believe is fair for our approved products; our ability to generate revenue and achieve or maintain profitability; the level of taxes that we are required to pay; and the availability of capital.

Risks Related to Our Financial Position and Need for Additional Capital

We have incurred significant net losses since our inception and expect to incur net losses in the future and may not become profitable.

Investment in pharmaceutical drug development is highly capital-intensive and speculative. It entails substantial upfront capital expenditures and significant risk that a drug candidate will fail to gain regulatory approval or become commercially viable. We continue to incur significant expenses related to our ongoing operations. As a result, we have incurred losses in most periods since our inception, other than periods when we were profitable due to revenue recognized from up-front license fees from collaboration agreements or the settlement of legal proceedings. As of December 31, 2023, we had an accumulated deficit of US\$8.0 billion. Substantially all of our operating losses have resulted from costs incurred in connection with our research and development programs and from selling, general and administrative expenses associated with our operations.

We expect to continue to incur losses in the future, although we expect these losses to decrease in the near term as product sales growth exceeds expense growth. We expect expenses to continue to increase as we continue to expand our development of, and seek regulatory approvals for, our drug candidates, and our manufacturing facilities, commercialize our medicines and launch new medicines, if approved, maintain and expand regulatory approvals, contribute up to US\$1.25 billion to the global development of a portfolio of Amgen pipeline assets under our collaboration agreement, and commercialize the medicines that we have in-licensed. In addition, we will continue to incur costs associated with operating as a public company. The size of our future net losses will depend, in part, on the number and scope of our drug development programs and the associated costs of those programs, the cost of our manufacturing activities, the cost of commercializing our approved products, our ability to generate revenues and the timing and amount of milestones and other payments we make or receive with arrangements with third parties. If we fail to achieve market acceptance for our medicines or if promising drug candidates fail in clinical trials or do not gain regulatory approval, or if approved, fail to achieve market acceptance, we may never become profitable. Even if we achieve profitability in the future, we may not be able to sustain profitability in subsequent periods. Our failure to become and remain profitable would decrease the value of our company and could impair our ability to raise capital, maintain our research, development, manufacturing and commercialization efforts, expand our business or continue our operations.

RISK FACTORS

We may need to obtain additional financing to fund our operations, and if we are unable to obtain such financing, we may be unable to complete the development of our drug candidates or achieve profitability.

Our portfolio of drug candidates will require the completion of clinical development, regulatory review, scale up and availability of manufacturing resources, significant marketing efforts and substantial investment before they can provide us with product sales revenue. Additionally, we are investing in the manufacturing and commercialization of our approved medicines. Our operations have consumed substantial amounts of cash since inception. Our operating activities used US\$1.2 billion, US\$1.5 billion and US\$1.3 billion of net cash during the years ended December 31, 2023, 2022 and 2021, respectively. We recorded negative net cash flows from operating activities in 2023, 2022 and 2021 primarily due to our net losses of US\$0.9 billion, US\$2.0 billion and US\$1.5 billion, respectively. Although we recorded positive net cash flows from operating activities in 2017, primarily due to the upfront fees received from the BMS collaboration, we cannot assure you that we will be able to generate positive cash flows from operating activities in the future.

Our liquidity and financial condition may be materially and adversely affected by the negative net cash flows, and we cannot assure you that we will have sufficient cash from other sources to fund our operations. If we resort to other financing activities to generate additional cash, we will incur financing costs and we cannot guarantee that we will be able to obtain the financing on terms acceptable to us, or at all, and if we raise financing by issuing further equity securities your interest in our company may be diluted. If we have negative operating cash flows in the future, our liquidity and financial condition may be materially and adversely affected.

Since September 2017, we have generated revenues from the sale of medicines in China licensed from BMS, and since the fourth quarter of 2019, we have generated revenues from our internally developed medicines. These revenues are not sufficient to support our operations. Although it is difficult to predict our liquidity requirements, based upon our current operating plan, we believe that we have sufficient cash, cash equivalents and short-term investments to meet our projected operating requirements for at least the next 12 months. However, our existing cash, cash equivalents and short-term investments may not be sufficient to enable us to complete all global development or launch all of our current medicines and drug candidates for the currently anticipated indications and to invest in additional programs. Accordingly, we may require further funding through public or private offerings, debt financing, collaboration and licensing arrangements or other sources.

With uncertainty in the capital markets, adequate additional funding may not be available to us on acceptable terms, or at all. If we are unable to raise capital when needed or on attractive terms, we would be forced to delay, reduce or eliminate our research and development programs or commercialization efforts. Our inability to obtain additional funding when we need it could seriously harm our business.

RISK FACTORS

Raising additional capital may cause dilution to our shareholders, restrict our operations or require us to relinquish rights to our technologies or drug candidates.

We may seek additional funding through a combination of equity offerings, debt financings, collaborations and licensing arrangements. To the extent that we raise additional capital through the sale of equity or convertible debt securities, your ownership interest will be diluted, and the terms may include liquidation or other preferences that adversely affect your rights as a holder of our shares. The incurrence of additional indebtedness or the issuance of certain equity securities could result in increased fixed payment obligations and could also result in certain additional restrictive covenants, such as limitations on our ability to incur additional debt or issue additional equity, limitations on our ability to acquire or license intellectual property rights and other operating restrictions that could adversely impact our ability to conduct our business. In addition, issuance of additional equity securities, or the possibility of such issuance, may cause the market price of our shares to decline. In the event that we enter into collaborations or licensing arrangements in order to raise capital, we may be required to accept unfavorable terms, including relinquishing or licensing to a third party on unfavorable terms our rights to technologies or drug candidates that we otherwise would seek to develop or commercialize ourselves or potentially reserve for future potential arrangements when we might be able to achieve more favorable terms.

Fluctuations in exchange rates could result in foreign currency exchange losses and could materially reduce the value of your investment.

We incur portions of our expenses, and derive revenues, in currencies other than the U.S. dollar or Hong Kong dollar, in particular, the RMB, the Euro, and Australian dollar. As a result, we are exposed to foreign currency exchange risk as our results of operations and cash flows are subject to fluctuations in foreign currency exchange rates. Fluctuations in currencies may be affected by, among other things, changes in political and economic conditions and the foreign exchange policies proposed or adopted by certain governments. We do not regularly engage in hedging transactions to protect against uncertainty in future exchange rates between particular foreign currencies and the U.S. dollar. Fluctuations in the value of the U.S. dollar against currencies in countries in which we operate could have a negative impact on our results of operations. We cannot predict the impact of foreign currency fluctuations, and foreign currency fluctuations in the future may adversely affect our financial condition, results of operations, and cash flows.

Substantially all of our revenues are denominated in U.S. dollars and RMB, our costs are denominated in U.S. dollars, Australian dollars and RMB, and a large portion of our financial assets and a significant portion of our debt is denominated in U.S. dollars and RMB. To the extent that we need to convert U.S. dollars into RMB for our operations, appreciation of the RMB against the U.S. dollar would have an adverse effect on the RMB amount we would receive. Conversely, if we decide to convert RMB into U.S. dollars for the purpose of making payments for dividends or for other business purposes, appreciation of the U.S. dollar against the RMB would have a negative effect on the U.S. dollar amount we would receive.

RISK FACTORS

In addition, there are limited instruments available for us to reduce our foreign currency risk exposure at reasonable costs. Furthermore, we are also currently required to obtain approval from or registration with appropriate government authorities or designated banks before converting significant sums of foreign currencies into RMB. All of these factors could materially and adversely affect our business, financial condition, results of operations, and prospects, and could reduce the value of, and any dividends payable on, our shares in foreign currency terms.

Our business, profitability and liquidity may be adversely affected by deterioration in the credit quality of, or defaults by, our distributors and customers or by actual events or concerns involving the liquidity, default, or non-performance of financial institutions, including the U.S. government, and an impairment in the carrying value of our short-term investments could negatively affect our consolidated results of operations.

We are exposed to the risk that our distributors and customers may default on their obligations to us as a result of bankruptcy, lack of liquidity, operational failure or other reasons. As we continue to expand our business, the amount and duration of our credit exposure will be expected to increase, as will the breadth of the entities to which we have credit exposure. Although we regularly review our credit exposure to specific distributors and customers that we believe may present credit concerns, default risks may arise from events or circumstances that are difficult to detect or foresee.

Furthermore, actual events involving reduced liquidity, defaults, non-performance or other adverse developments that affect financial institutions, or concerns or rumors about any such events, have in the past and may in the future lead to market-wide liquidity problems. For example, in March 2023, Silvergate Bank, La Jolla, California, announced its decision to voluntarily liquidate its assets and wind down operations, Silicon Valley Bank, Santa Clara, California (“SVB”), was closed by the California Department of Financial Protection and Innovation, and Signature Bank, New York, New York, was closed by the New York State Department of Financial Services, and, in each case the Federal Deposit Insurance Corporation (“FDIC”) was appointed as receiver. Since then, additional financial institutions have experienced similar failures and have been placed into receivership. These events lead to volatility and declines in the market for bank stock and questions regarding confidence in depository institutions. There is no guarantee that the federal government will guarantee depositors in the event of a future bank closure. Investor concerns regarding the U.S. or international financial systems could result in less favorable commercial financing terms, including higher interest rates or costs and tighter financial and operating covenants, or systemic limitations on access to credit and liquidity sources, thereby making it more difficult for us to acquire financing on acceptable terms or at all. Any decline in available funding or access to our cash and liquidity resources could adversely impact our ability to meet our operating expenses or result in breaches of our financial or contractual obligations which could have material adverse impact on our liquidity and our projected business operations, financial condition and results of operations.

RISK FACTORS

As a result of uncertain political, credit and financial market conditions, including the potential of the U.S. government to default on the payment of its obligations for a period of time due to federal debt ceiling limitations or other unresolved political issues, investments in financial instruments issued or guaranteed by the U.S. government pose credit default and liquidity risks. A payment default or delay by the U.S. government, or continued uncertainty surrounding the U.S. debt ceiling, could result in a variety of adverse effects for financial markets, market participants and U.S. and global economic conditions. In addition, U.S. debt ceiling and budget deficit concerns have increased the possibility a downgrade in the credit rating of the U.S. government and could result in economic slowdowns or a recession in the U.S. No assurance can be made that losses or significant deterioration in the fair value of our U.S. government issued or guaranteed investments will not occur. At December 31, 2023, we had approximately US\$1.1 billion invested in government money market funds, US\$2.6 million invested directly in U.S. Treasury securities, and US\$42.9 million invested in time deposits. Downgrades to the U.S. credit rating could affect the stability of securities issued or guaranteed by the U.S. government and the valuation or liquidity of our portfolio of such investment securities.

The carrying amounts of cash and cash equivalents, restricted cash and short-term investments represent the maximum amount of loss due to credit risk. We had cash and cash equivalents of US\$3.2 billion, restricted cash of US\$14.2 million and short-term investments of US\$2.6 million as of December 31, 2023, most of which are deposited in financial institutions outside of China. As required by the PRC securities laws, the net proceeds from our offering on the STAR Market of the Shanghai Stock Exchange (the “STAR Offering”) must be used in strict compliance with the planned uses as disclosed in the PRC prospectus for the STAR Offering as well as our proceeds management policy for the STAR Offering approved by our board of directors. Although our cash and cash equivalents in China are deposited with various major reputable financial institutions, the deposits placed with these financial institutions are not protected by statutory or commercial insurance. In the event of bankruptcy of one of these financial institutions, we may be unlikely to claim our deposits back in full.

As of December 31, 2023, our short-term investments consisted of U.S. Treasury securities. Although we believe that the U.S. Treasury securities are of high credit quality and continually monitor the credit worthiness of these institutions, concerns about, or a default by, one institution in the U.S. market, could lead to significant liquidity problems, losses or defaults by other institutions, which in turn could adversely affect us.

RISK FACTORS

Failure to meet ESG expectations or standards or achieve our ESG goals could adversely affect our business, results of operations, financial condition or stock price.

There has been an increased focus from regulators and stakeholders on environmental, social, and governance (“ESG”) matters, including greenhouse gas emissions and climate-related risks; human capital management; diversity, equity, and inclusion; responsible sourcing and supply chain; human rights and social responsibility; and corporate governance and oversight. Given our commitment to ESG as part of our long-term strategy, we actively manage these issues and have established and publicly announced certain goals which we may refine in the future. These goals reflect our current plans and aspirations and are not guarantees that we will be able to achieve them. Evolving stakeholder expectations and our efforts and ability to manage these issues and accomplish our goals present numerous operational, regulatory, reputational, financial, legal, and other risks, any of which may be outside of our control or could have a material adverse impact on our business, including on our stock price. Further, there is uncertainty around the accounting standards and climate-related disclosures associated with emerging ESG laws and reporting requirements and the related costs to comply with the emerging regulations. Our failure or perceived failure to achieve our ESG goals or comply with ESG regulations could expose us to increased scrutiny from the investment community and enforcement authorities. Our reputation also may be harmed by the perceptions that our stakeholders have about our action or inaction on ESG-related issues.

Risks Related to Our Intellectual Property

If we are unable to obtain and maintain patent protection for our medicines and drug candidates through intellectual property rights, or if the scope of such intellectual property rights is not sufficiently broad, third parties may compete against us.

Our success depends in large part on our ability to protect our valuable innovations including medicines, drug candidates and proprietary technologies by obtaining, maintaining and enforcing our intellectual property rights, including patent rights. We seek to protect our innovations that we consider commercially important by filing patent applications in the U.S., the PRC, Europe and other territories, or relying on trade secrets or regulatory exclusivities.

RISK FACTORS

However, filing, prosecuting and maintaining patents/patent applications on our medicines or drug candidates in all countries throughout the world could be prohibitively expensive. The patentability requirements across countries vary and the laws of different countries do not provide patent protection to pharmaceutical inventions to the same extent. Therefore, our patent applications may not be granted in all countries and the issued patents can have various scope and strength throughout the world. In addition, different countries may provide varying regulatory exclusivities to pharmaceutical drugs, and some countries provide no regulatory exclusivities. Consequently, we may not be able to have the same protection or exclusivities to our medicines or drug candidates in all countries throughout the world. Further, given the amount of time required for the development, testing and regulatory review of new drug candidates, patents protecting such drug candidates might expire before or shortly after such drug candidates are commercialized. As a result, our patents and patent applications may not provide us with sufficient length of exclusivities to our medicines or drug candidates. The issued patents and pending patent applications, if issued, for our medicines and drug candidates are expected to expire on various dates as described in “Business – Intellectual Property” of this annual report. Upon the expiration of our issued patents or patents that may be issued from our pending patent applications, we may no longer have exclusivities on the corresponding medicines or drug candidates.

Moreover, issued patents may be invalidated for a number of reasons, including known or unknown prior art, deficiencies in the patent applications or the lack of novelty or inventive step of the underlying invention or technology.

Any of the foregoing could have a material adverse effect on our competitive position, business, financial conditions, results of operations, and prospects.

We may become involved in lawsuits to protect or enforce our intellectual property, which could be expensive, time consuming and unsuccessful. Our patent rights relating to our medicines and drug candidates could be found invalid or unenforceable if challenged in court or before government patent authorities.

Third parties may infringe our patent rights or misappropriate or otherwise violate our intellectual property rights. Litigation may be necessary in the future to enforce or defend our intellectual property rights or to protect our trade secrets. This can be expensive and time consuming. Any claims that we assert against perceived infringers could also provoke these parties to challenge the validity or enforceability of our patents.

RISK FACTORS

For example, when a generic drug company files an Abbreviated New Drug Application (“ANDA”) with the FDA seeking approval to market a generic version of any of our products before the expiration of Orange Book listed patents (“OB Patents”) covering such products, this will most likely trigger ANDA litigation. The success of ANDA litigation depends on the strength of the OB Patents and our ability to prove infringement. The outcome of ANDA litigation is inherently uncertain and may result in potential loss of market exclusivity for our products which may have a significant financial impact on product revenue.

Specifically, in patent litigation, defendants often challenge the validity and/or enforceability of the asserted patents, and there are numerous potential grounds upon which a patent can be found invalid and/or unenforceable. The validity of a patent can also be challenged before administrative bodies in the U.S. or abroad, even outside the context of litigation. Such mechanisms include ex parte re-examination, inter partes review, post-grant review, derivation and equivalent proceedings in non-U.S. jurisdictions, such as opposition proceedings. Such proceedings could result in revocation or amendment to our patents in such a way that they no longer cover and protect our medicines or drug candidates. The outcome of such proceedings is inherently uncertain and may result in losing the patent protection on our medicines or drug candidates. Such a loss of patent protection could have a material adverse impact on our business.

If we are sued for infringing intellectual property rights of third parties, such litigation could be costly and time consuming and could prevent or delay us from developing or commercializing our medicines or drug candidates.

We respect third parties’ valid intellectual property rights and diligently manage any freedom to operate risks associated with our medicines and drug candidates. Nevertheless, we bear the risk that we may sometimes be sued by third parties for patent infringement. We are aware of numerous issued patents and pending patent applications belonging to third parties that exist in fields of our medicines and drug candidates. There may also be third-party patents or patent applications of which we are currently unaware, and given the dynamic area in which we operate, additional patents are likely to be issued that relate to aspects of our business. There is a substantial amount of litigation and other claims and proceedings involving patent and other intellectual property rights in the biotechnology and pharmaceutical industries generally. As the biotechnology and pharmaceutical industries expand and more patents are issued, the risk increases that our medicines and drug candidates may give rise to claims of infringement of the patent rights of others.

Third parties may assert that our products infringe their patents or other proprietary rights. For example, on June 13, 2023, Pharmacyclics LLC (“Pharmacyclics”) filed a complaint in the U.S. District Court for the District of Delaware against us and one of our subsidiaries, alleging that BRUKINSA infringes a Pharmacyclics’ patent issued on June 13, 2023. Defense of these claims, regardless of their merit, could involve substantial litigation expense and divert our technical personnel, management personnel, or both from their normal responsibilities. Even in the absence of litigation, we may seek to obtain licenses from third parties to avoid the risks of litigation, and if a license is available, it could impose costly royalty and other fees and expenses on us.

RISK FACTORS

If third parties bring successful claims against us for infringement of their intellectual property rights, we may be subject to injunctive or other equitable relief, which could prevent us from developing and commercializing one or more of our medicines and drug candidates. In the event of a successful claim against us of infringement or misappropriation, or a settlement by us of any such claims, we may have to pay substantial damages, including treble damages and attorneys' fees in the case of willful infringement, pay royalties or redesign our infringing medicines and drug candidates, which may be impossible or require substantial time and cost. In the event of an adverse result in any such litigation, or even in the absence of litigation, we may need to obtain licenses from third parties to advance our research or allow commercialization of our medicines or drug candidates, which could result in substantial upfront and/or royalty payment.

Changes in patent law could diminish the value of patents in general, thereby impairing our ability to protect our medicines or drug candidates.

The laws and regulations governing patents could change in unpredictable ways that would weaken our ability to obtain new patents or to enforce our existing patents and patents that we might obtain in the future. There could be changes in the laws of the U.S. or foreign jurisdictions that may impact the value of our patent rights or our other intellectual property rights.

If we are unable to protect the confidentiality of our trade secrets, our business and competitive position would be harmed. We may also be subject to claims that our employees have wrongfully used or disclosed alleged trade secrets of their former employers or collaboration partners.

In addition to our issued patent and pending patent applications, we rely on trade secrets, including unpatented know-how, technology and other proprietary information, to maintain our competitive position and to protect our medicines and drug candidates. We seek to protect these trade secrets, in part, by entering into non-disclosure and confidentiality agreements with parties that have access to them, such as our employees, corporate collaborators, outside scientific collaborators, sponsored researchers, contract manufacturers, consultants, advisors and other third parties. We also enter into confidentiality and invention or patent assignment agreements with our employees and consultants. However, any of these parties may breach such agreements and disclose our proprietary information, and we may not be able to obtain adequate remedies for such breaches. Enforcing a claim that a party illegally disclosed or misappropriated a trade secret can be difficult, expensive and time-consuming, and the outcome is unpredictable. If any of our trade secrets were to be lawfully obtained or independently developed by a competitor, we would have no right to prevent them from using that technology or information to compete with us and our competitive position would be harmed.

RISK FACTORS

Furthermore, many of our employees, including our senior management, were previously employed at other biotechnology or pharmaceutical companies, including our competitors or potential competitors. Some of these employees, including members of our senior management, executed proprietary rights, non-disclosure and in some cases non-competition agreements in connection with their previous employment. Our employees may also have access to trade secrets of our collaboration partners. Although we try to ensure that our employees do not use the proprietary information or know-how of others in their work for us, we may be subject to claims that we or these employees have used or disclosed intellectual property, including trade secrets or other proprietary information, of any such employee's former employer. If we fail in defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights or personnel. Even if we are successful in defending against such claims, litigation could result in substantial costs and be a distraction to management.

Risks Related to Our Reliance on Third Parties

We rely on third parties to manufacture some of our commercial and clinical drug supplies. Our business could be harmed if those third parties fail to provide us with sufficient quantities of product or fail to do so at acceptable quality levels or prices.

Although we manufacture commercial supply of tislelizumab, zanubrutinib, and pamiparib at our manufacturing facilities in China, and are progressing towards the completion of our commercial-stage biologics manufacturing and clinical R&D center in New Jersey and a new small molecule manufacturing campus in Suzhou, China, we continue to rely on outside vendors to manufacture supplies and process some of our medicines and drug candidates. For example, we have entered into a commercial supply agreement for tislelizumab with Boehringer Ingelheim Biopharmaceuticals (China) Ltd. ("Boehringer Ingelheim") and entered into a commercial supply agreement for BRUKINSA with Catalent Pharma Solutions, LLC ("Catalent"). In addition, we generally rely on our collaboration partners and their third-party manufacturers for supply of in-licensed medicines in China. We have limited experience in manufacturing or processing our medicines and drug candidates on a commercial scale. Additionally, we have limited experience in managing the manufacturing process, and our process may be more difficult or expensive than the approaches currently in use.

Although we intend to use our own manufacturing facilities, we also intend to use third parties as part of our manufacturing process and for the clinical and commercial supply of our medicines and drug candidates. Our anticipated reliance on a limited number of third-party manufacturers exposes us to the following risks:

- we may be unable to identify manufacturers on acceptable terms or at all because the number of potential manufacturers is limited and regulatory authorities must evaluate and/or approve any manufacturers as part of their regulatory oversight of our medicines and drug candidates. This evaluation would require new testing and GMP-compliance inspections by regulatory authorities;

RISK FACTORS

- our manufacturers may have little or no experience with manufacturing our medicines and drug candidates, and therefore may require a significant amount of support from us in order to implement and maintain the infrastructure and processes required to manufacture our medicines and drug candidates;
- our third-party manufacturers might be unable to timely manufacture our medicines and drug candidates or produce the quantity and quality required to meet our clinical and commercial needs, if any. This may, in the future, require us to transfer manufacturing technology to a different manufacturer or use a different process, each of which would be both time consuming and costly and potentially require us to conduct comparative studies to determine bioequivalence of the new and prior manufacturers' products or the new and old processes;
- manufacturers are subject to ongoing periodic unannounced inspection by the FDA and corresponding state agencies in the U.S. to ensure strict compliance with GMP requirements and other government regulations and by other comparable regulatory authorities for corresponding non-U.S. requirements. Manufacturers may be unable to comply with these GMPs which may result in fines and civil penalties, suspension of production, suspension, delay or withdrawal of product approval, or product seizure or recall. We do not have control over third-party manufacturers' compliance with these regulations and requirements;
- we may not own, or may have to share, the intellectual property rights to some of the technology used and improvements made by our third-party manufacturers in the manufacturing process for our medicines and drug candidates;
- raw materials and components used in the manufacturing process, particularly those for which we have no other source or supplier, may not be available or may not be suitable or acceptable for use due to material or component defects;
- our contract manufacturers and drug component suppliers may be subject to disruptions in their business, including unexpected demand for or shortage of raw materials or components, cyber-attacks on supplier systems, labor disputes or shortage and inclement weather, as well as natural or man-made disasters or pandemics; and
- manufacturing partners may require us to fund capital improvements to support scale-up of manufacturing and related activities to the extent our drug candidates or medicines become approved for commercial sale.

RISK FACTORS

For example, in March 2020, the NMPA suspended the importation, sales and use of ABRAXANE in China previously supplied to us by BMS, and the drug was subsequently recalled by BMS. This suspension was based on inspection findings at BMS's contract manufacturing facility in the U.S..

Each of these risks could delay or prevent the completion of our clinical trials or the approval of any of our drug candidates, result in higher costs or adversely impact development of our drug candidates or commercialization of our medicines. In addition, we will rely on third parties to perform certain specification tests on our medicines and drug candidates prior to delivery to patients. If these tests are not appropriately done and test data are not reliable, patients could be put at risk of serious harm and regulatory authorities could place significant restrictions on our company until deficiencies are remedied.

Currently, the raw materials for our manufacturing activities are supplied by multiple source suppliers, although portions of our supply chain may rely on sole source suppliers. We have agreements for the supply of drug materials with manufacturers or suppliers that we believe have sufficient capacity to meet our demands. In addition, we believe that adequate alternative sources for such supplies exist. However, there is a risk that, if supplies are interrupted, it would materially harm our business.

Manufacturers of drug and biological products often encounter difficulties in production, particularly in scaling up or out, validating the production process, and assuring high reliability of the manufacturing process (including the absence of contamination). These problems include logistics and shipping, difficulties with production costs and yields, quality control, including stability of the product, product testing, operator error, availability of qualified personnel, as well as compliance with strictly enforced federal, state and non-U.S. regulations. Furthermore, if contaminants are discovered in the supply of our medicines and drug candidates or in the manufacturing facilities, such manufacturing facilities may need to be closed for an extended period of time to investigate and remedy the contamination. We cannot assure you that any stability failures or other issues relating to the manufacture of our medicines and drug candidates will not occur in the future. Additionally, our manufacturers may experience manufacturing difficulties due to resource constraints or as a result of labor disputes or unstable political environments. If our manufacturers were to encounter any of these difficulties, or otherwise fail to comply with their contractual obligations, our ability to provide our medicines for commercial sale and our drug candidates to patients in clinical trials would be jeopardized. Any delay or interruption in the supply of clinical trial supplies could delay the completion of clinical trials, increase the costs associated with maintaining clinical trial programs and, depending upon the period of delay, require us to begin new clinical trials at additional expense or terminate clinical trials completely.

RISK FACTORS

We have entered into licensing and collaboration arrangements and may enter into additional collaborations, licensing arrangements, or strategic alliances in the future, and we may not realize the benefits of such arrangements.

We have entered into licensing and collaboration agreements and may enter into additional collaboration, licensing arrangements, or strategic alliances with third parties that we believe will complement or augment our research, development and commercialization efforts. Any of these relationships may require us to incur non-recurring and other charges, increase our near and long-term expenditures, issue securities that dilute our existing shareholders, or disrupt our management and business.

In 2017, we acquired Celgene's commercial operations in China and an exclusive license to Celgene's (now BMS's) commercial cancer portfolio in China, REVLIMID, VIDAZA and ABRAXANE. In 2020, the NMPA suspended the importation, sales and use of ABRAXANE in China previously supplied to us by BMS, and the drug was subsequently recalled by BMS. This suspension was based on inspection findings at BMS's contract manufacturing facility in the U.S..

In 2019, we entered into a strategic collaboration with Amgen with respect to its commercial-stage oncology products XGEVA, BLINCYTO and KYPROLIS and a portfolio of clinical – and late-preclinical-stage oncology pipeline products. In 2021, we entered into a collaboration and license agreement with Novartis Pharma AG ("Novartis"), granting Novartis rights to develop, manufacture and commercialize our anti-PD-1 antibody tislelizumab in North America, Japan, the EU, and six other European countries, but that agreement was terminated in September 2023, pursuant to a mutual termination and release agreement, whereby we regained full, global rights to develop, manufacture and commercialize tislelizumab. In December 2021, we entered into an option, collaboration and license agreement with Novartis to develop, manufacture and commercialize our investigational TIGIT inhibitor, ociperlimab, in North America, Europe, and Japan, but that agreement was terminated in July 2023, pursuant to a mutual termination and release agreement, whereby we regained full, global rights to develop, manufacture and commercialize ociperlimab.

Our strategic collaborations involve numerous risks. We cannot be certain that we will achieve the financial and other benefits that led us to enter into the collaborations. Moreover, we may not achieve the revenue and cost synergies expected from our collaborations, and our management's attention may be diverted from our drug discovery and development business. These synergies are inherently uncertain, and are subject to significant business, economic and competitive uncertainties and contingencies, many of which are difficult to predict and are beyond our control. If we achieve the expected benefits, they may not be achieved within the anticipated time frame. Lastly, strategic collaborations can be terminated for various reasons. For example, our strategic collaboration with Celgene for the development and commercialization of tislelizumab, which we entered into in connection with the license agreement in 2017, was terminated in 2019 in advance of the acquisition of Celgene by BMS.

RISK FACTORS

We face significant competition in seeking appropriate strategic partners, and the negotiation process is time-consuming and complex. Moreover, we may not be successful in our efforts to establish a strategic collaboration for our medicines and drug candidates because they may be deemed to be at too early of a stage of development for collaborative effort and third parties may not view our medicines and drug candidates as having the requisite potential to demonstrate safety and efficacy or commercial viability. If and when we collaborate with a third party for development and commercialization of a medicine or drug candidate, we can expect to relinquish some or all of the control over the future success of that medicine or drug candidate to the third party. For any medicines or drug candidates that we may seek to in-license from third parties, we may face significant competition from other pharmaceutical or biotechnology companies with greater resources or capabilities than us, and any agreement that we do enter may not result in the anticipated benefits.

Collaborations involving our medicines and drug candidates are subject to numerous risks, which may include the following:

- collaborators have significant discretion in determining the efforts and resources that they will apply to a collaboration;
- collaborators may not pursue development and commercialization of our drug candidates and medicines or may elect not to continue or renew development or commercialization programs based on clinical trial results, changes in their strategic focus due to the acquisition of competitive drugs, availability of funding, or other external factors, such as a business combination that diverts resources or creates competing priorities;
- collaborators may delay clinical trials, provide insufficient funding for a clinical trial, stop a clinical trial, abandon a drug candidate, repeat or conduct new clinical trials, or require a new formulation of a drug candidate for clinical testing;
- collaborators could independently develop, or develop with third parties, drugs that compete directly or indirectly with our medicines or drug candidates;
- a collaborator with marketing and distribution rights to one or more medicines may not commit sufficient resources to their marketing and distribution or may set prices that reduce the profitability of the medicines;

RISK FACTORS

- collaborators may not properly maintain or defend our intellectual property rights or may use our intellectual property or proprietary information in a way that gives rise to actual or threatened litigation that could jeopardize or invalidate our intellectual property or proprietary information or expose us to potential liability;
- disputes may arise between us and a collaborator that cause the delay or termination of the research, development or commercialization of our medicines and drug candidates, or that result in costly litigation or arbitration that diverts management attention and resources; and
- collaborators may own or co-own intellectual property covering our medicines and drug candidates that results from our collaborating with them, and in such cases, we would not have the exclusive right to commercialize such intellectual property.

As a result, we may not be able to realize the benefit of current or future collaborations, licensing arrangements or strategic alliances for our medicines and drug candidates if we are unable to successfully integrate such products with our existing operations and company culture, which could delay our timelines or otherwise adversely affect our business. We also cannot be certain that, following a strategic transaction or license, we will be able to fulfill all of our contractual obligations in a timely manner or achieve the revenue, specific net income or other goals that justify such transaction. If we are unable to reach agreements with suitable collaborators on a timely basis, on acceptable terms, or at all, we may have to curtail the development of a drug candidate, reduce or delay its development program or one or more of our other development programs, delay its potential commercialization or reduce the scope of any sales or marketing activities, or increase our expenditures and undertake development or commercialization activities at our own expense.

If we fail to maintain an effective distribution channel for our medicines, our business and sales could be adversely affected.

We rely on third-party distributors to distribute our approved medicines. For example, we rely on sole third-party distributors to distribute some of our in-licensed approved medicines in China and multiple third-party distributors for the distribution of our internally developed medicines. We also expect to rely on third-party distributors to distribute our other internally developed and in-licensed medicines, if approved. Our ability to maintain and grow our business will depend on our ability to maintain an effective distribution channel that ensures the timely delivery of our medicines. However, we have relatively limited control over our distributors, who may fail to distribute our medicines in the manner we contemplate. If price controls or other factors substantially reduce the margins our distributors can obtain through the resale of our medicines to hospitals, medical institutions and sub-distributors, they may terminate their relationship with us. While we believe alternative distributors are readily available, there is a risk that, if the distribution of our medicines is interrupted, our sales volumes and business prospects could be adversely affected.

RISK FACTORS

If third-party manufacturers fail to comply with manufacturing regulations, our financial results could be adversely affected.

Before a third party can begin commercial manufacture of our medicines, they are subject to regulatory inspections of their manufacturing facilities, processes and quality systems. Due to the complexity of the processes used to manufacture drug and biological products, any potential third-party manufacturer may be unable to initially pass regulatory inspections in a timely or cost-effective manner in order for us to obtain regulatory approval. If contract manufacturers do not pass their inspections by the relevant regulatory authorities, our commercial supply of drug product or substance will be significantly delayed and may result in significant additional costs, including the delay or denial of any marketing application for our drug candidates or disruption in sales. In addition, drug and biological manufacturing facilities are continuously subject to inspection by regulatory authorities, before and after drug approval, and must comply with GMPs. Our or our collaborators' contract manufacturers may encounter difficulties in achieving quality control and quality assurance and may experience shortages in qualified personnel. In addition, contract manufacturers' failure to achieve and maintain high manufacturing standards in accordance with applicable regulatory requirements, or the incidence of manufacturing errors, could result in patient injury, product liability claims, product shortages, product recalls or withdrawals, delays or failures in product testing or delivery, cost overruns or other problems that could seriously harm our business. For certain commercial prescription drug and biologic products, manufacturers and other parties involved in the supply chain must also meet chain of distribution requirements and build electronic, interoperable systems for product tracking and tracing and for notifying the FDA of counterfeit, diverted, stolen and intentionally adulterated products or other products that are otherwise unfit for distribution in the U.S. If a third-party manufacturer with whom we or our collaborators contract is unable to comply with manufacturing regulations, we may also be subject to fines, unanticipated compliance expenses, recall or seizure of our drugs, product liability claims, total or partial suspension of production and/or enforcement actions, including injunctions, and criminal or civil prosecution. These possible sanctions could materially adversely affect our financial results. For example, in 2020, the NMPA suspended the importation, sales and use of ABRAXANE in China previously supplied to us by BMS, and the drug was subsequently recalled by BMS. This suspension was based on inspection findings at BMS's contract manufacturing facility in the U.S..

RISK FACTORS

If we are not able to successfully develop and/or commercialize Amgen's oncology products, the expected benefits of the collaboration will not materialize.

We have a collaboration agreement with Amgen pursuant to which we and Amgen have agreed to collaborate on the commercialization of Amgen's oncology products XGEVA, BLINCYTO and KYPROLIS in China, and the global development and commercialization in China of a portfolio of Amgen's clinical- and late-preclinical-stage pipeline products. Amgen has paused or stopped development of some of the pipeline assets due to portfolio prioritization, and the parties expect that the development plan for the pipeline assets will continue to evolve over time. In connection with our ongoing assessment of the collaboration agreement cost-share contributions, we determined that our further investment in the development of LUMAKRAS (sotorasib) ("AMG 510"), a first-in-class KRAS G12C inhibitor, was no longer commercially viable for BeiGene. As a result, in February 2023, we entered into an amendment to the collaboration agreement to (i) stop sharing costs with Amgen for the further development of AMG 510 during the period starting January 1, 2023 and ending August 31, 2023; and (ii) cooperate in good faith to prepare a transition plan with the termination of AMG 510 from the Amgen Collaboration Agreement. Additionally, for the period between 2020 and 2022, we were advised by Amgen that its applications to the Human Genetic Resources Administration of China ("HGRAC") to obtain approval to conduct clinical studies in China for the pipeline assets were delayed. Approval from the HGRAC is required for the initiation of clinical trials involving the collection of human genetic materials in China. We do not expect the previous HGRAC delay to affect the conduct of the clinical trials in China for our drug candidates, other than assets that are part of the Amgen collaboration. The Amgen collaboration involves numerous risks, including unanticipated costs and diversion of our management's attention from our other drug discovery and development business. There can be no assurance that we will be able to successfully develop and commercialize Amgen's oncology products in China, which could disrupt our business and harm our financial results.

We may rely on third parties to conduct our preclinical studies and clinical trials. If these third parties do not successfully carry out their contractual duties or meet expected deadlines, we may not be able to obtain regulatory approval for or commercialize our medicines and drug candidates and our business could be substantially harmed.

We have relied upon and plan to continue to rely to some extent upon third-party CROs to monitor and manage data and provide other services for our ongoing preclinical and clinical programs. We may rely on these parties for execution of our preclinical studies and clinical trials, and control only certain aspects of their activities. Nevertheless, we are responsible for ensuring that each of our studies is conducted in accordance with the applicable protocol, legal and regulatory requirements and scientific standards, and our reliance on the CROs does not relieve us of our regulatory responsibilities. We, our CROs for our clinical programs and our clinical investigators are required to comply with GCPs, which are regulations and guidelines enforced by regulatory authorities for all of our drug candidates in clinical development. If we or any of our CROs or clinical investigators fail to comply with applicable GCPs and other regulatory requirements, the clinical data generated in our clinical trials may be deemed unreliable and regulatory authorities may require us to perform additional clinical trials before approving our marketing applications. In addition, our pivotal clinical trials must be conducted with drug product produced under GMP regulations. Our failure to comply with these regulations may require us to repeat clinical trials, which would delay the regulatory approval process. We could also be subject to government investigations and enforcement actions.

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If any of our relationships with these third-party CROs terminate, we may not be able to enter into arrangements with alternative CROs or to do so on commercially reasonable terms. In addition, our CROs are not our employees, and except for remedies available to us under our agreements with such CROs, we cannot control whether or not they devote sufficient time and resources to our ongoing clinical and nonclinical programs. If CROs do not successfully carry out their contractual duties or obligations or meet expected deadlines, if they need to be replaced or if the quality or accuracy of the clinical data they or our clinical investigators obtain is compromised due to the failure to adhere to our clinical protocols, regulatory requirements or for other reasons, our clinical trials may be extended, delayed or terminated and we may not be able to obtain regulatory approval for or successfully commercialize our drug candidates. As a result, our results of operations and the commercial prospects for our drug candidates would be harmed, our costs could increase and our ability to generate revenues could be delayed.

Switching or adding additional CROs involves additional cost and delays, which can materially influence our ability to meet our desired clinical development timelines. There can be no assurance that we will not encounter similar challenges or delays in the future or that these delays or challenges will not have a material adverse effect on our business, financial condition and prospects.

Risks Related to Our Industry, Business and Operations

We have significantly increased and expect to continue to increase our research, development, manufacturing, and commercial capabilities, and we may experience difficulties in managing our growth.

At the beginning of 2023, we had approximately 9,000 employees, and we ended the year with close to 10,500 employees, an increase of over 10%. As of the date of this annual report, we had over 10,600 employees. As our research, development, manufacturing and commercialization plans and strategies evolve, we must add a significant number of additional managerial, operational, drug development, clinical, regulatory affairs, manufacturing, sales, marketing, financial and other personnel in the U.S., China, Europe and other regions. Our recent growth and any anticipated future growth will impose significant added responsibilities on members of management, including: identifying, recruiting, integrating, maintaining, and motivating additional employees; managing the growth in our research, clinical operations, commercial, and supporting functions; and improving our operational, financial and management controls, reporting systems and procedures. Our management may also have to divert a disproportionate amount of its attention away from day-to-day activities in order to devote a substantial amount of time to managing these growth activities.

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We currently rely, and for the foreseeable future will continue to rely, on certain independent organizations, advisors and consultants to provide certain services. There can be no assurance that the services of these independent organizations, advisors and consultants will continue to be available to us on a timely basis when needed, or that we can find qualified replacements. There can be no assurance that we will be able to manage our existing consultants or find other competent outside contractors and consultants on economically reasonable terms, if at all.

If we are not able to effectively manage our growth and further expand our organization by hiring new employees and expanding our groups of consultants and contractors as needed, we may not be able to successfully implement the tasks necessary to further develop, manufacture and commercialize our medicines and drug candidates and, accordingly, may not achieve our research, development, manufacturing and commercialization goals.

Our future success depends on our ability to retain key executives and to attract, retain and motivate qualified personnel.

Xiaodong Wang, Ph.D., our Co-Founder, Chairman of our scientific advisory board, and director; John V. Oyler, our Co-Founder, Chief Executive Officer and Chairman of the board of directors; Xiaobin Wu, Ph.D., our President, Chief Operating Officer and General Manager of China; Julia Wang, our Chief Financial Officer; and the other principal members of our management and scientific teams play a critical role in the Company's operation and development. Although we have employment agreements or offer letters with each of our executive officers, these agreements do not prevent our executives from terminating their employment with us at any time. We do not maintain "key person" insurance for any of our executives or other employees.

Recruiting and retaining qualified scientific, clinical, manufacturing and sales and marketing personnel will also be critical to our success. To induce valuable employees to remain at our company, in addition to salary and cash incentives, we have provided share option, restricted share unit and restricted share grants that vest over time or based on performance conditions. The value to employees of these equity grants that may be significantly affected by movements in our share price that are beyond our control and may be insufficient to counteract more lucrative offers from other companies.

In addition, we rely on consultants and advisors, including scientific and clinical advisors, to assist us in formulating and executing our discovery, clinical development, manufacturing and commercialization strategy. The loss of the services of our executive officers or other key employees and consultants could impede the achievement of our research, development, manufacturing and commercialization objectives and seriously harm our ability to successfully implement our business strategy.

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Furthermore, replacing executives, key employees or consultants may be difficult and may take an extended period of time because of the limited number of individuals in our industry with the breadth of skills and experience required to successfully develop, gain regulatory approval of and commercialize products. Competition to hire from this limited pool is intense, and we may be unable to hire, train, retain or motivate these key personnel or consultants on acceptable terms, given the competition among numerous pharmaceutical and biotechnology companies for similar personnel.

We also experience competition for the hiring of scientific and clinical personnel from universities and research institutions. Our consultants and advisors may be employed by employers other than us and may have commitments under consulting or advisory contracts with other entities that may limit their availability to us. If we are unable to continue to attract and retain high quality personnel, our ability to pursue our growth strategy will be limited.

Our business is subject to complex and evolving industry-specific laws and regulations regarding the collection and transfer of personal data. These laws and regulations can be stringent and many are subject to change and uncertain interpretation, which could result in claims, changes to our data and other business practices, significant penalties, increased cost of operations, or otherwise adversely impact our business.

Regulatory authorities around the world have implemented industry-specific laws and regulations that affect the collection and transfer of personal data. For example, in China, the Regulation on the Administration of Human Genetic Resources (“HGR” and, such regulation, the “HGR Regulation”) applies to activities that involve sampling, biobanking, use of HGR materials and associated data, in China, and provision of such materials to non-PRC parties. The HGR Regulation prohibits both onshore or offshore entities established or actually controlled by non-PRC entities and individuals from sampling or biobanking any China HGR in China and require approval for the sampling of certain HGR and biobanking of all HGR by Chinese parties. Approval for any export or cross-border transfer of HGR material is required, and transfer of China HGR data by Chinese parties to non-PRC parties or entities established or actually controlled by them also requires the Chinese parties to file, before the transfer, a copy of the data to the HGR administration for record. The HGR Regulation also requires that non-PRC parties ensure the full participation of Chinese parties in international collaborations and all records and data must be shared with the Chinese parties. The Implementing Rules for the HGR Regulation and additional issued guidance has clarified many areas of the HGR Regulation. For information about applications under the HGR Regulation for clinical studies in China that may affect the Amgen collaboration, see the risk factor titled “If we are not able to successfully develop and/or commercialize Amgen’s oncology products, the expected benefits of the collaboration will not materialize.”

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Additionally, the Cyberspace Administration of China (“CAC”) released the final Measures of Cross-Border Data Transfer Security Assessment, effective as of September 2022, under which any transfer of certain “important data” out of China triggers a security assessment to be conducted by the Chinese government. The term “important data” is a broadly defined term under the Cybersecurity Law and Data Security Law, and further clarifications need to be put in place by the Chinese government. However, under the latest draft Important Data Identification Rules, HGR data is classified as “important data,” and if the guidance is finalized as is, it can be expected that this new cross-border data transfer rule may create considerable additional regulatory burdens on international companies’ human gene-involved R&D activities in China.

If the Chinese parties fail to comply with data protection laws, regulations and practice standards, and our research data is obtained by unauthorized persons, used or disclosed inappropriately or destroyed, it could result in a loss of our confidential information and subject us to litigation and government enforcement actions. It is possible that these laws may be interpreted and applied in a manner that is inconsistent with our or our collaborators’ practices, potentially resulting in suspension of relevant ongoing clinical trials or the initiation of new trials, confiscation of HGR samples and associated data and administrative fines, disgorgement of illegal gains, or temporary or permanent debarment of our or our collaborators’ entities and responsible persons from further HGR projects and, consequently, a de-facto ban from initiating new clinical trials in China. So far, the HGR administration has disclosed a number of HGR violation cases.

To further enhance the administration of China HGR, in 2021, the Chinese government adopted amendments to the Criminal Code, which criminalize the illegal collection of China HGR, the illegal transfer of China HGR materials outside of China, and the transfer of China HGR data to non-PRC parties or entities established or actually controlled by them without going through security review and assessment. Also in 2021, the PRC Biosecurity Law became effective, giving the Ministry of Science and Technology, China’s major regulatory authority of HGR, significantly more power and discretion to regulate HGR and it is expected that the overall regulatory landscape for Chinese HGR will continue to evolve and become even more rigorous. In addition, the interpretation and application of data protection laws in China are often uncertain and in flux.

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We expect that these areas will receive greater and continued attention and scrutiny from regulators and the public going forward, which could increase our compliance costs and subject us to heightened risks and challenges associated with data security and protection. If we are unable to manage these risks, we could become subject to significant penalties, including fines, suspension of business and revocation of required licenses, and our reputation and results of operations could be materially and adversely affected.

We manufacture some of our medicines and intend to manufacture some of our drug candidates, if approved. Failure to comply with regulatory requirements could result in sanctions being imposed against us and delays in completing and receiving regulatory approvals for our manufacturing facilities, or damage to, destruction of or interruption of production at such facilities, could delay our development plans or commercialization efforts.

We currently have manufacturing facilities in Beijing, Guangzhou, and Suzhou, China. We are also constructing a commercial-stage biologics manufacturing and clinical R&D center in New Jersey, U.S., and a new small molecule manufacturing campus in Suzhou, China. These facilities may encounter unanticipated delays and expenses due to a number of factors, including regulatory requirements. If construction or expansion, regulatory evaluation and/or approval of our facilities are delayed, we may not be able to manufacture sufficient quantities of our medicines and drug candidates, which would limit our development and commercialization activities and our opportunities for growth. Cost overruns associated with constructing or maintaining our facilities could require us to raise additional funds from other sources. For example, we may not be able to complete the construction and validation of and obtain regulatory approval for the new manufacturing and clinical R&D center in New Jersey, the new manufacturing campus in Suzhou and manufacturing facility expansion in Guangzhou in a timely or economic manner.

In addition to the similar manufacturing risks described in “Risks Related to Our Reliance on Third Parties,” our manufacturing facilities are subject to inspection in connection with clinical development and new drug approvals and ongoing, periodic inspection by the FDA, NMPA, EMA or other comparable regulatory agencies to ensure compliance with GMP and other regulatory requirements. Historically, some manufacturing facilities in China have had difficulty meeting the FDA’s, NMPA’s or EMA’s standards. Our failure to follow and document our adherence to such GMP regulations or other regulatory requirements may lead to significant delays in the availability of products for clinical or commercial use, may result in the termination of or a hold on a clinical trial, or may delay or prevent filing or approval of marketing applications for our drug candidates or the commercialization of our medicines. We also may encounter problems with achieving adequate or clinical-grade materials that meet FDA, NMPA, EMA or other comparable regulatory agency standards or specifications with consistent and acceptable production yield and costs, as well as shortages of qualified personnel, raw materials or key contractors.

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Failure to comply with applicable regulations could also result in sanctions being imposed on us, including fines, injunctions, civil penalties, a requirement to suspend or put on hold one or more of our clinical trials, failure of regulatory authorities to grant marketing approval of our drug candidates, delays, suspension or withdrawal of approvals, supply disruptions, license revocation, seizures or recalls of drug candidates or medicines, operating restrictions and criminal prosecutions, any of which could harm our business.

To supply commercial quantities for our marketed products, produce our medicines in the quantities that we believe will be required to meet anticipated market demand, and to supply clinical drug material to support the continued growth of our clinical programs, we will need to increase, or “scale up,” the production process by a significant factor over the initial level of production, which will require substantial additional expenditures and various regulatory approvals and permits. If we are unable to do so, are delayed, or if the cost of this scale up is not economically feasible for us or we cannot find a third-party supplier, we may not be able to produce our medicines in a sufficient quantity to meet future demand. Furthermore, developing advanced manufacturing techniques and process controls is required to fully utilize our facilities. Advances in manufacturing techniques may render our facilities and equipment inadequate or obsolete.

If our manufacturing facilities or the equipment in them is damaged or destroyed, we may not be able to quickly or inexpensively restore our manufacturing capacity or restore it at all. In the event of a temporary or protracted loss of the facilities or equipment, we might not be able to transfer manufacturing to a third party. Even if we could transfer manufacturing to a third party, the shift would likely be expensive and time-consuming, particularly since the new facility would need to comply with the necessary regulatory requirements and we would need regulatory agency approval before selling any medicines manufactured at that facility. Any interruption in manufacturing operations at our manufacturing facilities could result in our inability to satisfy the demands of our clinical trials or commercialization. Any disruption that impedes our ability to manufacture our drug candidates or medicines in a timely manner could materially harm our business, financial condition and operating results.

Currently, we maintain insurance coverage against damage to our property, plant and equipment in amounts we believe are reasonable. However, our insurance coverage may not reimburse us, or may not be sufficient to reimburse us, for any expenses or losses we may suffer. We may be unable to meet our requirements for our drug candidates and medicines if there were a catastrophic event or interruption or failure of our manufacturing facilities or processes.

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We incur significant costs as a result of operating as a public company, and our management is required to devote substantial time to compliance requirements, including establishing and maintaining internal controls over financial reporting. We may be exposed to potential risks if we are unable to comply with these requirements.

As a public company listed in the U.S., Hong Kong and Shanghai, we are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and the listing rules of the NASDAQ Global Select Market (“NASDAQ”), The Stock Exchange of Hong Kong Limited (the “HKEx”) and the STAR Market of the Shanghai Stock Exchange (the “SSE”), and incur significant legal, accounting and other expenses to comply with applicable requirements. These rules impose various requirements on public companies, including requiring certain corporate governance practices. Our management and other personnel devote a substantial amount of time to these requirements. Moreover, these rules and regulations increase our legal and financial compliance costs and make some activities more time-consuming and costly.

For example, the Sarbanes-Oxley Act of 2002 (the “Sarbanes-Oxley Act”) requires, among other things, that we maintain effective internal controls for financial reporting and disclosure controls and procedures. In particular, we must perform system and process evaluations and testing of our internal controls over financial reporting to allow management to report on the effectiveness of our internal controls over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act. Such compliance may require that we incur substantial accounting expenses and expend significant management efforts. Our testing may reveal deficiencies in our internal controls over financial reporting that are deemed to be material weaknesses. In the event we identify significant deficiencies or material weaknesses in our internal controls that we cannot remediate in a timely manner, the market price of our shares could decline if investors and others lose confidence in the reliability of our financial statements, we could be subject to sanctions or investigations by the SEC, HKEx, China Securities Regulatory Commission (the “CSRC”), SSE or other applicable regulatory authorities, and our business could be harmed.

If we engage in acquisitions or strategic collaborations, this may increase our capital requirements, dilute our shareholders, cause us to incur debt or assume contingent liabilities, and subject us to other risks.

From time to time, we may evaluate various acquisitions and strategic collaborations, including licensing or acquiring complementary products, intellectual property rights, technologies or businesses. Any completed, in-process or potential acquisition or strategic collaboration may entail numerous risks, including:

- increased operating expenses and cash requirements;
- the assumption of additional indebtedness or contingent or unforeseen liabilities;
- the issuance of our equity securities;
- assimilation of operations, intellectual property and products of an acquired company, including difficulties associated with integrating new personnel;

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- the diversion of our management’s attention from our existing product programs and initiatives in pursuing such a strategic merger or acquisition;
- retention of key employees, the loss of key personnel, and uncertainties in our ability to maintain key business relationships;
- risks and uncertainties associated with the other party to such a transaction, including the prospects of that party and their existing drugs or drug candidates and regulatory approvals, including applicable antitrust and trade regulation laws in the relevant U.S. and foreign jurisdictions in which we or the operations or assets we seek to acquire carry on business; and
- our inability to generate revenue from acquired technology and/or products sufficient to meet our objectives in undertaking the acquisition or even to offset the associated acquisition and maintenance costs.

In addition, if we undertake acquisitions or strategic collaborations, we may issue dilutive securities, assume or incur debt obligations, incur large one-time expenses and acquire intangible assets that could result in significant future amortization expense. For example, in connection with our transaction with Amgen, we issued to Amgen a total of 206,635,013 ordinary shares in the form of ADSs in 2020, representing 20.5% of the then issued share capital of the Company after giving effect to the share issuance, which resulted in Amgen becoming our largest shareholder and the ownership of our existing shareholders being diluted.

PRC regulations and rules concerning mergers and acquisitions, including the Regulations on Mergers and Acquisitions of Domestic Companies by Foreign Investors (the “M&A Rules”), have established additional procedures and requirements that could make merger and acquisition activities by foreign investors more time consuming and complex. For example, the M&A Rules require that the Ministry of Commerce of the PRC (the “MOFCOM”) be notified in advance of any change-of-control transaction in which a foreign investor takes control of a PRC domestic enterprise, if (i) any important industry is concerned, (ii) such transaction involves factors that have or may have impact on the national economic security, or (iii) such transaction will lead to a change in control of a domestic enterprise which holds a famous trademark or PRC time-honored brand. Moreover, under the Anti-Monopoly Law of the PRC and the Provisions on Thresholds for Prior Notification of Concentrations of Undertakings issued by the State Council, a transaction by way of merger, acquisition or contractual arrangement that allow one market player to take control of or to exert decisive impact on another market player requires advanced notice to the State Administration for Market Regulation (the “SAMR”) when such threshold is crossed and shall not be implemented without the clearance of prior notification. In addition, the Measures for Security Review of Foreign Investment and the Regulations on Implementation of Security Review System for the Merger and Acquisition of Domestic Enterprise by Foreign Investors (the “Security Review Rules”) specify that mergers and acquisitions by foreign investors that raise “national defense and security” concerns and mergers and acquisitions through which foreign investors may acquire the de facto control over domestic enterprises that raise “national security” concerns are subject to strict review by the MOFCOM, and prohibit any activities attempting to bypass a security review by structuring the transaction through, among other things, trusts, entrustment or contractual control arrangements. Furthermore, according to the Overseas Listing Trial Measures, if a Chinese overseas listed company issues overseas listed securities to acquire assets, such issuance would be subject to filing requirements with the CSRC.

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We may also be subject to similar review and regulations in other jurisdictions, such as the laws and regulations on foreign investment in the U.S. under the jurisdiction of the Committee on Foreign Investment in the United States (“CFIUS”) and other agencies, including the Foreign Investment Risk Review Modernization Act.

In the future, we may grow our business by acquiring complementary businesses. Complying with the requirements of the above-mentioned regulations and other relevant rules to complete such transactions could be time consuming, and any required approval or filing processes, including obtaining approval from or filing with CFIUS, the SAMR, the MOFCOM, the CSRC or other agencies may delay or inhibit our ability to complete such transactions. It is unclear whether those complementary businesses we may acquire in the future would be deemed to be in an industry that raises “national defense and security” or “national security” concerns.

Furthermore, CFIUS, SAMR, MOFCOM, CSRC or other government agencies may make further determinations that increase the scrutiny of our future acquisitions in the U.S. or the PRC or prohibits such acquisitions. Our ability to expand our business or maintain or expand our market share through future acquisitions would as such be materially and adversely affected.

If we fail to comply with the U.S. Foreign Corrupt Practices Act or other anti-bribery and corruption laws, our reputation may be harmed and we could be subject to penalties and significant expenses that have a material adverse effect on our business, financial condition and results of operations.

We are subject to the U.S. Foreign Corrupt Practices Act (the “FCPA”). The FCPA generally prohibits us from making improper payments to non-U.S. officials for the purpose of obtaining or retaining business. We are also subject to the anti-bribery and corruption laws of other jurisdictions, particularly China. The anti-bribery laws in China generally prohibit companies and their intermediaries from making payments to government officials for the purpose of obtaining or retaining business or securing any other improper advantage. As our business has expanded, the applicability of the FCPA and other anti-bribery and corruption laws to our operations has increased.

We do not fully control the interactions our employees, distributors and third-party promoters have with hospitals, medical institutions and doctors, and they may try to increase sales volumes of our products through means that constitute violations of U.S., PRC or other countries’ anti-corruption and related laws. Although we have policies and procedures designed to ensure that we, our employees and our agents comply with anti-bribery laws, there is no assurance that such policies or procedures will prevent our agents, employees and intermediaries from engaging in bribery activities. If we, due to either our own deliberate or inadvertent acts or those of others, fail to comply with applicable anti-bribery and corruption laws, our reputation could be harmed and we could incur criminal or civil penalties, including but not limited to imprisonment, criminal and civil fines, suspension of our ability to do business with the government, denial of government reimbursement for our products and/or exclusion from participation in government healthcare programs, other sanctions and/or significant expenses, which could have a material adverse effect on our business.

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If we or our CROs or contract manufacturing organizations (“CMOs”) fail to comply with environmental, health and safety laws and regulations, we could become subject to fines or penalties or incur costs that could have a material adverse effect on our business.

We and third parties, such as our CROs or CMOs, are subject to numerous environmental, health and safety laws and regulations, including those governing laboratory procedures and the handling, use, storage, treatment and disposal of hazardous materials and waste. In addition, our construction projects can only be put into operation after certain regulatory procedures with the relevant administrative authorities in charge of environmental protection, health and safety have been completed. Our operations involve the use of hazardous and flammable materials, including chemicals and biological materials. Our operations also produce hazardous waste products. We generally contract with third parties for the disposal of these materials and waste. We cannot eliminate the risk of contamination or injury from these materials. In the event of contamination or injury resulting from our use of hazardous materials, we could be held liable for any resulting damages, and such liability could exceed our insurance coverage. We also could incur significant costs associated with civil or criminal fines and penalties.

Although we maintain workers’ compensation insurance to cover us for costs and expenses that we may incur due to injuries to our employees resulting from the use of or exposure to hazardous materials, this insurance may not provide adequate coverage against potential liabilities. We do not maintain insurance for environmental liability or toxic tort claims that may be asserted against us in connection with our storage, use or disposal of biological or hazardous materials.

In addition, we may be required to incur substantial costs to comply with current or future environmental, health and safety laws and regulations. These current or future laws and regulations may impair our research, development, manufacturing or commercialization efforts. Failure to comply with these laws and regulations also may result in substantial fines, penalties or other sanctions.

Our information technology systems, or those used by our contractors or collaborators, may fail or suffer security breaches, which could result in a material disruption of our product development and commercialization efforts.

Despite the implementation of security measures, our information technology systems and those of our contractors and collaborators, are vulnerable to damage from internal or external events, such as computer viruses, unauthorized access, natural disasters, terrorism, war, and telecommunication and electrical failures, which can compromise the confidentiality, integrity and availability of the systems. Although to our knowledge we have not experienced any material system failure or security breach to date, if such an event were to occur and cause interruptions in our operations, it could result in a material disruption of our research, development, manufacturing, regulatory and commercialization efforts and our business operations.

RISK FACTORS

In the ordinary course of our business, we collect and store sensitive data, including, among other things, legally protected patient health information, personally identifiable information about our employees, banking information of our vendors, intellectual property, and proprietary business information. We manage and maintain our applications and data utilizing on-site systems and outsourced vendors. Because information systems, networks and other technologies are critical to many of our operating activities, shutdowns or service disruptions at our company or vendors that provide information systems, networks, or other services to us pose increasing risks. Such disruptions may be caused by events such as computer hacking, phishing attacks, ransomware, dissemination of computer viruses, worms and other destructive or disruptive software, denial of service attacks and other malicious activity, as well as power outages, natural disasters (including extreme weather), terrorist attacks or other similar events. Such events could cause loss of data, damage to systems and data and leave us unable to utilize key business systems or access important data needed to operate our business. Our contractors and collaborators have faced, and in the future may face, similar risks, and service disruptions or security breaches of their systems could adversely affect our security, leave us without access to important systems, products, raw materials, components, services or information or expose our confidential data. In addition, system redundancy may be ineffective or inadequate, and our disaster recovery planning may not be sufficient to cover all eventualities. Significant events could result in a disruption of our operations, damage to our reputation or a loss of revenues. In addition, we may not have adequate insurance coverage to compensate for any losses associated with such events.

We could be subject to risks caused by misappropriation, misuse, leakage, falsification or intentional or accidental release or loss of information maintained in the information systems and networks of our company and our vendors, including personal information of our employees and patients, and company and vendor confidential data. In addition, outside parties may attempt to penetrate our systems or those of our vendors or fraudulently induce our personnel or the personnel of our vendors to disclose sensitive information in order to gain access to our data and/or systems. Like other companies, we and our third-party vendors have on occasion experienced, and will continue to experience, threats to our or their data and systems, including malicious codes and viruses, phishing, email compromise attacks, ransomware, or other cyber-attacks. For example, one of our third-party vendors experienced a business email compromise which resulted in us sending payment to a fraudulent bank account. Funds were successfully recovered in this case, but it is possible that to the extent a similar future event occurs, funds will not be recoverable. The number and complexity of these threats continue to increase over time. If a material breach of our information technology systems or those of our vendors occurs, we could be required to expend significant amounts of money and other resources to respond to these threats or breaches and to repair or replace information systems or networks and could suffer financial loss or the loss of valuable confidential information.

RISK FACTORS

In addition, we could be subject to regulatory actions and/or claims made by individuals and groups in private litigation involving privacy issues related to data collection and use practices and other data privacy laws and regulations, including claims for misuse or inappropriate disclosure of data, as well as unfair or deceptive practices. Although we develop and maintain systems and controls designed to prevent these events from occurring, and we have processes to identify and mitigate threats, the development and maintenance of these systems, controls and processes is costly and requires ongoing monitoring and updating as technologies change and efforts to overcome security measures become increasingly sophisticated. Moreover, despite our efforts, the possibility of these events occurring cannot be eliminated entirely. It is possible that the risk of cyber-attacks or other privacy or data security incidents may be heightened as a result of our remote working environment, which may be less secure and more susceptible to hacking attacks. As we outsource more of our information systems to vendors, engage in more electronic transactions with payors and patients, and rely more on cloud-based information systems, the related security risks will increase and we will need to expend additional resources to protect our technology and information systems. In addition, there can be no assurance that our internal information technology systems or those of our contractors and collaborators, as well as our and their efforts to implement adequate security and control measures, will be sufficient to protect us against breakdowns, service disruptions, data deterioration or loss in the event of a system malfunction, or prevent data from being stolen or corrupted in the event of a cyberattack, security breach, ransomware, industrial espionage attack or insider threat attack that could adversely affect our business and operations and/or result in the loss or exposure of critical, proprietary, private, confidential or otherwise sensitive data, which could result in financial, legal, business or reputational harm to us.

The increasing use of artificial intelligence-based software (including machine learning) and social media platforms may result in reputation harm or liability or could otherwise adversely affect our business.

The use of artificial intelligence-based software is increasingly being used in the biopharmaceutical and global healthcare industries. As with many developing technologies, artificial intelligence-based software presents risks and challenges that could affect its further development, adoption, and use, and therefore our business. For example, algorithms may be flawed; data sets may be insufficient, of poor quality, or contain biased information; and inappropriate or controversial data practices by data scientists, engineers, and end-users could impair results. If the analyses that artificial intelligence applications assist in producing are deficient or inaccurate, we could be subjected to competitive harm, potential legal liability, and brand or reputational harm. Furthermore, use of artificial intelligence-based software may lead to the inadvertent release of confidential information which may impact our ability to realize the benefit of our intellectual property.

RISK FACTORS

Relatedly, social media platforms are increasingly being used to communicate about our products and the diseases our medicines and drug candidates are designed to treat. Social media practices in the biopharmaceutical industry continue to evolve and regulations relating to such use are not always clear and create uncertainty and risk of noncompliance with regulations applicable to our business. For example, patients may use social media channels to comment on the effectiveness of a product or to report an alleged adverse event. When such disclosures occur, there is a risk that we may fail to monitor and comply with applicable adverse event reporting obligations. There is also a risk of negative or inaccurate posts about us on social media, including criticism regarding our medicines or drug candidates. The immediacy of social media precludes us from having real-time control over postings made regarding our company, medicines or drug candidates. Our reputation could be damaged by negative publicity posted on social media platforms which we may not be able to timely reverse. If any of these events were to occur or we otherwise fail to comply with applicable regulations, we could incur liability, face restrictive regulatory actions or incur other harm to our business.

Our failure to comply with data protection laws and regulations could lead to government enforcement actions and significant penalties against us, and adversely impact our operating results.

In the U.S., Europe, China, and many other jurisdictions where we operate, we are subject to laws and regulations that address privacy, personal information protection, use of artificial intelligence-based software and data security. Numerous laws and regulations, including, without limitation, privacy laws (such as the European Union's General Data Protection Regulation ("GDPR") or similar laws), security breach notification laws (such as Australia's amendment to the Privacy Act), health information privacy laws (such as the United States' Health Insurance Portability and Accountability Act ("HIPAA") and the Human Genetic Resources Administration of China's rules), and consumer protection laws (such as the United States' Federal Trade Commission's unfair or deceptive practices rules or California's Consumer Privacy Act and California's Privacy Rights Act), govern the collection, use, disclosure and protection of health-related and other personal information. A subset of these laws also have strict requirements governing the cross-border transmission of personal information (see the risk factor titled – *"Compliance with the Data Security Law of the People's Republic of China (the "Data Security Law"), Cybersecurity Review Measures, Personal Information Protection Law of the People's Republic of China (the "PIPL"), regulations and guidelines relating to the multi-level protection scheme (the "MLPS") and any other future laws and regulations may entail significant expenses and could materially affect our business."*).

The legal and regulatory landscape around data privacy is rapidly changing with countries, states and other localities passing new laws and regulations every year. Tracking and complying with these laws and regulations requires significant time and expenses and could materially affect our business. By way of example and without limitation, these laws may require updating of contracts, informed consent forms, clinical trial protocols and privacy notices; changes to company procedures; limiting what personal information we collect, who has access to it and how/where we use it; performing internal assessments; changes to the security and hosting solution of our systems; specific reporting and remediation efforts in the event of a data breach; and even opening our business up for external assessments by government bodies.

RISK FACTORS

Given the variability and evolving state of these laws, we face uncertainty as to the exact interpretation of the new requirements, and we may face challenges in implementing all measures required by regulators or courts in their interpretation. Additionally, we may experience a reportable data breach (see the risk factor titled “*Our information technology systems, or those used by our contractors or collaborators, may fail or suffer security breaches, which could result in a material disruption of our product development and commercialization efforts*”). Any failure or perceived failure by us to comply with applicable laws and regulations could subject us to significant administrative, civil or criminal fines or other penalties and negatively impact our reputation. For severe violations, in some countries these laws even allow courts and government agencies to delay or halt transfer of personal information, require deletion of personal information, or even order we stop collection, use or other processing of personal information in that country. All of these could materially harm our business, prospects, and financial condition or even disrupt our operations.

These laws apply not just to us, but also to those vendors working on our behalf, as well as our business partners. Any actual or perceived failure of them to comply with these laws and regulations could impact the services they provide to us, our collaborations with them and our reputation; additionally, there is a risk of liability flowing to us under certain contractual and/or legal conditions.

Compliance with the Data Security Law of the People’s Republic of China (the “Data Security Law”), Cybersecurity Review Measures, Personal Information Protection Law of the People’s Republic of China (the “PIPL”), regulations and guidelines relating to the multi-level protection scheme (the “MLPS”) and any other future laws and regulations may entail significant expenses and could materially affect our business.

China has implemented extensive data protection, privacy and information security rules and is considering a number of additional proposals relating to these subject areas. We face significant uncertainties and risks related to these laws, regulations and policies, some of which were only recently enacted, and the interpretation of these legal requirements by government regulators as applied to biotechnology companies like us. For example, we do not maintain, nor do we intend to maintain in the future, personally identifiable health information of patients in China. We do, however, collect and maintain de-identified or pseudonymized health data for clinical trials in compliance with local regulations. This data could be deemed “personal data” or “important data” by government regulators. With China’s growing emphasis of its sovereignty over data derived from China, the outbound transmission of de-identified or pseudonymized health data for clinical trials may be subject to the new national security legal regime, including the Data Security Law, the Cyber Security Law of the People’s Republic of China (the “Cyber Security Law”), the PIPL, and various implementing regulations and standards.

RISK FACTORS

China's Data Security Law provides that the data processing activities must be conducted based on "data classification and hierarchical protection system" for the purpose of data protection and prohibits entities in China from transferring data stored in China to foreign law enforcement agencies or judicial authorities without prior approval by the relevant PRC authority. The classification of data is based on its importance in economic and social development, as well as the degree of harm expected to be caused to national security, public interests, or the legitimate rights and interests of individuals or organizations if such data is tampered with, destroyed, leaked, or illegally acquired or used.

The Cyber Security Law requires companies to take certain measures to ensure the security of their networks and data stored on their networks. Specifically, the Cyber Security Law provides that companies adopt an MLPS, under which network operators are required to perform obligations of security protection to ensure that the network is free from interference, disruption or unauthorized access, and prevent network data from being disclosed, stolen or tampered. The CAC released draft amendments to the Cyber Security Law in September 2022, which propose to impose more stringent legal liabilities for violations. Under the MLPS, entities operating information systems must have a thorough assessment of the risks and the conditions of their information and network systems to determine the level to which the entity's information and network systems belong, from the lowest Level 1 to the highest Level 5 pursuant to a series of national standards on the grading and implementation of the classified protection of cybersecurity. The grading result will determine the set of security protection obligations that entities must comply with and when relevant government authority examination and approval is required.

Under the Cyber Security Law and Data Security Law, we are required to establish and maintain a comprehensive data and network security management system that will enable us to monitor and respond appropriately to data security and network security risks. We are obligated to notify affected individuals and appropriate Chinese regulators of and respond to any data security and network security incidents. Establishing and maintaining such systems takes substantial time, effort and cost, and we may not be able to establish and maintain such systems as fully as needed to ensure compliance with our legal obligations. Despite our investment, such systems may not adequately protect us or enable us to appropriately respond to or mitigate all data security and network security risks or incidents we may face.

RISK FACTORS

Furthermore, under the Data Security Law, data categorized as “important data,” which will be determined by governmental authorities in the form of catalogs, is to be processed and handled with a higher level of protection. The notion of important data is not clearly defined by the Cyber Security Law or the Data Security Law. In order to comply with the statutory requirements, we will need to determine whether we possess important data, monitor the important data catalogs that are expected to be published by local governments and departments, perform risk assessments and ensure we are complying with reporting obligations to applicable regulators. We may also be required to disclose to regulators business sensitive or network security-sensitive details regarding our processing of important data and may need to pass the government security review or obtain government approval in order to share important data with offshore recipients, which can include foreign licensors, or share data stored in mainland China with judicial and law enforcement authorities outside of mainland China. If judicial and law enforcement authorities outside mainland China require us to provide data stored in mainland China, and we are not able to pass any required government security review or obtain any required government approval to do so, we may not be able to meet the non-PRC authorities’ requirements and may be unable to share information outside of China which may disrupt the operation of our business. The potential conflicts in legal obligations could have adverse impacts on our operations in and outside of mainland China. PRC regulatory authorities have also enhanced the supervision and regulation of cross-border data transmission. The Data Security Law prohibits entities and individuals in China from providing any foreign judicial or law enforcement authority with any data stored in China without approval from competent PRC authority and sets forth the legal liabilities of entities and individuals found to be in violation of their data protection obligations, including rectification order, warning, fines, suspension of relevant business, and revocation of business permits or licenses. Moreover, the CAC promulgated the Measures for the Security Assessment of Cross-border Data Transmission, which became effective as of September 1, 2022. According to these measures, personal data processors are subject to security assessment prior to any cross-border transfer of data if the transfer involves (i) important data; (ii) personal information transferred overseas by operators of critical information infrastructure or a data processor that has processed personal data of more than one million persons; (iii) personal information transferred overseas by a data processor who has already provided personal data of 100,000 persons or sensitive personal data of 10,000 persons overseas since January 1 of last year; or (iv) other circumstances as requested by the CAC. Though these measures have already taken effect, substantial uncertainties still exist with respect to the interpretation and implementation of these measures in practice and how they will affect our business operation.

RISK FACTORS

The CAC has taken action against several Chinese internet companies listed on U.S. securities exchanges for alleged national security risks and improper collection and use of the personal information of Chinese data subjects. According to the official announcement, the action was initiated based on the National Security Law of the People's Republic of China (the "National Security Law"), the Cyber Security Law and the Cybersecurity Review Measures. Effective February 15, 2022, the CAC, together with 12 other PRC governmental authorities, promulgated the Revised Cybersecurity Review Measures, pursuant to which critical information infrastructure operators procuring network products and services and online platform operators carrying out data processing activities, which affect or may affect national security, shall conduct a cybersecurity review. In addition, online platform operators possessing personal information of more than one million users seeking to be listed on foreign stock markets must apply for a cybersecurity review. The relevant competent governmental authorities may also initiate a cybersecurity review against the relevant operators if the authorities believe that the network product or service or data processing activities of such operators affect or may affect national security. There are still uncertainties as to the exact scope of network product or service or data processing activities that will or may affect national security, and the PRC government authorities may have discretion in the interpretation and enforcement of these measures.

Additionally, the CAC published the draft Administrative Regulations on Cyber Data Security ("Draft Cyber Data Security Regulations"), pursuant to which data processors shall apply for cybersecurity review if they engage in (i) merger, reorganization or division of internet platform operators with significant data resources related to national security, economic development or public interests that affects or may affect national security; (ii) overseas listing while processing over one million users' personal information; (iii) Hong Kong listing that affects or may affect national security; or (iv) other data processing activities that affect or may affect national security. The Draft Cyber Data Security Regulations further require data processors processing important data or going public overseas to conduct annual data security self-assessment and submit an assessment report to the CAC before January 31 each year. As the Draft Cyber Data Security Regulations were released only for public comment, the final version and the effective date thereof may be subject to change with substantial uncertainty.

RISK FACTORS

There remain uncertainties as to how widespread the cybersecurity review requirement and the enforcement action will be and what effect they will have on the life sciences sector generally and the Company in particular. China's regulators may impose penalties for non-compliance ranging from fines or suspension of operations, and the imposition of any such penalties on our business could cause a material adverse effect on our business, financial condition, results of operations, prospects and the trading price of our ordinary shares, ADSs and RMB Shares, and could lead to our delisting from NASDAQ. As of the date of this report, we have not received any notice from any Chinese regulatory authority identifying us as a "critical information infrastructure operator," "online platform operator" or "data processor," or requiring us to go through the cybersecurity review procedures pursuant to the Revised Cybersecurity Review Measures and the Draft Cyber Data Security Regulations. However, there remains uncertainty as to how the regulations if enacted as currently proposed, will be interpreted or implemented and whether the Chinese regulatory authorities will adopt additional regulations. We intend to closely monitor the evolving laws and regulations in this area and take all reasonable measures to mitigate compliance risks, we cannot guarantee that our business and operations will not be adversely affected by the potential impact of the Revised Cybersecurity Review Measures, the Draft Cyber Data Security Regulations or other laws and regulations related to privacy, data protection and information security.

Additionally, the Standing Committee of the National People's Congress of the PRC promulgated the PIPL, which expands data protection compliance obligations to cover the processing of personal information of persons by organizations and individuals in China, and the processing of personal information of persons in China outside of China if such processing is for purposes of providing products and services to, or analyzing and evaluating the behavior of, persons in China. The PIPL also provides that critical information infrastructure operators and personal information processing entities that process personal information meeting a volume threshold are also required to store in China personal information generated or collected in China, and to pass a security assessment for any export of such personal information. Lastly, the PIPL contains proposals for significant fines for serious violations of up to RMB50 million, or 5% of annual revenues from the prior year, and penalties, including that companies found to have violated the PIPL may be ordered to suspend any related activity.

RISK FACTORS

Interpretation, application and enforcement of these laws, rules and regulations evolve from time to time and their scope may continually change, through new legislation, amendments to existing legislation or changes in enforcement. Compliance with the Cyber Security Law, the Data Security Law and the PIPL could significantly increase the cost to us of providing our service offerings, require significant changes to our operations or even prevent us from providing certain service offerings in jurisdictions in which we currently operate or in which we may operate in the future. Despite our efforts to comply with applicable laws, regulations and other obligations relating to privacy, data protection and information security, it is possible that our practices, offerings or platform could fail to meet all of the requirements imposed by the Cyber Security Law, the Data Security Law and/or related implementing regulations. Any failure on our part to comply with such law or regulation, or any compromise of security that results in unauthorized access, use or release of personally identifiable information or other data, or the perception or allegation that any of the foregoing types of failure or compromise has occurred, could damage our reputation, discourage new and existing counterparties from contracting with us or result in investigations, fines, suspension or other penalties by Chinese government authorities and private claims or litigation, any of which could materially adversely affect our business, financial condition and results of operations. Even if our practices are not subject to legal challenge, the perception of privacy concerns, whether or not valid, may harm our reputation and adversely affect our business, financial condition and results of operations. Moreover, the legal uncertainty created by the Data Security Law and the actions taken by the Chinese government could materially adversely affect our ability, on favorable terms, to raise capital in the U.S. and other markets in the future.

If we or parties on whom we rely fail to maintain the necessary licenses for the development, manufacture, sale and distribution of our products, our ability to conduct our business could be materially impaired.

We are required to obtain, maintain and renew various permits, licenses and certificates to develop, manufacture, promote and sell our products. Third parties, such as distributors, third-party promoters and third-party manufacturers, on whom we may rely to develop, manufacture, promote, sell and distribute our products may be subject to similar requirements. We and third parties on whom we rely may be also subject to regular inspections, examinations, inquiries or audits by the regulatory authorities, and an adverse outcome of such inspections, examinations, inquiries or audits may result in the loss or non-renewal of the relevant permits, licenses and certificates. Moreover, the criteria used in reviewing applications for, or renewals of permits, licenses and certificates may change from time to time, and there can be no assurance that we or the parties on whom we rely will be able to meet new criteria that may be imposed to obtain or renew the necessary permits, licenses and certificates. Many of such permits, licenses and certificates are material to the operation of our business, and if we or parties on whom we rely fail to maintain or renew material permits, licenses and certificates, our ability to conduct our business could be materially impaired. Furthermore, if the interpretation or implementation of existing laws and regulations change, or new regulations come into effect, requiring us or parties on whom we rely to obtain any additional permits, licenses or certificates that were previously not required to operate our business, there can be no assurance that we or parties on whom we rely will successfully obtain such permits, licenses or certificates.

RISK FACTORS

Our financial and operating performance may be adversely affected by government shutdowns, public health crises, natural catastrophes, or other business interruptions outside of our control.

Our global operations and those of our third-party contractors and collaborators expose us to natural or man-made disasters, such as earthquakes, hurricanes, floods, fires, explosions, public health crises, such as epidemics or pandemics, terrorist activity, wars, or other business interruptions outside of our control. Furthermore, we do not maintain any insurance other than property insurance for some of our buildings, vehicles and equipment. Accordingly, unexpected business interruptions resulting from disasters could disrupt our operations and thereby result in substantial costs and diversion of resources. For example, our Guangzhou manufacturing facility was hit by a typhoon in 2019 and although the typhoon did not cause material damage to the facility, the boundary area and the adjacent land were flooded, causing a power outage for a few days. Afterwards, we fortified the facility to help prevent future interruptions. A significant disruption at our manufacturing facilities, even on a short-term basis, could impair our ability to timely produce products, which could have a material adverse effect on our business, financial position and results of operations.

Our production process requires a continuous supply of electricity. We have encountered power shortages historically in China due to restricted power supply to industrial users during summers when the usage of electricity is high and supply is limited or as a result of damage to the electricity supply network. Because the duration of those power shortages was brief, they had no material impact on our operations. Longer interruptions of electricity supply could result in lengthy production shutdowns, increased costs associated with restarting production and the loss of production in progress. Any major suspension or termination of electricity or other unexpected business interruptions could have a material adverse impact on our business, financial condition and results of operations.

We also rely in part on third-party manufacturers to produce and process our medicines and drug candidates. Our ability to obtain supplies of our medicines and drug candidates could be disrupted if the operations of these suppliers are affected by man-made or natural disasters, public health crises or other business interruptions which could cause us to delay or cease development or commercialization of some or all of our medicines and drug candidates. In addition, we partially rely on our third-party research institution collaborators for conducting research and development of our drug candidates, and they may be affected by such business interruptions, government shutdowns or withdrawn funding. For example, the ability of the FDA to review and approve new products can be affected by a variety of factors, including government budget and funding levels and statutory, regulatory and policy changes. Average review times at the agency have fluctuated in recent years as a result. In addition, government funding of the SEC and other government agencies on which our operations may rely, including those that fund research and development activities, is subject to the political process, which is inherently fluid and unpredictable. Disruptions at the FDA and other agencies may also slow the time necessary for new product candidates to be reviewed and/or approved by necessary government agencies, which would adversely affect our business. If a prolonged government shutdown occurs, it could significantly impact the ability of the FDA to timely review and process our regulatory submissions, which could have a material adverse effect on our business. Further, future government shutdowns could impact our ability to access the public markets and obtain necessary capital in order to properly capitalize and continue our operations.

RISK FACTORS

In particular, the COVID-19 pandemic negatively impacted our business and our financial performance, and future global pandemics or other public health crises could have similar negative impacts, including delays or other disruptions to required regulatory inspections of our development activities, regulatory filings, manufacturing operations, or clinical trial recruitment and progress. Additionally, the commercial or clinical supply of our medicines and drug candidates could be negatively impacted due to reduced operations or a shutdown of our or our third-party manufacturing facilities, distribution channels and transportation systems, or shortages of raw materials and drug product. Additionally, as seen in connection with the COVID-19 pandemic, public health crises may result in significant governmental measures being implemented to control the spread of a virus, including quarantines, travel restrictions, social distancing and business shutdowns. These measures may negatively affect our business by inducing absenteeism or employee turnover, disrupting our operations, increasing the risk of a cybersecurity incident, or other business disruptions outside of our control.

Climate change manifesting as physical or transition risks, included related environmental regulation, could have a material adverse impact on our business operations, clients and customers.

The long-term effects of climate change are difficult to assess and predict. Our business and the activities of our clients and customers could be impacted by climate change. Climate change could manifest as a financial risk either through changes in the physical climate or from the process of transitioning to a low-carbon economy, including related environmental regulation of companies with respect to risks posed by climate change.

The physical impacts of climate change may include physical risks (such as rising sea levels or frequency and severity of extreme weather conditions), social and human effects (such as population dislocations or harm to health and well-being), compliance costs and transition risks (such as regulatory or technology changes) and other adverse effects. The effects could impair, for example, the availability and cost of certain products, commodities and energy (including utilities), which in turn may impact our ability to procure goods or services required for the operation of our business at the quantities and levels we require. Furthermore, related environmental regulation as a response to climate change could result in additional costs in the form of taxes and investments of capital to maintain compliance with such laws. We bear losses incurred as a result of, for example, physical damage to or destruction of our facilities, loss or spoilage of inventory, and business interruption due to weather events that may be attributable to climate change and could materially adversely affect our business operations, financial position or results of operation.

RISK FACTORS

Product liability claims or lawsuits could cause us to incur substantial liabilities.

We face an inherent risk of product liability as a result of the commercialization of our medicines in the U.S., China, Europe and other markets, and for the clinical testing and any future commercialization of our drug candidates globally. For example, we may be sued if our medicines or drug candidates cause or are perceived to cause injury or are found to be otherwise unsuitable during clinical testing, manufacturing, marketing or sale. Any such product liability claims may include allegations of defects in manufacturing, defects in design, a failure to warn of dangers inherent in the medicine, negligence, strict liability or a breach of warranties. Claims could also be asserted under applicable consumer protection acts. If we cannot successfully defend ourselves against or obtain indemnification from our collaborators for product liability claims, we may incur substantial liabilities or be required to limit commercialization of our medicines and drug candidates. Even successful defense would require significant financial and management resources. Regardless of the merits or eventual outcome, liability claims may result in: decreased demand for our medicines; injury to our reputation; withdrawal of clinical trial participants and inability to continue clinical trials; initiation of investigations by regulators; costs to defend the related litigation; a diversion of our management's time and resources; substantial monetary awards to trial participants or patients; product recalls, withdrawals or labeling, marketing or promotional restrictions; loss of revenue; exhaustion of any available insurance and our capital resources; the inability to commercialize any medicine or drug candidate; and a decline in our share price.

Our inability to obtain sufficient product liability insurance at an acceptable cost to protect against potential product liability claims could prevent or inhibit the commercialization of our medicines and drug candidates. Although we currently hold product liability coverage which we believe to be sufficient in light of our current products and clinical programs, the amount of such insurance coverage may not be adequate, and we may be unable to maintain such insurance at a reasonable cost or in an amount adequate to satisfy any liability that may arise, or we may not be able to obtain additional or replacement insurance at a reasonable cost, if at all. Our insurance policies may also have various exclusions, and we may be subject to a product liability claim for which we have no coverage. We may have to pay any amounts awarded by a court or negotiated in a settlement that exceed our coverage limitations or that are not covered by our insurance, and we may not have, or be able to obtain, sufficient capital to pay such amounts. Even if our agreements with any future collaborators entitle us to indemnification against losses, such indemnification may not be available or adequate should any claim arise.

RISK FACTORS

We are subject to the risks and challenges of doing business globally, which may adversely affect our business operations.

Our business is subject to risks and challenges associated with doing business globally. Accordingly, our business and financial results could be adversely affected due to a variety of factors, including: changes in a specific country's or region's political and cultural climate or economic condition; unexpected changes in laws and regulatory requirements in local jurisdictions; challenges in replicating or adapting our company policies and procedures to operating environments different from that of the U.S.; difficulty of effective enforcement of contractual provisions in local jurisdictions; inadequate intellectual property protection in certain countries; enforcement of anti-corruption and anti-bribery laws, such as the FCPA; trade-protection measures or disputes, import or export licensing requirements, and fines, penalties or suspension or revocation of export privileges; laws and regulations on foreign investment in the U.S. under the jurisdiction of the CFIUS and other agencies; the effects of applicable local tax regimes and potentially adverse tax consequences; the impact of public health crises on employees, our operations and the global economy; restrictions on international travel and commerce; and significant adverse changes in local currency exchange rates. In addition, in 2017 the United Kingdom Financial Conduct Authority ("UKFCA"), which regulates the London Interbank Offered Rate ("LIBOR"), announced that it would no longer require banks to submit rates for the calculation of LIBOR to the LIBOR administrator. Following June 30, 2023, the UKFCA ceased to publish one month, three month and six month USD LIBOR settings. In the U.S., the Alternative Reference Rate Committee ("ARRC"), a steering committee assembled by the Federal Reserve Board and the Federal Reserve Bank of New York, was tasked with identifying alternative reference rates to replace LIBOR. The ARRC selected, and the Federal Reserve Bank of New York has recommended, the Secured Overnight Finance Rate ("SOFR") as an alternative to LIBOR. SOFR is a broad measure of the cost of borrowing cash in the overnight U.S. treasury market. LIBOR and SOFR have significant differences: LIBOR was an unsecured lending rate and SOFR is a secured lending rate, and SOFR is an overnight rate while LIBOR is a forward-looking rate that reflected term rates at different maturities. At this time, it is not possible to predict how markets will respond to SOFR or other alternative reference rates, and as such, the replacement of LIBOR could have an adverse effect on the market for, or value of, LIBOR-linked financial instruments. Failure to manage these risks and challenges could negatively affect our ability to expand our businesses and operations as well as materially and adversely affect our business, financial condition and results of operations.

RISK FACTORS

Future operating results could be negatively affected by changes in tax rates, the adoption of new tax legislation in the jurisdictions in which we operate, or exposure to additional tax liabilities.

The nature of our international operations subjects us to local, state, regional and national tax laws in jurisdictions around the world. Our future tax expense could be affected by changes in the mix of earnings in countries with differing statutory tax rates, changes in the valuation of deferred tax assets and liabilities or changes in tax laws or their interpretation. Additionally, tax rules governing cross-border activities are continually subject to modification intended to address concerns over base erosion and profit shifting (“BEPS”) and other perceived international tax avoidance techniques as a result of both coordinated actions by governments, such as the OECD/G20 Inclusive Framework on BEPS, and unilateral measures designed by individual countries. For example, the Cayman Islands has enacted the International Tax Co-operation (Economic Substance) Law (2020 Revision) (the “Economic Substance Law”), which originally took effect on January 1, 2019, and which is accompanied by Guidance on Economic Substance for Geographically Mobile Activities (Version 2.0; April 30, 2019) published by the Cayman Islands Tax Information Authority. The Economic Substance Law embraces a global initiative to combat BEPS and demonstrates the continued commitment of the Cayman Islands to international best practice. The Economic Substance Law provides that relevant entities that existed before January 1, 2019 and that had been conducting relevant activities by that date must comply with the economic substance requirements from July 1, 2019, and relevant entities that are established from January 1, 2019 onwards must comply with the requirements from the date they commence the relevant activity. Although we believe that we currently are not obliged to meet the economic substance requirements under the Economic Substance Law, we cannot predict any changes to the legislation or its interpretation in the future. If we are obliged to meet certain economic substance requirements in the future, our business and results of operations could be negatively impacted if we are required to make changes to our business in order to gain compliance or if we fail to comply.

We have received tax rulings from various governments that have jurisdictional authority over our operations. If we are unable to meet the requirements of such agreements, or if they expire or are renewed on less favorable terms, the result could negatively impact our future earnings. Additionally, the European Commission has opened formal investigations into specific tax rulings granted by several countries to specific taxpayers. While we believe that our rulings are consistent with accepted tax ruling practices, the ultimate resolution of such activities cannot be predicted and could also have an adverse impact on future operating results.

RISK FACTORS

Risks Related to Our Doing Business in the PRC

Changes in the political and economic policies of the PRC government or in relations between China and the United States or other governments and the oversight and discretion the PRC government has over the conduct of the business operations of our PRC subsidiaries may materially and adversely affect our business, financial condition, and results of operations and may result in our inability to sustain our growth and expansion strategies.

Due to our operations in China, our business, results of operations, financial condition and prospects may be influenced by economic, legal and social conditions in the PRC or changes in government relations between China and the U.S. or other governments. There is significant uncertainty about the future relationship between the U.S. and China with respect to trade policies, data sharing, treaties, government regulations and tariffs. China's economy differs from the economies of other countries in many respects, including with respect to the level of development, growth rate, amount of government involvement and oversight upon foreign exchange. While China's economy has experienced significant growth over the past four decades, growth has been uneven across different regions and among various economic sectors. The Chinese government has implemented various measures to encourage economic development and guide the allocation of resources. Some of these measures may benefit the overall Chinese economy, but may have a negative effect on us. For example, our financial condition and results of operations may be adversely affected by government oversight of capital investments or changes in tax regulations that are currently applicable to us. In addition, in the past the Chinese government implemented certain measures, including interest rate increases, to manage the pace of economic growth and prevent the economy from overheating. These measures may cause decreased economic activity in China, which may adversely affect our business and results of operations.

The PRC government has the ability to exert oversight over any offering of securities conducted overseas and/or foreign investment in China-based issuers, and, as a result, may limit or completely hinder our ability to offer or continue to offer securities to investors, and may cause the value of such securities to significantly decline or be worthless.

The PRC government has indicated its intent to exert more oversight over securities offerings and other capital markets activities that are conducted overseas and foreign investment in China-based companies. If the PRC authorities attempt to exercise such oversight or administration through regulation over our PRC subsidiaries, we could be required to restructure our operations to comply with such regulations or potentially cease operations in the PRC entirely, which could adversely affect our business, results of operations and financial condition. Any such action, once taken by the PRC government, could significantly limit or completely hinder our ability to offer or continue to offer securities to investors and cause the value of such securities to significantly decline or in extreme cases, become worthless.

RISK FACTORS

For example, the PRC government initiated a series of regulatory actions and statements to regulate business operations in China, including cracking down on illegal activities in the securities market, enhancing supervision over China-based companies listed overseas using the variable interest entity (“VIE”) structure, adopting new measures to extend the scope of cybersecurity reviews, and expanding the efforts in anti-monopoly enforcement. For example, in July 2021, the relevant PRC government authorities made public the Securities Opinions, which emphasized the need to strengthen the administration over illegal securities activities and the supervision on overseas listings by China-based companies and proposed to take effective measures, such as promoting the construction of relevant regulatory systems to deal with the risks and incidents faced by China-based overseas listed companies.

Furthermore, in July 2021, the PRC government provided guidance on China-based companies raising capital outside of China, including through VIE structures. In light of such developments, the SEC has imposed enhanced disclosure requirements on China-based companies seeking to register securities with the SEC. In February 2023, the CSRC released the Overseas Listing Trial Measures and five relevant guidelines which became effective as of March 31, 2023. According to the Overseas Listing Trial Measures, where Chinese companies that have directly or indirectly listed securities in overseas markets conduct follow-on offering of equity securities in such overseas markets, they shall fulfill the filing procedures with and report relevant information to the CSRC. As the Overseas Listing Trial Measures are subject to changes and may continue to evolve, we cannot assure you that we would not be deemed as an indirect overseas listed Chinese company under the Overseas Listing Trial Measures. If we are deemed as an indirect overseas listed Chinese company but fail to complete the filing procedures with the CSRC for any of our follow-on offerings or follow relevant reporting requirements thereunder, we may be subject to penalties, sanctions and fines imposed by the CSRC and relevant departments of the State Council. We are currently evaluating the implications and potential impact of the Overseas Listing Trial Measures and will continue to closely monitor the interpretation and implementation of the Overseas Listing Trial Measures. Due to our operations in China and stock listings in and outside of China, the Overseas Listing Trial Measures and any future PRC, U.S. or other rules and regulations that place restrictions on capital raising could adversely affect our business and results of operations and could significantly limit or completely hinder our ability to offer or continue to offer our ADSs or ordinary shares to investors, and could cause the value of our ADSs or ordinary shares to significantly decline or become worthless.

RISK FACTORS

In February 2023, the CSRC and other PRC governmental authorities jointly issued the revised Provisions on Strengthening Confidentiality and Archives Administration of Overseas Securities Offering and Listing by Domestic Companies (the “Revised Confidentiality Provisions”), which became effective as of March 31, 2023. According to the Revised Confidentiality Provisions, Chinese companies that directly or indirectly conduct overseas offerings and listings, shall strictly abide by the laws and regulations on confidentiality when providing or publicly disclosing, either directly or through their overseas listed entities, materials to securities services providers. In the event such materials contain state secrets or working secrets of government agencies, the Chinese companies shall first obtain approval from authorities, and file with the secrecy administrative department at the same level with the approving authority; in the event that such materials, if divulged, will jeopardize national security or public interest, the Chinese companies shall comply with procedures stipulated by national regulations. The Chinese companies shall also provide a written statement of the specific sensitive information provided when providing materials to securities service providers, and such written statements shall be retained for inspection. The interpretation and implementation of the Revised Confidentiality Provisions may continue to evolve.

Currently, these statements and regulatory actions have had no impact on our daily business operations or our ability to accept foreign investments and list our securities on a U.S. or other foreign exchange. However, it is highly uncertain how the legislative or administrative agencies will further interpret, modify or implement such laws and regulations, or if they will promulgate any new laws or regulations, and their potential impact on our daily business operations, the ability to accept foreign investments and list our securities on a U.S., Hong Kong, or other stock exchanges. There are still substantial uncertainties as to how PRC governmental authorities will regulate overseas listing in practice and whether we are required to obtain any specific regulatory approvals from PRC governmental authorities for our offshore offerings. If PRC regulatory agencies later promulgate new rules or explanations requiring that we obtain their approvals for our future offshore offerings, we may be unable to obtain such approvals in a timely manner, or at all, and such approvals may be rescinded even if obtained. Any such circumstance could significantly limit or completely hinder our ability to continue to offer securities to investors and cause the value of such securities to significantly decline or be worthless. In addition, implementation of industry-wide regulations directly targeting our operations could cause the value of our securities to significantly decline.

RISK FACTORS

The audit reports included in our previous annual reports on Form 10-K filed with the SEC have historically been prepared by auditors who are not inspected fully by the Public Company Accounting Oversight Board (the “PCAOB”), and as such, investors have previously been deprived of the benefits of such inspections.

Ernst & Young Hua Ming LLP, our auditor from fiscal year 2014 to fiscal year 2021, is required to undergo regular inspections by the PCAOB as an auditor of companies that are publicly traded in the U.S. and a firm registered with the PCAOB. Since Ernst & Young Hua Ming LLP is located in China, a jurisdiction where the PCAOB had historically been unable to conduct inspections without the approval of the Chinese authorities, Ernst & Young Hua Ming LLP was not previously inspected by the PCAOB and, as a result, the audit work that it has carried out for us in the PRC has not historically been able to be inspected independently and fully by the PCAOB. Inspections of other auditors conducted by the PCAOB outside the PRC have at times identified deficiencies in those auditors’ audit procedures and quality control procedures, which may be addressed as part of the inspection process to improve future audit quality. The historical lack of PCAOB inspections of audit work undertaken in the PRC prevented the PCAOB from regularly evaluating auditors’ audits and their quality control procedures. As a result, to the extent that any components of our auditor’s past work papers were located in China, such work papers were not subject to inspection by the PCAOB. As a result, we and investors of our ADSs, ordinary shares and RMB Shares were deprived of the benefits of such PCAOB inspections, which could cause investors and potential investors of our securities to lose confidence in our audit procedures and reported financial information and the quality of our financial statements. Given that Ernst and Young LLP (U.S.) has served as the principal accountant to audit our consolidated financial statements since 2022, we do not believe this risk is present for our current audit reports.

Historically, there has been legislation implemented which put our ADSs at risk of potential delisting. The delisting of our ADSs, or the threat of their being delisted, may materially and adversely affect the value of your investment.

In December 2020, the Holding Foreign Companies Accountable Act (“HFCAA”), was signed into law, providing that if the SEC determines we have filed audit reports issued by a registered public accounting firm that has not been subject to inspection by the PCAOB for three consecutive years beginning in 2021, the SEC shall prohibit securities from being traded on a national securities exchange or in the over-the-counter trading market in the U.S. Following the filing of our annual report on Form 10-K for fiscal year ended December 31, 2021, which was audited by Ernst & Young Hua Ming LLP, the SEC added us to its list of Commission-Identified Issuers identified under HFCAA. In December 2022, the Accelerating Holding Foreign Companies Accountable Act (“AHFCAA”) was signed into law, which amended the HFCAA to shorten the three-year period to two years.

RISK FACTORS

However, as our global business expanded, we built substantial organizational capabilities outside of the PRC and we evaluated, designed and implemented business processes and control changes which enabled us to engage Ernst & Young LLP, located in Boston, Massachusetts, U.S., as our independent registered public accounting firm for the audits of our financial statements and internal control over financial reporting commencing for the fiscal year ended December 31, 2022. We believe that this satisfies the PCAOB inspection requirements for the audit of our consolidated financial statements prior to the two-year deadline of the AHFCAA. Given that Ernst and Young LLP (U.S.) has served as the principal accountant to audit our consolidated financial statements since 2022, we are compliant with the HFCAA and AHFCAA and can certify that we retained a registered public accounting firm that the PCAOB is able to inspect or investigate which would preclude any further finding by the SEC that we are a Commission-Identified Issuer and therefore the delisting of our ADSs from NASDAQ.

We may be subject to enforcement under similar legislation that may be enacted into law or executive orders that may be adopted in the future. Although we are committed to complying with the rules and regulations applicable to listed companies in the U.S., we are currently unable to predict the potential impact on our listing status by any rules that may be adopted by the SEC in the future. If we failed to comply with those rules, it is possible that our ADSs would be delisted. The risk and uncertainty associated with a potential delisting would have a negative impact on the price of our ADSs, ordinary shares and RMB Shares.

There are uncertainties regarding the interpretation and enforcement of Chinese laws, rules and regulations.

A large portion of our operations are conducted in China through our Chinese subsidiaries. Our Chinese subsidiaries are subject to laws, rules and regulations applicable to foreign investment in China. The Chinese legal system is a civil law system based on written statutes. Unlike the common law system, prior court decisions may be cited for reference but have limited precedential value.

Furthermore, China's legal system is still developing. The laws, rules and regulations are subject to interpretation and enforcement by PRC regulatory agencies and courts. In particular, on account of the relatively new implementation of certain laws, rules and regulations, the non-precedential nature of court decisions, and the discretion such laws, rules and regulations give to the relevant regulator in enforcement, the interpretation and enforcement of these laws, rules and regulations involve uncertainties and can be inconsistent. In addition, the legal system is based in part on government policies and rules which may quickly be amended from time to time. As a result, we may not be aware of our violation of these policies and rules until after the occurrence of the violation.

RISK FACTORS

China's Foreign Investment Law and its implementing rule came into force in January 2020. The Foreign Investment Law and its implementing rules embody an expected regulatory trend to rationalize China's foreign investment regulatory regime in line with prevailing international practice and the legislative efforts to unify the legal requirements for both foreign and domestic investments. There are still uncertainties with respect to the interpretation and implementation of the Foreign Investment Law and its implementing rules. For example, the Foreign Investment Law and its implementing rules provide that foreign invested entities established according to the previous laws regulating foreign investment prior to its implementation may maintain their structure and corporate governance for a five-year transition period. It is uncertain whether governmental authorities may require us to adjust the structure and corporate governance of certain of our Chinese subsidiaries in such transition period. Failure to take timely and appropriate measures to meet any of these or similar regulatory requirements could materially affect our current corporate governance practices and business operations and our compliance costs may increase significantly. In addition, the Security Review Rules, effective as of January 18, 2021, embody China's continued efforts to provide a legal regime for national security review comparable to similar procedures in other jurisdictions, such as CFIUS review in the U.S. There are still uncertainties with respect to the interpretation, implementation and enforcement of the Security Review Rules. For example, national security remains undefined and there is no clear guidance on whether the biotechnology industry requires security review and what factors the regulatory authority may consider in determining whether there are security concerns. It is difficult to evaluate the impact of the Security Review Rules on our existing investments or potential investments in China.

It may be difficult for overseas regulators to conduct investigations or collect evidence within China. In China, there are legal and other obstacles to providing information needed for regulatory investigations or litigations initiated outside China. According to Article 177 of the PRC Securities Law, which became effective in March 2020, no overseas securities regulator is allowed to directly conduct investigation or evidence collection activities within the PRC territory, which may increase the difficulties you face in protecting your interests. According to the Revised Confidentiality and Archives Administration Provisions, where overseas securities regulators or relevant competent authorities request to inspect, investigate or collect evidence from Chinese domestic companies concerning their overseas offering and listing or their securities firms and securities service providers that undertake securities business for such Chinese domestic companies, such inspection, investigation and evidence collection must be conducted under the cross-border regulatory cooperation mechanism, and the CSRC or competent authorities of the Chinese government will provide necessary assistance pursuant to bilateral and multilateral cooperation mechanism. Although the authorities in China may establish a regulatory cooperation mechanism with the securities regulatory authorities of another country or region to implement cross-border supervision and administration, such cooperation with the securities regulatory authorities in the United States may not be efficient in the absence of a mutual and practical cooperation mechanism. For risks associated with investing in us as a Cayman Islands company, see the risk factor titled " – Risks Related to Our Ordinary Shares, ADSs, and RMB Shares – Because we are a Cayman Islands company, our shareholders may have fewer shareholder rights than they would have under Hong Kong law, Chinese law or U.S. law and may face difficulties in protecting their interests."

RISK FACTORS

Any administrative and court proceedings in the jurisdictions in which we operate, including China may be protracted, resulting in substantial costs and diversion of resources and management attention. Since administrative and court authorities have discretion in interpreting and implementing statutory and contractual terms, it may be difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection. These uncertainties may impede our ability to enforce the contracts we have entered and could materially and adversely affect our business, financial condition and results of operations.

In addition, the PRC government has announced its plans to enhance its regulatory oversight of China-based companies listed overseas and cross-border law enforcement cooperation. The Securities Opinions called for:

- tightening oversight of data security, cross-border data flow and administration of classified information, as well as amendments to relevant regulation to specify responsibilities of overseas listed China-based companies with respect to data security and information security;
- enhanced oversight of overseas listed companies as well as overseas equity fundraising and listing by China-based companies; and
- extraterritorial application of China's securities laws.

There are uncertainties with respect to the interpretation and implementation of the Securities Opinions and the Overseas Listing Trial Measures. The PRC government may promulgate relevant laws, rules and regulations to impose additional obligations and liabilities on overseas listed China-based companies regarding data security, cross-border data flow, and compliance with China's securities laws. As a company with operations in China and stock listings in and outside of China, it is uncertain whether or how these laws, rules and regulations and their interpretation and implementation may affect us. However, among other things, our ability to obtain external financing through the issuance of equity securities overseas could be adversely affected if restrictions on overseas fundraising are imposed on companies like us.

The filing or other procedures with, the CSRC or other Chinese regulatory authorities may be required in connection with issuing our equity securities to foreign investors under Chinese law, and, if required, we cannot predict whether we will be able, or how long it will take us, to complete such filing or other procedures. If we fail to complete a filing with the CSRC, our future offering application may be impacted and we may be subject to penalties, sanctions and fines imposed by the CSRC and relevant departments of the State Council.

Pursuant to the Securities Opinions, Chinese regulators are required to accelerate rulemaking related to the overseas issuance and listing of securities outside of China, and update the existing laws and regulations related to data security, cross-border data flow, and administration of classified information. The Securities Opinions emphasized the need to strengthen the administration over illegal securities activities and the need to strengthen the supervision over overseas listings by Chinese companies.

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Numerous regulations, guidelines and other measures have been or are expected to be adopted under the umbrella of or in addition to the Cyber Security Law and Data Security Law. As the relevant regulations, guidelines and measures are subject to change and continue to evolve, we cannot assure investors that we will be able to comply with new regulatory requirements relating to our future overseas capital-raising activities outside of China and we may become subject to more stringent requirements with respect to matters including data privacy and cross-border investigation and enforcement of legal claims.

Furthermore, in February 2023, the CSRC released the Overseas Listing Trial Measures and five relevant guidelines, which took effect on March 31, 2023, requiring Chinese companies that have already directly or indirectly offered and listed securities in overseas markets to fulfil their filing obligations and report relevant information to the CSRC within three working days after conducting a follow-on offering of equity securities on the same overseas market. The Overseas Listing Trial Measures may continue to evolve. We may have to go through the filing process for any follow-on offerings we conduct on NASDAQ or Hong Kong Stock Exchange within three working days of the completion of our follow-on offerings. If we fail to complete a filing with the CSRC for any of our follow-on offerings, we may be subject to penalties, sanctions and fines imposed by the CSRC and relevant departments of the State Council.

As of the date of this report, we have not received any inquiry, notice, warning or sanction regarding completing filing or other procedures in connection with offering our equity securities on NASDAQ or Hong Kong Stock Exchange from the CSRC or any other Chinese regulatory authorities that have jurisdiction over our operations. However, there remains uncertainty as to the interpretation and implementation of regulatory requirements related to securities offerings and other capital markets activities outside of China. If it is determined in the future that the filing or other procedure with the CSRC or any other regulatory authority is required for issuing our equity securities on NASDAQ or Hong Kong Stock Exchange, it is uncertain whether we will be able to and how long it would take for us to complete the filing or other procedure, despite our best efforts. If we, for any reason, are unable to complete, or experience significant delays in completing, the requisite relevant filing or other procedure(s), we may face sanctions by the CSRC or other Chinese regulatory authorities. These regulatory authorities may impose fines and penalties on our operations in China, limit our ability to pay dividends outside of China, limit our operations in China, delay or restrict the repatriation of funds into China or take other actions that could have a material adverse effect on our business, financial condition, results of operations and prospects, as well as the trading price of our ADSs, ordinary shares, and RMB Shares. In addition, if the CSRC or other regulatory authorities later promulgate new rules requiring that we obtain their approvals or complete filing or other procedures for any future public offerings on NASDAQ or Hong Kong Stock Exchange, we may be unable to obtain a waiver of such requirements, if and when procedures are established to obtain such a waiver. Any uncertainties and/or negative publicity regarding such a requirement could have a material adverse effect on the trading price of our ADSs, ordinary shares, and RMB Shares.

RISK FACTORS

To operate our general business activities currently conducted in China, each of our Chinese subsidiaries is required to obtain a business license from the local counterpart of the SAMR. Each of our Chinese subsidiaries has obtained a valid business license from the local counterpart of the SAMR. The pharmaceutical industry in which we operate is also highly regulated in China. Our Chinese subsidiaries are required to obtain applicable licenses from competent Chinese government authorities for our operations in China, including drug manufacturing licenses, drug trade license, clinical trial authorizations, drug registration certificates, licenses for use of experimental animals, pollutant discharge licenses and permits for urban sewage discharge into drainage pipe network. We believe our PRC subsidiaries have obtained all applicable licenses and permits which are material to our business operations in China.

PRC regulations establish complex procedures for some acquisitions conducted by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in China.

PRC regulations and rules concerning mergers and acquisitions set forth additional procedures and requirements that could make merger and acquisition activities of PRC-based companies by foreign investors more time-consuming and complex. See the risk factor titled “*We incur significant costs as a result of operating as a public company, and our management is required to devote substantial time to compliance requirements, including establishing and maintaining internal controls over financial reporting. We may be exposed to potential risks if we are unable to comply with these requirements.*” These rules, among others, specify that mergers and acquisitions by foreign investors that raise “national defense and security” concerns and mergers and acquisitions through which foreign investors may acquire the de facto control over domestic enterprises that raise “national security” concerns are subject to strict review by the MOFCOM, and the rules prohibit any activities attempting to bypass a security review by structuring the transaction through, among other things, trusts, entrustment or contractual control arrangements. Although we believe that our business is not in an industry related to national security, we cannot preclude the possibility that the competent PRC government authorities may publish explanations contrary to our understanding or broaden the scope of such security reviews in the future, in which case our future acquisitions and investment in the PRC, including those by way of entering into contractual control arrangements with target entities, may be closely scrutinized or prohibited. Moreover, according to the Anti-Monopoly Law, the SAMR shall be notified in advance of any concentration of undertaking if certain filing thresholds are triggered. We may grow our business in part by acquiring complementary businesses in China. Complying with the requirements of the laws and regulations mentioned above and other PRC regulations to complete such transactions could be time-consuming, and any required approval processes, including obtaining approval from the SAMR, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain or expand our market share. Our ability to expand our business or maintain or expand our market share through future acquisitions would as such be materially and adversely affected.

RISK FACTORS

In December 2020, the NDRC and the MOFCOM promulgated the Foreign Investment Security Review Measures, which came into effect in January 2021. Under the Foreign Investment Security Review Measures, investments in military, national defense-related areas or in locations in proximity to military facilities, or investments that would result in acquiring the actual control of assets in certain key sectors, such as critical agricultural products, energy and resources, equipment manufacturing, infrastructure, transport, cultural products and services, IT, Internet products and services, financial services and technology sectors, are required to be approved by designated governmental authorities in advance. Official guidance for these measures has not been issued by the designated office in charge of such security review yet, therefore there are great uncertainties with respect to the interpretation and implementation of the Foreign Investment Security Review Measures. If any of our business operations were to fall under the foregoing categories, we would need to take further actions in order to comply with these laws, regulations and rules, which may materially and adversely affect our current corporate structure, business, financial condition and results of operations.

We may rely on dividends and other distributions on equity paid by our PRC subsidiaries to fund any cash and financing requirements we may have, and any limitation on the ability of our PRC subsidiaries to make payments to us could have a material and adverse effect on our ability to conduct our business.

We are a holding company incorporated in the Cayman Islands, and we may rely on dividends and other distributions on equity paid by our PRC subsidiaries for our cash and financing requirements, including the funds necessary to pay dividends and other cash distributions to our shareholders or to service any debt we may incur. If any of our PRC subsidiaries incur debt on their own behalf in the future, the instruments governing the debt may restrict their ability to pay dividends or make other distributions to us. Under PRC laws and regulations, our PRC subsidiaries may pay dividends only out of their respective accumulated profits as determined in accordance with PRC accounting standards and regulations. In addition, a wholly foreign-owned enterprise is required to set aside at least 10% of its accumulated after-tax profits each year, if any, to fund a certain statutory reserve fund, until the aggregate amount of such fund reaches 50% of its registered capital. Such reserve funds cannot be distributed to us as dividends until the liquidation of the enterprise. At its discretion, a wholly foreign-owned enterprise may allocate a portion of its after-tax profits based on PRC accounting standards to an enterprise expansion fund, or a staff welfare and bonus fund. In addition, registered share capital and capital reserve accounts are also restricted from withdrawal in the PRC, up to the amount of net assets held in each operating subsidiary. As of December 31, 2023, these restricted assets totaled US\$4.1 billion.

RISK FACTORS

Our PRC subsidiaries generate primarily all of their revenue in RMB, which is not freely convertible into other currencies. As a result, any restriction on currency exchange may limit the ability of our PRC subsidiaries to use their RMB revenues to pay dividends to us.

In response to the persistent capital outflow in the PRC and RMB's depreciation against the U.S. dollar in the fourth quarter of 2016, the People's Bank of China ("PBOC") and China's State Administration of Foreign Exchange ("SAFE") promulgated a series of measures relating to oversight of capital flow, including stricter vetting procedures for domestic companies to remit foreign currency for overseas investments, dividends payments and shareholder loan repayments.

The PRC government may continue to strengthen its oversight of capital flow, and more regulations and substantial vetting process may be put forward by the SAFE for cross-border transactions. Any limitation on the ability of our PRC subsidiaries to pay dividends or make other kinds of payments to us could materially and adversely limit our ability to grow, make investments or acquisitions that could be beneficial to our business, pay dividends, or otherwise fund and conduct our business.

The PRC Enterprise Income Tax Law (the "EIT Law") and its implementation rules provide that China-sourced income of foreign enterprises, such as dividends paid by a PRC subsidiary to its equity holders that are non-PRC resident enterprises, will normally be subject to PRC withholding tax at a rate of 10%, unless any such foreign investor's jurisdiction of tax residency has a tax treaty with China that provides for a reduced withholding rate arrangement and such non-PRC resident enterprises constitute the beneficiary of such income.

Pursuant to an arrangement between mainland China and the Hong Kong Special Administrative Region (the "Hong Kong Tax Treaty") and relevant tax regulations of the PRC, subject to certain conditions, a reduced withholding tax rate of 5% will be available for dividends from PRC entities provided that the recipient holds at least 25% shares of the PRC entities and can demonstrate it is a Hong Kong tax resident and it is the beneficial owner of the dividends. The China government has adopted multiple regulations which stipulate that in determining whether a non-resident enterprise has the status as a beneficial owner, comprehensive analysis shall be conducted based on the factors listed therein and the actual circumstances of the specific case shall be taken into consideration. Specifically, it expressly excludes an agent or a designated payee from being considered as a "beneficial owner." We own the PRC subsidiaries through BeiGene (Hong Kong) Co., Limited ("BeiGene HK"), a company incorporated under the laws of Hong Kong on November 22, 2010 and a wholly owned subsidiary of the Company. BeiGene HK currently does not hold a Hong Kong tax resident certificate from the Inland Revenue Department of Hong Kong, and there is no assurance that the reduced withholding tax rate will be available.

RISK FACTORS

We may be treated as a resident enterprise for PRC tax purposes under the EIT Law and we may therefore be subject to PRC income tax on our worldwide taxable income. Dividends payable to foreign investors and gains on the sale of our ADSs or ordinary shares by our foreign investors may become subject to PRC tax.

Under the EIT Law, an enterprise established outside the PRC with “de facto management bodies” within the PRC is considered a “resident enterprise,” meaning that it is treated in a manner similar to a Chinese enterprise for PRC enterprise income tax purposes. The implementing rules of the EIT Law define “de facto management bodies” as “management bodies that exercise substantial and overall management and control over the production and operations, personnel, accounting, and properties” of the enterprise. In addition, PRC regulations specify that certain Chinese-controlled offshore incorporated enterprises, defined as enterprises incorporated under the laws of foreign countries or territories and that have PRC enterprises or enterprise groups as their primary controlling shareholders, will be classified as resident enterprises if all of the following are located or resident in China: (i) senior management personnel and departments that are responsible for daily production, operation and management; (ii) financial and personnel decision-making bodies; (iii) key properties, accounting books, company seal, and minutes of board meetings and shareholders’ meetings; and (iv) half or more of senior management or directors having voting rights.

Although BeiGene, Ltd. does not have a PRC enterprise or enterprise group as its primary controlling shareholder and is therefore not a Chinese-controlled offshore incorporated enterprise within the meaning of these regulations, in the absence of guidance specifically applicable to us, we have applied the guidance set forth in the regulations to evaluate the tax residence status of BeiGene, Ltd. and its subsidiaries organized outside of the PRC.

We are not aware of any offshore holding company with a corporate structure similar to ours that has been deemed a PRC “resident enterprise” by the PRC tax authorities. Accordingly, we do not believe that our company or any of our overseas subsidiaries should be treated as a PRC resident enterprise. However, the tax resident status of an enterprise is subject to determination by the PRC tax authorities and uncertainties remain with respect to the interpretation of the term “de facto management body.” If the PRC tax authorities determine that our Cayman Islands holding company is a resident enterprise for PRC enterprise income tax purposes, a number of unfavorable PRC tax consequences could follow and we may be subject to enterprise income tax at a rate of 25% on our worldwide taxable income, as well as to PRC enterprise income tax reporting obligations. If we are deemed a PRC resident enterprise, dividends paid on our shares and any gain realized from the transfer of our ordinary shares may be treated as income derived from sources within the PRC. As a result, dividends paid to non-PRC resident enterprise ADS holders or shareholders may be subject to PRC withholding tax at a rate of 10% (or 20% in the case of non-PRC individual ADS holders or shareholders) and gains realized by non-PRC resident enterprises ADS holders or shareholders from the transfer of our ordinary shares or ADSs may be subject to PRC tax at a rate of 10% (or 20% in the case of non-PRC individual ADS holders or shareholders), which may be reduced or exempted according to relevant tax treaties between PRC and the non-PRC resident enterprise/individual ADS holders’ or shareholders’ tax resident jurisdictions.

RISK FACTORS

We and our shareholders face uncertainties with respect to indirect transfers of equity interests in PRC resident enterprises or other assets attributed to a PRC establishment of a non-PRC company, or other assets attributable to a PRC establishment of a non-PRC company.

Pursuant to Chinese regulations, an “indirect transfer” of “PRC taxable assets,” including equity interests in a PRC resident enterprise, by non-PRC resident enterprises may be recharacterized and treated as a direct transfer of PRC taxable assets, if such arrangement does not have a reasonable commercial purpose and was established for the purpose of avoiding payment of PRC enterprise income tax. As a result, gains derived from such indirect transfer may be subject to PRC enterprise income tax. When determining whether there is a “reasonable commercial purpose” of the transaction arrangement, factors to be taken into consideration include: whether the main value of the equity interest of the relevant offshore enterprise derives from PRC taxable assets; whether the assets of the relevant offshore enterprise mainly consists of direct or indirect investment in the PRC or if its income mainly derives from the PRC; whether the offshore enterprise and its subsidiaries directly or indirectly holding PRC taxable assets have real commercial nature which is evidenced by their actual function and risk exposure; the duration of existence of the business model and organizational structure; the replicability of the transaction by direct transfer of PRC taxable assets; and the tax situation of such indirect transfer and applicable tax treaties or similar arrangements. In respect of an indirect offshore transfer of assets of a PRC establishment, the resulting gain is to be reported on with the enterprise income tax filing of the PRC establishment or place of business being transferred and would consequently be subject to PRC enterprise income tax at a rate of 25%. Where the underlying transfer relates to equity investments in a PRC resident enterprise, which is not related to a PRC establishment or place of business of a non-resident enterprise, a PRC enterprise income tax at the rate of 10% would apply, subject to available preferential tax treatment under applicable tax treaties or similar arrangements. Late payment of applicable tax will subject the transferor to default interest. Gains derived from the sale of shares by investors through a public stock exchange are not subject to the PRC enterprise income tax where such shares were acquired in a transaction through a public stock exchange. As such, the sale of the ADSs or ordinary shares on a public stock exchange will not be subject to PRC enterprise income tax. However, the sale of our ordinary shares or ADSs originally purchased from a stock exchange by a non-PRC resident enterprise outside a public stock exchange may be subject to PRC enterprise income tax under these regulations.

There are uncertainties as to the application of these regulations, which may be determined by the tax authorities to be applicable to sale of the shares of our offshore subsidiaries or investments where PRC taxable assets are involved. The transferors and transferees may be subject to the tax filing and withholding or tax payment obligation, while our PRC subsidiaries may be requested to assist in the filing. Furthermore, we, our non-resident enterprises and PRC subsidiaries may be required to spend valuable resources to comply with these regulations or to establish that we and our non-resident enterprises should not be taxed under these regulations, for our previous and future restructuring or disposal of shares of our offshore subsidiaries, which may have a material adverse effect on our financial condition and results of operations.

RISK FACTORS

The PRC tax authorities have the discretion to make adjustments to the taxable capital gains based on the difference between the fair value of the taxable assets transferred and the cost of investment. If the PRC tax authorities make adjustments to the taxable income of the transactions under these regulations, our income tax costs associated with such potential acquisitions or disposals will increase, which may have an adverse effect on our financial condition and results of operations.

Regulations on currency exchange may limit our ability to utilize our revenue effectively.

The PRC government exerts oversight on the conversion of RMB into foreign currencies and, in certain cases, the remittance of currency out of the PRC. A portion of our revenue is denominated in RMB. Shortages in availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to our offshore entities for our offshore entities to pay dividends or make other payments or otherwise to satisfy our foreign currency denominated obligations. The RMB is currently convertible under the “current account,” which includes dividends, trade and service-related foreign exchange transactions, but not under the “capital account,” which includes foreign direct investment and loans, including loans we may secure from our onshore subsidiaries. Currently, our PRC subsidiaries may purchase foreign currency for settlement of “current account transactions,” including payment of dividends to us, without the approval of SAFE by complying with certain procedural requirements. Since a portion of our revenue is denominated in RMB, any existing and future regulations on currency exchange may limit our ability to utilize revenue generated in RMB to fund our business activities outside of the PRC or pay dividends in foreign currencies to holders of our ordinary shares and the ADSs. Foreign exchange transactions under the capital account remain subject to limitations and require approvals from, or registration with, SAFE and other relevant PRC governmental authorities or designated banks. This could affect our ability to obtain foreign currency through debt or equity financing for our subsidiaries.

Our business benefits from certain financial incentives and discretionary policies granted by local governments. Expiration of, or changes to, these incentives or policies would have an adverse effect on our results of operations.

Local governments in the PRC have granted certain financial incentives from time to time to our PRC subsidiaries as part of their efforts to encourage the development of local businesses. The timing, amount and criteria of government financial incentives are determined within the discretion of the local government authorities and cannot be predicted with certainty before we actually receive any financial incentive. We generally do not have the ability to influence local governments in making these decisions. Local governments may decide to reduce or eliminate incentives at any time. In addition, some of the government financial incentives are granted on a project basis and subject to the satisfaction of certain conditions, including compliance with the applicable financial incentive agreements and completion of the specific project therein. We cannot guarantee that we will satisfy all relevant conditions, and if we do so we may be deprived of the relevant incentives. We cannot assure you of the continued availability of the government incentives currently enjoyed by us. Any reduction or elimination of incentives would have an adverse effect on our results of operations.

RISK FACTORS

Any failure to comply with PRC regulations regarding our employee equity plans and investments in offshore companies by PRC residents may subject the PRC plan participants and PRC-resident beneficial owners or us to fines and other legal or administrative sanctions.

We and our directors, executive officers and other employees who are PRC residents have participated in our employee equity plans. We are an overseas listed company, and therefore, we and our directors, executive officers and other employees who are PRC citizens or who have resided in the PRC for a continuous period of not less than one year and who have been granted restricted share units, restricted shares, options or other forms of equity incentives or rights to acquire equity are subject to the PRC regulations, according to which, employees, directors, supervisors and other management members participating in any share incentive plan of an overseas publicly listed company who are PRC citizens or who are non-PRC citizens residing in the PRC for a continuous period of not less than one year, subject to limited exceptions, are required to register with the SAFE through a domestic qualified agent, which could be a PRC subsidiary of such overseas listed company, and complete certain other procedures. We also face regulatory uncertainties that could restrict our ability to adopt additional equity incentive plans for our directors and employees under PRC law. Moreover, failure to comply with the various foreign exchange registration requirements could result in liability under PRC law for circumventing applicable foreign exchange restrictions.

The pharmaceutical industry in China is highly regulated, and such regulations are subject to change, which may affect approval and commercialization of our medicines and drug candidates.

A large portion of our business is conducted in China. The pharmaceutical industry in China is subject to comprehensive government regulation and supervision, encompassing the approval, registration, manufacturing, packaging, licensing and marketing of new medicines. In recent years, the regulatory framework in China for pharmaceutical companies has undergone significant changes, which we expect will continue. While we believe our strategies regarding research, development, manufacturing and commercialization in China are aligned with the Chinese government's policies, they may in the future diverge, requiring a change in our strategies. Any such change may result in increased compliance costs on our business or cause delays in or prevent the successful research, development, manufacturing or commercialization of our drug candidates or medicines in China and reduce the current benefits we believe are available to us from developing and manufacturing medicines in China.

Chinese authorities have become increasingly active in enforcing laws affecting the pharmaceutical industry. Specifically, the Chinese authorities have recently increased anti-bribery efforts to address improper payments and other benefits received by physicians, staff and hospital administrators in connection with the sales, marketing and purchase of pharmaceuticals products. Any failure by us or our partners to maintain compliance with applicable laws and regulations or obtain and maintain required licenses and permits may result in the suspension or termination of our business activities in China. Reports of what have come to be viewed as significant quality-control failures by Chinese vaccine manufacturers have led to enforcement actions against officials responsible for implementing national reforms favorable to innovative drugs (such as ours). This macro-industry event could cause state or private resources to be diverted away from fostering innovation and be redirected toward regulatory enforcement, which could adversely affect our research, development, manufacturing and commercialization activities and increase our compliance costs.

RISK FACTORS

Risks Related to Our Ordinary Shares, ADSs, and RMB Shares

The trading prices of our ordinary shares, ADSs, and/or RMB Shares can be volatile, which could result in substantial losses to you.

The trading price of our ordinary shares, ADSs, and/or RMB Shares can be volatile and fluctuate widely in response to a variety of factors, many of which are beyond our control, including: announcements of regulatory approval or a complete response letter, or specific label indications or patient populations for its use, or changes or delays in the regulatory review process; announcements of therapeutic innovations, new products, acquisitions, strategic relationships, joint ventures or capital commitments by us or our competitors; adverse actions taken by regulatory agencies with respect to our clinical trials, manufacturing supply chain or sales and marketing activities; any adverse changes to our relationship with manufacturers or suppliers; the results of our testing and clinical trials; the results of our efforts to acquire or license additional medicines or drug candidates; variations in the level of expenses related to our existing medicines and drug candidates or preclinical, clinical development and commercialization programs; any intellectual property infringement actions in which we may become involved; announcements concerning our competitors or the pharmaceutical industry in general; the performance and fluctuation of the market prices of other companies with significant business operations in China that have listed their securities in Hong Kong, Shanghai or the U.S.; fluctuations in product revenue, sales and marketing expenses and profitability; manufacture, supply or distribution shortages; variations in our results of operations; announcements about our results of operations that are not in line with analyst expectations, the risk of which is enhanced because it is our policy not to give guidance on results of operations; publication of operating or industry metrics by third parties, including government statistical agencies, that differ from expectations of industry or financial analysts; changes in financial estimates by securities research analysts; media reports, whether or not true, about our business, our competitors or our industry; additions to or departures of our management; fluctuations of exchange rates between the RMB, the U.S. dollar and Hong Kong dollar; release or expiry of lock-up or other transfer restrictions on our outstanding ordinary shares, ADSs or RMB Shares; sales or perceived potential sales of additional ordinary shares, ADSs or RMB Shares by us, our executive officers and directors or our shareholders; general economic and market conditions and overall fluctuations in the U.S., Hong Kong or Shanghai equity markets; changes in accounting principles; trade disputes or U.S.-China government relations; and changes or developments in the U.S., PRC, the EU or global regulatory environment.

In addition, the stock market, in general, and pharmaceutical and biotechnology companies, in particular, have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of these companies. Broad market and industry factors may negatively affect the market price of our ordinary shares, ADSs, and/or RMB Shares, regardless of our actual operating performance.

RISK FACTORS

The characteristics of capital markets in the United States, Hong Kong and Shanghai are different, which may cause volatility in the market price of our ordinary shares, ADSs, and RMB Shares.

Our ordinary shares are listed on the HKEx in Hong Kong under the stock code “06160”, our ADSs are listed on NASDAQ in the U.S. under the symbol “BGNE”, and our RMB Shares are listed on the STAR Market in the PRC under the stock code “688235”. Under current PRC laws and regulations, our ADSs and ordinary shares listed on NASDAQ and the HKEx are not interchangeable or fungible with the RMB Shares listed on the STAR Market, and there is no trading or settlement between either NASDAQ or the HKEx on the one hand, and the STAR Market on the other hand. The three markets have different trading hours, trading characteristics (including trading volume and liquidity), trading and listing rules, and investor bases (including different levels of retail and institutional participation). As a result of these major differences, the trading prices of our ordinary shares, ADSs, and RMB Shares might not be the same, even allowing for currency differences. Fluctuations in the price of our ADSs due to circumstances peculiar to its home capital market could materially and adversely affect the price of the ordinary shares and/or RMB Shares, and vice versa. Because of the different characteristics of the U.S., Hong Kong and Shanghai equity markets, the historic market prices of our ordinary shares, ADSs, and RMB Shares may not be indicative of the performance of our securities going forward.

We may be subject to securities litigation, which is expensive and could divert management attention.

Companies that have experienced volatility in the volume and market price of their shares have been subject to an increased incidence of securities class action litigation, particularly in our industry in recent years. We may be the target of this type of litigation in the future. Securities litigation against us could result in substantial costs and divert our management’s attention from other business concerns, and, if adversely determined, could have a material adverse effect on our business, financial condition, and results of operations.

Future sales of our ordinary shares, ADSs, and/or RMB Shares in the public market could cause the ordinary share, ADS, and/or RMB Share price to fall.

The price of our ordinary shares, ADSs, and/or RMB Shares could decline as a result of sales of a large number of the ordinary shares, ADSs, and/or RMB Shares or the perception that these sales could occur. These sales, or the possibility that these sales may occur, also might make it more difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate.

As of February 14, 2024, 1,359,513,224 ordinary shares, par value US\$0.0001 per share, were outstanding, of which 861,019,991 ordinary shares were held in the form of 66,232,307 ADSs, each representing 13 ordinary shares, and 115,055,260 were RMB Shares.

RISK FACTORS

We filed a registration statement on Form S-3 with the SEC on behalf of certain shareholders on May 9, 2023, registering 298,738,765 ordinary shares, including 222,835,028 ordinary shares in the form of 17,141,156 ADSs to be resold by the selling shareholders identified therein and in any related prospectus supplement from time to time. Amgen also has specified registration rights pursuant to its share purchase agreement. Furthermore, we have registered or plan to register the offer and sale of all securities that we have issued and may issue in the future under our equity compensation plans, including upon the exercise of share options and vesting of restricted share units and under our employee share purchase plan. If these additional securities are sold, or if it is perceived that they will be sold, in the public market, the trading price of our ordinary shares, ADSs and/or RMB Shares could decline.

In addition, in the future, we may issue additional ordinary shares, ADSs, RMB Shares, or other equity or debt securities convertible into ordinary shares, ADSs, or RMB Shares in connection with a financing, acquisition, license, litigation settlement, employee arrangements or otherwise. Any such issuance could result in substantial dilution to our existing shareholders and could cause the ordinary share, ADS, and/or RMB Share price to decline.

The triple listing of our ADSs, ordinary shares and RMB Shares may adversely affect the liquidity and value of our ADSs, ordinary shares and/or RMB Shares and lead to increased compliance obligations and costs.

Our ADSs are traded on NASDAQ, our existing ordinary shares maintained on our Cayman register in Cayman Islands and Hong Kong register in Hong Kong, are traded on the HKEx, and our RMB Shares are traded on the STAR Market. The triple listing of our ADSs, ordinary shares and RMB Shares may dilute the liquidity of these securities in one or all three markets and may adversely affect the maintenance of an active trading market for ADSs in the U.S., the ordinary shares in Hong Kong, and/or the RMB Shares in the PRC. The price of our ADSs, ordinary shares and/or RMB Shares could also be adversely affected by trading of our securities on other markets. We may decide at some point in the future to delist our RMB Shares from the STAR Market, and our shareholders may approve such delisting. We cannot predict the effect such delisting of our RMB Shares on the STAR Market would have on the market price of our ADSs on NASDAQ or our ordinary shares on the HKEx. Additionally, the listing and trading of our equity securities in multiple jurisdictions and multiple markets has resulted in increased compliance obligations and costs for us, and we may face the risk of significant intervention by regulatory authorities in these jurisdictions and markets, such as inquiries, investigations, enforcement actions and other regulatory proceedings by regulatory authorities.

Because we do not expect to pay dividends in the foreseeable future, you must rely on price appreciation of the ordinary shares, ADSs and/or RMB Shares for return on your investment.

We intend to retain most, if not all, of our available funds and earnings to fund the development and growth of our business. As a result, we do not expect to pay any cash dividends in the foreseeable future. Therefore, you should not rely on an investment in the ordinary shares, ADSs and/or RMB Shares as a source for any future dividend income.

RISK FACTORS

Our board of directors has significant discretion as to whether to distribute dividends. Even if our board of directors decides to declare and pay dividends, the timing, amount and form of future dividends, if any, will depend on, among other things, our future results of operations and cash flow, our capital requirements and surplus, the amount of distributions, if any, received by us from our subsidiaries, our financial condition, contractual and regulatory restrictions and other factors deemed relevant by our board of directors. Accordingly, the return on your investment in the ordinary shares, ADSs and/or RMB Shares will likely depend entirely upon any future price appreciation of the ordinary shares, ADSs and/or RMB Shares. There is no guarantee that the ordinary shares, ADSs and/or RMB Shares will appreciate in value or even maintain the price at which you purchased the ordinary shares, ADSs and/or RMB Shares. You may not realize a return on your investment in the ordinary shares, ADSs and/or RMB Shares and you may even lose your entire investment in the ordinary shares, ADSs and/or RMB Shares.

If securities or industry analysts do not continue to publish research or publish inaccurate or unfavorable research about our business, the market price for the ordinary shares, ADSs and/or RMB Shares and trading volume could decline.

The trading market for the ordinary shares, ADSs and RMB Shares relies in part on the research and reports that equity research analysts publish about us or our business. We do not control these analysts. If research analysts do not maintain adequate research coverage or if one or more of the analysts who covers us downgrades the ordinary shares, ADSs and/or RMB Shares or publishes inaccurate or unfavorable research about our business, the market price for the ordinary shares, ADSs and/or RMB Shares would likely decline. Historically, we are aware of instances in which analysts have published inaccurate research about our business. If one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, we could lose visibility in the financial markets, which, in turn, could cause the market price or trading volume for the ordinary shares, ADSs and/or RMB Shares to decline significantly.

Because we are a Cayman Islands company, our shareholders may have fewer shareholder rights than they would have under Hong Kong law, Chinese law or U.S. law and may face difficulties in protecting their interests.

We are an exempted company with limited liability incorporated in the Cayman Islands. Our corporate affairs are governed by our amended and restated memorandum and articles of association (as may be further amended from time to time), the Companies Law (as amended) of the Cayman Islands, and the common law of the Cayman Islands. The rights of our shareholders and the fiduciary responsibilities of our directors under Cayman Islands law are not as clearly established as they would be under statutes or judicial precedent in some jurisdictions in Hong Kong, mainland China and the U.S. In particular, the Cayman Islands has a less developed body of securities law than Hong Kong, mainland China or the U.S. and less judicially interpreted body of corporate law than in Delaware.

RISK FACTORS

In addition, as a Cayman Islands exempted company, our shareholders have no general rights under Cayman Islands law to inspect corporate records and accounts or to obtain copies of lists of shareholders. Our directors have to determine whether or not, and under what conditions, our corporate records may be inspected by our shareholders, but are not obliged to make them available to our shareholders. This may make it more difficult for shareholders to obtain the information needed to establish facts necessary for a shareholder action or to solicit proxies from other shareholders in connection with a proxy contest. As a Cayman Islands company, we may not have standing to initiate a derivative action in a Hong Kong, mainland China or U.S. federal court. As a result, shareholders may be limited in their ability to protect their interests if they are harmed in a manner that would otherwise enable them to sue in a U.S. federal court. In addition, shareholders of Cayman Islands companies may not have standing to initiate a shareholder derivative action in Hong Kong, mainland China or U.S. federal courts.

Some of our directors and executive officers reside outside of Hong Kong and the U.S. and a substantial portion of their assets are located outside of Hong Kong and the U.S. As a result, it may be difficult or impossible for shareholders to bring an action against us or against these individuals in Hong Kong or in the U.S. in the event that shareholders believe that their rights have been infringed under the securities laws of Hong Kong, the U.S. or otherwise. In addition, some of our directors and executive officers reside outside of China. To the extent our directors and executive officers reside outside of China or their assets are located outside of China, it may not be possible for investors to effect service of process upon us or our management inside China. Even if shareholders are successful in bringing an action, the laws of the Cayman Islands and China may render them unable to enforce a judgment against our assets or the assets of our directors and officers. There is no statutory recognition in the Cayman Islands of judgments obtained in the U.S., Hong Kong or China, although the courts of the Cayman Islands will generally recognize and enforce a non-penal judgment of a foreign court of competent jurisdiction without retrial on the merits.

As a result of the above, shareholders may have more difficulty protecting their interests in the face of actions taken by management, members of the board of directors or controlling shareholders than they would as shareholders of a Hong Kong company, a Chinese company or a U.S. company.

RISK FACTORS

Voting rights of our ADS holders are limited by the terms of the deposit agreement. The depositary for the ADSs will give us a discretionary proxy to vote the ordinary shares underlying our ADS holders' ADSs if they do not vote at shareholders' meetings, except in limited circumstances, which could adversely affect their interests.

Holders of our ADSs may exercise their voting rights with respect to the ordinary shares underlying their ADSs only in accordance with the provisions of the deposit agreement. Upon receipt of voting instructions from ADS holders in the manner set forth in the deposit agreement, the depositary for the ADSs will endeavor to vote the holder's underlying ordinary shares in accordance with these instructions. Under our articles of association, the minimum notice period required for convening an annual general meeting is 21 calendar days and the minimum notice period required for convening an extraordinary general meeting is 14 calendar days. When a general meeting is convened, ADS holders may not receive sufficient notice of a shareholders' meeting to permit them to withdraw their ordinary shares to allow them to cast their vote with respect to any specific matter at the meeting. In addition, the depositary and its agents may not be able to send voting instructions to ADS holders or carry out their voting instructions in a timely manner. We will make reasonable efforts to cause the depositary to extend voting rights to our ADS holders in a timely manner, but our ADS holders may not receive the voting materials in time to ensure that they can vote or instruct their agent to vote their shares.

Furthermore, the depositary and its agents will not be responsible for any failure to carry out any instructions to vote, for the manner in which any vote is cast or for the effect of any such vote. As a result, ADS holders may not be able to exercise their right to vote and they may lack recourse if the ordinary shares underlying their ADSs are not voted as they requested.

Under the deposit agreement for the ADSs, the depositary will give us a discretionary proxy to vote the ordinary shares underlying ADS holders' ADSs at shareholders' meetings if such holders do not give voting instructions to the depositary, unless we have failed to timely provide the depositary with our notice of meeting and related voting materials, we have instructed the depositary that we do not wish a discretionary proxy to be given, we have informed the depositary that there is substantial opposition as to a matter to be voted on at the meeting, or a matter to be voted on at the meeting would have a material adverse impact on shareholders.

The effect of this discretionary proxy is that, if ADS holders fail to give voting instructions to the depositary, they cannot prevent the ordinary shares underlying their ADSs from being voted, absent the situations described above, and it may make it more difficult for such ADS holders to influence our management. Holders of our ordinary shares are not subject to this discretionary proxy.

RISK FACTORS

Anti-takeover provisions in our constitutional documents may discourage our acquisition by a third party, which could limit our shareholders' opportunity to sell their shares at a premium.

Our amended and restated memorandum and articles of association include provisions that could limit the ability of others to acquire control of our company, could modify our structure or could cause us to engage in change-of-control transactions. These provisions could have the effect of depriving our shareholders of an opportunity to sell their shares, at a premium over prevailing market prices by discouraging third parties from seeking to obtain control in a tender offer or similar transaction.

For example, our board of directors has the authority, without further action by our shareholders, to issue preferred shares in one or more series and to fix the powers and rights of these shares, including dividend rights, conversion rights, voting rights, terms of redemption and liquidation preferences, any or all of which may be greater than the rights associated with our ordinary shares. Preferred shares could thus be issued quickly with terms calculated to delay or prevent a change in control or make removal of management more difficult. In addition, if our board of directors authorizes the issuance of preferred shares, the market price of the ordinary shares and/or ADSs may fall and the voting and other rights of the holders of our ordinary shares and/or ADSs may be materially and adversely affected.

Because our directors are divided into three classes with staggered terms of three years each, shareholders can only elect or remove a limited number of our directors in any given year. The length of these terms could present an obstacle to certain actions, such as a merger or other change of control, which could be in the interest of our shareholders.

Our amended and restated memorandum and articles of association designate specific courts as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our shareholders, which could limit our shareholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or other employees.

Our amended and restated memorandum and articles of association provide that, unless we consent in writing to the selection of an alternative forum, the courts of Cayman Islands will be the sole and exclusive forum for any derivative action or proceeding brought on behalf of us, any action asserting a claim of breach of a fiduciary duty owed by any director, officer or other employee of us to us or our shareholders, any action asserting a claim arising pursuant to any provision of the Companies Law of the Cayman Islands as amended from time to time, or the amended and restated memorandum and articles of association, or any action asserting a claim governed by the internal affairs doctrine (as such concept is recognized under the U.S. laws). Our amended and restated memorandum and articles of association further state that, unless we consent in writing to the selection of an alternative forum, the federal district courts of the U.S. shall be the sole and exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act of 1933, as amended (the "Securities Act") and provide that any person or entity purchasing or otherwise acquiring any interest in any of our securities is deemed to have notice of and consented to these provisions; provided, however, that shareholders cannot and will not be deemed to have waived our compliance with U.S. federal securities laws and rules and regulations thereunder.

RISK FACTORS

These provisions may limit a shareholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees, which may discourage such lawsuits.

Our amended and restated memorandum and articles of association provide that any shareholder bringing an unsuccessful action against us may be obligated to reimburse us for any costs we have incurred in connection with such unsuccessful action.

Our amended and restated memorandum and articles of association provide that under certain circumstances parties who bring actions or proceedings against us may be obligated to reimburse us for all fees, costs, and expenses, including but not limited to all reasonable attorneys' fees and other litigation expenses, that we incur in connection with such claim, to the extent the claimant is unsuccessful in obtaining a judgment on the merits in which the claiming party prevails.

The case law and potential legislative action on such fee-shifting articles are evolving and there exists considerable uncertainty regarding the validity of, and potential judicial and legislative responses to, such articles. Consistent with our directors' fiduciary duties to act in the best interests of the Company, the directors may in their sole discretion from time to time decide whether or not to enforce this article. In addition, given the unsettled state of the law related to fee-shifting articles, we may incur significant additional costs associated with resolving disputes with respect to such articles, which could adversely affect our business and financial condition.

If a shareholder that brings any such claim or proceeding is unable to obtain the judgment sought, the attorneys' fees and other litigation expenses that might be shifted to a claiming party may be significant. This fee-shifting article, therefore, may dissuade or discourage current or former shareholders (and their attorneys) from initiating lawsuits or claims against us. In addition, it may impact the fees, contingency or otherwise, required by potential plaintiffs' attorneys to represent our shareholders or otherwise discourage plaintiffs' attorneys from representing our shareholders at all. As a result, this article may limit the ability of shareholders to affect the management and direction of our company, particularly through litigation or the threat of litigation.

Holders of ADSs may be subject to limitations on transfer of their ADSs.

ADSs are transferable only on the books of the depository. However, the depository may close its books at any time it deems expedient in connection with the performance of its duties. The depository may refuse to deliver, transfer or register transfers of ADSs when our books or the books of the depository are closed, or at any time if we or the depository think it is advisable to do so because of any requirement of law, under any provision of the deposit agreement or for any other reason, subject to ADS holders' right to cancel their ADSs and withdraw the underlying ordinary shares. Temporary delays in the cancellation of ADSs and withdrawal of the underlying ordinary shares may arise because the depository has closed its books or we have closed our books, the transfer of ordinary shares is blocked to permit voting at a shareholders' meeting or we are paying a dividend on our ordinary shares.

RISK FACTORS

In addition, holders of ADSs may not be able to cancel their ADSs and withdraw the underlying ordinary shares when they owe money for fees, taxes and similar charges and when it is necessary to prohibit withdrawals in order to comply with any laws or governmental regulations that apply to ADSs or to the withdrawal of ordinary shares or other deposited securities.

The depository for the ADSs is entitled to charge holders fees for various services, including annual service fees.

The depository for the ADSs is entitled to charge holders fees for various services, including for the issuance of ADSs upon deposit of ordinary shares, cancellation of ADSs, distributions of cash dividends or other cash distributions, distributions of ADSs pursuant to share dividends or other free share distributions, distributions of securities other than ADSs, and annual service fees. In the case of ADSs issued by the depository into The Depository Trust Company (“DTC”), the fees will be charged by the DTC participant to the account of the applicable beneficial owner in accordance with the procedures and practices of the DTC participant as in effect at the time.

Dealings in ordinary shares registered in our Hong Kong register of members will be subject to Hong Kong stamp duty. There is uncertainty as to whether Hong Kong stamp duty will apply to the trading or conversion of the ADSs.

In connection with our Hong Kong public offering in 2018, we established a branch register of members in Hong Kong (the “Hong Kong share register”). Our ordinary shares that are traded on the HKEx, including those that may be converted from ADSs, are registered on the Hong Kong share register, and the trading of these ordinary shares on the HKEx are subject to Hong Kong stamp duty. To facilitate ADS to ordinary share conversion and trading between NASDAQ and the HKEx, we moved a portion of our issued ordinary shares from our Cayman share register to our Hong Kong share register.

Under the Hong Kong Stamp Duty Ordinance, any person who effects a sale or purchase of Hong Kong stock, defined as stock the transfer of which is required to be registered in Hong Kong, is required to pay Hong Kong stamp duty. The stamp duty is currently set at a total rate of 0.2% of the greater of the consideration for, or the value of, shares transferred, with 0.1% payable by each of the buyer and the seller.

To the best of our knowledge, Hong Kong stamp duty has not been levied in practice on the trading or conversion of ADSs of companies that are listed in both the U.S. and Hong Kong and that have maintained all or a portion of their ordinary shares, including ordinary shares underlying ADSs, in their Hong Kong share registers. However, it is unclear whether, as a matter of Hong Kong law, the trading or conversion of ADSs of these dual-listed companies constitutes a sale or purchase of the underlying Hong Kong registered ordinary shares that is subject to Hong Kong stamp duty. We advise investors to consult their own tax advisors on this matter. If Hong Kong stamp duty is determined by the competent authority to apply to the trading or conversion of the ADSs, the trading price and the value of your investment in our ADSs or ordinary shares may be affected.

RISK FACTORS

Holders of ADSs may not receive distributions on our ordinary shares or any value for them if it is illegal or impractical to make them available.

The depositary of the ADSs has agreed to distribute to ADS holders the cash dividends or other distributions it or the custodian for the ADSs receives on our ordinary shares or other deposited securities after deducting its fees and expenses. ADS holders will receive these distributions in proportion to the number of our ordinary shares that their ADSs represent. However, the depositary is not responsible for making such distributions if it is unlawful or impractical. For example, it would be unlawful to make a distribution to a holder of ADSs if it consists of securities that require registration under the Securities Act, but that are not registered or distributed pursuant to an exemption from registration. The depositary is not responsible for making a distribution available to holders of ADSs if any government approval or registration required for such distribution cannot be obtained after reasonable efforts made by the depositary. We have no obligation to take any other action to permit the distribution of the ADSs, ordinary shares, rights or anything else to holders of the ADSs. This means that holders of ADSs may not receive the distributions we make on our ordinary shares or any value for them if it is illegal or impractical for us to make them. These restrictions may materially reduce the value of our ADSs.

Holders of ADSs may not be able to participate in rights offerings and may experience dilution of their holdings.

From time to time, we may distribute rights to our shareholders, including rights to acquire securities. Under the deposit agreement, the depositary will not distribute rights to holders of ADSs unless the distribution and sale of rights and the securities to which these rights relate are either exempt from registration under the Securities Act with respect to all holders of ADSs or are registered under the Securities Act. The depositary may, but is not required to, attempt to sell these undistributed rights to third parties and may allow the rights to lapse. We may be unable to establish an exemption from registration under the Securities Act, and we are under no obligation to file a registration statement with respect to these rights or underlying securities or to try to have a registration statement declared effective. Accordingly, holders of ADSs may be unable to participate in our rights offerings and may experience dilution of their holdings as a result.

RISK FACTORS

Our corporate actions are substantially controlled by our directors, executive officers and other principal shareholders, who can exert significant influence over important corporate matters, which may reduce the price of our ordinary shares, ADSs, and/or RMB Shares and deprive shareholders of an opportunity to receive a premium for their ordinary shares, ADSs, and/or RMB Shares.

Our directors, executive officers and principal shareholders beneficially owned approximately 53% of our outstanding ordinary shares as of February 14, 2024. These shareholders, if acting together, could exert substantial influence over matters such as electing directors and approving material mergers, acquisitions or other business combination transactions. This concentration of ownership may also discourage, delay or prevent a change in control of our company, which could have the dual effect of depriving our shareholders of an opportunity to receive a premium for their shares as part of a sale of our company and reducing the price of our ordinary shares, ADSs, and/or RMB Shares. These actions may be taken even if they are opposed by our other shareholders. In addition, these persons could divert business opportunities away from us to themselves or others.

We may be a passive foreign investment company in future taxable years, which may have adverse U.S. federal income tax consequences for U.S. shareholders.

A non-U.S. corporation will be classified as a “passive foreign investment company” (“PFIC”) for any taxable year if either (1) 75% or more of its gross income consists of certain types of passive income or (2) 50% or more of the average quarterly value of its assets during such year produce or are held for the production of passive income. Based upon the composition of our income and assets, we believe that we were not a PFIC for the taxable year ended December 31, 2023. Nevertheless, because our PFIC status must be determined annually with respect to each taxable year and will depend on the composition and character of our assets and income, including our use of proceeds from any equity offerings, and the value of our assets (which may be determined, in part, by reference to the market value of our ADSs and ordinary shares, which may be volatile) over the course of such taxable year, we may be a PFIC in any taxable year. The determination of whether we will be or become a PFIC may also depend, in part, on how, and how quickly, we use our liquid assets and the cash raised in equity offerings. If we determine not to deploy significant amounts of cash for active purposes, our risk of being a PFIC may substantially increase. Because there are uncertainties in the application of the relevant rules and PFIC status is a factual determination made annually after the close of each taxable year, there can be no assurance that we will not be a PFIC for the current taxable year or any future taxable year. In addition, it is possible that the Internal Revenue Service may challenge our classification of certain income and assets as non-passive, which may result in our being or becoming a PFIC in the current or subsequent years.

RISK FACTORS

If we are a PFIC for any taxable year during a U.S. shareholder's holding period of the ordinary shares or ADSs, then such U.S. shareholder may incur significantly increased U.S. income tax on gain recognized on the sale or other disposition of the ordinary shares or ADSs and on the receipt of distributions on the ordinary shares or ADSs to the extent such distribution is treated as an "excess distribution" under the U.S. federal income tax rules. In addition, such holders may be subject to burdensome reporting requirements.

Further, if we are classified as a PFIC for any year during which a U.S. shareholder holds our ordinary shares or ADSs, we generally will continue to be treated as a PFIC for all succeeding years during which such U.S. shareholder holds such ordinary shares or ADSs. Each U.S. shareholder should consult its tax advisor regarding the PFIC rules and the U.S. federal income tax consequences of the acquisition, ownership and disposition of the ordinary shares and ADSs.

If you are a "Ten Percent Shareholder," you may be subject to adverse U.S. federal income tax consequences if we are classified as a Controlled Foreign Corporation.

Each "Ten Percent Shareholder" (as defined below) in a non-U.S. corporation that is classified as a "controlled foreign corporation" ("CFC"), for U.S. federal income tax purposes is generally required to include in income for U.S. federal tax purposes such Ten Percent Shareholder's pro rata share of the CFC's "Subpart F income" and investment of earnings in U.S. property, even if the CFC has made no distributions to its shareholders. Each Ten Percent Shareholder is also required to include in gross income its "global intangible low-taxed income," which is determined by reference to the income of CFCs of which such Ten Percent Shareholder is a Ten Percent Shareholder. Ten Percent Shareholders that are corporations may be entitled to a deduction equal to the foreign portion of any dividend when a dividend is paid. A non-U.S. corporation will generally be classified as a CFC for U.S. federal income tax purposes if Ten Percent Shareholders own in the aggregate, directly or indirectly, more than 50% of either the total combined voting power of all classes of stock of such corporation entitled to vote or of the total value of the stock of such corporation. A "Ten Percent Shareholder" is a U.S. person (as defined by the Internal Revenue Code of 1986, as amended), who owns or is considered to own 10% or more of the total combined voting power of all classes of stock entitled to vote of such corporation or 10% of the value of all classes of stock of such corporation. The determination of CFC status is complex and includes attribution rules, the application of which is not entirely certain.

Although we believe we are not a CFC now, we may become one or own interests in one in the future. Holders are urged to consult their own tax advisors with respect to our potential CFC status and the consequences thereof.

FINANCIAL SUMMARY

	2019	2020	2021	2022	2023
	USD'000	USD'000	USD'000	USD'000	USD'000
Operating results					
Product revenue, net	222,596	308,874	633,987	1,254,612	2,189,852
Collaboration revenue	205,616	–	542,296	161,309	268,927
Total revenues	428,212	308,874	1,176,283	1,415,921	2,458,779
Gross profit	357,022	238,217	1,011,377	1,129,446	2,078,859
Loss before income taxes	943,586	1,618,194	1,438,588	1,961,037	825,836
Net Loss	950,578	1,628,591	1,457,816	2,003,815	881,708
Net loss attributable to BeiGene, Ltd.	948,628	1,624,974	1,457,816	2,003,815	881,708
Profitability					
Gross margin (%)	83%	77%	86%	80%	85%
Net loss margin (%)	-222%	-527%	-124%	-142%	-36%
	2019	2020	2021	2022	2023
	USD'000	USD'000	USD'000	USD'000	USD'000
Financial position					
Cash, cash equivalents, and restricted cash	620,775	1,390,005	4,382,887	3,875,037	3,185,984
Short-term investments	364,728	3,268,725	2,241,962	665,251	2,600
Working capital	862,384	3,885,491	6,014,325	3,738,550	2,393,301
Total assets	1,612,289	5,534,795	8,535,525	6,379,290	5,805,275
Total liabilities	633,934	1,731,514	2,402,962	1,995,935	2,267,948
Non-controlling interest	16,150	–	–	–	–
Total equity	978,355	3,803,281	6,132,563	4,383,355	3,537,327

(1) Financial results and financial position for the relevant periods are prepared based on Annual Report on Form 10-K, which were filed with SEC.

MANAGEMENT DISCUSSION AND ANALYSIS

NON-GAAP FINANCIAL MEASURES

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

OVERVIEW

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

Key highlights for the full year 2023 are as follows:

- Continued rapid global growth with record total revenues of \$2.5 billion for the full year 2023, an increase of 73.7% from prior year;
- Strengthened leadership in hematology with global BRUKINSA® (zanubrutinib) sales of \$1.3 billion for the full year 2023, an increase of 128.5% from prior year;

MANAGEMENT DISCUSSION AND ANALYSIS

- Progressed innovative hematology pipeline with initiation of four registrational trials for sonrotoclax, including global Phase 3 study in treatment-naïve CLL, and two global expansion cohorts for BTK CDAC in R/R CLL, R/R MCL; and
- Sustained growth with diverse product and geographic revenue mix and improved operating leverage.

Recent Business Developments

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE AND OUTLOOK

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

1. **We have built a substantial global development and medical affairs team** of 3,000+ people on five continents, allowing us to run clinical trials predominantly without reliance on CROs. Clinical development accounts for over 75% of the cost and most of the time to develop a medicine. We believe that by fully integrating these capabilities, we can create a strategic competitive advantage. By retaining clinical development activities internally, we can decrease the costs of our trials, increase enrollment speed, and leverage technology to ensure quality and consistency across trials and clinical sites. It also allows us to become more inclusive in the location and number of clinical sites to help improve the diversity of patients in our trials. Our demonstrated ability to complete large-scale, multi-regional clinical trials is one of our most important strategic competitive advantages and addresses an immense challenge in the pharmaceutical industry.
2. **We have built one of the world's largest, most productive and cost-effective oncology research teams** with 1,100+ scientists. Their efforts have been validated by commercial approvals, clinical data, and collaborations that have secured US\$1.5 billion in collaboration payments to the company. We have successfully developed three commercially approved medicines from our internal discovery engine, including BRUKINSA and TEVIMBRA. We design each research program with a differentiated biological hypothesis or a first-in-class mechanism of action. Our lead medicine, BRUKINSA, has demonstrated superiority for both progression-free survival and overall response rate versus ibrutinib in relapsed or refractory ("R/R") chronic lymphocytic leukemia ("CLL"). Our broad pipeline also includes internally developed products with the potential to be best-in-class or first-in-class, including sonrotoclax (our BCL-2 inhibitor) and BGB-16673 (a BTK-targeted CDAC) that have both demonstrated their potential with early data. Our pipeline also includes many early-stage assets for targets including, pan-KRAS, PRMT5, CDK4, CDK2, B7H3 ADC, CEA-ADC, B7H4-ADC, MUC1 x CD16A bispecific antibody ("BsAb"), and Claudin6 x CD3 BsAb. We have invested in technology platforms, including CDAC protein degraders, bispecific antibodies, tri-specific antibodies, ADCs, cell therapies, and mRNA. Our research and innovation capabilities will ensure we discover high-quality and impactful medicines for patients.
3. **We have built a strong commercial portfolio, centered around two foundational medicines, BRUKINSA and TEVIMBRA**, that are primary revenue sources and support the development of our future pipeline and additional combination therapies. Our hematological franchise is led by BRUKINSA, which is supported by a broad clinical program with over 5,000 patients in 37 trials in 29 markets. We ran two extensive head-to-head studies versus ibrutinib with over 800 patients enrolled. We are the first and only BTK inhibitor to demonstrate superior efficacy versus ibrutinib, and the data from the head-to-head ALPINE trial were selected for the prestigious late-breaker session at the American Society of Hematology ("ASH") meeting in late

MANAGEMENT DISCUSSION AND ANALYSIS

2022, with simultaneous publication in *The New England Journal of Medicine*. Based on the pooled safety data generated from our trials, we have shown a very favorable safety profile, especially when compared to ibrutinib in cardiovascular safety, including atrial fibrillation, ventricle arrhythmia, and hypertension. In December 2023, the U.S. Food and Drug Administration (“FDA”) approved a label update for BRUKINSA to include superior progression-free survival (“PFS”) results from the Phase 3 ALPINE trial comparing BRUKINSA against IMBRUVICA in previously treated patients with R/R CLL. We believe the differentiation of BRUKINSA has been recognized by the market and global BRUKINSA sales increased 128.5% in 2023 vs. 2022. BRUKINSA allows us to build a strong position in heme-oncology and we plan to solidify our leadership in CLL with sonrotoclax (BCL2i) and our BTK-CDAC while amplifying our impact in other B-cell malignancies with progressive treatment strategies such as fixed duration and rational sequencing. Our solid tumor franchise is led by our anti-PD-1 monoclonal antibody, TEVIMBRA, which is currently approved in China in twelve indications and has achieved the commercial market leader position in China in the PD-1/PD-L1 class. Outside of China, TEVIMBRA has been approved in Europe and South Korea and we anticipate U.S. approval on or before July 2024 for first-line ESCC. With TEVIMBRA and the potentially best-in – class or first-in-class pipeline assets targeting pan-KRAS, PRMT5, CDK4, CDK2, B7H3 ADC, CEA-ADC, B7H4-ADC, MUC1 x CD16A BsAb, and Claudin6 x CD3 BsAb, we are well-positioned to build our solid tumor business and deliver innovative therapies and combinations to patients.

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Results of Operations

Comparison of the Years Ended December 31, 2023 and 2022

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue

Total revenue increased by US\$1.0 billion to US\$2.5 billion for the year ended December 31, 2023, from US\$1.4 billion for the year ended December 31, 2022, primarily due to increased sales of our internally developed products, BRUKINSA and tislelizumab, as well as increased sales of in-licensed products, most notably from the Amgen products and POBEVCY. Additionally, collaboration revenue increased due to the recognition of the remaining deferred revenue associated with the Novartis collaborations upon termination of the agreements.

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

Net product revenue consisted of the following:

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

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

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

Cost of Sales

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

MANAGEMENT DISCUSSION AND ANALYSIS

Gross Margin

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

Research and Development Expense

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

	Year Ended December 31,		Changes	
	2023	2022	US\$	%
	(US dollars in thousands)			
External research and development expense:				
Cost of development programs	551,417	469,497	81,920	17.4%
Upfront license fees	46,800	68,665	(21,865)	(31.8)%
Amgen co-development expenses ¹	<u>53,315</u>	<u>98,955</u>	<u>(45,640)</u>	(46.1)%
Total external research and development expenses	651,532	637,117	14,415	2.3%
Internal research and development expenses	<u>1,127,062</u>	<u>1,003,391</u>	<u>123,671</u>	12.3%
Total research and development expenses	<u>1,778,594</u>	<u>1,640,508</u>	<u>138,086</u>	8.4%
Adjusted research and development expense²	1,558,960	1,474,919	84,041	5.7%

1. Our co-funding obligation for the development of the pipeline assets under the Amgen collaboration for the year ended December 31, 2023 totaled US\$108.6 million, of which US\$53.3 million was recorded as R&D expense. The remaining US\$55.3 million was recorded as a reduction for the R&D cost share liability.
2. Adjusted research and development expense is intended to provide investors and others with information about our performance without the effect of items that, by their nature, tend to obscure core operating results due to potential variability across periods based on the timing, frequency and magnitude of such items. Refer to Non-GAAP Financial Measures and Non-GAAP Reconciliation in this MD&A for more information about, and a detailed reconciliation of, these items.

MANAGEMENT DISCUSSION AND ANALYSIS

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

Internal research and development expense increased by US\$123.7 million, or 12.3%, to US\$1.1 billion from US\$1.0 billion for the year ended December 31, 2022, and was primarily attributable to the expansion of our global development organization and our clinical and preclinical drug candidates, as well as our continued efforts to internalize research and clinical trial activities.

Selling, General and Administrative Expense

	Year Ended December 31,		Changes	
	2023	2022	US\$	%
	(US dollars in thousands)			
Selling, general and administrative expense	1,504,501	1,277,852	226,649	17.7%
Adjusted selling, general and administrative expense¹	1,284,689	1,077,977	206,712	19.2%

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

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

Interest Income, Net

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

MANAGEMENT DISCUSSION AND ANALYSIS

Other Income (Expense), Net

Other income, net for the year ended December 31, 2023 was US\$307.9 million, primarily due to the noncash gain of US\$362.9 million recorded for the receipt of our ordinary shares as consideration for our settlement with BMS and government subsidy income, partially offset by foreign exchange losses resulting from the strengthening of the U.S. dollar compared to the RMB and the revaluation impact of RMB-denominated deposits held in U.S. functional currency subsidiaries and unrealized losses on equity investments.

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

Income Tax Expense

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Non-GAAP Reconciliation

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

MANAGEMENT DISCUSSION AND ANALYSIS

DISCUSSION OF CERTAIN KEY BALANCE SHEET ITEMS

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

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

Accounts receivable

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

Inventories

The inventories increased by 47.4% from US\$282.3 million as of December 31, 2022 to US\$416.1 million as of December 31, 2023, primarily due to stock preparation for the increased sales of our internally-developed products.

Prepaid expenses and other current assets

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

Property and equipment, net

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

Accounts payable

Accounts payable includes amounts due to third parties and totaled US\$315.1 million and US\$294.8 million as of December 31, 2023 and 2022, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

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

	As of December 31,	
	2023	2022
	(US dollars in thousands)	
Within 3 months	302,310	290,284
3 to 6 months	8,205	2,570
6 months to 1 year	4,551	1,379
Over 1 year	45	548
Total	<u>315,111</u>	<u>294,781</u>

Accrued expenses and other payables

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

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

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

Debt

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

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND CAPITAL RESOURCES

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

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

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

To date, we have financed our operations principally through proceeds from public and private offerings of our securities, proceeds from debt, sales of marketable securities and proceeds from our collaborations, together with product sales since September 2017. Based on our current operating plan, we expect that our existing cash and cash equivalents as of December 31, 2023 will enable us to fund our operating expenses and capital expenditure requirements for at least the next 12 months after the date that the financial statements included in this annual report are issued. We have also financed our operations and investments with proceeds from debt incurred primarily from various banks both through our subsidiaries and BeiGene, Ltd. of US\$886.0 million at December 31, 2023. The majority of those debt obligations, or approximately US\$547.2 million, owed by BeiGene, Ltd., have due dates within the next 12 months. We believe we will have sufficient cash and cash equivalents and other sources of capital to be able to repay and/or refinance those debt obligations.

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

	Year Ended December 31,	
	2023	2022
	(US dollars in thousands)	
Cash, cash equivalents and restricted cash at beginning of period	3,875,037	4,382,887
Net cash used in operating activities	(1,157,453)	(1,496,619)
Net cash provided by investing activities	60,004	1,077,123
Net cash provided by (used in) financing activities	416,478	(18,971)
Net effect of foreign exchange rate changes	<u>(8,082)</u>	<u>(69,383)</u>
Net decrease in cash, cash equivalents and restricted cash	<u>(689,053)</u>	<u>(507,850)</u>
Cash, cash equivalents and restricted cash at end of period	<u><u>3,185,984</u></u>	<u><u>3,875,037</u></u>

Operating Activities

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Investing Activities

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

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

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

Financing Activities

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Effects of Exchange Rates on Cash

We have substantial operations in the PRC, which generate a significant amount of RMB-denominated cash from product sales and require a significant amount of RMB-denominated cash to pay our obligations. Since the reporting currency of the Company is the U.S. dollar, periods of volatility in exchange rates may have a significant impact on our consolidated cash balances denominated in U.S. dollar but do not affect the ability to pay our RMB-denominated liabilities.

Future Liquidity and Material Cash Requirements

Our material cash requirements in the short- and long-term consist of the following operational, capital, and manufacturing expenditures, a portion of which contain contractual or other obligations. We plan to fund our material cash requirements with cash on hand.

CONTRACTUAL AND OTHER OBLIGATIONS

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Operating Lease Commitments

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

Purchase Commitments

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

Debt Obligations and Interest

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

Interest on bank loans is paid quarterly until the respective loans are fully settled. For the purpose of contractual obligations calculation, current interest rates on floating rate obligations were used for the remainder contractual life of the outstanding borrowings.

Co-Development Funding Commitments

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

MANAGEMENT DISCUSSION AND ANALYSIS

Funding Commitment

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

Pension Plan

We maintain a defined benefit pension plan in Switzerland. Funding contributions under the defined benefit pension plan are equivalent to US\$3.6 million per year based on annual funding contributions in effect as of December 31, 2023 to achieve fully funded status where the market value of plan assets equals the projected benefit obligations. Future funding requirements will be subject to change as a result of future changes in staffing and compensation levels, various actuarial assumptions and actual investment returns on plan assets.

Capital Commitments

We had capital commitments amounting to US\$333.5 million for the acquisition of property, plant and equipment as of December 31, 2023, which were mainly for our manufacturing and clinical R&D campus in Hopewell, New Jersey, additional capacity at the Guangzhou and Suzhou manufacturing facilities, and a new building for Beijing Innerway Bio-tech Co., Ltd.

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

CRITICAL ACCOUNTING 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. The preparation of these financial statements requires us to make estimates, assumptions and judgments that affect the reported amounts of assets, liabilities, revenues, costs and expenses. We evaluate our estimates and judgments on an ongoing basis, and our actual results may differ from these estimates. 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.

Certain of these estimates are considered critical as they involve a significant level of estimation uncertainty and have had or are reasonably likely to have a material impact on our consolidated financial statements. Our critical accounting estimates are summarized below. See Note 2 to our consolidated financial statements included in this Annual Report for a description of our significant accounting policies.

MANAGEMENT DISCUSSION AND ANALYSIS

Revenue Recognition

We recognize revenue when we transfer control of goods or services to our customers. Revenue is measured as the amount of consideration we expect to receive in exchange for goods and services. We generate revenue from product sales and revenue transactions with our collaboration partners.

Product Revenue

To determine the appropriate transaction price for our product sales at the time we recognize a sale to a direct customer, we estimate any rebates, chargebacks or discounts that ultimately will be due to the direct customer and other customers in the distribution chain under the terms of our contracts. Significant judgments are required in making these estimates. We include variable consideration in the transaction price to the extent it is probable that a significant reversal will not occur and estimate variable consideration from rebates, chargebacks, trade discounts and allowances, sales returns allowances, and other incentives using the expected value method.

Estimates for variable consideration for which reserves are established at the time of sale include government and commercial rebates, provisions for acceptance of NRDL pricing, chargebacks, trade discounts and allowances, sales returns allowances and other incentives that are offered within contracts between the Company and our customers, health care providers and other indirect customers. Where appropriate, these estimates take into consideration a range of possible outcomes that are probability-weighted for relevant factors such as our historical experience, current contractual and statutory requirements, channel inventory levels, specific known market events and trends, industry data and forecasted customer buying and payment patterns.

We base our sales returns allowance on estimated distributor inventories, customer demand as reported by third-party sources, and actual returns history, as well as other factors, as appropriate. For newly launched products where actual returns history is not yet available, the sales returns allowance is initially calculated based on benchmarking data from similar products and industry experience. If the historical or benchmarking data we use to calculate these estimates do not properly reflect future returns, then a change in the allowance would be made in the period in which such a determination is made and revenues in that period could be materially affected. Any changes from the historical trend rates are considered in determining the current sales return allowance. To date, sales returns have not been significant.

Actual amounts of consideration ultimately received may differ from our estimates. We will reassess estimates for variable consideration periodically. If actual results in the future vary from our estimates, we will adjust these estimates, which would affect net product revenue and earnings in the period such variances become known.

Collaboration Revenue

Our collaborative arrangements may contain more than one unit of account, or performance obligation, including grants of licenses to intellectual property rights, agreements to provide research and development services and other deliverables. As part of the accounting for these arrangements, we must develop assumptions that require significant judgments to determine the standalone selling price for each performance obligation identified in the contract.

MANAGEMENT DISCUSSION AND ANALYSIS

Standalone selling prices for licenses of intellectual property and the right to access and use intellectual property during an option period performance obligations are determined based on the probability-weighted present value of forecasted cash flows associated with the intellectual property. Stand-alone selling prices for research and development services performance obligations are based on the present value of estimated clinical trial costs plus a reasonable margin.

The estimates of standalone selling prices involve management's key assumptions such as revenue growth rate, estimated clinical trial costs, mark-up rate, probability of technical and regulatory success, and discount rates. These significant assumptions are forward looking and could be affected by future economic, regulatory and market conditions.

At December 31, 2023, our existing deferred revenue balance was less than \$1.0 million, and collaboration revenue is not expected to be a significant driver of our financial results until if and when additional agreements are entered into.

Measurement of Research and Development Expenses

Clinical trial costs are a significant component of our research and development expenses. We have a history of contracting with third parties that perform various clinical trial activities on behalf of us in the ongoing development of our product candidates. Expenses related to clinical trials are accrued based on our estimates of the actual services performed by the third parties for the respective period. If the contracted amounts are modified (for instance, as a result of changes in the clinical trial protocol or scope of work to be performed), we will modify the related accruals accordingly on a prospective basis. Revisions in the scope of a contract are charged to expense in the period in which the facts that give rise to the revision become reasonably certain.

The process of estimating our external research and development expenses involves reviewing open contracts and purchase orders, communicating with our personnel to identify services that have been performed on our behalf and estimating the level of service performed and the associated costs incurred for the services when we have not yet been invoiced or otherwise notified of the actual costs. The majority of our service providers invoice us in arrears for services performed, on a pre-determined schedule or when contractual milestones are met; however, some require advanced payments. We make estimates of our expenses as of each balance sheet date in our financial statements based on facts and circumstances known to us at that time. Although we do not expect our estimates to be materially different from amounts actually incurred, our understanding of the status and timing of services performed relative to the actual status and timing of services performed may vary and may result in us reporting expenses that are too high or too low in any particular period. To date, we have not made any material adjustments to our prior estimates of research and development expenses.

MANAGEMENT DISCUSSION AND ANALYSIS

Measurement of Deferred Tax Assets

Deferred tax assets represent amounts available to reduce income taxes payable on taxable income in future years. Such assets arise because of temporary differences between the financial reporting and tax basis of assets and liabilities, as well as from net operating losses and tax credit carryforwards. We evaluate the recoverability of these future tax deductions and credits by assessing the adequacy of future expected taxable income from all sources, including reversal of temporary differences, forecasted operating earnings and available tax planning strategies. These sources of income rely heavily on estimates that are based on a number of factors, including historical experience and short-range and long-range business forecasts. A valuation allowance is provided when it is more likely than not that some portion or all of a deferred tax asset will not be realized.

Subsequent Measurement of Long-Lived Assets

We test long-lived assets, which include property, plant and equipment and intangible assets with finite useful lives, for impairment at least annually and whenever events or circumstances change that indicate impairment may have occurred. A significant amount of judgment is involved in determining if an indicator of impairment has occurred. Such indicators may include, among others and without limitation: a significant decline in our expected future cash flows; a sustained, significant decline in the trading prices of our ADSs, our ordinary shares, and/or our RMB Shares and market capitalization; a significant adverse change in legal factors or in the business climate of our segment; unanticipated competition; and slower growth rates. For the years ended December 31, 2023 and 2022, we determined there was no impairment of the value of our long-lived assets.

RECENT ACCOUNTING PRONOUNCEMENTS

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

INTEREST AND CREDIT RISK

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

We had cash and cash equivalents of US\$3.2 billion and US\$3.9 billion, restricted cash of US\$14.2 million and US\$5.5 million, and short-term investments of US\$2.6 million and US\$0.7 billion, at December 31, 2023 and 2022, respectively. Our cash and cash equivalents are deposited with various major reputable global financial institutions. The deposits placed with these financial institutions are not protected by statutory or commercial insurance. In the event of bankruptcy of one of these financial institutions, we may be unlikely to claim our deposits back in full. We believe that these financial institutions are of high credit quality, and we continually monitor the credit worthiness of these financial institutions.

MANAGEMENT DISCUSSION AND ANALYSIS

The primary objectives of our investment activities are to preserve principal, provide liquidity, and maximize income without significantly increasing risk. Our primary exposure to market risk relates to fluctuations in the interest rates, which are affected by changes in the general level of PRC and U.S. interest rates. Given the short-term nature of our cash equivalents, we believe that a sudden change in market interest rates would not be expected to have a material impact on our financial condition and/or results of operation. We estimate that a hypothetical 100-basis point increase or decrease in market interest rates would result in a decrease of US\$0.1 million or increase of US\$0.1 million, respectively, in the fair value of our investment portfolio as of December 31, 2023.

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

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

We had accounts receivable, net of US\$358.0 million and US\$173.2 million at December 31, 2023 and 2022, respectively. Accounts receivable, net represent amounts arising from product sales and amounts due from our collaboration partners. We monitor economic conditions to identify facts or circumstances that may indicate receivables are at risk of collection. To date, we have not experienced any significant losses with respect to the collection of our accounts receivable.

CURRENCY CONVERTIBILITY RISK

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

FOREIGN CURRENCY EXCHANGE RATE RISK

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

RMB is not freely convertible into foreign currencies for capital account transactions. The value of RMB against the U.S. dollar and other currencies is affected by, among other things, changes in China's political and economic conditions and China's foreign exchange prices. Since 2005, the RMB has been permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. The RMB compared to the U.S. dollar depreciated approximately 2.8% and depreciated approximately 8.2% for the years ended December 31, 2023 and 2022, respectively. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between the RMB and the U.S. dollar in the future.

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

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

EFFECTS OF INFLATION

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

GEARING RATIO

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

MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT INVESTMENTS HELD

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

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

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Except as disclosed in notes to the consolidated financial statements, we did not have other plans for material investments and capital assets as of December 31, 2023.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

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

EMPLOYEE AND REMUNERATION POLICY

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

PLEDGE OF ASSETS

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

CONTINGENT LIABILITIES

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

FINAL DIVIDEND

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

DIRECTORS AND SENIOR MANAGEMENT

Our Board of Directors (“Board”) consists of eleven Directors, comprising one executive Director, one non-executive Director, and nine independent non-executive Directors. The following table provides certain information about our Directors as of April 17, 2024:

Name	Age	Position
Mr. John V. Oyler	56	Executive Director, Chairman and Chief Executive Officer
Dr. Xiaodong Wang	61	Non-executive Director
Dr. Olivier Brandicourt	68	Independent non-executive Director
Dr. Margaret Han Dugan	67	Independent non-executive Director
Mr. Donald W. Glazer	79	Independent non-executive Director
Mr. Michael Goller	49	Independent non-executive Director
Mr. Anthony C. Hooper	69	Independent non-executive Director
Mr. Ranjeev Krishana	50	Independent non-executive Director
Dr. Alessandro Riva	63	Independent non-executive Director
Dr. Corazon (Corsee) D. Sanders	67	Independent non-executive Director
Mr. Qingqing Yi	52	Independent non-executive Director

EXECUTIVE DIRECTOR

Mr. John V. Oyler, aged 56, is our Co-Founder, Chief Executive Officer and Chairman of the Board. He has served as a member of the Board since October 2010. From 2005 to 2009, Mr. Oyler served as President and Chief Executive Officer of BioDuro, LLC, a drug discovery outsourcing company, which was acquired by Pharmaceutical Product Development Inc. From 2002 to 2004, Mr. Oyler served as Chief Executive Officer of Galenea Corp., a biopharmaceutical company dedicated to the discovery of novel therapies for central nervous system diseases, which initially were developed at Massachusetts Institute of Technology. From 1998 to 2002, Mr. Oyler was a Founder and the President of Telephia, Inc. which was bought by The Nielsen Company in 2007. From 1997 to 1998, Mr. Oyler served as Co-Chief Executive Officer of Genta Inc., an oncology-focused biopharmaceutical company that was listed on the NASDAQ. Mr. Oyler began his career as a management consultant at McKinsey & Company. Mr. Oyler received his B.S. from the Massachusetts Institute of Technology in June 1990 and an MBA from Stanford University in January 1996. We believe that Mr. Oyler’s extensive leadership, executive, managerial, business and pharmaceutical and biotechnology company experience, along with his years of industry experience in the development of pharmaceutical products qualifies him to serve as a member of the Board.

DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTOR

Xiaodong Wang, Ph.D., aged 61, is our Co-Founder and has served as a member of the Board since February 2016. He has also served as the Chairman of our Scientific Advisory Board since 2011. Dr. Wang has served as the founding Co-Director of the National Institute of Biological Sciences in Beijing since 2003 and became its Director and Investigator in 2010. In addition, Dr. Wang has served as a Chair Professor at Tsinghua University since 2020. Previously, he was a Howard Hughes Medical Institute Investigator from 1997 to 2010 and held the position of the George L. MacGregor Distinguished Chair Professor in Biomedical Sciences at the University of Texas Southwestern Medical Center in Dallas, Texas from 2001 to 2010. In 2004, Dr. Wang founded Joyant Pharmaceuticals, Inc., a venture capital-backed biotechnology company focused on the development of small molecule therapeutics for cancer. Dr. Wang serves as a non-executive director and member of the compensation committee of Clover Biopharmaceuticals, Ltd. (HKEx: 2197). Dr. Wang received his B.S. in Biology from Beijing Normal University in July 1984 and his Ph.D. in Biochemistry from the University of Texas Southwestern Medical Center in May 1991. Dr. Wang has been a member of the National Academy of Science, USA since 2004 and a foreign associate of the Chinese Academy of Sciences since 2013. We believe that Dr. Wang's extensive experience in cancer drug research, combined with his experience in the biotech industry, qualifies him to serve as a member of the Board.

DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Olivier Brandicourt, aged 68, has served as a member of the Board since January 2024. Dr. Brandicourt has served as a Senior Advisor at Blackstone Life Sciences, a private equity segment of The Blackstone Group that invests within the life science sector, since November 2019. Dr. Brandicourt currently serves on the boards of Alnylam Pharmaceuticals, Inc., a Nasdaq-listed commercial-stage biopharmaceutical company developing novel therapeutics based on RNAi; BenevolentAI S.A., a Euronext-listed clinical-stage AI-enabled drug discovery company; and Dewpoint Therapeutics, Inc., a privately held condensate biotechnology company. He also serves as chair of the board of AvenCell Therapeutics, Inc., a privately held leading clinical-stage cell therapy company focused on advancing both switchable and allogeneic engineered CAR-T cell therapies. Dr. Brandicourt has over 30 years of experience in the global pharmaceutical industry, including as a senior leader of three global pharmaceutical companies. From April 2015 to August 2019, Dr. Brandicourt served as Chief Executive Officer and a member of the board of directors of Sanofi S.A.. Prior to Sanofi, he was the Chief Executive Officer and Chair of Bayer HealthCare AG from November 2013 to March 2015. From 2000 to 2013, Dr. Brandicourt served in various operational and managerial positions at Pfizer Inc., including as a member of the Executive Leadership Team and President and General Manager of the Emerging Markets and Established Products Business Units. During his tenure at Sanofi, Dr. Brandicourt was elected Chairman of the Board of Management of the Pharmaceutical Research and Manufacturers of America in 2019 and Vice-President of the European Federation of Pharmaceutical Industries and Associations, serving from 2017 to 2019. He is an Honorary Fellow of the Royal College of Physicians in London. Dr. Brandicourt studied medicine in Paris where he specialized in Infectious Diseases and Tropical Medicine and holds a Master's Degree in Biology from Paris XII University and an Advanced Degree in Cellular and Immunological Pathophysiology from the Paris Descartes University. We believe that Dr. Brandicourt's extensive global operational, commercial and senior management experience in the healthcare sector qualifies him to serve on the Board.

Dr. Margaret Han Dugan, aged 67, has served as a member of the Board since February 1, 2022. Dr. Dugan is currently Chief Medical Officer at Schrodinger, Inc., a company listed on the NASDAQ (ticker symbol: SDGR), and Medical Consultant at Dracen Pharmaceuticals, Inc., a privately held pharmaceutical company based in New York that leverages immuno-metabolism in oncology. She joined Dracen in 2018 with more than 20 years of experience in oncology and previously held senior leadership roles at Novartis Oncology, including Senior Vice President and Global Program Head, developing innovative medicines for patients. Dr. Dugan also held several development positions at Schering-Plough (now Merck & Co.) and American Cyanamid (now Pfizer). Dr. Dugan received her B.A. and medical degrees in hematology and oncology from New York University. We believe that Dr. Dugan's extensive scientific and leadership experience in the healthcare sector qualifies her to serve on, and contributes to the diversity of, the Board.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Donald W. Glazer, aged 79, has served as a member of the Board since February 2013. Mr. Glazer has served as a member of the Board of Trustees of GMO Trust, a mutual fund group, since 2000 and as the Chairman of the board of GMO Trust since 2005. Mr. Glazer was a Co-Founder and Secretary, and from 2002 until 2010, Vice Chairman, of Provant, Inc., a provider of performance improvement training solutions. From 1992 to 1995 Mr. Glazer was President of Mugar/Glazer Holdings and from 1992 to 1993 served as Vice Chairman-Finance of New England Television Corp. and WHDH-TV, Inc. From 1997 to the present, Mr. Glazer has served as Advisory Counsel to the law firm Goodwin Procter LLP. From 1970 to 1978 Mr. Glazer was an associate and from 1978 to 1992 a partner at the law firm Ropes & Gray LLP. At Ropes & Gray, Mr. Glazer chaired the firm's Emerging Companies Group. Mr. Glazer was also a Lecturer in Law at Harvard Law School from 1978 to 1991, teaching a course called The Business Lawyer. In addition to Provant, Inc. and New England Television Corp., Mr. Glazer is a former member of the boards of directors of Environics Inc.; Kronos Incorporated; Reflective Technologies, Inc.; and Teleco Oilfield Services Inc. Mr. Glazer received his A.B. from Dartmouth College in June 1966; J.D. from Harvard Law School in June 1969, where he was an editor of the Harvard Law Review; and L.L.M. from the University of Pennsylvania Law School in May 1970. Additionally, Mr. Glazer is a co-author of both Glazer and FitzGibbon on Legal Opinions, Third Edition (Aspen Publishers) and Massachusetts Corporation Law & Practice, Second Edition (Aspen Publishers). We believe that Mr. Glazer's qualifications to serve on the Board include his extensive leadership, executive, managerial, business, and corporate legal experience.

Mr. Michael Goller, aged 49, has served as a member of the Board since April 2015. Mr. Goller is a Partner at Baker Brothers Investments. Prior to joining Baker Brothers in 2005, Mr. Goller was as an Associate of JPMorgan Partners, LLC, where he focused on venture investments in the life sciences sector from 1999 to 2003. Mr. Goller began his career as an investment banker with Merrill Lynch and Co. from 1997 to 1999. Mr. Goller serves on the board of directors of DBV Technologies SA, a company listed on the NASDAQ and on Euronext Paris. From 2017 to 2019, he served on the board of directors of Levo Therapeutics, Inc. Mr. Goller received a B.S. in Molecular and Cell Biology from The Pennsylvania State University in May 1997, and a Master's in both Biotechnology (School of Engineered and Applied Sciences) and Business Administration (Wharton School) from the University of Pennsylvania in May 2005. We believe that Mr. Goller is qualified to serve on the Board based on his experience in the life sciences industry and for his knowledge in financial and corporate development matters.

Mr. Anthony C. Hooper, aged 69, has served as a member of the Board since January 2020. Mr. Hooper retired from Amgen in January 2020, where he was Executive Vice President from September 2018 to January 2020, and Executive Vice President, Global Commercial Operations from 2011 to August 2018. From 2010 to 2011, Mr. Hooper was Senior Vice President, Commercial Operations and President, U.S., Japan and Intercontinental of Bristol Myers Squibb Company (BMS). From 2009 to 2010, Mr. Hooper was President, Americas of BMS. From 2004 to 2009, Mr. Hooper was President, U.S. Pharmaceuticals, Worldwide Pharmaceuticals Group, a division of BMS. Prior to that, Mr. Hooper held various senior leadership positions at BMS. Prior to joining BMS, Mr. Hooper was Assistant Vice President of Global Marketing for Wyeth Laboratories. Mr. Hooper earned law and MBA degrees from the University of South Africa in 1978 and 1988 respectively. Mr. Hooper serves on the board of MannKind Corporation, a company listed on the NASDAQ (ticker symbol: MNKD). Mr. Hooper is a consultant of Amgen. We believe Mr. Hooper's extensive experience and knowledge in the healthcare sector and broad international experience in pharmaceutical commercial operations qualify him to serve on, and contributes to the diversity of, the Board.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Ranjeev Krishana, aged 50, has served as a member of the Board since October 2014 and as our Lead Director since February 2020. Mr. Krishana has worked at Baker Bros. Advisors LP, from 2011 to the present and currently serves as Partner. Prior to joining Baker Bros., Mr. Krishana held a series of commercial, strategy, and business development leadership roles for Pfizer, Inc.'s pharmaceutical business across a variety of international regions and markets, including Asia, Eastern Europe, and Latin America. Mr. Krishana was at Pfizer from 2003 to 2007 and from 2008 to 2011. From 2008 to 2010, Mr. Krishana was based in Beijing, China, where he served as a Senior Director and a member of the Pfizer China Leadership Team. Mr. Krishana began his career as a strategy consultant at Accenture plc. Mr. Krishana received a B.A. in Economics and Political Science from Brown University in May 1995, and a Master's of Public Policy from Harvard University in June 2001. We believe Mr. Krishana's knowledge of the healthcare sector across international markets qualifies him to serve on the Board.

Dr. Alessandro Riva, aged 63, has served as a member of the Board since February 1, 2022. From 2021 to 2023, Dr. Riva served as Chief Executive Officer of Intima Bioscience, Inc., a privately held clinical stage gene and cell therapy company. From 2019 to 2021, he served as Chief Executive Officer at privately held Ichnos Sciences, where he built a biotechnology company focused on bi- and tri-specific antibodies in oncology and biologics in autoimmune diseases. From 2017 to 2019, he was Executive Vice President and Global Head of Oncology Therapeutics and Cell & Gene Therapy at Gilead Sciences, where he was instrumental in the acquisition of Kite Pharma. Prior to Gilead, from 2005 to 2016, Dr. Riva was Executive Vice President and Global Head of Oncology Development and Medical Affairs at Novartis Pharmaceuticals, where he contributed significantly to the Oncology Business Unit and the Cell and Gene Therapy Unit. He was also interim President of Novartis Oncology during the acquisition of GSK Oncology. Dr. Riva is currently on the board of directors of Century Therapeutics, Inc., a NASDAQ-listed biotechnology company developing innovative iPSC-derived NK and T cell therapies. Dr. Riva is also serving as the chairman of the board of directors and CEO of Transgene SA (Euronext Paris: TNG, Paris: TNG), a listed immunotherapy biotech company that designs and develops therapeutic vaccines and oncolytic viruses against cancer. He previously held roles at Farmitalia Carlo Erba, Rhône-Poulenc Rorer and Aventis and co-founded the Breast Cancer International Research Group (BCIRG) and the Cancer International Research Group (CIRG), where he served as Chief Executive Officer. He received his M.D. in medicine and surgery from the University of Milan and a certificate board in oncology and hematology from the same institution. We believe that Dr. Riva's extensive scientific and management experience in the healthcare sector qualifies him to serve on, and contributes to the diversity of, the Board.

DIRECTORS AND SENIOR MANAGEMENT

Dr. Corazon (Corsee) D. Sanders, aged 67, has served as a member of the Board since August 2020. Dr. Sanders most recently served as an Interim Transition Advisor to the Global Development Group of Bristol Myers Squibb Corporation from November 2019, following its acquisition of Celgene Corporation, until February 2020. Previously, Dr. Sanders served as a Strategic Advisor to the Office of the Celgene Chief Medical Officer from March 2018 to November 2019. From January 2017 to March 2018, she was a member of the Juno Therapeutics Executive Committee as Executive Vice President of Development Operations, with responsibilities for strategic operations, quantitative sciences, biosample and clinical operations. From 1994 to 2017, Dr. Sanders held leadership positions at Genentech/Roche, including as a member of the Genentech/Roche Late Stage Portfolio Committee, Global Head of the Genentech/Roche Late Stage Clinical Operations, Global Head of the Genentech/Roche Biometrics group, and Genentech Head of DATA (Design, Analysis, Technology & Administration) prior to the Roche acquisition. Dr. Sanders currently serves as a member of the Board of Trustees of the Fred Hutchinson Cancer Research Center in Seattle, WA, and as a director of the following biotechnology companies: Molecular Templates Inc. (NASDAQ: MTEM), Legend Biotech Corporation (NASDAQ: LEGN), AltruBio Inc. (formerly AbGenomics) (privately held), and Ultragenyx Pharmaceutical Inc. (NASDAQ: RARE). Dr. Sanders earned her B.S. and M.S. in statistics, graduating Magna Cum Laude from the University of the Philippines, and her M.A. and Ph.D. in statistics from the Wharton Doctoral Program at the University of Pennsylvania. We believe that Dr. Sanders' extensive experience and knowledge in the healthcare sector and her scientific and leadership experience qualify her to serve on, and contributes to the diversity of, the Board.

Mr. Qingqing Yi, aged 52, has served as a member of the Board since October 2014. Mr. Yi serves as a non-executive director of JD Health International Inc. (HKEx: 6618). Mr. Yi is a Partner at Hillhouse Capital. He has worked with Hillhouse since the inception of the firm in 2005. Prior to joining Hillhouse, Mr. Yi was an Equity Research Analyst at China International Capital Corporation. Mr. Yi's work at Hillhouse includes investments in the healthcare and consumer sectors in both its public and private equity portfolios. Mr. Yi received a B.S. degree in Engineering from Shanghai Maritime University in July 1995 and an MBA from University of Southern California in May 2003. We believe Mr. Yi's extensive experience in capital markets and knowledge of the healthcare sector qualifies him to serve on the Board.

DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

The following table provides information about members of our senior management, as of April 17, 2024, other than Mr. John Oyler, who is included above as an executive Director:

Name	Age	Position
Xiaobin Wu, Ph.D.	62	President, Chief Operating Officer and General Manager of China
Julia Wang	53	Chief Financial Officer
Lai Wang, Ph.D.	47	Global Head of R&D
Chan Lee	56	Senior Vice President and General Counsel

Xiaobin Wu, Ph.D., aged 62, joined our Company in April 2018 as our President and General Manager of China and has been appointed to an additional position of Chief Operating Officer, effective April 1, 2021. He has more than 25 years of experience in the pharmaceutical industry, including 17 years leading China operations of multinational companies, with expertise in research and development, strategy, commercialization and general management. Before joining the Company in April 2018, Dr. Wu served as the Country Manager of Pfizer China from 2009 to April 2018 and Regional President of Pfizer Essential Health in the Greater China Region from 2017 to April 2018. Under his leadership, Pfizer China experienced significant growth to become a leading multinational pharmaceutical company in China. Prior to Pfizer, Dr. Wu served as President and Managing Director of Wyeth China and Hong Kong from 2004 to 2009. Before joining Wyeth, Dr. Wu served as the General Manager of Bayer Healthcare in China from 2001 to 2004. He started his career in 1992 in sales and marketing with Bayer in Germany. Dr. Wu served as a Vice Chairman of the R&D Based Pharmaceutical Association Committee (RDPAC) in China from 2008 to 2018 and as Vice Chairman of the Pharmaceutical Chamber of Commerce of China's National Association of Industry & Commerce from 2015 to 2018. Dr. Wu currently serves on the board of directors of Clover Biopharmaceuticals, Ltd., a company listed on the HKEx.. He is also a research fellow at the Research Center of National Drug Policy and Ecosystem (NDPE) of China Pharmaceutical University in Nanjing, China. In addition to his duties in industry associations, Dr. Wu has received numerous industry awards, including most recently "Person of the Year" in Healthy China Awards 2017, "2017 Top 10 Most Influential Persons in the Chinese Healthcare Industry" and the "2017 Social Responsibility Eminent Person Award." Dr. Wu earned a Ph.D. in Biochemistry and Pharmacology and a Diploma in Biology in April 1993 and January 1990, respectively, from the University of Konstanz in Germany.

DIRECTORS AND SENIOR MANAGEMENT

Julia Wang, aged 53, has served as our Chief Financial Officer since June 2021. Ms. Wang joined our Company in June 2020 as Senior Vice President, Enterprise Optimization and Deputy CFO. Prior to joining BeiGene, from 2018 to 2020, Ms. Wang served as Senior Vice President, Global Business Finance and Corporate Planning at Alexion Pharmaceuticals, a rare disease biopharmaceutical company operating in more than 50 countries. From 2015 to 2018, she held leadership positions at Quest Diagnostics, including Vice President of U.S. Regional Finance and Enterprise Commercial, and Vice President of Finance, Value Creation. From 2007 to 2012, Ms. Wang held senior leadership roles at Johnson & Johnson (J&J) as CFO of various operating businesses, including Xian-Janssen, J&J's pharmaceutical business in China. Previously, she also led finance initiatives at PepsiCo.. Ms. Wang received an MBA from Fuqua School of Business at Duke University in 1999 and a BA in British Language and Literature from Shandong Normal University in 1992.

Lai Wang, Ph.D., aged 47, has served as our Global Head of R&D since April 2021. Dr. Wang joined our Company in May 2011 with increasing responsibilities over the years and most recently as Senior Vice President, Head of Global Research, Clinical Operation & Biometrics and APAC Clinical Development. Dr. Wang has over 20 years of experience in the oncology field and over 10 years of experience in the pharmaceutical industry in both research and development. Prior to joining us, Dr. Wang was the director of research at Joyant Pharmaceuticals, a biotech company based in Dallas, Texas. Dr. Wang received his B.S. from Fudan University in 1996 and Ph.D. from University of Texas Health Science Center at San Antonio in 2001.

Chan Lee, aged 56, has served as our Senior Vice President and General Counsel since July 2022. He has more than 25 years of experience in the bio-pharmaceutical industry. Prior to joining BeiGene, Mr. Lee served as North America General Counsel and Head of Legal for the Specialty Care Global Business Unit at Sanofi from 2016 to 2022, responsible for the legal oversight of Sanofi's operations in the U.S. and Canada and Specialty Care business globally. Prior to Sanofi, Mr. Lee held roles of increasing responsibility at Pfizer from 2008 to 2016, most notably as Chief Counsel for Pfizer's Innovative Health global business. He also served as Chief Counsel for the Vaccines, Oncology and Consumer Health global businesses at Pfizer, as well as Assistant General Counsel for Asia operations. Mr. Lee earned his J.D. from the University of California at Berkeley and his B.S. in applied economics from Cornell University.

DIRECTORS AND SENIOR MANAGEMENT

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

Upon specific inquiry by the Company and following confirmations from Directors, except as disclosed hereunder, there is no change in information for any of the Directors which would require disclosure pursuant to Rule 13.51(B) (1) of the HK Listing Rules during the year ended December 31, 2023 and up to the date of this annual report. The change of Director's information is set out below.

Directors	Changes in Positions held with the Company
Mr. Anthony C. Hooper	Redesignated as an independent non-executive Director effective April 17, 2023 and remains as a member of the Audit Committee and the Nominating and Corporate Governance Committee and the chair of the Commercial and Medical Affairs Advisory Committee; appointed as the chair of the Audit Committee effective September 13, 2023.
Mr. Thomas Malley	Ceased to serve as the chair of the Audit Committee effective September 13, 2023 but remains a member of the Audit Committee; resigned as an independent non-executive Director and a member of the Audit Committee and the Scientific Advisory Committee effective January 22, 2024.
Dr. Olivier Brandicourt	Appointed as an independent non-executive Director and a member of the Audit Committee effective January 23, 2024; appointed as a member of the Commercial and Medical Affairs Advisory Committee effective March 19, 2024.

REPORT OF THE DIRECTORS

The Board is pleased to present this Directors' report, together with the consolidated financial statements of the Group, for the year ended December 31, 2023.

GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on October 28, 2010 as an exempted limited liability company under the laws of the Cayman Islands. The Company's Shares have been listed on the Main Board of the HKEx since August 8, 2018 under the stock code 06160. The Company's ADSs have been listed on the NASDAQ Global Select Market since February 3, 2016 under the symbol "BGNE". The Company's ordinary shares traded in Renminbi (RMB Shares) have been publicly traded on the Science and Technology Innovation Board of the Shanghai Stock Exchange in China under the stock code "688235" since December 15, 2021.

PRINCIPAL ACTIVITIES

The Company is a global oncology company discovering and developing innovative treatments that are more accessible and affordable to cancer patients worldwide. The Company has built substantial commercial capabilities in China and the United States and commercial capabilities in Europe, Canada and Australia. The Company currently market three internally discovered oncology medicines and also market or plan to market additional oncology products in China licensed from Amgen, Novartis, BMS, and EUSA Pharma; and have entered collaborations with Novartis Pharma AG for Novartis to develop, manufacture and commercialize tislelizumab and ociperlimab in North America, Europe and Japan. The analysis of the Group's revenues and contribution to results are set out in Note 3 and Note 15 to the consolidated financial statements.

BUSINESS REVIEW

The business review of the Group is set out in the sections headed "Management Discussion and Analysis" of this annual report. A description of principal risks and uncertainties that the Group may be facing can be found on page 180 to page 183 of this annual report. In addition, a discussion on relationships with key stakeholders will be included in our "Responsible Business & Sustainability Report" published on the same day as this annual report. The review and discussion form part of this Directors' report.

SHARE CAPITAL

Details of movements in the share capital of the Company for the year ended December 31, 2023 are set out in the consolidated statements of shareholders' equity.

REPORT OF THE DIRECTORS

SUBSIDIARIES

Particulars of the Company's subsidiaries are set out in Note 1 to the consolidated financial statements.

FINANCIAL SUMMARY

A summary of the consolidated results and financial position of the Group is set out on page 141 of this annual report.

RESULTS

The results of the Group for the year ended December 31, 2023 are set out in the consolidated statements of comprehensive loss on page 276 of this annual report.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended December 31, 2023, the Group's sales to its five largest customers accounted for approximately 61.3% of the Group's product revenue and the Group's single largest customer accounted for approximately 16.0% of the Group's product revenue. For the year ended December 31, 2023 the Company's collaboration revenue consisted primarily of revenue recognized under its out-licensing collaboration agreements with Novartis; and for the year ended December 31, 2022 the Company's collaboration revenue consisted entirely of revenue recognized under its out-licensing collaboration agreements with Novartis. For the year ended December 31, 2022, the Group's sales to its five largest customers accounted for approximately 69.0% of the Group's product revenue and the Group's single largest customer accounted for approximately 18.1% of the Group's product revenue.

For the years ended December 31, 2023 and 2022, the five largest suppliers of the Group accounted for approximately 26.4% and 23.9% of the Group's total purchases, respectively, while the largest supplier of the Group for the years ended December 31, 2023 and 2022 accounted for approximately 8.0% and 12.0% of the Group's total purchases, respectively.

During the year ended December 31, 2023, none of our Directors, their close associates or any of our shareholders, who, to the knowledge of our Directors owns more than 5% of our issued share capital, had any interest in any of the above customers or suppliers.

REPORT OF THE DIRECTORS

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to fulfilling social responsibility, promoting employee benefits and development, protecting the environment, giving back to the community and achieving sustainable growth. Details of these commitments are set out in the Company's Responsible Business & Sustainability Report published on the same day as this annual report.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

During the year ended December 31, 2023, as far as the Board is aware, the Group has complied with the relevant laws and regulations that have a significant impact on the Group in all material respects.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

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

Except as disclosed above, there were no important events affecting the Group which occurred after the Reporting Period and up to the date of this annual report.

PRINCIPAL RISKS AND UNCERTAINTIES

As further disclosed in the section headed "Risks Factors" in this annual report, the following list is a summary of certain principal risks and uncertainties facing the Group, some of which are beyond its control:

- Our medicines may fail to achieve and maintain the degree of market acceptance by physicians, patients, third-party payors, and others in the medical community necessary for commercial success.
- We have limited experience in launching and marketing our internally developed and in-licensed medicines. If we are unable to further develop marketing and sales capabilities or enter into agreements with third parties to market and sell our medicines, we may not be able to generate substantial product sales revenue.
- We face substantial competition, which may result in others discovering, developing, or commercializing competing medicines before or more successfully than we do.
- The market opportunities for our medicines may be limited to those patients who are ineligible for or have failed prior treatments and may be small.

REPORT OF THE DIRECTORS

- If we or any third parties with which we may collaborate to market and sell our medicines are unable to achieve and maintain coverage and adequate levels of reimbursement or are subject to unfavorable pricing regulations, our commercial success and business operations could be adversely affected.
- Clinical development involves a lengthy and expensive process with an uncertain outcome, and results of earlier studies and trials may not be predictive of future trial results.
- If clinical trials of our drug candidates fail to demonstrate safety and efficacy to the satisfaction of regulatory authorities or do not otherwise produce positive results, we may incur additional costs or experience delays in completing, or ultimately be unable to complete, the development and commercialization of our drug candidates.
- If we encounter difficulties enrolling patients in our clinical trials, our clinical development activities could be delayed or otherwise adversely affected.
- All material aspects of the research, development, manufacturing and commercialization of pharmaceutical products are heavily regulated, and we may face difficulties in complying with or be unable to comply with such regulations, which could have a material adverse effect on our business.
- The approval processes of regulatory authorities in the United States, China, Europe and other comparable regulatory authorities are lengthy, time consuming, costly, and inherently unpredictable. If we experience delays or are ultimately unable to obtain regulatory approval for our drug candidates, our business will be substantially harmed.
- Our medicines and any future approved drug candidates will be subject to ongoing regulatory obligations and continued regulatory review, which may result in significant additional expense and we may be subject to penalties if we fail to comply with regulatory requirements or experience unanticipated problems with our medicines and drug candidates.
- We have incurred significant net losses since our inception and expect to incur net losses in the future and may not become profitable.
- We may need to obtain additional financing to fund our operations, and if we are unable to obtain such financing, we may be unable to complete the development of our drug candidates or achieve profitability.

REPORT OF THE DIRECTORS

- If we are unable to obtain and maintain patent protection for our medicines and drug candidates through intellectual property rights, or if the scope of such intellectual property rights is not sufficiently broad, third parties may compete against us.
- We rely on third parties to manufacture some of our commercial and clinical drug supplies. Our business could be harmed if those third parties fail to provide us with sufficient quantities of product or fail to do so at acceptable quality levels or prices.
- We have entered into licensing and collaboration arrangements and may enter into additional collaborations, licensing arrangements, or strategic alliances in the future, and we may not realize the benefits of such arrangements.
- If we fail to maintain an effective distribution channel for our medicines, our business and sales could be adversely affected.
- If third-party manufacturers fail to comply with manufacturing regulations, our financial results could be adversely affected.
- If we are not able to successfully develop and/or commercialize Amgen's oncology products, the expected benefits of the collaboration will not materialize.
- We have significantly increased and expect to continue to increase our research, development, manufacturing, and commercial capabilities, and we may experience difficulties in managing our growth.
- Our future success depends on our ability to retain key executives and to attract, retain and motivate qualified personnel.
- Our business is subject to complex and evolving industry-specific laws and regulations regarding the collection and transfer of personal data. These laws and regulations can be stringent and many are subject to change and uncertain interpretation, which could result in claims, changes to our data and other business practices, significant penalties, increased cost of operations, or otherwise adversely impact our business.

REPORT OF THE DIRECTORS

- We manufacture some of our medicines and intend to manufacture some of our drug candidates, if approved. Failure to comply with regulatory requirements could result in sanctions being imposed against us and delays in completing and receiving regulatory approvals for our manufacturing facilities, or damage to, destruction of or interruption of production at such facilities, could delay our development plans or commercialization efforts.
- Changes in the political and economic policies of the PRC government or in relations between China and the United States or other governments and the oversight and discretion the PRC government has over the conduct of the business operations of our PRC subsidiaries may materially and adversely affect our business, financial condition, and results of operations and may result in our inability to sustain our growth and expansion strategies.
- The audit reports included in our previous annual reports on Form 10-K filed with the SEC have historically been prepared by auditors who are not inspected fully by the Public Company Accounting Oversight Board, and as such, investors have previously been deprived of the benefits of such inspections.
- The trading prices of our ordinary shares, ADSs, and/or RMB Shares can be volatile, which could result in substantial losses to you.

USE OF NET PROCEEDS

Use of Net Proceeds from Amgen

On January 2, 2020, the Company sold 15,895,001 ADSs, representing 206,635,013 ordinary shares of the Company and approximately 20.5% ownership stake in the Company's outstanding shares as at the same date, to Amgen for aggregate cash proceeds of US\$2,779,241,000, or US\$174.85 per ADS, pursuant to the Amgen SPA (as amended) executed in connection with the Amgen Collaboration Agreement. The subscription price represents: (a) a 36% premium to the 30-day volume weighted average price of the Company's ADSs as of October 30, 2019, the day prior to the date of the Amgen SPA; (b) assuming a conversion rate of US\$1.00: HK\$7.84, a 26% premium to the closing price of the Company's ordinary shares as quoted on the HKEx on October 31, 2019, the date of the Amgen SPA; and (c) a 26% premium to the closing price of the Company's ADSs on the NASDAQ on October 31, 2019.

REPORT OF THE DIRECTORS

The net proceeds from the sale of the shares have been and will be utilized in accordance with the purposes set out in the proxy statement/circular of the Company dated November 29, 2019. The table below sets out the planned applications of the net proceeds and actual usage up to December 31, 2023:

	Planned applications (US dollars in thousands)	Percentage of total net proceeds (%)	Actual usage up to December 31, 2022 (US dollars in thousands)	Actual usage up to December 31, 2023 (US dollars in thousands)	Unutilized net proceeds as of December 31, 2023 (US dollars in thousands)
Use of proceeds					
To fund business operations ^(a)	2,779,241	100.00%	2,080,068	2,229,632	549,609

Note (a): To fund the Company's development obligations under the Amgen Collaboration Agreement by contributing cash and development services up to a total cap of approximately US\$1.25 billion, the development, manufacturing and commercialization of the Company's internally developed drug candidates, expansion of the Company's commercialization activities, and for future capacity expansion and general corporate use, as appropriate, as previously disclosed in the Company's proxy statement/circular dated November 29, 2019.

The Company plans to gradually utilize the remaining net proceeds in accordance with such intended purposes depending on actual business, which is expected to be fully utilized by 2026. For further details, please refer to the announcements of the Company dated November 1, 2019, December 9, 2019, and January 3, 2020.

On September 24, 2020, the Company entered into the Restated Second Amendment to amend the Amgen SPA. Pursuant to the Restated Second Amendment, the Company granted Amgen the Direct Purchase Option to subscribe for Additional Shares in an amount necessary to enable it to increase (and subsequently maintain) its ownership at approximately 20.6% of the Company's outstanding share capital. The Direct Purchase Option is exercisable on a monthly basis but only if Amgen's interest in the outstanding share capital of the Company at the monthly reference date drops below 20.4% solely as a result of dilution arising from issuance of new shares by the Company under its equity incentive plans from time to time. The aggregate number of Additional Shares shall not exceed 75,000,000 shares during the term of the Direct Purchase Option.

REPORT OF THE DIRECTORS

The purchase price for the Additional Shares will be the volume-weighted average price of the Company's ADSs for the 90 days preceding the last trading day of the prior month. The exercise period of the Direct Purchase Option commenced on December 1, 2020 and will terminate on the earliest of: (a) the date on which Amgen owns less than 20% of the outstanding share capital of the Company as a result of Amgen's sale of shares; (b) at least 60-day advance written notice from either Amgen or the Company that such party wishes to terminate the Direct Purchase Option; or (c) the third anniversary of the date on which the exercise period of the Direct Purchase Option commences. The Direct Purchase Option has no vesting period.

For further details, please refer to the announcements of the Company dated March 18, 2020, September 25, 2020 and the Company's proxy statement/circular dated October 9, 2020.

In September 2021, upon Amgen's exercise of its Direct Purchase Option, the Company issued an aggregate of 165,529 ADSs, representing 2,151,877 ordinary shares, to Amgen for a total consideration of US\$50,000,000 in a private placement pursuant to the Restated Second Amendment. As of December 31, 2022, net proceeds amounting to US\$50,000,000 had been fully utilized. Amgen did not exercise the Direct Purchase Option during the Reporting Period.

Use of Net Proceeds from STAR Offering

On December 15, 2021, the Company completed the STAR Offering on the STAR Market of the SSE. The shares offered in the STAR Offering were issued to and subscribed for by permitted investors in China in Renminbi ("RMB Shares") pursuant to the general mandate to issue shares, which was approved by the shareholders at the Company's 2021 annual general meeting of shareholders held on June 16, 2021. The public offering price of the RMB Shares was RMB192.60 per RMB Share, which equates to HK\$234.89 per ordinary share and US\$391.68 per ADS. In this offering, the Company sold 115,055,260 RMB Shares. The RMB Shares are not fungible with the ordinary shares of the Company listed on the HKEx or with the ADSs representing the Company's ordinary shares listed on the NASDAQ. Net proceeds after deducting underwriting commission and offering expenses were US\$3,392,616,000. The net proceeds from the STAR Offering have been and will be utilized in accordance with the purposes set out in the prospectus of the STAR Offering (the "STAR Prospectus"), including (i) clinical development and research project, (ii) research and development center construction, (iii) bio-manufacturing plant construction, (iv) sales and marketing force expansion, and (v) working capital and general corporate purposes. On November 10, 2023, the Board approved to adjust the amount of proceeds to be invested in each subcategory projects under the "clinical development and research project". As required by the PRC securities laws, the net proceeds from the STAR Offering must be used in strict compliance with the planned uses as disclosed in the STAR Prospectus as well as the Company's proceeds management policy for the STAR Offering approved by the Board.

REPORT OF THE DIRECTORS

For details, please refer to the Company's announcements dated November 16, 2020, January 29, 2021, April 20, 2021, May 14, 2021, June 1, 2021, June 21, 2021, June 28, 2021, June 30, 2021, July 9, 2021, July 28, 2021, October 15, 2021, November 16, 2021, November 23, 2021, November 24, 2021, November 29, 2021, November 30, 2021, December 2, 2021, December 6, 2021, December 7, 2021, December 13, 2021, December 21, 2021, December 28, 2021, April 29, 2022, June 27, 2022, August 30, 2022, September 28, 2022, April 25, 2023, August 29, 2023, November 13, 2023 and the circular dated April 30, 2021 of the Company.

As of December 31, 2023, net proceeds amounting to RMB13.7 billion had been utilized, and the remaining RMB8.0 billion will be gradually utilized in accordance with such intended purposes depending on actual business needs, and are expected to be fully utilized within five years after the completion of STAR Offering. The table below sets out the planned applications of the net proceeds and actual usage up to December 31, 2023:

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

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

REPORT OF THE DIRECTORS

DIVIDEND POLICY AND RESERVES

The Board has adopted a dividend policy which provides that we currently intend to retain all available funds and earnings, if any, to fund the development and expansion of our business, and we do not anticipate paying any cash dividends in the foreseeable future. Subject to applicable law and our Articles, any future determination to pay dividends will be made at the discretion of our Board and may be based on a number of factors, including our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that the Board may deem relevant. This dividend policy reflects the Board's current views on our financial and cash flow position. We intend to continue to review our dividend policy from time to time, and there can be no assurance that dividends will be paid in any particular amount, if at all, for any given period.

We have never declared or paid any dividends on our ordinary shares or any other securities. If we pay dividends in the future, in order for us to distribute dividends to our shareholders and holders of ADSs, we may rely to some extent on dividends distributed by our PRC subsidiaries. PRC regulations may restrict the ability of our PRC subsidiaries to pay dividends to us, and such distributions will be subject to PRC withholding tax. In addition, PRC regulations currently permit payment of dividends of a PRC company only out of accumulated distributable after-tax profits, as determined in accordance with our Articles and the accounting standards and regulations in the PRC.

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

Details of movements in the reserves of the Group and the Company during the year ended December 31, 2023 are set out in the consolidated statement of shareholders' equity on page 279 and in Note 29 to the consolidated financial statements, respectively, among which the information of the distributable reserves is set forth in Note 29 to the consolidated financial statements.

PROPERTY AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year ended December 31, 2023 are set out in Note 9 to the consolidated financial statements.

BORROWINGS

The Group had US\$886.0 million in outstanding borrowings from banks and other financial institutions as of December 31, 2023 (2022: US\$538.1 million).

REPORT OF THE DIRECTORS

DONATION

During the year ended December 31, 2023, the Group made charitable donations of approximately US\$5.4 million (2022: approximately US\$6.8 million).

DEBENTURE ISSUED

The Group has not issued any debentures during the year ended December 31, 2023.

EQUITY-LINKED AGREEMENTS

On March 17, 2020, the Company and Amgen entered into an Amendment No. 2 (the “Second Amendment”) to the Amgen SPA as amended, by and between the Company and Amgen Inc. The Second Amendment was restated in its entirety on September 24, 2020 (the “Restated Second Amendment”). Pursuant to the Restated Second Amendment, Amgen has an option (the “Direct Purchase Option”) to subscribe for additional ADSs in an amount necessary to enable it to increase (and subsequently maintain) its ownership at approximately 20.6% of our outstanding shares. In September 2021, upon Amgen’s exercise of its Direct Purchase Option, the Company issued an aggregate of 165,529 ADSs, representing 2,151,877 ordinary shares, to Amgen for a total consideration of US\$50 million, in a private placement pursuant to the Restated Second Amendment.

Except as disclosed above and in the section headed “Share Schemes”, no equity-linked agreements were entered into by the Group or existed during the year ended December 31, 2023.

REPORT OF THE DIRECTORS

DIRECTORS

The Directors who held office during the year ended December 31, 2023 and up to the date of this annual report are:

Executive Director

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

Non-Executive Director

Dr. Xiaodong Wang

Independent Non-Executive Directors

Dr. Olivier Brandicourt (*Note 1*)

Dr. Margaret Han Dugan

Mr. Donald W. Glazer

Mr. Michael Goller

Mr. Anthony C. Hooper (*Note 2*)

Mr. Ranjeev Krishana

Dr. Alessandro Riva

Dr. Corazon (Corsee) D. Sanders

Mr. Qingqing Yi

Notes:

- (1) Effective January 23, 2024, Dr. Olivier Brandicourt was appointed to the Board as an independent non-executive Director.
- (2) The Board redesignated Mr. Anthony C. Hooper as an independent non-executive Director effective from April 17, 2023. For the period up to April 16, 2023, Mr. Anthony C. Hooper was a non-executive Director of the Company.

* On January 22, 2024, Mr. Thomas Malley resigned from the Board to devote more time to his other commitments. The decision by Mr. Malley to resign was not the result of any disagreement with respect to the operations, policies, or practices of the Company. There is no matter in respect of Mr. Malley's resignation that needs to be brought to the attention of shareholders of the Company or The Stock Exchange of Hong Kong Limited. In connection with his resignation from the Board, Mr. Malley also resigned from the Audit Committee and the Scientific Advisory Committee of the Board.

REPORT OF THE DIRECTORS

Our Articles provide that our Board is divided into three groups designated as Class I, Class II and Class III, with as nearly equal a number of Directors in each group as possible. Each Director in each class shall serve for a three-year term and until such Director's successor has been duly elected. Upon the expiration of his or her term, each Director shall be eligible for re-election at the next annual general meeting to hold office for another three-year term and until such Director's successor has been duly elected. The terms of the Class I Directors are scheduled to expire on the date of our 2026 annual general meeting, the terms of the Class II Directors are scheduled to expire on the date of our 2024 annual general meeting, and the terms of the Class III Directors are scheduled to expire on the date of our 2025 annual general meeting, in each case subject to such Director's earlier resignation or removal. Based on the recommendation of the Nominating and Corporate Governance Committee, the Board's nominees for election by the shareholders at the 2024 annual general meeting are the current Class II members: Mr. Donald W. Glazer, Mr. Michael Goller, Dr. Olivier Brandicourt and Dr. Corazon (Corsee) D. Sanders. Dr. Olivier Brandicourt was appointed to the Board in January 2024 by the Board through the filling of a vacancy, as permitted by our Articles. Based on the recommendation of the Nominating and Corporate Governance Committee, the Board nominates Dr. Olivier Brandicourt for election by the shareholders at the 2024 annual general meeting of shareholders to serve as a Class II Director. If elected, Dr. Olivier Brandicourt will serve as a Director until the annual general meeting of shareholders in 2027 and until his successor is duly elected and qualified, subject to his earlier resignation or removal.

Dr. Olivier Brandicourt confirms that he (i) has obtained the legal advice referred to under Rule 3.09D of the HK Listing Rules on January 12, 2024, and (ii) understands his obligations as a director of a listed issuer under the HK Listing Rules.

For the year ended December 31, 2023, each of the independent non-executive Directors has confirmed their independence pursuant to Rule 3.13 of the HK Listing Rules and the Company considers all of the independent non-executive Directors are independent.

BOARD OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Group are set out in the section headed "Directors and Senior Management" in this annual report.

EMOLUMENT POLICY AND DIRECTORS' REMUNERATION

Mr. John V. Oyler, our Co-Founder, Chief Executive Officer and Chairman of the Board, receives no compensation for his service as a Director. Dr. Xiaodong Wang, our Co-Founder and Chairman of our Scientific Advisory Board, also receives no compensation for his service as a Director.

REPORT OF THE DIRECTORS

We have adopted an Independent Director Compensation Policy, which was most recently amended on March 19, 2024 by the Board. The amended Independent Director Compensation Policy is part of a total compensation package designed to enable us to attract and retain, on a long-term basis, high caliber independent Directors as defined under the listing rule of NASDAQ (the “NASDAQ Listing Rules”). Under the amended Independent Director Compensation Policy, all independent Directors, as defined under NASDAQ Listing Rules, are paid cash compensation as set forth below, including an annual cash retainer of US\$65,000, which remains the same as the annual retainer adopted in 2023, and additional fees for service as a member or chair of each committee of the Board of Directors on which they serve, in each case, as noted below, each of which are paid quarterly. Under the amended Independent Director Compensation Policy, the chairperson of the Nominating and Corporate Governance Committee will be paid an annual cash retainer of \$20,000, which reflects a \$2,000 increase from the existing annual retainer adopted in 2023, and members of the Nominating Committee will be paid an annual cash retainer of \$10,000, which reflects a \$1,000 increase from the existing annual retainer adopted in 2023. The changes for the cash retainers of the chair and members of Nominating Committee are effective commencing April 1, 2024. There are no changes in the amount or composition of the equity award compared to the policy adopted in 2023.

	Annual Retainer (US\$)
Board of Directors:	
All independent directors	65,000
Audit Committee:	
Chairperson	35,000
Non-Chairperson members	17,500
Compensation Committee:	
Chairperson	30,000
Non-Chairperson members	15,000
Nominating and Corporate Governance Committee:	
Chairperson	20,000 ⁽¹⁾
Non-Chairperson members	10,000 ⁽²⁾
Commercial and Medical Affairs Advisory Committee:	
Chairperson	20,000
Non-Chairperson members	10,000
Scientific Advisory Committee:	
Chairperson	20,000
Non-Chairperson members	10,000

Notes:

(1) Increased by US\$2,000 from 2023.

(2) Increased by US\$1,000 from 2023.

REPORT OF THE DIRECTORS

Consistent with the current policy, under the amended Independent Director Compensation Policy, each independent director, as defined under NASDAQ Listing Rules, are granted equity awards in the form of share options valued at US\$400,000 in connection with their initial election or appointment to the Board, pro-rated for the portion of the year served leading up to the first anniversary of the last annual meeting of shareholders, and annual equity awards valued at US\$400,000 on the date of each annual meeting of shareholders, which reflects no changes from the existing annual equity awards adopted in 2021. Each of the awards will consist of 50% share options and 50% RSUs; provided, however, that to the extent that a grant of RSUs is subject to shareholder approval pursuant to applicable listing rules (as is currently the case under the HK Listing Rules), (i) the initial grant shall consist of 100% share options and (ii) the annual grant shall include RSUs only upon shareholder approval and, in the absence of such shareholder approval, the annual grant shall consist of 100% share options. As under the current policy, the equity awards will vest in full on the earlier of the first anniversary of date of grant or the date of the next annual general meeting, and in full upon death, disability or the occurrence of specified events in connection with a change of control of the Company. Subject to specific terms and conditions designed for compliance with applicable tax and other regulations, Directors generally may elect to defer settlement of their RSUs until six months following the date that the Director ceases to serve as a Director. The options have an exercise price equal to the higher of (i) the fair market value of the Company's ordinary shares on the date of grant and (ii) the average fair market value of the Company's ordinary shares over the five trading days immediately preceding the date of grant, in each case as determined in reference to the closing price of the Company's ADSs on the NASDAQ. The equity awards are granted under the 2016 Plan and form of award agreement thereunder. In addition, under the terms of the 2016 Plan, the value of all equity awards and other cash compensation paid to each independent Director for their service as an independent Director may not exceed US\$1,000,000 in any calendar year (except in a Director's first year of service). We also reimburse all reasonable out-of-pocket expenses incurred by independent Directors in attending board and committee meetings.

In February 2019, our Compensation Committee adopted share ownership guidelines applicable to our non-employee Directors and our executive officers, including our Chief Executive Officer, to further align the interests of the leadership of our Company with those of our shareholders. The share ownership guidelines are as follows: our Chief Executive Officer must hold equity worth at least six times his annual base salary; our President must hold equity worth at least three times his annual based salary; each of our other executive officers must hold equity worth at least one times his or her base salary; and each of our non-employee Directors must hold equity worth at least five times the annual Board cash retainer. Covered individuals and newly appointed or elected persons have five years to achieve the ownership guideline.

The aggregate amount of remuneration (including basic salaries, housing allowances, other allowances and benefits in kind, contributions to pension plans and discretionary bonuses) for our Directors for the financial years ended December 31, 2022 and 2023 was approximately US\$20.6 million and US\$21.2 million, respectively. Details of the remuneration of Mr. John V. Oyler as chief executive officer of the Company, Dr. Xiaodong Wang as the Company's consultant, the Directors, senior management and the five highest paid individuals are set out in Note 24, Note 25 and Note 26, respectively, to the consolidated financial statements.

Except as disclosed in this annual report, none of the Directors waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the Directors as an inducement to join, or upon joining the Group, or as compensation for loss of office.

REPORT OF THE DIRECTORS

DIRECTORS' SERVICE CONTRACTS

Employment Agreements with Mr. John V. Oyler

Mr. John V. Oyler and the Company and certain of our subsidiaries entered into employment agreements on April 25, 2017, pursuant to which Mr. Oyler serves as our Chief Executive Officer. Mr. Oyler currently receives a base salary of US\$1,100,000, which is subject to review and adjustment in accordance with the Company's policy and subject to Board approval. Mr. Oyler's base salary is allocated between the Company and certain of our subsidiaries. Mr. Oyler is eligible for an annual merit increase and an annual bonus, with a current target level of 100% of his base salary, based on performance as recommended by the Compensation Committee and determined by the Board of Directors. Mr. Oyler's employment agreements also provide for certain transportation and international travel benefits and tax preparation and equalization payments. His employment agreements have an initial three-year term and automatically renew for additional one-year terms unless either party provides written notice of non-renewal. Mr. Oyler's employment can be terminated by the Company at any time. Mr. Oyler may resign upon 60 days advance notice; so long as his resignation is not due to his employment with a competing business, he may receive payment in lieu of notice. Upon termination of Mr. Oyler's employment for any reason, we will pay (i) accrued but unpaid base salary during the final payroll period of employment; (ii) unpaid vacation time; (iii) unpaid annual bonus from the previous calendar year; and (iv) any business expenses incurred, documented and substantiated but not yet reimbursed (collectively, the "Final Compensation"). If Mr. Oyler's employment is terminated by us other than for "cause" (as defined in his employment agreements) or if Mr. Oyler terminates his employment for "good reason" (as defined in his employment agreements), Mr. Oyler is entitled to (i) the Final Compensation, (ii) a lump sum equal to the base salary divided by 12, then multiplied by the Severance Period (as defined below), (iii) the post-termination bonus calculated based on the target bonus for the year and the number of days passed through the date of termination, (iv) a US\$20,000 one-time bonus and (v) acceleration by 20 months of the vesting of his equity awards (the "accelerated awards"). The "Severance Period" is 20 months; provided that if Mr. Oyler's employment terminates during the 12-month period following a "change in control" (as defined in his employment agreements), then the Severance Period will be 24 months. His employment agreement provides that the unvested portion of his awards will immediately vest upon a "change in control." Mr. Oyler's employment agreements also prohibit him from engaging in certain competitive and solicitation activities during his employment and for 18 months after the termination of his employment.

REPORT OF THE DIRECTORS

Consulting Agreement with Dr. Xiaodong Wang

Dr. Xiaodong Wang, our Co-Founder, Chairman of our Scientific Advisory Board and Director, has been providing scientific and strategic advisory services to us since our founding in 2010. On July 24, 2018 and February 24, 2021, we entered into a Consulting Agreement with Dr. Wang for a term of three years, respectively (the “Existing Consulting Agreements”). On December 7, 2023, we entered into a new consulting agreement (the “2024 Consulting Agreement”) with Dr. Wang to renew the consulting arrangement on substantially the same terms and conditions as his Existing Consulting Agreements, for services to be performed by Dr. Xiaodong Wang during the period starting on January 1, 2024 and ending on December 31, 2026. Dr. Wang’s consulting services include leading the Company’s Scientific Advisory Board and providing short – and long-term strategic advice to the Company in his areas of expertise, participating in the Company’s leadership team meetings from time to time and interacting with the Company’s key stakeholders on behalf of the Company and will continue to receive an annual fixed consulting fee of US\$100,000 (subject to review and adjustments by the Board of Directors from time to time) and such additional compensation, which, if any, shall be determined in the sole discretion of the Company, subject to compliance with the requirements of the applicable stock exchange listing rules. The 2024 Consulting Agreement is effective from January 1, 2024 and will expire on December 31, 2026. The Company may terminate the 2024 Consulting Agreement upon 30 days’ prior notice to Dr. Wang, provided that Dr. Wang will be entitled to payment for services performed prior to such date.

Except as disclosed above, none of the Directors proposed for re-election at the 2024 annual general meeting of shareholders has a service contract with members of the Group that is not terminable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS’ INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Except as disclosed in the sections headed “Directors’ Service Contracts”, “Connected Transactions and Continuing Connected Transactions”, “Related Party Transaction” and Note 26 to the consolidated financial statements contained in this annual report, none of the Directors nor any entity connected with the Directors had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to which the Company or any of its subsidiaries was a party subsisting during or at the end of the year ended December 31, 2023.

PERMITTED INDEMNITY

Pursuant to our Articles and subject to the applicable laws and regulations, every Director shall be indemnified and held harmless out of the assets and profits of the Company against all actions, proceedings, costs, charges, expense losses, damages or liabilities which they or any of them may incur or sustain in or about the execution of their duty in their offices, other than by reason of such person’s dishonesty, willful default or fraud.

Such permitted indemnity provision has been in force during the year ended December 31, 2023. The Company has taken out liability insurance to provide appropriate coverage for the Directors.

REPORT OF THE DIRECTORS

MANAGEMENT CONTRACTS

Except as disclosed in the section headed “Directors’ Service Contracts” in this annual report, no contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year ended December 31, 2023.

DIRECTORS’ RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Except as disclosed in this annual report, at no time during the year ended December 31, 2023 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate; and none of the Directors, or any of their spouse or children under the age of 18, had any right to subscribe for equity or debt securities of the Company or any other body corporate, or had exercised any such right.

DIRECTORS’ INTERESTS IN COMPETING BUSINESS

During the year ended December 31, 2023, none of our Directors had any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the HK Listing Rules.

REPORT OF THE DIRECTORS

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

As of December 31, 2023, the interests and short positions of the Directors and chief executive of the Company in the ordinary shares ("Shares"), underlying Shares and debentures of the Company or its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance ("SFO"), which were required (a) to be notified to the Company and the HKEx pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) to be recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO; or (c) as otherwise notified to the Company and the HKEx pursuant to the Model Code were as follows:

Name of Director	Nature of interest	Number of Shares	Approximate percentage of holding ⁽¹⁾
John V. Oyler	Beneficial owner	26,821,201 ⁽²⁾	1.98%
	Settlor of a trust/Beneficiary of a trust	9,545,000 ⁽³⁾	0.70%
	Settlor of a trust/Interest of a minor child	102,188 ⁽⁴⁾	0.01%
	Settlor of a trust/Beneficiary of a trust	7,727,927 ⁽⁵⁾	0.57%
	Settlor of a trust/Beneficiary of a trust	28,984,115 ⁽⁶⁾	2.14%
	Settlor of a trust	510,941 ⁽⁷⁾	0.04%
	Interest of a minor child	481,533 ⁽⁸⁾	0.04%
	Other	1,387,802 ⁽⁹⁾	0.10%
Xiaodong Wang	Beneficial owner	15,127,403 ⁽¹⁰⁾	1.12%
	Interest in controlled corporation	4,058,998 ⁽¹¹⁾	0.30%
	Other	1,127,542 ⁽¹²⁾	0.08%
	Interest of spouse	50 ⁽¹³⁾	0.000004%
Margaret Han Dugan	Beneficial owner	113,815 ⁽¹⁴⁾	0.01%
Donald W. Glazer	Beneficial owner	3,190,679 ⁽¹⁵⁾	0.24%
Michael Goller	Person having a security interest in shares	453,232 ⁽¹⁶⁾	0.03%
Anthony C. Hooper	Beneficial owner	183,885 ⁽¹⁷⁾	0.01%
Ranjeev Krishana	Person having a security interest in shares	453,232 ⁽¹⁸⁾	0.03%
Thomas Malley	Beneficial owner	1,365,980 ⁽¹⁹⁾	0.10%
Alessandro Riva	Beneficial owner	113,815 ⁽²⁰⁾	0.01%
Corazon (Corsee) D. Sanders	Beneficial owner	136,500 ⁽²¹⁾	0.01%
Qingqing Yi	Beneficial owner	436,150 ⁽²²⁾	0.03%

REPORT OF THE DIRECTORS

Notes:

- (1) The calculation is based on the total number of 1,354,719,193 Shares in issue as of December 31, 2023, which excluded 4,794,031 ordinary shares issued to the Company's depository in exchange for a corresponding amount of ADSs for the purposes of ensuring that it has ADSs readily available to satisfy the vesting of restricted share units and the exercise of share options from time to time.
- (2) Includes (1) 1,292,260 Shares held by Mr. Oyler, (2) Mr. Oyler's entitlement to receive up to 24,849,647 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 679,294 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) These Shares are held by a trust, the beneficiaries of which include Mr. Oyler's minor child and others, in which Mr. Oyler is deemed to be interested for the purpose of the SFO.
- (9) These Shares are held by a private foundation of which Mr. Oyler and the other(s) serve as directors, in which Mr. Oyler is deemed to be interested for the purpose of the SFO.
- (10) Includes (1) 5,291,082 Shares held by Dr. Wang, (2) Dr. Wang's entitlement to receive up to 9,667,965 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 168,356 Shares, subject to vesting conditions.
- (11) 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.
- (12) These Shares are held by a family trust which Dr. Wang's family members are beneficiaries, in which Dr. Wang is deemed to be interested for the purpose of the SFO.

REPORT OF THE DIRECTORS

- (13) These Shares are held by Dr. Wang's spouse, in which Dr. Wang is deemed to be interested for the purposes of the SFO.
- (14) Includes (1) 16,692 Shares held by Dr. Dugan; (2) Dr. Dugan's entitlement to receive up to 84,201 Shares pursuant to the exercise of options granted to her, subject to the conditions (including vesting conditions) of these options; and (3) Dr. Dugan's entitlement to restricted share units equivalent to 12,922 Shares, subject to vesting conditions.
- (15) Includes (1) 2,754,529 Shares held by Mr. Glazer; (2) Mr. Glazer's entitlement to receive up to 406,536 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 29,614 Shares, subject to vesting conditions.
- (16) Includes (1) 33,774 Shares held by Mr. Goller; (2) Mr. Goller's entitlement to receive up to 406,536 Shares pursuant to the exercise of options granted to him, subject to the conditions (including vesting conditions) of these options; and (3) Mr. Goller's entitlement to restricted share units equivalent to 37,414 Shares, subject to vesting conditions.
- (17) Includes (1) 7,800 Shares held by Mr. Hooper; (2) Mr. Hooper's entitlement to receive up to 146,471 Shares pursuant to the exercise of options granted to him, subject to the conditions (including vesting conditions) of those options; and (3) Mr. Hooper's entitlement to restricted share units equivalent to 29,614 Shares, subject to vesting conditions.
- (18) Includes (1) 33,774 Shares held by Mr. Krishana; (2) Mr. Krishana's entitlement to receive up to 406,536 Shares pursuant to the exercise of options granted to him, subject to the conditions (including vesting conditions) of these options; and (3) Mr. Krishana's entitlement to restricted share units equivalent to 12,922 Shares, subject to vesting conditions.
- (19) Includes (1) 423,774 Shares held by Mr. Malley; (2) Mr. Malley's entitlement to receive up to 929,284 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 12,922 Shares, subject to vesting conditions.
- (20) Includes (1) 16,692 Shares held by Dr. Riva; (2) Dr. Riva's entitlement to receive up to 84,201 Shares pursuant to the exercise of options granted to him, subject to the conditions (including vesting conditions) of these options; and (3) Dr. Riva's entitlement to restricted share units equivalent to 12,922 Shares, subject to vesting conditions.
- (21) Includes (1) 16,978 Shares held by Dr. Sanders; (2) Dr. Sanders' entitlement to receive up to 106,600 Shares pursuant to the exercise of options granted to her, subject to the conditions (including vesting conditions) of those options; and (3) Dr. Sanders' entitlement to restricted share units equivalent to 12,922 Shares, subject to vesting conditions.
- (22) Includes (1) 16,692 Shares held by Mr. Yi; (2) Mr. Yi's entitlement to receive up to 406,536 Shares pursuant to the exercise of options granted to him, subject to the conditions (including vesting conditions) of these options; and (3) Mr. Yi's entitlement to restricted share units equivalent to 12,922 Shares, subject to vesting conditions.

Except as disclosed above, as of December 31, 2023, so far as was known to the Directors and chief executive of the Company, none of the Directors or chief executive of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations which were required to be (a) notified to the Company and the HKEx pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to be interested under such provisions of the SFO); or (b) recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO; or (c) notified to the Company and the HKEx pursuant to the Model Code.

REPORT OF THE DIRECTORS

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

As of December 31, 2023, so far as was known to the Directors or chief executive of the Company, the following persons (other than the Directors and chief executive of the Company) had interests and/or short positions in the Shares or underlying Shares which would be required to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO or 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⁾
Amgen Inc.	Beneficial owner	246,269,426	18.18%
Julian C. Baker ⁽²⁾	Beneficial owner/Interest in controlled corporations/Person having a security interest in shares	138,757,831	10.24%
Felix J. Baker ⁽²⁾	Beneficial owner/Interest in controlled corporations/Person having a security interest in shares	138,757,831	10.24%
Baker Bros. Advisors (GP) LLC ⁽²⁾	Investment manager/Other	138,302,171	10.21%
Baker Bros. Advisors LP ⁽²⁾	Investment manager/Other	138,302,171	10.21%
HHLR Advisors, Ltd. ⁽³⁾	Investment manager	133,587,655	9.86%
HHLR Fund, L.P. ⁽³⁾	Beneficial owner	129,433,059	9.55%
Baker Brothers Life Sciences Capital, L.P. ⁽²⁾	Interest in controlled corporations/Other	126,893,311	9.37%
The Capital Group Companies, Inc. ⁽⁴⁾	Interest in controlled corporations	106,680,752	7.87%
JPMorgan Chase & Co. ⁽⁵⁾	Interest in controlled corporations	13,828,501	1.02%
		10,951,288 (S)	0.81% (S)
	Investment manager	247,087	0.02%
	Person having a security interest in shares	638,175	0.05%
	Trustee	5,837	0.0004%
	Approved lending agent	87,817,899	6.48%

Notes:

Unless otherwise specified, the above Shares are long position. (S) denotes short position.

- (1) The calculation is based on the total number of 1,354,719,193 Shares in issue as of December 31, 2023, which excluded 4,794,031 ordinary shares issued to the Company's depository in exchange for a corresponding amount of ADSs for the purposes of ensuring that it has ADSs readily available to satisfy the vesting of restricted share units and the exercise of share options from time to time.
- (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 general partner of Baker Bros. Advisors LP ("BBA"). BBA is the manager for securities held by 667, L.P. and Baker Brothers Life Sciences, L.P.. Also, Baker Brothers Life Sciences Capital, L.P. is the general partner of Baker Brothers Life Sciences, L.P. (the "Funds"). Unlisted derivatives include stock options and restricted stock received as compensation by two BBA employees (Michael Goller and Ranjeev Krishana) for their service on the Board of Directors of BeiGene, Ltd. and are controlled by BBA, with the Funds entitled to the pecuniary interest.

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According to the corporate substantial shareholder notice for the date of relevant event of November 14, 2023 submitted by Baker Brothers Life Sciences Capital, L.P., Baker Bros. Advisors (GP) LLC, Julian C. Baker and Felix J. Baker, respectively, to HKEx on November 14, 2023, 125,986,847 Shares held by Baker Brothers Life Sciences, L.P. directly. For the purposes of the SFO, Julian C. Baker, Felix J. Baker, Baker Bros. Advisors (GP) LLC and BBA are deemed to be interested in the 11,408,860 Shares held by 667, L.P. and the 125,986,847 Shares held by Baker Brothers Life Sciences, L.P., and 723,996 Shares which unlisted derivatives are controlled by BBA, with the Funds entitled to the pecuniary interest. In addition, for the purposes of the SFO, Baker Brothers Life Sciences Capital, L.P. is deemed to be interested in the 125,986,847 Shares held by Baker Brothers Life Sciences, L.P., and 723,996 Shares which unlisted derivatives are controlled by BBA, with the Funds entitled to the pecuniary interest.

Outside the Funds, Julian C. Baker and Felix J. Baker further interest in (in the form of ADSs) 270,868 Shares personally and 144,517 Shares through FBB3 LLC, a controlled corporation.

- (3) (i) 133,587,655 Shares are held by HHLR Fund, L.P. and YHG Investment, L.P.; and (ii) 13,447,603 Shares are held by Hillhouse BGN Holdings Limited. HHLR Advisors, Ltd. acts as the sole general partner of YHG Investment, L.P. and the sole management company of HHLR Fund, L.P.. Hillhouse Capital Management, Ltd. is the sole management company of Hillhouse Fund II, L.P., which owns Hillhouse BGN Holdings Limited. Under the SFO, HHLR Advisors, Ltd. is deemed to be interested in the 133,587,655 Shares held by HHLR Fund, L.P. and YHG Investment, L.P. and Hillhouse Capital Management, Ltd. is deemed to be interested in the 13,447,603 Shares held by Hillhouse BGN Holdings Limited. Under the SFO, Hillhouse Fund II, L.P. is deemed to be interested in the 13,447,603 Shares held by Hillhouse BGN Holdings Limited.
- (4) (i) 12,059,093 Shares are held by Capital International, Inc.; (ii) 902,312 Shares held by Capital International Limited; (iii) 2,536,443 Shares are held by Capital International Sarl; (iv) 88,023,999 Shares are held by Capital Research and Management Company; (v) 207,814 Shares are held by Capital Group Investment Management Private Limited; and (vi) 2,951,091 Shares are held by Capital Group Private Client Services, Inc..

Capital Group International, Inc. is wholly owned by Capital Research and Management Company. Capital International, Inc., Capital International Limited, Capital International Sarl, Capital Group Investment Management Private Limited and Capital Group Private Client Services, Inc. are wholly owned by Capital Group International, Inc. Capital Bank and Trust Company is wholly owned by The Capital Group Companies, Inc. For the purposes of the SFO, Capital Research and Management Company and Capital Group International, Inc. are deemed to be interested in the 18,656,753 Shares held by Capital International, Inc., Capital International Limited, Capital International Sarl, Capital Group Investment Management Private Limited, and Capital Group Private Client Services, Inc..

Capital Research and Management Company is wholly owned by The Capital Group Companies Inc. For the purposes of the SFO, The Capital Group Companies Inc. is deemed to be interested in the 106,680,752 Shares held by Capital Research and Management Company directly and indirectly.

- (5) According to the shareholding disclosures notice regarding the relevant event dated November 20, 2023 submitted by JPMorgan Chase & Co. to HKEx, an aggregated 102,537,499 Shares (long position), 10,951,288 Shares (short position) and 87,817,899 Shares (lending pool) of the Company are held by JPMorgan Chase & Co. indirectly through its certain subsidiaries. Among them, 1,678,578 Shares (long position) and 998,355 Shares (short position) are cash settled unlisted derivatives.

Except as disclosed above, as of December 31, 2023, the Directors have not been notified by any person (other than the Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares which would be required to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

REPORT OF THE DIRECTORS

SHARE SCHEMES

The Company currently has three existing share schemes, namely the 2011 Plan, the 2016 Plan and the 2018 ESPP. Upon the effectiveness of Amendment No. 2 to the 2016 Plan, on June 22, 2022, the 2018 Inducement Plan was terminated to the effect that no new equity awards shall be granted under the plan and no outstanding shares remained during the Reporting Period.

From January 1, 2023, the Company has relied on the transitional arrangements provided for the existing share schemes and complied, and will continue to comply, with the new Chapter 17 of the HK Listing Rules accordingly (effective from January 1, 2023). The Company plans to amend the 2016 Plan and the 2018 ESPP at the forthcoming 2024 annual general meeting to ensure its compliance with the new Chapter 17 of the HK Listing Rules, subject to our shareholders' approval.

44,391,919 new Shares representing approximately 3.28% of the weighted average number of Shares for the Reporting Period, may be issued in respect of options and awards granted during the Reporting Period to eligible participants pursuant to all of the share schemes. For avoidance of doubt, the aforementioned figures have not taken into account the Shares to be purchased under the 2018 ESPP pursuant to the offering period from August 1, 2023 to February 29, 2024, as the relevant number of Shares cannot be determined until the end of the offering period (i.e. February 29, 2024). Further details regarding each share scheme and the movements during the Reporting Period under each share scheme is set out below.

1. 2011 Option Plan

The 2011 Plan was approved by the Board on April 15, 2011 and most recently amended on April 17, 2015 and the Board determined not to grant any further options under the 2011 Plan after February 2, 2016 when the 2016 Share Option and Incentive Plan became effective.

Purpose

The purpose of the 2011 Plan is to enable persons providing (or expected to provide) services to the Company to acquire ordinary shares in the Company. Anyone having or expected to have a service relationship with the Company (including prospective employees or others, conditional upon their subsequent employment or service relationship) shall be eligible to receive Options under this Plan.

Eligible Participants

The Board or committee has full power to select the individuals to whom awards will be granted.

Maximum Number of Shares Available for Grant and Issue

The overall limit on the number of underlying Shares pursuant to the 2011 Plan is 43,560,432 Shares. Given that no further options have been or would be granted after February 2, 2016 when the 2016 Share Option and Incentive Plan became effective, the outstanding number of options would be equivalent to the number of Shares available for issue under the 2011 Plan. As at January 1, 2023, 2,643,042 Shares were available for issue under the 2011 Plan. 1,215,188 new Shares were issued during the period between January 1, 2023 and December 31, 2023 pursuant to the 2011 Plan. It follows that, as at December 31, 2023 and as at April 17, 2024, 1,427,686 new Shares and 1,357,739 new Shares (representing approximately 0.1% of the issued share capital of the Company as at April 17, 2024) were available for issue under the 2011 Plan, respectively.

REPORT OF THE DIRECTORS

Maximum Entitlement of Each Participant

Under the 2011 Plan, there is no specific limit on the maximum number of options which may be granted to a single eligible participant under the 2011 Plan.

Exercise Period

The Board or committee may fix the term of each option, up to a maximum of 10 years from the grant date, and determine at what time or times each option may be exercised when granting an option.

Vesting Period

The Board or committee may determine the vesting period of each option.

Exercise Price

The option exercise price of each option granted under the 2011 Plan is determined by the Board or board committee and may not be less than the fair market value of an ordinary share on the date of grant or the par value of the shares issuable thereunder. The exercise price of all of the options granted under the 2011 Plan is between US\$0.01 and US\$1.85 per Share.

Remaining Life of the 2011 Plan

The Board may, at any time, amend or discontinue the 2011 Plan and the Board determined not to grant any further options under the 2011 Plan after February 2, 2016 when the 2016 Share Option and Incentive Plan became effective.

Further details of the 2011 Plan are set out in the prospectus of the Company dated July 30, 2018 (the "Prospectus").

REPORT OF THE DIRECTORS

Outstanding Options under the 2011 Plan

As of December 31, 2023, the Company had conditionally granted options to 240 participants under the 2011 Plan. All of the options under the 2011 Plan were granted between May 20, 2011 and January 31, 2016 (both days inclusive). Details of the movements of the options granted under the 2011 Plan from January 1, 2023 to December 31, 2023 are as follows:

Name of grantee	Role	Date of grant	Exercise period	Exercise price	Outstanding	Number of	Exercised	Cancelled	Lapsed during	Outstanding
					as at January 1, 2023	options granted during the Reporting Period	during the Reporting Period	during the Reporting Period	the Reporting Period	as at December 31, 2023
Directors of the Company										
Xiaodong Wang	Non-executive Director	April 3, 2013 ⁽¹⁾	10 years from the date of grant	US\$0.01	879,267	-	879,255 ⁽¹⁾	-	12	-
		June 29, 2015 ⁽¹⁾	10 years from the date of grant	US\$0.50	500,000	-	-	-	-	500,000
Thomas Malley*	Independent Non-executive Director	January 25, 2016 ⁽²⁾	10 years from the date of grant ⁽²⁾	US\$1.85	552,752	-	-	-	-	552,752
Senior Management of the Company										
Lai Wang	Global Head of R&D	April 3, 2013 ⁽³⁾	10 years from the date of grant	US\$0.01	12	-	-	-	12	-
		June 29, 2015 ⁽³⁾	10 years from the date of grant	US\$0.50	11	-	-	-	-	11
Other grantees										
In aggregate	Employees	Between May 20, 2011 and January 31, 2016 ⁽³⁾	10 years from the date of grant	Between US\$0.01 to US\$1.85	663,694	-	335,933 ⁽³⁾	-	140	327,621
In aggregate	Service providers	Between May 20, 2011 and January 31, 2016 ⁽³⁾	10 years from the date of grant	Between US\$0.01 to US\$1.85	47,306	-	-	-	4	47,302
Total					<u>2,643,042</u>	<u>-</u>	<u>1,215,188</u>	<u>-</u>	<u>168</u>	<u>1,427,686</u>

Notes:

* Mr. Thomas Malley was an independent non-executive Director of the Company at the time of grants and resigned as an independent non-executive Director of the Company on January 22, 2024.

(1) 20% of the options become exercisable on the first anniversary of the grant date. The remaining 80% become exercisable in 48 equal monthly installments, each of which shall become exercisable on the last day of each month following the vest of the initial 20%.

REPORT OF THE DIRECTORS

- (2) One-third of the options become exercisable on each anniversary of the grant date.
- (3) 20%/25% of the options become exercisable on the first anniversary of the grant date. The remaining 80%/75% become exercisable in 48/36 equal monthly installments, each of which shall become exercisable on the last day of each month following the vest of the initial 20%/25%. Certain options may be subject to accelerated vesting upon change in control and/or termination.
- (4) The weighted-average closing price as quoted on the NASDAQ, divided by 13, on the trading day immediately prior to the date which the options were exercised was US\$17.81.
- (5) The weighted-average closing price as quoted on the NASDAQ, divided by 13, on the trading day immediately prior to the date which the options were exercised was ranged from US\$13.55 to US\$20.25. The exercise price of the exercised options was ranged from US\$0.01 to US\$1.85.
- (6) In connection with Mr. Thomas Malley's resignation as an independent non-executive Director of the Company on January 22, 2024 and the consulting agreement between Mr. Thomas Malley and the Company dated January 23, 2024, the exercise period of the vested options shall be six months after January 22, 2024.

2. Second Amended and Restated 2016 Share Option and Incentive Plan

The 2016 Plan was approved by our Board on November 7, 2018 and by our shareholders on December 7, 2018 to amend and restate the 2016 Share Option and Incentive Plan originally adopted by the Company on January 14, 2016.

In order to continue to provide incentive opportunities under the 2016 Plan, an amendment to the 2016 Plan to increase the number of authorized Shares available for issuance under the 2016 Plan by 57,200,000 Shares, and to extend the term of the 2016 Plan through 2030, was approved by our Board on April 13, 2020 and by our shareholders on June 17, 2020. Additionally, an amendment to the 2016 Plan (the "Amendment No. 2") to increase the number of authorized shares available for issuance under the 2016 Plan by 66,300,000 ordinary shares, was approved by our Board on April 17, 2022 and by our shareholders on June 22, 2022.

Further details of the 2016 Plan are set out in Note 18 to the consolidated financial statements.

Purpose

The 2016 Plan provides the Company with the flexibility to use various equity-based incentive and other awards as compensation tools to attract, retain and motivate our (and our subsidiaries') 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.

Eligible Participants

Full-time and part-time officers, employees, non-employee Directors and other key persons (including consultants) as selected from time to time by the Compensation Committee are eligible to participate in the 2016 Plan.

REPORT OF THE DIRECTORS

Maximum Number of Shares Available for Grant

The maximum number of Shares reserved and available for issuance under the 2016 Plan and our other equity plans may not exceed 10% of the Shares issued and outstanding as of June 22, 2022 and the aggregate number of Shares that may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2016 Plan and outstanding options granted and yet to be exercised under any other plan of the Company at any time may not exceed 30% of the Shares in issue from time to time.

As at January 1, 2023, 75,034,504 Shares were available for grant under the 2016 Plan. During the period from January 1, 2023 to December 31, 2023, awards representing 44,391,919 underlying Shares were granted to eligible participants pursuant to the 2016 Plan. It follows that, as at December 31, 2023 and April 17, 2024, 37,575,472 and 37,217,023 Shares were available for grant under the 2016 Plan, respectively.

Maximum Number of Shares Available for Issue

As at January 1, 2023, 189,114,821 new Shares were available for issue under the 2016 Plan. During the period from January 1, 2023 to December 31, 2023, 23,621,741 new Shares were issued pursuant to the 2016 Plan. It follows that, as at December 31, 2023 and April 17, 2024, 165,493,255 new Shares and 162,887,475 new Shares (representing approximately 11.99% of the issued share capital of the Company as at April 17, 2024) were available for issue under the 2016 Plan, respectively.

Maximum Entitlement of Each Grantee

Unless approved by our shareholders in a general meeting, the total number of Shares issued and to be issued upon the exercise of share options granted and to be granted under the 2016 Plan and any other equity plans of the Company to a grantee within any 12-month period shall not exceed 1% of the Shares in issue at the date of any grant.

REPORT OF THE DIRECTORS

Exercise and Vesting Period

Our Compensation Committee may determine at the time of grant any minimum period(s) for which a share option must be held and/or any minimum performance target(s) that must be achieved, before the share option can be exercised in whole or in part, and may include at the discretion of our Compensation Committee such other terms either on a case by case basis or generally.

The term of each share option will be fixed by our Compensation Committee and may not exceed 10 years from the date of grant. Any share option granted but not exercised by the end of its option term will automatically lapse and be cancelled. Our Compensation Committee will determine at what time or times each option may be exercised.

In respect of RSUs, our Compensation Committee may determine the conditions and restrictions of grant, which may include the achievement of certain performance goals and/or continued employment or service with us through a specified vesting period.

Exercise Price

The exercise price of each share option will be determined by our Compensation Committee but may not be less than the higher of: (i) 1/13th of the closing price of one ADS on the NASDAQ on the date of grant; and (ii) 1/13th of the average closing price of one ADS on the NASDAQ for the five business days immediately preceding the date of grant.

Consideration

No consideration is required to be paid by the grantees for the grant of options and RSUs under the 2016 Plan.

Expiration of the 2016 Plan

The 2016 Plan will expire on April 13, 2030. The remaining life of the 2016 Plan is approximately 6 years.

Movements of the Options under the 2016 Plan

As of December 31, 2023, the Company has conditionally granted options to 1,145 participants under the 2016 Plan. All of the options under the 2016 Plan were granted between February 8, 2016 and December 29, 2023 (both days inclusive). The exercise price of all the options granted under the 2016 Plan is between US\$0.5 and US\$28.81 per Share.

REPORT OF THE DIRECTORS

As of January 1, 2023, 58,683,144 Shares were outstanding pursuant to options granted under the 2016 Plan, and as of December 31, 2023, 61,516,760 Shares were outstanding under the 2016 Plan. Details of the movements of the options granted during the Reporting Period were as follows:

Name of grantee	Role	Date of grant	Exercise period	Price on day prior to grant ⁽¹⁾	Price on day prior to exercise date ⁽²⁾	Exercise price	Outstanding as at January 1, 2023	Number of options				
								Granted during the Reporting Period	Exercised during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Outstanding as at December 31, 2023
Directors of the Company												
John V. Oyler	Executive Director, Chairman and Chief Executive Officer	November 16, 2016 ⁽³⁾	10 years from the date of grant	US\$2.79	N/A	US\$2.84	2,047,500	-	-	-	-	2,047,500
		September 27, 2017 ⁽³⁾	10 years from the date of grant	US\$6.73	N/A	US\$7.70	935,000	-	-	-	-	935,000
	April 30, 2018 ⁽³⁾	10 years from the date of grant	US\$13.37	N/A	US\$13.04	996,810	-	-	-	-	996,810	
	June 26, 2018 ⁽³⁾	10 years from the date of grant	US\$12.70	N/A	US\$12.34	1,310,088	-	-	-	-	1,310,088	
	June 5, 2019 ⁽³⁾	10 years from the date of grant	US\$9.25	N/A	US\$9.23	2,193,282	-	-	-	-	2,193,282	
	June 17, 2020 ⁽³⁾	10 years from the date of grant	US\$13.33	N/A	US\$13.42	1,821,976	-	-	-	-	1,821,976	
	June 16, 2021 ⁽³⁾	10 years from the date of grant	US\$25.54	N/A	US\$26.53	906,906	-	-	-	-	906,906	
	June 22, 2022 ⁽³⁾	10 years from the date of grant	US\$11.74	N/A	US\$11.98	1,887,678	-	-	-	-	1,887,678	
	June 15, 2023 ⁽³⁾	10 years from the date of grant	US\$16.01	N/A	US\$16.41	-	1,349,907	-	-	-	1,349,907	
Xiaodong Wang	Non-executive Director	November 16, 2016 ⁽³⁾	10 years from the date of grant	US\$2.79	N/A	US\$2.84	1,613,430	-	-	-	-	1,613,430
		September 27, 2017 ⁽³⁾	10 years from the date of grant	US\$6.73	N/A	US\$7.70	750,000	-	-	-	-	750,000
		June 26, 2018 ⁽³⁾	10 years from the date of grant	US\$12.70	N/A	US\$12.34	655,044	-	-	-	-	655,044
		June 5, 2019 ⁽³⁾	10 years from the date of grant	US\$9.25	N/A	US\$9.23	747,708	-	-	-	-	747,708
		June 17, 2020 ⁽³⁾	10 years from the date of grant	US\$13.33	N/A	US\$13.42	560,599	-	-	-	-	560,599
		June 16, 2021 ⁽³⁾	10 years from the date of grant	US\$25.54	N/A	US\$26.53	241,839	-	-	-	-	241,839

REPORT OF THE DIRECTORS

Name of grantee	Role	Date of grant	Exercise period	Price on day prior to grant ⁽¹⁾	Price on day prior to exercise date ⁽²⁾	Exercise (Grant) price	Outstanding as at January 1, 2023	Number of options				
								Granted during the Reporting Period	Exercised during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Outstanding as at December 31, 2023
Anthony C. Hooper ^a	Independent Non-executive Director	June 22, 2022 ⁽³⁾	10 years from the date of grant	US\$11.74	N/A	US\$11.98	471,913	-	-	-	-	471,913
		June 15, 2023 ⁽³⁾	10 years from the date of grant	US\$16.01	N/A	US\$16.41	-	327,249	-	-	-	327,249
		March 3, 2020 ⁽⁵⁾	10 years from the date of grant	US\$12.62	N/A	US\$12.22	21,970	-	-	-	-	21,970
		June 17, 2020 ⁽⁵⁾	10 years from the date of grant	US\$13.33	N/A	US\$13.42	45,383	-	-	-	-	45,383
		June 16, 2021 ⁽⁵⁾	10 years from the date of grant	US\$25.54	N/A	US\$26.53	17,498	-	-	-	-	17,498
		June 22, 2022 ⁽⁵⁾	10 years from the date of grant	US\$11.74	N/A	US\$11.98	34,645	-	-	-	-	34,645
		June 15, 2023 ⁽⁵⁾	10 years from the date of grant	US\$16.01	N/A	US\$16.41	-	26,975	-	-	-	26,975
Margaret Han Dugan	Independent Non-executive Director	February 28, 2022 ⁽⁵⁾	10 years from the date of grant	US\$16.47	N/A	US\$16.22	22,581	-	-	-	-	22,581
		June 22, 2022 ⁽⁵⁾	10 years from the date of grant	US\$11.74	N/A	US\$11.98	34,645	-	-	-	-	34,645
		June 15, 2023 ⁽⁵⁾	10 years from the date of grant	US\$16.01	N/A	US\$16.41	-	26,975	-	-	-	26,975
Donald W. Glazer	Independent Non-executive Director	April 19, 2017 ⁽⁴⁾	10 years from the date of grant	US\$2.84	N/A	US\$2.83	199,992	-	-	-	-	199,992
		June 6, 2018 ⁽⁵⁾	10 years from the date of grant	US\$15.73	N/A	US\$16.15	17,442	-	-	-	-	17,442
		June 5, 2019 ⁽⁵⁾	10 years from the date of grant	US\$9.25	N/A	US\$9.23	64,610	-	-	-	-	64,610
		June 17, 2020 ⁽⁵⁾	10 years from the date of grant	US\$13.33	N/A	US\$13.42	45,383	-	-	-	-	45,383
		June 16, 2021 ⁽⁵⁾	10 years from the date of grant	US\$25.54	N/A	US\$25.63	17,498	-	-	-	-	17,498
		June 22, 2022 ⁽⁵⁾	10 years from the date of grant	US\$11.74	N/A	US\$11.98	34,645	-	-	-	-	34,645
		June 15, 2023 ⁽⁵⁾	10 years from the date of grant	US\$16.01	N/A	US\$16.41	-	26,975	-	-	-	26,975

REPORT OF THE DIRECTORS

Name of grantee	Role	Date of grant	Exercise period	Number of options								
				Price on	Price on	Exercise	Outstanding	Granted	Exercised	Cancelled	Lapsed	Outstanding
				day prior	day prior	(Grant)	as at January	during the	during the	during the	during the	as at
Price on	Price on	price	1, 2023	Reporting	Reporting	Reporting	Reporting	December				
grant ⁽¹⁾	to exercise	date ⁽²⁾	date of grant	Period	Period	Period	Period	31, 2023				
Michael Goller	Independent Non-executive Director	April 19, 2017 ⁽⁴⁾	10 years from the date of grant	US\$2.84	N/A	US\$2.83	199,992	-	-	-	-	199,992
		June 6, 2018 ⁽⁵⁾	10 years from the date of grant	US\$15.73	N/A	US\$16.15	17,442	-	-	-	-	17,442
		June 5, 2019 ⁽⁵⁾	10 years from the date of grant	US\$9.25	N/A	US\$9.23	64,610	-	-	-	-	64,610
		June 17, 2020 ⁽⁵⁾	10 years from the date of grant	US\$13.33	N/A	US\$13.42	45,383	-	-	-	-	45,383
		June 16, 2021 ⁽⁵⁾	10 years from the date of grant	US\$25.54	N/A	US\$25.63	17,498	-	-	-	-	17,498
		June 22, 2022 ⁽⁵⁾	10 years from the date of grant	US\$11.74	N/A	US\$11.98	34,645	-	-	-	-	34,645
		June 15, 2023 ⁽⁵⁾	10 years from the date of grant	US\$16.01	N/A	US\$16.41	-	26,975	-	-	-	26,975
Ranjeev Krishana	Independent Non-executive Director	April 19, 2017 ⁽⁴⁾	10 years from the date of grant	US\$2.84	N/A	US\$2.83	199,992	-	-	-	-	199,992
		June 6, 2018 ⁽⁵⁾	10 years from the date of grant	US\$15.73	N/A	US\$16.15	17,442	-	-	-	-	17,442
		June 5, 2019 ⁽⁵⁾	10 years from the date of grant	US\$9.25	N/A	US\$9.23	64,610	-	-	-	-	64,610
		June 17, 2020 ⁽⁵⁾	10 years from the date of grant	US\$13.33	N/A	US\$13.42	45,383	-	-	-	-	45,383
		June 16, 2021 ⁽⁵⁾	10 years from the date of grant	US\$25.54	N/A	US\$25.63	17,498	-	-	-	-	17,498
		June 22, 2022 ⁽⁵⁾	10 years from the date of grant	US\$11.74	N/A	US\$11.98	34,645	-	-	-	-	34,645
		June 15, 2023 ⁽⁵⁾	10 years from the date of grant	US\$16.01	N/A	US\$16.41	-	26,975	-	-	-	26,975

REPORT OF THE DIRECTORS

Name of grantee	Role	Date of grant	Exercise period	Price on day prior to grant ⁽¹⁾	Price on day prior to exercise date ⁽²⁾	Exercise (Grant) price	Outstanding as at January 1, 2023	Number of options					Outstanding as at December 31, 2023
								Granted during the Reporting Period	Exercised during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period		
Thomas Malley*	Independent Non-executive Director	June 2, 2017 ⁽⁶⁾	10 years from the date of grant ⁽¹⁰⁾	US\$2.94	N/A	US\$3.15	169,988	-	-	-	-	169,988	
		June 6, 2018 ⁽⁵⁾	10 years from the date of grant ⁽¹⁰⁾	US\$15.73	N/A	US\$16.15	17,442	-	-	-	-	17,442	
		June 5, 2019 ⁽⁵⁾	10 years from the date of grant ⁽¹⁰⁾	US\$9.25	N/A	US\$9.23	64,610	-	-	-	-	64,610	
		June 17, 2020 ⁽⁵⁾	10 years from the date of grant ⁽¹⁰⁾	US\$13.33	N/A	US\$13.42	45,383	-	-	-	-	45,383	
		June 16, 2021 ⁽⁵⁾	10 years from the date of grant ⁽¹⁰⁾	US\$25.54	N/A	US\$25.63	17,498	-	-	-	-	17,498	
		June 22, 2022 ⁽⁵⁾	10 years from the date of grant ⁽¹⁰⁾	US\$11.74	N/A	US\$11.98	34,645	-	-	-	-	34,645	
		June 15, 2023 ⁽⁵⁾	10 years from the date of grant ⁽¹⁰⁾	US\$16.01	N/A	US\$16.41	-	26,975	-	-	-	26,975	
Corazon D. Sanders	Independent Non-executive Director	August 24, 2020 ⁽⁸⁾	10 years from the date of grant	US\$18.50	N/A	US\$18.26	27,482	-	-	-	-	27,482	
		June 16, 2021 ⁽⁵⁾	10 years from the date of grant	US\$25.54	N/A	US\$25.63	17,498	-	-	-	-	17,498	
		June 22, 2022 ⁽⁵⁾	10 years from the date of grant	US\$11.74	N/A	US\$11.98	34,645	-	-	-	-	34,645	
		June 15, 2023 ⁽⁵⁾	10 years from the date of grant	US\$16.01	N/A	US\$16.41	-	26,975	-	-	-	26,975	
Alessandro Riva	Independent Non-executive Director	February 28, 2022 ⁽⁶⁾	10 years from the date of grant	US\$16.47	N/A	US\$16.22	22,581	-	-	-	-	22,581	
		June 22, 2022 ⁽⁵⁾	10 years from the date of grant	US\$11.74	N/A	US\$11.98	34,645	-	-	-	-	34,645	
		June 15, 2023 ⁽⁵⁾	10 years from the date of grant	US\$16.01	N/A	US\$16.41	-	26,975	-	-	-	26,975	

REPORT OF THE DIRECTORS

Name of grantee	Role	Date of grant	Exercise period	Number of options								
				Price on day prior to grant ⁽¹⁾	Price on day prior to exercise date ⁽²⁾	Exercise (Grant) price	Outstanding as at January 1, 2023	Granted during the Reporting Period	Exercised during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Outstanding as at December 31, 2023
Qingqing Yi	Independent Non-executive Director	April 19, 2017 ⁽⁴⁾	10 years from the date of grant	US\$2.84	N/A	US\$2.83	199,992	-	-	-	-	199,992
		June 6, 2018 ⁽⁵⁾	10 years from the date of grant	US\$15.73	N/A	US\$16.15	17,442	-	-	-	-	17,442
		June 5, 2019 ⁽⁵⁾	10 years from the date of grant	US\$9.25	N/A	US\$9.23	64,610	-	-	-	-	64,610
		June 17, 2020 ⁽⁵⁾	10 years from the date of grant	US\$13.33	N/A	US\$13.42	45,383	-	-	-	-	45,383
		June 16, 2021 ⁽⁵⁾	10 years from the date of grant	US\$25.54	N/A	US\$25.63	17,498	-	-	-	-	17,498
		June 22, 2022 ⁽⁵⁾	10 years from the date of grant	US\$11.74	N/A	US\$11.98	34,645	-	-	-	-	34,645
		June 15, 2023 ⁽⁵⁾	10 years from the date of grant	US\$16.01	N/A	US\$16.41	-	26,975	-	-	-	26,975
Senior Management of the Company											-	
Xiaobin Wu	President, Chief Operating Officer and General Manager of China	April 30, 2018 ⁽⁵⁾	10 years from the date of grant	US\$13.37	N/A	US\$13.04	766,599	-	-	-	-	766,599
		June 5, 2019 ⁽⁵⁾	10 years from the date of grant	US\$9.25	N/A	US\$9.23	797,550	-	-	-	-	797,550
		June 17, 2020 ⁽⁵⁾	10 years from the date of grant	US\$13.42	N/A	US\$13.33	756,821	-	-	-	-	756,821
		June 16, 2021 ⁽⁵⁾	10 years from the date of grant	US\$25.54	N/A	US\$25.63	483,678	-	-	-	-	483,678
		June 22, 2022 ⁽⁵⁾	10 years from the date of grant	US\$11.74	N/A	US\$11.98	1,061,814	-	-	-	-	1,061,814
June 15, 2023 ⁽⁵⁾	10 years from the date of grant	US\$16.01	N/A	US\$16.41	-	760,851	-	-	-	760,851		

REPORT OF THE DIRECTORS

Name of grantee	Role	Date of grant	Exercise period	Price on day prior to grant ⁽¹⁾	Price on day prior to exercise date ⁽²⁾	Exercise (Grant) price	Outstanding as at January 1, 2023	Number of options					Outstanding as at December 31, 2023
								Granted during the Reporting Period	Exercised during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period		
Julia Wang	Chief Financial Officer	June 30, 2020 ⁽³⁾	10 years from the date of grant	US\$14.55	N/A	US\$14.66	104,754	-	-	-	-	104,754	
		June 16, 2021 ⁽³⁾	10 years from the date of grant	US\$25.54	N/A	US\$26.53	177,853	-	-	-	-	177,853	
		June 22, 2022 ⁽³⁾	10 years from the date of grant	US\$11.74	N/A	US\$11.98	589,888	-	-	-	-	589,888	
		June 15, 2023 ⁽³⁾	10 years from the date of grant	US\$16.01	N/A	US\$16.41	-	409,058	-	-	-	409,058	
Lai Wang	Global Head of R&D	July 13, 2016 ⁽³⁾	10 years from the date of grant	US\$2.27	N/A	US\$2.29	-	-	-	-	-	-	
		June 27, 2017 ⁽³⁾	10 years from the date of grant	US\$3.50	N/A	US\$3.49	-	-	-	-	-	-	
		June 26, 2018 ⁽³⁾	10 years from the date of grant	US\$12.70	N/A	US\$12.34	364,208	-	-	-	-	364,208	
		June 5, 2019 ⁽³⁾	10 years from the date of grant	US\$9.25	N/A	US\$9.23	558,285	-	-	-	-	558,285	
		June 17, 2020 ⁽³⁾	10 years from the date of grant	US\$13.33	N/A	US\$13.42	525,564	-	-	-	-	525,564	
		June 16, 2021 ⁽³⁾	10 years from the date of grant	US\$25.54	N/A	US\$26.53	332,527	-	-	-	-	332,527	
		June 22, 2022 ⁽³⁾	10 years from the date of grant	US\$11.74	N/A	US\$11.98	707,876	-	-	-	-	707,876	
		June 15, 2023 ⁽³⁾	10 years from the date of grant	US\$16.01	N/A	US\$16.41	-	507,234	-	-	-	507,234	
Chan Lee	SVP, General Counsel	August 5, 2022 ⁽³⁾	10 years from the date of grant	US\$2.26	N/A	US\$2.27	188,929	-	-	-	-	188,929	
		June 15, 2023 ⁽³⁾	10 years from the date of grant	US\$16.01	N/A	US\$16.41	-	248,950	-	-	-	248,950	

REPORT OF THE DIRECTORS

Name of grantee	Role	Date of grant	Exercise period	Number of options									
				Price on day prior to grant ⁽¹⁾	Price on day prior to exercise date ⁽²⁾	Exercise (Grant) price	Outstanding as of January 1, 2023	Granted during the Reporting Period	Exercised during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Outstanding as of December 31, 2023	
In Aggregate	Service Provider	July 13, 2016 ⁽³⁾	10 years from the date of grant	US\$2.27	N/A	US\$2.29	200,000	-	-	-	-	-	200,000
In Aggregate	Employees	July 13, 2016 ⁽³⁾	10 years from the date of grant	US\$2.27	US\$16.16	US\$2.29	3,046,805	-	292,500	-	-	12	2,754,293
		July 22, 2016 ⁽³⁾	10 years from the date of grant	US\$2.13	US\$19.14	US\$2.10	91,460	-	22,633	-	-	-	68,827
		July 22, 2016 ⁽³⁾	10 years from the date of grant	US\$2.13	US\$17.53	US\$2.10	786,608	-	54,340	-	-	36	732,232
		July 29, 2016 ⁽³⁾	10 years from the date of grant	US\$2.11	N/A	US\$2.02	14	-	-	-	-	11	3
		August 9, 2016 ⁽³⁾	10 years from the date of grant	US\$2.04	N/A	US\$2.10	-	-	-	-	-	-	-
		August 22, 2016 ⁽³⁾	10 years from the date of grant	US\$2.28	N/A	US\$2.24	-	-	-	-	-	-	-
		September 2, 2016 ⁽³⁾	10 years from the date of grant	US\$2.26	US\$19.30	US\$2.27	207,575	-	207,571	4	-	-	-
		September 12, 2016 ⁽³⁾	10 years from the date of grant	US\$2.33	N/A	US\$2.42	-	-	-	-	-	-	-
		September 19, 2016 ⁽³⁾	10 years from the date of grant	US\$2.51	N/A	US\$2.38	-	-	-	-	-	-	-
		September 26, 2016 ⁽³⁾	10 years from the date of grant	US\$2.35	N/A	US\$2.27	-	-	-	-	-	-	-
		October 12, 2016 ⁽³⁾	10 years from the date of grant	US\$2.48	N/A	US\$2.42	6	-	-	-	-	-	6
		October 12, 2016 ⁽³⁾	10 years from the date of grant	US\$2.48	N/A	US\$2.42	-	-	-	-	-	-	-
		October 17, 2016 ⁽³⁾	10 years from the date of grant	US\$2.42	US\$16.32	US\$2.55	61,399	-	5,187	-	-	-	56,212
		November 1, 2016 ⁽³⁾	10 years from the date of grant	US\$2.56	N/A	US\$2.57	-	-	-	-	-	-	-
		November 7, 2016 ⁽³⁾	10 years from the date of grant	US\$2.43	N/A	US\$2.46	-	-	-	-	-	-	-
		November 8, 2016 ⁽³⁾	10 years from the date of grant	US\$2.46	N/A	US\$2.51	-	-	-	-	-	-	-
		November 16, 2016 ⁽³⁾	10 years from the date of grant	US\$2.79	N/A	US\$2.84	-	-	-	-	-	-	-
November 21, 2016 ⁽³⁾	10 years from the date of grant	US\$2.46	N/A	US\$2.42	-	-	-	-	-	-	-		
November 28, 2016 ⁽³⁾	10 years from the date of grant	US\$2.49	N/A	US\$2.38	-	-	-	-	-	-	-		

REPORT OF THE DIRECTORS

Name of grantee	Role	Date of grant	Exercise period	Number of options									
				Price on day prior to grant ⁽¹⁾	Price on day prior to exercise date ⁽²⁾	Exercise (Grant) price	Outstanding as of January 1, 2023	Granted during the Reporting Period	Exercised during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Outstanding as of December 31, 2023	
In Aggregate	Employees	November 30, 2016 ⁽³⁾	10 years from the date of grant	US\$2.43	N/A	US\$2.44	1,274	-	-	-	-	-	1,274
		December 1, 2016 ⁽³⁾	10 years from the date of grant	US\$2.44	N/A	US\$2.37	-	-	-	-	-	-	-
		December 9, 2016 ⁽³⁾	10 years from the date of grant	US\$2.07	N/A	US\$2.09	34,099	-	-	-	-	-	34,099
		January 3, 2017 ⁽³⁾	10 years from the date of grant	US\$2.34	N/A	US\$2.39	7,800	-	-	-	-	-	7,800
		January 5, 2017 ⁽³⁾	10 years from the date of grant	US\$2.44	US\$14.40	US\$2.39	63,661	-	63,661	-	-	-	-
		January 9, 2017 ⁽³⁾	10 years from the date of grant	US\$2.37	US\$18.68	US\$2.43	132,496	-	132,496	-	-	-	-
		January 17, 2017 ⁽³⁾	10 years from the date of grant	US\$2.51	N/A	US\$2.53	-	-	-	-	-	-	-
		January 17, 2017 ⁽³⁾	10 years from the date of grant	US\$2.51	US\$17.78	US\$2.53	47,216	-	11,167	-	286	-	35,763
		January 23, 2017 ⁽³⁾	10 years from the date of grant	US\$2.46	N/A	US\$2.49	-	-	-	-	-	-	-
		January 30, 2017 ⁽³⁾	10 years from the date of grant	US\$2.80	N/A	US\$2.62	-	-	-	-	-	-	-
		February 1, 2017 ⁽³⁾	10 years from the date of grant	US\$2.68	N/A	US\$2.77	144,989	-	-	-	-	-	144,989
		February 6, 2017 ⁽³⁾	10 years from the date of grant	US\$2.76	N/A	US\$2.76	32,201	-	-	-	-	-	32,201
		February 8, 2017 ⁽³⁾	10 years from the date of grant	US\$2.67	N/A	US\$2.78	-	-	-	-	-	-	-
		February 13, 2017 ⁽³⁾	10 years from the date of grant	US\$2.77	US\$16.65	US\$2.77	40,443	-	31,200	-	-	-	9,243
		February 27, 2017 ⁽³⁾	10 years from the date of grant	US\$2.97	N/A	US\$2.93	-	-	-	-	-	-	-
		March 6, 2017 ⁽³⁾	10 years from the date of grant	US\$3.14	N/A	US\$3.06	-	-	-	-	-	-	-
		March 13, 2017 ⁽³⁾	10 years from the date of grant	US\$3.08	N/A	US\$3.02	116,701	-	-	-	-	-	116,701
		March 20, 2017 ⁽³⁾	10 years from the date of grant	US\$3.04	US\$16.51	US\$3.04	84,968	-	15,600	-	-	-	69,368
		March 27, 2017 ⁽³⁾	10 years from the date of grant	US\$2.79	N/A	US\$2.79	-	-	-	-	-	-	-
		March 31, 2017 ⁽³⁾	10 years from the date of grant	US\$2.81	US\$17.75	US\$2.82	41,405	-	12,701	-	-	-	28,704

REPORT OF THE DIRECTORS

Name of grantee	Role	Date of grant	Exercise period	Number of options								
				Price on day prior to grant ⁽¹⁾	Price on day prior to exercise date ⁽²⁾	Exercise (Grant) price	Outstanding as of January 1, 2023	Granted during the Reporting Period	Exercised during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Outstanding as of December 31, 2023
In Aggregate	Employees	April 3, 2017 ⁽³⁾	10 years from the date of grant	US\$2.82	N/A	US\$2.82	-	-	-	-	-	-
		April 10, 2017 ⁽³⁾	10 years from the date of grant	US\$2.86	N/A	US\$2.91	-	-	-	-	-	-
		April 11, 2017 ⁽³⁾	10 years from the date of grant	US\$2.91	N/A	US\$2.95	-	-	-	-	-	-
		April 17, 2017 ⁽³⁾	10 years from the date of grant	US\$2.92	US\$16.73	US\$2.95	11,427	-	11,427	-	-	-
		April 24, 2017 ⁽³⁾	10 years from the date of grant	US\$2.82	N/A	US\$2.89	-	-	-	-	-	-
		April 26, 2017 ⁽³⁾	10 years from the date of grant	US\$3.01	N/A	US\$3.09	-	-	-	-	-	-
		May 1, 2017 ⁽³⁾	10 years from the date of grant	US\$3.14	US\$20.37	US\$3.13	260,663	-	260,663	-	-	-
		May 2, 2017 ⁽³⁾	10 years from the date of grant	US\$3.13	US\$15.04	US\$3.12	104,689	-	3,835	-	-	100,854
		May 3, 2017 ⁽³⁾	10 years from the date of grant	US\$3.12	N/A	US\$3.12	11,999	-	-	-	-	11,999
		May 8, 2017 ⁽³⁾	10 years from the date of grant	US\$3.02	N/A	US\$2.98	-	-	-	-	-	-
		May 10, 2017 ⁽³⁾	10 years from the date of grant	US\$2.88	N/A	US\$2.92	-	-	-	-	-	-
		May 15, 2017 ⁽³⁾	10 years from the date of grant	US\$2.81	US\$15.70	US\$2.90	9,100	-	9,100	-	-	-
		May 30, 2017 ⁽³⁾	10 years from the date of grant	US\$2.88	US\$15.39	US\$2.88	21,060	-	21,060	-	-	-
		June 1, 2017 ⁽³⁾	10 years from the date of grant	US\$2.83	US\$15.77	US\$2.94	1,093,690	-	945,776	-	-	147,914
		June 12, 2017 ⁽³⁾	10 years from the date of grant	US\$2.99	N/A	US\$3.00	12,727	-	-	-	-	12,727
		June 14, 2017 ⁽³⁾	10 years from the date of grant	US\$3.04	US\$17.59	US\$3.05	583,895	-	176,735	-	-	407,160
		June 15, 2017 ⁽³⁾	10 years from the date of grant	US\$3.05	US\$17.12	US\$3.04	3,144,284	-	395,902	-	936	2,747,446
		June 21, 2017 ⁽³⁾	10 years from the date of grant	US\$3.31	US\$14.10	US\$3.45	17,784	-	17,784	-	-	-
		June 23, 2017 ⁽³⁾	10 years from the date of grant	US\$3.41	N/A	US\$3.45	-	-	-	-	-	-

REPORT OF THE DIRECTORS

Name of grantee	Role	Date of grant	Exercise period	Number of options							
				Price on day prior to grant ⁽¹⁾	Price on day prior to exercise date ⁽²⁾	Exercise (Grant) price	Outstanding as of January 1, 2023	Granted during the Reporting Period	Exercised during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period
In Aggregate	Employees	June 27, 2017 ⁽³⁾	10 years from the date of grant	US\$3.50	US\$19.74	US\$3.49	3,034,478	-	901,849	5	2,132,624
		June 29, 2017 ⁽³⁾	10 years from the date of grant	US\$3.50	US\$14.77	US\$3.45	43,654	-	9,997	-	33,657
		July 10, 2017 ⁽³⁾	10 years from the date of grant	US\$5.40	US\$16.78	US\$5.45	6,760	-	5,460	-	1,300
		July 17, 2017 ⁽³⁾	10 years from the date of grant	US\$5.67	N/A	US\$4.19	-	-	-	-	-
		July 17, 2017 ⁽⁶⁾	10 years from the date of grant	US\$5.67	US\$18.81	US\$4.19	292,825	-	58,695	-	234,130
		July 24, 2017 ⁽³⁾	10 years from the date of grant	US\$5.95	N/A	US\$5.65	-	-	-	-	-
		July 31, 2017 ⁽³⁾	10 years from the date of grant	US\$5.58	US\$19.45	US\$5.42	99,996	-	39,000	-	60,996
		July 31, 2017 ⁽⁶⁾	10 years from the date of grant	US\$5.58	US\$16.82	US\$5.42	336,271	-	50,752	-	285,519
		August 1, 2017 ⁽³⁾	10 years from the date of grant	US\$5.42	US\$18.69	US\$5.58	156,000	-	117,000	-	39,000
		August 2, 2017 ⁽⁶⁾	10 years from the date of grant	US\$5.58	N/A	US\$5.45	-	-	-	-	-
		August 3, 2017 ⁽³⁾	10 years from the date of grant	US\$5.45	N/A	US\$5.51	19,994	-	-	-	19,994
		August 7, 2017 ⁽³⁾	10 years from the date of grant	US\$5.56	US\$20.35	US\$5.95	97,500	-	58,500	-	39,000
		August 8, 2017 ⁽³⁾	10 years from the date of grant	US\$5.95	US\$14.86	US\$6.03	12,649	-	12,649	-	-
		August 10, 2017 ⁽³⁾	10 years from the date of grant	US\$5.95	N/A	US\$5.59	-	-	-	-	-
		August 11, 2017 ⁽³⁾	10 years from the date of grant	US\$5.59	N/A	US\$5.46	-	-	-	-	-
		August 17, 2017 ⁽³⁾	10 years from the date of grant	US\$5.39	N/A	US\$5.32	-	-	-	-	-
		August 25, 2017 ⁽³⁾	10 years from the date of grant	US\$5.38	N/A	US\$5.29	-	-	-	-	-
		August 28, 2017 ⁽³⁾	10 years from the date of grant	US\$5.29	N/A	US\$5.28	24,167	-	-	-	24,167
		August 31, 2017 ⁽³⁾	10 years from the date of grant	US\$5.30	N/A	US\$5.30	-	-	-	-	-

REPORT OF THE DIRECTORS

Name of grantee	Role	Date of grant	Exercise period	Number of options								
				Price on day prior to grant ⁽¹⁾	Price on day prior to exercise date ⁽²⁾	Exercise (Grant) price	Outstanding as of January 1, 2023	Granted during the Reporting Period	Exercised during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Outstanding as of December 31, 2023
In Aggregate	Employees	August 31, 2017 ⁽³⁾	10 years from the date of grant	US\$5.30	US\$17.58	US\$5.30	180,596	-	12,428	-	-	168,168
		September 5, 2017 ⁽³⁾	10 years from the date of grant	US\$5.78	US\$20.61	US\$5.68	269,997	-	234,988	-	-	35,009
		September 12, 2017 ⁽³⁾	10 years from the date of grant	US\$5.39	N/A	US\$5.43	-	-	-	-	-	-
		September 13, 2017 ⁽³⁾	10 years from the date of grant	US\$5.43	N/A	US\$5.82	-	-	-	-	-	-
		September 18, 2017 ⁽³⁾	10 years from the date of grant	US\$6.22	N/A	US\$6.37	22,269	-	-	-	-	22,269
		September 22, 2017 ⁽³⁾	10 years from the date of grant	US\$6.53	US\$17.86	US\$6.55	68,588	-	68,588	-	-	-
		September 25, 2017 ⁽³⁾	10 years from the date of grant	US\$6.55	N/A	US\$6.56	121,992	-	-	-	-	121,992
		September 26, 2017 ⁽³⁾	10 years from the date of grant	US\$6.56	N/A	US\$8.71	-	-	-	-	-	-
		September 29, 2017 ⁽³⁾	10 years from the date of grant	US\$7.49	N/A	US\$7.96	37,492	-	-	-	-	37,492
		November 1, 2017 ⁽³⁾	10 years from the date of grant	US\$7.10	US\$16.13	US\$6.84	226,356	-	27,300	-	-	199,056
		November 30, 2017 ⁽³⁾	10 years from the date of grant	US\$6.38	N/A	US\$6.15	10,764	-	-	-	-	10,764
		January 5, 2018 ⁽³⁾	10 years from the date of grant	US\$7.72	N/A	US\$7.58	19,071	-	-	-	-	19,071
		January 31, 2018 ⁽³⁾	10 years from the date of grant	US\$9.52	N/A	US\$10.44	80,017	-	-	-	-	80,017
		February 28, 2018 ⁽³⁾	10 years from the date of grant	US\$11.61	US\$20.94	US\$11.04	7,904	-	7,904	-	-	-
		April 30, 2018 ⁽³⁾	10 years from the date of grant	US\$13.37	N/A	US\$13.04	6,149	-	-	-	-	6,149
		June 6, 2018 ⁽³⁾	10 years from the date of grant	US\$15.73	N/A	US\$16.15	17,442	-	-	-	-	17,442
		June 26, 2018 ⁽³⁾	10 years from the date of grant	US\$12.70	US\$17.72	US\$12.34	889,369	-	247,936	-	-	641,433
June 29, 2018 ⁽³⁾	10 years from the date of grant	US\$11.90	N/A	US\$11.83	12,103	-	-	-	-	12,103		

REPORT OF THE DIRECTORS

Name of grantee	Role	Date of grant	Exercise period	Number of options								
				Price on day prior to grant ⁽¹⁾	Price on day prior to exercise date ⁽²⁾	Exercise (Grant) price	Outstanding as of January 1, 2023	Granted during the Reporting Period	Exercised during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Outstanding as of December 31, 2023
In Aggregate	Employees	August 31, 2018 ⁽³⁾	10 years from the date of grant	US\$13.67	US\$17.95	US\$13.66	13,741	-	13,741	-	-	-
		August 31, 2018 ⁽⁷⁾	10 years from the date of grant	US\$13.67	US\$18.89	US\$13.66	108,537	-	101,829	-	-	6,708
		September 28, 2018 ⁽⁸⁾	10 years from the date of grant	US\$13.28	N/A	US\$13.25	65,433	-	-	-	-	65,433
		September 28, 2018 ⁽⁸⁾	10 years from the date of grant	US\$13.28	N/A	US\$13.25	39,260	-	-	-	-	39,260
		November 30, 2018 ⁽⁸⁾	10 years from the date of grant	US\$11.07	N/A	US\$11.79	11,028	-	-	-	-	11,028
		December 31, 2018 ⁽⁸⁾	10 years from the date of grant	US\$10.53	US\$17.34	US\$10.79	133,263	-	26,247	-	-	107,016
		December 31, 2018 ⁽⁸⁾	10 years from the date of grant	US\$10.53	US\$15.45	US\$10.79	12,727	-	533	-	-	12,194
		January 25, 2019 ⁽⁸⁾	10 years from the date of grant	US\$9.62	N/A	US\$10.44	38,649	-	-	-	-	38,649
		February 28, 2019 ⁽⁸⁾	10 years from the date of grant	US\$10.77	US\$18.54	US\$10.54	15,600	-	15,600	-	-	-
		March 5, 2019 ⁽⁸⁾	10 years from the date of grant	US\$11.68	N/A	US\$11.51	78,494	-	-	-	-	78,494
		May 10, 2019 ⁽⁸⁾	10 years from the date of grant	US\$9.33	N/A	US\$10.32	44,213	-	-	-	-	44,213
		June 5, 2019 ⁽⁸⁾	10 years from the date of grant	US\$9.25	US\$17.25	US\$9.23	2,394,600	-	517,816	11,544	-	1,865,240
		June 5, 2019 ⁽⁸⁾	10 years from the date of grant	US\$9.25	N/A	US\$9.23	129,220	-	-	-	-	129,220
		June 28, 2019 ⁽⁸⁾	10 years from the date of grant	US\$9.67	N/A	US\$9.53	-	-	-	-	-	-
		August 30, 2019 ⁽⁸⁾	10 years from the date of grant	US\$11.14	US\$20.00	US\$11.06	97,201	-	17,901	-	-	79,300
		November 29, 2019 ⁽⁸⁾	10 years from the date of grant	US\$15.71	N/A	US\$15.83	-	-	-	-	-	-
		December 31, 2019 ⁽⁸⁾	10 years from the date of grant	US\$12.80	US\$17.60	US\$12.92	15,834	-	15,834	-	-	-
		March 3, 2020 ⁽⁸⁾	10 years from the date of grant	US\$12.62	N/A	US\$12.19	-	-	-	-	-	-

REPORT OF THE DIRECTORS

Name of grantee	Role	Date of grant	Exercise period	Number of options								
				Price on day prior to grant ⁽¹⁾	Price on day prior to exercise date ⁽²⁾	Exercise (Grant) price	Outstanding as of January 1, 2023	Granted during the Reporting Period	Exercised during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Outstanding as of December 31, 2023
In Aggregate	Employees	March 31, 2020 ⁽³⁾	10 years from the date of grant	US\$9.65	N/A	US\$9.67	294,775	-	-	-	-	294,775
		May 12, 2020 ⁽³⁾	10 years from the date of grant	US\$12.56	N/A	US\$12.18	-	-	-	-	-	-
		May 29, 2020 ⁽³⁾	10 years from the date of grant	US\$12.49	N/A	US\$12.73	-	-	-	-	-	-
		June 17, 2020 ⁽³⁾	10 years from the date of grant	US\$13.33	US\$18.15	US\$13.42	1,543,243	-	326,014	35,048	-	1,182,181
		June 17, 2020 ⁽³⁾	10 years from the date of grant	US\$13.33	N/A	US\$13.42	90,766	-	-	-	-	90,766
		June 30, 2020 ⁽³⁾	10 years from the date of grant	US\$14.55	N/A	US\$14.66	212,771	-	-	-	-	212,771
		August 7, 2020 ⁽³⁾	10 years from the date of grant	US\$17.24	N/A	US\$16.99	40,248	-	-	-	-	40,248
		August 31, 2020 ⁽³⁾	10 years from the date of grant	US\$18.69	N/A	US\$18.85	-	-	-	-	-	-
		September 30, 2020 ⁽³⁾	10 years from the date of grant	US\$21.65	N/A	US\$22.03	8,021	-	-	-	-	8,021
		November 6, 2020 ⁽³⁾	10 years from the date of grant	US\$23.08	N/A	US\$23.07	175,708	-	-	4,082	8,632	162,994
		November 30, 2020 ⁽³⁾	10 years from the date of grant	US\$21.99	N/A	US\$20.99	15,756	-	-	-	-	15,756
		January 22, 2021 ⁽³⁾	10 years from the date of grant	US\$27.46	N/A	US\$28.81	55,263	-	-	-	-	55,263
		February 26, 2021 ⁽³⁾	10 years from the date of grant	US\$25.36	N/A	US\$25.81	6,331	-	-	-	-	6,331
		March 31, 2021 ⁽³⁾	10 years from the date of grant	US\$25.61	N/A	US\$26.78	148,824	-	-	-	-	148,824
		May 7, 2021 ⁽³⁾	10 years from the date of grant	US\$24.15	N/A	US\$24.78	84,240	-	-	-	-	84,240
		May 28, 2021 ⁽³⁾	10 years from the date of grant	US\$27.00	N/A	US\$27.58	121,485	-	-	-	-	121,485
June 16, 2021 ⁽³⁾	10 years from the date of grant	US\$25.54	N/A	US\$26.53	1,878,695	-	-	108,680	161,278	1,608,737		

REPORT OF THE DIRECTORS

Name of grantee	Role	Date of grant	Exercise period	Number of options								
				Price on	Price on	Exercise	Outstanding	Granted	Exercised	Cancelled	Lapsed	Outstanding
				day prior to	day prior	(Grant) price	as of	during the	during the	during the	during the	as of
grant ⁽¹⁾	to exercise		January	Reporting	Reporting	Reporting	Reporting	December				
				date ⁽²⁾		1, 2023	Period	Period	Period	Period	31, 2023	
In Aggregate	Employees	June 16, 2021 ⁽³⁾	10 years from the date of grant	US\$25.54	N/A	US\$26.53	17,498	-	-	-	-	17,498
		June 30, 2021 ⁽³⁾	10 years from the date of grant	US\$27.48	N/A	US\$27.28	59,397	-	-	5,421	5,863	48,113
		August 6, 2021 ⁽³⁾	10 years from the date of grant	US\$25.84	N/A	US\$25.61	150,423	-	-	40,651	41,431	68,341
		August 31, 2021 ⁽³⁾	10 years from the date of grant	US\$23.22	N/A	US\$23.72	153,322	-	-	-	-	153,322
		September 30, 2021 ⁽³⁾	10 years from the date of grant	US\$27.81	N/A	US\$28.73	57,018	-	-	-	1,560	55,458
		November 5, 2021 ⁽³⁾	10 years from the date of grant	US\$28.38	N/A	US\$28.08	45,786	-	-	-	22,555	23,231
		November 30, 2021 ⁽³⁾	10 years from the date of grant	US\$26.40	N/A	US\$26.85	64,649	-	-	-	-	64,649
		December 31, 2021 ⁽³⁾	10 years from the date of grant	US\$21.03	N/A	US\$20.84	59,332	-	-	12,363	20,332	26,637
		January 27, 2022 ⁽³⁾	10 years from the date of grant	US\$17.27	N/A	US\$18.61	371,059	-	-	-	-	371,059
		February 28, 2022 ⁽³⁾	10 years from the date of grant	US\$16.47	US\$18.81	US\$16.22	171,626	-	3,835	12,168	4,043	151,580
		March 31, 2022 ⁽³⁾	10 years from the date of grant	US\$15.85	N/A	US\$15.46	135,694	-	-	-	-	135,694
		May 6, 2022 ⁽³⁾	10 years from the date of grant	US\$12.27	US\$14.31	US\$12.50	80,821	-	5,824	11,648	-	63,349
		May 31, 2022 ⁽³⁾	10 years from the date of grant	US\$10.30	N/A	US\$10.56	123,604	-	-	-	-	123,604
		June 22, 2022 ⁽³⁾	10 years from the date of grant	US\$11.74	US\$15.41	US\$11.98	5,816,690	-	162,162	552,439	-	5,102,089
		June 22, 2022 ⁽³⁾	10 years from the date of grant	US\$11.74	N/A	US\$11.98	11,804	-	-	-	-	11,804
		June 30, 2022 ⁽³⁾	10 years from the date of grant	US\$12.48	US\$14.97	US\$12.81	77,974	-	3,757	-	-	74,217
		August 31, 2022 ⁽³⁾	10 years from the date of grant	US\$12.73	N/A	US\$13.32	22,009	-	-	-	-	22,009

REPORT OF THE DIRECTORS

Name of grantee	Role	Date of grant	Exercise period	Number of options								
				Price on day prior to grant ⁽¹⁾	Price on day prior to exercise date ⁽²⁾	Exercise (Grant) price	Outstanding as of January 1, 2023	Granted during the Reporting Period	Exercised during the Reporting Period	Cancelled during the Reporting Period	Lapsed during the Reporting Period	Outstanding as of December 31, 2023
In Aggregate	Employees	September 30, 2022 ⁽³⁾	10 years from the date of grant	US\$10.48	US\$15.34	US\$10.58	66,690	-	3,666	-	-	63,024
		November 10, 2022 ⁽³⁾	10 years from the date of grant	US\$13.56	N/A	US\$14.52	54,106	-	-	7,930	-	46,176
		November 30, 2022 ⁽³⁾	10 years from the date of grant	US\$13.84	N/A	US\$14.74	17,745	-	-	-	-	17,745
		December 30, 2022 ⁽³⁾	10 years from the date of grant	US\$17.22	N/A	US\$17.26	7,592	-	-	-	-	7,592
		January 25, 2023 ⁽³⁾	10 years from the date of grant	US\$20.52	N/A	US\$20.64	-	29,471	-	-	-	29,471
		February 28, 2023 ⁽³⁾	10 years from the date of grant	US\$16.62	N/A	US\$17.28	-	61,724	-	-	-	61,724
		March 31, 2023 ⁽³⁾	10 years from the date of grant	US\$16.67	N/A	US\$16.99	-	63,765	-	11,921	-	51,844
		May 5, 2023 ⁽³⁾	10 years from the date of grant	US\$20.05	N/A	US\$20.06	-	31,837	-	13,442	-	18,395
		May 31, 2023 ⁽³⁾	10 years from the date of grant	US\$17.56	N/A	US\$17.98	-	19,188	-	-	-	19,188
		June 15, 2023 ⁽³⁾	10 years from the date of grant	US\$16.01	N/A	US\$16.41	-	5,314,374	-	130,845	-	5,183,529
		June 30, 2023 ⁽³⁾	10 years from the date of grant	US\$13.74	N/A	US\$13.82	-	30,277	-	-	-	30,277
		August 3, 2023 ⁽³⁾	10 years from the date of grant	US\$14.60	N/A	US\$16.08	-	66,729	-	-	-	66,729
		August 31, 2023 ⁽³⁾	10 years from the date of grant	US\$16.25	N/A	US\$15.97	-	54,314	-	-	-	54,314
		September 29, 2023 ⁽³⁾	10 years from the date of grant	US\$14.17	N/A	US\$14.51	-	192,686	-	-	-	192,686
		November 13, 2023 ⁽³⁾	10 years from the date of grant	US\$15.32	N/A	US\$15.30	-	24,297	-	-	-	24,297
		November 30, 2023 ⁽³⁾	10 years from the date of grant	US\$14.09	N/A	US\$14.38	-	32,968	-	-	-	32,968
		December 29, 2023 ⁽³⁾	10 years from the date of grant	US\$13.81	N/A	US\$13.87	-	50,271	-	-	-	50,271
Total							<u>58,683,144</u>	<u>9,817,925</u>	<u>5,759,143</u>	<u>958,191</u>	<u>266,975</u>	<u>61,516,760</u>

REPORT OF THE DIRECTORS

Notes:

- * Mr. Anthony C. Hooper was a non-executive Director of the Company at the time of grants and has been redesignated as an independent non-executive Director of the Company since April 17, 2023.
 - * Mr. Thomas Malley was an independent non-executive Director of the Company at the time of grants and resigned as an independent non-executive Director of the Company on January 22, 2024.
- (1) The stated price was the closing price as quoted on the NASDAQ, divided by 13, on the trading day immediately prior to the grant date.
 - (2) The stated price was the weighted-average closing price as quoted on the NASDAQ, divided by 13, on the trading day immediately prior to the date which the options were exercised.
 - (3) 25% of the options become exercisable on the first anniversary of the grant date or, for new employees, the first anniversary of the last trading day of the month following the date on which such grantee starts his or her service relationship with the Company or its subsidiaries. The remaining 75% become exercisable in 36 equal monthly installments, each of which shall become exercisable on the last day of each month following the vest of the initial 25%. Certain options may be subject to accelerated vesting upon change in control and/or termination.
 - (4) One-third of the options become exercisable on each anniversary of the grant date.
 - (5) 100% of the options become exercisable on the earlier of the first anniversary of the grant date or the date of the next annual general meeting. Certain options may be subject to accelerated vesting upon change in control and/or termination. In connection with Mr. Thomas Malley's resignation as an independent non-executive Director of the Company on January 22, 2024 and the consulting agreement between Mr. Thomas Malley and the Company dated January 23, 2024, options granted to Mr. Thomas Malley on June 15, 2023 shall continue to vest according to the original vesting schedule throughout the consulting period from January 23, 2024 to June 30, 2024.
 - (6) 20% of the options become exercisable on the first anniversary of the grant date. The remaining 80% become exercisable in 48 equal monthly installments, each of which shall become exercisable on the last day of each month following the vest of the initial 20%. Certain options may be subject to accelerated vesting upon change in control and/or termination.
 - (7) The options become exercisable in 48 equal monthly installments, beginning on the last day of the first month after grant.
 - (8) The options become exercisable upon satisfaction of specified performance targets, including certain financial targets and management targets as set out in the relevant grant letters.
 - (9) 50% of the options become exercisable on the first anniversary of the grant date. The remaining 50% become exercisable in 12 equal monthly installments, each of which shall become exercisable on the last day of each month following the vest of the initial 50%.
 - (10) In connection with Mr. Thomas Malley's resignation as an independent non-executive Director of the Company on January 22, 2024, the options granted to Mr. Thomas Malley shall be exercisable for a period of three years after the date that Thomas Malley ceased to be a member of the Board or until the expiration date as agreed in the award agreement, if earlier.

REPORT OF THE DIRECTORS

Further details of the outstanding options granted under the 2016 Plan during the Reporting Period are as follows:

Name	Number of options granted during the Reporting Period	Date of grant	Vesting / Exercise period	Exercise price (US\$)	Performance targets	Closing price of the Shares immediately before the grant	Fair value of the options at the date of grant ⁽⁹⁾
Directors							
John V. Oyler	1,349,907	June 15, 2023	(1)	US\$16.41	-	US\$16.01	US\$10,999,987
Xiaodong Wang	327,249	June 15, 2023	(1)	US\$16.41	-	US\$16.01	US\$2,666,654
Anthony C. Hooper	26,975	June 15, 2023	(2)	US\$16.41	-	US\$16.01	US\$199,963
Margaret Han Dugan	26,975	June 15, 2023	(2)	US\$16.41	-	US\$16.01	US\$199,963
Donald W. Glazer	26,975	June 15, 2023	(2)	US\$16.41	-	US\$16.01	US\$199,963
Michael Goller	26,975	June 15, 2023	(2)	US\$16.41	-	US\$16.01	US\$199,963
Ranjeev Krishana	26,975	June 15, 2023	(2)	US\$16.41	-	US\$16.01	US\$199,963
Thomas Malley*	26,975	June 15, 2023	(2)	US\$16.41	-	US\$16.01	US\$199,963
Corazon D. Sanders	26,975	June 15, 2023	(2)	US\$16.41	-	US\$16.01	US\$199,963
Alessandro Riva	26,975	June 15, 2023	(2)	US\$16.41	-	US\$16.01	US\$199,963
Qingqing Yi	26,975	June 15, 2023	(2)	US\$16.41	-	US\$16.01	US\$199,963
Senior Managements							
Xiaobin Wu	760,851	June 15, 2023	(1)	US\$16.41	-	US\$16.01	US\$6,199,947
Julia Wang	409,058	June 15, 2023	(1)	US\$16.41	-	US\$16.01	US\$3,333,291
Lai Wang	507,234	June 15, 2023	(1)	US\$16.41	-	US\$16.01	US\$4,133,298
Chan Lee	248,950	June 15, 2023	(1)	US\$16.41	-	US\$16.01	US\$2,028,619
Other grantees							
Employee Participants							
In aggregate	5,971,901	January 25, 2023 – December 29, 2023	(1)	US\$13.82- US\$20.64	-	US\$13.74- US\$20.52	US\$48,738,046
Total	9,817,925						US\$83,379,092

Notes:

* Mr. Thomas Malley was an independent non-executive Director of the Company at the time of grants and resigned as an independent non-executive Director of the Company on January 22, 2024.

(1) 25% of the options become exercisable on the first anniversary of the grant date or, for new employees, the first anniversary of the last trading day of the month following the date on which such grantee starts his or her service relationship with the Company or its subsidiaries. The remaining 75% become exercisable in 36 equal monthly installments, each of which shall become exercisable on the last day of each month following the vest of the initial 25%. Certain options may be subject to accelerated vesting upon change in control and/or termination. The exercise period for the options is 10 years from the date of grant.

REPORT OF THE DIRECTORS

- (2) 100% of the options become exercisable on the earlier of the first anniversary of the grant date or the date of the next annual general meeting. Certain options may be subject to accelerated vesting upon change in control and/or termination. The exercise period for the options is 10 years from the date of grant. In connection with Mr. Thomas Malley's resignation as an independent non-executive Director of the Company on January 22, 2024 and the consulting agreement between Mr. Thomas Malley and the Company dated January 23, 2024, options granted to Mr. Thomas Malley on June 15, 2023 shall continue to vest according the original vesting schedule throughout the consulting period from January 23, 2024 to June 30, 2024 and shall be exercisable for a period of three years after the date that Thomas Malley ceased to be a member of the Board or until the expiration date as agreed in the award agreement, if earlier.
- (3) The fair values of the options are calculated in accordance with the accounting standards and policies adopted for preparing the Company's financial statements. The fair value is determined using the binomial method, which is calculated by a third party. The binomial model uses a number of variables to calculate the fair value, including the post-vesting forfeiture rate, the risk-free rate of interest, volatility, contractual life, etc.

Movements of RSUs under the 2016 Plan

As of December 31, 2023, the Company has conditionally granted RSUs to 15,899 participants under the 2016 Plan. All of the RSUs under the 2016 Plan were granted between September 26, 2017 and December 29, 2023 (both days inclusive).

As of January 1, 2023, 55,397,173 Shares were outstanding pursuant to RSUs granted under the 2016 Plan, and as of December 31, 2023, 66,401,023 Shares were outstanding under the 2016 Plan. Details of the movements of the unvested RSUs are set out below:

Name of grantee	Role	Date of grant	Vesting period	Price on day prior to the grant	Number of RSUs					Closing price on the day prior to vesting date during 2023 ⁽¹⁾
					Outstanding as of January 1, 2023	Granted during the Reporting Period	Vested during the Reporting Period	Forfeited during the Reporting Period	Outstanding as of December 31, 2023	
Directors of the Company										
John V. Oyler	Executive Director,	April 30, 2018	(6)	US\$13.37	-	-	-	-	-	-
	Chairman and	June 26, 2018	(6)	US\$12.70	-	-	-	-	-	-
	Chief Executive Officer	June 16, 2021	(6)	US\$25.54	109,694	-	36,556	-	73,138	US\$15.46
		June 22, 2022	(6)	US\$11.74	334,009	-	83,499	-	250,510	US\$14.28
Xiaodong Wang	Non-executive Director	June 15, 2023	(6)	US\$16.01	-	355,641	-	-	355,641	-
		June 26, 2018	(6)	US\$12.70	-	-	-	-	-	-
		June 16, 2021	(6)	US\$25.54	29,250	-	9,750	-	19,500	15.46
		June 22, 2022	(6)	US\$11.74	83,499	-	20,865	-	62,634	US\$14.28
Anthony C. Hooper	Independent Non-executive Director	June 15, 2023	(6)	US\$16.01	-	86,216	-	-	86,216	-
		June 16, 2021	(7)	US\$25.54	7,800	-	7,800	-	-	US\$13.87
		June 22, 2022	(7)	US\$11.74	16,692	-	-	-	16,692	-
		June 15, 2023	(7)	US\$16.01	-	12,922	-	-	12,922	-

REPORT OF THE DIRECTORS

Name of grantee	Role	Date of grant	Vesting period	Number of RSUs						Closing price on the day prior to vesting date during 2023 ⁽¹⁾
				Price on day prior to the grant	Outstanding as of January 1, 2023	Granted during the Reporting Period	Vested during the Reporting Period	Forfeited during the Reporting Period	Outstanding as of December 31, 2023	
Margaret Han Dugan	Independent Non-executive Director	June 22, 2022	(7)	US\$11.74	16,692	-	16,692	-	-	US\$16.01
		June 15, 2023	(7)	US\$16.01	-	12,922	-	-	12,922	-
Donald W. Glazer	Independent Non-executive Director	June 16, 2021	(7)	US\$25.54	7,800	-	7,800	-	-	US\$13.87
		June 22, 2022	(7)	US\$11.74	16,692	-	-	-	16,692	-
		June 15, 2023	(7)	US\$16.01	-	12,922	-	-	12,922	-
Michael Goller	Independent Non-executive Director	June 16, 2021	(7)	US\$25.54	-	-	-	-	-	-
		June 22, 2022	(7)	US\$11.74	16,692	-	16,692	-	-	US\$16.01
		June 15, 2023	(7)	US\$16.01	-	12,922	-	-	12,922	-
Ranjeev Krishana	Independent Non-executive Director	June 16, 2021	(7)	US\$25.54	-	-	-	-	-	-
		June 22, 2022	(7)	US\$11.74	16,692	-	16,692	-	-	US\$16.01
		June 15, 2023	(7)	US\$16.01	-	12,922	-	-	12,922	-
Thomas Malley*	Independent Non-executive Director	June 16, 2021	(7)	US\$25.54	-	-	-	-	-	-
		June 22, 2022	(7)	US\$11.74	16,692	-	16,692	-	-	US\$16.01
		June 15, 2023	(7)	US\$16.01	-	12,922	-	-	12,922	-
Corazon D. Sanders	Independent Non-executive Director	June 16, 2021	(7)	US\$25.54	-	-	-	-	-	-
		June 22, 2022	(7)	US\$11.74	16,692	-	16,692	-	-	US\$16.01
		June 15, 2023	(7)	US\$16.01	-	12,922	-	-	12,922	-
Alessandro Riva	Independent Non-executive Director	June 22, 2022	(7)	US\$11.74	16,692	-	16,692	-	-	US\$16.01
		June 15, 2023	(7)	US\$16.01	-	12,922	-	-	12,922	-
Qingqing Yi	Independent Non-executive Director	June 16, 2021	(7)	US\$25.54	-	-	-	-	-	-
		June 22, 2022	(7)	US\$11.74	16,692	-	16,692	-	-	US\$16.01
		June 15, 2023	(7)	US\$16.01	-	12,922	-	-	12,922	-

REPORT OF THE DIRECTORS

Name of grantee	Role	Date of grant	Vesting period	Price on day prior to the grant	Number of RSUs				Outstanding as of December 31, 2023	Closing price on the day prior to vesting date during 2023 ⁽¹⁾
					Outstanding as of January 1, 2023	Granted during the Reporting Period	Vested during the Reporting Period	Forfeited during the Reporting Period		
Senior Management of the Company										
Xiaobin Wu	President, Chief Operating Officer and General Manager of China	April 30, 2018	(6)	US\$13.37	230,009	-	230,009	-	-	US\$19.61
		June 5, 2019	(6)	US\$9.25	108,368	-	108,368	-	-	US\$17.49
		June 17, 2020	(6)	US\$13.33	67,093	-	33,527	-	33,566	US\$15.40
		June 16, 2021	(6)	US\$25.54	58,500	-	19,500	-	39,000	US\$15.46
		June 22, 2022	(6)	US\$11.74	187,876	-	46,969	-	140,907	US\$14.28
		June 15, 2023	(6)	US\$16.01	-	200,447	-	-	200,447	-
Julia Wang	Chief Financial Officer	June 30, 2020	(6)	US\$14.55	27,612	-	13,793	-	13,819	US\$13.74
		June 16, 2021	(6)	US\$25.54	21,515	-	7,163	-	14,352	US\$15.46
		February 28, 2022	(6)	US\$16.47	61,750	-	15,431	-	46,319	US\$16.62
		June 22, 2022	(6)	US\$11.74	104,377	-	26,091	-	78,286	US\$14.28
		June 15, 2023	(6)	US\$16.01	-	107,770	-	-	107,770	-
Lai Wang	Global Head of R&D	June 26, 2018	(6)	US\$12.70	-	-	-	-	-	-
		June 5, 2019	(6)	US\$9.25	18,993	-	18,993	-	-	US\$17.49
		June 17, 2020	(6)	US\$13.33	46,592	-	23,283	-	23,309	US\$15.40
		June 16, 2021	(6)	US\$25.54	40,222	-	13,403	-	26,819	US\$15.46
		June 22, 2022	(6)	US\$11.74	125,255	-	31,304	-	93,951	US\$14.28
		June 15, 2023	(6)	US\$16.01	-	133,627	-	-	133,627	-
Chan Lee	SVP, General Counsel	July 29, 2022	(6)	US\$13.45	116,012	-	29,003	-	87,009	US\$16.12
		June 15, 2023	(6)	US\$16.01	-	65,585	-	-	65,585	-
Other Grantees										
In Aggregate	Employees of the Group	Between January 31, 2018 to December 31, 2021	(6)	US\$18.55	18,205,967	-	8,433,334	1,470,586	8,302,047	(2)
		Between January 1, 2022 to December 31, 2022	(6)	US\$12.28	35,222,434	-	8,496,774	2,826,096	23,899,564	(3)
		Between January 1, 2023 to December 29, 2023	(6)	US\$15.62	-	33,499,765	221	1,410,864	32,088,680	-

REPORT OF THE DIRECTORS

Name of grantee	Role	Date of grant	Vesting period	Price on day prior to the grant	Number of RSUs				Outstanding as of December 31, 2023	Closing price on the day prior to vesting date during 2023 ⁽¹⁾
					Outstanding as of January 1, 2023	Granted during the Reporting Period	Vested during the Reporting Period	Forfeited during the Reporting Period		
In Aggregate	Service Providers	Between February 4, 2019 to December 31, 2021	(6)	US\$12.01	8,684	-	8,684	-	-	(4)
		Between January 1, 2022 to December 31, 2022	(8)	US\$17.70	23,634	-	23,634	-	-	US\$13.87
		Between January 1, 2023 to December 31, 2023	(8)	US\$13.81	-	8,645	-	-	8,645	
Total					<u>55,397,173</u>	<u>34,573,994</u>	<u>17,862,598</u>	<u>5,707,546</u>	<u>66,401,023</u>	

Notes:

- * Mr. Thomas Malley was an independent non-executive Director of the Company at the time of grants and resigned as an independent non-executive Director of the Company on January 22, 2024.
- (1) The stated price was the weighted-average closing price as quoted on the NASDAQ, divided by 13, on the trading day immediately prior to the date which the RSUs were vested.
- (2) The weighted-average closing price as quoted on the NASDAQ, divided by 13, on the trading day immediately prior to the date which the RSUs vested was ranged from US\$10.10 to US\$16.92.
- (3) The weighted-average closing price as quoted on the NASDAQ, divided by 13, on the trading day immediately prior to the date which the RSUs vested was US\$16.92.
- (4) The weighted-average closing price as quoted on the NASDAQ, divided by 13, on the trading day immediately prior to the date which the RSUs vested was ranged from US\$10.10 to US\$16.92.
- (5) The weighted-average closing price as quoted on the NASDAQ, divided by 13, on the trading day immediately prior to the date which the RSUs vested was US\$16.92.
- (6) 25% of the Shares shall vest on the vesting commencement date and each anniversary of such date if the grantee remained in a continuous service relationship with the Company or its subsidiaries through each such date; provided, however, that certain underlying Shares shall become vested upon a change of control or termination of employment, if applicable, as set forth in such grantee's employment agreement or offer letter.
- (7) 100% of the Shares shall vest on the earlier of the first anniversary of the grant date or the date of the next annual general meeting. Certain RSUs may be subject to accelerated vesting upon change in control and/or termination. In connection with Mr. Thomas Malley's resignation as an independent non-executive Director of the Company on January 22, 2024, the RSUs granted to Mr. Thomas Malley that have not vested as of such date has automatically terminated and been forfeited.
- (8) 100% of the Shares shall vest on the vesting commencement date if the grantee remained in a continuous service relationship with the Company or its subsidiaries through each such date; provided, however, that certain underlying Shares shall become vested upon a change of control or termination of employment, if applicable, as set forth in such grantee's employment agreement or offer letter.

REPORT OF THE DIRECTORS

Further details of the unvested RSUs granted during the Reporting Period are as follows:

Name	Number of RSUs granted during the Reporting Period	Date of grant	Vesting period	Performance targets	Price on day prior to the grant	Fair value of RSUs at the date of grant ⁽³⁾
Directors						
John V. Oyler	355,641	June 15, 2023	(1)	–	US\$16.01	US\$5,499,851
Xiaodong Wang	86,216	June 15, 2023	(1)	–	US\$16.01	US\$1,333,297
Anthony C. Hooper	12,922	June 15, 2023	(2)	–	US\$16.01	US\$199,834
Margaret Han Dugan	12,922	June 15, 2023	(2)	–	US\$16.01	US\$199,834
Donald W. Glazer	12,922	June 15, 2023	(2)	–	US\$16.01	US\$199,834
Michael Goller	12,922	June 15, 2023	(2)	–	US\$16.01	US\$199,834
Renjeev Krishana	12,922	June 15, 2023	(2)	–	US\$16.01	US\$199,834
Thomas Malley*	12,922	June 15, 2023	(2)	–	US\$16.01	US\$199,834
Corazon D. Sanders	12,922	June 15, 2023	(2)	–	US\$16.01	US\$199,834
Alessandro Riva	12,922	June 15, 2023	(2)	–	US\$16.01	US\$199,834
Qingqing Yi	12,922	June 15, 2023	(2)	–	US\$16.01	US\$199,834
Senior Management						
Xiaobin Wu	200,447	June 15, 2023	(1)	–	US\$16.01	US\$3,099,836
Julia Wang	107,770	June 15, 2023	(1)	–	US\$16.01	US\$1,666,622
Chan Lee	65,585	June 15, 2023	(1)	–	US\$16.01	US\$1,014,247
Lai Wang	133,627	June 15, 2023	(1)	–	US\$16.01	US\$2,066,490
Other grantees by category						
Employee Participants						
In aggregate	33,499,765	January 1, 2023 – December 29, 2023	(1)	–	US\$15.62	US\$521,586,950
Service Providers	8,645	December 29, 2023	(4)	–	US\$13.81	US\$119,939
Total	34,573,994					US\$558,526,987

Notes:

- * Mr. Thomas Malley was an independent non-executive Director of the Company at the time of grants and resigned as an independent non-executive Director of the Company on January 22, 2024.
- (1) 25% of the Shares shall vest on the vesting commencement date and each anniversary of such date if the grantee remained in a continuous service relationship with the Company or its subsidiaries through each such date; provided, however, that certain underlying Shares shall become vested upon a change of control or termination of employment, if applicable, as set forth in such grantee's employment agreement or offer letter.
 - (2) 100% of the Shares shall vest on the earlier of the first anniversary of the grant date or the date of the next annual general meeting. Certain RSUs may be subject to accelerated vesting upon change in control and/or termination. In connection with Mr. Thomas Malley's resignation as an independent non-executive Director of the Company on January 22, 2024, the RSUs granted to Mr. Thomas Malley that have not vested as of such date has automatically terminated and been forfeited.
 - (3) The fair values of the RSUs are calculated in accordance with the accounting standards and policies adopted for preparing the Company's financial statements. The fair value is determined by reference to the closing price of the Company's ADSs on NASDAQ on the date of grant.
 - (4) 100% of the Shares shall vest on the vesting commencement date if the grantee remained in a continuous service relationship with the Company or its subsidiaries through each such date; provided, however, that certain underlying Shares shall become vested upon a change of control or termination of employment, if applicable, as set forth in such grantee's employment agreement or offer letter.

REPORT OF THE DIRECTORS

3. Third Amended and Restated 2018 Employee Share Purchase Plan

The second amended and restated 2018 Employee Share Purchase Plan was approved by our Board on November 7, 2018 and by our shareholders on December 7, 2018 to amend and restate the 2018 Employee Share Purchase Plan originally adopted by the Company on June 6, 2018. On June 5, 2019, the Board approved Amendment No. 1 to the second amended and restated 2018 Employee Share Purchase Plan. In June 2021, our Board adopted the third amended and restated 2018 Employee Share Purchase Plan to include some technical amendments under U.S. tax rules and to consolidate the changes in the prior amendment, which became effective on September 1, 2021.

Purpose

The 2018 ESPP is to provide the Company's employees with the opportunity to acquire an ownership interest in the Company, encouraging them to remain in our employ and more closely aligning their interests with those of our shareholders.

The 2018 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.

The 2018 ESPP is administered under the direction of our Compensation Committee, which has the authority to interpret the provisions of the 2018 ESPP and to make all other determinations necessary or advisable in administering it.

Eligible Participants, Maximum Entitlement of Each Participant, Vesting and Exercise Period

All employees of our Company and participating subsidiaries who are employed as of the first day of the applicable offering and have been employed as of the commencement of the enrollment period for such offering are eligible to participate in the 2018 ESPP, other than employees who would own 5% or more of the voting power of our Shares after exercising their rights to purchase Shares under the 2018 ESPP.

To participate in the 2018 ESPP, an eligible employee authorizes payroll deductions in an amount not less than 1% nor greater than 10% of his or her "eligible earnings" (i.e., gross cash compensation, including regular base pay (including overtime pay and commissions, to the extent determined by our Compensation Committee) to a maximum of US\$25,000 per year, but excluding incentive or bonus awards, allowances and reimbursements for expenses such as relocation allowances or travel expenses, income or gain on the exercise of share options, and similar items) for each full payroll period in the offering period.

REPORT OF THE DIRECTORS

Eligible employees enroll in an offering period (which generally will begin on each March 1 and September 1 and last for six months unless otherwise determined by our Compensation Committee in advance) during the open enrollment period prior to the start of that offering period. For the purpose of disclosure in this annual report, such offering period is considered to be the vesting period. Any option granted but not exercised by the end of an offering will automatically lapse.

An eligible employee may withdraw from participation in the 2018 ESPP, following which the Company will refund such individual's authorized payroll deduction in full. Partial withdrawals are not permitted.

Purchase Price and Basis of Determination

Shares are purchased at a price equal to 85% of the fair market value of our ordinary shares on either the first local business day of the offering period or the last local business day of the offering period, whichever is lower.

Accordingly, the number of Shares purchased can only be determined after the end of offering period subject to the determination of the purchase price. If the number of unsold Shares that are available for purchase under the 2018 ESPP is insufficient to permit exercise of all rights deemed exercised by all participating employees, a participation adjustment will be made, and the number of Shares purchasable by all participating employees will be reduced proportionately. Any funds remaining in a participating employee's account after such exercise are refunded to the employee, without interest.

If a participating employee voluntarily resigns or is terminated by us prior to the last day of an offering period, the employee's option to purchase terminates and the cash amount in the employee's account is returned to the employee.

In the event of a recapitalization, reclassification, share split, reverse split, combination of shares, exchange of shares, share dividend, or similar event, the number and kind of shares that may be purchased under the 2018 ESPP will be adjusted proportionately such that the proportionate interest of participating employees remains the same, to the extent practicable. In the event of a change in control, each outstanding option will be assumed or an equivalent option will be substituted. In the event outstanding options are not assumed or substituted, the offering period with respect to which such outstanding option relates will be shortened by setting a new exercise date prior to the date of the change in control.

REPORT OF THE DIRECTORS

Maximum Number of Shares Available for Grant

A maximum of 7,355,315 Shares are available for grant under the 2018 ESPP.

As at January 1, 2023, 3,666,071 Shares were available for grant under the 2018 ESPP. The aforementioned figure had not taken into account Shares purchased pursuant to the offering period which commenced from September 1, 2022 as the relevant number of Shares could not be determined as at January 1, 2023. During the Reporting Period, 1,724,996 new Shares were purchased by and issued to eligible employees pursuant to the 2018 ESPP. It follows that, as at December 31, 2023 and April 17, 2024, 1,941,075 and 919,678 Shares were available for grant under the 2018 ESPP, respectively. The aforementioned figure as at December 31, 2023 had not taken into account Shares purchased pursuant to the offering period which commenced from September 1, 2023 as the relevant number of Shares could not be determined as at December 31, 2023.

Maximum Number of Shares Available for Issue

A maximum of 7,355,315 Shares are available for purchase and issue under the 2018 ESPP. As at January 1, 2023, 3,666,071 new Shares were available for purchase and issue under the 2018 ESPP. During the Reporting Period, 1,724,996 new Shares were purchased by and issued to eligible employees pursuant to the 2018 ESPP following the end of the offering periods which commenced on September 1, 2022 and March 1, 2023. It follows that, as at December 31, 2023 and April 17, 2024, 1,941,075 and 919,678 Shares (being approximately 0.07% of the issued share capital of the Company as at April 17, 2024) were available for purchase and issue under the 2018 ESPP, respectively.

Remaining Life of the 2018 ESPP

The 2018 ESPP took effect on September 1, 2021 and shall remain in effect for ten years from December 7, 2018 unless terminated earlier by the Board. The remaining life of the 2018 ESPP is approximately 4.5 years.

Grants under the 2018 ESPP

3,039 and 3,218 eligible employees (including senior management members) participated in the 2018 ESPP during the offering periods which commenced on September 1, 2022 and March 1, 2023, respectively.

REPORT OF THE DIRECTORS

Details of the grants under the 2018 ESPP are as follows:

Name	Date of grant/ First day of offering period	Vesting/ Offering period	Purchase price in respect of the Shares purchased at the end of the offering period which commenced on September 1, 2022 (US\$)	Granted/Payroll deduction amounts authorized by the eligible employees at the beginning of the offering period which commenced on September 1, 2022 (US\$) ^{Note (1)}	Vested/Shares purchased during the Reporting Period (US\$) ^{Note (2)}
Senior Management					
Xiaobin Wu	September 1, 2022	6 months	US\$11.19	US\$10,626.76	US\$10,617 (equivalent to 949 Shares purchased based on a purchase price of US\$11.19)
Other grantees by category					
Employee Participants	September 1, 2022	6 months	US\$11.19	US\$10,403,119	US\$10,403,119 (equivalent to 929,903 Shares purchased based on a purchase price of US\$11.19)
Total					<u>US\$10,413,736</u>

Notes:

1. The closing price of the Shares immediately before September 1, 2022 is US\$13.20 (equivalent to approximately HK\$103.60), and the fair value of the Shares at the date of grant (i.e. first day of offering period) is US\$12,251,444 (equivalent to approximately HK\$96,153,743). There are no performance targets attached to the participation in the 2018 ESPP for the offering period which commenced on September 1, 2022.
2. During the Reporting Period, in respect of the payroll deduction amounts authorized by the eligible employees at the beginning of the offering period which commenced on September 1, 2022 and taking into account any eligible employees who withdrew from the 2018 ESPP during such offering period, such relevant amounts of authorized payroll reduction were used to purchase an aggregate of 930,852 Shares at the purchase price of US\$11.19 at the end of the offering period (i.e. February 28, 2023). The weighted average closing price of the Shares immediately before the end of the offering period (i.e. February 28, 2023) is US\$17.28 (equivalent to approximately HK\$135.58), and the fair value of the total Shares purchased on the date of purchase is US\$16,084,407 (equivalent to approximately HK\$126,195,362).
3. The final amount of payroll deduction authorized by eligible employees for the offering period which commenced on September 1, 2022 is US\$10,413,736 and the number of Shares purchased after the end such offering period is 930,852.
4. As an eligible employee may withdraw from participation in the 2018 ESPP, following which the Company will refund such individual's authorized payroll deduction in full, the final amount of payroll deduction authorized by eligible employees can only be determined after the end of each offering period. Such final amount of payroll deduction authorized by eligible employees is used in whole to purchase Shares as soon as practicable after the end of each offering period, accordingly there would not be any outstanding grants as of the end of each offering period.

REPORT OF THE DIRECTORS

Name	Date of grant/ First day of offering period	Vesting/ Offering period	Purchase price in respect of the Shares purchased at the end of the offering period which commenced on March 1, 2023 (US\$)	Granted/Payroll deduction amounts authorized by the eligible employees at the beginning of the offering period which commenced on March 1, 2023 (US\$) ^{Note (1)}	Vested/Shares purchased during the Reporting Period (US\$) ^{Note (2)}
Senior Management					
Xiaobin Wu	March 1, 2023	6 months	US\$13.57	US\$9,174	US\$9,174 (equivalent to 767 Shares purchased based on a purchase price of US\$13.57)
Other grantees by category					
Employee Participants	March 1, 2023	6 months	US\$13.57	US\$11,236,093	US\$11,236,093 (equivalent to 793,468 Shares purchased based on a purchase price of US\$13.57)
Total					<u>US\$11,245,267</u>

Notes:

- The closing price of the Shares immediately before March 1, 2023 is US\$17.28 (equivalent to approximately HK\$135.64), and the fair value of the Shares at the date of grant (i.e. first day of offering period) is US\$14,411,089 (equivalent to approximately HK\$113,103,700). There are no performance targets attached to the participation in the 2018 ESPP for the offering period which commenced on March 1, 2023.
- During the Reporting Period, in respect of the payroll deduction amounts authorized by the eligible employees at the beginning of the offering period which commenced on March 1, 2023 and taking into account any eligible employees who withdrew from the 2018 ESPP during such offering period, such relevant amounts of authorized payroll reduction were used to purchase an aggregate of 794,235 Shares at the purchase price of US\$13.57 at the end of the offering period (i.e. August 31, 2023). The weighted average closing price of the Shares immediately before the end of the offering period (i.e. August 31, 2023) is US\$15.97 (equivalent to approximately HK\$125.33), and the fair value of the total Shares purchased on the date of purchase is US\$12,678,814 (equivalent to approximately HK\$99,483,176).
- The final amount of payroll deduction authorized by eligible employees for the offering period which commenced on March 1, 2023 is US\$11,245,267 and the number of Shares purchased after the end such offering period is 794,235.

REPORT OF THE DIRECTORS

As an eligible employee may withdraw from participation in the 2018 ESPP, following which the Company will refund such individual's authorized payroll deduction in full, the final amount of payroll deduction authorized by eligible employees can only be determined after the end of each offering period. Such final amount of payroll deduction authorized by eligible employees is used in whole to purchase Shares as soon as practicable after the end of each offering period, accordingly there would not be any outstanding grants as of the end of each offering period.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under our Articles or the laws of the Cayman Islands that would oblige the Company to offer new Shares on a pro-rata basis to existing shareholders.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to shareholders by reason of their holding of the Company's securities.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance through its continuous effort in improving its corporate governance practices. Details about the corporate governance practices adopted by the Company are set out in the "Corporate Governance Report" contained in this annual report.

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

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

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

REPORT OF THE DIRECTORS

AUDIT COMMITTEE REVIEW OF FINANCIAL STATEMENTS

The Audit Committee reviews the adequacy of our internal controls to ensure that our internal control system is effective in identifying, managing and mitigating risks involved in our business operations. As of the date of this annual report, the Audit Committee consists of three independent non-executive Directors, namely Mr. Anthony C. Hooper (redesignated as an independent non-executive Director since April 17, 2023), Dr. Olivier Brandicourt and Dr. Corazon (Corsee) D. Sanders. Effective as of September 13, 2023, Mr. Anthony C. Hooper has been appointed as the chair of the Audit Committee and Mr. Thomas Malley ceased to serve as the chair of the Audit Committee but remains a member of the Audit Committee. On January 22, 2024, Mr. Thomas Malley resigned from the Board. In connection with his resignation from the Board, Mr. Malley also resigned from the Audit Committee. Effective as of January 23, 2024, the Board appointed Dr. Olivier Brandicourt as an independent non-executive Director to fill the vacancy arising from the resignation of Mr. Malley. In connection with his appointment to the Board, effective as of January 23, 2024, Dr. Olivier Brandicourt has been appointed to serve as a member of the Audit Committee.

The Audit Committee has reviewed the consolidated financial statements and annual results of the Company for the year ended December 31, 2023. The Audit Committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with members of senior management and the external auditor of the Company, Ernst & Young.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE HK LISTING RULES

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

PUBLIC FLOAT

As at April 17, 2024 and based on the information that is publicly available to the Company and to the knowledge of the Directors of the Company, the Company has maintained the minimum public float required by the HKEx.

REPORT OF THE DIRECTORS

AUDITORS

The Company's shares have been listed on the Main Board of the HKEx since August 8, 2018, and there has been no change in auditors in 2023.

The consolidated financial statements of the Group for Hong Kong financial reporting, United States financial reporting and PRC financial reporting have been audited by Ernst & Young, Ernst & Young LLP and Ernst & Young Hua Ming LLP, respectively. We will ask shareholders to ratify the appointments of Ernst & Young, Ernst & Young LLP and Ernst & Young Hua Ming LLP as our independent auditors at the 2024 annual meeting of shareholders of the Company.

On behalf of the Board

John V. Oyler

Chairman

Hong Kong

April 17, 2024

CORPORATE GOVERNANCE REPORT

The Board is pleased to present the corporate governance report for the Company for the year ended December 31, 2023.

CORPORATE GOVERNANCE PRACTICES

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

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

During the Reporting Period, the Company has applied the principles in the Corporate Governance Code as set out in Appendix C1 to the HK Listing Rules (the "Corporate Governance Code") which are applicable to the Company and complied with the code provisions in the Corporate Governance Code save for the following deviations.

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

CORPORATE GOVERNANCE REPORT

Our Audit Committee is in compliance with Rule 3.21 of the HK Listing Rules and the Corporate Governance Code, except for the terms of reference required by paragraphs D.3.3 and D.3.7 of the Corporate Governance Code. However, the charter of our Audit Committee complies with the NASDAQ Listing Rules and the rules of the SEC. The primary duties of the Audit Committee are, among other things, to monitor the integrity of our financial statements and our compliance with legal and regulatory requirements as they relate to our financial statements and accounting matters, review the adequacy of our internal control over financial reporting, and review all related party transactions for potential conflict of interest situations and approving all such transactions. As of the date of this annual report, the Audit Committee comprises three independent non-executive Directors, namely Mr. Anthony C. Hooper (redesignated as an independent non-executive Director since April 17, 2023), Dr. Olivier Brandicourt and Dr. Corazon (Corsee) D. Sanders. Effective as of September 13, 2023, Mr. Anthony C. Hooper has been appointed as the chair of the Audit Committee and Mr. Thomas Malley ceased to serve as the chair of the Audit Committee but remains a member of the Audit Committee. Mr. Anthony C. Hooper, being the chair of the Audit Committee, is appropriately qualified as required under Rules 3.10(2) and 3.21 of the HK Listing Rules. On January 22, 2024, Mr. Thomas Malley resigned from the Board. In connection with his resignation from the Board, Mr. Thomas Malley also resigned from the Audit Committee. Effective as of January 23, 2024, the Board appointed Dr. Olivier Brandicourt as an independent non-executive Director to fill the vacancy arising from the resignation of Mr. Malley. In connection with his appointment to the Board, effective as of January 23, 2024, Dr. Olivier Brandicourt has been appointed to serve as a member of the Audit Committee.

Our Compensation Committee is in compliance with Rule 3.25 of the HK Listing Rules and the Corporate Governance Code, except for the terms of reference required by paragraph E.1.2 of the Corporate Governance Code. However, the charter of our Compensation Committee complies with the NASDAQ Listing Rules. The primary duties of the Compensation Committee are to review and make recommendations to the Board with respect to director compensation, evaluate the performance of our Chief Executive Officer, President, Chief Operating Officer and General Manager of China, and Chief Financial Officer and review and make recommendations to the Board regarding the terms of their compensation, and review and approve the compensation of our other executive officers and senior management, and review and approve matters relating to incentive-based compensation plans and equity-based plans. As of the date of this annual report, the Compensation Committee comprises three independent non-executive Directors, namely Dr. Margaret Han Dugan, Mr. Ranjeev Krishana and Mr. Qingqing Yi. Dr. Margaret Han Dugan is the chair of the Compensation Committee.

Our Nominating and Corporate Governance Committee is in compliance with Rule 3.27A of the HK Listing Rules and the Corporate Governance Code, except for the terms of reference required by paragraph B.3.1 of the Corporate Governance Code. However, the charter of our Nominating and Corporate Governance Committee complies with the NASDAQ Listing Rules. The primary duties of the Nominating and Corporate Governance Committee are to develop and recommend to the Board criteria for board and committee membership, recommend to the Board the persons to be nominated for election as directors and to each of the Board's committees, and develop and recommend to the Board a set of corporate governance guidelines. As of the date of this annual report, the Nominating and Corporate Governance Committee comprises four independent non-executive Directors, namely, Mr. Donald W. Glazer, Mr. Michael Goller Goller, Mr. Anthony C. Hooper (redesignated as an independent non-executive Director since April 17, 2023) and Dr. Alessandro Riva. Mr. Donald W. Glazer is the chair of the Nominating and Corporate Governance Committee.

CORPORATE GOVERNANCE REPORT

Except as disclosed above, the Company has complied with all of the provisions set out in the Corporate Governance Code during the Reporting Period.

The Board will continue to regularly review and monitor its corporate governance practices to ensure compliance with the Corporate Governance Code and maintain a high standard of corporate governance practices of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS

Except 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 C3 to the HK Listing Rules regarding the directors' dealings in the securities of the Company.

Pursuant to Rule B.8 of the Model Code, a director must not deal in any securities of the issuer without first notifying in writing the chairman or a director (otherwise than himself) designated by the board for the specific purpose and receiving a dated written acknowledgement. Under the Company's insider dealing policies, the General Counsel of the Company, has been designated as the insider trading compliance officer whom a director who intends to deal in the Company's securities must notify. The Board believes that our insider trading compliance officer, despite not being a member of the Board, is able to carry out his duties properly and competently in accordance with the Company's insider dealing policies, the terms of which are otherwise no less exacting than those in the Model Code.

Having made specific enquiry of all the Directors, all the Directors confirmed that they have strictly complied with the required standards set out in the Company's own insider dealing policies throughout the period from January 1, 2023 up to the date of this annual report.

CORPORATE GOVERNANCE REPORT

BOARD OF DIRECTORS

The Board currently comprises eleven members, consisting of one executive Director, one non-executive Director and nine independent non-executive Directors.

During the year ended December 31, 2023 and up to the date of this annual report, the composition of the Board comprised the following Directors:

Executive Director

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

Non-executive Director

Dr. Xiaodong Wang

Independent non-executive Directors*

Dr. Olivier Brandicourt

Dr. Margaret Han Dugan

Mr. Donald W. Glazer

Mr. Michael Goller

Mr. Anthony C. Hooper

Mr. Ranjeev Krishana

Dr. Alessandro Riva

Dr. Corazon (Corsee) D. Sanders

Mr. Qingqing Yi

* Effective January 23, 2024, Dr. Olivier Brandicourt was appointed to the Board as an independent non-executive Director.

The Board redesignated Mr. Anthony C. Hooper as an independent non-executive Director effective from April 17, 2023. For the period up to April 16, 2023, Mr. Anthony C. Hooper was a non-executive Director of the Company.

On January 22, 2024, Mr. Thomas Malley resigned from the Board to devote more time to his other commitments. The decision by Mr. Malley to resign was not the result of any disagreement with respect to the operations, policies, or practices of the Company. There is no matter in respect of Mr. Malley's resignation that needs to be brought to the attention of shareholders of the Company or The Stock Exchange of Hong Kong Limited. In connection with his resignation from the Board, Mr. Malley also resigned from the Audit Committee and the Scientific Advisory Committee of the Board.

CORPORATE GOVERNANCE REPORT

The biographical details of the Directors are set out in the section headed “Directors and Senior Management” of this annual report. None of the members of the Board is related to one another.

INDEPENDENT NON-EXECUTIVE DIRECTORS

In 2023, the Board at all times met the requirements of the HK Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board, with one possessing appropriate professional qualifications or accounting or related financial management expertise.

For the year ended December 31, 2023, each of the independent non-executive Directors has confirmed their independence pursuant to Rule 3.13 of the HK Listing Rules and the Company considers all of the independent non-executive Directors are independent.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Our Articles provide that our Board is divided into three groups designated as Class I, Class II and Class III with as nearly equal a number of Directors in each group as possible. Each Director in each class shall serve for a three-year term and until such Director’s successor has been duly elected. Upon the expiration of his or her term, each Director shall be eligible for re-election at the next annual general meeting to hold office for another three-year term and until such Director’s successor has been duly elected. The terms of the Class I Directors are scheduled to expire on the date of our 2026 annual general meeting, the terms of the Class II Directors are scheduled to expire on the date of our 2024 annual general meeting, and the terms of the Class III Directors are scheduled to expire on the date of our 2025 annual general meeting, in each case subject to such Director’s earlier resignation or removal.

We undertook to the HKEx to require Directors appointed to fill a casual vacancy to retire and seek re-election at the next annual general meeting following their appointment. For details, please refer to our Prospectus.

CORPORATE GOVERNANCE REPORT

RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT

The Board is responsible for leadership and control of the Company, and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement, views and input on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the management.

The Company has arranged appropriate insurance coverage on Directors' and officers' liabilities in respect of any legal actions taken against Directors and senior management arising out of corporate activities. The insurance coverage is reviewed on an annual basis.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

The Board has established five committees, namely the Audit Committee, the Compensation Committee, the Nominating and Corporate Governance Committee, the Scientific Advisory Committee and the Commercial and Medical Affairs Advisory Committee, for overseeing particular aspects of the Company's affairs. Each of these committees is established with a charter which is available on the websites of the Company and the HKEx.

Audit Committee

The Audit Committee's roles and functions include:

- appointing, approving the compensation of, and assessing the independence of our independent registered public accounting firms;
- approving auditing and permissible non-audit services, and the terms of such services, to be provided by our independent registered public accounting firms;
- reviewing the internal audit plan with the independent registered public accounting firms and members of management responsible for preparing our financial statements;
- reviewing and discussing with management and the independent registered public accounting firms our annual and quarterly financial statements and related disclosures as well as critical accounting policies and practices used by us;
- reviewing the adequacy of our internal control over financial reporting;
- establishing policies and procedures for the receipt and retention of financial and accounting-related complaints and concerns;
- recommending, based upon the Audit Committee's review and discussions with management and the independent registered public accounting firms, whether our audited financial statements shall be included in our Annual Report on Form 10-K filed with SEC and our annual results announcement filed with the HKEx and SSE;
- monitoring the integrity of our financial statements and our compliance with legal and regulatory requirements as they relate to our financial statements and accounting matters;
- preparing the Audit Committee report;
- reviewing all related party transactions for potential conflict of interest situations and approving all such transactions;

CORPORATE GOVERNANCE REPORT

- reviewing our earnings releases and unaudited financial statements to be included in our quarterly and interim filings with the SEC, HKEx and SSE; and
- overseeing and managing the use of proceeds from STAR Offering.

As of the date of this annual report, the Audit Committee consists of three members, namely Mr. Anthony C. Hooper (redesignated as an independent non-executive Director since April 17, 2023), Dr. Olivier Brandicourt (appointed as an independent non-executive Director and a member of the Audit Committee effective January 23, 2024) and Dr. Corazon (Corsee) D. Sanders. Effective September 13, 2023, Mr. Anthony C. Hooper has been appointed as the chair of the Audit Committee and Mr. Thomas Malley ceased to serve as the chair of the Audit Committee but remains a member of the Audit Committee. Effective January 22, 2024, Mr. Thomas Malley ceased to serve as a member of the Audit Committee. Mr. Anthony C. Hooper, being the chair of the Audit Committee, and Dr. Corazon (Corsee) D. Sanders are independent non-executive Directors appropriately qualified as required under Rules 3.10(2) and 3.21 of the HK Listing Rules.

The Audit Committee held 12 meetings during the year ended December 31, 2023. Individual attendance of each committee member is set out on page 253 of this annual report. During the meetings, among other things, the Audit Committee reviewed the financial results of the Group and the internal control and risk management systems of the Group. The Audit Committee operates under a written charter that satisfies the applicable standards of the SEC, the NASDAQ and the HKEx. A copy of the Audit Committee charter is available on our website at www.beigene.com under “Investors – HKEx investors – Corporate Governance” and the website of the HKEx. During 2023, the Audit Committee’s major work included reviewing the 2022 annual report as well as the related results announcement, the 2023 interim report and interim results announcement, and the 2023 quarterly financial reports, reviewing the external auditors’ plans, reports, fees, involvement in non-audit services and their terms of engagement, and reviewing the effectiveness of the Company’s financial reporting system, internal control systems and associated procedures.

Compensation Committee

The Compensation Committee’s roles and functions include:

- annually reviewing and approving corporate goals and objectives relevant to the compensation of our Chief Executive Officer, President, Chief Operating Officer and General Manager of China, and Chief Financial Officer;
- evaluating the performance of our Chief Executive Officer, President, Chief Operating Officer and General Manager of China, and Chief Financial Officer in light of such corporate goals and objectives, reviewing and assessing the results of the most recent shareholder advisory vote on executive compensation and recommending to the Board for approval their compensation based on that evaluation and vote results (to the extent the Compensation Committee deems appropriate);
- reviewing and approving the compensation of our other executive officers and key officers;
- developing and implementing our overall management compensation and policy to align the interests of management with our shareholders’;

CORPORATE GOVERNANCE REPORT

- overseeing and administering our compensation and similar plans;
- evaluating and assessing potential current compensation advisors in accordance with the independence standards;
- retaining and approving the compensation of any compensation advisors;
- reviewing and approving matters relating to incentive-based compensation plans and equity-based plans;
- reviewing and approving our policies and procedures for the grant of equity-based awards;
- reviewing and making recommendations to the Board with respect to director compensation;
- overseeing and administering a compensation recovery policy including, without limitation, a policy designed to comply with any rules or regulations adopted by the SEC and NASDAQ pursuant to Section 10D of the Exchange Act;
- periodically reviewing compliance of Directors and officers with the Company's share ownership guidelines as may be in effect from time to time;
- preparing the compensation committee report; and
- reviewing and discussing with management the compensation discussion and analysis.

As of the date of this annual report, the Compensation Committee comprises Dr. Margaret Han Dugan, Mr. Ranjeev Krishana and Mr. Qingqing Yi. Dr. Margaret Han Dugan is the chair of the Compensation Committee.

Details of the remuneration payable to each Director of the Company for the year ended December 31, 2023 are set out in Note 25 to the consolidated financial statements. The remuneration payable to each of our senior management ranges from HK\$15,000,001 to HK\$135,000,000.

CORPORATE GOVERNANCE REPORT

The Compensation Committee held seven meetings during the year ended December 31, 2023. Individual attendance of each committee member is set out on page 253 of this annual report. During the meetings, the Compensation Committee reviewed the compensation structure and made recommendations to the Board on determining the annual compensation packages of the Directors and the senior management. The Compensation Committee operates under a written charter adopted by the Board, which is available on our website at www.beigene.com under “Investors – HKEX investors – Corporate Governance” and the website of the HKEx. During 2023, the Compensation Committee’s major work included reviewing and recommending to the Board in respect of the compensation policy and structure by benchmarking peer companies with a similar scale to ensure that the Company’s compensation packages are competitive to recruit the best talents in the industry and to retain key staff; reviewing and recommending to the Board on the compensation packages for the directors; assessing performance; reviewing and approving adjustments to the compensation packages for the senior managements; and reviewing and approving matters relating to incentive-based compensation plans and equity-based plans (including the grants of share options and restricted share units to employees and Directors under the 2016 Plan and the purchase of Shares by employees under the 2018 ESPP, which were made and announced by the Company during the Reporting Period.

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee’s roles and functions include:

- developing and recommending to the Board criteria for board and committee membership;
- establishing procedures for identifying and evaluating board of director candidates, including nominees recommended by shareholders;
- identifying individuals qualified to become members of the Board;
- recommending to the Board the persons to be nominated for election as directors and to each of the board’s committees;
- developing and recommending to the Board a set of corporate governance guidelines;
- overseeing the evaluation of the Board and management; and
- reviewing and discussing with the Board corporate succession plans for the Chief Executive Officer and other key officers.

As of the date of this annual report, the Nominating and Corporate Governance Committee comprises Mr. Donald W. Glazer, Mr. Michael Goller, Mr. Anthony C. Hooper and Dr. Alessandro Riva. Mr. Donald W. Glazer is the chair of the Nominating and Corporate Governance Committee.

CORPORATE GOVERNANCE REPORT

The Nominating and Corporate Governance Committee may meet at such times as it deems appropriate. The Nominating and Corporate Governance Committee held four meetings during the year ended December 31, 2023. Individual attendance of each committee member is set out on page 253 of this annual report. The Nominating and Corporate Governance Committee operates pursuant to a written charter adopted by the Board, which is available on our website at www.beigene.com under “Investors – HKEX investors – Corporate Governance” and the website of the HKEx. During 2023, the Nominating and Corporate Governance Committee members reviewed the structure, size and composition of the Board, considered and made recommendations to the Board on the director appointment, the re-election of the directors at the 2023 annual general meeting and the board committee membership through acting by written consent. The Nominating and Corporate Governance Committee has also assessed the independence of the Directors, taking into account of the independence guidelines set out in Rule 3.13 of the HK Listing Rules and the NASDAQ Listing Rules and reviewed and monitored policies and practices on corporate governance and make recommendations to the Board to ensure compliance with the Corporate Governance Code.

Scientific Advisory Committee

The Scientific Advisory Committee’s responsibilities include:

- receiving and discussing reports from management regarding the Company’s research and development plans and programs;
- assisting, to the extent it deems helpful, the Board and the Compensation Committee in setting and evaluating any research or development performance goals under the Company’s incentive compensation programs; and
- assisting, to the extent it deems helpful, the Board and the Compensation Committee in assessing the capabilities of and evaluating the performance of the Company’s key scientific and technical personnel and the depth and breadth of the Company’s scientific resources.

The Scientific Advisory Committee may meet at such times as it deems appropriate. The Scientific Advisory Committee held four meetings during the year ended December 31, 2023. Individual attendance of each committee member is set out on page 253 of this annual report. As of the date of this annual report, the Scientific Advisory Committee comprises Dr. Xiaodong Wang, Dr. Margaret Han Dugan, Mr. Michael Goller, Dr. Alessandro Riva, Dr. Corazon (Corsee) D. Sanders and Mr. Qingqing Yi. Dr. Xiaodong Wang and Dr. Alessandro Riva, serve as the co-chairs of the Scientific Advisory Committee. Effective January 22, 2024, Mr. Thomas Malley ceased to serve as a member of the Scientific Advisory Committee. The Scientific Advisory Committee operates under a written charter adopted by the Board, which is available on our website at www.beigene.com under “Investors – HKEX investors – Corporate Governance” and the website of the HKEx.

CORPORATE GOVERNANCE REPORT

Commercial and Medical Affairs Advisory Committee

The Commercial and Medical Affairs Advisory Committee's responsibilities include:

- receiving and discussing reports from management regarding the Company's commercial strategy and plans and competitiveness of the Company's commercial programs;
- receiving and discussing reports from management regarding the Company's medical affairs strategy and plans and competitiveness of the Company's medical affairs programs;
- assisting, to the extent it deems helpful, the Board and the Compensation Committee in setting and evaluating any commercial and medical affairs performance goals under the Company's incentive compensation programs; and
- assisting, to the extent it deems helpful, the Board and the Compensation Committee in assessing the capabilities of and evaluating the performance of the Company's key commercial and medical affairs personnel and the depth and breadth of the Company's commercial and medical affairs resources.

The Commercial and Medical Affairs Advisory Committee may meet at such times as it deems appropriate. The Commercial and Medical Affairs Advisory Committee held four meetings during the year ended December 31, 2023. Individual attendance of each committee member is set out on page 253 of this annual report. As of the date of this annual report, the Commercial and Medical Affairs Advisory Committee comprises Mr. Anthony C. Hooper, Dr. Olivier Brandicourt (appointed as a member of the Commercial and Medical Affairs Advisory Committee effective March 19, 2024), Dr. Margaret Han Dugan, Mr. Ranjeev Krishana and Dr. Corazon (Corsee) D. Sanders. Mr. Anthony C. Hooper is the chair of the Commercial and Medical Affairs Advisory Committee. The Commercial Medical Affairs Advisory Committee operates under a written charter adopted by the Board, which is available on our website at www.beigene.com under "Investors – HKEX investors – Corporate Governance" and the website of the HKEx.

CORPORATE GOVERNANCE REPORT

BOARD DIVERSITY POLICY

The Company's Board Diversity Policy sets out the Company's approach to diversity on the Board. Pursuant to the Board Diversity Policy, our Nominating and Corporate Governance Committee reviews annually the structure, size and composition of the Board and, where appropriate, make recommendations on changes to the Board. In reviewing the Board's composition, our Nominating and Corporate Governance Committee considers, among other characteristics, the nationality, ethnicity, gender, age, skills, expertise, and industry and regional experience of board members and nominees. The Board Diversity Policy further provides that our Nominating and Corporate Governance Committee will discuss and, where necessary, agree on measurable objectives for achieving diversity on the Board and recommend them to the Board for adoption. The Board intends to rate its composition against the factors identified above and to recruit a Director or Directors to address any factors that could bear improvement. The Board has achieved its goal of recruiting at least one female Director in 2020. In 2022, the Board elected a new female director. The Board is currently comprised of eleven directors, two of whom are female. The Board Diversity Policy is available on our website at www.beigene.com under "Investors – HKEX investors – Corporate Governance."

Board Diversity Matrix

The following Board Diversity Matrix presents our Board diversity statistics.

	As of April 17, 2024	
	Female	Male
Total Number of Directors	11	
Part I: Gender Identity		
Directors	2	9
Part II: Demographic Background		
Asian	1	3
White		6
Two or More Races of Ethnicities	1	
LGBTQ+		1

WORKFORCE GENDER DIVERSITY

Having a diverse workforce that reflects the diversity of our global patient population is crucial for our success. In 2023, the Company maintained gender parity in all levels of the organization below Vice President. At the Vice President and above level, the Company saw the percentage of women increase from 33% in 2022 to 38% in 2023. Additionally, the percentage of total U.S. colleagues identifying as members of under-represented groups increased to 55% in 2023, in comparison to 52% in 2022. Moving forward, the Company will work to increase the representation of individuals from underrepresented groups within management levels. For further details, please refer to the disclosure in the Company's Responsible Business & Sustainability Report published on the same day as this annual report.

CORPORATE GOVERNANCE REPORT

NOMINATION POLICY

As set forth in the Nominating and Corporate Governance Committee Charter, the Corporate Governance Guidelines and the Board Diversity Policy, the Board will consider and approve from time to time the criteria that it deems necessary or advisable for director candidates. The Board has full authority to modify such criteria as it deems necessary or advisable. The Board has delegated to the Nominating and Corporate Governance Committee the responsibility for developing and recommending to the Board for its consideration and approval criteria for director candidates. The Company has adopted policies and procedures for director candidates. The Board may, however, rescind its delegation and assume the responsibilities it previously delegated to the Nominating and Corporate Governance Committee.

The Board has delegated to the Nominating and Corporate Governance Committee the responsibility to identify candidates for nomination to the Board (including candidates to fill vacancies) and assess their qualifications in light of the policies and principles in our Corporate Governance Guidelines, the Diversity Policy and the Nominating and Corporate Governance Committee Charter. The Nominating and Corporate Governance Committee will recommend director candidates for the Board's consideration and review the candidates' qualifications with the Board. The Board retains the authority to nominate a candidate for election by the shareholders as a director and to fill vacancies. From time to time, the Nominating and Corporate Governance Committee utilizes third-party search firms to identify director candidates. For example, in 2021, the Nominating and Corporate Governance Committee engaged a third-party search firm to identify director candidates. In identifying director candidates, the Nominating and Corporate Governance Committee may consider all facts and circumstances it deems appropriate, including, among other things, the skills of the candidate, his or her depth and breadth of business experience and other background characteristics, his or her independence and the needs of the Board.

The Nominating and Corporate Governance Committee has not adopted a formal policy with respect to a fixed set of specific minimum qualifications for its candidates for membership on the Board of Directors. Our Nominating and Corporate Governance Committee and Board may therefore consider a broad range of factors relating to the qualifications and background of nominees, which may include diversity as set forth in the Board Diversity Policy. Our Nominating and Corporate Governance Committee's and Board's priority in selecting board members is identification of persons who will further the interests of our shareholders through their established record of professional accomplishment, the ability to contribute positively to the collaborative culture among board members, knowledge of our business, understanding of the competitive landscape, and professional and personal experiences and relevant expertise.

CORPORATE GOVERNANCE REPORT

Any shareholder wishing to recommend a director candidate for consideration by the Nominating and Corporate Governance Committee should provide the following information within the timeframe set forth by our Articles and SEC rules to BeiGene, Ltd., c/o Maurant Governance Services (Cayman) Limited, 94 Solaris Avenue, Camana Bay, Grand Cayman KY1-1108, Cayman Islands, Attention: Secretary: (a) the name and address of record of the shareholder; (b) a representation that the shareholder is a record holder of our securities or, if the shareholder is not a record holder, evidence of ownership in accordance with Rule 14a-8(b) (2) of the Securities Exchange Act of 1934, as amended; (c) the candidate's name, age, business and residential address, educational background, current principal occupation or employment, and principal occupation or employment for the past five years; (d) a description of the qualifications and background of the candidate that addresses the criteria for board membership approved by our Board of Directors; (e) a description of all arrangements or understandings between the shareholder and the candidate; (f) the consent of the candidate (i) to be named in the proxy statement/circular for our next general meeting and (ii) to serve as a director if elected at that meeting; and (g) any other information regarding the candidate that is required to be included in a proxy statement/circular filed pursuant to SEC rules and HK Listing Rules. The Nominating and Corporate Governance Committee may seek further information from or about the shareholder making the recommendation, the candidate, or any such other beneficial owner, including information about all business and other relationships between the candidate and the shareholder and between the candidate and any such other beneficial owner.

BOARD INDEPENDENCE

The Company recognizes that Board independence is key to good corporate governance. The Company has in place effective mechanisms that underpin an independent Board. The current composition of the Board, comprising nine independent non-executive Directors. The members of the Audit Committee, Compensation Committee and Nominating and Corporate Governance Committee are all independent non-executive Directors, exceeding the independence requirements under the HK Listing Rules. The remuneration of independent non-executive Directors are subject to a regular review to maintain competitiveness and commensurate with their responsibilities and workload. The independence of each independent non-executive Director is assessed upon his/her appointment and annually.

Directors are requested to declare their direct or indirect interests, if any, in proposals or transactions to be considered by the Board at the Board meetings and abstain from voting, where appropriate. External independent professional advice is available to all Directors, including independent non-executive Directors, whenever deemed necessary. The independent non-executive Directors have consistently demonstrated strong commitment and the ability to devote sufficient time to discharge their responsibilities at the Board.

The Company has also established channels through formal and informal means whereby independent non-executive Directors can express their views in an open manner, and in a confidential manner, should circumstances requires.

CORPORATE GOVERNANCE REPORT

ANTI-CORRUPTION AND WHISTLEBLOWING POLICY

The Company does not tolerate any form of bribery, whether direct or indirect, by, or of, its Directors, officers, employees, agents or consultants or any persons or companies acting for it or on its behalf. The Company adopts the anti-corruption policy in assisting the employees in recognising circumstances which may lead to or give the appearance of being involved in corruption or unethical business conduct, so as to avoid such conduct which is clearly prohibited, and to promptly seek guidance if necessary. The Company expects and encourages employees of the Group and those who deal with the Group (e.g. suppliers, customers, creditors and debtors) to report to the Company, in confidence, any suspected impropriety, misconduct or malpractice concerning the Group. The Audit Committee receives quarterly reports on anti-corruption and significant compliance program activities.

The Company also adopts the whistleblowing policy to provide reporting channels and guidance on reporting possible improprieties and reassurance to whistleblowers of the protection that the Group will extend to them in the formal system. Any material improprieties related to the Company will be reported to the Audit Committee.

These policies are reviewed from time to time to ensure their relevance and appropriateness to the Group's business, corporate strategy and stakeholder expectations.

CORPORATE GOVERNANCE FUNCTION

The Board is responsible for performing the functions set out in code provision A.2.1 of the Corporate Governance Code.

The Board had reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Company's securities dealing policies, and the Company's compliance with the Corporate Governance Code and disclosure in this Corporate Governance Report. The Board has performed the above duties during the year ended December 31, 2023.

CORPORATE GOVERNANCE REPORT

BOARD MEETINGS, COMMITTEE MEETINGS AND SHAREHOLDER MEETINGS

The attendance records of each Director at Board meetings, committee meetings and shareholder meetings held during the year ended December 31, 2023 are set out below.

Name of Director	Attendance/Number of Meeting(s)						
	Board	Audit Committee	Compensation Committee	Nominating and Corporate Governance Committee	Scientific Advisory Committee	Commercial and Medical Affairs Advisory Committee	Shareholder Meeting
Executive Director:							
Mr. John V. Oyler	5/5	N/A	N/A	N/A	N/A	N/A	1/1
Non-executive Director:							
Dr. Xiaodong Wang	5/5	N/A	N/A	N/A	4/4	N/A	0/1
Independent Non-executive Directors:							
Dr. Margaret Han Dugan	5/5	N/A	6/7	N/A	4/4	4/4	1/1
Mr. Donald W. Glazer	5/5	N/A	N/A	4/4	N/A	N/A	1/1
Mr. Michael Goller	5/5	N/A	N/A	3/4	4/4	N/A	1/1
Mr. Anthony C. Hooper ⁽¹⁾	4/5	12/12	N/A	4/4	N/A	4/4	1/1
Mr. Ranjeev Krishana	5/5	N/A	7/7	N/A	N/A	4/4	1/1
Mr. Thomas Malley ⁽²⁾	5/5	11/12	N/A	N/A	2/4	N/A	1/1
Dr. Alessandro Riva	5/5	N/A	N/A	4/4	4/4	N/A	1/1
Dr. Corazon (Corsee) D. Sanders	5/5	11/12	N/A	N/A	4/4	4/4	1/1
Mr. Qingqing Yi	4/5	N/A	7/7	N/A	4/4	N/A	1/1

Notes:

- (1) The Board redesignated Mr. Anthony C. Hooper as an independent non-executive Director effective from April 17, 2023. Effective September 13, 2023, Mr. Anthony C. Hooper has been appointed as the chair of the Audit Committee.
- (2) Effective as of January 22, 2024, Mr. Thomas Malley resigned as an independent non-executive Director and a member of the Audit Committee and the Scientific Advisory Committee.

CORPORATE GOVERNANCE REPORT

In accordance with code provision C.2.7 of the Corporate Governance Code, Mr. John V. Oyler, the Chairman of the Board and our only executive Director, also held meetings with the independent non-executive Directors without the presence of other Directors during the year ended December 31, 2023.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for supervising management's preparation of the financial statements of the Company for the year ended December 31, 2023.

The Directors of the Company are responsible for the preparation of the consolidated financial statements for the year ended December 31, 2023 that give a true and fair view in accordance with U.S. generally accepted accounting principles and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditor of the Company about its reporting responsibilities on the financial statements is set out in the Independent Auditor's Report contained in this annual report.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

The Directors intend to keep abreast of their responsibilities as directors of the Company and of the conduct, business activities and development of the Company.

The Company arranges a formal and comprehensive induction to a newly appointed Director to ensure that the Director has a proper understanding of the Company's operations and business and is fully aware of the director's responsibilities under the HK Listing Rules and SFO, and other legal and regulatory requirements.

The Company arranges trainings to provide Directors with updates on latest development and changes in the HK Listing Rules and other relevant legal and regulatory requirements from time to time. The Directors are also provided with regular updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge his or her duties. The Company also encourages the Directors to attend relevant training courses provided by legal advisors and/or any appropriate institutions.

CORPORATE GOVERNANCE REPORT

For the year ended December 31, 2023, Mr. John V. Oyler, Dr. Xiaodong Wang, Dr. Margaret Han Dugan, Mr. Donald W. Glazer, Mr. Michael Goller, Mr. Anthony C. Hooper, Mr. Ranjeev Krishana, Mr. Thomas Malley, Dr. Alessandro Riva, Dr. Corazon (Corsee) D. Sanders and Mr. Qingqing Yi all participated in continuing professional development regarding their duties and responsibilities as a director of a listed company which included reading materials and/or attending training.

Effective January 23, 2024, Dr. Olivier Brandicourt was appointed to the Board. In January 2024, Dr. Olivier Brandicourt participated in a training session conducted by Skadden, Arps, Slate, Meagher & Flom, our legal adviser as to Hong Kong law, on directors' duties, responsibilities and obligations under the HK Listing Rules and the SFO. Dr. Olivier Brandicourt confirms that he (i) has obtained the legal advice referred to under Rule 3.09D of the HK Listing Rules on January 12, 2024, and (ii) understands his obligations as a director of a listed issuer under the HK Listing Rules.

AUDITORS' REMUNERATION

The remuneration paid/payable to Ernst & Young, Ernst & Young LLP and Ernst & Young Hua Ming LLP, in respect of audit services and non-audit services for the year ended December 31, 2023 and 2022, is set out below:

Services Category	Fees paid and payable	
	2023 (US\$'000)	2022 (US\$'000)
Audit services	7,057	7,037
Non-audit services	64	57
Total	<u>7,121</u>	<u>7,094</u>

Audit services consist of services for the audits of our financial statements and internal control over financial reporting for SEC filings, quarterly review of financial statements included in the Company's Quarterly Reports on Form 10-Q, services related to the Company's Hong Kong Stock Exchange filings, services related to the Company's STAR Market listing, annual report filings and other statutory and regulatory filings.

Non-audit services in 2023 mainly consist of tax advisory services.

The statement of the Auditor about their reporting responsibilities for the consolidated financial statements is set out in the "Independent Auditor's Report" contained in this annual report.

CORPORATE GOVERNANCE REPORT

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Collaboration with Amgen

As disclosed in this annual report, on October 31, 2019, the Company's wholly-owned subsidiary, BeiGene Switzerland GmbH ("BeiGene Switzerland"), entered into a collaboration agreement with Amgen, which became effective on January 2, 2020 (the "Amgen Collaboration Agreement") and pursuant to which BeiGene and Amgen agreed to enter into a strategic collaboration on the commercialization of Amgen's oncology products XGEVA[®], BLINCYTO[®] and KYPROLIS[®] (the "In-Line Products") in China (excluding Hong Kong, Macao and Taiwan) and the global development and commercialization of a portfolio of Amgen clinical- and late-preclinical-stage oncology pipeline products (the "Pipeline Products", together with the In-Line Products, the "Products"). Amgen is a substantial shareholder holding approximately 18.2% of the issued share capital of the Company and, therefore, a connected person of the Company under Chapter 14A of the HK Listing Rules. As a result, the transactions contemplated under the Amgen Collaboration Agreement constitute continuing connected transactions of the Company under Chapter 14A of the HK Listing Rules.

Pursuant to the terms of the Amgen Collaboration Agreement, we are responsible for commercializing Amgen's oncology products XGEVA[®], BLINCYTO[®] and KYPROLIS[®] in China (excluding Hong Kong, Macao and Taiwan) for a period of five or seven years following each product's regulatory approval in China, as specified in the Amgen Collaboration Agreement, with the commercialization period for XGEVA[®] commencing following the transition of operational responsibilities for the product. In addition, as specified in the agreement, we have the option to retain one of the three products to commercialize for as long as the product is sold in China. The parties have agreed to equally share profits and losses for the products in China during each product's commercialization period. After expiration of the commercialization period for each product, the products not retained will be transitioned back to Amgen and we will be eligible to receive tiered mid-single to low-double digit royalties on net sales in China of each product for an additional five years.

Additionally, pursuant to the terms of the Amgen Collaboration Agreement, we and Amgen have agreed to collaborate on the global development and commercialization of a portfolio of Amgen clinical – and late-preclinical-stage oncology pipeline products.. Starting from the commencement of the Amgen Collaboration Agreement, we and Amgen will co-fund global development costs, with BeiGene Switzerland contributing up to US\$1.25 billion worth of development services and cash over the term of the collaboration. BeiGene will be eligible to receive tiered mid-single digit royalties on net sales of each product globally outside of China on a product-by-product and country-by-country basis, until the latest of the expiration of the last valid patent claim, the expiration of regulatory exclusivity, or the earlier of eight years after the first commercial sale of such product in the country of sale and 20 years from the date of first commercial sale of such product anywhere in the world.

CORPORATE GOVERNANCE REPORT

For each pipeline product that is approved in China, BeiGene will have the right to commercialize the product for seven years, with the parties sharing profits and losses for the product in China equally. In addition, BeiGene will have the right to retain approximately one of every three approved products, up to a total of six, other than sotorasib (AMG 510), to commercialize for as long as each such product is sold in China. After the expiration of the seven-year commercialization period, each product will be transitioned back to Amgen and BeiGene will be eligible to receive tiered mid-single to low-double digit royalties on net sales in China for an additional five years. The parties are subject to specified exclusivity requirements in China and the rest of the world.

In connection with our ongoing assessment of the Amgen Collaboration Agreement cost-share contributions, we determined that our further investment in the development of AMG 510 was no longer commercially viable for BeiGene. As a result, in February 2023, we entered into an amendment to the Amgen Collaboration Agreement to (i) stop sharing costs with Amgen for the further development of AMG 510 during the period starting January 1, 2023 and ending August 31, 2023; and (ii) cooperate in good faith to prepare a transition plan with the termination of AMG 510 from the Amgen Collaboration Agreement.

Under Rule 14A.52 of the HK Listing Rules, the period of an agreement for a continuing connected transaction must be fixed. However, the term of the Amgen Collaboration Agreement is for an unspecified term as it will, unless terminated in accordance with its terms, remain in effect. Under Rule 14A.53(1) of the HK Listing Rules, an annual cap in monetary terms must be set for a continuing connected transaction. The Company applied for, and the HKEx granted, a waiver from strict compliance with Rules 14A.52 and 14A.53(1) of the HK Listing Rules, subject to the following conditions:

- (a) the Company will comply with the announcement, circular and independent shareholders' approval requirements under Chapter 14A of the HK Listing Rules if there are any material changes to the terms of the Amgen Collaboration Agreement;
- (b) the Company's independent non-executive directors from time to time will ensure that the transactions in relation to the Amgen Collaboration Agreement are undertaken in accordance with its terms;
- (c) the Senior Vice President, General Counsel of the Company will use his best endeavours to supervise the compliance with the terms of the Amgen Collaboration Agreements and applicable HK Listing Rules requirements to the extent not waived by the HKEx on a regular basis;
- (d) the independent non-executive directors and the auditors of the Company will review the transactions in relation to the Amgen Collaboration Agreement on an annual basis and confirm in the Company's annual reports the matters set out in Rules 14A.55 and 14A.56 of the HK Listing Rules, respectively; and
- (e) in the event of any future amendments to the HK Listing Rules imposing more stringent requirements than those as at the date of the announcement published by the Company on November 1, 2019 via the HKEx, the Company will take immediate steps to ensure compliance with such new requirements.

CORPORATE GOVERNANCE REPORT

Under the Amgen Collaboration Agreement, the transaction amounts arising from the costs and revenues of the commercialization of the products and the royalties to be received by the Company shall be determined in accordance with the below formulae:

(a) Caps in relation to the profits and losses of the commercialization of the Products

The Company and Amgen will share equally in the profits and losses of the commercialization of the Products in China in accordance with the following formula:

Net profit to be received/net loss to be bore by the Company = 50% x (net revenue of the relevant Product – manufacturing actual costs – commercialization and related costs)

(b) Caps in relation to royalties

- Global Ex-China Royalties

During the applicable Global Pipeline Royalty Term (the period beginning on the first commercial sale of a Pipeline Product in a country (other than China) and expiring on the latest of (i) the expiration of the last valid patent claim, (ii) the expiration of regulatory exclusivity, or (iii) the earlier of (x) eight years after the first commercial sale of the product in the country of sale or (y) 20 years from the date of first commercial sale of the product anywhere in the world), the Company will be eligible to receive tiered mid-single digit royalties on global net sales outside of China on a sliding scale for each Pipeline Product (other than AMG 510) in accordance with the following formula:

Royalties to be received = incremental annual global net revenue of the relevant Pipeline Product outside China x the applicable royalty rate

- China Royalties

During the applicable five-year period beginning on the return of a Product to Amgen, the Company will be eligible to receive tiered mid-single to low-double digit royalties on net sales in China on a sliding scale for each Product returned to Amgen in accordance with the following formula:

Royalties to be received = annual net revenue of the relevant returned Product in China x the applicable royalty rate

CORPORATE GOVERNANCE REPORT

Under the Amgen Collaboration Agreement, the Company will receive from Amgen quarterly financial information regarding the royalty calculation and the Company is entitled to specified audit right.

Under the Amgen Collaboration Agreement, the Company's payment obligations, whether in cash or in kind, towards the development of the Pipeline Products shall be subject to an aggregate maximum of US\$1.25 billion. The Company will also share in the costs of developing additional indications for the In-Line products in China, subject to an annual maximum contribution by the Company of US\$12.5 million and an aggregate maximum of US\$37.5 million over the term of the Amgen Collaboration Agreement.

Confirmation from Our Independent Non-executive Directors

Our independent non-executive Directors have reviewed the continuing connected transactions (the "Continuing Connected Transactions") contemplated under the Amgen Collaboration Agreement, and confirmed the Continuing Connected Transactions have been entered into: (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or better; and (c) the terms of the Continuing Connected Transactions are fair and reasonable and in the interests of our shareholders as a whole.

Confirmation from Auditor

To comply with Rule 14A.56 of the HK Listing Rules, the Company has engaged Ernst & Young (the "Auditor") to conduct certain procedures in respect of the Continuing Connected Transactions contemplated under the Amgen Collaboration Agreement for the year ended December 31, 2023, in accordance with the Hong Kong Standard on Assurance Engagement 3000 (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and with reference to Practice Note 740 (Revised) *Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules* issued by the HKICPA. The Auditor has confirmed in a letter to the Board that, with respect to the Continuing Connected Transactions contemplated under the Amgen Collaboration Agreement for the year ended December 31, 2023: (a) nothing has come to their attention that causes them to believe that the Continuing Connected Transactions have not been approved by the Company's board of Directors; (b) for transactions involving the provision of goods or services by the Group, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group; and (c) nothing has come to their attention that causes them to believe that the Continuing Connected Transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions.

CORPORATE GOVERNANCE REPORT

Direct Purchase Option

On March 17, 2020, the Company and Amgen entered into an Amendment No. 2 (the “Second Amendment”) to the Amgen SPA in order to account for periodic dilution from the issuance of shares by us, which agreement was restated in its entirety on September 24, 2020 (the “Restated Second Amendment”). Pursuant to the Restated Second Amendment, Amgen has an option (the “Direct Purchase Option”) to subscribe for additional ADSs in an amount necessary to enable it to increase (and subsequently maintain) its ownership at approximately 20.6% of our outstanding shares. The Direct Purchase Option is exercisable on a monthly basis, but only if Amgen’s interest in our outstanding shares at the monthly reference date is less than 20.4%. The Direct Purchase Option (i) is exercisable by Amgen solely as a result of dilution arising from issuance of new shares by us under our equity incentive plans from time to time, and (ii) is subject to annual approval by our independent shareholders each year during the term of the Restated Second Amendment. The exercise period of the Direct Purchase Option commenced on December 1, 2020 and will terminate on the earliest of: (a) the date on which Amgen and its affiliates collectively own less than 20% of the outstanding share capital of the Company as a result of Amgen’s sale of shares; (b) at least 60-day advance written notice from either Amgen or the Company that such party wishes to terminate the Direct Purchase Option; or (c) December 1, 2023. The Direct Purchase Option has no vesting period.

For further details, please refer to the announcements of the Company dated March 18, 2020, September 25, 2020 and the Company’s proxy statement/circular dated October 9, 2020.

In September 2021, upon Amgen’s exercise of its Direct Purchase Option, the Company issued an aggregate of 165,529 ADSs, representing 2,151,877 ordinary shares, to Amgen for a total consideration of US\$50,000,000 in a private placement pursuant to the Restated Second Amendment. Amgen did not exercise its Direct Purchase Option in 2022 and 2023.

Except as disclosed hereunder, no share was issued under the Direct Purchase Option as of the date of this annual report.

CORPORATE GOVERNANCE REPORT

Consulting Agreement with Dr. Xiaodong Wang

We have entered into a consulting agreement with Dr. Xiaodong Wang, which is a fully-exempt continuing connected transaction, as disclosed in this annual report.

Grants of RSUs to Directors

On June 15, 2023, following the approval of the independent shareholders at the 2023 annual general meeting, the Company granted RSUs representing 27,357 ADSs to Mr. John V. Oyler, RSUs representing 6,632 ADSs to Dr. Xiaodong Wang, and RSUs representing 994 ADSs to each of the independent non-executive Directors, namely, Dr. Margaret Han Dugan, Mr. Donald W. Glazer, Mr. Michael Goller, Mr. Anthony C. Hooper, Mr. Ranjeev Krishana, Mr. Thomas Malley, Dr. Alessandro Riva, Dr. Corazon (Corsee) D. Sanders, and Mr. Qingqing Yi under the 2016 Plan, the total number of such underlying Shares amounting to 558,155 Shares. Each grantee was a director of the Company at the date of the grant, and therefore a connected person of the Company. The awards are granted, among other terms, for nil consideration, and represents the right to receive one Share on the date it vests. Such grants are part of the Company's compensation program and aim to retain and motivate the Directors to participate in the formulation of strategy and long-term development of the Company.

For further details, please refer to the announcements of the Company dated April 18, 2023 and June 20, 2023 and the circular of the Company dated April 27, 2023.

Except as disclosed hereunder, during the year ended December 31, 2023, the Group has not entered into any connected transaction or continuing connected transaction which should be disclosed pursuant to the requirements of Rule 14A.71 of the HK Listing Rules.

RELATED PARTY TRANSACTIONS

We have established an employee participation program, which allowed certain executive officers and qualified employees of our PRC subsidiaries to indirectly participate in the STAR Offering and purchase certain RMB Shares through an asset management plan administrated by China International Capital Corporation Limited ("RMB Shares Employee Participation Plan"). The RMB Shares Employee Participation Plan participated in the STAR Offering as a strategic investor and purchased 2,069,546 RMB Shares in the STAR Offering for an aggregate purchase price of RMB399.43 million pursuant to a strategic investor placement agreement. The RMB Shares Employee Participation Plan has 137 individual participants, including two of our executive officers, Xiaobin Wu and Lai Wang. Dr. Wu and Dr. Wang invested RMB15 million and RMB10 million, respectively, in the RMB Shares Employee Participation Plan.

Details of other related party transactions of the Group for the year ended December 31, 2023 are set out in Note 26 to the consolidated financial statements contained herein.

None of the related party transactions constitutes a connected transaction or continuing connected transaction subject to independent shareholders' approval, annual review and all disclosure requirements in Chapter 14A of the HK Listing Rules.

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for overseeing management's review and implementation of risk management and internal control systems. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

We have devoted ourselves to establishing and maintaining risk management and internal control systems consisting of policies and procedures that we consider to be appropriate for our business operations, and we are dedicated to continuously improving these systems.

We have adopted and implemented comprehensive risk management and internal control policies in various aspects.

Financial Reporting Risk Management

As a public company in the United States, we are subject to the Sarbanes-Oxley Act, together with the rules implemented by the SEC and applicable market regulators. The Sarbanes-Oxley Act requires, among other things, that we maintain effective internal control for financial reporting and disclosure controls and procedures. Our internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles. Management is responsible for establishing and maintaining adequate internal control over our financial reporting process, and the Audit Committee oversees our financial reporting process on behalf of the Board. We perform system and process evaluations and testing of our internal control over financial reporting based on the framework in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission, in order to allow management to report on the effectiveness of our internal control over financial reporting and describe any material weakness in internal control over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act. The effectiveness of our internal control over financial reporting is also tested by the Auditor.

Information System Risk Management

In the ordinary course of our business, we collect and store sensitive data, including, among other things, legally protected patient health information, identity information about our employees, intellectual property, and proprietary business information. We manage and maintain our applications and data utilizing on-site systems and outsourced vendors. These applications and data encompass a wide variety of business critical information including research and development information, commercial information, and business and financial information. We have implemented relevant internal procedures and controls to ensure that such sensitive data is protected and that leakage and loss of such data is avoided.

CORPORATE GOVERNANCE REPORT

Human Resources Risk Management

We provide regular and specialized training tailored to the needs of our employees in different departments. We regularly organize internal training sessions conducted by senior employees or outside consultants on topics of interest. The human resources team, run by senior leaders and experienced human resource professionals, create, schedule and deliver the training. The long-term goal is to further increase the number of trainings available to all employees as well as measure the success of the trainings.

In China and the U.S., we have in place employee handbooks approved by our management and distributed to all our employees, which contain internal rules and guidelines regarding best commercial practice, work ethics, fraud prevention mechanism, negligence and corruption.

We also have in place an FCPA Policy to safeguard against corruption within our Company. The policy explains potential corruption conducts and our anti-corruption measures. We make our internal reporting channel open and available for our staff to report suspected acts of corruption, and our staff can also make anonymous reports to our compliance department. Our compliance department is responsible for investigating reported incidents and taking appropriate measures.

Investment Risk Management and Treasury Policy

With our surplus cash on hand, we make short-term investments comprised primarily of U.S. treasury securities, U.S. agency securities and time deposits with original maturities between three and twelve months. The primary objective of short-term investments is to preserve principle, provide liquidity and maximize income without significant increasing risk. Our investment decisions are made on a case-by-case basis and after due and careful consideration of a number of factors, including but not limited to the market conditions, the anticipated investment conditions, the investment costs, the duration of the investment and expected benefit and potential loss of the investment.

Our finance department, under the supervision of our Chief Financial Officer, is responsible for managing our short-term investment activities. Before making a proposal to invest in wealth management products, our financial department must assess our cash flow and operational needs and capital expenditures. We operate under a Board-approved Investment Policy which governs the investment of our funds. The Investment Policy is reviewed annually by the Board and is circulated to the investment advisors to ensure compliance. Our investments to date have been primarily limited to U.S. Treasury securities, U.S. agency securities, and time deposits at reputable banks. Any material deviations from the Investment Policy would require consent by the Board or the Audit Committee. There have been no cases of material deviation from our Investment Policy to date.

CORPORATE GOVERNANCE REPORT

In assessing a proposal to invest in wealth management products, a number of criteria must be met, including but not limited to:

- investments in high risk products are prohibited;
- the primary objectives of investment activities are safety, liquidity and reasonable yield;
- the proposed investment must not interfere with our business operation or capital expenditures; and
- the wealth management products should be issued by a reputable bank.

We believe that our internal policies regarding investment in wealth management products and the related risk management mechanism are adequate. We may make investments in wealth management products that meet the above criteria, after consultation and approval by our Board or the Audit Committee, as part of our treasury management where we believe it is prudent to do so.

Audit Committee Experience and Qualification and Board Oversight

Our Audit Committee reviews the adequacy of our internal control over financial reporting to ensure that our internal control system is effective and adequate in identifying, managing and mitigating risks involved in our business operations. We also maintain an internal audit department which is responsible for reviewing the effectiveness of internal control and reporting to the Audit Committee on any issues identified.

Ongoing Measures to Monitor the Implementation of Risk Management Policies

Our Audit Committee, internal audit department and management together monitor the implementation of our risk management policies on an ongoing basis to ensure our policies and implementation are effective and sufficient.

Arrangements are in place to facilitate employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

We have adopted a Code of Conduct that governs, among other things, the handling of confidential information (including inside information). All current Directors, officers and employees are being supplied a copy of the Code of Conduct. Future Directors, officers and employees will be supplied a copy of the Code of Conduct when beginning service at the Company. All Directors, officers and employees will be expected to review and acknowledge their review and agreement to comply with the Code of Conduct on a periodic basis. Our management, under the supervision of our Board or a committee of our Board takes reasonable steps to (i) monitor compliance with the Code of Conduct, and (ii) when appropriate, impose and enforce appropriate disciplinary measures for violations of the Code of Conduct.

CORPORATE GOVERNANCE REPORT

Handling and Disseminating Inside Information

The Group has adopted adequate and effective internal control measures to regulate dealings with and the dissemination of inside information. These measures also serve to prohibit the unauthorized access to and use of inside information, and to ensure that dealings with and the dissemination of inside information by the Group meets the requirements of the SFO.

Review on Risk Management and Internal Control Systems

For the year ended December 31, 2023, we have conducted an annual review of the effectiveness of our risk management and internal control systems, which we consider to be effective and adequate. Such review covers the adequacy of resources, staff qualifications and experience, training programmes and budget of our accounting, internal audit, financial reporting functions, as well as those relating to our ESG performance and reporting, and the matters covered in code provision D.2.3 of the Corporate Governance Code.

COMPANY SECRETARY

Ms. Chau Hing Ling, of Vistra Corporate Services (HK) Limited, is our company secretary with respect to Hong Kong matters, and is responsible for advising the Board on corporate governance and company secretarial matters and ensuring that our Group complies with and applicable Hong Kong rules and regulations. Ms. Chau's primary contact person within the Company is Mr. Chan Lee, Senior Vice President, General Counsel of the Company. For the year ended December 31, 2023, Ms. Chau has undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the HK Listing Rules.

SHAREHOLDERS' RIGHTS

Convening of Extraordinary General Meetings by Shareholders and Putting Forward Proposals at General Meetings

Pursuant to articles 61 and 62 of our Articles, an extraordinary general meeting of our Company shall be convened on a members' requisition put forth by our shareholders holding at the date of deposit of the requisition in aggregate not less than one-tenth of the voting rights of such of the issued Shares as at that date of the deposit carries the right of voting at general meetings of our Company. The requisition must state the object of the meeting, set forth a form of any resolutions proposed by the requisitionists for consideration at the meeting and must be signed by the requisitionists and deposited at the registered office of the Company, and may consist of several documents in like form each signed by one or more requisitionists. If the Directors do not within 21 days from the date of the deposit of the requisition duly proceed to convene a general meeting to be held within a further 21 days, the requisitionists, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene a general meeting, but any meeting so convened shall not be held after the expiration of three months after the expiration of 21 days from the date of the deposit of the requisition.

CORPORATE GOVERNANCE REPORT

Putting Forward Enquiries to the Board and Contact Details

The Board provides to every shareholder the ability to communicate with the Board, as a whole, and with individual Directors through an established process for shareholder communication. For a shareholder communication directed to the Board as a whole, shareholders may send such communication to the attention of our Secretary via regular mail or expedited delivery service to: BeiGene, Ltd., c/o Mourant Governance Services (Cayman) Limited, 94 Solaris Avenue, Camana Bay, Grand Cayman KY1-1108, Cayman Islands, Attn.: Board of Directors c/o Secretary.

For a shareholder's communication directed to an individual Director in his or her capacity as a member of the Board, shareholders may send such communication to the attention of the individual Director via regular mail or expedited delivery service to: BeiGene, Ltd., c/o Mourant Governance Services (Cayman) Limited, 94 Solaris Avenue, Camana Bay, Grand Cayman KY1-1108, Cayman Islands, Attn.: [Name of Individual Director].

Communications will be distributed to the Board, or to any individual Director or Directors as appropriate, depending on the facts and circumstances outlined in the communications. Items that are unrelated to the duties and responsibilities of the Board may be excluded, such as junk mail and mass mailings, resumes and other forms of job inquiries, surveys and solicitations or advertisements.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company has established a range of communication channels between itself and its Shareholders, investors and other stakeholders. These include (i) the Company's securityholder communication policy providing every securityholder the ability to communicate with the Board, as a whole, and with individual directors on the Board through an established process for securityholder communication; (ii) the publication of interim and annual reports and/or dispatching circulars, notices, and other announcements; (iii) the annual general meeting or extraordinary general meeting providing a forum for Shareholders to raise comments and exchanging views with the Board; (iv) updated and key information of the Group available on the Company's website and HKEx's website; (v) the Company's share registrar in Hong Kong serving the Shareholders in respect of all share registration matters; and (vi) convening investor meeting and/or analyst briefings, which led by our senior managements and investor relations team with existing and potential investors.

CORPORATE GOVERNANCE REPORT

The Company has reviewed the implementation and effectiveness of its securityholders' communication policy for the year ended 31 December 2023, including the steps taken at the general meetings, the handling of queries received and the multiple communication channels in place. The Company is of the view that the policy is effective and has been properly implemented.

With the expansion of paperless listing regime and electronic dissemination of corporate communications coming into effect on December 31, 2023, the Company will disseminate the future corporate communications of the Company ("Corporate Communications") to its shareholders electronically and only send Corporate Communications in printed form upon request. For details of arrangement for dissemination of Corporate Communications, please refer to the Company's Notification Letters filed with HKEx on February 28, 2024 or visit the Company's website at www.beigene.com.

Notwithstanding the above, to the extent required under applicable rules, including rules of the SEC, the Company will mail printed copies of proxy materials for general meetings of shareholders, including Proxy Statement/Circular and Annual Report on Form 10-K.

The Company endeavors to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and other general meetings. At the forthcoming 2024 annual general meeting, Directors (or their delegates as appropriate) will be available in person or via teleconference to meet shareholders and answer their enquiries.

CHANGES IN CONSTITUTIONAL DOCUMENTS

The memorandum and articles of association of the Company was amended and restated as Sixth Amended and Restated Memorandum and Articles of Association (the "Sixth Restated Articles") with effect from December 15, 2021. A proposal was made to amend the Sixth Restated Articles at the annual general meeting held on June 15, 2023 in order to comply with the core shareholder protection standards as set out in Appendix A1 to the HK Listing Rules and certain corporate governance requirements of the HK Listing Rules and to incorporate certain housekeeping changes. The details of the amendments are set out in our circular dated April 27, 2023, which was published on the websites of the HKEx (www.hkexnews.hk) and our Company. Such amendments were approved by our Shareholders at the annual general meeting, and the Seventh Amended and Restated Memorandum and Articles of Association became effective from June 16, 2023.

INDEPENDENT AUDITOR'S REPORT

To the shareholders of BeiGene, Ltd.

(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of BeiGene, Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 273 to 367, which comprise the consolidated balance sheet as at December 31, 2023, and the consolidated statement of operations, the consolidated statement of comprehensive loss, the consolidated statement of shareholders' equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with U.S. generally accepted accounting principles ("U.S. GAAP" or "GAAP") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") issued by the International Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

Key audit matters *(continued)*

Key audit matter	How our audit addressed the key audit matter
<i>Accrual of research and development expenses</i>	
<p>During the year ended December 31, 2023, the Company recognized US\$1,778.6 million in research and development (“R&D”) expenses. The balance of accrued external R&D activities related expenses as of December 31, 2023 amounted to approximately US\$163.0 million. As described in Note 2 to the consolidated financial statements, R&D expenses include costs related to clinical trials paid to third-party contract research organizations and contract manufacturing organizations (collectively referred to as “Outsourced Service Providers”).</p> <p>Auditing the accrual of R&D expenses related to Outsourced Service Providers is complex because the clinical trial activities with the Outsourced Service Providers are typically performed over an extended period with several milestones for the services in each agreement. As a result, R&D expenses are allocated to each financial reporting period based upon the progress of the clinical trial activities. Determining the progress of the clinical trial activities requires significant estimates and judgement. These estimates are based on several factors, including management’s knowledge of the clinical trial activities associated with timelines, invoicing to date and the provisions in the contracts. Changes in these estimates can have a material effect on the amount of R&D expenses recognized during the reporting period.</p>	<p>We obtained an understanding, evaluated the design, and tested the operating effectiveness of controls over the accrual of the R&D expenses. For example, we tested controls over management’s review of the R&D accrual method and the estimates of the actual services performed by the Outsourced Service Providers.</p> <p>To test the accrual of R&D expenses, our audit procedures included, among others, reading the contracts with Outsourced Service Providers on a sampling basis and understanding and testing the estimates on the progress of clinical trial activities developed by management. Testing management’s estimates involved evaluating management’s assumptions used in the calculation related to the clinical trial activities and associated timelines, invoicing to date and the provisions in the contracts. We then evaluated the accrual of R&D expenses by comparing it to the subsequent progress billings issued by the Outsourced Service Providers. We also assessed the accrual methodology used by the Company, including the adequacy of related disclosures in the consolidated financial statements.</p>

INDEPENDENT AUDITOR'S REPORT

Other information included in the Annual Report

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with U.S. GAAP and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Wong Man Kit.

Ernst & Young

Certified Public Accountants

Hong Kong

March 28, 2024

CONSOLIDATED BALANCE SHEETS

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

CONSOLIDATED BALANCE SHEETS *(Continued)*

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

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS

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

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

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

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

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

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

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

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Ordinary Shares		Additional Paid-In Capital US\$'000	Accumulated Other Comprehensive Income/(Loss) US\$'000	Accumulated Deficit US\$'000	Total US\$'000
	Shares	Amount US\$'000				
Balance at December 31, 2021	1,334,804,281	133	11,191,007	17,950	(5,076,527)	6,132,563
Cost from issuance of ordinary shares	-	-	(152)	-	-	(152)
Issuance of shares reserved for share option exercises	1,375,621	-	-	-	-	-
Exercise of options, ESPP and release of RSUs	19,960,278	2	46,962	-	-	46,964
Share-based compensation	-	-	303,162	-	-	303,162
Other comprehensive loss	-	-	-	(95,367)	-	(95,367)
Net loss	-	-	-	-	(2,003,815)	(2,003,815)
Balance at December 31, 2022	1,356,140,180	135	11,540,979	(77,417)	(7,080,342)	4,383,355
Issuance of shares reserved for share option exercises	84,227	-	-	-	-	-
Exercise of options, ESPP and release of RSUs	26,561,925	2	53,006	-	-	53,008
Cancellation of ordinary shares	(23,273,108)	(2)	(362,915)	-	-	(362,917)
Share-based compensation	-	-	367,618	-	-	367,618
Other comprehensive loss	-	-	-	(22,029)	-	(22,029)
Net loss	-	-	-	-	(881,708)	(881,708)
Balance at December 31, 2023	1,359,513,224	135	11,598,688	(99,446)	(7,962,050)	3,537,327

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION

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

The Company currently has three approved medicines that were internally discovered and developed, including BRUKINSA® (zanubrutinib), a small molecule inhibitor of Bruton’s Tyrosine Kinase (“BTK”) for the treatment of various blood cancers; TEVIMBRA® (tislelizumab), an anti-PD-1 antibody immunotherapy for the treatment of various solid tumor and blood cancers; and PARTRUVIX® (pamiparib), a selective small molecule inhibitor of PARP1 and PARP2. The Company has obtained approvals to market BRUKINSA in the United States (“U.S.”), the People’s Republic of China (“China” or the “PRC”), the European Union (“EU”), the United Kingdom (“UK”), Canada, Australia, and additional international markets; TEVIMBRA (tislelizumab) in the EU and China; and PARTRUVIX in China. By leveraging its strong commercial capabilities, the Company has in-licensed the rights to distribute an additional 14 approved medicines for the China market. Supported by its global clinical development and commercial capabilities, the Company has entered into collaborations with world-leading biopharmaceutical companies such as Amgen Inc. (“Amgen”) and Beijing Novartis Pharma Co., Ltd. (“Novartis”) to develop and commercialize innovative medicines.

The Company is committed to advancing best- and first-in-class clinical candidates internally or with like-minded partners to develop impactful and affordable medicines for patients across the globe. Recognizing the importance of clinical trial activities in its industry and the challenges associated with outsourcing to third-party contract research organizations (“CROs”), the Company has built its own 3,000+ person internal clinical team and is largely CRO-free. The Company has conducted more than 130 clinical trials in-house, with over 22,000 subjects enrolled in approximately 45 regions. This includes more than 40 pivotal or potentially registration – enabling trials across its portfolio.

The Company has built, and is expanding, its internal manufacturing capabilities. The Company is building a commercial-stage biologics manufacturing and clinical R&D center in at the Princeton West Innovation Park in Hopewell, New Jersey (the “Hopewell facility”), in addition to its existing state-of-the-art biologic and small molecule manufacturing facilities in China to support current and potential future demand of its medicines. The Company also works with high quality contract manufacturing organizations (“CMOs”) to manufacture its internally developed clinical and commercial products.

Since its inception in 2010, the Company has become a fully integrated global organization of over 10,000 employees worldwide, including in the U.S., China, and Europe.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION *(Continued)*

As of December 31, 2023, the Company had the following principal subsidiaries:

Name of Company	Place of Incorporation	Particulars of issued/paid-in capital	Percentage of Ownership by the Company	Principal Activities and Place of Operation
BeiGene (Beijing) Co., Ltd. ("BeiGene Beijing")	PRC*	RMB2,722,787,023	100%	Medical and pharmaceutical research and development, PRC
BeiGene Guangzhou Biologics Manufacturing Co., Ltd. ("BeiGene Guangzhou Factory")	PRC*	RMB14,530,380,600	100%	Medical and pharmaceutical research and development, manufacturing and commercialization, PRC
BeiGene (Shanghai) Co., Ltd. ("BeiGene Shanghai")	PRC*	RMB1,434,344,311	100%	Medical and pharmaceutical research and development, PRC
BeiGene (Suzhou) Co., Ltd. ("BeiGene Suzhou")	PRC*	RMB4,273,218,389	100%	Medical and pharmaceutical research and manufacturing and commercialization, PRC
BeiGene Pharmaceutical (Shanghai) Co., Ltd. ("BeiGene Pharmaceutical (Shanghai)")	PRC*	USD1,000,000	100%	Drug commercialization, PRC
BeiGene (Shanghai) Research & Development Co., Ltd.	PRC*	RMB620,000,000	100%	Medical and pharmaceutical research and development, PRC
BeiGene USA, Inc. ("BeiGene USA")	Delaware, United States	USD1	100%	Medical, pharmaceutical research and development and commercialization, U.S.
BeiGene AUS Pty Ltd ("BeiGene Australia")	Australia	USD56,947,230	100%	Medical, pharmaceutical research and development and commercialization, Australia
BeiGene Switzerland GmbH ("BeiGene Switzerland")	Switzerland	CHF20,000	100%	Medical, pharmaceutical research and development and commercialization, Switzerland
BeiGene Hopewell Urban Renewal, LLC	New Jersey, United States	USD507,943,128	100%	Medical and pharmaceutical research and development and manufacturing, U.S.

* Limited liability company established in PRC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Principles of Consolidation

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

Use of Estimates

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

Functional Currency and Foreign Currency Translation

Functional currency

The Company uses the U.S. dollar ("US\$" or U.S. dollar) as its reporting currency. Transactions in subsidiaries are recorded in the functional currency of the respective subsidiary. The determination of functional currency is based on the criteria of Accounting Standard Codification ("ASC") 830, *Foreign Currency Matters*.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Functional Currency and Foreign Currency Translation *(Continued)*

Foreign currency translation

For subsidiaries whose functional currencies are not the U.S. dollar, the Company uses the average exchange rate for the period and the exchange rate at the balance sheet date, to translate the operating results and financial position to U.S. dollar, the reporting currency, respectively. Translation differences are recorded in accumulated other comprehensive loss, a component of shareholders' equity. Transactions denominated in currencies other than the functional currency are translated into the functional currency at the exchange rates prevailing on the transaction dates. Foreign currency denominated financial assets and liabilities are remeasured at the exchange rates prevailing at the balance sheet date. Remeasurement exchange gains and losses are included in the consolidated statements of operations.

Cash, Cash Equivalents and Restricted Cash

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and bank deposits, which are unrestricted as to withdrawal and use. The Company considers all highly liquid investments with an original maturity date of three months or less at the date of purchase to be cash equivalents. Cash equivalents which consist primarily of money market funds are stated at fair value.

Restricted cash

Restricted cash primarily consists of RMB-denominated cash deposits pledged in designated bank accounts as collateral for bank loans and letters of credit. The Company classifies restricted cash as current or non-current based on the term of the restriction.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Accounts Receivable and Allowance for Credit Losses

Trade accounts receivable are recorded at their invoiced amounts, net of trade discounts and allowances as well as an allowance for credit losses. The allowance for credit losses reflects the Company's current estimate of credit losses expected to be incurred over the life of the receivables. The Company considers various factors in establishing, monitoring, and adjusting its allowance for credit losses including the aging of receivables and aging trends, customer creditworthiness and specific exposures related to particular customers. The Company also monitors other risk factors and forward-looking information, such as country specific risks and economic factors that may affect a customer's ability to pay in establishing and adjusting its allowance for credit losses. Accounts receivable are written off after all collection efforts have ceased.

Inventory

Prior to the regulatory approval of product candidates, the Company may incur costs for the manufacture of drug product to support the commercial launch of those products. Until the date at which regulatory approval has been received or is otherwise considered probable, all such costs are recorded as research and development expenses as incurred.

Inventories are stated at the lower of cost and net realizable value, with cost determined in a manner that approximates weighted average cost. The Company periodically analyzes its inventory levels, and writes down inventory that has become obsolete, inventory that has a cost basis in excess of its estimated realizable value and inventory in excess of expected sales requirements as cost of product sales. The determination of whether inventory costs will be realizable requires estimates of future prices by management. If actual market conditions are less favorable than projected by management, additional write-downs of inventory may be required, which would be recorded in the consolidated statements of operations.

Investments

The Company's investments consist of available-for-sale debt securities, convertible note instruments, public equity securities with readily determinable fair values, private equity securities without readily determinable fair values, and equity-method investments. The classification of an investment is determined based on the nature of the investment, the Company's ability and intent to hold the investment, and the degree to which the Company may exercise influence over the investee.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments *(Continued)*

- Available-for-sale debt securities are stated at fair value, with the unrealized gains and losses, net of tax, reported in other comprehensive loss. The net carrying value of debt securities classified as available-for-sale is adjusted for amortization of premiums and accretion of discounts to maturity. Such amortization is computed using the effective interest method and included in interest income. Interest and dividends are included in interest income. Available-for-sale debt securities with original maturities greater than three months at the date of purchase and less than one year from the date of the balance sheet are classified as short-term. Available-for-sale debt securities with maturities beyond one year may be classified as short-term marketable securities due to their highly liquid nature and because they represent the Company's investments that are available for current operations.
- Convertible note instruments are recorded using the fair value option method of accounting. Accordingly, convertible note instruments are remeasured at fair value on a recurring basis, with any changes in the fair value option recorded in other income (expense), net.
- Public equity securities with readily determinable fair values are recorded at fair value. Subsequent changes in fair value are recorded in other income (expense), net. Derivative financial instruments to purchase public equity securities are recorded at fair value. The estimated fair value of derivative financial instruments is determined based on the Black-Scholes valuation model. Changes in fair value of derivative instruments are recorded in other income (expense), net.
- Private equity securities without readily determinable fair values and where the Company does not have significant influence are measured at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. Adjustments to private equity securities are recorded in other income (expense), net.
- Equity investments in common stock or in-substance common stock where the Company has significant influence over the financial and operating policies of the investee are accounted for as equity-method investments. Equity-method investments are initially recorded at cost and subsequently adjusted based on the Company's percentage ownership in the investee's income and expenses, as well as dividends, if any. The Company records its share of the investee's results of operations in other income (expense), net. The Company records impairment losses on our equity method investments if it deems the impairment to be other-than-temporary. The Company deems an impairment to be other-than-temporary based on various factors, including but not limited to, the length of time the fair value is below the carrying value and ability to retain the investment to allow for a recovery in fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments (Continued)

Realized gains or losses on sales of investments are determined based on the specific identification method.

The Company regularly evaluates its investments in debt and equity for impairment. The Company recognizes an allowance on available-for-sale debt securities when a portion of the unrealized loss is attributable to a credit loss and a corresponding credit loss in net income. No allowance for credit losses were recorded for any periods presented. The Company recognized an impairment loss of US\$7,529,000 related to its investments in equity during the year ended December 31, 2023. No impairment losses on equity investments were recorded for the years ended December 31, 2022.

Property, Plant and Equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and amortization. Property, plant and equipment, other than land and construction in progress, are depreciated using the straight-line method over the estimated useful lives of the respective assets as follows:

	Useful Lives
Building	20 years
Manufacturing equipment	3 to 10 years
Laboratory Equipment	3 to 5 years
Software, Electronic and Office Equipment	3 to 5 years
Leasehold Improvements	Lesser of useful life or lease term

Leases

The Company applies ASC, Topic 842, *Leases* (“ASC 842”) to account for its leases. The Company determines if an arrangement is a lease at inception. The Company has lease agreements with lease and non-lease components, which are accounted for as a single lease component based on the Company’s policy election to combine lease and non-lease components for its leases. Leases are classified as operating or finance leases in accordance with the recognition criteria in ASC 842-20-25. The Company’s lease portfolio consists entirely of operating leases as of December 31, 2023. The Company’s leases do not contain any material residual value guarantees or material restrictive covenants.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases (Continued)

At the commencement date of a lease, the Company determines the classification of the lease based on the relevant factors present and records a right-of-use (“ROU”) asset and lease liability. ROU assets represent the right to use an underlying asset for the lease term and lease liabilities represent the obligation to make lease payments arising from the lease. ROU assets and lease liabilities are calculated as the present value of the lease payments not yet paid. Variable lease payments not dependent on an index or rate are excluded from the ROU asset and lease liability calculations and are recognized in expense in the period which the obligation for those payments is incurred. As the rate implicit in the Company’s leases is not typically readily available, the Company uses an incremental borrowing rate based on the information available at the lease commencement date in determining the present value of lease payments. This incremental borrowing rate reflects the fixed rate at which the Company could borrow on a collateralized basis the amount of the lease payments in the same currency, for a similar term, in a similar economic environment. ROU assets include any lease prepayments and are reduced by lease incentives. Operating lease expense for lease payments is recognized on a straight-line basis over the lease term. Lease terms are based on the non-cancelable term of the lease and may contain options to extend the lease when it is reasonably certain that the Company will exercise that option.

Operating leases are included in operating lease right-of-use assets and operating lease liabilities on the consolidated balance sheet. Lease liabilities that become due within one year of the balance sheet date are classified as current liabilities.

Leases with an initial lease term of 12 months or less are not recorded on the consolidated balance sheet. Lease expense for these leases is recognized on a straight-line basis over the lease term.

Land Use Right, Net

All land in the PRC is owned by the PRC government. The PRC government may sell land use rights for a specified period of time. Land use rights represent operating leases in accordance with ASC 842. The purchase price of land use rights represents lease prepayments to the PRC government and is recorded as an operating lease ROU asset on the balance sheet. The ROU asset is amortized over the remaining lease term.

In 2017, the Company acquired a land use right from the local Bureau of Land and Resources in Guangzhou for the purpose of constructing and operating the Company’s biologics manufacturing facility in Guangzhou. In 2019, the Company acquired a second Guangzhou land use right from the local Bureau of Land and Resources. In 2021, the Company acquired two land use rights from the local Bureau of Land and Resources to expand its biologics manufacturing facility in Guangzhou. Guangzhou land use rights are being amortized over the respective terms of the land use rights, which are each 50 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Land Use Right, Net *(Continued)*

In 2018, the Company acquired a land use right in conjunction with the acquisition of Beijing Innerway Bio-tech Co., Ltd. The land use right is being amortized over the term of the land use right, which is 36 years.

In 2020, the Company acquired a land use right from the local Bureau of Land and Resources in Suzhou to construct its research, development and manufacturing facility in Suzhou. In 2022, the Company acquired a second Suzhou land use right from the local Bureau of Land and Resources. The land use rights are being amortized over the respective terms of the land use rights, which are each 30 years.

Goodwill and Other Intangible Assets

Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. The Company allocates the cost of an acquired entity to the assets acquired and liabilities assumed based on their estimated fair values at the date of acquisition. The excess of the purchase price for acquisitions over the fair value of the net assets acquired, including other intangible assets, is recorded as goodwill. Goodwill is not amortized, but is tested for impairment at least annually or more frequently if events or changes in circumstances would indicate a potential impairment.

The Company has elected to first assess qualitative factors to determine whether it is more likely than not that the fair value of the Company's reporting unit is less than its carrying amount, including goodwill. The qualitative assessment includes the Company's evaluation of relevant events and circumstances affecting the Company's single reporting unit, including macroeconomic, industry, and market conditions, the Company's overall financial performance, and trends in the market price of the Company's ADSs. If qualitative factors indicate that it is more likely than not that the Company's reporting unit's fair value is less than its carrying amount, then the Company will perform the quantitative impairment test by comparing the reporting unit's carrying amount, including goodwill, to its fair value. If the carrying amount of the reporting unit exceeds its fair value, an impairment loss will be recognized in an amount equal to that excess. For the years ended December 31, 2023 and 2022 the Company determined that there were no indicators of impairment of goodwill. While there were no impairments, the Company wrote off the goodwill associated with the acquisition of Celgene's commercial operations in China to align with the terms of the Settlement Agreement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill and Other Intangible Assets *(Continued)*

Intangible assets acquired through business combinations are recognized as assets separate from goodwill and are measured at fair value upon acquisition. Intangible assets acquired in transactions that are not business combinations are recorded at the allocated portion of total consideration transferred based on their relative fair value in relation to net assets acquired. Intangible assets associated with milestone payments made to third parties subsequent to regulatory approval are recorded at cost. Identifiable intangible assets consist of post-approval milestone payments under license and commercialization agreements, that are amortized over the remainder of the product patent or the term of the commercialization agreements; and trading licenses that are amortized over the initial license term. Distribution rights for approved cancer therapies licensed from BMS had been fully amortized through December 31, 2023, when the rights reverted back to BMS under the terms of the Settlement Agreement.

Intangible assets with finite useful lives are tested for impairment when events or circumstances occur that could indicate that the carrying amount of an asset may not be recoverable. When these events occur, the Company evaluates the recoverability of the intangible assets by comparing the carrying amount of the assets to the future undiscounted cash flows expected to result from the use of the assets and their eventual disposition. If the sum of the expected undiscounted cash flows is less than the carrying amount of the assets, the Company recognizes an impairment loss based on the excess of the carrying amount of the assets over their fair value. Fair value is generally determined by discounting the cash flows expected to be generated by the assets, when the market prices are not readily available. For the years ended December 31, 2023 and 2022, the Company determined that there were no indicators of impairment of its other intangible assets.

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment in accordance with authoritative guidance for impairment or disposal of long-lived assets. Long-lived assets are reviewed for events or changes in circumstances, which indicate that their carrying value may not be recoverable. Long-lived assets are reported at the lower of carrying amount or fair value less cost to sell. For the years ended December 31, 2023 and 2022, there was no impairment of the value of the Company's long-lived assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fair Value Measurements

Fair value of financial instruments

The Company applies ASC topic 820 (“ASC 820”), *Fair Value Measurements and Disclosures*, in measuring fair value. ASC 820 defines fair value, establishes a framework for measuring fair value and requires disclosures to be provided on fair value measurement. ASC 820 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

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

Level 2 – Include other inputs that are directly or indirectly observable in the marketplace.

Level 3 – Unobservable inputs which are supported by little or no market activity.

ASC 820 describes three main approaches to measuring the fair value of assets and liabilities: (1) market approach; (2) income approach; and (3) cost approach. The market approach uses prices and other relevant information generated from market transactions involving identical or comparable assets or liabilities. The income approach uses valuation techniques to convert future amounts to a single present value amount. The measurement is based on the value indicated by current market expectations about those future amounts. The cost approach is based on the amount that would currently be required to replace an asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fair Value Measurements *(Continued)*

Financial instruments measured at fair value on a recurring basis

The following tables set forth assets measured at fair value on a recurring basis as of December 31, 2023 and 2022:

	Quoted Price in Active Market for Identical Assets (Level 1) US\$'000	Significant Other Observable Inputs (Level 2) US\$'000	Significant Unobservable Inputs (Level 3) US\$'000
As of December 31, 2023			
Cash equivalents:			
Money market funds	1,052,149	-	-
Time deposits	42,852	-	-
Short-term investments <i>(Note 5)</i> :			
U.S. Treasury securities	2,600	-	-
Prepaid expenses and other current assets <i>(Note 5)</i> :			
Convertible debt instrument	-	-	4,668
Other non-current assets <i>(Note 5)</i> :			
Equity securities with readily determinable fair values	3,046	542	-
Convertible debt instrument	-	-	4,215
	<u>1,100,647</u>	<u>542</u>	<u>8,883</u>
Total			
As of December 31, 2022			
Cash equivalents			
Money market funds	758,114	-	-
Short-term investments <i>(Note 5)</i> :			
U.S. Treasury securities	665,251	-	-
Prepaid expenses and other current assets <i>(Note 5)</i> :			
Convertible debt instrument	-	-	5,190
Other non-current assets <i>(Note 5)</i> :			
Equity securities with readily determinable fair values	3,307	706	-
Convertible debt instrument	-	-	3,000
	<u>1,426,672</u>	<u>706</u>	<u>8,190</u>
Total			

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fair Value Measurements *(Continued)*

Financial instruments measured at fair value on a recurring basis (Continued)

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

The Company's equity securities carried at fair value consist of holdings in common stock and warrants to purchase additional shares of common stock of Leap Therapeutics, Inc. ("Leap"), which were acquired in connection with a collaboration and license agreement entered into in January 2020 and in Leap's underwritten public offering in September 2021. The common stock investment in Leap, a publicly-traded biotechnology company, is measured and carried at fair value and classified as Level 1. The warrants to purchase additional shares of common stock in Leap are classified as a Level 2 investment and are measured using the Black-Scholes option-pricing valuation model, which utilizes a constant maturity risk-free rate and reflects the term of the warrants, dividend yield and stock price volatility, that is based on the historical volatility of similar companies. Refer to Note 5, Investments for details of the determination of the carrying amount of private equity investments without readily determinable fair values and equity method investments.

The Company holds convertible notes issued by private biotech companies. The Company has elected the fair value option method of accounting for the convertible notes. Accordingly, the convertible notes are remeasured at fair value on a recurring basis using Level 3 inputs, with any changes in the fair value option recorded in other income (expense), net. The Company recorded a loss on fair value adjustment of US\$1,492,000 for the year ended December 31, 2023. There were no fair value adjustments during the year ended December 31, 2022.

As of December 31, 2023 and 2022, the fair values of cash and cash equivalents, restricted cash, accounts receivable, accounts payable, and short-term debt approximated their carrying values due to their short-term nature. Long-term debt approximates its fair value due to the fact that the related interest rates approximate the rates currently offered by financial institutions for similar debt instrument of comparable maturities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue Recognition

The Company applies ASC, Topic 606, *Revenue from Contracts with Customers* (“ASC 606”) to account for its revenue transactions.

Under ASC 606, 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 ASC 606, 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, including variable consideration, if any; (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 to which it is entitled in exchange for the goods or services it transfers to the customer.

Once a contract is determined to be within the scope of ASC 606 at contract inception, the Company reviews the contract to determine which performance obligations it must deliver and which of these performance obligations are distinct. The Company recognizes as revenue the amount of the transaction price that is allocated to each performance obligation when that performance obligation is satisfied or as it is satisfied.

Product Revenue

The Company generates product revenues in China through the sale of its internally developed drugs TEVIMBRA, BRUKINSA and PARTRUVIX, and the sale of in-licensed products through its agreements with Amgen, BMS, Bio-Thera, EUSA Pharma and Luye Pharmaceutical. Under the commercial profit share arrangement with Amgen, the Company is the principal for in-licensed product sales to customers in China during the commercialization period and recognizes 100% of net product revenue on these sales. Amounts due to Amgen for its portion of net product sales are recorded as cost of sales. In the U.S., the Company generates product revenues from the sale of BRUKINSA.

In China, the Company sells its internally developed products to multiple distributors, who in turn sell the product to hospitals or pharmacies within their authorized territories to be sold ultimately to patients. In-licensed products are sold to a first tier distributor who subsequently resells the products to second tier distributors who ultimately sell the products to health care providers and patients. In the U.S., the Company distributes BRUKINSA through specialty pharmacies and specialty distributors. The specialty pharmacies and specialty distributors subsequently resell the product to health care providers and patients.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Product Revenue *(Continued)*

The Company is the principal under the product sales as the Company controls the products with the ability to direct the use of, and obtain substantially all the remaining benefits from the products before they are sold to the customer. For product sales transactions, the Company has a single performance obligation which is to sell the products to its customer. The Company includes variable consideration in the transaction price to the extent it is probable that a significant reversal will not occur and estimates variable consideration from rebates, chargebacks, trade discounts and allowances, sales returns allowances and other incentives using the expected value method. Revenues for product sales are recognized at a point in time when the single performance obligation is satisfied upon delivery to the customer. The Company's payment terms are approximately 45-90 days. Actual amounts of consideration ultimately received may differ from the Company's estimates. The Company will reassess estimates for variable consideration periodically. If actual results in the future vary from the Company's estimates, the Company will adjust these estimates, which would affect net product revenue and earnings in the period such variances become known.

Estimates for variable consideration for which reserves are established at the time of sale include government and commercial rebates, provisions for acceptance of National Reimbursement Drug List pricing in the PRC, chargebacks, trade discounts and allowances, sales returns allowances and other incentives that are offered within contracts between the Company and its customers, health care providers and other indirect customers. Where appropriate, these estimates take into consideration a range of possible outcomes that are probability-weighted for relevant factors such as our historical experience, current contractual and statutory requirements, channel inventory levels, specific known market events and trends, industry data and forecasted customer buying and payment patterns.

The Company bases its sales returns allowance on estimated distributor inventories, customer demand as reported by third-party sources, and actual returns history, as well as other factors, as appropriate. For newly launched products where actual returns history is not yet available, the sales returns allowance is initially calculated based on benchmarking data from similar products and industry experience. If the historical or benchmarking data the Company uses to calculate these estimates do not properly reflect future returns, then a change in the allowance would be made in the period in which such a determination is made and revenues in that period could be materially affected. Any changes from the historical trend rates are considered in determining the current sales return allowance. To date, sales returns have not been significant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Collaboration Revenue

At contract inception, the Company analyzes its collaboration arrangements to assess whether they are within the scope of ASC 808, *Collaborative Arrangements* (“ASC 808”) to determine whether such arrangements involve joint operating activities performed by parties that are both active participants in the activities and exposed to significant risks and rewards dependent on the commercial success of such activities. For collaboration arrangements within the scope of ASC 808 that contain multiple elements, the Company first determines which elements of the collaboration are deemed to be within the scope of ASC 808 and those that are more reflective of a vendor-customer relationship and therefore within the scope of ASC 606. For elements of collaboration arrangements that are accounted for pursuant to ASC 808, an appropriate recognition method is determined and applied consistently.

In determining the appropriate amount of revenue to be recognized as it fulfills its obligations under each of its agreements, the Company performs the five-step model under ASC 606 noted above.

The Company’s collaborative arrangements may contain more than one unit of account, or performance obligation, including grants of licenses to intellectual property rights, agreement to provide research and development services and other deliverables. The collaborative arrangements do not include a right of return for any deliverable. As part of the accounting for these arrangements, the Company must develop assumptions that require judgment to determine the stand-alone selling price for each performance obligation identified in the contract. In developing the stand-alone selling price for a performance obligation, the Company considers competitor pricing for a similar or identical product, market awareness of and perception of the product, expected product life and current market trends. In general, the consideration allocated to each performance obligation is recognized when the respective obligation is satisfied either by delivering a good or providing a service, limited to the consideration that is not constrained. Non-refundable payments received before all of the relevant criteria for revenue recognition are satisfied are recorded as advances from customers.

Licenses of Intellectual Property: Upfront non-refundable payments for licensing the Company’s intellectual property are evaluated to determine if the license is distinct from the other performance obligations identified in the arrangement. For licenses determined to be distinct, the Company recognizes revenues from non-refundable up-front fees allocated to the license at a point in time, when the license is transferred to the licensee and the licensee is able to use and benefit from the license.

Options to License Intellectual Property: Upfront non-refundable payments for options to license the Company’s intellectual property are evaluated to determine if the option represents a material right and is distinct from the other performance obligations identified in the arrangement. For options determined to be a material right and distinct, the Company defers the non-refundable up-front fees allocated to the option and recognizes revenues at a point in time, at the earlier of when the option is exercised or the option period expires.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Collaboration Revenue *(Continued)*

Right to Access Intellectual Property during the Option Period: The portion of a transaction price allocated to the other parties right to access the Company's intellectual property to generate their own data during an option period is deferred and recognized as collaboration revenue over the option period on a straight-line basis as the right to use the intellectual property is provided and the data generated.

Research and Development Services: The portion of a transaction price allocated to research and development services performance obligations is deferred and recognized as collaboration revenue over time as delivery or performance of such services occurs.

Milestone Payments: At the inception of each arrangement that includes development milestone payments, the Company evaluates whether the milestones are considered probable of being reached and estimates the amount to be included in the transaction price using the most likely amount method. If it is probable that a significant revenue reversal would not occur, the associated milestone value is included in the transaction price. Milestones related to the Company's development-based activities may include initiation of various phases of clinical trials. Due to the uncertainty involved in meeting these development-based targets, they are generally fully constrained at contract inception. The Company will assess whether the variable consideration is fully constrained each reporting period based on the facts and circumstances surrounding the clinical trials. Upon changes to constraint associated with the developmental milestones, variable consideration will be included in the transaction price when a significant reversal of revenue recognized is not expected to occur and allocated to the separate performance obligations. Regulatory milestones are fully constrained until the period in which those regulatory approvals are achieved due to the inherent uncertainty with the approval process. Regulatory milestones are included in the transaction price in the period regulatory approval is obtained.

Royalties: For arrangements that include sales-based royalties, including milestone payments based on the level of sales, and the license is deemed to be the predominant item to which the royalties relate, the Company recognizes revenue at the later of (i) when the related sales occur, or (ii) when the performance obligation to which some or all of the royalty has been allocated has been satisfied (or partially satisfied).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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, which primarily include (i) payroll and related costs (including share-based compensation) associated with research and development personnel, (ii) costs related to clinical trials and preclinical testing of the Company's technologies under development, (iii) costs to develop the product candidates, including raw materials and supplies, product testing, depreciation, and facility related expenses, (iv) expenses for research services provided by universities and contract laboratories, including sponsored research funding, and (v) other research and development expenses. Research and development expenses are charged to expense as incurred when these expenditures relate to the Company's research and development services and have no alternative future uses.

Clinical trial costs are a significant component of the Company's research and development expenses. The Company has a history of contracting with third parties that perform various clinical trial activities on behalf of the Company in the ongoing development of the Company's product candidates. Expenses related to clinical trials are accrued based on the Company's estimates of the actual services performed by the third parties for the respective period. If the contracted amounts are modified (for instance, as a result of changes in the clinical trial protocol or scope of work to be performed), the Company will modify the related accruals accordingly on a prospective basis. Revisions in the scope of a contract are charged to expense in the period in which the facts that give rise to the revision become reasonably certain.

The process of estimating the Company's research and development expenses involves reviewing open contracts and purchase orders, communicating with its personnel to identify services that have been performed on its behalf and estimating the level of service performed and the associated costs incurred for the services when the Company has not yet been invoiced or otherwise notified of the actual costs. The majority of the Company's service providers invoice it in arrears for services performed, on a pre-determined schedule or when contractual milestones are met; however, some require advanced payments. The Company makes estimates of the expenses as of each balance sheet date in its financial statements based on facts and circumstances known to the Company at that time. Although the Company does not expect its estimates to be materially different from amounts actually incurred, the understanding of the status and timing of services performed relative to the actual status and timing of services performed may vary and may result in the Company reporting expenses that are too high or too low in any particular period. There were no material adjustments for a change in estimate to research and development expenses in the accompanying consolidated financial statements for the years ended December 31, 2023 and 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Acquired In-Process Research and Development Expense

The Company has acquired rights to develop and commercialize product candidates. Upfront payments that relate to the acquisition of a new drug compound, as well as pre-commercial milestone payments (prior to government approval), 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 U.S. 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.

Government Grants

Government financial incentives that involve no conditions or continuing performance obligations of the Company are recognized as other income (expense), net upon receipt. In the event government grants or incentives involve continuing performance obligations, the Company will capitalize the payment as a liability and recognize the same financial statement caption as the performance obligation relates over the performance period.

The Company received government assistance in the form of cash primarily to support the Guangzhou manufacturing facility build-out and research and development programs. Government assistance received related to the Guangzhou manufacturing facility build-out was recognized as other long-term liabilities and is amortized over the same useful lives of the related assets as depreciation expense. As of December 31, 2023 and 2022, other long-term liabilities related to the Guangzhou manufacturing facility build-out totaled US\$34,084,000 and US\$38,118,000, respectively. For the years ended December 31, 2023 and 2022, depreciation expense is presented net of amortization of government assistance of US\$2,938,000 and US\$3,169,000, respectively.

Government assistance received to support research and development programs was recorded as other long-term liabilities upon receipt and is recognized as other income (expense), net when the associated research and development programs are completed. As of December 31, 2023 and 2022, other long-term liabilities related to research and development programs totaled US\$120,000 and US\$58,000, respectively. For the years ended December 31, 2023 and 2022, the Company recognized other income of nil and US\$1,664,000, respectively, upon the completion of a designated research and development program.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Comprehensive Loss

Comprehensive loss is defined as the changes in equity of the Company during a period from transactions and other events and circumstances excluding transactions resulting from investments by owners and distributions to owners. Among other disclosures, ASC 220, *Comprehensive Income*, requires that all items that are required to be recognized under current accounting standards as components of comprehensive loss be reported in a financial statement that is displayed with the same prominence as other financial statements. For each of the periods presented, the Company's comprehensive loss includes net loss, foreign currency translation adjustments, pension liability adjustments and unrealized holding gains/losses associated with the available-for-sale debt securities, and is presented in the consolidated statements of comprehensive loss.

Share-Based Compensation

Awards granted to employees

The Company applies ASC 718, *Compensation – Stock Compensation* ("ASC 718"), to account for its employee share-based payments. In accordance with ASC 718, the Company determines whether an award should be classified and accounted for as a liability award or equity award. All the Company's grants of share-based awards to employees were classified as equity awards and are recognized in the financial statements based on their grant date fair values. Specifically, the grant date fair value of share options is calculated using an option pricing model. The fair value of restricted shares and restricted share units are based on the closing market price of our ADSs on the NASDAQ Global Select Market on the date of grant. The Company has elected to recognize compensation expense using the straight-line method for all employee equity awards granted with graded vesting based on service conditions provided that the amount of compensation cost recognized at any date is at least equal to the portion of the grant-date value of the options that are vested at that date. The Company uses the accelerated method for all awards granted with graded vesting based on performance conditions. To the extent the required vesting conditions are not met resulting in the forfeiture of the share-based awards, previously recognized compensation expense relating to those awards are reversed. ASC 718 requires forfeitures to be estimated at the time of grant and revised, if necessary, in the subsequent period if actual forfeitures differ from initial estimates.

Forfeiture rates are estimated based on historical and future expectations of employee turnover rates and are adjusted to reflect future changes in circumstances and facts, if any. Share-based compensation expense is recorded net of estimated forfeitures such that expense is recorded only for those share-based awards that are expected to vest. To the extent the Company revises these estimates in the future, the share-based payments could be materially impacted in the period of revision, as well as in following periods. The Company, with the assistance of an independent third-party valuation firm, determined the estimated fair value of the stock options granted to employees using the binomial option pricing model.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-Based Compensation *(Continued)*

Awards granted to non-employees

The Company has accounted for equity instruments issued to non-employees in accordance with the provisions of ASC 718 and ASC 505, *Equity*. All transactions in which goods or services are received in exchange for equity instruments are accounted for based on the fair value of the consideration received or the fair value of the equity instrument issued, whichever is more reliably measurable. The grant date is the measurement date of the fair value of the equity instrument issued. The expense is recognized in the same manner as if the Company had paid cash for the services provided by the non-employees in accordance with ASC 505-50, *Equity-based payments to non-employees*. The Company estimated the fair value of share options granted to non-employees using the same method as employees.

Modification of awards

A change in any of the terms or conditions of the awards is accounted for as a modification of the award. Incremental compensation cost is measured as the excess, if any, of the fair value of the modified award over the fair value of the original award immediately before its terms are modified, measured based on the fair value of the awards and other pertinent factors at the modification date. For vested awards, the Company recognizes incremental compensation cost in the period the modification occurs. For unvested awards, the Company recognizes over the remaining requisite service period, the sum of the incremental compensation cost and the remaining unrecognized compensation cost for the original award on the modification date. If the fair value of the modified award is lower than the fair value of the original award immediately before modification, the minimum compensation cost the Company recognizes is the cost of the original award.

Income Taxes

The Company uses the liability method of accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on the differences between the financial reporting and the tax bases of assets and liabilities and are measured using enacted tax rates that will be in effect when the differences are expected to reverse. A valuation allowance is provided when it is more likely than not that some portion or all of a deferred tax asset will not be realized.

The Company evaluates its uncertain tax positions using the provisions of ASC 740, *Income Taxes*, which prescribes a recognition threshold that a tax position is required to meet before being recognized in the financial statements. The Company recognizes in the financial statements the benefit of a tax position which is “more likely than not” to be sustained under examination based solely on the technical merits of the position assuming a review by tax authorities having all relevant information. Tax positions that meet the recognition threshold are measured using a cumulative probability approach, at the largest amount of tax benefit that has a greater than fifty percent likelihood of being realized upon settlement. It is the Company’s policy to recognize interest and penalties related to unrecognized tax benefits, if any, as a component of income tax expense.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Loss Per Share

Loss per share is calculated in accordance with ASC 260, *Earnings per Share*. Basic loss per ordinary share is computed by dividing net loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period using the two-class method. Under the two-class method, net income is allocated between ordinary shares and participating securities based on dividends declared (or accumulated) and participating rights in undistributed earnings as if all the earnings for the reporting period had been distributed. The Company's restricted shares are participating securities because they have contractual rights to share in the profits of the Company.

However, the restricted shares do not have contractual rights and obligations to share in the losses of the Company. For the periods presented herein, the computation of basic loss per share using the two-class method is not applicable as the Company is in a net loss position.

Diluted loss per share is calculated by dividing net loss attributable to ordinary shareholders as adjusted for the effect of dilutive ordinary equivalent shares, if any, by the weighted average number of ordinary and dilutive ordinary equivalent shares outstanding during the period. Ordinary equivalent shares consist of the ordinary shares issuable upon the conversion of the Company's convertible preferred shares, if any, using the if-converted method, and ordinary shares issuable upon the conversion of the share options and unvested restricted shares, using the treasury stock method.

Ordinary share equivalents are excluded from the computation of diluted loss per share if their effects would be anti-dilutive. Basic and diluted loss per ordinary share is presented in the Company's consolidated statements of operations.

Segment Information

In accordance with ASC 280, *Segment Reporting*, the Company's chief operating decision maker, the Chief Executive Officer, reviews the consolidated results when making decisions about allocating resources and assessing performance of the Company as a whole and hence, the Company has only one reportable segment: pharmaceutical products.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Concentration of Risks

Concentration of cash and credit risk

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

As of December 31, 2023 and 2022, US\$3,171,800,000 and US\$3,869,564,000 were deposited with various major reputable financial institutions located in the PRC and international financial institutions outside of the PRC, respectively. The deposits placed with financial institutions are not protected by statutory or commercial insurance. In the event of bankruptcy of one of these financial institutions, the Company may be unable to claim its deposits back in full. Management believes that these financial institutions are of high credit quality and continually monitors the credit worthiness of these financial institutions. As of December 31, 2023 and 2022, the Company had short-term investments amounting to US\$2,600,000 and US\$665,251,000, respectively.

At December 31, 2023 and 2022, the Company's short-term investments were comprised of U.S. treasury securities. The Company believes that U.S. treasury securities are of high credit quality and continually monitors the credit worthiness of these institutions.

As of December 31, 2023 and 2022, the Company had accounts receivable, net of US\$358,027,000 and US\$173,168,000, respectively. Accounts receivable, net represent amounts arising from product sales. The Company monitors economic conditions to identify facts or circumstances that may indicate receivables are at risk of collection.

Customer concentration risk

For the year ended December 31, 2023, sales to the Company's four largest product distributors, ASD Specialty Healthcare, McKesson, Sinopharm, and Shanghai Pharmaceutical, represented approximately 16.0%, 14.2%, 12.4% and 11.4% of product revenue, respectively, and collectively, represented approximately 53.2% of trade accounts receivable as of December 31, 2023. For the year ended December 31, 2023, the Company's collaboration revenue consisted primarily of revenue recognized under its out-licensing collaboration agreements with Novartis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Concentration of Risks *(Continued)*

Customer concentration risk (Continued)

For the year ended December 31, 2022, sales to the Company's four largest product distributors, Sinopharm, Shanghai Pharmaceutical, ASD Specialty Healthcare and China Resources represented approximately 18.1%, 15.5%, 14.2% and 12.1% of product revenue, respectively, and collectively, represented approximately 57.0% of trade accounts receivable as of December 31, 2022. For the year ended December 31, 2022, the Company's collaboration revenue consisted entirely of revenue recognized under its out-licensing collaboration agreements with Novartis.

Recent Accounting Pronouncements

New accounting standards which have not yet been adopted

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. COLLABORATIVE AND LICENSING ARRANGEMENTS

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

Out-Licensing Arrangements

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. COLLABORATIVE AND LICENSING ARRANGEMENTS *(Continued)*

Out-Licensing Arrangements *(Continued)*

Novartis

Tislelizumab Collaboration and License

In January 2021, the Company entered into a collaboration and license agreement with Novartis, granting Novartis rights to develop, manufacture and commercialize tislelizumab in North America, Europe, and Japan (the “Novartis Territory”). The Company and Novartis agreed to jointly develop tislelizumab in these licensed countries, with Novartis responsible for regulatory submissions after a transition period and for commercialization upon regulatory approvals. In addition, both companies had the ability to conduct clinical trials globally to explore combinations of tislelizumab with other cancer treatments, and the Company has an option to co-detail the product in North America, funded in part by Novartis.

Under the agreement the Company received an upfront cash payment of US\$650,000,000 from Novartis. The Company was eligible to receive up to US\$1,300,000,000 upon the achievement of regulatory milestones, US\$250,000,000 upon the achievement of sales milestones, and royalties on future sales of tislelizumab in the licensed territory. Under the terms of the agreement, the Company was responsible for funding ongoing clinical trials of tislelizumab, Novartis agreed to fund new registrational, bridging, or post-marketing studies in its territory, and each party was responsible for funding clinical trials evaluating tislelizumab in combination with its own or third party products. Each party retained the worldwide right to commercialize its propriety products in combination with tislelizumab.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. COLLABORATIVE AND LICENSING ARRANGEMENTS *(Continued)*

Out-Licensing Arrangements *(Continued)*

Novartis (Continued)

Tislelizumab Collaboration and License *(Continued)*

The Company determined that the license, transfer of know-how and use of trademarks were not distinct from each other and represented a single performance obligation. The tislelizumab R&D services represented a material promise and were determined to be a separate performance obligation at the outset of the agreement as the promise was distinct and had standalone value to Novartis. The Company evaluated the supply component of the contract and noted the supply was not provided at a significant incremental discount to Novartis. The Company concluded that, for the purpose of ASC 606, the provision related to providing clinical and commercial supply of tislelizumab in the Novartis Territory was an option but not a performance obligation of the Company at the outset of the Novartis collaboration agreement. A performance obligation for the clinical and commercial supply would be established as quantities of drug product or drug substance are ordered by Novartis.

The Company determined that the transaction price as of the outset of the arrangement was the upfront payment of US\$650,000,000. The potential milestone payments that the Company was eligible to receive were excluded from the transaction price, as all milestone amounts were fully constrained due to uncertainty of achievement. The transaction price was allocated to the two identified performance obligations based on a relative fair value basis. The standalone selling price of the license, transfer of know-how and use of trademarks performance obligation was determined using the adjusted market assessment approach based on the probability-weighted present value of forecasted cash flows associated with out-licensing tislelizumab in the Novartis Territory. The standalone selling price of the R&D services was valued using a cost plus margin valuation approach based on the present value of estimated tislelizumab clinical trial costs plus a reasonable margin. Based on the relative standalone selling prices of the two performance obligations, US\$484,646,000 of the total transaction price was allocated to the license and US\$165,354,000 was allocated to the R&D services.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. COLLABORATIVE AND LICENSING ARRANGEMENTS *(Continued)*

Out-Licensing Arrangements *(Continued)*

Novartis (Continued)

Tislelizumab Collaboration and License *(Continued)*

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

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

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

(1) Represents revenue recognized on sale of tislelizumab clinical supply to Novartis in conjunction with the collaboration.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. COLLABORATIVE AND LICENSING ARRANGEMENTS *(Continued)*

Out-Licensing Arrangements *(Continued)*

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

In December 2021, the Company expanded its collaboration with Novartis by entering into an option, collaboration and license agreement with Novartis to develop, manufacture and commercialize the Company's investigational TIGIT inhibitor ociperlimab in the Novartis Territory. In addition, the Company and Novartis entered into an agreement granting the Company rights to market, promote and detail five approved Novartis oncology products, TAFINLAR® (dabrafenib), MEKINIST® (trametinib), VOTRIENT® (pazopanib), AFINITOR® (everolimus), and ZYKADIA® (ceritinib), across designated regions of China referred to as "broad markets." In the first quarter of 2022, the Company initiated marketing and promotion of these five products.

Under the terms of the option, collaboration and license agreement, the Company received an upfront cash payment of US\$300,000,000 in January 2022 from Novartis and would have received an additional payment of US\$600,000,000 or US\$700,000,000 in the event Novartis exercised its exclusive time-based option prior to mid-2023 or between then and late-2023, respectively. Following option exercise, the Company would have been eligible to receive up to US\$745,000,000 upon the achievement of regulatory approval milestones, US\$1,150,000,000 upon the achievement of sales milestones, and royalties on future sales of ociperlimab in the Novartis Territory. Subject to the terms of the option, collaboration and license agreement, during the option period, Novartis had agreed to initiate and fund additional global clinical trials with ociperlimab and the Company has agreed to expand enrollment in two ongoing trials. Following the option exercise, Novartis had agreed to share development costs of global trials. Following approval, the Company had agreed to provide 50 percent of the co-detailing and co-field medical efforts in the U.S., and had an option to co-detail up to 25 percent in Canada and Mexico, funded in part by Novartis. Each party retained the worldwide right to commercialize its propriety products in combination with ociperlimab, as was the case with tislelizumab under the tislelizumab collaboration and license agreement.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. COLLABORATIVE AND LICENSING ARRANGEMENTS *(Continued)*

Out-Licensing Arrangements *(Continued)*

Ociperlimab Option, Collaboration and License Agreement and China Broad Market Development Agreement (Continued)

The Company concluded that, at the inception of the agreement, the option for the exclusive product license constitutes a material right as it represented a significant and incremental discount to the fair value of the exclusive product license that Novartis would not have received without entering into the agreement and was therefore considered a distinct performance obligation. The Company determined that Novartis' right to access ociperlimab in its own trials over the option period and the initial transfer of know-how were not distinct from each other, as the right to access ociperlimab had limited value without the corresponding know-how transfer, and therefore should be combined into one distinct performance obligation. The R&D Services represented a material promise and were determined to be a separate performance obligation at the outset of the agreement as the promise is distinct and has standalone value to Novartis.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. COLLABORATIVE AND LICENSING ARRANGEMENTS *(Continued)*

Out-Licensing Arrangements *(Continued)*

Ociperlimab Option, Collaboration and License Agreement and China Broad Market Development Agreement (Continued)

The Company would have satisfied the material right performance obligation at a point in time at the earlier of when Novartis exercised the option and the license was delivered or the expiration of the option period. As such, the entire amount of the transaction price allocated to the material right was deferred. The portion of the transaction price allocated to Novartis' right to access ociperlimab in its own clinical trials during the option period and the initial transfer of BeiGene know-how was deferred and was recognized over the expected option period. The portion of the transaction price allocated to the R&D Services was deferred and was recognized as collaboration revenue as the R&D Services were performed over the expected option period.

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. COLLABORATIVE AND LICENSING ARRANGEMENTS *(Continued)*

In-Licensing Arrangements – Commercial

Amgen

In October 2019, the Company entered into a global strategic oncology collaboration with Amgen (“Amgen Collaboration Agreement”) for the commercialization and development in China, excluding Hong Kong, Taiwan and Macau, of Amgen’s XGEVA®, KYPROLIS®, and BLINCYTO®, and the joint global development of a portfolio of oncology assets in Amgen’s pipeline, with BeiGene responsible for development and commercialization in China. The agreement became effective on January 2, 2020, following approval by the Company’s shareholders and satisfaction of other closing conditions.

Under the agreement, the Company is responsible for the commercialization of XGEVA, KYPROLIS and BLINCYTO in China for five or seven years. Amgen is responsible for manufacturing the products globally and will supply the products to the Company at an agreed upon price. The Company and Amgen will share equally in the China commercial profits and losses during the commercialization period. Following the commercialization period, the Company has the right to retain one product and is entitled to receive royalties on sales in China for an additional five years on the products not retained. XGEVA was approved in China in 2019 for patients with giant cell tumor of the bone and in November 2020 for the prevention of skeletal-related events in cancer patients with bone metastases. In July 2020, the Company began commercializing XGEVA in China. In December 2020, BLINCYTO was approved in China for injection for the treatment of adult patients with relapsed or refractory (“R/R”) B-cell precursor acute lymphoblastic leukemia (“ALL”). In July 2021, KYPROLIS was conditionally approved in China for injection in combination with dexamethasone for the treatment of adult patients with R/R multiple myeloma. In April 2022, BLINCYTO was conditionally approved for injection for the treatment of pediatric patients with R/R CD19-positive B-cell precursor ALL.

Amgen and the Company are also jointly developing a portfolio of Amgen oncology pipeline assets under the collaboration. The Company is responsible for conducting clinical development activities in China and co-funding global development costs by contributing cash and development services up to a total cap of US\$1,250,000,000. Amgen is responsible for all development, regulatory and commercial activities outside of China. For each pipeline asset that is approved in China, the Company will receive commercial rights for seven years from approval. The Company has the right to retain approximately one out of every three approved pipeline assets, other than LUMAKRAS (sotorasib) (“AMG 510”), Amgen’s KRAS G12C inhibitor, for commercialization in China. The Company and Amgen will share equally in the China commercial profits and losses during the commercialization period. The Company is entitled to receive royalties from sales in China for pipeline assets returned to Amgen for five years after the seven-year commercialization period. The Company is also entitled to receive royalties from global sales of each product outside of China (with the exception of AMG 510).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. COLLABORATIVE AND LICENSING ARRANGEMENTS *(Continued)*

In-Licensing Arrangements – Commercial *(Continued)*

Amgen (Continued)

On April 20, 2022, the parties entered into the First Amendment to Amgen Collaboration Agreement, which amends certain terms and conditions relating to the financial responsibilities of the parties in connections with the development and commercialization of certain Amgen proprietary products for the treatment of oncology-related diseases and conditions. In connection with the Company's ongoing assessment of the Amgen Collaboration Agreement cost-share contributions, the Company determined that further investment in the development of LUMAKRAS was no longer commercially viable for BeiGene. As a result, in February 2023, the Company and Amgen entered into the Second Amendment to the Amgen Collaboration Agreement to (i) stop sharing costs with Amgen for the further development of LUMAKRAS during the period starting January 1, 2023 and ending August 31, 2023; and (ii) cooperate in good faith to prepare a transition plan with the termination of LUMAKRAS from the Amgen Collaboration Agreement.

The Amgen Collaboration Agreement is within the scope of ASC 808, as both parties are active participants and are exposed to the risks and rewards dependent on the commercial success of the activities performed under the agreement. The Company is the principal for product sales to customers in China during the commercialization period and will recognize 100% of net product revenue on these sales. Amounts due to Amgen for its portion of net product sales will be recorded as cost of sales. Cost reimbursements due to or from Amgen under the profit share will be recognized as incurred and recorded to cost of sales; selling, general and administrative expense; or research and development expense, based on the underlying nature of the related activity subject to reimbursement. Costs incurred for the Company's portion of the global co-development funding are recorded to research and development expense as incurred.

In connection with the Amgen Collaboration Agreement, a Share Purchase Agreement ("Amgen SPA") was entered into by the parties on October 31, 2019. On January 2, 2020, the closing date of the transaction, Amgen purchased 15,895,001 of the Company's ADSs for US\$174.85 per ADS, representing a 20.5% ownership stake in the Company. Per the Amgen SPA, the cash proceeds shall be used as necessary to fund the Company's development obligations under the Amgen Collaboration Agreement. Pursuant to the Amgen SPA, Amgen also received the right to designate one member of the Company's board of directors, and Anthony Hooper joined the Company's board of directors as the Amgen designee in January 2020. Amgen relinquished its right to appoint a designated director to the Company's board of directors in January 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. COLLABORATIVE AND LICENSING ARRANGEMENTS *(Continued)*

In-Licensing Arrangements – Commercial *(Continued)*

Amgen (Continued)

In determining the fair value of the common stock at closing, the Company considered the closing price of the common stock on the closing date of the transaction and included a lack of marketability discount because the shares are subject to certain restrictions. The fair value of the shares on the closing date was determined to be US\$132.74 per ADS, or US\$2,109,902,000 in the aggregate. The Company determined that the premium paid by Amgen on the share purchase represents a cost share liability due to the Company's co-development obligations. The fair value of the cost share liability on the closing date was determined to be US\$601,857,000 based on the Company's discounted estimated future cash flows related to the pipeline assets. The estimation of future cash flows involved management assumptions of revenue growth rates and probability of technical and regulatory success of the pipeline assets. The total cash proceeds of US\$2,779,241,000 were allocated based on the relative fair value method, with US\$2,162,407,000 recorded to equity and US\$616,834,000 recorded as a research and development cost share liability. The cost share liability is being amortized proportionately as the Company contributes cash and development services to its total co-development funding cap.

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

	Year Ended December 31,	
	2023	2022
	US\$'000	US\$'000
Research and development expense	53,314	98,955
Amortization of research and development cost share liability	<u>55,294</u>	<u>96,402</u>
Total amount due to Amgen for BeiGene's portion of the development funding	<u><u>108,608</u></u>	<u><u>195,357</u></u>
		As of
		December 31,
		2023
		US\$'000
Remaining portion of development funding cap		<u><u>483,651</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. COLLABORATIVE AND LICENSING ARRANGEMENTS *(Continued)*

In-Licensing Arrangements – Commercial *(Continued)*

Amgen (Continued)

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

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

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

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

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

As of December 31, 2023, Amgen is a substantial shareholder holding approximately 18.2% of the issued share capital of the Company and, therefore, a connected person of the Company under Chapter 14A of the HK Listing Rules and a related party of the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. COLLABORATIVE AND LICENSING ARRANGEMENTS *(Continued)*

In-Licensing Arrangements – Development

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

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

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

Our significant license agreements are described below:

Ensem Therapeutics, Inc.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. COLLABORATIVE AND LICENSING ARRANGEMENTS *(Continued)*

In-Licensing Arrangements – Development (Continued)

Shandong Luye Pharmaceutical Co., Ltd.

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

Shoreline Biosciences, Inc.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. COLLABORATIVE AND LICENSING ARRANGEMENTS *(Continued)*

In-Licensing Arrangements – Development (Continued)

Nanjing Leads Biolabs, Inc.

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

EUSA Pharma

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. COLLABORATIVE AND LICENSING ARRANGEMENTS *(Continued)*

In-Licensing Arrangements – Development (Continued)

Assembly Biosciences, Inc.

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

Bio-Thera Solutions, Ltd.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. COLLABORATIVE AND LICENSING ARRANGEMENTS *(Continued)*

In-Licensing Arrangements – Development *(Continued)*

Other

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

4. RESTRICTED CASH

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

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

In addition to the restricted cash balances above, the Company is required by the PRC securities law to use the proceeds from the STAR offering in strict compliance with the planned uses as disclosed in the PRC offering prospectus as well as those disclosed in the Company's proceeds management policy approved by the board of directors. As of December 31, 2023, the Company had cash remaining related to the STAR Offering proceeds of US\$1,191,583,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. INVESTMENTS

Short-Term Investments

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

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

Short-term investments as of December 31, 2022 consisted of the following available-for-sale debt securities:

	Amortized Cost US\$'000	Gross Unrealized Gains US\$'000	Gross Unrealized Losses US\$'000	Fair Value (Net Carrying Amount) US\$'000
U.S. treasury securities	<u>674,262</u>	<u>–</u>	<u>9,011</u>	<u>665,251</u>
Total	<u><u>674,262</u></u>	<u><u>–</u></u>	<u><u>9,011</u></u>	<u><u>665,251</u></u>

The Company does not consider the investments in U.S. treasury securities to be other-than-temporarily impaired at December 31, 2023. As of December 31, 2023, the Company's available-for-sale debt securities consisted entirely of short-term U.S. treasury securities, which were determined to have zero risk of expected credit loss. Accordingly, no allowance for credit loss was recorded as of December 31, 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. INVESTMENTS *(Continued)*

Equity Securities with Readily Determinable Fair Values

Leap Therapeutics, Inc.

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

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

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

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

	As of December 31,	
	2023	2022
	US\$'000	US\$'000
Fair value of Leap common stock	3,046	3,307
Fair value of Leap warrants	542	706

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. INVESTMENTS *(Continued)*

Private Equity Securities without Readily Determinable Fair Values

The Company invests in equity securities of certain companies whose securities are not publicly traded and fair value is not readily determinable and where the Company has concluded it does not have significant influence based on its ownership percentage and other factors. These investments are recorded at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same issuer. The Company held investments of US\$55,860,000 and US\$57,054,000 in equity securities without readily determinable fair values as of December 31, 2023 and 2022, respectively.

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

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

Equity-Method Investments

The Company records equity-method investments at cost and subsequently adjusts the basis based on the Company's ownership percentage in the investees' income and expenses, as well as dividends, if any. The Company holds equity-method investments totaling US\$25,981,000 and US\$27,710,000 as of December 31, 2023 and 2022, respectively.

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. ACCOUNTS RECEIVABLE, NET

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

The Company's trading terms with its customers are mainly on credit and the credit periods generally range from 30 to 120 days. The Company seeks to maintain strict control over its outstanding receivables and overdue balances are regularly reviewed. The Company does not hold any collateral or other credit enhancements over its accounts receivable balances. Accounts receivable are non-interest-bearing. An aging analysis of the accounts receivable, based on the invoice date, is as follows:

	As of December 31,	
	2023	2022
	US\$'000	US\$'000
Within 6 months	356,243	172,633
6 months to 12 months	<u>1,784</u>	<u>535</u>
 Total	 <u>358,027</u>	 <u>173,168</u>

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. INVENTORIES, NET

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

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

8. LEASES

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

The components of lease expense were as follows:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. LEASES *(Continued)*

Supplemental balance sheet information related to leases was as follows:

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

Maturities of operating lease liabilities are as follows:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8. LEASES (Continued)

Other supplemental information related to leases is summarized below:

	Year ended December 31,	
	2023	2022
	US\$'000	US\$'000
Operating cash flows used in operating leases	27,985	28,064
ROU assets obtained in exchange for new operating lease liabilities	11,854	22,278
	As of December 31,	
	2023	2022
Weighted-average remaining lease term (years)	3	3
Weighted-average discount rate	7.22%	5.76%

9. PROPERTY, PLANT AND EQUIPMENT, NET

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. PROPERTY, PLANT AND EQUIPMENT, NET *(Continued)*

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

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

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

10. INTANGIBLE ASSETS

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

	December 31, 2023			December 31, 2022		
	Gross carrying amount US\$'000	Accumulated amortization US\$'000	Intangible assets, net US\$'000	Gross carrying amount US\$'000	Accumulated amortization US\$'000	Intangible assets, net US\$'000
Finite-lived intangible assets:						
Developed products	64,274	(7,807)	56,467	41,235	(4,119)	37,116
Other	<u>8,987</u>	<u>(8,316)</u>	<u>671</u>	<u>8,316</u>	<u>(4,816)</u>	<u>3,500</u>
 Total finite-lived intangible assets	 <u><u>73,261</u></u>	 <u><u>(16,123)</u></u>	 <u><u>57,138</u></u>	 <u><u>49,551</u></u>	 <u><u>(8,935)</u></u>	 <u><u>40,616</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10. INTANGIBLE ASSETS *(Continued)*

Developed products represent post-approval milestone payments under license and commercialization agreements. The Company is amortizing the developed products over the remainder of the respective product patent or the term of the commercialization agreements.

Amortization expense for developed products is included in cost of sales-product in the accompanying consolidated statements of operations. Amortization expense for other intangible assets is included in operating expenses in the accompanying consolidated statements of operations. The weighted-average life for each finite – lived intangible assets is approximately 12 years. Amortization expense is as follows:

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. INCOME TAXES

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. INCOME TAXES *(Continued)*

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. INCOME TAXES *(Continued)*

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. INCOME TAXES *(Continued)*

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11. INCOME TAXES *(Continued)*

The Company has elected to record interest and penalties related to income taxes as a component of income tax expense. For the years ended December 31, 2023 and 2022, the Company's accrued interest and penalties, where applicable, related to uncertain tax positions were not material.

The Company conducts business in a number of tax jurisdictions and, as such, is required to file income tax returns in multiple jurisdictions globally. As of December 31, 2023, Australia tax matters are open to examination for the years 2013 through 2023, China tax matters are open to examination for the years 2013 through 2023, Switzerland tax matters are open to examination for the years 2020 through 2023, and U.S. federal tax matters are open to examination for years 2015 through 2023. Various U.S. states and other non-US tax jurisdictions in which the Company files tax returns remain open to examination for 2013 through 2023.

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

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

12. SUPPLEMENTAL BALANCE SHEET INFORMATION

Prepaid expenses and other current assets consisted of the following:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. SUPPLEMENTAL BALANCE SHEET INFORMATION *(Continued)*

Other non-current assets consisted of the following:

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

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

Accrued expenses and other payables consisted of the following:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. SUPPLEMENTAL BALANCE SHEET INFORMATION *(Continued)*

Other long-term liabilities consist of the following:

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

13. ACCOUNTS PAYABLE

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. DEBT

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

Lender	Agreement Date	Line of Credit US\$'000/RMB'000	Term	Maturity Date	Interest Rate	As of December 31,			
						2023		2022	
						US\$'000	RMB'000	US\$'000	RMB'000
China Construction Bank	April 4, 2018	RMB580,000	9-year	April 4, 2027	(1)	14,089	100,000	7,250	50,000
China Merchants Bank	January 22, 2020	(2)	9-year	January 20, 2029	(2)	8,856	62,857	1,450	10,000
China Merchants Bank	November 9, 2020	RMB378,000	9-year	November 8, 2029	(3)	5,636	40,000	5,437	37,500
China Merchants Bank	July 28, 2023	US\$380,000	1-year	December 25, 2024	(4)	300,000	2,129,321	-	-
China Minsheng Bank	December 20, 2023	US\$150,000	1-year	December 19, 2024	7.3%	150,000	1,064,660	-	-
China Minsheng Bank	September 24, 2020	US\$200,000	(5)			-	-	150,000	1,034,554
Shanghai Pudong Development Bank	February 25, 2022	US\$50,000	1-year	February 25, 2023	2.2%	-	-	50,000	344,851
China Merchants Bank	June 5, 2023	RMB400,000	1-year	June 4, 2024	3.2%	56,356	400,000	-	-
HSBC Bank	May 4, 2023	RMB340,000	1-year	May 3, 2024	(6)	47,903	340,000	-	-
China Industrial Bank	May 30, 2023	RMB200,000	1-year	May 29, 2024	2.8%	28,177	200,000	-	-
Shanghai Pudong Development Bank	November 14, 2023	RMB700,000	1-year	November 21, 2024	2.9%	49,312	350,000	-	-
Other short-term debt ⁽⁷⁾						<u>28,037</u>	<u>199,000</u>	<u>114,832</u>	<u>792,000</u>
Total short-term debt						<u>688,366</u>	<u>4,885,838</u>	<u>328,969</u>	<u>2,268,905</u>
China Construction Bank	April 4, 2018	RMB580,000	9-year	April 4, 2027	(1)	59,174	420,000	75,395	520,000
China Merchants Bank	January 22, 2020	(2)	9-year	January 20, 2029	(2)	37,638	267,143	47,847	330,000
China Merchants Bank	November 9, 2020	RMB378,000	9-year	November 8, 2029	(3)	42,337	300,500	49,369	340,500
China CITIC Bank	July 29, 2022	RMB480,000	10-year	July 28, 2032	(8)	58,469	415,000	36,537	252,000
Total long-term debt						<u>197,618</u>	<u>1,402,643</u>	<u>209,148</u>	<u>1,442,500</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. DEBT (Continued)

1. The outstanding borrowings bear floating interest rates benchmarking RMB loan interest rates of financial institutions in the PRC. The loan interest rate was 4.5% as of December 31, 2023. The Company repaid US\$6,987,000 (or RMB50,000,000) during the year ended December 31, 2023. The loan is secured by BeiGene Guangzhou Factory's land use right and certain Guangzhou Factory fixed assets in the first phase of the Guangzhou manufacturing facility's build out.
2. On January 22, 2020, BeiGene Guangzhou Factory entered into a nine-year bank loan with China Merchants Bank to borrow up to RMB1,100,000,000 at a floating interest rate benchmarked against prevailing interest rates of certain PRC financial institutions. The loan is secured by Guangzhou Factory's second land use right and certain fixed assets in the second phase of the Guangzhou manufacturing facility's build out. In connection with the Company's short-term loan agreements with China Merchants Bank entered into during the year ended December 31, 2021, the borrowing capacity was reduced from RMB1,100,000,000 to RMB350,000,000. The loan interest rate was 4.1% as of December 31, 2023. The Company repaid US\$1,422,000 (RMB10,000,000) during the year ended December 31, 2023. BeiGene Guangzhou Factory is a company incorporated under the laws of the PRC on March 3, 2017 and a wholly owned subsidiary of BeiGene Biologics Co., Ltd. ("BeiGene Biologics").
3. The outstanding borrowings bear floating interest rates benchmarking RMB loan interest rates of financial institutions in the PRC. The loan interest rate was 3.9% as of December 31, 2023. The loan is secured by fixed assets that will be placed into service upon completion of the third phase of the Guangzhou manufacturing facility's build out. The Company repaid US\$5,281,000 (RMB37,500,000) during the year ended December 31, 2023.
4. The outstanding borrowings bear floating interest rates benchmarking the Secured Overnight Financing Rate ("SOFR"). The loan interest rate was 7.2% as of December 31, 2023.
5. In September 2020, the Company entered into a loan agreement with China Minsheng Bank for a total loan facility of up to US\$200,000,000, of which US\$120,000,000, designated to fund the purchase of noncontrolling equity interest in BeiGene Biologics from Guangzhou GET Technology Development Co., Ltd. (now Guangzhou High-tech Zone Technology Holding Group Co., Ltd.) ("GET") and repayment of the Shareholder Loan and US\$80,000,000 was designated for general working capital purposes. The loan had an original maturity date of October 8, 2021, which was the first anniversary of the first date of utilization of the loan. The Company may extend the original maturity date for up to two additional twelve-month periods. On October 8, 2021, the Company extended the maturity date for twelve months to October 8, 2022 and repurposed the loan for general working capital purposes. On September 30, 2022, the Company entered into an amendment and restatement agreement with China Minsheng Bank to extend the maturity date. The Company repaid the outstanding principal of the loan in the amount of US\$150,000,000 during the year ended December 31, 2023.
6. The outstanding borrowings bear floating interest rates benchmarking Hong Kong interbank market rate for RMB. The loan interest rate was 4.5% as of December 31, 2023.
7. During the two years ended December 31, 2023, the Company entered into additional short-term working capital loans with China Industrial Bank and China Merchants Bank to borrow up to RMB875,000,000 in aggregate, with maturity dates ranging from December 15, 2022 to May 24, 2024. The Company drew down US\$28,174,000 (RMB199,000,000) and repaid US\$109,576,000 (RMB792,000,000) during the year ended December 31, 2023. The weighted average interest rate for the short-term working capital loans was approximately 3.2% as of December 31, 2023. The outstanding principal balance is due in May 2024.
8. In July 2022, the Company entered into a 10-year bank loan agreement with China CITIC Bank to borrow up to RMB480,000,000 at a floating interest rate benchmarked against prevailing interest rates of certain PRC financial institutions. The loan interest rate was 3.9% as of December 31, 2023. The loan is secured by BeiGene Suzhou's land use right and certain fixed assets that will be placed into service upon completion of the small molecule manufacturing campus in Suzhou, China. The Company drew down US\$22,502,000 (RMB163,000,000) during the year ended December 31, 2023.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14. DEBT (Continued)

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

Contractual Maturities of Debt Obligations

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

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

Interest Expense

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. PRODUCT REVENUE

The Company's product revenue is primarily derived from the sale of its internally developed products BRUKINSA in the U.S., China, and other regions, and tislelizumab and pamiparib in China; XGEVA, BLINCYTO and KYPROLIS in China under a license from Amgen; REVLIMID® and VIDAZA® in China under a license from BMS; and POBEVCY® in China under a license from Bio-Thera.

The table below presents the Company's net product sales for the years ended December 31, 2023 and 2022.

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. PRODUCT REVENUE *(Continued)*

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

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

16. LOSS BEFORE INCOME TAX EXPENSE

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

	Note	Year Ended December 31,	
		2023	2022
		US\$'000	US\$'000
Cost of inventories sold		379,920	286,475
Depreciation of property, plant and equipment	9	80,436	62,302
Research and development costs <i>(note)</i>		1,778,594	1,640,508
Operating lease cost	8	25,978	25,938
Amortization of license rights	10	7,239	3,976
Auditor's remuneration		7,121	7,094
Employee benefit expense (including directors' and chief executive's remuneration):			
Wages, salaries and other benefits		1,120,403	1,000,890
Share-based compensation expenses	18	367,588	303,162
Pension scheme contributions (defined contribution scheme)		<u>62,092</u>	<u>50,358</u>
		<u>1,550,083</u>	<u>1,354,410</u>
Foreign exchange differences, net		64,760	233,812
Impairment of accounts receivable, net	6	1,861	(219)
Impairment of inventories		2,964	1,140
Bank interest income		<u>(78,373)</u>	<u>(74,234)</u>

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17. LOSS PER SHARE

Loss per share was calculated as follows:

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

For the years ended December 31, 2023 and 2022, the computation of basic loss per share using the two-class method was not applicable, as the Company was in a net loss position.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. SHARE-BASED COMPENSATION

2016 Share Option and Incentive Plan

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

As of December 31, 2023, share-based awards to acquire 37,575,472 ordinary shares were available for future grant under the 2016 Plan.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. SHARE-BASED COMPENSATION *(Continued)*

2018 Inducement Equity Plan

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

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

2018 Employee Share Purchase Plan

In June 2018, the shareholders of the Company approved the 2018 Employee Share Purchase Plan (the “ESPP”). Initially, 3,500,000 ordinary shares of the Company were reserved for issuance under the ESPP. In August 2018, in connection with the Hong Kong IPO, the board of directors of the Company approved an amended and restated ESPP to remove an “evergreen” share replenishment provision originally included in the plan and implement other changes required by the HK Listing Rules. In December 2018, the shareholders of the Company approved a second amended and restated ESPP to increase the number of shares authorized for issuance by 3,855,315 ordinary shares to 7,355,315 ordinary shares. The ESPP allows eligible employees to purchase the Company’s ordinary shares (including in the form of ADSs) at the end of each offering period, which will generally be six months, at a 15% discount to the market price of the Company’s ADSs at the beginning or the end of each offering period, whichever is lower, using funds deducted from their payroll during the offering period. Eligible employees are able to authorize payroll deductions of up to 10% of their eligible earnings, subject to applicable limitations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. SHARE-BASED COMPENSATION *(Continued)*

2018 Employee Share Purchase Plan *(Continued)*

The following tables summarizes the shares issued under the ESPP:

Issuance Date	Number of Ordinary Shares Issued	Market Price ¹		Purchase Price ²		Proceeds US\$'000
		ADS	Ordinary	ADS	Ordinary	
		US\$	US\$	US\$	US\$	
August 31, 2023	794,144	207.55	15.97	176.42	13.57	10,777
February 28, 2023	930,582	171.10	13.16	145.44	11.19	10,414
August 31, 2022	861,315	171.66	13.20	145.91	11.22	9,667
February 28, 2022	667,160	210.52	16.19	178.94	13.76	9,183
August 31, 2021	425,386	308.30	23.72	262.06	20.16	8,575
February 26, 2021	436,124	236.30	18.18	200.86	15.45	6,738

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. SHARE-BASED COMPENSATION *(Continued)*

Share options

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. SHARE-BASED COMPENSATION *(Continued)*

Share options *(Continued)*

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

Fair value of options

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

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

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

Restricted shares

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18. SHARE-BASED COMPENSATION *(Continued)*

Restricted share units

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

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

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

Share-based compensation expense

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19. ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20. SHAREHOLDERS' EQUITY

BMS Settlement

On August 1, 2023, the Company entered into a Settlement and Termination Agreement (the "Settlement Agreement") with BMS-Celgene and certain of its affiliates relating to the termination of the parties' ongoing contractual relationships, the previously-disclosed ongoing arbitration proceeding concerning ABRAXANE® (the "Arbitration"), the License and Supply Agreement ("LSA"), the Amended and Restated Quality Agreement (the "QA"), and the Share Subscription Agreement (the "SSA"), entered into by the parties in 2017 and 2018. Pursuant to the Settlement Agreement, the parties agreed to mutually dismiss the Arbitration and BMS-Celgene and its affiliates agreed to transfer 23,273,108 ordinary shares of the Company originally purchased in 2017, in each case subject to and in accordance with the terms and conditions of the Settlement Agreement. In consideration for the shares being returned, the Company agreed to drop its claims pursuant to the Settlement Agreement. Furthermore, the parties agreed to terminate the LSA and QA on December 31, 2023, subject to the Company's right to continue selling all inventory of REVLIMID and VIDAZA until sold out or December 31, 2024, whichever is earlier. The Settlement Agreement provides for a settlement and release by each party of claims arising from or relating to the Arbitration, the LSA, the QA and the SSA, as well as other disputes and potential disputes between the parties, in each case subject to and in accordance with the terms and conditions of the Agreement. The receipt of the shares occurred on August 15, 2023. The Company recorded a noncash gain upon receipt of US\$362,917,000, which represents the fair value on the day the shares were received. The gain was recorded within other income (expense), net in the consolidated statements of operations. The shares were constructively retired as of December 31, 2023. The Company recorded the amount of the cancelled shares in excess of par to additional paid-in capital.

21. RESTRICTED NET ASSETS

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21. RESTRICTED NET ASSETS *(Continued)*

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

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

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

22. EMPLOYEE BENEFIT PLANS

Defined Contribution Plans

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22. EMPLOYEE BENEFIT PLANS *(Continued)*

Defined Contribution Plans *(Continued)*

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

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

Defined Benefit Plan

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

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

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

Year(s)	Amounts US\$’000
Year ending December 31, 2024	607
Year ending December 31, 2025	214
Year ending December 31, 2026	580
Year ending December 31, 2027	985
Year ending December 31, 2028	811
Thereafter	<u>9,569</u>
Total	<u><u>12,766</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23. COMMITMENTS AND CONTINGENCIES

Purchase Commitments

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

Capital Commitments

The Company had capital commitments amounting to US\$333,498,000 for the acquisition of property, plant and equipment as of December 31, 2023, which were mainly for the Company's manufacturing and clinical R&D campus in Hopewell, New Jersey, additional capacity at the Guangzhou and Suzhou manufacturing facilities, and a new building for Beijing Innerway Bio-tech Co., Ltd.

Co-development Funding Commitment

Under the Amgen Collaboration Agreement, the Company is responsible for co-funding global clinical development costs for the Amgen oncology pipeline assets up to a total cap of US\$1,250,000,000. The Company is funding its portion of the co-development costs by contributing cash and/or development services. As of December 31, 2023, the Company's remaining co-development funding commitment was US\$483,651,000.

Funding Commitment

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

Other Business Agreements

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the years ended December 31, 2023 and 2022, were disclosed pursuant to the HK Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Year ended December 31,	
	2023	2022
	US\$'000	US\$'000
Fees	856	795
Other emoluments:		
Salaries, allowances and benefits in kind	1,275	910
Performance related bonuses	1,132	1,120
Share-based compensation expenses*	17,981	17,760
Pension scheme contributions	—	14
	20,388	19,804
	21,244	20,599

* Share-based compensation amount disclosed in Note 24 (including above table) and Note 25 represented the amount determined under U.S. GAAP and recognized in the relevant accounting periods mentioned above.

For the years ended December 31, 2023 and 2022, certain directors were granted share options and restricted share units, in respect of their services to the Group, under the share option plans of the Company, further details of which are set out in Note 18. The fair value of such options, which has been recognized in the consolidated statement of operations over the vesting period, was determined as at the date of grant and the accounting amount recognized in the respective accounting periods is included in the above directors' and chief executive's remuneration disclosures.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

(a) Independent non-executive directors

The remuneration paid to independent non-executive directors for the years ended December 31, 2023 and 2022 were as follows:

Year ended December 31, 2023

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Share-based compensation expense	Pension scheme contributions	Total remuneration
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Thomas Malley	101	-	-	405	-	506
Donald W. Glazer	81	-	-	405	-	486
Michael Goller	82	-	-	405	-	487
Ranjeev Krishana	87	-	-	405	-	492
Qingqing Yi	87	-	-	405	-	492
Corazon (Corsee) D. Sanders	102	-	-	405	-	507
Alessandro Riva	92	-	-	405	-	497
Margaret Han Dugan	111	-	-	405	-	516
Anthony C. Hooper ⁽¹⁾	113	-	-	405	-	518
	<u>856</u>	<u>-</u>	<u>-</u>	<u>3,645</u>	<u>-</u>	<u>4,501</u>

Note 1: The Board redesignated Mr. Anthony C. Hooper as an independent non-executive Director effective from April 17, 2023. For the period up to April 16, 2023, Mr. Anthony C. Hooper was a non-executive Director of the Company as defined under HK Listing Rules. For the period up to April 16, 2023, pursuant to the Company's Independent Director Compensation Policy, Mr. Anthony C. Hooper receives compensation for his service as an independent director as defined under NASDAQ Listing Rules.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(Continued)*

(a) Independent non-executive directors *(Continued)*

Year ended December 31, 2022

	Fees US\$'000	Salaries, allowances and benefits in kind US\$'000	Performance related bonuses US\$'000	Share-based compensation expense US\$'000	Pension scheme contributions US\$'000	Total remuneration US\$'000
Thomas Malley	93	-	-	391	-	484
Timothy Chen ¹	39	-	-	210	-	249
Donald W. Glazer	74	-	-	391	-	465
Michael Goller	77	-	-	391	-	468
Ranjeev Krishana	79	-	-	391	-	470
Qingqing Yi	85	-	-	391	-	476
Jing-Shyh (Sam) Su ²	6	-	-	(190)	-	(184)
Corazon (Corsee) D. Sanders	96	-	-	391	-	487
Alessandro Riva ³	71	-	-	330	-	401
Margaret Han Dugan ⁴	77	-	-	330	-	407
	<u>697</u>	<u>-</u>	<u>-</u>	<u>3,026</u>	<u>-</u>	<u>3,723</u>
Total	<u>697</u>	<u>-</u>	<u>-</u>	<u>3,026</u>	<u>-</u>	<u>3,723</u>

Notes:

1. Mr. Timothy Chen resigned as a director on June 22, 2022.
2. Mr. Jing-Shyh (Sam) Su resigned as a director on January 31, 2022.
3. Alessandro Riva's service as a director commenced on February 1, 2022. Accordingly, his cash compensation was pro-rated for the year.
4. Margaret Han Dugan's service as a director commenced on February 1, 2022. Accordingly, her cash compensation was pro-rated for the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

(b) Executive director, non-executive directors and chief executive

For the years ended December 31, 2023 and 2022, the Board of Directors comprised one executive director, John V. Oyler, who is also the chief executive of the Company. The remuneration paid to John V. Oyler for the years ended December 31, 2023 and 2022 were as follows:

	Year ended December 31,	
	2023	2022
	US\$'000	US\$'000
Fees	-	-
Other emoluments:		
Salaries, allowances and benefits in kind	1,275	910
Performance related bonuses	1,132	1,120
Share-based compensation expenses	14,336	14,343
Pension scheme contributions	-	14
	<u>16,743</u>	<u>16,387</u>

For the year ended December 31, 2023, the Board of Directors comprised one non-executive director, Xiaodong Wang. For the year ended December 31, 2022, the Board of Directors comprised two non-executive directors, Xiaodong Wang and Anthony C. Hooper. Xiaodong Wang did not receive any compensation as a director. The compensation received by Xiaodong Wang as a consultant during the years ended December 31, 2023 and 2022 were detailed below and also included in Note 26.

Year ended December 31, 2023

	Fees	Salaries, allowances and benefits in kind	Performance related bonuses	Share-based compensation expenses	Pension scheme contributions	Total remuneration
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Xiaodong Wang	<u>267</u>	<u>-</u>	<u>150</u>	<u>3,854</u>	<u>-</u>	<u>4,271</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(Continued)*

(b) Executive director, non-executive directors and chief executive *(Continued)*

Year ended December 31, 2022

	Fees US\$'000	Salaries, allowances and benefits in kind US\$'000	Performance related bonuses US\$'000	Share-based compensation expenses US\$'000	Pension scheme contributions US\$'000	Total remuneration US\$'000
Xiaodong Wang	100	–	150	3,989	–	4,239
Anthony C. Hooper	98	–	–	391	–	489
	<u>198</u>	<u>–</u>	<u>150</u>	<u>4,380</u>	<u>–</u>	<u>4,728</u>

25. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees for the years ended December 31, 2023 and 2022 included the following number of directors and chief executive, details of whose remuneration are set out in Note 24 above.

	2023	2022
Directors and chief executive	2	2
Neither directors nor chief executive	<u>3</u>	<u>3</u>
	<u>5</u>	<u>5</u>

Details of the remuneration for the year of the remaining highest paid employees who are neither a director nor chief executive of the Company are as follows:

	Year ended December 31,	
	2023 US\$'000	2022 US\$'000
Salaries, allowances and benefits in kind	2,223	1,991
Performance related bonuses	1,644	1,433
Share-based compensation expenses	18,874	18,653
Pension scheme contributions	<u>17</u>	<u>37</u>
	<u>22,758</u>	<u>22,114</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25. FIVE HIGHEST PAID EMPLOYEES *(Continued)*

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2023	2022
HK\$25,000,001 to HK\$30,000,000	–	1
HK\$35,000,001 to HK\$40,000,000	1	–
HK\$45,000,001 to HK\$50,000,000	–	1
HK\$50,000,001 to HK\$55,000,000	1	–
HK\$90,000,001 to HK\$95,000,000	1	–
HK\$100,000,001 to HK\$105,000,000	–	1
	<u>3</u>	<u>3</u>

For the years ended December 31, 2023 and 2022, share options or restricted share units were granted to non-director and non-chief executive highest paid employees in respect of their services to the Group, further details of such equity award plans are included in the disclosures in Note 18. The fair value of such options, which has been recognized in the statement of operations over the vesting period, was determined as at the date of grant and the accounting amount recognized in the respective accounting periods is included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

26. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed elsewhere in this financial information, the Company had the following related party transactions for the years ended December 31, 2023 and 2022:

Xiaodong Wang, Chairman of Scientific Advisory Board, director and shareholder, provided consulting service to the Group, and the compensation received by Dr. Wang for such service during the year ended December 31, 2023 consisted of (i) US\$100,000 (2022: US\$100,000) in consulting fees, (ii) US\$150,000 (2022: US\$150,000) as a performance-based cash bonus, (iii) payment for Hart Scott Rodino (HSR) filing, which reflects a total payment of \$167,000 (\$100,000 for the filing and \$67,000 reflects the gross up for taxes), (iv) an option to purchase 327,249 ordinary shares (2022: 471,913 ordinary shares) with a grant date fair value of US\$2,667,000 (2022: US\$3,000,000) and (v) 86,216 ordinary shares (2022: 83,499 ordinary shares), with a grant date fair value of US\$1,333,000 (2022: US\$1,000,000).

The cash component of the above related party transaction also constitutes a fully-exempt continuing connected transaction under Chapter 14A of the HK Listing Rules.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27. SEGMENT AND GEOGRAPHIC INFORMATION

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28. RECONCILIATION BETWEEN U.S. GAAP AND INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

Consolidated statement of operations data	Year ended December 31, 2023				
	Amounts as reported under U.S. GAAP US\$'000	IFRS adjustments			Amounts under IFRS US\$'000
		Share-based compensation and related tax (note (i)) US\$'000	Lease (note (iii)) US\$'000		
Research and development	(1,778,594)	(31,745)	1,344	(1,808,995)	
Selling, general and administrative	(1,504,501)	(21,942)	1,659	(1,524,784)	
Interest income (expense), net	74,009	—	(3,082)	70,927	
Loss before income tax expense	(825,836)	(53,687)	(79)	(879,602)	
Income tax expense	(55,872)	(15,000)	—	(70,872)	
Net loss	(881,708)	(68,687)	(79)	(950,474)	
	Year ended December 31, 2022				
Consolidated statement of operations data	Amounts as reported under U.S. GAAP US\$'000	IFRS adjustments			Amounts under IFRS US\$'000
		Share-based compensation and related tax (note (i)) US\$'000	Lease (note (iii)) US\$'000		
Research and development	(1,640,508)	(14,697)	471	(1,654,734)	
Selling, general and administrative	(1,277,852)	(19,296)	366	(1,296,782)	
Interest income (expense), net	52,480	—	(3,142)	49,338	
Loss before income tax expense	(1,961,037)	(33,993)	(2,305)	(1,997,335)	
Income tax (expense) benefit	(42,778)	10,311	—	(32,467)	
Net loss	(2,003,815)	(23,682)	(2,305)	(2,029,802)	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28. RECONCILIATION BETWEEN U.S. GAAP AND INTERNATIONAL FINANCIAL REPORTING STANDARDS *(Continued)*

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

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

* IFRS adjustments brought forward from prior years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28. RECONCILIATION BETWEEN U.S. GAAP AND INTERNATIONAL FINANCIAL REPORTING STANDARDS *(Continued)*

Notes:

(i) Share based compensation and related tax

Under U.S. GAAP, the Company has elected to recognize compensation expense using the straight-line method for all employee equity awards granted with graded vesting based on service conditions provided that the amount of compensation cost recognized at any date is at least equal to the portion of the grant date value of the options that are vested at that date.

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

A difference of US\$53,687,000 arose between the amount of share-based compensation (included in research and development expenses, and selling, general and administrative expenses) recognized under U.S. GAAP and IFRS for the year ended December 31, 2023 (2022: US\$33,993,000).

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

(ii) Preferred Shares

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28. RECONCILIATION BETWEEN U.S. GAAP AND INTERNATIONAL FINANCIAL REPORTING STANDARDS *(Continued)*

Notes: *(Continued)*

(iii) Lease

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	As of December 31,	
	2023	2022
	US\$'000	US\$'000
Assets		
Current assets:		
Cash and cash equivalents	723,964	1,742,320
Short-term restricted cash	584	51
Short-term investments	2,600	548,303
Prepaid expenses and other current assets	<u>1,244,790</u>	<u>804,471</u>
Total current assets	<u>1,971,938</u>	<u>3,095,145</u>
Non-current assets:		
Long-term equity investments	1,889,063	914,653
Property and equipment, net	5,422	7,510
Intangible assets, net	5,625	6,328
Other non-current assets	<u>1,624,690</u>	<u>1,621,824</u>
Total non-current assets	<u>3,524,800</u>	<u>2,550,315</u>
Total assets	<u>5,496,738</u>	<u>5,645,460</u>
Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable	561,827	446,362
Accrued expenses and other payables	29,387	57,316
Research and development cost share liability, current portion	68,004	114,335
Short-term debt	<u>910,131</u>	<u>297,868</u>
Total current liabilities	<u>1,569,349</u>	<u>915,881</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

	As of December 31,	
	2023	2022
	US\$'000	US\$'000
Non-current liabilities:		
Research and development cost share liability, non-current portion	170,662	179,625
Other long-term liabilities	<u>219,400</u>	<u>166,599</u>
Total non-current liabilities	<u>390,062</u>	<u>346,224</u>
Total liabilities	<u>1,959,411</u>	<u>1,262,105</u>
Commitments and contingencies		
Equity:		
Ordinary shares, US\$0.0001 par value per share; 9,500,000,000 shares authorized; 1,359,513,224 and 1,356,140,180 shares issued and outstanding as of December 31, 2023 and 2022, respectively	135	135
Additional paid-in capital	11,598,688	11,540,979
Accumulated other comprehensive loss	(99,446)	(77,417)
Accumulated deficit	<u>(7,962,050)</u>	<u>(7,080,342)</u>
Total equity	<u>3,537,327</u>	<u>4,383,355</u>
Total liabilities and equity	<u>5,496,738</u>	<u>5,645,460</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

A summary of the Company's reserves is as follows:

	Ordinary Shares		Additional Paid-In Capital US\$'000	Accumulated Other comprehensive income/(Loss) US\$'000		Accumulated Deficit US\$'000	Total US\$'000
	Shares	Amount US\$'000					
Balance at December 31, 2021	<u>1,334,804,281</u>	<u>133</u>	<u>11,191,007</u>	<u>17,950</u>	<u>(5,076,527)</u>	<u>6,132,563</u>	
Cost from issuance of ordinary shares	-	-	(152)	-	-	(152)	
Use of shares reserved for share option exercises	1,375,621	-	-	-	-	-	
Exercise of options, ESPP and release of RSUs	19,960,278	2	46,962	-	-	46,964	
Share-based compensation	-	-	303,162	-	-	303,162	
Other comprehensive loss	-	-	-	(95,367)	-	(95,367)	
Net loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,003,815)</u>	<u>(2,003,815)</u>	
Balance at December 31, 2022	<u>1,356,140,180</u>	<u>135</u>	<u>11,540,979</u>	<u>(77,417)</u>	<u>(7,080,342)</u>	<u>4,383,355</u>	
Issuance of shares reserved for share option exercises	84,227	-	-	-	-	-	
Exercise of options, ESPP and release of RSUs	26,561,925	2	53,006	-	-	53,008	
Cancellation of ordinary shares	(23,273,108)	(2)	(362,915)	-	-	(362,917)	
Share-based compensation	-	-	367,618	-	-	367,618	
Other comprehensive loss	-	-	-	(22,029)	-	(22,029)	
Net loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(881,708)</u>	<u>(881,708)</u>	
Balance at December 31, 2023	<u>1,359,513,224</u>	<u>135</u>	<u>11,598,688</u>	<u>(99,446)</u>	<u>(7,962,050)</u>	<u>3,537,327</u>	

The above statement of financial position of the Company have been prepared in accordance with U.S. GAAP, and in conformity with the disclosure requirements of the HK Listing Rules and the Hong Kong Companies Ordinance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30. DIVIDENDS

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

31. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorized for issue by the Company on March 28, 2024.

DEFINITIONS

“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 Second Amended and Restated 2016 Share Option and Incentive Plan approved by the shareholders of the Company on December 7, 2018, as amended from time to time, the principal terms of which were set out in the Company’s Proxy Statement/Circular dated April 29, 2022
“2018 ESPP”	the Third Amended and Restated 2018 Employee Share Purchase Plan most recently amended on June 16, 2021 (effective as of September 1, 2021)
“2018 Inducement Plan” or “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, which was terminated on June 22, 2022
“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
“Amgen”	Amgen Inc., a company incorporated under the laws of Delaware, US, on April 7, 1987
“Amgen Collaboration Agreement”	a Collaboration Agreement dated October 31, 2019, by and between BeiGene Switzerland and Amgen, which became effective on January 2, 2020
“Amgen SPA” or “Share Purchase Agreement”	the share purchase agreement dated October 31, 2019, as amended, by and between BeiGene, Ltd. and Amgen
“Articles”	the seventh amended and restated memorandum and articles of association adopted by special resolution of the Shareholders passed on June 15, 2023, as amended from time to time
“associate(s)”	has the meaning ascribed to it under the HK Listing Rules
“BeiGene”, “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

DEFINITIONS

“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 an indirectly wholly owned subsidiary of the Company
“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 Switzerland”	BeiGene Switzerland GmbH, a company incorporated under the laws of Switzerland on September 1, 2017 and a wholly-owned subsidiary of the Company
“BLA”	biologics license application
“BMS-Celgene”	Bristol-Myers Squibb Company, Celgene Corporation, Celgene Switzerland LLC, Celgene Kappa Holdings LLC, Celgene Holdings East Corporation, and Celgene Logistics
“Board”	the Board of Directors of the Company
“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
“CMO”	contract manufacturing organization
“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 HK Listing Rules
“corporate communication”	has the meaning ascribed to it under the HK Listing Rules
“Corporate Governance Code”	the Corporate Governance Code and Corporate Governance Report set out in Appendix C1 to the HK Listing Rules
“CROs”	contract research organizations

DEFINITIONS

“Director(s)”	the director(s) of our Company
“EMA”	European Medicines Agency
“EU”	the European Union
“EUSA”	EUSA Pharma
“FDA”	U.S. Food and Drug Administration
“GDPR”	General Data Protection Regulation (EU) 2016/679
“GET”	Guangzhou GET Technology Development Co., Ltd. (now Guangzhou High-tech Zone Technology Holding Group Co., Ltd.), a limited liability company established under the laws of the PRC on November 27, 1998 and an Independent Third Party
“Group”, “our Group”, “the Group”, “we”, “us”, or “our”	the Company and its subsidiaries from time to time
“HKEx”	The Stock Exchange of Hong Kong Limited
“HK 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
“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
“IFRS”	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
“Independent Third Party(ies)”	any entity or person who is not a connected person of the Company within the meaning ascribed thereto under the HK Listing Rules
“IPO”	initial public offering

DEFINITIONS

“Listing”	the listing of our Shares on the Main Board
“Main Board”	the stock exchange (excluding the option market) operated by the HKEx which is independent from and operates in parallel with GEM
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the HK Listing Rules
“NASDAQ”	Nasdaq Stock Market
“NASDAQ Listing Rules”	the listing rules of the Nasdaq Stock Market
“NDA”	new drug application
“NMPA”	National Medical Products Administration, successor to the China Food and Drug Administration
“Novartis”	Novartis Pharma AG
“NRDL”	the National Reimbursement Drug List
“Prospectus”	the prospectus of the Company dated July 30, 2018
“Reporting Period”	the year ended December 31, 2023
“RMB” or “Renminbi”	Renminbi, the lawful currency of PRC
“RMB Shares”	the Shares subscribed for in RMB by target subscriber(s) in the PRC, which are listed on the STAR Market and traded in RMB
“RSU(s)”	restricted share units, being a contingent right to receive Shares awarded under the 2016 Plan
“SAFE”	State Administration of Foreign Exchange
“sBLA”	supplemental biologics license application
“SEC”	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

DEFINITIONS

“Shareholder(s)”	holder(s) of the Share(s)
“Share(s)”	ordinary share(s) in the share capital of the Company
“sNDA”	supplementary new drug application
“SSE”	Shanghai Stock Exchange
“STAR Market”	the Science and Technology Innovation Board of the Shanghai Stock Exchange
“STAR Offering”	issue of RMB Shares and listing on the STAR Market of the SSE
“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 HK Listing Rules
“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
“U.S. GAAP”	United States generally accepted accounting principles

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
“cHL”	means	classical Hodgkin’s Lymphoma
“CLL”	means	chronic lymphocytic leukemia
“complete response”	means	the disappearance of all signs of cancer in response to treatment
“Fc γ R”	means	Fc-gamma receptor
“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
“MCL”	means	mantle cell lymphoma
“NSCLC”	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

GLOSSARY OF TECHNICAL TERMS

“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
“R/R”	means	relapsed or refractory
“SLL”	means	small lymphocytic lymphoma
“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
“UC”	means	urothelial carcinoma
“WM”	means	Waldenstrom macroglobulinemia