BeiGene

BeiGene, Ltd.

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 06160)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2018

BeiGene, Ltd. (the "Company") hereby announces the consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended December 31, 2018, together with the comparative figures for the corresponding periods in 2017, which have been prepared under generally accepted accounting principles in the United States (the "U.S. GAAP") and reviewed by the Audit Committee of the Board of Directors (the "Board" or "Directors") of the Company.

FINANCIAL HIGHLIGHTS

- *Revenue for the year ended December 31, 2018 decreased by approximately US$40.2 million or approximately 16.8% to approximately US$198.2 million, as compared to the year ended December 31, 2017.*
- *Total expenses increased by approximately US$567.1 million or approximately 168.4% to approximately US$904.0 million, as compared to the year ended December 31, 2017.*
- *Net loss increased by approximately US$580.7 million or approximately 622.4% to approximately US$674.0 million, as compared to the year ended December 31, 2017.*
- *Basic and diluted loss per share for the year ended December 31, 2018 amounted to US$0.93, representing an increase of 447.1% when compared with that of US$0.17 for the year ended December 31, 2017.*

CONSOLIDATED BALANCE SHEETS

	Notes	As of December 31, 2018 US$'000	2017 US$'000
Assets			
Current assets:			
Cash and cash equivalents		712,937	239,602
Short-term restricted cash	5	14,544	—
Short-term investments	6	1,068,509	597,914
Accounts receivable	7	41,056	29,428
Unbilled receivable	7	8,612	—
Inventories	8	16,242	10,930
Prepaid expenses and other current assets	14	81,942	35,623
Total current assets		1,943,842	913,497
Long-term restricted cash	5	13,232	—
Property and equipment, net	10	157,061	62,568
Land use right, net	11	45,058	12,465
Intangible assets, net	12	7,172	7,250
Goodwill	4	109	109
Deferred tax assets	13	29,542	7,675
Other non-current assets	14	53,668	42,915
Total non-current assets		305,842	132,982
Total assets		2,249,684	1,046,479
Liabilities and shareholders' equity			
Current liabilities:			
Accounts payable	15	113,283	69,779
Accrued expenses and other payables	14	100,414	49,598
Deferred revenue, current portion		18,140	12,233
Tax payable	13	5,888	9,156
Current portion of long-term bank loan	16	8,727	9,222
Total current liabilities		246,452	149,988

	Notes	As of December 31, 2018 US$'000	2017 US$'000
Non-current liabilities:			
Long-term bank loan	16	40,785	9,222
Shareholder loan	17	148,888	146,271
Deferred revenue, non-current portion		9,842	24,808
Deferred tax liabilities	13	11,139	—
Other long-term liabilities	14	38,931	31,959
Total non-current liabilities		249,585	212,260
Total liabilities		496,037	362,248
Commitments and contingencies	25		
Equity:			
Ordinary shares, US$0.0001 par value per share; 9,500,000,000 shares authorized; 776,263,184 and 592,072,330 shares issued and outstanding as of December 31, 2018 and 2017, respectively		77	59
Additional paid-in capital		2,744,814	1,000,747
Accumulated other comprehensive income (loss)		1,526	(480)
Accumulated deficit		(1,007,215)	(330,517)
Total BeiGene, Ltd. shareholders' equity		1,739,202	669,809
Noncontrolling interest		14,445	14,422
Total equity		1,753,647	684,231
Total liabilities and equity		2,249,684	1,046,479

CONSOLIDATED STATEMENTS OF OPERATIONS

	Notes	Year Ended December 31, 2018 US$'000	2017 US$'000
Revenues			
Product revenue, net	18	130,885	24,428
Collaboration revenue	3	67,335	213,959
Total revenues		198,220	238,387
Expenses			
Cost of sales - product		(28,705)	(4,974)
Research and development		(679,005)	(269,018)
Selling, general and administrative		(195,385)	(62,602)
Amortization of intangible assets		(894)	(250)
Total expenses		(903,989)	(336,844)
Loss from operations		(705,769)	(98,457)
Interest income (expense), net		13,947	(4,108)
Other income, net		1,993	11,501
Loss before income tax expense	19	(689,829)	(91,064)
Income tax benefit (expense)	13	15,796	(2,235)
Net loss		(674,033)	(93,299)
Less: net loss attributable to noncontrolling interests		(264)	(194)
Net loss attributable to BeiGene, Ltd.		(673,769)	(93,105)
Net loss per share attributable to BeiGene, Ltd., basic and diluted (in US$)	20	(0.93)	(0.17)
Weighted-average shares outstanding, basic and diluted (in shares)	20	720,753,819	543,185,460
Net loss per American Depositary Share ("**ADS**"), basic and diluted (in US$)		(12.15)	(2.23)
Weighted-average ADSs outstanding, basic and diluted (in ADSs)		55,442,601	41,783,497

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

	Year Ended December 31,	
	2018	2017
	US$'000	US$'000
Net loss	(674,033)	(93,299)
Other comprehensive income, net of tax of nil:		
Foreign currency translation adjustments	(478)	851
Unrealized holding gain (loss), net	2,133	(296)
Comprehensive loss	(672,378)	(92,744)
Less: comprehensive loss attributable to noncontrolling interests	(352)	(105)
Comprehensive loss attributable to BeiGene, Ltd.	(672,026)	(92,639)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Notes	Year Ended December 31, 2018 US$'000	2017 US$'000
Cash flows from operating activities:			
Net loss		(674,033)	(93,299)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization expense		10,388	4,758
Share-based compensation expenses	21	87,127	42,863
Acquired in-process research and development	1	70,000	—
Loss on disposal of property and equipment		126	85
Non-cash interest expense		7,820	7,035
Deferred income tax benefits		(21,949)	(5,845)
Disposal gain on available-for-sale securities		(1,948)	(44)
Non-cash amortization of bond discount		(8,034)	—
Changes in operating assets and liabilities:			
Accounts receivable		(11,628)	(29,428)
Unbilled receivable		7,695	—
Inventories		(5,312)	(10,930)
Prepaid expenses and other current assets		(46,302)	(28,880)
Other non-current assets		(40,228)	(29,701)
Accounts payable		23,470	55,298
Accrued expenses and other payables		50,543	24,978
Tax payable		(3,355)	7,426
Deferred revenue		(9,059)	37,041
Other long-term liabilities		16,962	31,395
Net cash (used in) provided by operating activities		(547,717)	12,752
Cash flows from investing activities:			
Purchases of property and equipment		(70,283)	(46,374)
Purchase of intangible assets		(553)	—
Payment for asset acquisition, net of cash acquired	4	(38,298)	—
Payment for the acquisition of land use right		—	(12,354)
Cash acquired in business combination, net of cash paid	4	—	19,916
Purchases of investments		(2,635,686)	(741,296)
Proceeds from sale or maturity of available-for-sale securities		2,177,207	423,789
Purchase of in-process research and development	1	(70,000)	—
Net cash used in investing activities		(637,613)	(356,319)

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

	Notes	Year Ended December 31, 2018 US$'000	2017 US$'000
Cash flows from financing activities:			
Proceeds from public offering, net of underwriter discount	22	758,001	189,191
Payment of public offering cost	22	(414)	(674)
Proceeds from public offering and HK IPO, net of underwriter discount	22	875,368	—
Payment of public offering and HK IPO costs	22	(5,659)	—
Proceeds from sale of ordinary shares, net of cost	22	—	149,928
Proceeds from long-term loan	16	42,315	—
Repayment of long-term loan		(8,736)	—
Proceeds from short-term loan		—	2,470
Repayment of short-term loan		—	(2,470)
Capital contribution from noncontrolling interest		—	14,527
Proceeds from shareholder loan	17	—	132,757
Proceeds from option exercises		29,662	4,627
Net cash provided by financing activities		1,690,537	490,356
Effect of foreign exchange rate changes, net		(4,096)	5,299
Net increase in cash, cash equivalents, and restricted cash		501,111	152,088
Cash, cash equivalents, and restricted cash, beginning of year		239,602	87,514
Cash, cash equivalents, and restricted cash, end of year		740,713	239,602
Supplemental cash flow disclosures:			
Cash and cash equivalents		712,937	239,602
Short-term restricted cash		14,544	—
Long-term restricted cash		13,232	—
Income taxes paid		12,361	29,286
Interest paid		2,209	1,260
Non-cash activities:			
Discount provided on sale of ordinary shares for business combination		—	23,606
Acquisitions of equipment included in accounts payable		22,105	2,215
Purchase of in-process research and development included in accounts payable		19,000	—
Changes in operating assets and liabilities adjusted through accumulated deficit		2,291	—

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Attributable to BeiGene, Ltd.							
	Ordinary Shares		Additional paid-in capital	Accumulated OCI	Accumulated deficit	Total	Non controlling Interest	Total Equity
	Shares	Amount						
		US$'000	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Balance at December 31, 2016	515,833,609	52	591,213	(946)	(237,412)	352,907	—	352,907
Issuance of ordinary shares in secondary follow-on offering, net of transaction costs	36,851,750	4	188,513	—	—	188,517	—	188,517
Proceeds from sale of ordinary shares, net of cost	32,746,416	3	149,925	—	—	149,928	—	149,928
Discount on the sale of ordinary shares	—	—	23,606	—	—	23,606	—	23,606
Contributions from shareholders (Note 9)	—	—	—	—	—	—	14,527	14,527
Share-based compensation	—	—	42,863	—	—	42,863	—	42,863
Issuance of shares reserved for share option exercises	787,571	—	—	—	—	—	—	—
Exercise of options	5,852,984	—	4,627	—	—	4,627	—	4,627
Other comprehensive income	—	—	—	466	—	466	89	555
Net loss	—	—	—	—	(93,105)	(93,105)	(194)	(93,299)
Balance at December 31, 2017	592,072,330	59	1,000,747	(480)	(330,517)	669,809	14,422	684,231
Adjustment to opening balance of equity	—	—	—	263	(2,929)	(2,666)	375	(2,291)
Balance at January 1, 2018	592,072,330	59	1,000,747	(217)	(333,446)	667,143	14,797	681,940
Issuance of ordinary shares in connection with follow-on public offering	102,970,400	10	757,577	—	—	757,587	—	757,587
Issuance of ordinary shares in connection with global offering and HK IPO	65,600,000	7	869,702	—	—	869,709	—	869,709
Issuance of shares reserved for share option exercises	1,299,186	—	—	—	—	—	—	—
Share-based compensation	—	—	87,127	—	—	87,127	—	87,127
Exercise of options and release of RSUs	14,321,268	1	29,661	—	—	29,662	—	29,662
Other comprehensive income	—	—	—	1,743	—	1,743	(88)	1,655
Net loss	—	—	—	—	(673,769)	(673,769)	(264)	(674,033)
Balance at December 31, 2018	776,263,184	77	2,744,814	1,526	(1,007,215)	1,739,202	14,445	1,753,647

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(Amounts in thousands of U.S. Dollar ("US$") and Renminbi ("RMB"), except for number of shares and per share data)

1. Organization

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

The Company was incorporated under the laws of the Cayman Islands as an exempted company with limited liability on October 28, 2010. The Company completed an initial public offering ("IPO") on the NASDAQ Global Select Market or the NASDAQ on February 8, 2016 and has completed subsequent follow-on public offerings and a sale of ordinary shares to Celgene Switzerland LLC ("Celgene Switzerland") in a business development transaction, as described in Note 22, Shareholders' Equity. On August 8, 2018, the Company completed an IPO on the Stock Exchange of Hong Kong Limited ("Stock Exchange") and a global follow-on public offering in which it raised approximately US$869,709 in net proceeds, after deducting underwriting discounts and commissions and offering expenses. Effective August 8, 2018, the Company is dual-listed in both the United States and Hong Kong.

As of December 31, 2018, the Company's subsidiaries are as follows:

Name of Company	Place of Incorporation	Date of Incorporation	Percentage of Ownership by the Company	Principal Activities
BeiGene 101	Cayman Islands	August 30, 2012	100%	Medical and pharmaceutical research
BeiGene AUS Pty Ltd. ("BeiGene Australia")	Australia	July 15, 2013	100%	Clinical trial activities
BeiGene (Beijing) Co., Ltd. ("BeiGene Beijing")	The People's Republic of China ("PRC" or "China")	January 24, 2011	100%	Medical and pharmaceutical research
BeiGene Biologics Co., Ltd. ("BeiGene Biologics")	PRC	January 25, 2017	95%	Biologics manufacturing
BeiGene Guangzhou Biologics Manufacturing Co., Ltd. ("BeiGene Guangzhou Factory")*	PRC	March 3, 2017	95%	Biologics manufacturing
BeiGene (Guangzhou) Co., Ltd. ("BeiGene Guangzhou")	PRC	July 11, 2017	100%	Medical and pharmaceutical research
BeiGene (Hong Kong) Co., Limited. ("BeiGene HK")	Hong Kong	November 22, 2010	100%	Investment holding
Beijing Innerway Bio-tech Co., Ltd. ("Innerway")	PRC	August 9, 2004	100%	Medical and pharmaceutical research and manufacturing
BeiGene Ireland Limited ("BeiGene Ireland")	Republic of Ireland	August 11, 2017	100%	Clinical trial activities
BeiGene Pharmaceuticals (Guangzhou) Co., Ltd. ("BeiGene Pharmaceutical (Guangzhou)")	PRC	April 14, 1999	100%	Medical and pharmaceutical research and manufacturing
BeiGene Pharmaceutical (Shanghai) Co., Ltd. ("BeiGene Pharmaceutical (Shanghai)")	PRC	December 15, 2009	100%	Medical and pharmaceutical consulting,
BeiGene (Shanghai) Co., Ltd. ("BeiGene Shanghai")*	PRC	September 11, 2015	95%	Medical and pharmaceutical research
BeiGene (Suzhou) Co., Ltd. ("BeiGene Suzhou")	PRC	April 9, 2015	100%	Medical and pharmaceutical research and manufacturing
BeiGene Switzerland GmbH ("BeiGene Switzerland")	Switzerland	September 1, 2017	100%	Clinical trial activities and commercial
BeiGene UK, Ltd. ("BeiGene UK")	United Kingdom	December 14, 2018	100%	Research, development, manufacture and distribution or licensing of pharmaceutical and related products
BeiGene USA, Inc. ("BeiGene USA")	United States	July 8, 2015	100%	Clinical trial activities

* *Wholly-owned by BeiGene Biologics*

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. generally accepted accounting principles ("U.S. GAAP"), including guidance with respect to annual financial information and in conformity with the disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time (the "HK Listing Rules"). 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.

Noncontrolling interests are recognized to reflect the portion of the equity of subsidiaries which are not attributable, directly or indirectly, to the controlling shareholders. The Company consolidates its interests in its joint venture, BeiGene Biologics, under the voting model and recognizes the minority shareholder's equity interest as a noncontrolling interest in its consolidated financial statements (as described in Note 9).

Recent Accounting Pronouncements

New accounting standards which have been adopted

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU No. 2014-9, Revenue from Contracts with Customers (Topic 606), or ASU 2014-9. Subsequently, the FASB issued ASU 2015-14, Revenue from Contracts with Customers (Topic 606), which adjusted the effective date of ASU 2014-9; ASU No. 2016-8, Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net), which amends the principal-versus-agent implementation guidance and illustrations in ASU 2014-9; ASU No. 2016-10, Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing, which clarifies identifying performance obligations and licensing implementation guidance and illustrations in ASU 2014-9; ASU No. 2016-12, Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients, which addresses implementation issues and is intended to reduce the cost and complexity of applying the new revenue standard in ASU 2014-9; ASU No. 2017-13, Revenue Recognition (Topic 605), Revenue from Contracts with Customers (Topic 606), Leases (Topic 840), and Leases (Topic 842): Amendments to SEC Paragraphs Pursuant to the Staff Announcement at the July 20, 2017 EITF Meeting and Rescission of Prior SEC Staff Announcements and Observer Comments (SEC Update), which codifies recent announcements by the Securities and Exchange Commission, or SEC, staff; and ASU No. 2017-14, Income Statement—Reporting Comprehensive Income (Topic 220), Revenue Recognition (Topic 605), and Revenue from Contracts with Customers (Topic 606) (SEC Update), which adds ASC 606-10-S25-1 as a result of SEC Release 33-10403, or collectively, the Revenue ASUs. The Revenue ASUs provide an accounting standard for a single comprehensive model for use in accounting for revenue arising from contracts with customers, and supersedes most current revenue recognition guidance. The accounting standard is effective for interim and annual periods beginning after December 15, 2017, with an option to early adopt for interim and annual periods beginning after December 15, 2016. The guidance permits two methods of adoption: retrospectively to each prior reporting period presented (the full retrospective method), or retrospectively with the cumulative effect of initially applying the guidance recognized at the date of initial application (the modified retrospective method). On January 1, 2018, the Company adopted the new standard using the modified retrospective method.

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

The Company recognized the cumulative effect of initially applying the new revenue standard as an adjustment to the opening balance of retained earnings. The comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods. The cumulative effect of the changes made to the Company's consolidated January 1, 2018 balance sheet for the adoption of ASU 2014-9 resulted in an increase of $16,307 to both unbilled receivables and the opening balance of accumulated deficit. Please refer to the "Adoption of New Accounting Standards" section below for a tabular presentation of the impact.

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

In November 2016, the FASB issued ASU No. 2016-18, Statement of Cash Flows: Restricted Cash, which requires entities to present the aggregate changes in cash, cash equivalents, restricted cash and restricted cash equivalents in the statement of cash flows. As a result, the statement of cash flows will be required to present restricted cash and restricted cash equivalents as a part of the beginning and ending balances of cash and cash equivalents. The updated guidance became effective on January 1, 2018, and resulted in the presentation of restricted cash of $27,776 within the ending cash, cash equivalents, and restricted cash balance on the Company's consolidated statement of cash flows.

In May 2017, the FASB issued ASU No. 2017-9, Compensation – Stock Compensation: Scope of Modification Accounting. This standard provides clarity and reduces both (1) diversity in practice and (2) cost and complexity when applying the guidance in Topic 718, Compensation-Stock Compensation, to a change to the terms or conditions of a share-based payment award. The updated guidance became effective on January 1, 2018, and there was no material impact to the Company's consolidated financial statements.

In June 2018, the FASB issued ASU 2018-7, Compensation—Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting. This update expands the scope of Topic 718 to include share-based payment transactions for acquiring goods and services from nonemployees. This update also specifies that Topic 718 applies to all share-based payment transactions in which a grantor acquires goods or services to be used or consumed in a grantor's own operations by issuing share-based payment awards. This update is effective in fiscal years, including interim periods, beginning after December 15, 2018. Early adoption is permitted, but no earlier than an entity's adoption date of Topic 606. The Company elected to early adopt this ASU during the quarter ended September 30, 2018, and there was no material impact to the Company's consolidated financial statements.

Impact of adopted accounting standards

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

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

New accounting standards which have not yet been adopted

In February 2016, the FASB issued ASU No. 2016-2, Leases. Subsequently, the FASB issued ASU 2018-1, Land Easement Practical Expedient, which provides an optional transition practical expedient for land easements, ASU 2018-10, Codification Improvements to Topic 842, Leases, which clarifies certain aspects of the guidance issued in ASU 2016-2; ASU 2018-11, Leases (Topic 842): Targeted Improvements, which provides an additional transition method and a practical expedient for separating components of a contract for lessors, and ASU 2018-20, Leases (Topic 842)- Narrow-Scope Improvements for Lessors, which allows certain accounting policy elections for lessors (collectively, the "Lease ASUs"). The Lease ASUs require lessees to recognize assets and liabilities related to lease arrangements longer than 12 months on the balance sheet. This standard also requires additional disclosures by lessees and contains targeted changes to accounting by lessors. The updated guidance is effective for interim and annual periods beginning after December 15, 2018, and early adoption is permitted. Leases will be classified as finance or operating, with the classification affecting the pattern and classification of expense recognition. The recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee have not significantly changed from previous U.S. GAAP. A modified retrospective transition approach is required, applying the new standard to all leases existing at the date of initial adoption. The guidance permits entities to choose to use either its effective date or the beginning of the earliest period presented in the financial statements as its date of initial application.

The Company will adopt the new standard effective January 1, 2019 using the effective date method and will not restate comparative periods. The Company will elect the package of practical expedients permitted under the transition guidance within the new standard, which permits the Company not to reassess under the new standard its prior conclusions about lease identification, lease classification and initial direct costs. On adoption, we currently expect to recognize additional operating liabilities ranging from US$25,000 to US$30,000, with corresponding right-of-use (ROU) assets of the same amount based on the present value of the remaining minimum rental payments under existing operating leases. Additionally, the Company expects to reclassify its land use rights of US$45,058 to ROU assets upon adoption.

In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments — Credit Losses ("ASU 2016-13"). The amendments in ASU 2016-13 update guidance on reporting credit losses for financial assets. These amendments affect loans, debt securities, trade receivables, net investments in leases, off balance sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash. For public business entities that are U.S. SEC filers, ASU 2016-13 is effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. The Company is currently evaluating the impact on its financial statements of adopting this guidance.

In February 2018, the FASB issued ASU 2018-2, Income Statement — Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income. This update allows companies the option to reclassify to retained earnings the tax effects related to items in accumulated other comprehensive income (loss) as a result of the Tax Cuts and Jobs Act that was enacted in the United States on December 22, 2017. This update is effective in fiscal years, including interim periods, beginning after December 15, 2018, and early adoption is permitted. This guidance should be applied either in the period of adoption or retrospectively to each period in which the effects of the change in the U.S. federal income tax rate in the Tax Cuts and Jobs Act is recognized. The Company does not expect this guidance to have a material impact on the Company's consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework- Changes to the Disclosure Requirements for Fair Value Measurement. The update eliminates, modifies, and adds certain disclosure requirements for fair value measurements. This update is effective in fiscal years, including interim periods, beginning after December 15, 2019, and early adoption is permitted. The added disclosure requirements and the modified disclosure on the narrative description of measurement uncertainty should be applied prospectively for only the most recent interim or annual period presented. All other changes to disclosure requirements in this update should be applied retrospectively to all periods presented upon their effective date. The Company is currently evaluating the impact on its financial statements of adopting this guidance.

In August 2018, the FASB issued ASU 2018-15, Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract. This update requires a customer in a cloud computing arrangement that is a service contract to follow the internal-use software guidance in ASC 350-40 to determine which implementation costs to defer and recognize as an asset. This update is effective in fiscal years, including interim periods, beginning after December 15, 2019, and early adoption is permitted. This guidance should be applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption. The Company is currently evaluating the impact on its financial statements of adopting this guidance.

In November 2018, the FASB issued ASU 2018-18, Collaborative Arrangements (Topic 808): Clarifying the Interaction between Topic 808 and Topic 606. This update clarifies that certain transactions between participants in a collaborative arrangement should be accounted for under ASC 606 when the counterparty is a customer and precludes an entity from presenting consideration from a transaction in a collaborative arrangement as revenue from contracts with customers if the counterparty is not a customer for that transaction. The update is effective in fiscal years beginning after December 15, 2019, and interim periods therein, and early adoption is permitted for entities that have adopted ASC 606. This guidance should be applied retrospectively to the date of initial application of Topic 606. The Company is currently evaluating the impact on its financial statements of adopting this guidance.

3. Research and Development Collaborative Arrangements

To date, the Company's collaboration revenue has consisted of (1) upfront license fees, research and development reimbursement revenue, and research and development services revenue from its collaboration agreement with Celgene on the Company's investigational anti-programmed cell death protein 1 ("PD-1") inhibitor, tislelizumab, and (2) upfront license fees and milestone payments from its collaboration agreement with Merck KGaA, Darmstadt Germany on pamiparib and lifirafenib.

The following table summarizes total collaboration revenue recognized for the years ended December 31, 2018 and 2017:

	Year Ended December 31,	
	2018	**2017**
	US$	**US$**
License revenue	—	211,391
Reimbursement of research and development costs	56,776	—
Research and development service revenue	10,559	2,568
Total	67,335	213,959

Celgene and Celgene Switzerland

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

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

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

Under ASC 606, the Company identified the following deliverables of the collaboration agreement as distinct performance obligations: (a) the license provided to Celgene for the exclusive right to develop and commercialize tislelizumab, in all fields of treatment, other than hematology, in the United States, Europe, Japan and the rest of world other than Asia ("the license"); and (b) the research and development services provided to Celgene to develop tislelizumab within specified indications ("R&D services"). For each deliverable, the Company determined the stand-alone selling price and allocated the non-constrained consideration of US$250,000 to the units of accounting using the relative selling price method. The consideration allocated to the license was recognized upon transfer of the license to Celgene at contract inception and the consideration allocated to the R&D services will be recognized over the term of the respective clinical studies for the specified indications.

The payments associated with the defined developmental, regulatory, and commercialization goals are variable consideration and were fully constrained at contract inception. The Company assesses whether the variable consideration is fully constrained each reporting period based on the facts and circumstances surrounding the achievement of milestones. Upon changes to constraint associated with the 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. No revenue was recognized related to the milestones for the year ended December 31, 2018.

For the year ended December 31, 2018, the Company recognized collaboration revenue of US$65,835 related to the Celgene collaboration. The Company recognized US$56,776 of research and development reimbursement revenue for the year ended December 31,2018 for the trials that Celgene has opted into. In addition, US$16,307 of reimbursement that was billed to Celgene was included as an adjustment to beginning accumulated deficit. The Company recognized research and development services revenue of US$9,059 for the year ended December 31, 2018, which reflects the recognition of upfront consideration that was allocated to R&D services at the time of the collaboration and is recognized from deferred revenue over the term of the respective clinical studies for the specified indications.

For the year ended December 31, 2017, the Company recognized US$211,391 as license revenue within collaboration revenue in the Company's consolidated statements of operations, and research and development revenue of US$1,568 allocated from deferred revenue related to the Celgene collaboration.

Merck KGaA, Darmstadt Germany

In 2013, the Company entered into a license agreement with Merck KGaA, Darmstadt Germany for lifirafenib, which was amended and restated in 2013 and 2015, in which it granted to Merck KGaA, Darmstadt Germany an exclusive license to develop, manufacture, and, in certain circumstances, commercialize lifirafenib outside of the PRC, and Merck KGaA Darmstadt Germany granted the Company an exclusive license to develop, manufacture and commercialize lifirafenib in the PRC (the "PRC Territory"). In March 2017, the Company regained the worldwide rights to lifirafenib after Merck KGaA, Darmstadt Germany informed the Company that it would not exercise a continuation option, and thus, the ex-PRC portion of the agreements terminated in their entirety, except for certain provisions that survived the termination. In December 2018, the Company received notice from Merck KGaA, Darmstadt Germany that Merck KGaA, Darmstadt Germany was terminating the PRC portion of the agreement. As a result of the termination, Merck KGaA, Darmstadt Germany's exclusive right of first negotiation to acquire exclusive commercialization rights under the lifirafenib RAF dimer program in the PRC was terminated and the Company is no longer required to pay Merck KGaA, Darmstadt Germany royalties on sales of lifirafenib in the PRC or entitled to receive future milestone payments from Merck KGaA, Darmstadt Germany for lifirafenib.

In 2013, the Company also entered into a license agreement with Merck KGaA, Darmstadt Germany for pamiparib, in which it granted to Merck KGaA, Darmstadt Germany an exclusive license to develop, manufacture, and, in certain circumstances, commercialize pamiparib outside of the PRC, and Merck KGaA, Darmstadt Germany granted the Company an exclusive license to develop, manufacture and commercialize pamiparib in the PRC Territory. On October 1, 2015, the Company entered into a purchase of rights agreement with Merck KGaA, Darmstadt Germany, pursuant to which the Company purchased from Merck KGaA, Darmstadt Germany all of its exclusive rights to pamiparib in the ex-PRC territories for consideration of US$10,000, and reduced the future milestone payments the Company was eligible to receive under the PRC license agreement.

In December 2017, the Company achieved the milestone for dosing a patient in the first Phase 2 clinical trial of pamiparib in the PRC Territory, and the related US$1,000 milestone payment received in January 2018, was recognized as research and development services revenue in year ended December 31, 2017.

In May 2018, the Company achieved the milestone for dosing patients in the first Phase 3 clinical trial of pamiparib in the PRC Territory, and the related US$1,500 milestone payment was recognized as research and development services revenue for the year ended December 31, 2018. No other milestones were achieved prior to the termination of the agreement.

On December 17, 2018, the Company entered into a letter agreement for the Company to buy back the PRC commercialization option for pamiparib it had granted to Merck KGaA, Darmstadt Germany under the license agreement for initial consideration of US$19,000. The payment was charged to research and development expense as incurred, as the PRC commercialization option has no alternative future use. As a result of the letter agreement, the license agreement was terminated as of December 31, 2018 and Merck KGaA, Darmstadt Germany was relieved of any future milestone obligations.

As a result of the foregoing termination agreements and notices, as of December 31, 2018, the Company's license agreements with Merck KGaA, Darmstadt Germany for lifirafenib and pamiparib have been terminated in their entirety.

Zymeworks, Inc.

On November 26, 2018, the Company and Zymeworks entered into collaboration and license agreements whereby the Company acquired licenses to develop and commercialize Zymeworks' clinical-stage bispecific antibody candidate ZW25 and its preclinical-stage bispecific antibody drug conjugate (ADC) ZW49 in Asia (excluding Japan), Australia, and New Zealand. In addition, Zymeworks granted BeiGene a license to Zymeworks' proprietary Azymetric and EFECT platforms to develop and commercialize globally up to three other bispecific antibodies using the platforms.

Under the collaboration agreements BeiGene will be responsible for all clinical development and regulatory submissions in the licensed territories. BeiGene and Zymeworks have also agreed to collaborate on global development of ZW25 and ZW49 in HER2 expressing solid tumors, including gastric and breast cancer, with BeiGene enrolling patients and contributing clinical trial data from the licensed territories. Zymeworks retains full rights to both ZW25 and ZW49 outside of the specified countries and will continue to lead global development of these drug candidates.

Under the terms of the license and collaboration agreements for ZW49 and ZW25, Zymeworks received total upfront payments of US$40,000 and is eligible to receive up to an aggregate of US$390,000 in development and commercial milestone payments for both product candidates. In addition, Zymeworks will be eligible to receive tiered royalties on future sales of ZW25 and ZW49 in the licensed territory.

Under the terms of the research and license agreement for the Azymetric and EFECT platforms, Zymeworks received an upfront payment of US$20,000 and is eligible to receive up to an aggregate of US$702,000 in development and commercial milestone payments for up to three bispecific product candidates developed under the agreement. In addition, Zymeworks will be eligible to receive tiered royalties on future global sales of bispecific products developed by BeiGene under the agreement.

The licenses do not have alternative future uses and the upfront payments totaling US$60,000 were expensed to research and development expense for the year ended December 31, 2018 in accordance with the Company's acquired in-process research and development expense policy. No milestone payments were accrued as of December 31, 2018.

4. Business Combinations and Asset Acquisitions

Celgene Shanghai

On August 31, 2017, BeiGene HK acquired 100% of the equity interests of Celgene Shanghai, a wholly-owned subsidiary of Celgene Holdings East Corporation established under the laws of the PRC. Celgene Shanghai is in the business of, among other things, providing marketing and promotional services in connection with certain pharmaceutical products manufactured by Celgene. The name of Celgene Shanghai has been changed to BeiGene Pharmaceutical (Shanghai).

On July 5, 2017, BeiGene and a wholly-owned subsidiary of Celgene, Celgene Logistics Sàrl ("Celgene Logistics"), entered into a license agreement pursuant to which BeiGene has been granted the right to exclusively distribute and promote Celgene's approved cancer therapies, ABRAXANE®, REVLIMID®, and VIDAZA®, and its investigational agent CC-122 in clinical development (the "Distribution Rights"), in China excluding Hong Kong, Macau and Taiwan (the "Chinese License Agreement"). The China License Agreement became effective on August 31, 2017 contemporaneously with the closing of the acquisition of Celgene Shanghai and the A&R PD-1 License Agreement.

The Company evaluated the acquisition of the Celgene Shanghai equity and the distribution rights acquired under ASU No. 2017-1, Business Combinations: Clarifying the Definition of a Business. Because substantially all of the value of the acquisition did not relate to a similar group of assets and the business contained both inputs and processes necessary to manage products and provide economic benefits directly to its owners, it was determined that the acquisition represents a business combination. Therefore, the transaction has been accounted for using the acquisition method of accounting. This method requires that assets acquired and liabilities assumed in a business combination be recognized at their fair values as of the acquisition date.

Share subscription agreement

On August 31, 2017, the Company issued 32,746,416 of its ordinary shares to Celgene Switzerland for an aggregate purchase price of US$150,000, or US$4.58 per ordinary share, or US$59.55 per ADS, pursuant to a subscription agreement dated July 5, 2017 by and between the Company and Celgene Switzerland (the "Share Subscription Agreement"). See Note 22 for further discussion of the Share Subscription Agreement.

Determination of purchase price

The purchase price of Celgene Shanghai was calculated as US$28,138, and was comprised of cash consideration of US$4,532 and non-cash consideration of US$23,606, related to the discount on ordinary shares issued to Celgene in connection with the Share Subscription Agreement. The discount was a result of the increase in fair value of the Company's shares between the fixed price of US$59.55 per ADS in the Share Subscription Agreement and the fair value per ADS as of the date of issuance, August 31, 2017. The following summarizes the purchase price in the business combination.

	Purchase Price US$
Cash paid to acquire Celgene Shanghai	4,532
Discount on Share Subscription Agreement	23,606
Total purchase price	28,138

Purchase price allocation

The following table summarizes the fair values of assets acquired and liabilities assumed:

	Amount US$
Cash and cash equivalents	24,448
Other current assets	518
Property and equipment, net	204
Intangible assets	7,500
Deferred tax asset	1,069
Total identifiable assets	33,739
Current liabilities	(5,710)
Total liabilities assumed	(5,710)
Goodwill	109
Total fair value of consideration transferred	28,138

The goodwill resulting from the business combination is primarily attributable to the assembled workforce of the acquired business. The goodwill attributable to the business combination is not deductible for tax purposes.

The following summarizes the business combination as presented on the statement of cash flows:

	Amount US$
Investing activities	
Cash acquired	24,448
Cash paid to acquire Celgene Shanghai	(4,532)
Cash acquired in business combination, net of cash paid	19,916
Non-cash activities	
Discount provided on sale of ordinary shares for business combination	(23,606)

BeiGene Pharmaceuticals (Guangzhou) Co., Ltd.

On September 21, 2018, BeiGene (Guangzhou) Co., Ltd. ("BeiGene Guangzhou") acquired 100% of the equity interests of Baiji Shenzhou (Guangzhou) Pharmaceuticals Co., Ltd. (formerly known as Huajian Pharmaceuticals Co., Ltd.), which subsequently changed its name to BeiGene Pharmaceuticals (Guangzhou) Co., Ltd., a pharmaceutical distribution company, for total cash consideration of US$612, including transaction costs of US$59. The acquisition was concentrated in a single identifiable asset, a drug distribution license, and thus the Company has concluded that the transaction is an asset acquisition as it does not meet the accounting definition of a business combination. The total cost was allocated to the drug distribution license and corresponding deferred tax liability, resulting in a US$816 intangible asset for the license and a deferred tax liability of US$204.

Beijing Innerway Bio-tech Co., Ltd.

On October 4, 2018, BeiGene HK completed the acquisition of 100% of the equity interest of Beijing Innerway Bio-tech Co., Ltd., the owner of the Company's research, development and office facility in Changping, Beijing, China, for total cash consideration of US$38,654. The acquisition was concentrated in a single identifiable asset or group of assets, the building and associated land use right, and thus the Company has concluded that the transaction is an asset acquisition as it does not meet the accounting definition of a business combination. The total cost of the transaction of US$38,865, which includes transaction costs of US$211, was allocated based on the relative fair values of the net assets acquired, as follows:

	Amount US$
Land use right	33,783
Building	15,874
Deferred tax liability	(11,221)
Other	429
Total cost	38,865

5. Restricted Cash

The Company's restricted cash balance of US$27,776 as of December 31, 2018 consisted of BeiGene Guangzhou Biologics Manufacturing Co., Ltd.'s ("BeiGene Guangzhou Factory's") secured deposits held in designated bank accounts for issuance of a letter of credit and import duty tax and restricted cash deposits as security for the long-term bank loan (Note 16).

6. Short-Term Investments

Short-term investments as of December 31, 2018 consisted of the following available-for-sale debt securities:

	Amortized Cost US$	Gross Unrealized Gains US$	Gross Unrealized Losses US$	Fair Value (Net Carrying Amount) US$
U.S. treasury securities	1,066,770	1,802	63	1,068,509
Total	1,066,770	1,802	63	1,068,509

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

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

The Company does not consider the investments in U.S. treasury securities to be other-than-temporarily impaired at December 31, 2018.

7. Accounts and unbilled receivables

	As of December 31,	
	2018 US$	2017 US$
Accounts receivable	41,056	29,428
Impairment	—	—
Total	41,056	29,428

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

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

	As of December 31,	
	2018	2017
	US$	US$
Within 3 months	41,056	18,907
3 months to 6 months	—	10,521
Total	41,056	29,428

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

Unbilled receivable represented opt-in R&D revenue from Celgene not yet invoiced at December 31, 2018.

An ageing analysis of the unbilled receivable is as follows:

	As of December 31,	
	2018	2017
	US$	US$
Within 3 months	8,612	—

8. Inventories

The Company's inventory balance of US$16,242 and US$10,930 as of December 31, 2018 and 2017, respectively, consisted entirely of finished goods product purchased from Celgene for distribution in the PRC.

9. Manufacturing Facility in Guangzhou

On March 7, 2017, BeiGene HK, a wholly owned subsidiary of the Company, and Guangzhou GET Technology Development Co., Ltd. ("GET"), entered into a definitive agreement to establish a commercial scale biologics manufacturing facility in Guangzhou, Guangdong Province, PRC.

On March 7, 2017, BeiGene HK and GET entered into an Equity Joint Venture Contract (the "JV Agreement"). Under the terms of the JV Agreement, BeiGene HK made an initial cash capital contribution of RMB200,000 and a subsequent contribution of one or more biologics assets in exchange for a 95% equity interest in BeiGene Biologics. GET made a cash capital contribution of RMB100,000 to BeiGene Biologics, representing a 5% equity interest in BeiGene Biologics. In addition, on March 7, 2017, BeiGene Biologics entered into a contract with GET, under which GET agreed to provide a RMB900,000 loan (the "Shareholder Loan") to BeiGene Biologics (see Note 17). BeiGene Biologics is working to establish a biologics manufacturing facility in Guangzhou, through a wholly-owned subsidiary, the BeiGene Guangzhou Factory, to manufacture biologics for the Company and its subsidiaries.

On April 11, 2017, BeiGene HK, GET and BeiGene Biologics amended the JV Agreement and the capital contribution agreement, among other things, to adjust the capital contribution schedules and adjust the initial term of the governing bodies and a certain management position. On April 13, 2017 and May 4, 2017, BeiGene HK made cash capital contributions of RMB137,830 and RMB2,415, respectively, into BeiGene Biologics. The remainder of the cash capital contribution from BeiGene HK to BeiGene Biologics will be paid by April 10, 2020. On April 14, 2017, GET made cash capital contributions of RMB100,000 into BeiGene Biologics. On April 14, 2017, BeiGene Biologics drew down the Shareholder Loan of RMB900,000 from GET (as further described in Note 17).

In the fourth quarter of 2017, BeiGene HK and BeiGene Biologics entered into an Equity Transfer Agreement to transfer 100% of the equity interest of BeiGene Shanghai into BeiGene Biologics. The transfer consideration for the purchased interests under this Equity Transfer Agreement is the fair value of the 100% equity of BeiGene Shanghai appraised by a qualified Chinese valuation firm under the laws of the PRC. Upon the transfer of equity in BeiGene Shanghai, BeiGene HK's equity interest in BeiGene Shanghai became 95%. As of December 31, 2018, the Company and GET held 95% and 5% equity interests in BeiGene Biologics, respectively.

As of December 31, 2018, the Company's cash and cash equivalents, restricted cash and short-term investments included US$149,069 of cash and cash equivalents, restricted cash and short-term investments held by BeiGene Biologics to be used to build the commercial scale biologics facility and to fund research and development of the Company's biologics drug candidates in China.

10. Property and Equipment

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

	As of December 31,	
	2018	2017
	US$	US$
Laboratory equipment	22,636	15,596
Leasehold improvements	18,048	15,298
Building	15,857	—
Manufacturing equipment	16,048	15,737
Office equipment	2,216	1,597
Electronic equipment	1,229	1,244
Computer software	1,262	598
Property and equipment, at cost	77,296	50,070
Less: Accumulated depreciation	(19,722)	(13,627)
Construction in progress	99,487	26,125
Property and equipment, net	157,061	62,568

Construction in progress as of December 31, 2018 and 2017 of US$99,487 and US$26,125, respectively, primarily related to the buildout of the Guangzhou manufacturing facility. Depreciation expense for the years ended December 31, 2018 and 2017 were US$9,000 and US$4,340, respectively.

11. Land Use Rights

The land use rights represent the land acquired for constructing and operating the biologics manufacturing facility in Guangzhou, and the land acquired in 2018 for the Company's research, development and office facility in Changping, Beijing (Note 4). The land use rights are amortized over the remaining term of the rights.

The land use rights assets as of December 31, 2018 and 2017 are summarized as follows:

	As of December 31,	
	2018	2017
	US$	US$
Land use rights, cost	45,701	12,633
Accumulated amortization	(643)	(168)
Land use rights, net	45,058	12,465

Amortization expense of the land use rights for the years ended December 31, 2018, and 2017 was US$494 and US$168, respectively.

As of December 31, 2018, expected amortization expense for the land use rights is approximately US$1,181 in 2019, US$1,181 in 2020, US$1,181 in 2021, US$1,181 in 2022, US$1,181 in 2023 and US$39,153 in 2024 and thereafter.

12. Intangible Assets

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

	December 31, 2018			December 31, 2017		
	Gross carrying amount	Accumulated amortization	Intangible assets, net	Gross carrying amount	Accumulated amortization	Intangible assets, net
	US$	US$	US$	US$	US$	US$
Finite-lived intangible assets:						
Product distribution rights	7,500	(1,000)	6,500	7,500	(250)	7,250
Trading license	816	(144)	672	—	—	—
Total finite-lived intangible assets	8,316	(1,144)	7,172	7,500	(250)	7,250

Product distribution rights consist of distribution rights on the approved cancer therapies licensed from Celgene, ABRAXANE®, REVLIMID®, and VIDAZA®, and its investigational agent CC-122 acquired as part of the Celgene transaction. The Company is amortizing the product distribution rights over a period of 10 years. The trading license represents the Guangzhou drug distribution license acquired on September 21, 2018. The Company is amortizing the drug distribution trading license over the remainder of the license term through February 2020.

Amortization expense of intangible assets for the years ended December 31, 2018 and 2017 was US$894, and US$250, respectively. As of December 31, 2018, expected amortization expense for the unamortized finite-lived intangible assets is approximately US$1,326 in 2019, US$846 in 2020, US$750 in 2021, US$750 in 2022, US$750 in 2023, and US$2,750 in 2024 and thereafter.

13. Income Taxes

Cayman Islands

The Company is incorporated in the Cayman Islands. Under the current laws of the Cayman Islands, the Company is not subject to income tax.

Hong Kong

BeiGene Hong Kong is subject to Hong Kong Profits Tax at a rate of 16.5%. BeiGene Hong Kong had no assessable profits derived from or earned in Hong Kong for any of the periods presented; therefore, no provision for income taxes is required.

China

BeiGene conducts business in China through multiple subsidiaries that are subject to a tax rate of 25% in accordance with the 2008 EIT Law. Under the EIT Law, all enterprises are subject to the 25% enterprise income tax rate, except for certain entities that enjoyed the tax holidays or preferential tax treatments. Under the EIT Law and its relevant regulations, dividends paid by China enterprises out of profits earned post-2007 to non-China tax resident investors are subject to China withholding tax of 10%. A lower withholding tax rate may be applied based on applicable tax treaty with certain jurisdictions.

Australia

BeiGene AUS Pty Ltd. is subject to corporate income tax at a rate of 30%. BeiGene AUS Pty Ltd. has no taxable income for all periods presented; therefore, no provision for income taxes is required.

United States

BeiGene USA is subject to U.S. federal corporate income tax at a rate of 21% for the year ended December 31, 2018, and 35% for the years ended December 31, 2017. BeiGene USA is subject to income tax in California, Massachusetts, New Jersey, and various other states and localities for the year ended December 31, 2018.

Switzerland

BeiGene Switzerland is subject to corporate income tax at a rate of 10.5%. BeiGene Switzerland had no taxable income for the year ended December 31, 2018; therefore, no provision for income taxes is required.

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

	Year Ended December 31,	
	2018	2017
	US$	US$
PRC	(130,552)	(59,590)
U.S.	15,036	6,928
Other	(574,313)	(38,402)
Total	(689,829)	(91,064)

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

	Year Ended December 31,	
	2018	2017
	US$	US$
Current Tax Expense (Benefit):		
PRC	6,890	2,477
U.S.	(377)	5,695
Total	6,513	8,172
Deferred Tax Expense (Benefit):		
PRC	(2,682)	115
U.S.	(19,627)	(6,052)
Total	(22,309)	(5,937)
Income Tax Expense (Benefit)	(15,796)	2,235

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

	Year Ended December 31,	
	2018	2017
	US$	US$
Loss before tax	(689,829)	(91,064)
China statutory tax rate	25%	25%
Expected taxation at China statutory tax rate	(172,457)	(22,766)
Foreign tax rate differential	134,673	23,275
Non-deductible expenses	4,471	1,608
Impact of U.S. statutory tax rate change	1,538	2,642
Deductible intellectual property from intercompany transfer	—	(29,438)
Change in valuation allowance	34,009	30,356
Research and orphan drug tax credits	(12,659)	(5,431)
Share-based compensation expense	(5,371)	1,989
Taxation for the year	(15,796)	2,235
Effective tax rate	2.3%	-2.5%

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

	Year Ended December 31,	
	2018	2017
	US$	US$
Deferred Tax Assets:		
Accruals and reserves	19,193	7,756
Net operating losses carryforward	61,266	29,801
Stock compensation	8,642	4,639
Research and orphan drug tax credits	13,608	2,449
Depreciation and amortization	158,639	—
Gross deferred tax assets	261,348	44,645
Less valuation allowance	(242,945)	(36,600)
Total deferred tax assets	18,403	8,045
Deferred tax liabilities:		
Depreciation and amortization	—	(370)
Total deferred tax liabilities	—	(370)
Net deferred tax asset	18,403	7,675

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, 2018 it is more likely than not the deferred tax assets will not be realized for our subsidiaries in Australia and Switzerland, and for certain subsidiaries in China. For the years ended December 31, 2018 and 2017, there were increases in the valuation allowance (excluding valuation allowances charged to beginning accumulated deficit as detailed in Note 2) of US$34,009 and US$30,356, respectively, which included the effect of expired net operating losses in 2017 of US$1,637. Adjustments could 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.

As of December 31, 2018 and 2017, the Company had net operating losses of approximately US$300,769 and US$209,979, respectively, of which net operating losses as of December 31, 2018 included US$47,379 from an entity in Australia that has indefinite carryforward, US$129,922 derived from entities in the PRC which expire in years 2020 through 2023, US$100,780 derived from an entity in Switzerland that expires in 2025, and US$22,688 derived from an entity in the U.S. that has indefinite carryforward. The Company has approximately US$14,897 of U.S. research and orphan drug credits which will begin to expire in 2033.

The gross unrecognized tax benefits for the years ended December 31, 2018 and 2017 were as follows:

	Year Ended December 31,	
	2018	**2017**
	US$	**US$**
Beginning balance, as of January 1	918	110
Additions based on tax positions related to prior tax years	11	234
Reductions based on tax positions related to prior tax years	(44)	(91)
Additions based on tax positions related to the current tax year	1,410	665
Ending balance, as of December 31	2,295	918

Current year and prior year additions include assessment of potential global transfer pricing adjustments, and U.S. federal and state tax credits and incentives. US$1,532 of unrecognized tax benefits as of December 31, 2018 would impact the consolidated income tax rate if ultimately recognized. The Company does not anticipate that the amount of existing unrecognized tax benefits will significantly change within the next 12 months.

The Company has elected to record interest and penalties related to income taxes as a component of income tax expense. For the years ended December 31, 2018 and 2017, the Company's accrued interest and penalties, where applicable, related to uncertain tax positions were not material.

The Company conducts business in a number of tax jurisdictions and, as such, is required to file income tax returns in multiple jurisdictions globally. As of December 31, 2018, Australia tax matters are open to examination for the years 2013 through 2018, China tax matters are open to examination for the years 2013 through 2018, and U.S. federal tax matters are open to examination for years 2015 through 2018. Various U.S. states and other non-US tax jurisdictions in which the Company files tax returns remain open to examination for 2010 through 2018.

As of December 31, 2018, the Company asserts indefinite reinvestment on the excess of the financial reporting bases over tax bases in the Company's investments in foreign subsidiaries. A deferred tax liability has not been established for the approximately US$7,100 of cumulative undistributed foreign earnings in subsidiaries with financial reporting basis over tax basis. Determination of the unrecognized deferred tax liability is not practicable.

14. Supplemental Balance Sheet Information

Prepaid expenses and other current assets consist of the following:

	As of December 31,	
	2018	2017
	US$	US$
Prepaid research and development costs	58,673	21,156
Prepaid taxes	14,588	9,894
Interest receivable	3,096	1,557
Other	5,585	3,016
Total	81,942	35,623

Other non-current assets consist of the following:

	As of December 31,	
	2018	2017
	US$	US$
Prepayment of property and equipment	11,981	12,867
Payment of facility capacity expansion activities[(1)]	25,193	—
Tax on intra-entity contribution of subsidiary	—	28,588
Prepaid VAT	14,671	—
Rental deposits and other	1,823	1,460
Total	53,668	42,915

Note:

(1) Represents a payment for a facility expansion under a commercial supply agreement. The payment will be credited back to the Company through credits on supply purchases over the life of the supply agreement.

Accrued expenses and other payables consisted of the following:

	As of December 31,	
	2018	2017
	US$	US$
Compensation related	35,887	17,051
External research and development activities related	34,588	18,721
Commercial activities	10,433	2,350
Individual income tax and other taxes	8,030	5,088
Sales rebates and returns related	4,749	3,997
Other	6,727	2,391
Total accrued expenses and other payables	100,414	49,598

Other long-term liabilities consist of the following:

	As of December 31,	
	2018	2017
	US$	US$
Deferred government grant income	37,851	31,804
Other	1,080	155
Total other long-term liabilities	38,931	31,959

15. Accounts payable

An aging analysis of the accounts payable as of December 31, 2018 and 2017, based on the invoice date, is as follows:

	As of December 31,	
	2018	2017
	US$	US$
Within 1 month	83,191	65,626
1 to 3 months	18,376	3,170
3 to 6 months	6,186	725
6 months to 1 year	4,931	189
Over 1 year	599	69
Total	113,283	69,779

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

16. Long-Term Bank Loan

On September 2, 2015, BeiGene Suzhou entered into a loan agreement with Suzhou Industrial Park Biotech Development Co., Ltd. and China Construction Bank to borrow US$17,454 (RMB 120,000) at a 7% fixed annual interest rate. The loan is secured by BeiGene Suzhou's equipment with a carrying amount of US$13,638 and the Company's rights to a PRC patent on a drug candidate. In September 2018, the Company repaid the first tranche of US$8,736 (RMB 60,000). The remaining loan principal amount outstanding as of December 31, 2018 of US$8,727 is repayable on September 30, 2019.

On April 4, 2018, BeiGene Guangzhou Factory entered into a nine-year loan agreement with China Construction Bank to borrow an RMB denominated loan of US$84,358 (RMB 580,000) at a floating interest rate benchmarking RMB loan interest rates of financial institutions in PRC. The loan is secured by BeiGene Guangzhou Factory's land use right. Interest expense will be paid quarterly until the loan is fully settled. As of December 31, 2018, the Company has drawn down US$40,725 of this loan. The loan interest rate was 4.9% for the year ended December 31, 2018, and the maturity dates range from 2021 to 2027.

As of December 31, 2018, the Company has unused long-term credit availability amounting to US$43,633, attributed to the remaining credit available under the Guangzhou Factory loan. The Company plans to draw down the entire available amount before December 31, 2019. Interest expense recognized for the years ended December 31, 2018 and 2017 amounted to US$2,253 and US$1,260, respectively, among which, US$575 and nil was capitalized, respectively.

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

	As of December 31,	
	2018	2017
	US$	US$
Analyzed into:		
Bank loan repayable:		
Within one year	8,727	9,222
In the second year	—	9,222
In the third to fifth years, inclusive	4,213	—
Above five years	36,572	—
Total	49,512	18,444

17. Shareholder Loan

On March 7, 2017, BeiGene Biologics entered into the Shareholder Loan Contract with GET, pursuant to which GET agreed to provide the Shareholder Loan of RMB 900,000 to BeiGene Biologics. The Shareholder Loan has a conversion feature, settled in a variable number of shares of common stock upon conversion (the "debt-to-equity conversion"). On April 14, 2017, BeiGene Biologics drew down the entire Shareholder Loan of RMB 900,000 from GET.

Key features of the Shareholder Loan

The Shareholder Loan bears simple interest at a fixed rate of 8% per annum. No interest payment is due or payable prior to the repayment of the principal or the debt-to-equity conversion. The term of the Shareholder Loan is 72 months, commencing from the actual drawdown date of April 14, 2017 and ending on April 13, 2023, unless converted earlier.

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

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

Accounting for the Shareholder Loan

The Shareholder Loan is classified as a long-term liability and initially measured at the principal of RMB 900,000. Interest will be accrued based on the interest rate of 8% per annum. As the Shareholder Loan may be share-settled by a number of shares with a fair value equal to a fixed settlement amount, the settlement is not viewed as a conversion feature, but as a redemption feature because the settlement amount does not vary with the share price. This in-substance redemption feature does not require bifurcation because it is clearly and closely related to the debt host that does not involves a substantial premium or discount. Since there is no conversion feature embedded in the Shareholder Loan, no beneficial conversion feature was recorded. There are no other embedded derivatives that are required to be bifurcated. The portion of interest accrued on the Shareholder Loan related to borrowings used to construct the BeiGene factory in Guangzhou is being capitalized in accordance with ASC 835-20, Interest – Capitalization of Interest.

For the years ended December 31, 2018 and December 31, 2017, total interest expense generated from the Shareholder Loan was US$10,894 and US$7,649, respectively, among which, US$3,112 and US$614 was capitalized, respectively.

18. Product Revenue

The Company's product sales are derived from the sale of ABRAXANE®, REVLIMID®, and VIDAZA® in China under a distribution license from Celgene. The table below presents the Company's net product sales for the years ended December 31, 2018 and 2017.

	Year Ended December 31,	
	2018	**2017**
	US$	**US$**
Product revenue – gross	138,046	28,428
Less: Rebates and sales returns	(7,161)	(4,000)
Product revenue – net	130,885	24,428

The following table presents the rollforward of accrued sales rebates and returns for the years ended December 31, 2018 and December 31, 2017.

	Sales Rebates and Returns
	US$
Balance as of December 31, 2016	—
Accrual	4,000
Payment	(3)
Balance as of December 31, 2017	3,997
Accrual	7,161
Payment	(6,409)
Balance as of December 31, 2018	4,749

19. Loss before Income Tax Expense

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

	Year Ended December 31,	
	2018	**2017**
	US$	**US$**
Cost of inventories sold	28,705	4,974
Depreciation expense	9,000	4,340
Research and development costs (note)	679,005	269,018
Minimum lease payments under operating leases	8,930	3,810
Amortization of land lease payments	494	168
Amortization of license rights	894	250
Employee benefit expense (including directors' and chief executive's remuneration):		
Wages and salaries	163,115	65,608
Share-based compensation expenses	87,127	42,863
Pension scheme contributions (defined contribution scheme)	12,409	4,615
	262,651	113,086
Gain on sale of available-for-sale securities	(1,948)	(44)
Foreign exchange differences, net	4,184	(232)
Bank interest income	(23,401)	(4,188)
Loss on disposal of property and equipment	126	85

Note:

During the years ended December 31, 2018 and 2017, research and development costs of approximately US$167,085 and US$80,349 were also included in employee benefit expense.

20. Loss Per Share

Loss per share was calculated as follows:

	Year Ended December 31,	
	2018	2017
	US$	US$
Numerator:		
Net loss attributable to BeiGene, Ltd.	(673,769)	(93,105)
Denominator:		
Weighted average shares outstanding for computing basic and diluted loss per share	720,753,819	543,185,460
Net loss per share attributable to BeiGene, Ltd., basic and diluted	(0.93)	(0.17)

For the years ended December 31, 2018 and 2017, 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, 2018 and 2017.

The effects of all convertible preferred shares, share options, warrants and options to purchase ordinary or preferred shares were excluded from the calculation of diluted loss per share, as their effect would have been anti-dilutive during the year ended December 31, 2016.

21. Share-Based Compensation Expense

2016 Share Option and Incentive Plan

On January 14, 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 on February 2, 2016. The Company initially reserved 65,029,595 ordinary shares for the issuance of awards under the 2016 Plan, plus any shares available under the 2011 Option Plan (the "2011 Plan"), and not subject to any outstanding options as of the effective date of the 2016 Plan, along with underlying share awards under the 2011 Plan that are cancelled or forfeited without issuance of ordinary shares. As of December 31, 2018, ordinary shares cancelled or forfeited under the 2011 Plan that were carried over to the 2016 Plan totaled 5,144,371. 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. 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 board of directors 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. 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, 2018, share-based awards to acquire 57,889,708 ordinary shares were available for future grant under the 2016 Plan.

2018 Inducement Equity Plan

On June 6, 2018, the board of directors of the Company approved the 2018 Inducement Equity Plan (the "2018 Plan") and reserved 12,000,000 ordinary shares to be used exclusively for grants of awards to individuals that were not previously employees of the Company or its subsidiaries, as a material inducement to the individual's entry into employment with the Company or its subsidiaries within the meaning of Rule 5635(c) (4) of the NASDAQ Listing Rules. The 2018 Plan was approved by the board of directors upon recommendation of the compensation committee, without shareholder approval pursuant to Rule 5635(c) (4) of the NASDAQ Listing Rules. The terms and conditions of the 2018 Plan, and the forms of award agreements to be used thereunder, are substantially similar to the 2016 Plan and the forms of award agreements thereunder. In August 2018, in connection with the listing of the Company's ordinary shares on the Stock Exchange, the board of directors of the Company approved an amended and restated 2018 Plan to implement changes required by the HK Listing Rules.

2018 Employee Share Purchase Plan

On June 6, 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 board of directors approved a second amended and restated ESPP to increase the number of shares authorized for issuance by 3,855,315 ordinary shares to 7,355,315 ordinary shares. The ESPP allows eligible employees to purchase the Company's ordinary shares (including in the form of ADSs) at the end of each offering period, which will generally be six months, at a 15% discount to the market price of the Company's ADSs at the beginning or the end of each offering period, whichever is lower, using funds deducted from their payroll during the offering period. Eligible employees are able to authorize payroll deductions of up to 10% of their eligible earnings, subject to applicable limitations.

The first offering under the ESPP began on September 1, 2018 and will end on February 28, 2019. The fair value of options issued under the ESPP is calculated using the Black-Scholes option pricing model. As of December 31, 2018, no shares have been issued under the ESPP. Expenses incurred to date under the ESPP have been immaterial.

Share options

Generally, 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 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.

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

	Number of Options	Weighted Average Exercise US$	Weighted Average Grant US$	Weighted Average Remaining Years	Aggregate Intrinsic Value US$
Outstanding at December 31, 2016	77,079,743	1.31			
Granted	62,085,462	3.73	2.65		
Exercised	(5,887,193)	0.82			24,723
Forfeited	(6,275,115)	2.52			
Outstanding at December 31, 2017	127,002,897	2.45			
Granted	9,387,885	12.32	7.08		
Exercised	(13,841,036)	2.23			132,687
Forfeited	(6,467,099)	3.59			
Outstanding at December 31, 2018	116,082,647	3.21		7.63	894,871
Exercisable as of December 31, 2018	53,829,397	1.84		6.95	481,796
Vested and expected to vest at December 31, 2018	109,857,323	3.15		7.59	853,563

As of December 31, 2018, the unrecognized compensation cost related to 56,027,926 unvested share options expected to vest was US$154,623. This unrecognized compensation will be recognized over an estimated weighted-average amortization period of 2.4 years.

The total fair value of employee share option awards vested during the years ended December 31, 2018 and 2017 was US$55,642 and US$20,440, 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 movement has not been long enough to match the life of the share option. Therefore, the Company has made reference to the 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. Prior to the completion of the Company's U.S. IPO, the estimated fair value of the ordinary shares, at the option grant dates, was determined with assistance from an independent third-party valuation firm, and the Company's management was ultimately responsible for the determination of the estimated fair value of its ordinary shares. With the completion of the Company's U.S. IPO, a public trading market for the ADSs was established, and it is no longer necessary for the Company to estimate the fair value of ordinary shares at the option grant dates.

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

	Year Ended December 31,	
	2018	**2017**
Fair value of ordinary share	4.30~8.85	2.39~8.71
Risk-free interest rate	2.5%~3.1%	2.2%~2.6%
Expected exercise multiple	2.2~2.8	2.2~2.8
Expected volatility	60%~64%	99%~100%
Expected dividend yield	0%	0%
Contractual life	10 years	10 years

Restricted shares

The following table summarizes the Company's employee restricted share activities under the 2016 Plan:

	Numbers of Shares	**Weighted-Average Grant Date Fair Value** US$
Outstanding at December 31, 2016	1,075,000	2.16
Granted	300,000	2.95
Vested	(268,750)	2.04
Forfeited	(300,000)	2.95
Outstanding at December 31, 2017	806,250	2.16
Granted	—	—
Vested	(387,500)	2.12
Forfeited	(118,750)	2.04
Outstanding at December 31, 2018	300,000	2.25
Expected to vest at December 31, 2018	270,000	2.25

The Company had no non-employee restricted share activities during the year ended December 31, 2018.

As of December 31, 2018, the unrecognized compensation cost related to unvested restricted shares expected to vest was US$514. This unrecognized compensation will be recognized over an estimated weighted-average amortization period of 1.7 years.

Restricted share units

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

	Numbers of Shares	Weighted-Average Grant Date Fair Value US$
Outstanding at December 31, 2016	—	—
Granted	1,469,442	7.55
Vested	—	—
Forfeited	—	—
Outstanding at December 31, 2017	1,469,442	—
Granted	14,079,598	12.07
Vested	(689,130)	8.33
Forfeited	(757,458)	10.89
Outstanding at December 31, 2018	14,102,452	11.85
Expected to vest at December 31, 2018	12,692,207	11.85

As of December 31, 2018, the unrecognized compensation cost related to unvested restricted share units expected to vest was US$134,713. This unrecognized compensation will be recognized over an estimated weighted-average amortization period of 3.5 years.

The following table summarizes total share-based compensation cost recognized for the years ended December 31, 2018 and 2017:

	Year Ended December 31,	
	2018 US$	2017 US$
Research and development	54,384	30,610
Selling, general and administrative	32,743	12,253
Total	87,127	42,863

22. Shareholders' Equity

U.S. initial public offering

On February 8, 2016, the Company completed its IPO on the NASDAQ Global Select Market. 6,600,000 ADSs representing 85,800,000 ordinary shares were sold at US$24.00 per ADS, or US$1.85 per ordinary share. Additionally, the underwriters exercised their option to purchase an additional 990,000 ADSs representing 12,870,000 ordinary shares from the Company. Net proceeds from the U.S. IPO, including the underwriter option, after deducting underwriting discounts and offering expenses, were US$166,197.

Follow-on public offerings

On November 23, 2016, the Company completed a follow-on public offering at a price of US$32.00 per ADS, or US$2.46 per ordinary share. In this offering, the Company sold 5,781,250 ADSs representing 75,156,250 ordinary shares. Additionally, the underwriters exercised their option to purchase an additional 850,000 ADSs representing 11,050,000 ordinary shares from the Company. The selling shareholders sold 468,750 ADSs representing 6,093,750 ordinary shares. Net proceeds from this offering, including the underwriter option, after deducting the underwriting discounts and offering expenses, were US$198,625. The Company did not receive any proceeds from the sale of the shares by the selling shareholders.

On August 16, 2017, the Company completed a follow-on public offering at a price of US$71.00 per ADS, or US$5.46 per ordinary share. In this offering, the Company sold 2,465,000 ADSs representing 32,045,000 ordinary shares.

Additionally, the underwriters exercised their option to purchase an additional 369,750 ADSs representing 4,806,750 ordinary shares from the Company. Net proceeds from this offering, including the underwriter option, after deducting the underwriting discounts and offering expenses, were US$188,517.

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

On August 8, 2018, the Company completed an initial public offering of its ordinary shares on the Stock Exchange and a follow-on public offering of its ADS on the NASDAQ Global Select Market under the Company's effective registration statement on Form S-3 at a price of US$13.76 per ordinary share, or US$178.90 per ADS. In this offering, the Company sold 65,600,000 ordinary shares. Net proceeds after deducting underwriting discounts and commissions and offering expenses were US$869,709.

Share Subscription Agreement

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

Conversion of preferred shares and senior promissory note

Upon completion of the U.S. IPO, all outstanding preferred shares were converted into 199,990,641 ordinary shares and the related carrying value of US$176,084 was reclassified from mezzanine equity to shareholders' equity. The outstanding unpaid principal and interest of the Senior Promissory Note were converted into 7,942,314 ordinary shares, computed at the initial public offering price of US$1.85 per ordinary share and the related carrying value of US$14,693 was reclassified from current liability to shareholders' equity.

Exercise of warrants and option

In January 2016 and February 2016, certain warrants in connection with the convertible promissory notes and short term notes were exercised to purchase 621,637 preferred shares, which were converted into 621,637 ordinary shares. On the U.S. IPO closing date, (i) the Company's landlord exercised its option to purchase 1,451,586 ordinary shares of the Company; (ii) Baker Bros. exercised its warrants to purchase 2,592,593 ordinary shares at an exercise price of US$0.68 per share; and (iii) a senior executive exercised warrants to purchase 57,777 preferred shares at an exercise price of US$0.68 per share, which were converted into 57,777 ordinary shares. Upon the exercise of the aforementioned option and warrants, except for Baker Bros.' warrants, which were initially classified in equity, the related carrying value totaling US$3,687 was reclassified from current liabilities to shareholders' equity.

23. Restricted Net Assets

The Company's ability to pay dividends may depend on the Company receiving distributions of funds from its PRC subsidiaries. Relevant PRC statutory laws and regulations permit payments of dividends by the Company's PRC subsidiaries only out of 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 US 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.

During the years ended December 31, 2018 and 2017, no appropriation to statutory reserves was made because the PRC subsidiaries had substantial losses during 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 regulation 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, 2018 and 2017, amounts restricted are the net assets of the Company's PRC subsidiaries, which amounted to US$93,281 and US$29,920, respectively.

24. Employee 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$12,713 and US$4,103 for the years ended December 31, 2018 and 2017, respectively.

During the year ended December 31, 2016, the Company implemented 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 implemented a matching contribution to the 401(k) Plan, matching 50% of an employee's contribution up to a maximum of 3% of the participant's compensation. Company contributions to the 401(k) plan totaled US$1,275 and US$455 in the years ended December 31, 2018 and 2017, respectively. Employee benefits for the remaining subsidiaries were immaterial.

25. Commitments and Contingencies

Operating Lease Commitments

The Company leases office and manufacturing facilities under non-cancelable operating leases expiring on different dates in the United States, Switzerland, and China. Payments under operating leases are expensed on a straight-line basis over the periods of their respective leases, and the terms of the leases do not contain rent escalation, contingent rent, renewal, or purchase options.

There are no restrictions placed upon the Company by entering into these leases. Total expenses under these operating leases were US$8,930 and US$3,810 for the years ended December 31, 2018 and 2017, respectively.

Future minimum payments under non-cancelable operating leases consist of the following:

	US$
Year ending December 31:	
2019	10,752
2020	9,972
2021	7,805
2022	3,923
2023 and thereafter	1,357
Total	33,809

Purchase Commitments

As of December 31, 2018, purchase commitments amounted to US$9,747 related to minimum purchase requirements for finished goods inventory purchased from Celgene.

Capital Commitments

The Company had capital commitments amounting to US$45,910 for the acquisition of property, plant and equipment as of December 31, 2018, which were mainly for BeiGene Guangzhou Factory's manufacturing facility in Guangzhou, China.

26. Selected Quarterly Financial Data (Unaudited)

The following table summarizes the unaudited statements of operations for each quarter of 2018 and 2017 (in thousands except share and per share amounts). The unaudited quarterly information has been prepared on a basis consistent with the financial statements and includes all adjustments that the Company considers necessary for a fair presentation of the information shown. The operating results for any fiscal quarter are not necessarily indicative of the operating results for a full fiscal year or for any future period and there can be no assurances that any trend reflected in such results will continue in the future.

	Quarter Ended			
	March 31, US$	**June 30, US$**	**September 30, US$**	**December 31, US$**
2018				
Revenue	32,544	52,804	54,202	58,670
Loss from operations	(110,809)	(163,050)	(151,102)	(280,808)
Net loss	(105,116)	(157,715)	(144,492)	(266,710)
Net loss attributable to ordinary shareholders	(104,596)	(156,887)	(144,031)	(268,255)
Basic and diluted net loss per share[(1)]	(0.16)	(0.22)	(0.19)	(0.35)

	Quarter Ended			
	March 31, US$	**June 30, US$**	**September 30, US$**	**December 31, US$**
2017				
Revenue	—	—	220,213	18,174
(Loss)/income from operations	(51,542)	(58,022)	114,905	(103,798)
Net (loss)/income	(50,623)	(60,680)	117,284	(99,280)
Net (loss)/income attributable to ordinary shareholders	(50,623)	(60,545)	117,386	(99,323)
Basic net (loss)/income per share[(1)]	(0.10)	(0.12)	0.21	(0.17)
Diluted net (loss)/income per share[(1)]	(0.10)	(0.12)	0.20	(0.17)

(1) Per common share amounts for the quarters and full years have been calculated separately. Accordingly, the sum of quarterly amounts may not equal the annual amount because of differences in the weighted average common shares outstanding during each period, principally due to the effect of share issuances by the Company during the year.

27. Segment and Geographic Information

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

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

Net product revenues by geographic 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,	
	2018	2017
	US$	US$
PRC	132,385	24,428
U.S.	42,793	138,423
Other	23,042	75,536
Total	198,220	238,387

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 ("IFRSs"). The effects of material differences between the Financial Information of the Group prepared under U.S. GAAP and IFRSs are as follows:

	Year ended December 31, 2018			
Consolidated statement of operations data	Amounts as reported under U.S. GAAP	IFRSs adjustments		Amounts under IFRSs
	US$	US$	US$	US$
		Share-based compensation (note (i))	Tax benefit/ deficiency on share-based compensation (note (iii))	
Research and development	(679,005)	(13,073)	—	(692,078)
Selling, general and administrative	(195,385)	(16,381)	—	(211,766)
Loss before income tax expense	(689,829)	(29,454)	—	(719,283)
Income tax benefit/(expense)	15,796	1,692	(16,371)	1,117
Net loss	(674,033)	(27,762)	(16,371)	(718,166)
Less: net profit (loss) attributable to noncontrolling interests	(264)	38	—	(226)
Net loss attributable to BeiGene, Ltd.	(673,769)	(27,800)	(16,371)	(717,940)

	Year ended December 31, 2017					
Consolidated statement of operations data	Amounts as reported under U.S. GAAP US$	IFRSs adjustments US$	US$	US$	US$	Amounts under IFRSs US$
		Share-based compensation (note (i))	Tax benefit/ deficiency on share-based compensation (note (iii))	PRC withholding tax (note(iv))	Government subsidies (note(v))	
Research and development	(269,018)	(22,751)	—	—	—	(291,769)
Selling, general and administrative	(62,602)	(13,236)	—	—	—	(75,838)
Other income, net	11,501	—	—	—-	9,620	21,121
Loss before income tax expense	(91,064)	(35,987)	—	—	9,620	(117,431)
Income tax benefit/(expense)	(2,235)	3,913	(2,066)	(26,090)	(2,405)	(28,883)
Net loss	(93,299)	(32,074)	(2,066)	(26,090)	7,215	(146,314)
Less: net profit/(loss) attributable to noncontrolling interests	(194)	(38)	—	—	361	129
Net loss attributable to BeiGene, Ltd.	(93,105)	(32,036)	(2,066)	(26,090)	6,854	(146,443)

	As of December 31, 2018				
Consolidated balance sheet data	Amounts as reported under U.S. GAAP US$	IFRSs adjustments US$	US$	US$	Amounts under IFRSs US$
		Share-based compensation (note (i))	Preferred Shares (note (ii))	Tax benefit/ deficiency on share-based compensation (note (iii))	
Deferred tax assets	29,542	1,692 5,184*	— —	— 8,617*	45,035
Total assets	2,249,684	6,876	—	8,617	2,265,177
Additional paid-in capital	2,744,814	29,454 46,047*	307,894* —	16,371 10,683*	3,155,263
Accumulated deficit	(1,007,215)	(29,454) 1,692 (38) (40,825)*	(307,894)*	(16,371) (2,066)*	(1,402,171)
Noncontrolling interest	14,445	38 (38)*	— —	— —	14,445
Total equity	1,753,647	6,876	—	8,617	1,769,140

* IFRSs adjustments brought forward from December 31, 2017

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

* IFRSs adjustments brought forward from December 31, 2016

Notes:

(i) Share-based compensation

Under U.S. GAAP, the Group has elected to recognize compensation expense using the straight-line method for all employee equity awards granted with graded vesting based on service conditions provided that the amount of compensation cost recognized at any date is at least equal to the portion of the grant-date value of the options that are vested at that date.

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

A difference of US$29,454 arose between the amount of share-based compensation (included in research and development expenses, and selling, general and administrative expenses) recognized in the statement of operations and additional paid-in capital under U.S. GAAP and IFRSs for the year ended December 31, 2018 (2017: US$35,987). The related income tax impact of this item totaled US$1,692 for the year ended December 31, 2018 (2017: US$3,913).

The cumulative difference between the amount of share-based compensation recognized under U.S. GAAP and IFRSs and included within the additional paid-in capital account as of December 31, 2017 was US$46,047, and the cumulative related impact on deferred tax assets and noncontrolling interest was US$5,184 and US$38 respectively as of December 31, 2017. The consequential net impact on

the accumulated deficit as of December 31, 2017 was US$40,825. The above differences and impact as of December 31, 2017 were all carried forward as opening IFRSs adjustments to the balance sheet as of January 1, 2018. The noncontrolling interest of US$38 was reversed in 2018 and not carried forward to 2019 as the amount was immaterial.

(ii) Preferred Shares

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

Under IFRSs, 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 IFRSs, 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 prior to the conversion into the Company's ordinary shares in February 2016 was recognized in the statement of operations under IFRSs, 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 IFRSs adjustments on each of accumulated deficit and additional paid-in capital was US$307,894, which was all carried forward to opening balance sheets of subsequent financial years/periods.

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

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

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

A difference of US$8,617 arose between the amount of deferred tax asset recognized under U.S. GAAP and IFRSs as of December 31, 2017, and the amount of the difference remained unchanged at December 31, 2018. The difference was determined by taking into account the extent of future available taxable profit against which the estimated additional tax deduction as of December 31, 2017 and 2018 can be utilized. The difference is recognized in equity under IFRSs. In addition, the income tax benefit on excess tax deductions of US$16,371 for the year ended December 31, 2018 (2017: US$2,066) is recognized in equity under IFRSs, rather than in the statement of operations under U.S. GAAP. The aggregate effect of deferred tax assets of US$8,617 recognized in equity and the excess tax deduction of US$2,066 recognized in equity amounted to US$10,683 as of December 31, 2017, and are carried forward as opening adjustments to the balance sheet as of January 1, 2018 under IFRSs.

(iv) PRC withholding tax

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

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

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

(v) Government subsidies

Under U.S. GAAP, the government subsidies of US$9,620 received in 2017 relating to the above PRC withholding tax was carried in the Group's consolidated balance sheet as of December 31, 2017, as other long-term liabilities of US$9,990 (re-translated at December 31, 2017 closing exchange rate), as a result of the recognition of the related PRC withholding tax as a prepaid asset in the balance sheet.

Under IFRSs, the above government subsidies were recognized as income in the Group's consolidated statement of operations for the year ended December 31, 2017 as a result of the recognition of such PRC withholding tax as an expense in 2017. In addition, the income tax expense of US$2,405 on the government subsidies deferred as a prepaid asset of US$2,498 (re-translated at December 31, 2017 closing exchange rate) under ASC 740 was charged as an expense in the Group's consolidated statement of operations for the year ended December 31, 2017 under IFRSs as a result of the recognition of such government subsidies as income in 2017. Finally, IFRSs adjustments were made in the Group's consolidated statement of operations for the year ended December 31, 2017 to account for the consequential impact on the Group's noncontrolling interests of US$361 arising from the above adjustments of government subsidies and related income tax expense which are applicable to a non-wholly-owned PRC subsidiary.

As a result of the charge of the relevant PRC withholding tax to the opening accumulated deficit as of January 1, 2018 as mentioned above, the government subsidies of US$9,990 and the related income tax expense of US$2,498 carried in the balance sheet as of December 31, 2017 were also recognized in the opening accumulated deficit as of January 1, 2018 in the Company's U.S. GAAP consolidated financial statements, and the consequential effect on noncontrolling interest of US$375 (re-translated at December 31, 2017 closing exchange rate) and foreign currency translation difference of US$263 were included within the Company's opening U.S. GAAP consolidated balance sheet as of January 1, 2018 accordingly, with resulting adjustment included within the 2018 opening accumulated deficit. The overall net impact on 2018 opening accumulated deficit was US$6,854. Thereafter the above differences in accounting treatment between U.S. GAAP and IFRSs no longer exist for the Company's accounting periods commencing from January 1, 2018.

29. Reconciliation of the comparative financial statements with the accountants' report in the Prospectus

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

The reconciliations of the comparative consolidated financial statements of the Company as of December 31, 2017 in this announcement with the consolidated financial statements of the Company as of December 31, 2017 disclosed in the accountants' report in the Prospectus are as follows:

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

Consolidated statement of operations data	As reported in this announcement US$	As of December 31, 2017 Adjustments adopted in preparing accountants' report US$ (i)	US$ (ii)	US$ (iii)	As reported in the accountants' report US$
Collaboration revenue	213,959	16,307	—	—	230,266
Total revenues	238,387	16,307	—	—	254,694
Other income, net	11,457	—	—	9,620	21,077
Gain on sale of available-for-sale securities	44	—	—	—	44
Other income, net, including gain on sale of available-for-sale securities	11,501			9,620	21,121
Loss before income tax expense	(91,064)	16,307	—	9,620	(65,137)
Income tax expense	(2,235)	—	(26,090)	(2,405)	(30,730)
Net loss	(93,299)	16,307	(26,090)	7,215	(95,867)
Less: net loss attributable to noncontrolling interests	(194)	—	—	361	167
Net loss attributable to BeiGene, Ltd.	(93,105)	16,307	(26,090)	6,854	(96,034)
Net loss per share attributable to BeiGene, Ltd. Basic and diluted (in dollars)	(0.17)				(0.18)
Net loss per American Depositary Share ("ADS") Basic and diluted (in dollars)	(2.23)				(2.30)

Notes:

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

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

(iii) Adjustment to recognize the government subsidies of US$9,620 relating to the PRC withholding tax mentioned above as income in the Group's consolidated statement of operations for the year ended December 31, 2017 upon the early adoption of ASU 2016-16 in accounting for PRC withholding tax in preparing the accountants' report. Previously the government subsidies of US$9,990 (re-translated at December 31, 2017 closing exchange rate) was carried in the balance sheet as of December 31, 2017 as other long-term liabilities. In addition, the income tax expense of US$2,405 on the government subsidies previously deferred as a prepaid asset of US$2,498 (re-translated at December 31, 2017 closing exchange rate) under ASC 740 was charged as an expense in the accountants' report as a result of the recognition of such government subsidies as income in 2017. Finally, adjustments were made in the accountants' report to account for the consequential impact on the Group's noncontrolling interests of US$375 (re-translated at December 31, 2017 closing exchange rate) and a foreign currency translation difference of US$263 in the consolidated balance sheet as of December 31, 2017, which arose from the above adjustments of government subsidies and related income tax expense applicable to a non-wholly-owned PRC subsidiary. The related adjustments of noncontrolling interest in the 2017 statement of operations in the accountants' report was US$361.

30. Dividends

The board of directors of the Company did not recommend the distribution of any annual dividend for the year ended December 31, 2018 (year ended December 31, 2017: nil).

Unless the context requires otherwise, the terms "BeiGene," the "Company,""we,""us" and "our" refer to BeiGene, Ltd. and its subsidiaries, on a consolidated basis and the terms defined in the prospectus ("the Prospectus") of the Company dated July 30, 2018 shall have the meanings ascribed of them therein.

Overview

We are a commercial-stage biotechnology company focused on developing and commercializing innovative molecularly-targeted and immuno-oncology drugs for the treatment of cancer. Our internally-developed lead drug candidates are currently in late-stage clinical trials. These candidates are (1) zanubrutinib (BGB-3111), a potentially best-in-class investigational small molecule inhibitor of Bruton's tyrosine kinase (BTK), (2) tislelizumab (BGB-A317), an investigational humanized monoclonal antibody against the immune checkpoint receptor programmed cell death protein 1 (PD-1), and (3) pamiparib (BGB-290), an investigational small molecule inhibitor of the poly ADP-ribose polymearase 1 (PARP1) and PARP2 enzymes (together, our "**Core Product Candidates**"). All three of these drug candidates are currently in Phase 2 or 3 pivotal trials globally and/or in China, and we filed for regulatory approvals in China in 2018 for zanubrutinib in relapsed/refractory (R/R) mantle cell lymphoma (MCL) and in R/R chronic lymphocytic leukemia or R/R small lymphocytic lymphoma (CLL/SLL); and for tislelizumab in R/R classical Hodgkin's Lymphoma (cHL). We also have additional drug candidates in earlier stage clinical development.

We started as a research and development company in Beijing in 2010, focusing on developing best-in-class oncology drugs. Over the last nine years, we have developed into a fully-integrated global biotechnology company with operations in China, the United States, Europe and Australia, including a more than 800-person global clinical development team running 50 ongoing or planned clinical trials as of January 24, 2019. We also have a growing commercial team that is selling our existing in-licensed drugs in China and preparing for launches of our internally-developed drug candidates in China and the United States, as well as internal manufacturing capabilities in China that are operational or under construction for the clinical and commercial supply of our small molecule and biologic drug candidates.

Recent Developments

On March 6, 2019, we announced a global research and development collaboration with Ambrx Inc. Pursuant to the collaboration, Ambrx Inc. will receive an upfront payment of US$10 million to fund the initial discovery and research activities and additional upfront payments of up to US$19 million if we elect to initiate additional programs. Ambrx Inc. is eligible to receive potential development, regulatory, and sales-based milestone payments up to an aggregate of US$446 million for all programs, in addition to tiered royalties on future global sales. We will have worldwide rights to develop and commercialize any drug products resulting from the collaboration.

On January 14, 2019, we announced that the U.S. Food and Drug Administration (FDA) granted Breakthrough Therapy designation for our investigational Bruton's tyrosine kinase (BTK) inhibitor, zanubrutinib, for the treatment of adult patients with MCL who have received at least one prior therapy.

Future and Outlook

Our mission is to become a global leader in the discovery, development and commercialization of innovative therapies. In the near term, we plan to focus on pursuing what we believe are the following significant opportunities:

- **Globally Develop and Commercialize Zanubrutinib, a Potentially Best-in-Class BTK Inhibitor.** Zanubrutinib is an investigational small molecule inhibitor of BTK that is currently being evaluated both as a monotherapy and in combination with other therapies to treat various lymphomas. Our clinical experience to date suggests a potentially best-in-class profile. To pursue this opportunity, we are conducting a broad pivotal clinical program globally and in China. We have submitted for approval in China for two indications based on single-arm Phase 2 clinical trials in patients with R/R CLL/SLL and R/R MCL. Both applications have been accepted and are being reviewed under priority review status. In addition, we are conducting three global Phase 3 trials: head-to-head against ibrutinib, an approved BTK inhibitor, for patients with Waldenström's Macroglobulinemia (WM); against bendamustine plus rituximab for patients with treatment naïve (TN), CLL/SLL; and head-to-head against ibrutinib for patients with R/R CLL/SLL. Further, we are conducting a global pivotal Phase 2 trial in combination with obinutuzumab in follicular lymphoma (FL), a pivotal Phase 2 trial in China in WM, and we have recently begun a global study in R/R marginal zone lymphoma (MZL). Subject to the successful completion and satisfactory results of these trials, we expect to submit for approval of zanubrutinib in the United States in 2019 or early 2020, where it has been granted Fast Track status for patients with WM and Breakthrough Therapy designation for patients with R/R MCL. We also plan to file a new drug application (NDA) in China for patients with WM.

- **Develop and Commercialize Our Investigational Checkpoint Inhibitor, Tislelizumab, in a Rapidly and Favorably Evolving China Market and Other Markets.** We believe that there is a large and growing opportunity for novel cancer therapeutics in China and that the market opportunity for PD-1/PD-L1 antibody therapies may be especially attractive, as this class of agents has demonstrated anti-tumor activity in all four of the most common tumors in China: lung cancer, gastric cancer (GC), liver cancer and esophageal cancer (EC). We believe that we are uniquely positioned to capture this opportunity with our strong presence and experience in China and our integrated global clinical development capabilities in China and other Asia-Pacific countries, the United States, Europe and Australia. We have submitted an NDA in China to market tislelizumab for the treatment of patients with R/R cHL, and the application has been accepted and is being reviewed under priority review status. We are currently running 11 registration or potentially registration-enabling trials in six tumor types and expect to commence additional global pivotal trials in 2019 and 2020. We also plan to submit an NDA in China for patients with urothelial bladder cancer (UBC). We have additional earlier stage exploratory studies ongoing, and we plan to initiate other studies.

- **Establish a Leadership Position by Further Expanding Our Capabilities.** Although we believe that we have significant integrated capabilities in research and clinical development, manufacturing and commercialization, we plan to continue to strengthen and expand our operations. In particular, we plan to significantly expand our commercial capabilities in China in preparation for the potential launch of our drug candidates and to support our existing marketed drugs. We have an established commercial team in China, which provides coverage of large hospitals and physician clients. As a result of the improving reimbursement environment in China, which is expected to provide access to innovative medicines for a significantly larger number of patients, we believe that the scale of our commercial organization and the breadth of our market coverage will become even more important. We plan to invest in expanding our teams of sales and marketing, market access, medical affairs, compliance, manufacturing, and other supporting functions. We aim to become a leading organization in the commercialization of oncology drugs in China. Outside of China, we are currently building commercial capabilities in the hematology-oncology area in the United States. In addition, we plan to continue to invest in building our global clinical development capabilities, which we believe will provide a competitive advantage in allowing us to conduct pivotal trials to support approvals globally and in China.

- **Take Advantage of Significant Regulatory Reforms in China to Accelerate Global Drug Development.** Historically, the regulatory environment in China has been considered highly challenging, with clinical development significantly delayed and regulatory approvals taking much longer than in the United States and Europe. To address these challenges, the National Medical Products Administration (NMPA) has issued a series of reform policies and opinions, which, among many things, are expected to expand access to clinical patients and expedite development and approval by removing delays and creating an environment with international quality standards for drug development, manufacturing and commercialization in China. We expect that these regulatory reforms will allow clinical trials in China to play a major role in

global drug development programs. We also believe that the ability to effectively operate in China and integrate trials conducted in China with those in the rest of the world will be of increasing strategic importance. We are already taking advantage of these opportunities by conducting and leading dual-purpose global/China registration trials.

- **Expand Our Product Portfolio and Pipeline Through Collaborations with Other Biopharmaceutical Companies to Complement Our Internal Research.** We expect to further expand our portfolio of drugs and drug candidates, in oncology as well as potentially in other therapeutic areas, through internal research and external collaborations, such as our collaborations with Celgene Corporation, Mirati Therapeutics, Inc. (Mirati) and Zymeworks Inc. (Zymeworks) We intend to pursue collaborations with other biopharmaceutical companies both in China and globally by leveraging our strong clinical development capabilities globally and our commercial capabilities in China. We have pursued and plan to continue to pursue business development opportunities in which development in China is expected to contribute to, and potentially accelerate, the global development program. We believe that there will be increasing interest by international biopharmaceutical companies in seeking collaborations in Asia, particularly in oncology, because clinical recruitment is a major bottleneck in new drug development.

Extraordinary General Meeting

Our Company held an extraordinary general meeting on December 7, 2018. The purpose of the meeting was to consider the following:

1. Special resolution: to adopt an official Chinese company name "百濟神州有限公司" for our Company;

2. Special resolution: to adopt the fifth amended and restated memorandum and articles of association the Company to comply with the Rules governing The Stock Exchange of Hong Kong Limited (the "**HK Listing Rules**") as described in our circular dated November 8, 2018 (the "**Circular**");

3. Ordinary resolution: within the parameters of Rule 13.36 of the HK Listing Rules, to approve the granting of a share issue mandate to the Board of Directors to issue, allot or deal with unissued ordinary shares and/or ADSs not exceeding 20% of the total number of issued Shares of the Company as of the date of passing of this proposed ordinary resolution up to the next annual general meeting, subject to the conditions described in the Circular;

4. Ordinary resolution: to authorize the Company and its underwriters, at their sole discretion, to allocate to each of Baker Bros. Advisors LP and Hillhouse Capital Management, Ltd. and parties affiliated with each of them (the "**Existing Shareholders**"), up to a maximum amount of shares in order to maintain the same shareholding percentage of each of the Existing Shareholders (based on the then-outstanding share capital of the Company) before and after the allocation of the corresponding securities issued pursuant to an offering conducted pursuant to the general mandate set forth above for a period of five years, which period will be subject to an extension on a rolling basis each year, conditional on the approval of the shareholders who are not Existing Shareholders, subject to the conditions described in the Circular;

5. Ordinary resolution: to approve the Second Amended and Restated 2016 Share Option and Incentive Plan; and

6. Ordinary resolution: to approve the Second Amended and Restated 2018 Employee Share Purchase Plan.

All the resolutions set out above were duly passed by way of poll. Full text of each of the resolutions is set out in the Circular and the poll results for the resolutions are set out in our announcement dated December 10, 2018.

Financial Review

Revenue

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

Revenues from product sales are recognized when there is a transfer of control from the Company to the distributor. The Company determines transfer of control based on when the product is delivered, and title passes to the distributor. Revenues from product sales are recognized net of variable consideration resulting from rebate accruals and sales returns allowances. Provisions for estimated reductions to revenue are provided for in the same period the related sales are recorded and are based on the sales terms, historical experience and trend analysis. We expect revenue from product sales to increase in 2019 as we expand our efforts to promote and obtain reimbursement for ABRAXANE® and REVLIMID® and launch VIDAZA® in China.

We also record revenue from our collaboration and license agreements with Celgene and Merck KGaA, Darmstadt Germany. Under each agreement, we have received upfront payments related to the license fee which was recognized upon the delivery of the license right. Additionally, the reimbursement of remaining undelivered research and development services under the Celgene arrangement is recognized over the performance period of the collaboration arrangement. In the case of the Celgene arrangement, we will also receive research and development reimbursement revenue for the basket study trials that Celgene opts into. We consider milestone payments variable consideration and include them in the transaction price when a significant reversal of revenue recognized is not expected to occur. See Note 3 to our consolidated financial statements included in this announcement for a description of these agreements.

Expenses

Cost of Sales

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

Research and Development Expenses

Research and development expenses consist of the costs associated with our research and development activities, conducting preclinical studies and clinical trials and activities related to regulatory filings. Our research and development expenses consist of:

- expenses incurred under agreements with contract research organizations, or CROs, contract manufacturing organizations, and consultants that conduct and support clinical trials and preclinical studies;
- costs of comparator drugs in certain of our clinical trials;
- manufacturing costs related to pre-commercial activities;
- costs associated with preclinical activities and development activities;
- costs associated with regulatory operations;
- employee-related expenses, including salaries, benefits, travel and share-based compensation expense for research and development personnel;
- in-process research and development costs expensed as part of collaboration agreements entered into; and
- other expenses, which include direct and allocated expenses for rent and maintenance of facilities, insurance and other supplies used in research and development activities.

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

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

Research and development activities also include costs associated with in-licensed drug candidates, including:

- sitravatinib, an investigational, spectrum-selective kinase inhibitor in clinical development by Mirati Therapeutics, Inc., and
- ZW25 and ZW49, two bispecific antibody-based product candidates targeting HER2, under development by Zymeworks Inc.

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

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

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

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

Research and development activities are central to our business model. We expect research and development costs to increase significantly for the foreseeable future as our development programs progress, as we continue to support the clinical trials of our drug candidates as treatments for various cancers and as we move these drug candidates into additional clinical trials, including potential pivotal

trials. There are numerous factors associated with the successful commercialization of any of our drug candidates, including future trial design and various regulatory requirements, many of which cannot be determined with accuracy at this time based on our stage of development. Additionally, future commercial and regulatory factors beyond our control may impact our clinical development programs and plans.

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

Selling, General and Administrative Expenses

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

Interest Income (Expense), Net

Interest Income

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

Interest Expense

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

Other Income (Expense), Net

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

Results of Operations

Comparison of the Year ended December 31, 2018 and 2017

The following table summarizes our results of operations for the years ended December 31, 2018 and 2017:

	Year Ended December 31,		Change	
	2018	**2017**	**US$**	**%**
	(US dollars in thousands)			
Product revenue, net	130,885	24,428	106,457	436%
Collaboration revenue	67,335	213,959	(146,624)	(69)%
Total revenues	198,220	238,387	(40,167)	(17)%
Expenses				
Cost of sales - product	(28,705)	(4,974)	(23,731)	477%
Research and development	(679,005)	(269,018)	(409,987)	152%
Selling, general and administrative	(195,385)	(62,602)	(132,783)	212%
Amortization of intangible assets	(894)	(250)	(644)	258%
Total expenses	(903,989)	(336,844)	(567,145)	168%
Loss from operations	(705,769)	(98,457)	(607,312)	617%
Interest (expense) income, net	13,947	(4,108)	18,055	NM
Other income, net	1,993	11,501	(9,508)	(83)%
Loss before income tax expense	(689,829)	(91,064)	(598,765)	658%
Income tax expense	15,796	(2,235)	18,031	NM
Net loss	(674,033)	(93,299)	(580,734)	622%
Less: Net loss attributable to noncontrolling interest	(264)	(194)	(70)	36%
Net loss attributable to BeiGene, Ltd.	(673,769)	(93,105)	(580,664)	624%

Revenue

Total revenue decreased by US$40.2 million to US$198.2 million for the year ended December 31, 2018, from US$238.4 million for the year ended December 31, 2017. The following table summarizes our components of revenue for the year ended December 31, 2018 and 2017, respectively:

	Year Ended December 31,		Changes	
	2018	2017	US$	%
	(US dollars in thousands)			
Product revenue	130,885	24,428	106,457	436%
Collaboration revenue:				
License revenue	—	211,391	(211,391)	(100)%
Reimbursement of research and development costs	56,776	—	56,776	NM
Research and development service revenue	10,559	2,568	7,991	311%
Total collaboration revenue	67,335	213,959	(146,624)	(69)%
Total	198,220	238,387	(40,167)	(17)%

Net product revenue was US$130.9 million for the year ended December 31, 2018, which related to sales of ABRAXANE®, REVLIMID® and VIDAZA® in China. We began recognizing product revenue with sales to our distributors in China, beginning in September 2017 following the closing of our strategic collaboration with Celgene. VIDAZA® was launched in China in February 2018. We had US$24.4 million product revenue for the year ended December 31, 2017.

Collaboration revenue totaled US$67.3 million for the year ended December 31, 2018, and was comprised of US$56.8 million for the reimbursement of research and development costs for the clinical trials that Celgene has opted into, US$9.1 million related to the recognition of deferred revenue for upfront fees allocated to undelivered research and development services to Celgene and US$1.5 million research and development services for achieving a milestone under the collaboration agreement with Merck KGaA, Darmstadt Germany.

Collaboration revenue was US$214.0 million for the year ended December 31, 2017, of which US$213.0 million was due to revenue recognized from the Celgene collaboration, including recognition of the upfront consideration allocated to the license fees and recognition of deferred revenue allocated to the undelivered research and development services.

Cost of Sales

Cost of sales increased to US$28.7 million for the year ended December 31, 2018 from US$5.0 million for the year ended December 31, 2017. The full year period in 2017 was only for four months from the time the Celgene agreement was finalized on August 31, 2017 through year end. Cost of sales for the year ended December 31, 2018 consisted entirely of the cost of products purchased from Celgene and distributed in the PRC.

Research and Development Expense

Research and development expense increased by US$410.0 million, or 152.4%, to US$679.0 million for the year ended December 31, 2018, from US$269.0 million for the year ended December 31, 2017. The following table summarizes external clinical, external non-clinical and internal research and development expense for the year ended December 31, 2018 and 2017:

	Year Ended December 31,		**Changes**	
	2018	**2017**	**US$**	**%**
	(US dollars in thousands)			
External cost of clinical-stage programs	291,176	131,485	159,691	121%
In-process research and development expense	89,000	—	89,000	—%
External cost of non-clinical-stage programs	55,600	9,244	46,356	501%
Internal research and development expenses	243,229	128,289	114,940	90%
Total research and development expenses	679,005	269,018	409,987	152%

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

- Increases of approximately US$54.2 million, US$81.0 million, US$20.0 million and US$5.0 million, respectively, for zanubrutinib, tislelizumab, pamiparib and sitravatinib, partially offset by a decrease of approximately US$0.5 million for lifirafenib. The expense increases were primarily due to the expansion of clinical trials for these candidates, including the initiation or continuation of pivotal trials;

- Increase of US$89.0 million related to in-process research and development expense including US$10 million of our in-license of sitravatinib with Mirati for the Asia (excluding Japan), Australia and New Zealand territories, US$60 million of upfront and milestone payments to Zymeworks, Inc., in order to obtain exclusive license to develop and commercialize ZW25 in the Asia (excluding Japan), Australia and New Zealand territories, and US$19 million for the termination of the PARP collaboration agreement with Merck KGaA Darmstadt Germany; and

- Approximately US$46.4 million increase in external spending for our non-clinical-stage programs, primarily related to manufacturing costs and costs associated with advancing our preclinical candidates toward clinical trials.

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

- US$59.1 million increase of employee salary and benefits, which was primarily attributable to hiring more research and development personnel to support our expanding research and clinical activities;

- US$23.8 million increase of share-based compensation expense, primarily attributable to our increased headcount and higher share price;

- US$1.7 million increase of materials and reagent expenses, mainly in connection with the in-house manufacture of drug candidates used for clinical purposes, that were previously outsourced and recorded as external cost;

- US$15.1 million increase of consulting fees, which was mainly attributable to increased scientific, regulatory and development consulting activities, in connection with the advancement of our pipeline; and

- US$15.2 million increase of facilities, office expense, rental fee and other expenses to support the growth of our organization.

Selling, General and Administrative Expense

Selling, general and administrative expense increased by US$132.8 million, or 212.1%, to US$195.4 million for the year ended December 31, 2018, from US$62.6 million for the year ended December 31, 2017. The increase was primarily attributable to the following:

- US$46.5 million increase of employee salary and benefits, which was primarily attributable to the hiring of more personnel to support our growing organization, including the acquired workforce in the acquisition of Celgene's China operations;

- US$20.5 million increase of share-based compensation expense, primarily attributable to our increased headcount and higher share price;

- US$13.3 million increase of professional fees for legal, consulting, recruiting and audit services, mainly in connection with our patent prosecution activities, consulting services, business development activities, compliance, recruiting services and the preparation of periodic reports and filings with the SEC and the Stock Exchange;

- US$9.2 million increase of IT expense, which was primarily attributable to increased headcount and upgrades to our IT infrastructure for human resources, financial systems and compliance management, and

- US$43.3 million increase of selling, facility, travel expenses, rental fees and other administrative expenses, primarily attributable to the global expansion of our business, including the post-combination operating costs of our commercial operations in China.

Interest Income (Expense), Net

Interest income (net) increased to US$13.9 million for the year ended December 31, 2018, from net interest expense of US$4.1 million for the year ended December 31, 2017. The increase in interest income was primarily attributable to interest income on our larger cash and short-term investment balances.

Other Income, Net

Other income, net decreased by US$9.5 million to US$2.0 million for the year ended December 31, 2018, from US$11.5 million for the year ended December 31, 2017. The decrease was mainly attributable to the decrease in government grants and subsidies received and recognized in 2018 and unrealized losses related to changes in foreign currency exchange rates.

Income Tax Benefit (expense)

Income tax benefit was US$15.8 million for the year ended December 31, 2018 compared with US$2.2 million of income tax expense for the year ended December 31, 2017. In the year ended December 31, 2018, the income tax benefit was mainly attributable to research and development tax credits and stock compensation tax deductions of our U.S. operating subsidiary, partially offset by income tax expense from our commercial operations in China.

Discussion of Certain Key Balance Sheet Items

Accounts receivable

Accounts receivable increased by 39.5% from US$29.4 million as of December 31, 2017 to US$41.1 million as of December 31, 2018, primarily due to the increase in sales of ABRAXANE®, REVLIMID® and VIDAZA® in China.

Inventories

The inventories increased by 48.6% from US$10.9 million as of December 31, 2017 to US$16.2 million as of December 31, 2018, primarily as a result of the increased volume of the product purchased from Celgene for distribution in PRC.

Prepaid expenses and other current assets

Prepaid expenses and other current assets consist of the following as of December 31, 2018 and 2017:

	As of December 31,	
	2018	**2017**
	(US dollars in thousands)	
Prepaid research and development costs	58,673	21,156
Prepaid taxes	14,588	9,894
Interest receivable	3,096	1,557
Other	5,585	3,016
Total	81,942	35,623

Prepaid expenses and other current assets increased by 130.0% from US$35.6 million as of December 31, 2017 to US$81.9 million as of December 31, 2018. The increase was primarily due to an increase in costs related to our ongoing clinical trials.

Property and equipment, net

The property and equipment increased by 151.0% from US$62.6 million as of December 31, 2017 to US$157.1 million as of December 31, 2018, primarily attributable to our on-going buildout of the Guangzhou manufacturing facility.

Accounts payable

Accounts payable includes amounts due to third parties and totaled US$113.3 million and US$69.8 million as of December 31, 2018 and 2017, respectively. The increase was primarily due to increased research and development activities, higher external costs and activities and accounts payable related to the purchase of inventory.

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

	As of December 31,	
	2018	**2017**
	(US dollars in thousands)	
Within 1 month	83,191	65,626
1 to 3 months	18,376	3,170
3 to 6 months	6,186	725
6 months to 1 year	4,931	189
Over 1 year	599	69
Total	113,283	69,779

Accrued expenses and other payables

Accrued expenses and other payables consist of the following as of December 31, 2018 and 2017:

	As of December 31,	
	2018	**2017**
	(US dollars in thousands)	
Compensation related	35,887	17,051
External research and development activities related	34,588	18,721
Commercial activities	10,433	2,350
Individual income tax and other taxes	8,030	5,088
Sales rebates and returns related	4,749	3,997
Other	6,727	2,391
Total accrued expenses and other payables	100,414	49,598

Accrued expenses and other payables increased by 102.5% from US$49.6 million as of December 31, 2017 to US$100.4 million as of December 31, 2018. The increase was primarily due to (i) hiring of more personnel to support our expanding research and clinical activities and our growing organization; (ii) expansion of clinical trials for drug candidates, including the initiation or continuation of pivotal trials; and (iii) global expansion of our business, including the post-combination operating costs of our commercial operations in China.

Liquidity and Capital Resources

Since inception, we have incurred annual net losses and negative cash flows from our operations. Substantially all of our losses have resulted from the funding of our research and development programs and selling, general and administrative expenses associated with our operations. We incurred net losses of US$674.0 million and US$93.3 million for the years ended December 31, 2018 and 2017, respectively. As of December 31, 2018, we had an accumulated deficit of US$1.0 billion. Our operating activities used US$547.7 million for the year ended December 31, 2018, and provided US$12.8 million for the year ended December 31, 2017, respectively. We have financed our operations principally through proceeds from public and private offerings of our securities and proceeds from our collaboration agreements with Celgene and Merck KGaA, Darmstadt Germany, and sales of ABRAXANE®, REVLIMID® and VIDAZA® in China since September 2017. During the year ended December 31, 2018, we raised US$1.6 billion in net proceeds from two follow-on public offerings, including an offering of our ADSs in January 2018 and an offering of our ordinary shares in August 2018 in which we listed our ordinary shares for trading on the Stock Exchange, resulting in the dual listing of our shares in both the United States and Hong Kong.

As of December 31, 2018, we had cash, cash equivalents, restricted cash and short-term investments of US$1.8 billion, including approximately US$149.1 million of cash and cash equivalents and short-term investments held by our joint venture, BeiGene Biologics, to build a commercial biologics facility in Guangzhou, China and to fund research and development of biologics drug candidates in China. Restricted cash of US$27.8 million represents secured deposits of BeiGene Guangzhou Factory held in designated bank accounts for the issuance of a letter of credit and import duty tax and restricted cash deposits as security for a long-term bank loan.

The following table provides information regarding our cash flows for the years ended December 31, 2018 and 2017:

	Year Ended December 31,	
	2018	**2017**
	(US dollars in thousands)	
Cash, cash equivalents and restricted cash at beginning of period	239,602	87,514
Net cash (used in) provided by operating activities	(547,717)	12,752
Net cash used in investing activities	(637,613)	(356,319)
Net cash provided by financing activities	1,690,537	490,356
Net effect of foreign exchange rate changes	(4,096)	5,299
Net increase in cash, cash equivalents and restricted cash	501,111	152,088
Cash, cash equivalents and restricted cash at end of period	740,713	239,602

Use of Funds

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

Operating Activities

Operating activities used US$547.7 million of cash for the year ended December 31, 2018, which resulted principally from our net loss of US$674.0 million and an increase in our net operating assets and liabilities of US$17.2 million, offset by non-cash charges of US$143.5 million. The increase in our net operating assets was primarily due to an increase of US$46.3 million in prepaid expenses and other current assets primarily related to prepayments to CROs for clinical trials, an increase of US$40.2 million in other non-current assets primarily related to prepayments for acquiring long-term assets, an increase of US$11.6 million in accounts receivable related to collections on products sales from our collaboration with Celgene, a decrease of US$9.1 million in deferred revenue, an increase of US$5.3 million in inventories and a decrease of US$3.4 million in taxes payable, all of which had a negative impact on operating cash flow. These cash uses were partially offset by an increase of US$74.0 million in accounts payable and accrued expenses related to payments for external research and development costs, payroll-related costs and selling, general and administrative expenses to support our growing business, an increase of US$17.0 million in other long-term liabilities primary related to government subsidies, and a decrease in unbilled receivables of US$7.7 million related to the Celgene and other collaborations, all of which have a positive impact on operating cash flow. Our non-cash charges and other adjustments to our net loss during the year ended December 31, 2018 primarily consisted of US$87.1 million of share-based compensation expense, US$70.0 million of acquired in-process research and development related to upfront payments in our license agreements with Mirati and Zymeworks, US$7.8 million of non-cash interest expense and US$10.4 million of depreciation expense, offset by US$21.9 million related to deferred tax benefits, US$8.0 million of amortization of bond discount and US$1.9 million of disposal gain on available-for-sale securities and property and equipment.

Operating activities provided US$12.8 million of cash for the year ended December 31, 2017, due to cash inflows of US$250.0 million from upfront license fees received from Celgene, and decreases in net working capital offsetting significantly increased total expenses, adjusted for non-cash expenses. The overall decrease in our net operating assets was primarily due to an increase in deferred revenue of US$37.0 million related to the Celgene collaboration, an increase of US$80.3 million due to increased accounts payable and accrued expenses related to higher external research and development costs, increased payroll-related costs and selling, general and administrative expenses to support our growing business, an increase in other long-term liabilities of US$31.4 million mainly related to government grants received, offset by an increase in accounts receivable of US$29.4 million related to product

sales and collaboration with Merck KGaA, Darmstadt Germany, an increase of US$28.9 million in prepaid expenses and other current assets, an increase of US$10.9 million in inventories and a US$29.7 million increase in other non-current assets. Our non-cash charges during the year ended December 31, 2017 primarily consisted of US$42.9 million of share-based compensation expense, US$7.0 million of non-cash interest expense and US$4.8 million of depreciation expense, offset by US$5.8 million related to deferred tax benefits.

Investing Activities

Investing activities used US$637.6 million of cash for the year ended December 31, 2018, which was primarily due to purchases of investment securities of US$2.6 billion, US$70.0 million of in-process research and development related to the license agreements with Mirati and Zymeworks, US$38.3 million of total costs related to the acquisition of our Changping facility, and capital expenditures of US$70.3 million primarily related to our Guangzhou and Suzhou manufacturing facilities. These cash uses were offset by sales and maturities of investment securities of US$2.2 billion.

Investing activities used US$356.3 million of cash for the year ended December 31, 2017, which was primarily due to the purchase of investment securities of US$741.3 million, capital expenditures of US$46.4 million primarily related to our Guangzhou and Suzhou manufacturing facilities and US$12.4 million paid to acquire land use rights in Guangzhou, China, partially offset by US$423.8 million of proceeds from sale or maturity of investment securities and US$19.9 million of cash acquired in the acquisition of BeiGene Pharmaceutical (Shanghai) from Celgene, net of cash paid.

Financing Activities

Financing activities provided US$1.7 billion of cash for the year ended December 31, 2018, which was primarily due to US$757.6 million of net proceeds from our follow-on public offering of ADSs in January 2018, US$869.7 million of net proceeds from our follow-on public offering and the initial listing of our ordinary shares on the Stock Exchange in August 2018, US$42.3 million from a new long-term bank loan to fund our Guangzhou manufacturing facility, and US$29.7 million from the exercise of employee share options. These sources of cash were partially offset by a US$8.7 million repayment of a bank loan for our Suzhou manufacturing facility.

Financing activities provided US$490.4 million of cash for the year ended December 31, 2017, which was primarily due to US$188.5 million of net proceeds from our follow-on public offering, US$149.9 million in proceeds from the sales of our ordinary shares to Celgene Switzerland, net of costs, US$132.8 million of proceeds from the shareholder loan, US$14.5 million from the capital contribution in BeiGene Biologics by our joint venture collaborator Guangzhou GET Technology Development Co., Ltd., or GET, and US$4.6 million in proceeds from the exercise of employee share options.

Operating Capital Requirements

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

Based on our current operating plan, we expect that our existing cash, cash equivalents and short-term investments as of December 31, 2018, will enable us to fund our operating expenses and capital expenditures requirements for at least the next 12 months after the date that the financial statements included in this report are issued. We expect that our expenses will continue to increase substantially as we fund our ongoing research and clinical development efforts, including our ongoing and planned pivotal trials for zanubrutinib, tislelizumab and pamiparib, both in China and globally; our other ongoing and planned clinical trials; regulatory filing and registration of our late-stage drug candidates; expansion of commercial operations in China and preparation for launch of our drug candidates globally; business development and manufacturing activities; and working capital and other general corporate purposes. We have based our estimates on assumptions that may prove to be wrong, and we may use our available capital resources sooner than we currently expect. Because of the numerous risks and uncertainties associated with the development and commercialization of our drug candidates, we are unable to estimate the amounts of increased capital outlays and operating expenditures necessary to complete the development and commercialization of our drug candidates.

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

- the costs, timing and outcome of regulatory reviews and approvals;
- the ability of our drug candidates to progress through clinical development successfully;
- the initiation, progress, timing, costs and results of nonclinical studies and clinical trials for our other programs and potential drug candidates;
- the number and characteristics of the drug candidates we pursue;
- the costs of establishing commercial manufacturing capabilities or securing necessary supplies from third-party manufacturers;

- the costs of preparing, filing and prosecuting patent applications, maintaining and enforcing our intellectual property rights and defending intellectual property-related claims;
- the costs of establishing and expanding our commercial operations and the success of those operations;
- the extent to which we acquire or in-license other products and technologies; and
- our ability to maintain and establish collaboration arrangements on favorable terms, if at all.

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

Contractual Obligations and Commitments

The following table summarizes our significant contractual obligations as of payment due date by period at December 31, 2018:

	Payments Due by Period				
	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
	(US dollars in thousands)				
Contractual obligations					
Operating lease commitments	33,809	10,752	17,777	5,175	105
Debt obligations	198,399	8,727	140	152,960	36,572
Purchase commitments	9,747	9,747	—	—	—
Capital commitments	45,910	45,910	—	—	—
Total	287,865	75,136	17,917	158,135	36,677

Operating Lease Commitments

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

Debt Obligations

Long-term Bank Loans

On September 2, 2015, BeiGene Suzhou entered into a loan agreement with Suzhou Industrial Park Biotech Development Co., Ltd. and China Construction Bank, to borrow US$17.5 million (RMB 120 million) at a 7% fixed annual interest rate. The loan is secured by BeiGene Suzhou's equipment with a carrying amount of US$13.6 million and our rights to a PRC patent on a drug candidate. US$8.7 million was repaid on September 20, 2018, and the remaining US$8.7 million is due on September 30, 2019.

On April 4, 2018, BeiGene Guangzhou Factory entered into a nine-year loan agreement with China Construction Bank to borrow US$84.4 million (RMB 580 million) at a floating interest rate benchmarking RMB loans interest rate of financial institutions in PRC. The Company plans to draw down the entire available amount before December 31, 2019. The loan is secured by BeiGene Guangzhou Factory's land use right with a net carrying amount of US$11.6 million. Interest expense will be paid quarterly until the loan is fully settled. As of December 31, 2018, the Company has drawn down US$40.7 million in aggregate principal amount of this loan. Maturity dates range from 2021 to 2027.

Shareholder Loan

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

	As of December 31,	
	2018	**2017**
	(US dollars in thousands)	
Analyzed into:		
Shareholder loan repayable:		
In the third to fifth years, inclusive	148,888	—
Above five years	—	146,271
Total	148,888	146,271

Purchase Obligations

As of December 31, 2018, purchase obligations amounted to US$9.7 million related to minimum purchase requirements for finished goods inventory purchased from Celgene.

Capital Commitments

We had capital commitments amounting to US$45.9 million for the acquisition of property, plant and equipment as of December 31, 2018, which was primarily for BeiGene Guangzhou Factory's manufacturing facility in Guangzhou, China.

Other Business Agreements

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

Critical Accounting Policies

Our discussion and analysis of our financial condition and results of operations is based on our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America, or GAAP. The preparation of these financial statements requires us to make estimates, 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.

Our most critical accounting policies are summarized below.

Revenue Recognition

Effective January 1, 2018, the Company adopted Accounting Standards Codification, Topic 606, Revenue from Contracts with Customers ("ASC 606"). For further information regarding the impact of adoption, see Note 2 Recent Accounting Pronouncements.

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's product revenues are generated from the sale of ABRAXANE®, REVLIMID®, and VIDAZA® to its product distributor in China. The distributor subsequently resells the products to second tier distributors who ultimately sell the products to health care providers and patients. The Company is the principal under the product sale 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 its first tier distributer. The Company has a single performance obligation which is to sell the products to its first tier distributer. 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 sales rebates and returns 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 first tier distributer. The Company's payment terms are approximately 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.

Rebates, including price compensation credits, are offered to distributors, consistent with pharmaceutical industry practices. The Company records a provision for rebates at the time of sale based on contracted rates and historical redemption rates. Assumptions used to establish the provision include the level of distributor inventories, sales volumes and contract pricing and estimated acceptance of government pricing or reimbursement amounts (such as provincial acceptance of the National Reimbursement Drug List pricing in the PRC). The Company regularly reviews the information related to these estimates and adjust the provision accordingly.

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. If the historical 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.

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.

Research and Development Services: The portion of the transaction price allocated to research and development services performance obligations is deferred and recognized as collaboration revenue overtime as delivery or performance of such services occurs. R&D reimbursement revenue for revenue attributable to the clinical trials that Celgene has opted into is recognized 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).

Research and Development Expenses

Research and development expenses represent costs associated with the collaborative arrangements, which primarily include (1) payroll and related costs (including share-based compensation) associated with research and development personnel; (2) costs related to clinical trials and preclinical testing of our technologies under development; (3) costs to develop the product candidates, including raw

materials and supplies, product testing, depreciation, and facility related expenses; (4) expenses for research services provided by universities and contract laboratories, including sponsored research funding; and (5) other research and development expenses. Research and development expenses are charged to expense as incurred when these expenditures relate to our research and development services and have no alternative future uses.

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 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.

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, 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 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.

Share-Based Compensation

Awards Granted to Employees

We apply ASC 718, *Compensation—Stock Compensation*, or ASC 718, to account for our employee share-based payments. In accordance with ASC 718, we determine whether an award should be classified and accounted for as a liability award or equity award. All our 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. We have 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. We use 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 we revise these estimates in the future, the share-based payments could be materially impacted in the period of revision, as well as in following periods. We, with the assistance of an independent third-party valuation firm, determined the estimated fair value of the share options granted to employees using a binomial option pricing model.

Awards Granted to Non-employees

We have accounted for equity instruments issued to non-employees in accordance with the provisions of ASC 718, Share-based payments, 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 measurement date of the fair value of the equity instrument issued is the date on which the counterparty's performance is completed as there is no associated performance commitment. The expense is recognized in the same manner as if we had paid cash for the services provided by the non-employees in accordance with ASC 505-50, Equity-based payments to non-employees. We estimate 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, we recognize incremental compensation cost in the period the modification occurs. For unvested awards, we recognize 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 we recognize is the cost of the original award.

Significant Factors, Assumptions and Methodologies Used in Determining Fair Value

The fair value of each share option grant is estimated using the binomial option-pricing model. The model requires the input of highly subjective assumptions including the estimated expected share price volatility and, the share price upon which (i.e. the exercise multiple) the employees are likely to exercise share options. The trading history and observation period of our own share price movement has not been long enough to match the life of the share option. Therefore, we estimate our expected share price volatility based on the historical volatility of a group of similar companies, which are publicly-traded. When selecting these public companies on which we have based our expected share price volatility, we selected companies with characteristics similar to us, including the invested capital's value, business model, development stage, risk profiles, position within the industry, and with historical share price information sufficient to meet the contractual life of our share-based awards. We will continue to apply this process until a sufficient amount of historical information regarding the volatility of our own share price becomes available. For the exercise multiple, we were not able to develop an exercise pattern as reference, thus the exercise multiple is based on management's estimation, which we believe is representative of the future exercise pattern of the options. The risk-free interest rates for the periods within the contractual life of the option are based on the U.S. Treasury yield curve in effect during the period the options were granted. Expected dividend yield is based on the fact that we have never paid, and do not expect to pay cash dividends in the foreseeable future.

The assumptions adopted to estimate the fair value of share options using the binomial option pricing model were as follows:

	Year Ended December 31,	
	2018	**2017**
Risk-free interest rate	2.5% ~ 3.1%	2.2% ~ 2.6%
Expected exercise multiple	2.2 ~ 2.8	2.2 ~ 2.8
Expected volatility	60% ~ 64%	99% ~ 100%
Expected dividend yield	0%	0%
Contractual life (years)	10	10

We are also required to estimate forfeitures at the time of grant, and revise those estimates in subsequent periods if actual forfeitures differ from our estimates. We use historical data to estimate pre-vesting option forfeitures and record share-based compensation expense only for those awards that are expected to vest. To the extent that actual forfeitures differ from our estimates, the difference is recorded as a cumulative adjustment in the period the estimates were revised.

These assumptions represented our best estimates, but the estimates involve inherent uncertainties and the application of our judgment. As a result, if factors change and we use significantly different assumptions or estimates when valuing our share options, our share-based compensation expense could be materially different.

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 following table summarizes total compensation cost recognized for the years ended December 31, 2018 and 2017:

	Year Ended December 31,	
	2018	**2017**
	(US dollars in thousands)	
Research and development	54,384	30,610
Selling, general and administration	32,743	12,253
Total	87,127	42,863

As of December 31, 2018, there was US$289.9 million of total unrecognized share-based compensation expense, net of estimated forfeitures, related to unvested share-based awards which are expected to be recognized over a weighted-average period of 2.6 years. As of December 31, 2017, there was US$178.2 million of total unrecognized share-based compensation expense, net of estimated forfeitures, related to unvested share-based awards which are expected to be recognized over a weighted-average period of 3.4 years. In future periods, our share-based compensation expense is expected to increase as a result of recognizing our existing unrecognized share-based compensation for awards that will vest and as we issue additional share-based awards to attract and retain our employees.

Income Taxes

We use 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.

In accordance with ASU 2015-17, all deferred income tax assets and liabilities are classified as non-current on the consolidated balance sheets.

We evaluate our 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. We recognize 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 our policy to recognize interest and penalties related to unrecognized tax benefits, if any, as a component of income tax expense.

Interest and Credit Risk

Financial instruments that are potentially subject to credit risk consist of cash and cash equivalents, restricted cash and short term investments. The carrying amounts of cash, cash equivalents, restricted cash and short term investments represent the maximum amount of loss due to credit risk. We had cash and cash equivalents of US$712.9 million and US$239.6 million, restricted cash of US$27.8 million and nil, and short-term investments of US$1.1 billion and US$597.9 million at December 31, 2018 and 2017, respectively. Our cash and cash equivalents are deposited with various major reputable financial institutions located within or without People's Republic of China, or PRC. The deposits placed with these financial institutions are not protected by statutory or commercial insurance. In the event of bankruptcy of one of these financial institutions, we may be unlikely to claim our deposits back in full. We believe that these financial institutions are of high credit quality, and we continually monitor the credit worthiness of these financial institutions. At December 31, 2018, our short term investments consisted primarily of U.S. treasury securities. We believe that the U.S. treasury securities is of high credit quality and continually monitor the credit worthiness of these institutions.

The primary objectives of our investment activities are to preserve principal, provide liquidity and maximize income without significant increasing risk. Our primary exposure to market risk relates to fluctuations in the interest rates which are affected by changes in the general level of PRC and U.S. interest rates. Given the short-term nature of our cash equivalents, we believe that a sudden change in market interest rates would not be expected to have a material impact on our financial condition and/or results of operation. We estimate that a hypothetical 100-basis point change in market interest rates would impact the fair value of our investment portfolio as of December 31, 2018 by US$2.8 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.

Foreign Currency Exchange Rate Risk

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

RMB is not freely convertible into foreign currencies for capital account transactions. The value of RMB against the U.S. dollar and other currencies is affected by, among other things, changes in China's political and economic conditions and China's foreign exchange prices. From July 21, 2005, the RMB is permitted to fluctuate within a narrow and managed band against a basket of certain foreign currencies. For the RMB against U.S. dollars, there were depreciation of approximately 5.7% and appreciation of approximately 6.5% in the year ended December 31, 2018 and 2017. It is difficult to predict how market forces or PRC or U.S. government policy may impact the exchange rate between the RMB and the U.S. dollar in the future.

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

In addition, a significant depreciation of the RMB against the U.S. dollar may significantly reduce the U.S. dollar equivalent of our earnings or losses.

Currency Convertibility Risk

A significant portion of our expenses, assets and liabilities are denominated in RMB. On January 1, 1994, the PRC government abolished the dual rate system and introduced a single rate of exchange as quoted daily by the People's Bank of China, or PBOC. However, the unification of exchange rates does not imply that the RMB may be readily convertible into U.S. dollars or other foreign currencies. All foreign exchange transactions continue to take place either through the PBOC or other banks authorized to buy and sell foreign currencies at the exchange rates quoted by the PBOC. Approvals of foreign currency payments by the PBOC or other institutions require submitting a payment application form together with suppliers' invoices, shipping documents and signed contracts.

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

Effects of Inflation

Inflation generally affects us by increasing our cost of labor and clinical trial costs. We do not believe that inflation has had a material effect on our results of operations during the year ended December 31, 2018.

Off-Balance Sheet Arrangements

We did not have during the periods presented, and we do not currently have, any off-balance sheet arrangements, as defined under SEC rules, such as relationships with unconsolidated entities or financial partnerships, which are often referred to as structured finance or special purpose entities, established for the purpose of facilitating financing transactions that are not required to be reflected on our balance sheets.

Gearing Ratio

The gearing ratio of the Group, which was calculated by dividing total interest-bearing loans by total equity as of the end of the year, was 11.3% as of December 31, 2018, decreased from 24.2% as of December 31, 2017. The decrease was primarily due to the increase in equity.

Significant Investments Held

As of December 31, 2018, we did not hold any significant investments in the equity interests of any other companies.

Future Plans for Material Investments and Capital Assets

As of December 31, 2018, we did not have other plans for material investments and capital assets.

Material Acquisitions and Disposals of Subsidiaries and Affiliated Companies

During the year ended December 31, 2018, we did not have any materials acquisitions and disposals of subsidiaries and affiliated companies.

Employee and Remuneration Policy

As of December 31, 2018, we had a global team of 2,070 employees, which increased from 876 full-time employees as of December 31, 2017. Approximately 1,634 of our employees are based in China, and approximately 410 employees are based in the United States. The remaining employees are based in Australia and Switzerland.

The remuneration policy and package of the Group's employees are periodically reviewed. In addition to cash compensation and benefits, we may issue share options, share appreciation rights, restricted shares, restricted share units, unrestricted shares, performance share awards, cash-based awards and dividend equivalent rights to our employees in accordance with our equity plans. We also provide external and internal training programs to our employees. The total remuneration cost incurred by the Group for the year ended December 31, 2018 was US$262.7 million (December 31, 2017: US$113.1 million).

Pledge of Assets

As of December 31, 2018, we pledged a restricted deposit of US$27.8 million (December 31, 2017: nil) in BeiGene Guangzhou Factory held in designated bank accounts for issuance of letter of credit, and restricted cash deposits as security for the long-term bank loan. As of December 31, 2018, BeiGene (Suzhou)'s equipment of US$13.6 million (December 31, 2017: US$23.8 million) and BeiGene Guangzhou Factory's land use right of US$11.6 million (December 31, 2017: nil) were secured for long-term bank loans.

Contingent Liabilities

As of December 31, 2018, we did not have any material contingent liabilities (as of December 31, 2017: nil).

Final Dividend

The Board does not recommend any final dividend for the year ended December 31, 2018.

OTHER INFORMATION

Compliance with the Corporate Governance Code

The Board 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 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.

For the period from August 8, 2018 (the "Listing Date") to December 31, 2018, the Company has applied the principles in the Corporate Governance Code which are applicable to the Company.

Pursuant to code provision A.2.1 of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the "**Corporate Governance Code**"), companies listed on the Stock Exchange are expected to comply with, but may choose to deviate from the requirement that the responsibilities between the chairman and the chief executive officer should be segregated and should not be performed by the same individual. We do not have a separate chairman and chief executive officer and Mr. John V. Oyler currently performs these two roles. Our Board believes that Mr. Oyler is the Director best suited to identify strategic opportunities and focus of the Board due to his extensive understanding of our business as a Co-Founder and our Chief Executive Officer. Our Board also believes that the combined role of Chairman and Chief Executive Officer can promote the effective execution of strategic initiatives and facilitate the flow of information between management and the Board. Our Board will continue to review and consider splitting the roles of chairman of our Board and the chief executive officer of our Company at a time when it is appropriate by taking into account the circumstances of our Group as a whole.

Our audit committee is in compliance with Rule 3.21 of the HK Listing Rules and the Corporate Governance Code set out in Appendix 14 to the HK Listing Rules, except for the terms of reference required by paragraphs C.3.3 and C.3.7 of the Corporate Governance Code. However, the charter of our audit committee complies with the rules of the NASDAQ and the rules of the SEC.

Our compensation committee is in compliance with Rule 3.25 of the HK Listing Rules and the Corporate Governance Code set out in Appendix 14 to the HK Listing Rules, except for the terms of reference required by paragraph B.1.2 of the Corporate Governance Code. However, the charter of our compensation committee complies with the rules of the NASDAQ and the rules of the SEC.

Our nominating and corporate governance committee complies with the Corporate Governance Code set out in Appendix 14 to the HK Listing Rules, except for the terms of reference required by paragraph A.5.2 of the Corporate Governance Code. However, the charter of our nominating and corporate governance committee complies with the rules of the NASDAQ and the rules of the SEC.

Save as disclosed above, the Company has complied with all the code provisions set out in the Corporate Governance Code during the period from the Listing Date to December 31, 2018.

The Board will continue to regularly review and monitor its corporate governance practices to ensure compliance with the Corporate Governance Code, and maintain a high standard of corporate governance practices of the Company.

Compliance with policies equivalent to the Model Code for Securities Transactions by Directors of Listed Issuers

Save as disclosed below, the Company has adopted its own insider dealing policies on terms no less exacting than those in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the HK Listing Rules regarding the Directors' dealings in the securities of the Company. Such insider dealing policies have been applicable to the Company since the Listing Date.

Pursuant to Rule B.8 of the Model Code, a director must not deal in any securities of the issuer without first notifying in writing the chairman or a director (otherwise than himself) designated by the board for the specific purpose and receiving a dated written acknowledgement. Under the Company's insider dealing policies, Scott A. Samuels, Senior Vice President and General Counsel of the Company, has been designated as the insider trading compliance officer whom a director who intends to deal in the Company's securities must notify. Our Board believes that our insider trading compliance officer, despite not being a member of the Board, is able to carry out his duties properly and competently in accordance with the Company's insider dealing policies the terms of which are otherwise no less exacting than those in the Model Code.

Having made specific enquiry of all the Directors of the Company, all the Directors confirmed that they have strictly complied with the required standards set out in the Company's own insider dealing policies throughout the period from the Listing Date up to the date of this announcement.

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

Since the Listing Date and up to December 31, 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities listed on the Stock Exchange.

Use of Net Proceeds

The net proceeds from the listing of our ordinary shares on the Main Board of the Stock Exchange on August 8, 2018 (the "Listing") amounted to approximately US$869.7 million, and the balance of unutilized net proceeds of approximately US$654.2 million as of December 31, 2018.

The net proceeds from the Listing (adjusted on a pro rata basis based on the actual net proceeds) have been and will be utilized in accordance with the purposes set out in the Prospectus. The table below sets out the planned applications of the net proceeds and actual usage up to December 31, 2018:

Use of proceeds	Planned applications (US dollars in thousands)	Percentage of total net proceeds (%)	Actual usage up to December 31, 2018 (US dollars in thousands)	Unutilized net proceeds as of December 31, 2018 (US dollars in thousands)
Zanubrutinib	282,656	32.5%	46,318	236,338
Tislelizumab	282,656	32.5%	65,444	217,212
Pamiparib	86,970	10.0%	13,442	73,528
For core products(a)	652,282	75.0%	125,204	527,078
To fund continued expansion of our product portfolio(b)	130,456	15.0%	58,259	72,197
For working capital(c)	86,971	10.0%	32,030	54,941
Total	869,709	100.0%	215,493	654,216

Note (a): Usage for core products include ongoing and planned clinical trials of core products, in preparation for registration filings of core products, and preparation for launch and, subject to regulatory approval, commercialization of core products in China and the United States;

Note (b): To fund continued expansion of our product portfolio in cancer and potentially other therapeutic areas through internal research and external licenses and business development collaborations, including the development cost of internal early clinical and preclinical-stage pipeline agents and in-licensed pipeline agents;

Note (c): For working capital, expanding internal capabilities and general corporate purposes.

The remaining balance of the net proceeds was placed in short-term deposits with banks. The Group will apply the remaining net proceeds in the manner set out in the Prospectus.

Audit Committee and Review of Financial Statements

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

The audit committee has reviewed the consolidated financial statements of the Group for the year ended December 31, 2018. The audit committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with members of senior management and the external auditor of the Company, Ernst & Young.

Scope of Work of the Company's auditor

The figures contained in this announcement of our Group's consolidated results for the year ended December 31, 2018 have been agreed by the Company's auditor, Ernst & Young, to the figures set out in the consolidated financial statements of our Group for the year ended December 31, 2018. The Company's auditor performed this work in accordance with Hong Kong Standard on Related Services 4400 Engagements to Perform Agreed-upon Procedures Regarding Financial Information and with reference to Practice Note 730 (Revised) Guidance for Auditors Regarding Preliminary Announcements of Annual Results ("PN 730") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The work performed by the Company's auditor in this respect does not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and, consequently, no assurance has been expressed by the Company's auditor in this announcement.

Other Board Committees

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

Important Events after the Reporting Date

Save as disclosed above, no important events affecting the Company occurred since December 31, 2018 and up to the date of this announcement.

Annual General Meeting and Record Date

The annual general meeting (the "AGM") is scheduled to be held on Wednesday, June 5, 2019 (U.S. Eastern Time).

The Company hereby announces that for the purpose of determining the entitlement to attend and vote at the AGM, the record date will be on April 18, 2019. In order to be eligible to attend and vote at the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, April 18, 2019.

A notice convening the AGM will be published and dispatched to the shareholders of the Company in the manner required by the HK Listing Rules in due course.

Publication of Annual Results and Annual Report

This annual results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.beigene.com). The annual report of the Group for the year ended December 31, 2018 will be published on the aforesaid websites and dispatched to the Company's shareholders in due course.

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

Hong Kong, March 28, 2019

As of the date of this announcement, the Board of Directors of the Company comprises Mr. John V. Oyler as Chairman and Executive Director, Dr. Xiaodong Wang as Non-executive Director, and Mr. Timothy Chen, Mr. Donald W. Glazer, Mr. Michael Goller, Mr. Ranjeev Krishana, Mr. Thomas Malley, Mr. Jing-Shyh (Sam) Su and Mr. Qingqing Yi as Independent Non-executive Directors.