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WUXI APPTEC CO., LTD.*
無錫藥明康德新藥開發股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)
 (Stock Code: 2359)

**ANNOUNCEMENT OF THE ANNUAL RESULTS FOR
 THE YEAR ENDED DECEMBER 31, 2021**

FINANCIAL HIGHLIGHTS

	2021 <i>RMB million (except for percentages)</i>	2020 <i>RMB million (except for percentages)</i>	Change
Revenue	22,902.4	16,535.4	38.5%
Gross Profit	8,265.5	6,255.0	32.1%
Gross Profit Margin	36.1%	37.8%	
Net Profit Attributable to the Owners of the Company	5,097.2	2,960.2	72.2%
Margin of Net Profit Attributable to the Owners of the Company	22.3%	17.9%	
Adjusted Non-IFRS Net Profit Attributable to the Owners of the Company (Note)	5,131.3	3,637.3	41.1%
Margin of Adjusted Non-IFRS Net Profit Attributable to the Owners of the Company	22.4%	22.0%	
	RMB	RMB	
Earnings per Share			
— Basic	1.75	1.06	65.1%
— Diluted	1.73	1.05	64.8%
Adjusted Non-IFRS Earnings per Share (Note)			
— Basic	1.76	1.30	35.4%
— Diluted	1.75	1.29	35.7%

Note: The Company has adjusted the scope of a certain Non-IFRS measure. Please refer to “Management Discussion and Analysis — 1. The Management’s Discussion and Analysis on Operations of the Group for the Reporting Period — B. Non-IFRS Measure” for details.

FINAL DIVIDEND

The Board proposes the profit distribution plan for the Reporting Period as follows: a cash dividend of RMB5.1740 (inclusive of tax) for every 10 Shares (representing an aggregate amount of RMB1,529,306,147.92 (inclusive of tax) based on the total issued share capital of the Company as of the date of this announcement). In the event of change in the total issued share capital of the Company before the record date for profit distribution, dividends will be distributed according to the original dividend amount per share and the total distribution amount will be adjusted accordingly. The 2021 Profit Distribution Plan is subject to, amongst others, approval by Shareholders at the forthcoming AGM.

In this announcement, “we”, “us”, “our” and “WuXi AppTec” refer to the Company and where the context otherwise requires, the Group (as defined below).

MANAGEMENT DISCUSSION AND ANALYSIS

1. THE MANAGEMENT’S DISCUSSION AND ANALYSIS ON OPERATIONS OF THE GROUP FOR THE REPORTING PERIOD

A. Analysis on Principal Operations

For the Reporting Period, the Company realized revenue of RMB22,902.4 million, representing a YoY growth of 38.5%. During the Reporting Period, we realized net profit attributable to the owners of the Company of RMB5,097.2 million, representing a YoY increase of 72.2%.

During the Reporting Period, the Company provided services to over 5,700 active customers in over 30 countries and regions through its 31 operating bases and subsidiaries worldwide. Always adhering to the highest international quality control standards, we have maintained outstanding service records and comprehensive protection system for intellectual property rights since our establishment and gained high recognition and reputation in the global pharmaceutical research and development industry. The service data developed by us have a high degree of recognition and credibility in the industry. The Company continuously optimize and explore business synergy across different platforms, accelerate the development of globalization, further strengthen our unique integrated CRDMO (Contract Research, Development and Manufacturing Organization) business model and CTDMO (Contract Testing, Development and Manufacturing Organization) business model, and provide one-stop services for our clients from discovery to development and manufacturing.

During the Reporting Period, revenue from US-based customers grew 37.1% YoY to RMB12,146 million; revenue from Europe-based customers grew 40.3% YoY to RMB3,719 million; revenue from China-based customers grew 40.0% YoY to RMB5,802 million; and revenue from other regions grew 40.7% YoY to RMB1,234 million. We continued to expand our customer base and retain existing customers. Our existing customers contributed RMB21,295 million revenue, representing a YoY growth of 28.8%. Our new customers contributed RMB1,608 million in revenue. Benefiting from our continuous efforts in the global “long-tail customer” strategy and the increasing penetration rate of other customers, the top 20 global pharmaceutical companies contributed RMB6,733 million revenue, representing a YoY growth of 24.1%; other global customers contributed RMB16,170 million revenue, representing a YoY growth of 45.6%. With our unique positioning across the pharmaceutical development value chain drove our “follow-the-customer” and “follow-the-molecule” strategies and enhanced synergies across our business segments. Customers using services from multiple business units contributed RMB19,639 million revenue, representing a YoY growth of 36.8%.

We continued to enhance our capacity and capabilities across all segments and facilities globally.

1. In terms of organic growth, we continued to enhance our capacities and capabilities globally. During the Reporting Period, STA, a subsidiary of the Company, actively expanded its global footprint and announced the construction of a new formulations and API manufacturing facility in Delaware, the U.S.. It is expected to commence operation in 2025 and will become the second STA facility in the U.S. and our eighth research and manufacturing facility globally. The research and manufacturing facility for cell therapies and gene products of CTDMO business of the Company in Lin-gang, Shanghai, commenced operation. Its designed capacity is 15,300 square meters and it has become our second cell and gene therapy manufacturing facility in China, following the first facility built in Huishan of Wuxi, China. It can provide global customers with comprehensive and end-to-end customized services ranging from strain library construction, process development, research class plasmid production to GMP grade of plasmid production. Moreover, the additional new state-of-the-art testing of CTDMO business, in the Navy Yard base in Philadelphia, the U.S., has officially been put into operation. With an area of 13,000 square meters, the laboratory has tripled our state-of-the-art testing capacity upon its operation, so as to better meet the growing demand for cell and gene therapy products from global customers.

2. In terms of M&A, our strategy particularly focuses on the consolidation of the industry chain where the Company operates to enhance the existing service capabilities, while expanding our global footprint to further enhance our business capabilities of serving global customers. Guided by this strategy, during the Reporting Period, we completed the acquisition of Oxgene, a British company. Oxgene's unique new TESSA™ technology for AAV production and XLenti solutions for lentiviral stable production can significantly improve the production efficiency and reduce costs of cell and gene therapy products. With Oxgene's unique technology, we can better leverage our global production capacity and provide more competitive services and products to our customers. This acquisition significantly enhances our CTDMO technology capability in terms of cell and gene therapy. Technology transfer is also being actively carried out, which will simultaneously enhance the ability of subsidiaries in China and the U.S. to serve customers in this field. With regards to expanding our global footprint, in July 2021, STA completed the acquisition of a production facility based in Couvet, Switzerland from BMS. This facility features advanced large scale production capability of capsules and tablets at commercialization stage. It has become the first production site of STA in Europe and has further expanded its global production capacity to serve global customers.

Revenue

During the Reporting Period, we achieved synergy across various regions and promoted business continuity by leveraging our advantages in global presence and full industrial chain coverage, and seized new business opportunities to serve our customers continuously.

During the Reporting Period, the revenue from each business segment of the Company is as follows:

	2021	2020	Revenue
	Revenue	Revenue	Change
	<i>RMB million</i>	<i>RMB million</i>	
WuXi Chemistry	14,087.2	9,587.7	46.9%
WuXi Testing	4,525.1	3,278.4	38.0%
WuXi Biology	1,985.1	1,526.4	30.0%
WuXi ATU	1,026.4	1,055.8	(2.8)%
WuXi DDSU	1,251.0	1,065.0	17.5%
Others	27.5	22.1	24.5%
Total	<u>22,902.4</u>	<u>16,535.4</u>	<u>38.5%</u>

Note: the sum of the data is inconsistent with the total caused by rounding.

During the Reporting Period, the Company realized revenue of RMB22,902.4 million, representing an increase of 38.5% as compared with 2020. The increase was mainly due to the following factors:

(1) *WuXi Chemistry*

WuXi Chemistry realized revenue of RMB14,087.2 million, representing a YoY growth of 46.9% as compared to the revenue of RMB9,587.7 million in the same period of 2020. Revenue from small molecule drug discovery (R) services amounted to RMB6,167.5 million, representing a YoY growth of 43.2%, and revenue from process development and manufacturing (D&M) services amounted to RMB7,919.7 million, representing a YoY growth of 49.9%. We fully leveraged our technology advantage in process development and pushed forward the strategy of “follow the molecule”. In relation to small molecule drug discovery services, we completed the synthesis of more than 310,000 custom synthesized compounds in 2021, empowering customers of early-stage development of innovative small molecule drugs and serving as an important “funnel entrance” of the Company’s downstream business units. By establishing close collaborative relationships with our customers in drug discovery and preclinical stages, we are able to seek opportunities for new projects from clinical stage to the commercialization stage, facilitating sustainable and rapid growth in revenue from our CRDMO services. We continuously implement the long-tail customer strategy and have recorded robust growth in long-tail customers. In 2021, revenue from long-tail customers of small molecule drug discovery services recorded a YoY growth of 71% with an increasing percentage in revenue. During the Reporting Period, our process development and manufacturing (D&M) services involved 1,666 new drug molecules, including 42 in commercial stage, 49 in Phase III, 257 in Phase II, 1,318 in Phase I and preclinical stage. In 2021, we added 732 molecules to the small molecule D&M pipeline, among which 14 are in commercial stage, representing a YoY growth of 50%. New modalities in business are also gaining strong momentum. During the Reporting Period, the number of oligonucleotide and peptide D&M customers was 57, representing a YoY growth of 128%. The number of oligonucleotide and peptide D&M molecules was 99, representing a YoY growth of 154%. Revenue from oligonucleotide and peptide D&M reached USD115 million, representing a YoY growth of 145%. Our drug product business also made significant progress. In October 2021, our first drug product project at the Waigaoqiao site successfully passed the FDA’s Pre-Approval Inspection (PAI) in the U.S., while other two drug product projects of the Waigaoqiao site successfully passed the NMPA’s PAI in China in the same week. By the end of 2021, we had four drug product commercial manufacturing projects as well as eight drug product projects in Phase III or NDA review stage. In 2021, WuXi Chemistry continued to accelerate the development of production capacity. Internally, our three facilities

were put into operation, including Changzhou Phase II (常州二期), Taixing (泰興) and Wuxi Oral and Aseptic Filling Drug Product Facility (無錫口服和無菌灌裝製劑工廠). We also completed the construction of our facility in Changshu for scale-up and non-GMP manufacturing, and accelerated the construction of three facilities including Changzhou Phase III (常州三期), Taixing Phase I (泰興一期) and the facility in Delaware, the U.S.. Externally, we also completed the acquisition of a production facility based in Couvet, Switzerland. The Company consolidated its contribution starting from July 2021. We expect the revenue growth of WuXi Chemistry in 2022 will nearly double as compared with 2021. This is a further validation of our CRDMO business model.

(2) *WuXi Testing*

WuXi Testing realized revenue of RMB4,525.1 million, representing a YoY growth of 38.0% as compared to the revenue of RMB3,278.4 million in the same period of 2020. Revenue from lab testing services amounted to RMB3,045.2 million, representing a YoY growth of 38.9%, and revenue from clinical CRO and SMO amounted to RMB1,480.0 million, representing a YoY growth of 36.2%. Revenue from lab testing services excluding device testing services recorded a significant YoY growth of 52.1%. In relation to drug analysis and testing services, we provided a series of related services including DMPK (drug metabolism and pharmacokinetics), toxicology and bioanalytical testing. We leveraged our integrated platform through the WIND service platform, and integrated preclinical pharmacodynamics, pharmacokinetics, safety evaluation, and application writing and filing to provide a one-stop service for customers in respect of new drug R&D and filing globally so as to accelerate their process of new drug R&D. In 2021, 149 service contracts were signed through the WIND platform, representing a YoY growth of 49% as compared to 100 projects in 2020. In respect of toxicology business, revenue maintained significant growth momentum as compared to the same period of last year and realized a YoY growth of 63% during the Reporting Period, we maintained our industry-leading position in Asia for drug safety evaluation services that meet global regulatory requirements. DMPK new modality related revenue grew significantly by 150% in 2021. In respect of clinical CRO services, in 2021, the Company provided services to around 240 projects and assisted customers in obtaining approval for 19 clinical research applications and completing 12 marketing applications. For SMO, the Company continued its rapid expansion. As at the end of 2021, the SMO team had more than 4,500 staff, representing a YoY growth of 36%, across over 1,000 hospitals in 155 cities in China. In 2021, SMO supported 25 new drugs approval, as compared to 17 new drugs approval in 2020. We anticipate that the revenue growth of WuXi Testing in 2022 will be consistent with its growth trajectory of the past few years.

(3) *WuXi Biology*

WuXi Biology realized revenue of RMB1,985.1 million, representing a YoY growth of 30.0% as compared to the revenue of RMB1,526.4 million in the same period of 2020. The Company has the largest discovery biology enabling platform, with more than 2,200 experienced scientists who provide comprehensive biology services covering all stages and therapeutic areas of drug research and development. The Company has established 3 centers of excellence for NASH, anti-viral, neuroscience and aging. Cancer discovery service and rare & immune disease service also grew strongly. The Company launched the database of OncoWuXi 2.0, covering all immuno oncology tumor models, and also launched the product of WuXi IO Foundation, leveraging advanced technology platforms such as Multiplex-IF and digital imaging to precisely illustrate cancer cells, infiltrated immune cells and their spatial relationship within tumor microenvironment. The Company has a leading DNA Encoded Library (DEL) and hit compound generation platform. As of December 31, 2021, our DEL had more than 90 billion compounds, 6,000 proprietary scaffolds and 35,000 building blocks. More than 1,000 customers globally now use our DEL services. We have also launched the fourth-generation DEL kit in October 2021, which helped accelerate DEL's revenue growth to 42% YoY in 2021. The Company continues to build new biology capabilities related to new modalities, including oligo, cancer vaccine, PROTAC, viral vectors, novel drug delivery vehicles, etc. During the Reporting Period, revenue from new modalities and large molecules in WuXi Biology grew 75%, and its revenue contribution rose to 14.6% by the end of 2021, from 10.4% by the end of 2020, suggesting that new modalities-related biology services have become an increasingly important growth driver. Among the new modalities-related biology services, oligonucleotide business grew quickly. The Company has established a world-leading comprehensive biology service platform for oligonucleotide and has a database with more than 50 drug targets, providing integrated services to several projects. We anticipate that the revenue growth of WuXi Biology in 2022 will be consistent with its growth trajectory of the past few years.

(4) *WuXi ATU*

WuXi ATU realized revenue of RMB1,026.4 million, representing a YoY decrease of 2.8% as compared to the revenue of RMB1,055.8 million in the same period of 2020. However, driven by strong demand for plasmids and lenti-viral vectors manufacturing, WuXi ATU's China subsidiary generated strong revenue growth of 87% in 2021, partially offsetting the decline at our Philadelphia site

due to project BLA delays and the impact of COVID-19. In respect of service platform, the Company further strengthened the capabilities in product testing, process development and production of cell and gene therapy products. It provided production services for 74 projects, including 58 projects in preclinical and phase I, 5 projects in phase II, and 11 projects in phase III. The new process research and development and commercialized production center in Lin-gang, Shanghai with an area of 15,300 square meters officially commenced operation in October 2021. The new base is equipped with more than 200 independent suites and 6 complete vector and cell production lines, providing global customers with integrated process development, production and testing services of viral vectors and cell therapies. The expanded base in Philadelphia, the U.S., which is a testing facility with an area of 13,000 square meters, has commenced operations in November 2021. It will triple our testing capacity for cell and gene therapies. Building on momentum in fourth quarter of 2021, 2022 will mark a turning point in WuXi ATU and we anticipate that WuXi ATU's revenue growth in 2022 will exceed the growth rate of its industry sector.

(5) *WuXi DDSU*

WuXi DDSU realized revenue of RMB1,251.0 million, representing a YoY growth of 17.5% as compared to RMB1,065.0 million in the same period of 2020. In 2021, our success-based drug discovery service unit filed INDs for 26 drug candidates and obtained 23 CTAs on behalf of China-based customers. As of December 31, 2021, we have cumulatively submitted IND filings for 144 projects and obtained clinical trial approvals for 110 projects, including 1 application, 3 projects in phase III clinical trials, 14 projects in phase II clinical trials and 74 projects in phase I clinical trials. Among the 144 projects with marketing applications submitted or being in the clinical stage, clinical progress of about 70.0% of such projects ranked in first three within the same class of drug candidates in China. Upon the launch of customers' products, we will receive a commission according to the agreed percentage of the drug revenue of customers pursuant to the agreements. WuXi DDSU's business will evolve in 2022 in order to meet China-based customers' increasingly high expectations for projects to be delivered; as a result, we expect that WuXi DDSU's revenue will be down by some degree in 2022 relative to that of 2021.

Explanatory matters

The abovementioned operating performance forecast is made based on the current order backlog of the Company, and it has not been audited and does not constitute a profit forecast for the year of 2022. In addition, such operating performance forecast is subject to various prerequisites, including the continued stabilization or

improvement of the COVID-19 global pandemic, the stable development of the global pharmaceutical industry and the stability of the international trade environment and regulatory environment of the countries where the main operations of the Company are located. Consequently, the realization of the operating performance forecast may be subject to certain risks as further particularized in the section headed “III. Risk Warnings” in the announcement on preliminary financial data for the year ended December 31, 2021 published by the Company on February 15, 2022.

Gross Profit

During the Reporting Period, the gross profit and gross profit margin of each business segment of the Company are as follows:

	2021		2020		
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Gross Profit Change
	<i>RMB million</i>		<i>RMB million</i>		
WuXi Chemistry	5,528.2	39.2%	3,926.6	41.0%	40.8%
WuXi Testing	1,427.5	31.5%	1,031.3	31.5%	38.4%
WuXi Biology	768.8	38.7%	636.8	41.7%	20.7%
WuXi ATU	(21.3)	(2.1)%	148.1	14.0%	(114.4)%
WuXi DDSU	549.2	43.9%	500.7	47.0%	9.7%
Gross profit of core business	8,252.4	36.1%	6,243.5	37.8%	32.2%
Gross profit of other business	13.1	47.6%	11.5	52.1%	13.7%
Comprehensive gross profit	8,265.5	36.1%	6,255.0	37.8%	32.1%

Note: the sum of the data is inconsistent with the total caused by rounding.

During the Reporting Period, the Company realized a gross profit of RMB8,265.5 million, representing an increase of 32.1% as compared with the same period of 2020. The gross profit of core business and other businesses were RMB8,252.4 million and RMB13.1 million, respectively. The gross profit margin of core business was 36.1%, representing a decrease of 1.7 percentage points as compared with the same period of last year.

(1) WuXi Chemistry

During the Reporting Period, the gross profit was RMB5,528.2 million and the gross profit margin dropped by 1.8 percentage points, mainly due to impacts from the depreciation of U.S. dollar against RMB and increase in raw material costs as a result of the increase in bulk material prices, which was partially offset by the improvement in operating efficiency driven by the strong growth of revenue.

(2) *WuXi Testing*

During the Reporting Period, gross profit was RMB1,427.5 million and the gross profit margin was relatively stable.

(3) *WuXi Biology*

During the Reporting Period, the gross profit was RMB768.8 million and the gross profit margin dropped by 3.0 percentage points, mainly due to the negative impacts such as the increase in raw material costs and a YoY increase in labour costs due to the exemption of social security fees in the same period of last year.

(4) *WuXi ATU*

During the Reporting Period, the gross profit was RMB(21.3) million and the gross profit margin dropped by 16.1 percentage points, mainly due to the decrease in overall revenue as compared with the same period of last year as impacted by project BLA delays and COVID-19 pandemic in the U.S.

(5) *WuXi DDSU*

During the Reporting Period, the gross profit was RMB549.2 million and the gross profit margin dropped by 3.1 percentage points, mainly due to the increase in the costs of outsourced services as well as the negative impacts from the YoY increase in labour costs due to the exemption of social security fees in the same period of last year.

Other Income

Other income increased from RMB326.3 million for the year 2020 to RMB468.6 million for the year 2021, representing a YoY growth of 43.6%. The increase in other income was primarily due to: (1) increase in interest income of RMB99.3 million; (2) increase in R&D grants and others of RMB41.6 million; and (3) increase in dividend income arising from financial assets at FVTPL of RMB1.3 million.

Other Gains and Losses

Other gains and losses increased from gains of RMB283.2 million for the year 2020 to gains of RMB1,453.6 million for the year 2021 representing a YoY growth of 413.3%. The increase in other gains and losses was due primarily to: (1) decrease in loss in derivate financial instruments of RMB376.3 million which mainly resulted from fair value loss decrease from the derivative component of the Convertible Bonds; (2) increase in fair value gain of biological assets of RMB338.7 million; (3) decrease in net foreign exchange loss of RMB271.9 million; (4) increase in disposal gain on sale of assets/business of RMB268.3 million, mainly due to the gain on sale of small molecule payload and linker business in Changzhou STA; (5) decrease in fair value loss on financial liabilities at FVTPL of RMB33.2 million; and partially offset by decrease in gain from investment portfolios of RMB118.7 million.

Selling and Marketing Expenses

Selling and marketing expenses increased from RMB588.5 million for the year 2020 to RMB699.0 million for the year 2021, representing a YoY growth of 18.8%. The increase in selling and marketing expenses was primarily due to expansion of marketing activities.

Administrative Expenses

Administrative expenses increased from RMB1,869.7 million for the year 2020 to RMB2,253.6 million for the year 2021, representing a YoY growth of 20.5%. The increase in administrative expenses was primarily due to: (1) increase in personnel costs and consulting fees; and (2) increase in depreciation and amortisation expenses driven by increase in fixed assets.

R&D Expenses

R&D expenses of the Company increased from RMB693.3 million for the year 2020 to RMB942.2 million for the year 2021, representing a YoY growth of 35.9%. The Company was committed to improving R&D capabilities, continuously increased investment in R&D and focused on investing in platform empowerment, including

enzyme catalysis and flow chemistry and a series of R&D activities of new capabilities such as TESSA™, PROTAC, oligonucleotide, peptide, ADC, cell and gene therapies, and resource sorting algorithm.

Share of Losses of Associates

Share of losses of associates increased from RMB76.8 million for the year 2020 to losses of RMB92.2 million for the year 2021, representing a YoY increase of 20.0%. The increase in share of losses of associates was due primarily to: (1) the turnaround of RMB92.5 million from gains to losses in the pick-up from WuXi Healthcare Ventures II, L.P. and (2) partially offset by the decrease in pick-up loss from other associates of total RMB77.2 million.

Share of Losses of Joint Ventures

Share of losses of joint ventures increased from RMB13.9 million for the year 2020 to losses of RMB25.1 million for the year 2021, representing a YoY increase of 80.5%. The increase in share of losses of joint ventures was mainly from joint ventures that are in the R&D stage.

Finance Costs

Finance costs decreased from RMB196.0 million for the year 2020 to RMB128.3 million for the year 2021, representing a YoY decrease of 34.5%, primarily due to decrease in: (1) interest expense on borrowings of RMB42.8 million and (2) effective interest expense on Convertible Bonds of RMB31.2 million.

Income Tax Expenses

Income tax expenses increased from RMB383.1 million for the year 2020 to RMB879.7 million for the year 2021, representing a YoY growth of 129.6%. The increase in income tax expenses was primarily due to the increase in assessable profit of subsidiaries.

Profit for the Year

Profit for the year increased from RMB2,986.3 million for the year 2020 to RMB5,135.9 million for the year 2021, representing a YoY increase of 72.0%. Net profit margin increased from 18.1% to 22.4% primarily due to strong revenue growth leading to profit increase during the year.

Cash Flows

	2021	2020
	<i>RMB million</i>	<i>RMB million</i>
Net cash from operating activities	4,378.7	3,827.6
Net cash used in investing activities	(4,628.4)	(8,629.6)
Net cash (used in)/from financing activities	(1,723.9)	9,888.0

For the year 2021, net cash flows from operating activities of the Company amounted to RMB4,378.7 million, representing an increase of 14.4% over the year 2020. The increase was primarily due to the increase in revenue and timely receivable collections, partially offset by the increase in purchase of materials and services and personnel costs payment.

For the year 2021, net cash flows used in investing activities of the Company amounted to RMB4,628.4 million, representing a decrease of 46.4% over the year 2020. The decrease was primarily due to the increase in expenditure of property, plant and equipment, largely offset by the increase in receipt of cash from disposal of wealth management products.

For the year 2021, net cash flows used in financing activities of the Company amounted to RMB1,723.9 million, compared to the net cash from financing activities of the Company, which amounted to RMB9,888.0 million for the year 2020. The turnaround was primarily due to the proceeds of RMB13,030.3 million from the placement of H shares and non-public issuance of A shares in 2020.

Indebtedness

As at December 31, 2021, total liabilities of the Company amounted to RMB16,369.9 million (December 31, 2020: RMB13,572.7 million), the composition of which was 41.9% being trade and other payables, 18.2% being contract liabilities, 13.8% being bank borrowings, 7.6% being lease liabilities, and 7.7% being Convertible Bonds.

(1) Borrowings

As at December 31, 2021, the Company had aggregated borrowings of RMB2,261.5 million and the whole amount will be due within one year. Floating interest rate borrowings amounted to RMB490.9 million and fixed interest rate borrowings amounted to RMB1,770.6 million. USD borrowings amounted to RMB2,142.2 million (equivalent to USD336.0 million) and RMB borrowings amounted to RMB119.3 million.

(2) *Charges on Assets*

As at December 31, 2021, the Company pledged bank deposits with an amount of RMB63.4 million, which increased by 596.7% from RMB9.1 million as at December 31, 2020. The balance mainly represented restricted bank balance related to vested share incentives yet to be settled with employees.

(3) *Contingent Liabilities*

As at December 31, 2021, the Group has no significant contingent liabilities.

(4) *Gearing Ratio*

As at December 31, 2021, the gearing ratio, calculated as total liabilities over total assets, was 29.7%, as compared with 29.3% as at December 31, 2020. The slight increase is primarily due to stable operations and management, as well as the absence of significant financing activities.

Treasury Policies

Currently, the Group follows a set of funding and treasury policies to manage its capital resources, foreign currencies exchange and cash flows and prevent related risks. The Group applied its cash flows generated from operations, bank loans and proceeds from the issuance of the bonds and new shares to satisfy its operational and investment needs.

Certain entities in the Group have sale and purchase in foreign currencies, which expose the Group to foreign currency exchange risks. In addition, certain entities in the Group also have receivables and payables which are denominated in currencies other than their respective functional currencies. The Group is mainly exposed to the foreign currency of the U.S. dollar. During the Reporting Period, the Group used derivative contracts to hedge against part of our exposure to foreign currency exchange risks.

B. Non-IFRS Measure

To supplement our consolidated financial statements which are presented in accordance with the IFRS, we use adjusted EBITDA and adjusted non-IFRS net profit attributable to the owners of the Company as additional financial measures. EBITDA represents net profit before interest expenses, income tax expenses and depreciation and amortization, while adjusted EBITDA further exclude certain expenses and gains or losses as set out in the table below. We define adjusted non-IFRS net profit attributable to the owners of the Company as profit/(loss) for the period before certain expenses and depreciation and amortization as set out in the table below. Adjusted EBITDA and adjusted non-

IFRS net profit attributable to the owners of the Company are not an alternative to (i) profit before income tax or profit for the period (as determined in accordance with the IFRS) as a measure of our operating performance, (ii) cash flows from operating, investing and financing activities as a measure of our ability to meet our cash needs, or (iii) any other measures of performance or liquidity.

To better reflect the operation results and key performance, the Company has adjusted the scope of the foreign exchange related gains or losses as set out in the table below, by adjusting only the gains or losses that the management believes are irrelevant to the core business. The comparative financial figures for the comparable periods has been adjusted to reflect the change of the scope. The Company believes that the adjusted EBITDA and adjusted non-IFRS net profit attributable to the owners of the Company are useful for understanding and assessing underlying business performance and operating trends, and that the Company's management and investors may benefit from referring to these adjusted non-IFRS financial measures in assessing the Group's financial performance by eliminating the impact of certain unusual, non-recurring, non-cash and/or non-operating items that the Group does not consider indicative of the performance of the Group's business. Such adjusted EBITDA and adjusted non-IFRS net profit attributable to the owners of the Company, as the management of the Group believes, is widely accepted and adopted in the industry in which the Group is operating in. However, the presentation of the adjusted EBITDA and adjusted non-IFRS net profit attributable to the owners of the Company are not intended to be (and should not be) considered in isolation or as a substitute for the financial information prepared and presented in accordance with the IFRS. Shareholders and potential investors should not view the adjusted non-IFRS measures on a stand-alone basis or as a substitute for results under the IFRS, or as being comparable to results reported or forecasted by other companies.

Adjusted EBITDA

	Year Ended 31/12/2021 RMB Million (except for percentages)	Year Ended 31/12/2020 RMB Million (except for percentages)
Profit before tax	6,015.6	3,369.4
Add:		
Interest expense	128.3	196.0
Depreciation and amortization	1,479.9	1,136.0
EBITDA	<u>7,623.9</u>	<u>4,701.4</u>
<i>EBITDA margin</i>	33.3%	28.4%
Add:		
Share-based compensation expenses	648.5	713.8
Issuance expenses of Convertible Bonds	3.7	6.6
Fair value loss from derivative component of Convertible Bonds	1,000.6	1,349.4
Foreign exchange related losses	134.3	423.0
Goodwill impairment	—	44.4
Realized and unrealized gains from venture investments	(1,570.8)	(1,716.9)
Realized and unrealized share of losses from joint ventures	25.1	13.9
Net disposal gain on sale of assets/business	(273.7)	—
Adjusted EBITDA ^(Note)	<u>7,591.6</u>	<u>5,535.5</u>
<i>Adjusted EBITDA margin</i>	33.1%	33.5%

Note:

- (1) The sum of the data above is inconsistent with the total due to rounding.
- (2) The Company has adjusted the scope of the foreign exchange related gains or losses in the calculation of non-IFRS measures, by adjusting only the gains or losses that the management believes are irrelevant to the core business. The comparative financial figures for the comparable periods has been adjusted to reflect the change of scope.

Adjusted Non-IFRS Net Profit Attributable to the Owners of the Company

	Year Ended 31/12/2021 RMB Million	Year Ended 31/12/2020 RMB Million
Profit attributable to the owners of the Company	5,097.2	2,960.2
Add:		
Share-based compensation expenses	539.9	587.8
Issuance expenses of Convertible Bonds	2.8	4.9
Fair value loss from derivative component of Convertible Bonds	1,000.6	1,349.4
Foreign exchange related losses	113.4	358.0
Amortization of acquired intangible assets from merge and acquisition	55.7	35.6
Goodwill impairment	—	44.4
Non-IFRS net profit attributable to the owners of the Company	<u>6,809.6</u>	<u>5,340.3</u>
Add:		
Realized and unrealized gains from venture investments	(1,474.7)	(1,716.9)
Realized and unrealized share of losses from joint ventures	25.1	13.9
Net disposal gain on sale of assets/business	(228.7)	—
Adjusted non-IFRS net profit attributable to the owners of the Company ^(note)	<u>5,131.3</u>	<u>3,637.3</u>

Note:

- (1) the sum of the data above is inconsistent with the total due to rounding.
- (2) the Company has adjusted the scope of the foreign exchange related gains or losses in the calculation of non-IFRS measures, by adjusting only the gains or losses that the management believes are irrelevant to the core business. The comparative financial figures for the comparable periods has been adjusted to reflect the change of scope.

C. Assets and Liabilities Analysis

In RMB million

Items	Amount as at the end of the Reporting Period	Percentage of the amount as at the end of the Reporting Period to the total assets (%)	Amount as at the end of last Reporting Period	Percentage of the amount as at the end of last Reporting Period to the total assets (%)	Ratio of change for the amount as at the end of the Reporting Period as compared with the amount as at the end of last Reporting Period (%)	Reasons
Assets						
Property, plant and equipment	15,848.7	28.7	10,137.1	21.9	56.3	Primarily due to increasing investment in plants and equipment for Changzhou STA, Wuxi STA, Taixing STA, Chengdu and other sites.
Biological assets (non-current)	733.5	1.3	418.9	0.9	75.1	Primarily due to the increase in quantities and fair value change of biological assets during the Reporting Period.
Goodwill	1,925.6	3.5	1,391.8	3.0	38.4	Primarily due to the acquisition of Oxgene.
Other intangible assets	889.8	1.6	585.3	1.3	52.0	Primarily due to the acquisition of Oxgene.
Other non-current assets	2,182.4	4.0	1,395.6	3.0	56.4	Primarily due to the increase of certificates of deposits and interests.
Inventories	4,554.6	8.3	1,933.8	4.2	135.5	Primarily due to the improvement of production capacity and increase of customer orders for CRDMO service during the Reporting Period.
Biological assets (current)	755.5	1.4	501.7	1.1	50.6	Primarily due to the increase in quantities and fair value change of biological assets during the Reporting Period.

Items	Amount as at the end of the Reporting Period	Percentage of the amount as at the end of the Reporting Period to the total assets (%)	Amount as at the end of last Reporting Period	Percentage of the amount as at the end of last Reporting Period to the total assets (%)	Ratio of change for the amount as at the end of the Reporting Period as compared with the amount as at the end of last Reporting Period (%)	Reasons
Contract costs	594.9	1.1	250.3	0.5	137.7	Primarily due to the growth of business during the Reporting Period.
Amounts due from related parties (current and non-current)	343.3	0.6	57.3	0.1	499.1	Primarily due to the sale of small molecule payload and linker business and relevant assets in Changzhou STA.
Trade and other receivables	5,968.5	10.8	4,337.9	9.4	37.6	Primarily due to the expansion of business and revenue growth during the Reporting Period.
Contract assets	773.4	1.4	542.0	1.2	42.7	Primarily due to the expansion of business and revenue growth during the Reporting Period.
Financial assets at FVTPL (Current)	527.3	1.0	4,617.7	10.0	-88.6	Primarily due to redemption of structured deposits during the Reporting Period.
Derivative financial instruments	229.1	0.4	562.8	1.2	-59.3	Primarily due to the settlement of forward contracts.
Pledged bank deposits	63.4	0.1	9.1	0.0	596.7	Primarily due to the increase in restricted bank balance related to vested share incentives yet to be settled with employees.
Liabilities						
Trade and other payables	6,856.0	12.4	4,550.3	9.8	50.7	Primarily due to the increase of inventory purchase.

Items	Amount as at the end of the Reporting Period	Percentage of the amount as at the end of the Reporting Period to the total assets (%)	Amount as at the end of last Reporting Period	Percentage of the amount as at the end of last Reporting Period to the total assets (%)	Ratio of change for the amount as at the end of the Reporting Period as compared with the amount as at the end of last Reporting Period (%)	Reasons
Contract liabilities	2,986.4	5.4	1,581.0	3.4	88.9	Primarily due to the expansion of business and increased advance payment for orders during the Reporting Period.
Borrowings	2,261.5	4.1	1,230.0	2.7	83.9	Primarily due to the increased borrowings for daily operations.
Income tax payables	459.3	0.8	340.4	0.7	34.9	Primarily due to the increase of assessable income of subsidiaries during the Reporting Period.
Convertible Bonds	1,264.5	2.3	3,401.1	7.3	-62.8	Primarily due to conversion of Convertible Bonds during the Reporting Period.
Financial liabilities at FVTPL (current and non-current)	—	—	16.5	0.0	-100.0	Primarily due to the settlement of the contingent consideration for the acquisition of Pharmapace, Inc.
Other long-term liabilities	7.2	0.0	219.1	0.5	-96.7	Primarily due to the reclassification of M&A payments to be settled in one year.

D. Analysis on Investments

Investment on wealth management product

The Group adopted a prudent financial management approach towards its treasury policy and maintained a healthy financial position throughout the Reporting Period. To better utilize surplus cash generated from operating and financing activities, we have engaged in treasury management activities by investing in wealth management products issued by financial institutions of the PRC. All the short-term investments should have a proper tenor to match funding needs generated from operating and investing activities, with a view to strike a balance among principal guaranteed, liquidity and yield.

As at December 31, 2021, the balance of current-financial assets at FVTPL amounted to RMB527.3 million, representing 0.96% of total assets. Products associated with 72.7% of the investment balance have a maturity date within 90 days to 180 days. At the end of the Reporting Period, the Group invested in wealth management products mainly in the following two categories:

- a) Structured deposits, which are conservative products with guaranteed principals and the amount of yields contingent on the indicative performance of the financial market and derivative, such as interest rate derivative, foreign exchange and commodity.
- b) Financial products, which are primarily conservatively-constructed portfolios of income with high liquidity and outstanding yield, such as bonds, inter-banking deposits, and notes.

<i>In RMB million</i>			
Maturity days	Structured deposits	Financial products	Total
0 day to 30 days	70.1	3.7	73.8
30 days to 90 days	70.4	—	70.4
90 days to 180 days	383.1	—	383.1
Total	523.6	3.7	527.3

Investment in companies

As part of our efforts to foster the ecosystem, the Company has established joint ventures and made selective investments in a wide variety of companies within the healthcare ecosystem. We primarily focus our investments in: (1) targets that fit into and support our existing value chain, (2) cutting edge technologies that we believe will advance the healthcare industry, (3) strategic long-term investments, and (4) venture capital funds, all of which would allow us to further access a wider variety of participants in the healthcare ecosystem while maintaining our position at the forefront of science.

During the Reporting Period, investments in joint ventures and associates amounted to a total of RMB87.7 million. The Company continues to make additional investment in existing joint ventures and associates as well as new investments, so as to strengthen the Company's synergy and promote the development of core business, access a broader customer base and enhance service ability.

During the Reporting Period, investment in other equities aside from joint ventures and associates amounted to a total of RMB2,255.5 million. Our investments of financial assets at FVTPL mainly include three categories, the movements of which during the Reporting Period are listed below:

In RMB million

	Listed companies	Fund investments	Non-listed companies	Total
Opening Balance	1,835.8	391.5	4,489.9	6,717.2
Addition	77.0	420.4	1,758.1	2,255.5
Transfer from non-listed companies/ (transfer to listed companies)	1,600.4	—	(1,600.4)	—
Fair value change during the Reporting Period	(1,057.2)	50.4	1,299.4	292.6
Disposal of shares	(293.4)	(1.9)	(100.2)	(395.4)
Dividends	—	(20.8)	—	(20.8)
Foreign exchange effects	(51.9)	(7.7)	(75.4)	(134.9)
Ending Balance	<u>2,110.8</u>	<u>832.0</u>	<u>5,771.4</u>	<u>8,714.1</u>

Note: The discrepancies between total and sums of amounts in the table above are due to rounding.

We primarily invest using our own funds through our venture capital arm, WuXi PharmaTech Healthcare Fund I L.P. plays a significant role in contributing to the ecosystem. The followings are some of our major investments across several different areas in the healthcare industry as at December 31, 2021.

Genesis Medtech Group Limited (“Genesis”)

Genesis provides high-quality research, production and sales services on medical device. As at December 31, 2021, the fair value of the equity interests held by our Group in Genesis amounted to RMB1,434.9 million (representing 2.6% of our total assets).

Genesis aspires to become China’s largest medical technology company, an integrated platform with comprehensive product portfolio and extensive sales network with a business focus in the high-value medical device area. As at December 31, 2021, Genesis has 1,782 employees and covers 1,500 hospitals, of which more than 50% are Class III Grade A hospitals.

Suzhou Nanomicro Technology Co., Ltd. (SSE: 688690) (“NanoMicro”)

NanoMicro is a high-tech enterprise specializing in the R&D, large-scale production, sales and application services of high-performance nanomicrosphere materials, providing core microsphere materials and related technical solutions to customers in the fields of biomedicine, flat panel display, analytical testing and in vitro diagnostics. During the Reporting Period, NanoMicro was listed on Science and Technology Innovation Board of Shanghai Stock Exchange. As at December 31, 2021, the fair value of the equity interests held by our Group in NanoMicro amounted of RMB481.4 million (representing 0.9% of our total assets).

With advantages in the fundamental production and preparation technology of monodisperse chromatography fillers and based on its innovation for more than a decade, NanoMicro has created a product portfolio covering normal-phase and reversed phase silica gel, hydrophilic interaction liquid chromatography (HILIC), chiral filler, reversed-phase polymer, ion exchange, hydrophobic chromatography, affinity chromatography (protein A, metal chelation, phenylboronic acid), solid-phase extraction, gel permeation chromatography and fillers with special functions. It also provides chromatographic columns, magnetic beads, standard particles, analysis and testing, separation and purification experiment skills training and overall separation and purification solutions. NanoMicro is capable of exporting high-performance chromatography fillers in large scale to internationally renowned pharmaceutical and chromatography companies in Europe, the United States, Japan, South Korea and other countries and regions. It has become one of the global leading enterprises in the chromatography industry.

iKang Healthcare Group (“iKang”)

iKang is a leading medical examination and health management group in China, providing high-quality medical services including medical examination, disease detection, dental services, private doctors, vaccination and anti-aging. As of December 31, 2021, equity interests held by our Group in iKang with fair value amounting to RMB425.3 million (representing 0.8% of our total assets).

iKang was formerly listed on the Nation Association of Securities Dealers Automated Quotations (“NASDAQ”) Stock Exchange and subsequently privatized in January 2019. As of December 31, 2021, iKang operated 155 medical examination centers in 59 cities. iKang also cooperated with over 700 medical institutions in over 200 cities in China to provide one-stop countrywide medical examination and health management services.

Lyell Immunopharma, Inc. (NASDAQ: LYEL) (“Lyell”)

Headquartered in South San Francisco, California, the U.S., Lyell is a pre-revenue cell therapy company addressing unsolved problems of creating reliable, curative adoptive cell therapy for solid tumors. During the Reporting Period, Lyell was listed on NASDAQ. As at December 31, 2021, the fair value of the equity interests held by our Group in Lyell amounted to RMB403.7 million (representing 0.7% of our total assets).

Lyell brings together a leading scientific research and development team with a collection of novel technologies aimed at tackling the following three barriers in oncology cell therapy:

- (1) Redefining the cell preparations for cell-based immunotherapy following the decades-long work of two of Lyell scientific leaders, Stan Riddell and Nick Restifo;
- (2) Modulating T cells to maintain their functionality within the solid tumor microenvironment;
- (3) Controlling the specificity and safety of solid tumor-directed T cells armed with T cell receptors, chimeric antigen receptors or other targeting modalities using state-of-the-art protein engineering.

Canbridge Pharmaceuticals Inc. (HKEX: 01228) (“Canbridge”)

Canbridge is a China-based, rare disease-focused biopharmaceutical company that is committed to the research, development and commercialization of biotech therapies. During the Reporting Period, Canbridge was listed on the Stock Exchange of Hong Kong. As at December 31, 2021, the fair value of the equity interests held by our Group in Canbridge amounted to RMB260.7 million (representing 0.5% of our total assets).

Canbridge's products and product candidates target some of the most prevalent rare diseases as well as rare oncology indications, including but not limited to glioblastoma (GBM) and Mucopolysaccharidosis Type II (MPS II or Hunter syndrome).

Canbridge has a comprehensive and differentiated pipeline of 13 drug assets, consisting of biologics, small molecules and gene therapy solutions.

Significant Investment Held

As at December 31, 2021, the Group did not hold significant investments with a value of 5% or more of the Company's total assets and none of the above mentioned investment constituted such significant investment to our Group. As at the date of this announcement, the Group does not have any plan for material investments or purchase of capital assets.

E. Core Competence Analysis

We believe that the below strengths have enabled us to succeed and stand out from our competitors:

(1) Leading global pharmaceutical R&D services platform with integrated end-to-end capabilities

We are one of the few open service platforms for new drug R&D in the industry that has service capabilities covering the entire new drug R&D industry chain, and we are expected to fully benefit from the rapid development of the global new drug R&D outsourcing services market. Our integrated end-to-end new drug R&D service platform can meet diversified customers' demands in terms of technologies and coverage of services. We closely monitor the progress of new drug R&D projects, and continue to expand the scope of our services from "follow the project" to "follow the molecule" during the development of a particular project. At the early stage of new drug R&D, we enable our customers with our expertise and win their trusts, and gain high reputation in the industry. During the COVID-19 pandemic period, we fully leveraged our global footprint and full industrial chain coverage to develop global synergy and promote business continuity. We assisted our customers in pushing forward their new drug R&D and gained wide recognitions from them. Going forward, we will continue to enhance our capacity and expand our scale in China and overseas in order to enable pharmaceutical innovations worldwide more effectively.

(2) *Enabling innovation to strengthen our competitive advantage*

Our principle of “enabling innovation” plays a significant part in the way we design, offer and deliver our services, enabling us to deploy our latest know-how and capabilities whenever possible to fulfill our customers’ demands and empower them to transform ideas into reality. We are able to anticipate technological development and emerging R&D trend of the industry in the future and seize new development opportunities. In the past few years, with the continuous emergence of new technologies, new mechanisms of action and new therapeutic modalities, the global and China healthcare industry has developed rapidly. Looking forward, we will continue to invest in new capabilities and capacities, such as PROTAC, oligonucleotide, peptide, antibody-drug conjugate (ADC), bi-specific antibody, cell and gene therapies, to capture new business opportunities and help our global partners to bring ground-breaking medicines and treatments to patients in need.

We have rich experience in cutting-edge expertise, and we further explore technologies such as AI, medical big data and laboratory automation, etc. We strive to apply them in R&D of new drugs as early as possible to help our customers increase their R&D efficiency and lower the entry barrier of pharmaceutical R&D. Leveraging our deep insights on industrial trends and emerging technologies, we enable our customers with the latest scientific and technological discoveries and convert them to potential products.

(3) *Leveraging our knowledge of the industry and customer needs, further strengthening our platform through organic growth and M&A*

We have accumulated extensive industry experience after 20 years of rapid growth. Other than providing services, we have also established trusted partnerships with leading domestic and oversea pharmaceutical companies. We have deep understanding of the customers’ demands and are aware of the latest development trends. Through continuous strengthening of capabilities and expansion of scale as well as strategic M&A, we strive to provide more premium, and comprehensive services to our customers.

In terms of organic growth, we continue to increase our capacities and enhance capabilities across all segments and facilities globally. During the Reporting Period, STA, a subsidiary of the Company, actively expanded its global footprint and announced the construction of a new API and drug product manufacturing facility in Delaware, the U.S.. It will become the second STA facility in the U.S. and our 8th research and manufacturing facility globally. WuXi Advanced Therapies, the cell and gene therapies business unit of the Company, has also started construction of a research and manufacturing facility in Lin-gang,

Shanghai, and the designed capacity is 15,300 square meters. Upon construction completion, it will become our second cell and gene therapy manufacturing facility in China, following the first facility built in Wuxi, China. The new Linggang site features a comprehensive and end-to-end customized services ranging from process development, research class plasmid production to GMP grade of plasmid production.

In terms of M&A strategy, the Company focuses on the acquisition of companies that will enhance the service capabilities of our platform and expand our global footprint to better service our global customers. Guided by this strategy, during the Reporting Period, we completed the acquisition of Oxgene, a British company with headquarters based in Oxford, UK. Oxgene's transient AAV production system and revolutionary new TESSA™ technology build on its considerable expertise in cell line development and plasmid engineering. Based on its widely recognized SnapFast™ plasmid technology, its transient production system facilitates high quality, high-titre AAV production, while its scalable TESSA™ technology offers a plasmid free alternative for large scale clinical manufacturing. With this advanced technology, we can better leverage our global Advanced Therapies (ATU) production capacity and provide more competitive products and services to our customers. This acquisition significantly enhances our CTDMO technology capability. With regards to expanding our global footprint, in February 2021, STA announced that it was to acquire a production facility based in Couvet, Switzerland from BMS. This facility will be our first production site in Europe and features advanced large scale production capability of capsules and tablets at commercialization stage. This expansion of our global footprint and supply capability should enable the Company to better meet the demands of our global customers.

(4) Strong, loyal and expanding customer base and continuing growth of our network within the healthcare ecosystem

We have a strong, loyal and expanding customer base. During the Reporting Period, we added over 1,660 new customers and provided services to more than 5,700 active customers in over 30 countries, including all of the top 20 global pharmaceutical companies. During the Reporting Period, the top 20 global pharmaceutical companies contributed to approximately 29.4% of our revenue. As our service capabilities continue to expand, the number of our customers continue to grow. We aim to lower entry barriers for the discovery and development of innovative drugs with respect to capabilities, capacities and capital, and are committed to embracing demands of new and existing customers, thereby attracting new participants to join the evolving healthcare ecosystem. Through this lowering of entry barriers, we believe that we are able to catalyze and benefit from the continuous transformation of the healthcare

ecosystem. By nurturing and incubating the rise of new business models and encouraging participants to develop new drugs and healthcare products, we drive the creation of new knowledge and technologies, stimulate new demand and improve efficiency, which further drives innovation and fuels the growth of all participants.

During the Reporting Period, we minimized the impact of COVID-19 and were committed to working alongside our customers and partners in the global healthcare community to keep the R&D and manufacturing engine humming. We maintained and continue to be in close communication with our global customers through video conferencing and enabled them to work at home while they collaborate with us to advance their R&D programs. During the Reporting Period, we organized 7 online forums, including WuXi Global Forum, WuXi Health Industry Forum, rare disease non-profit concerts, rare disease non-profit series forums and others, where over 200 industry KOLs, and over 110 patients and volunteers in aggregate were invited. The forums focused on future major challenges and opportunities in the industry, discussed global innovation and cooperation, and shared the latest breakthroughs in the industry. Over 20,000 people have registered for our online forums. The live views of rare disease non-profit series events exceeded 15 million person-time. In addition, we also launched “WuXi On Air”, a live online webinar, sharing our expertise and experience with industry participants. We completed 71 webinars, involving 14 series across five major business units. WuXi On Air covered more than 20 overseas countries and regions and 34 provincial administrative regions of China, with a total number of over 170,000 viewers.

(5) *Experienced management team with vision and ambition*

We have an excellent management team with global vision and industrial strategic insight. Our management team led by Dr. Ge Li is extensively experienced in the pharmaceutical industry, with strong execution ability, many years of investment and management experience in the pharmaceutical industry and international vision. It is also reputable in the area of life science both in the U.S. and China. Our experienced and visionary management team enables the Company to have a unique and sharp understanding of the global economic cycle and the overall development trend of the pharmaceutical industry. Under the leadership of the management, we are able to deeply understand market and industry development trends, policy changes and their impacts on customer needs, quickly adjust our business model, improve decision-making speed and flexibility to match customer needs, driving the rapid development of all segments and becoming a leader in the global healthcare ecosystem.

F. Other Events

(1) End of lock-up period of A Shares with restricted conditions issued under the Non-Public Issuance of A Shares

The Non-Public Issuance of A Shares and the registration of such 62,690,290 new A Shares (representing approximately 2.56% of the then total issued share capital of the Company) with the Shanghai Branch of the China Securities Depository and Clearing Corporation Limited were completed on September 23, 2020. Such A Shares shall not be transferred within six months from their listing under the Non-Public Issuance of A Shares. The abovementioned A Shares became available for trading on March 24, 2021. Please refer to the relevant announcement of the Company dated March 18, 2021 for further details.

(2) End of lock-up period of A Shares with restricted conditions issued under the A Share IPO

With respect to the A Share IPO, certain shareholders of the Company have undertaken that within 36 months immediately following the listing date of the A Share IPO, they will not dispose of any A Shares held by them. Such A Shares became available for trading on May 10, 2021. The number of Restricted A Shares to be released from the selling restrictions is 633,784,587, representing 25.86% of the then total issued share capital of the Company. Please refer to the relevant announcement of the Company dated April 29, 2021 for further details.

(3) Unlocking and trading of the Restricted A Shares granted under the 2018 A Share Incentive Plan and/or the 2019 A Share Incentive Plan

2018 A Share Incentive Plan

On April 28, 2021, the Board resolved to approve the resolutions in relation to the fulfilment of the conditions for unlocking of the Restricted A Shares granted under the 2018 Reserved Grant for the first unlocking period. As a result, a total of 16 incentive participants have satisfied the conditions for unlocking the Restricted A Shares granted under the 2018 Reserved Grant for the first unlocking period and a total of 199,087 Restricted A Shares were unlocked, representing approximately 0.01% of the then total share capital of the Company and approximately 0.01% of the then total number of A Shares of the Company, respectively. Please refer to the announcement of the Company dated April 28, 2021 for further details.

On April 28, 2021, the Board resolved to approve the resolutions in relation to the fulfilment of the conditions for unlocking the Restricted A Shares granted under the initial grant of the 2018 A Share Incentive Plan for the second unlocking period. As a result, a total of 1,215 incentive participants have satisfied the conditions for unlocking the Restricted A Shares granted under the initial grant of the 2018 A Share Incentive Plan for the second unlocking period and a total of 3,346,183 Restricted A Shares were unlocked, representing approximately 0.14% of the then total share capital of the Company and approximately 0.16% of the then total number of A Shares of the Company, respectively. Please refer to the announcement of the Company dated May 6, 2021 for further details.

2019 A Share Incentive Plan

On March 1, 2021, the Board resolved to approve the resolutions in relation to the fulfilment of the conditions for unlocking the first tranche of the Restricted A Shares granted under the special grant of the 2019 A Share Incentive Plan. The unlocking of 34,843 Restricted A Shares of 1 incentive participant granted under the special grant of the 2019 A Share Incentive Plan for the first unlocking period was approved. Listing of and trading in the aforementioned unlocked Restricted A Shares commenced on March 5, 2021. Please refer to the announcement of the Company dated March 1, 2021 for further details.

On June 25, 2021, the Board resolved to approve the resolutions in relation to the fulfilment of the conditions for unlocking the first tranche of the Restricted A Shares granted under the 2019 Adjusted Initial Grant. The unlocking of 8,260,039 Restricted A Shares of 1,880 Incentive Participants under the 2019 Adjusted Initial Grant for the first unlocking period was approved. Listing of and trading in the aforementioned unlocked Restricted A Shares commenced on July 1, 2021. Please refer to the announcement of the Company dated June 25, 2021 for further details.

(4) *Exercise of share options granted under the 2018 Reserved Grant*

Following the fulfillment of the exercise conditions for the first exercisable period of the share options granted under the 2018 Reserved Grant of the 2018 A Share Incentive Plan, one of the incentive participants, being a member of the Company's senior management at the time of grant, has exercised 98,000 units of the share options granted to him under the 2018 Reserved Grant of the 2018 A Share Incentive Plan at the exercise price of RMB46.34 per unit. The underlying shares of the exercised share options are ordinary A Shares to be issued by the Company to the incentive participant. The Company has completed the registration of such new A Shares with the Shanghai Branch of the China Securities Depository and Clearing Corporation Limited. Listing of and trading in the aforementioned new A Shares commenced on March 1, 2021. Please refer to the relevant announcement of the Company dated February 23, 2021 for further details.

Following the fulfillment of the exercise conditions for the second exercisable period of the share options granted under the 2018 Reserved Grant of the 2018 A Share Incentive Plan, one of the incentive participants has exercised 56,448 units of the share options granted to him under the 2018 Reserved Grant of the 2018 A Share Incentive Plan at the exercise price of RMB38.62 per unit. The underlying shares of the exercised share options are ordinary A Shares to be issued by the Company to the incentive participant. The Company has completed the registration of such new A Shares with the Shanghai Branch of the China Securities Depository and Clearing Corporation Limited. Listing of and trading in the aforementioned new A Shares commenced on September 16, 2021. Please refer to the relevant announcement of the Company dated September 10, 2021 for further details.

(5) *Exercise of Share Options granted under the 2019 Adjusted Initial Grant for the first vesting period*

Following the fulfillment of the exercise conditions for the first vesting period of the Share Options granted under the 2019 Adjusted Initial Grant and the implementation of the 2020 Profit Distribution Plan, the first vesting period of the Share Options granted under the 2019 Adjusted Initial Grant shall be from June 9, 2021 to May 25, 2022. The number of Share Options which will become vested to the 376 incentive participants during the first vesting period shall be 2,868,385 units at the exercise price of RMB38.62 per unit. Please refer to the relevant announcement of the Company dated June 3, 2021 for further details.

As at December 31, 2021, 351 Incentive Participants have exercised an aggregate of 2,531,179 units of Share Options granted under the 2019 Adjusted Initial Grant for the first vesting period. The underlying shares of the exercised Share Options are ordinary A Shares to be issued by the Company to the Incentive Participants. The Company has completed the registration of the underlying A Shares with the Shanghai Branch of the China Securities Depository and Clearing Corporation Limited. The underlying A Shares were credited to the respective securities accounts of the Incentive Participants on the first trading day (T + 1) after the date of exercise of the Share Options (T), while trading in the underlying A Shares shall commence on the trading day thereafter (T + 2). Please refer to the relevant announcement of the Company dated July 1, 2021, October 8, 2021 and January 4, 2022 for further details.

(6) Adjustment to the exercise price and number of the second and third tranches of share appreciation rights granted under the 2019 Share Appreciation Scheme and fulfillment of exercise conditions for the second exercisable period of the share appreciation rights granted under the 2019 Share Appreciation Scheme

On June 25, 2021, the Board resolved to approve the resolutions in relation to, among other things, (i) the adjustment to the exercise price and number of share appreciation rights granted under the 2019 Share Appreciation Scheme; and (ii) the fulfilment of the exercise conditions for the second exercisable period of the share appreciation rights granted under the 2019 Share Appreciation Scheme. Following the implementation of the 2020 Profit Distribution Plan, the number of the second and third tranches of share appreciation rights granted by the Company which are exercisable during the second exercisable period and the third exercisable period, respectively, shall be adjusted from 1,707,792 units to 2,049,342 units and the exercise price of which shall be adjusted from HKD51.43 per unit to HKD42.86 per unit accordingly. The exercise conditions for the second exercisable period of the share appreciation rights granted under the 2019 Share Appreciation Scheme have been fulfilled and a total of 1,022,841 units of share appreciations rights will become exercisable by 170 Incentive Participants during the second exercisable period. Please refer to the relevant announcement of the Company dated June 25, 2021 for further details.

(7) 2020 Profit Distribution Plan

On May 13, 2021, the 2020 Profit Distribution Plan of the Company was approved at the 2020 AGM, the first A Share class meeting of 2021 and the first H Share class meeting of 2021 of the Company. Pursuant to the 2020 Profit Distribution Plan, two (2) 2020 Capitalization Shares of the Company will be issued for every ten (10) Shares of the Company held by the Shareholders on

the relevant record date (i.e. June 7, 2021) by way of capitalization of reserve. Please refer to the circular of the Company dated April 9, 2021 and the relevant announcement of the Company dated May 13, 2021, August 26, 2021 and August 31, 2021 for further details.

(8) *Adjustment to the exercise price and number of the share options granted under the reserved grant of the 2018 A Share Incentive Plan and/or under the initial grant of the 2019 A Share Incentive Plan*

2018 A Share Incentive Plan

Following the implementation of the 2020 Profit Distribution Plan, the number of Share Options granted under the reserved grant of the 2018 A Share Incentive Plan shall be adjusted to 289,296 units and the exercise price of which shall be adjusted to RMB38.62 per unit. Please refer to the relevant announcement of the Company dated May 20, 2021 for further details.

2019 A Share Incentive Plan

Following the implementation of the 2020 Profit Distribution Plan, the number of Share Options granted under the initial grant of the 2019 A Share Incentive Plan shall be adjusted to 7,200,260 units and the exercise price of which shall be adjusted to RMB38.62 per unit. Please refer to the relevant announcement of the Company dated May 20, 2021 for further details.

(9) *Repurchase and cancellation of part of the Restricted A Shares and cancellation of part of the Share Options granted under the 2018 A Share Incentive Plan and/or the 2019 A Share Incentive Plan*

2018 A Share Incentive Plan

The “Proposal on the Repurchase and Cancellation of Part of the Restricted A Shares Granted under the Restricted A Shares and Stock Option Incentive Plan of 2018 of the Company” was approved at the seventeenth meeting of the second session of the Board. Pursuant to the above proposal, due to (i) the departure of 39 incentive participants of the 2018 A Share Incentive Plan before the expiry of the lock-up period; (ii) 4 incentive participants being unable to satisfy the performance appraisal target at the individual level for 2020; and (iii) the implementation of the 2020 Profit Distribution Plan, the Company shall

repurchase a total of 184,089 Restricted A Shares granted under the initial grant of the 2018 A Share Incentive Plan at the repurchase price of RMB18.69 per A Share after relevant adjustments to the repurchase price and a total of 25,200 Restricted A Shares granted under the 2018 Reserved Grant at the repurchase price of RMB18.85 per A Share after relevant adjustments to the repurchase price. The repurchase and cancellation of such Restricted A Shares were completed on August 31, 2021. Please refer to the relevant announcement of the Company dated June 25, 2021, August 26, 2021 and August 31, 2021 for further details.

The “Proposal on the Repurchase and Cancellation of Part of the Restricted A Shares Granted under the Restricted A Shares and Stock Option Incentive Plan of 2018 of the Company” was approved at the twentieth meeting of the second session of the Board. Pursuant to the above proposal, due to the departure of 17 incentive participants of the 2018 A Share Incentive Plan before the expiry of the lock-up period of the initial grant of the 2018 A Share Incentive Plan, the Company shall repurchase a total of 57,044 Restricted A Shares granted under the initial grant of the 2018 A Share Incentive Plan at the repurchase price of RMB18.69 per A Share. The repurchase and cancellation of such Restricted A Shares were completed on January 14, 2022. Please refer to the relevant announcement of the Company dated October 29, 2021, January 11, 2022 and January 14, 2022 for further details.

2019 A Share Incentive Plan

The “Proposal on the Cancellation of Part of the Share Options Granted under the Restricted A Shares and Stock Option Incentive Plan of 2019 of the Company” was approved at the fifteenth meeting of the second session of the Board. Pursuant to the above proposal, due to the departure of 23 Incentive Participants before the expiry of the withholding period of the Share Options, the Company shall cancel 296,394 units of Share Options granted under the Adjusted Initial Grant. Please refer to the relevant announcement of the Company dated April 28, 2021 for further details.

The “Proposal on the Repurchase and Cancellation of Part of the Restricted A Shares and the Cancellation of Part of the Share Options of the Restricted A Shares and Stock Option Incentive Plan of 2019 of the Company” was approved at the seventeenth meeting of the second session of the Board. Pursuant to the above proposal, due to (i) the departure of 54 Incentive Participants before the expiry of the lock-up period and 6 Incentive Participants before the expiry of the withholding period for the Initial Grant; (ii) 10 Incentive Participants being unable to satisfy the performance appraisal target at 2020; and (iii) the implementation of the 2020 Profit Distribution Plan, the Company shall repurchase a total of

461,550 Restricted A Shares granted under the 2019 Adjusted Initial Grant at the repurchase price of RMB18.85 per A Share after relevant adjustments to the repurchase price, repurchase a total of 20,160 Restricted A Shares granted under the 2019 Reserved Grant at the repurchase price of RMB33.55 per A Share after relevant adjustments to the repurchase price and cancel 77,741 units of Share Options granted under the 2019 Adjusted Initial Grant. The repurchase and cancellation of such Restricted A Shares were completed on August 31, 2021. Please refer to the relevant announcement of the Company dated June 25, 2021, August 26, 2021 and August 31, 2021 for further details.

The “Proposal on the Repurchase and Cancellation of Part of the Restricted A Shares and the Cancellation of Part of the Share Options Granted under the Restricted A Shares and Stock Option Incentive Plan of 2019 of the Company” was approved at the twentieth meeting of the second session of the Board. Pursuant to the above proposal, due to (i) the departure of 29 Incentive Participants before the expiry of the lock-up periods of the Restricted A Shares granted under the Initial Grant and the 2019 Reserved Grant; and (ii) the departure of 27 Incentive Participants before the expiry of the withholding period of the Share Options, the Company shall (a) repurchase a total of 145,219 Restricted A Shares granted under the Initial Grant at the repurchase price of RMB18.85 per A Share; (b) repurchase a total of 15,120 Restricted A Shares granted under the Reserved Grant at the repurchase price of RMB33.55 per A Share; and (c) cancel 330,912 units of Share Options granted under the 2019 Initial Grant. The repurchase and cancellation of such Restricted A Shares were completed on January 14, 2022. Please refer to the relevant announcement of the Company dated October 29, 2021, January 11, 2022 and January 14, 2022 for further details.

(10) Adjustment to the conversion price of the Convertible Bonds

Pursuant to the terms and conditions of the Bonds, the price at which H Shares will be issued upon conversion is subject to adjustment for, among other things, capital distributions and capitalization of profits or reserves made by the Company. Therefore, the conversion price of the Bonds has been adjusted from HKD79.85 per H Share to HKD66.17 per H Share as a result of the approval of the payment of the 2020 Profit Distribution and the 2020 Capitalization of Reserve by the Shareholders at the 2020 AGM with effect from June 8, 2021, being the day immediately after the record date for determining H Shareholders’ entitlement to the 2020 Capitalization of Reserve and 2020 Profit Distribution, as well as certain minor rounding adjustments to the conversion price of the Bonds over the course of 2020 which were not required to be reflected immediately and have been carried over pursuant to the terms and conditions of the Bonds. Save as disclosed above, all other terms of the Bonds remain unchanged. Please refer to the relevant announcement of the Company dated June 7, 2021 for further details.

(11) Change in Accounting Policy

In order to provide more transparent and relevant accounting information in the financial report that is reflective of the current business management structure of the Group, the Company decided to adjust the presentation of its operating segments (the “**Change in Accounting Policy**”), which was approved at a meeting of the Board on October 29, 2021. The Change in Accounting Policy only affects the presentation of segmental information in the notes to the financial report of the Company and does not affect the data of the financial statements of the Company such as total assets, total liabilities, net assets and net profit. Please refer to the relevant announcement of the Company dated October 29, 2021 for further details.

(12) Participation in the establishment of the Joint Venture Company and formation of the Partnership and subsequent termination of the investment in the Joint Venture Company and the Partnership

On March 8, 2021 (after trading hours), WuXi AppTec Investment & Development Co., Ltd.* (無錫藥明康德投資發展有限公司) (“**WuXi Investment**”), MeadowSpring LLC (“**Meadow Spring**”), Firstred Capital Co., Ltd.* (晨壹投資有限公司) (“**Firstred**”) and Suzhou Private Capital Investment Holdings Co., Ltd.* (蘇州民營資本投資控股有限公司) has established Suzhou WuXi Huiju Private Equity Fund Management Co., Ltd.* (蘇州藥明匯聚私募基金管理有限公司) (the “**Joint Venture Company**”). Pursuant to the articles of association of the Joint Venture Company, WuXi Investment agreed to contribute RMB45 million (equivalent to approximately HKD53.91 million), representing 45% of the registered capital of the Joint Venture Company. Following the completion of the establishment of the Joint Venture Company, Wuxi Investment, MeadowSpring, Jiaxing Firstred Pengying Equity Investment Co., Ltd* (嘉興晨壹蓬瀛股權投資有限公司) (a wholly-owned subsidiary of Firstred), Suzhou Yisu Investment Co., Ltd* (蘇州翼蘇投資有限公司) (a wholly-owned subsidiary of Suzhou Private Capital Investment Holdings Co., Ltd* (蘇州民營資本投資控股有限公司)) and the Joint Venture Company will enter into the partnership agreement to form Suzhou Qunying Investment Management Partnership (Limited Partnership)* (蘇州群英投資管理合夥企業(有限合夥)) (the “**Partnership**”). Pursuant to the partnership agreement, WuXi Investment will contribute RMB45 million (equivalent to approximately HKD53.91 million) to the capital of the Partnership as a limited partner, representing 44.55% of the partnership interest therein. MeadowSpring is controlled by Mr. Edward Hu, an executive Director. MeadowSpring is an associate of Mr. Edward Hu and therefore a connected person of the Company. Accordingly, the establishment of the Joint Venture Company and the formation of the Partnership, which involved concurrent capital contributions by WuXi Investment and MeadowSpring,

constitute connected transactions of the Company under Chapter 14A of the Listing Rules. Please refer to the announcement of the Company dated March 8, 2021 for further details.

After careful consideration and reaching a consensus upon negotiation with the relevant parties, the Company has decided to terminate the investment of WuXi Investment in the Joint Venture Company and the Partnership. Please refer to the announcement of the Company dated November 30, 2021 for further details.

(13) *Proposed related parties transactions*

The Company has obtained the Shareholders' approval at the 2020 AGM for the following proposed related parties transactions: (i) STA Pharmaceutical, a wholly-owned subsidiary of STA and an indirect non-wholly-owned subsidiary of the Company, will, together with WuXi Biologics, make capital contributions (the "**Capital Contribution**") to WuXi XDC (Cayman) Inc. ("**WuXi XDC**"); (ii) upon completion of the Capital Contribution, WuXi XDC will set up a wholly-owned subsidiary to be incorporated under the laws of Hong Kong, which shall acquire all the issued share capital of WuXi XDC Co., Ltd.* (無錫藥明合聯生物技術有限公司), formerly known as WuXi Biologics Conjugation Co., Ltd.* (無錫藥明偶聯生物技術有限公司) ("**WuXi Conjugation**") currently held by WuXi Biologics, following the completion of which, WuXi Conjugation will set up a wholly-owned subsidiary in Shanghai to acquire the ADC business of WuXi Biologics currently held through its wholly-owned subsidiary WuXi Biologics (Shanghai) Co., Ltd.* (上海藥明生物技術有限公司), at an aggregate consideration of RMB420 million (the "**ADC Acquisition**"). WuXi XDC will also, through a wholly-owned subsidiary to be set up by WuXi Conjugation in Changzhou, enter into an asset transfer agreement with Changzhou STA, to acquire the payload and linker R&D business and the GMP manufacturing business of Changzhou STA (which include customer resources, assets relating to the payload and linker R&D business and personnel at a consideration of RMB280 million (the "**Asset Transfer Agreement**")); and (iii) following the completion of the Capital Contribution, the ADC Acquisition, the Asset Transfer Agreement and the transactions contemplated thereunder, STA may, depending on actual needs, enter into separate agreements to (a) provide WuXi XDC with R&D and GMP manufacturing services for payload and linker and polypeptide drugs and oligonucleotide drugs (the annual cap for such services during 2021 is not expected to exceed RMB150 million, assuming the completion of the aforementioned transactions takes place by the end of 2021); and (b) provide property leasing and composite services to WuXi Conjugation (the annual cap for such services during 2021 is not expected to exceed RMB10 million, assuming the completion of the aforementioned transactions takes place by the end of

2021). As at the date of this announcement, the Company has transferred its small molecule payload and linker business and relevant assets to WuXi XDC (Changzhou) Co., Ltd.* (常州藥明合聯生物技術有限公司) (being the wholly-owned subsidiary set up by WuXi Conjugation) as contemplated under the Asset Transfer Agreement. Please refer to the section headed “Letter from the Board — 8. Proposed Related Parties Transactions” in the circular of the Company dated April 9, 2021 for further details.

(14) Grant of Awards under the 2020 H Share Award and Trust Scheme

During the Reporting Period, awards in an aggregate value of HK\$36,350,533.00 were granted to 57 Selected Participants, and the number of Award Shares underlying the relevant Awards represents 228,331 H Shares, accounting for approximately 0.06% of the total number of issued H Shares and approximately 0.01% of the total issued share capital of the Company as at the date of this announcement.

Please refer to the relevant announcements of the Company dated July 2, 2021 and November 10, 2021 for further details.

(15) Adoption of and the grant of Awards under the 2021 H Share Award and Trust Scheme

The adoption of the 2021 H Share Award and Trust Scheme was approved at the extraordinary general meeting of the Company held on August 30, 2021. The source of the Award Shares under the 2021 Scheme shall be H Shares to be acquired by the Trustee through on-market transactions at the prevailing market price in accordance with the instructions of the Company and the relevant provisions of the 2021 Scheme Rules.

As at the date of this announcement, awards in an aggregate value of HK\$1,907,060,804.00 were granted to 3,261 Selected Participants (including the Selected Participants who are connected persons of the Group), and the number of Award Shares underlying the relevant Awards represents 11,664,074 H Shares, accounting for approximately 2.97% of the total number of issued H Shares and approximately 0.39% of the total issued share capital of the Company as at the date of this announcement.

Please refer to the relevant announcements of the Company dated August 2, 2021 and December 15, 2021 and the circular of the Company dated August 10, 2021 for further details.

(16) Adoption of the 2021 Shareholder Alignment Incentive H Share Scheme

The adoption of the 2021 Shareholder Alignment Incentive H Share Scheme was approved at the extraordinary general meeting of the Company held on August 30, 2021. The source of the SAI Award Shares under the 2021 Shareholder Alignment Incentive H Share Scheme shall be H Shares to be acquired by the SAI Trustee through on-market transactions at the prevailing market price in accordance with the instructions of the Company and the relevant provisions of the 2021 Shareholder Alignment Incentive H Share Scheme Rules. Please refer to the relevant announcement of the Company dated August 2, 2021 and the circular of the Company dated August 10, 2021 for further details.

As at the date of this announcement, no awards have been granted under the 2021 Shareholder Alignment Incentive H Share Scheme.

THE MANAGEMENT’S DISCUSSION AND ANALYSIS ON FUTURE DEVELOPMENT OF THE COMPANY

A. Competition and Development Trends of the Industry

The Company operates in the drug R&D service industry. With industry-leading capabilities such as CRO, small molecule CDMO and cell and gene therapies CDMO services, we enable or assist our customers to carry out new drug R&D in a faster and better way through our platform.

Global drug R&D service companies can be classified as CRO, CDMO and R&D service platforms which cover the whole industrial chain of pharmaceutical R&D. At present, most of drug R&D service companies focus on a specific stage of new drug R&D, such as preclinical CRO, clinical CRO, CDMO. In addition, there are a few integrated end-to-end R&D service platforms, including the Company, which are able to provide one stop new drug R&D and manufacturing services to their customers. Integrated end-to-end R&D service platforms can provide services along with the value chain of new drug R&D and start to provide services to their customers from the early drug discovery stage and assist their customers in term of capabilities and scale. They win the trust of their customers by offering quality and efficient services. During the development of a particular project, they can expand the scope of their services from “follow the project” to “follow the molecule”.

The global pharmaceutical R&D and manufacturing service market is expected to maintain rapid growth in the foreseeable future, driven by increased R&D outsourcing penetration of large pharmaceutical companies and increased demands from small and medium biotechnology companies. On the one hand, the innovative drug R&D industry has the characteristics of large investment, long cycle and high risk. As a result of the decline of R&D returns together with the “patent cliff” faced by drug manufacturers, an increasing number of large pharmaceutical companies are expected to engage external R&D institutes to conduct R&D tasks. On the other hand, small and medium biotechnology companies and individual entrepreneurs have become a major driving force of pharmaceutical innovation. These small pharmaceutical companies usually seek for external R&D and manufacturing platforms to accelerate their R&D projects. As a result, integrated end-to-end R&D service platforms are well-positioned to meet their R&D service needs from concept verification to product launching out.

The China pharmaceutical R&D and manufacturing service market is expected to maintain high speed growth going forward, driven by increased demands from oversea and China customers. On one hand, China CRO and CDMO can provide high quality and cost effective services and will continue to benefit from increased outsourcing demands from international pharmaceutical and biotechnology companies. On the other hand, policies such as accelerated approval, marketing authorization

holder, consistency evaluation of generic drugs, centralized procurement and inclusion of innovative drugs into the National Reimbursement Drug List, encourage pharmaceutical innovation in China. China CRO and CDMO demands will continue to grow. R&D service providers with market leading expertise are well-positioned to capture the trend.

B. Development Strategies

Our vision is to become a platform with the highest, broadest and deepest capabilities and technologies in the global healthcare industry, so that “every drug can be made and every disease can be treated”. We provide the global healthcare industry with comprehensive and integrated new drug R&D and production services. Through empowering pharmaceutical, biotech and medical device companies worldwide, we are committed to promoting new drug development and delivering groundbreaking treatment solutions to patients. With the research-focused and customer-oriented principle, we help customers improve R&D efficiency by offering cost-effective and efficient R&D services, bringing more quality new drugs to patients faster.

Today, the healthcare industry is entering an unprecedented golden era, where knowledge meets data, and technology meets healthcare. The future new drug R&D model will witness a new definition and profound reforms. A patient-centered healthcare innovation ecosystem is emerging. Driven by data and technology, more and more scientists, engineers, entrepreneurs, doctors and patients will participate in all aspects of R&D and innovation. In the future, we will always: (1) expand our service capacity and capabilities across all segments globally; (2) explore the field of cutting-edge technologies through internal innovation and external mergers and acquisitions, and empower customers with world-leading science and technology; (3) increase customer conversion rate and continuously acquire new customers; (4) introduce quality talent to support our rapid growth; and (5) strengthen ecosystem development and improve our platform.

C. Operation Plan

(1) *Platform Building*

On the one hand, we will continue to enhance the capabilities and scale of our R&D service platform. We plan to build a drug safety evaluation and testing laboratory in Nantong, expand the chemistry laboratory in Wuhan, expand the API manufacturing site in Changzhou, build an API manufacturing site in Taixing, expand the drug product development and manufacturing site in Wuxi, and build commercial API and drug product manufacturing sites in the U.S. Should there be any appropriate opportunities in the future, we will also enhance our CRDMO and CTDMO service capabilities through M&A.

On the other hand, we will further explore advantages of the integrated end-to-end R&D services platform to strengthen customer conversion. With the continuous advancement of development projects of customers, we will expand services offering by evolving from “following the project” to “following the molecule”.

(2) *Customer Strategy*

We are committed to further improving customer’s satisfaction through providing high quality and efficient services and strict intellectual property protections to our customers. Moreover, we will continue to add more new customers from domestic and overseas markets, in particular, long-tail customers through diversified channels. We will attract more participants to join the new drug R&D industry and enable more customers to succeed through ongoing reduction of entry barrier of drug R&D industry.

(3) *Quality and Compliance*

We have always adhered to the highest international quality standard and attached great importance to our compliance with relevant laws and regulations. We have developed management systems concerning quality control, safety in production, intellectual property protection, sales management, financial & accounting management, business continuity plan, etc. In 2022, we will continue to refine and implement our standard operating procedure to prevent incurrence of accident and facilitate sound growth of all segments.

(4) *Innovation and Development*

We will continue to use the latest technology to enable global pharmaceutical innovation. We have the global-leading new drug R&D platform and extensive experience of cutting-edge projects and closely followed the forefront of new drug R&D technological development. We will continue to invest substantially in further improving service capabilities for new molecule types, such as PROTAC, oligonucleotide, peptide, ADC, bi-specific antibody, cell and gene therapies, to capture new business opportunities and empower global pharmaceutical innovation.

On such basis, we will explore cutting-edge technologies such as AI, medical big data and laboratory automation, and strive to apply them in R&D of new drugs as early as possible to help our customers to increase their R&D efficiency and reduce the R&D barrier of new drugs to the greatest extent.

We will unswervingly promote digital transformation and we are committed to fully utilizing data to guide efficiency improvement. On the basis of the digitalization pilot program of STA, we will continue to expand the digitalization of other business units, and further upgrade and optimize existing data-based business value realization model.

(5) Team of Talents

We will continue to introduce, foster and retain top talents within the industry. We have taken specific initiatives including: (1) strengthening the reform of the reward, incentive and honor system by establishing a fair, transparent and result-oriented performance appraisal system; (2) providing concrete promotion opportunities; (3) providing technical and management trainings; and (4) offering market-oriented compensations to further improve our medium and long-term incentive mechanism.

(6) Corporate Culture

We will continue to uphold our core value of “honesty and dedication, working together and sharing success; doing the right thing and doing things well” and firmly implement our code of conduct of “customer first, honesty and integrity, ongoing improving, efficient implementation, cross-functional collaboration, transformation and innovation” and enhance our core competitiveness under the guideline of “promoting development, encouraging competitions and rewarding winners”.

D. Potential Risks

(1) *Risk of market demands decline in drug R&D services*

Our business operation relies on expenditures and demands of our customers (including multi-national pharmaceutical companies, biotechnology companies, start-ups, virtual companies and scholars and non-profit research organizations, etc.) on outsourcing services, i.e., discovery, analytical testing, development and manufacturing of pharmaceuticals, cell and gene therapies and medical devices, etc. In the past, benefiting from continuous growth of the global pharmaceutical market and the increase of R&D budgets and demand for outsourcing services of our customers, the demands on our services from our customers continued to rise. Our business operation could be adversely impacted if the industry growth slows down or percentages of outsourcing services decline. In addition, any merger, consolidation and budget adjustment of pharmaceutical players might also impact our customers' R&D expenditures and outsourcing demands, resulting in adverse impact on our business operation.

(2) *Risk of changes in regulatory policy of the industry*

The drug R&D services industry is heavily regulated by regulators including drug administrations in any nation or region where we have established our presence, which typically regulate drug R&D services players through development of relevant policies, laws and regulations. Systems of policies, laws and regulations in the drug R&D services industry are well established in developed countries. In China, regulators such as the NMPA also have gradually developed and continuously refined relevant laws and regulations subject to market development. In case we fail to timely adjust our operating strategy to adapt to changes of industrial policies and laws and regulations in the drug R&D services industry in corresponding nations or regions, potential adverse impact might be caused to our business operation.

(3) *Risk of heightened competition in the drug R&D services industry*

Currently, competition in the global drug R&D services market is getting increasingly intense. Our competitors in particular segments mainly include specialized CROs/CDMOs and in-house R&D department of large pharmaceutical companies, among which, most are large global pharmaceutical companies or R&D organizations, which may enjoy advantages over us in terms of financial strength, technological capabilities and customer base. Aside from the aforementioned incumbents, we also face competition from new entrants, which either have more capital, more business accesses or stronger R&D expertise in respective segment. We will face risk resulted from heightened competition in the pharmaceutical market and weakened competitive edge in case we fail to enhance our overall R&D strength and other strengths in business competition. There is no assurance that we will be able to compete effectively with existing competitors or new competitors or that the level of competition will not adversely affect our business, results of operations, financial condition and prospects.

(4) *Business compliance risk*

We have always attached great importance to compliance of our business operation and gradually established a relatively complete internal control system, which requires our staff to abide by relevant laws and regulations and carry out business activities in accordance with relevant laws. Although we have developed a comprehensive internal control and compliance approval system as well as standard operating procedures to ensure legitimacy and compliance of our daily operation, our business operation, reputation, financial condition will be adversely impacted to a certain degree resulting from failure to obtain qualifications required for daily R&D, testing analysis and production, or to completing necessary approval and filing processes or to timely coping with any

regulatory requirement put forward or added by the regulators due to ineffective supervision on subsidiaries or departments by the parent company and senior management in actual practices given the number of subsidiaries we control.

(5) *Risk of overseas operation and change of international policy*

We have set up or acquired a number of foreign companies to fuel our overseas business expansion and accumulated abundant experience of overseas operation over the years. During the Reporting Period, our revenue from overseas operation accounted for significant percentage of our main business revenue. Given that we are required to abide by laws and regulations of any nation or region where we carry out business operation and set up our offices and rely on foreign suppliers of raw materials, customers and technical service providers to ensure our orderly daily operation to a certain degree, our overseas operation might be impacted and potential adverse impact might be resulted on our normal operation and ongoing growth of our overseas business in case any of the following circumstances occurs, including material change of laws, regulations, industrial policies or political and economic environment of any foreign nation or region where we carry out business operation, or any unforeseeable factors such as international tension, war, trade sanction, or other force majeure.

(6) *Risk of loss of senior management and key scientific staff*

Our senior management and key scientific staff are important part of our core competence as well as foundation and key to our survival and growth. Maintenance of a stable senior management and team of key scientific staff and attraction of talents to join us play a key role on our abilities to keep our leading position in the industry in terms of technological capabilities and continuity of our R&D and manufacturing services. Turnover of senior management and key scientific staff might occur if we lose our competitive edge in terms of compensation, incentive mechanism on core technical staff fails to give its full play or human resources management/control or internal promotion system could not be effectively implemented.

(7) *Risk of failure in business expansion*

We anticipate that our customers' demands on drug R&D, commercial manufacturing and clinical development will increase on an ongoing basis. In order to continuously meet market demands and seize the growth opportunity, we may invest in new technologies, businesses or services or enter into strategic alliances with third parties in the healthcare ecosystem and need to invest a great deal of capital and resources and continue to push forward strengthening of our

capabilities and expansion of scale globally. We may not be able to successfully achieve the goals despite spending significant amount of time and resources on pursuing such expansion. Adverse impact might be caused to our business, financial and operating performances and outlook in case our entry into new segment suffers unforeseeable delay due to failure to integrate acquisitions successfully, delay in construction and regulatory issues, or we fail to achieve our growth targets.

(8) *Foreign exchange risk*

We conduct a multinational business. Fluctuations in exchange rates between the RMB and USD and other currencies may be affected by, among other things, changes in political and economic conditions. During the Reporting Period, most of the revenue of the main business was denominated in USD while a majority of our cost of services and operating costs and expenses were denominated in RMB. During the Reporting Period, RMB exchange rate demonstrated significant volatility and the Company's foreign exchange loss in 2021 and 2020 were RMB139.2 million in loss and RMB411.1 million in loss, respectively. If RMB appreciates significantly against USD, our margins might be pressured, a portion of cost denominated in USD might be increased and the size of our international customers' orders might be contracted due to increase of unit prices of services denominated in USD. In addition, the USD asset we hold might cause foreign currency translation loss, which may adversely impact our profitability as a result.

(9) *Risk of impact on our assets at FVTPL by market fluctuation*

Value of our assets or liabilities measured at FVTPL, such as investments in listed companies and other non-listed portfolios, derivative component of Convertible Bonds and biological assets, are determined at the fair value at the end of each Reporting Period, with the changes in fair value recognized in current profit and loss. Among which the value of our investments in listed companies and other non-listed portfolios is recorded as other non-current financial assets measured at FVTPL, the value of which could be greatly affected by market fluctuations. At the end of the Reporting Period, the balance of these assets held by our Company was RMB8,714.1 million. In 2021 and 2020, the changes in fair value of the Company's equity interests in listed companies and other unlisted underlying interests were gains of RMB292.6 million and RMB1,104.4 million, respectively, with a difference of RMB811.8 million. The Company pays close attention to the investee listed companies with a view to making timely and ongoing investment decisions with these investee companies. As we mark-to-market the fair value of certain of our investments on a periodic basis, we expect the fair value of our financial assets at FVTPL, especially our investments in publicly-traded

companies, may be negatively affected by capital market fluctuations which will further bring significant negative effect to our net profit.

(10) Risks of impact of emergencies and force majeure on the Company's operation

Public health emergencies, earthquakes, typhoons and other force majeure may affect the operation of the Company. In response to these situations, we have developed business continuity plans across all sites to facilitate the resumption of the critical operations, functions, and technology in a timely and organized manner. However, if our business continuity plans fail to cope with the impact of relevant emergencies and force majeure, it may have an adverse impact on the Company's business, finance, performance and prospects.

HUMAN RESOURCES

As at December 31, 2021, the Group had 34,912 employees. The Group enters into employment contracts with its employees to cover matters such as position, term of employment, wage, employee benefits and liabilities for breaches and grounds for termination.

The remuneration of the Group's employees includes basic salaries, allowances, bonus, share options and other employee benefits, and is determined with reference to their experience, qualifications and general market conditions. We provide regular trainings to our employees in order to improve their skills and knowledge. The training courses range from further educational studies to skill training to professional development course for management personnel.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association, or the laws of the PRC, which would oblige the Company to offer new shares on a pro-rata basis to its existing Shareholders.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Repurchase and cancellation of part of the Restricted A Shares granted under the 2018 A Share Incentive Plan

Due to (i) the departure of 39 incentive participants of the 2018 A Share Incentive Plan before the expiry of the lock-up period under the 2018 A Share Incentive Plan; (ii) a total of 4 incentive participants being unable to satisfy the performance appraisal target at the individual level for 2020; and (iii) the implementation of the 2020 Profit Distribution Plan, the Board considered and approved the repurchase of a total of 184,089 Restricted A Shares granted under the initial grant under the 2018 A Share Incentive Plan at the repurchase price of RMB18.69 per A share and a total of 25,200 Restricted A Shares granted under the 2018 Reserved Grant at the repurchase price of RMB18.85 per A Share. The repurchase and cancellation of such Restricted A Shares were completed on August 31, 2021. Please refer to the relevant announcements of the Company dated June 25, 2021, August 26, 2021 and August 31, 2021 for further details.

Repurchase and cancellation of part of the Restricted A Shares granted under the 2019 A Share Incentive Plan

Due to (i) the departure of 54 Incentive Participants of the 2019 A Share Incentive Plan before the expiry of the lock-up period under the 2019 A Share Incentive Plan; (ii) a total of 10 Incentive Participants being unable to satisfy the performance appraisal target at 2020; and (iii) the implementation of the 2020 Profit Distribution Plan, the Board considered and approved the repurchase and cancellation of a total of 461,550 Restricted A Shares granted under the Initial Grant of the 2019 A Share Incentive Plan at the repurchase price of RMB18.85 per A Share and repurchase a total of 20,160 Restricted A Shares granted under the reserved grant at the repurchase price of RMB33.55 per A Share. The repurchase and cancellation of such Restricted A Shares were completed on August 31, 2021. Please refer to the relevant announcements of the Company dated June 25, 2021, August 26, 2021 and August 31, 2021 for further details.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Reporting Period.

FINAL DIVIDEND

The Board proposes a profit distribution plan for the Reporting Period as follows: a cash dividend of RMB5.1740 (inclusive of tax) for every 10 shares (representing an aggregate amount of RMB1,529,306,147.92 (inclusive of tax) based on the total issued share capital of the Company as of the date of this announcement). In the event of change in the total issued share capital of the Company before the record date for profit distribution, dividends will be distributed according to the original dividend amount per share and the total distribution amount will be adjusted accordingly. The 2021 Profit Distribution Plan is subject to, amongst others, approval by Shareholders at the forthcoming AGM. Subject to the approval of the Shareholders at the AGM, the 2021 Profit Distribution is expected to be paid to the eligible Shareholders by no later than June 30, 2022.

A circular containing further details as to, amongst others, the applicable foreign exchange rate for the proposed cash dividend, the relevant record date and book closure period will be despatched to the Shareholders in due course.

AGM AND PERIOD OF CLOSURE OF REGISTER OF MEMBERS

The Company will arrange the time of convening the forthcoming AGM as soon as practicable, and the notice of the AGM will be published and despatched to the Shareholders in a timely manner in accordance with the requirements of the Listing Rules and the Articles of Association. Once the date of the AGM is finalized, the Company will publish the period of closure of register of members of H Shares of the Company in a separate announcement and in the notice of the AGM.

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the Board, as at the date of this announcement, the Company has maintained the public float as required under Listing Rules and as modified by the waiver granted by the Stock Exchange upon its listing on the Hong Kong Stock Exchange on December 13, 2018.

CORPORATE GOVERNANCE

As at December 31, 2021, the Company recognizes the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of the shareholders as a whole. The Company has adopted corporate governance practices based on the principles and code provisions as set out in the CG Code as its own code of corporate governance practices.

The Board is of the view that, the Company has complied with the relevant code provisions contained in the CG Code during the Reporting Period, save for deviation from code provision A.2.1 (which has been renumbered as code provision C.2.1 with effect from January 1, 2022) of the CG Code.

Pursuant to code provision A.2.1 (which has been renumbered as code provision C.2.1 with effect from January 1, 2022) of the CG Code, the responsibility between the chairman and chief executive officer should be segregated and should not be performed by the same individual. However, the Company does not have a separate chairman and chief executive officer and Dr. Ge Li currently performs these two roles. The Board considers that vesting the roles of chairman and chief executive officer in the same person is beneficial to the management of the Group. The balance of power and authority is ensured by the operation of the senior management and the Board, which comprises experienced individuals. The Board currently comprises five executive Directors (including Dr. Ge Li), two non-executive Directors and five independent non-executive Directors and therefore has a fairly strong independence element in its composition.

The Board will continue to review and monitor its code of corporate governance practices of the Company with an aim to maintaining a high standard of corporate governance.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has devised its own code of conduct regarding Directors' dealings in the Company's securities (the "**Code of Conduct**") on terms no less exacting than the Model Code.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code and the Code of Conduct throughout the Reporting Period.

The Company has also established written guidelines (the "**Employees Written Guidelines**") no less exacting than the Model Code for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

REVIEW OF FINANCIAL STATEMENTS

Audit Committee

As at December 31, 2021, the Audit Committee of the Company comprises three independent non-executive Directors, namely Dr. Hetong Lou, Mr. Xiaotong Zhang and Dr. Jiangnan Cai. The chairman of the Audit Committee is Dr. Hetong Lou. The Audit Committee has reviewed with management and external auditor the consolidated financial information of the Group for the Reporting Period, including accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters.

Scope of work of Messrs. Deloitte Touche Tohmatsu

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the Reporting Period as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did 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 Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company's website (www.wuxiapptec.com.cn). The annual report of the Company for the Reporting Period will be despatched to the Shareholders and published on the aforesaid websites in due course.

The Board is pleased to announce that the consolidated annual results of the Group for the Reporting Period with the comparative figures in the corresponding period in 2020 are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended December 31, 2021

		2021	2020
	Notes	RMB'000	RMB'000
Revenue	5	22,902,385	16,535,431
Cost of services		<u>(14,636,870)</u>	<u>(10,280,387)</u>
Gross profit		8,265,515	6,255,044
Other income	6	468,568	326,339
Other gains and losses	7	1,453,591	283,177
Impairment losses under expected credit losses (“ECL”) model, net of reversal		(31,615)	(12,627)
Impairment losses of goodwill, net of reversal		—	(44,346)
Selling and marketing expenses		(698,970)	(588,459)
Administrative expenses		(2,253,614)	(1,869,707)
Research and development expenses		<u>(942,242)</u>	<u>(693,260)</u>
Operating profit		<u>6,261,233</u>	<u>3,656,161</u>
Share of losses of associates		(92,162)	(76,833)
Share of losses of joint ventures		(25,129)	(13,919)
Finance costs	8	<u>(128,333)</u>	<u>(196,033)</u>
Profit before tax		<u>6,015,609</u>	<u>3,369,376</u>
Income tax expense	9	<u>(879,662)</u>	<u>(383,126)</u>
Profit for the year	10	<u>5,135,947</u>	<u>2,986,250</u>
Profit for the year attributable to:			
Owners of the Company		5,097,155	2,960,235
Non-controlling interests		<u>38,792</u>	<u>26,015</u>
		<u>5,135,947</u>	<u>2,986,250</u>
Earnings per Share (expressed in RMB per Share)			
—Basic	12	1.75	1.06
—Diluted	12	1.73	1.05

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2021

	2021 RMB'000	2020 RMB'000
Profit for the year	5,135,947	2,986,250
Other comprehensive (expense) income for the year		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation or financial statements of foreign operations	(216,654)	(423,676)
Fair value (loss) gain on hedging instrument designated in cash flow hedges	(294,234)	511,326
Other comprehensive (expense) income for the year, net of income tax	(510,888)	87,650
Total comprehensive income for the year	4,625,059	3,073,900
Attributable to:		
Owners of the Company	4,588,790	3,040,933
Non-controlling interests	36,269	32,967
	4,625,059	3,073,900

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2021

		2021	2020
	Notes	RMB'000	RMB'000
Assets			
Non-current Assets			
Property, plant and equipment		15,848,703	10,137,062
Right-of-use assets		1,779,500	1,519,864
Goodwill		1,925,563	1,391,759
Other intangible assets		889,822	585,319
Interests in associates		619,382	712,337
Interests in joint ventures		58,923	52,496
Financial assets at fair value through profit or loss ("FVTPL")	13	8,714,098	6,717,207
Deferred tax assets		389,846	300,901
Other non-current assets		2,182,393	1,395,594
Biological assets		733,510	418,869
Amounts due from related parties		—	419
Total Non-current Assets		33,141,740	23,231,827
Current Assets			
Inventories		4,554,577	1,933,826
Trade and other receivables	14	5,968,471	4,337,866
Contract assets	14	773,433	541,953
Contract costs		594,912	250,345
Biological assets		755,517	501,688
Income tax recoverable		225	19,057
Financial assets at FVTPL	13	527,288	4,617,725
Amounts due from related parties		343,310	56,885
Derivative financial instruments	19	229,142	562,824
Pledged bank deposits	15	63,437	9,113
Bank balances and cash	15	8,175,336	10,228,057
Total Current Assets		21,985,648	23,059,339
Total Assets		55,127,388	46,291,166

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2021

	Notes	2021 RMB'000	2020 RMB'000
Capital and Reserves			
Share capital	20	2,955,827	2,441,685
Reserves		35,535,682	30,052,058
Equity attributable to owners of the Company		38,491,509	32,493,743
Non-controlling interests		265,953	224,748
Total Equity		38,757,462	32,718,491
Liabilities			
Non-current Liabilities			
Deferred tax liabilities		324,125	282,987
Deferred income		770,601	682,035
Lease liabilities		1,018,979	1,067,103
Convertible bonds-debt component	17	607,140	1,819,029
Convertible bonds-embedded derivative component	17	657,317	1,582,060
Other long-term liabilities		7,170	219,117
Total Non-current Liabilities		3,385,332	5,652,331
Current Liabilities			
Trade and other payables	16	6,855,964	4,550,334
Income tax payables		459,256	340,371
Amounts due to related parties		21,439	23,845
Borrowings		2,261,480	1,230,011
Financial liabilities at FVTPL	18	—	16,508
Lease liabilities		220,183	177,436
Derivative financial instruments	19	3,652	859
Contract liabilities		2,986,379	1,580,980
Other current liabilities		176,241	—
Total Current Liabilities		12,984,594	7,920,344
Total Liabilities		16,369,926	13,572,675
Total Equity and Liabilities		55,127,388	46,291,166

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2021

1. GENERAL INFORMATION

WuXi AppTec Co., Ltd. (the “**Company**”) was incorporated in the PRC on March 1, 2017 as a joint stock limited liability company under the PRC laws upon the conversion of WuXi AppTec Ltd. 無錫藥明康德新藥開發有限公司 (formerly known as WuXi PharmaTechs Co., Ltd. 無錫藥明康德組合化學有限公司), a company with limited liability incorporated in the PRC in December 2000. The Company completed its initial public offering and listing of 104,198,556 ordinary shares of the Company (“**A Shares**”) on The Shanghai Stock Exchange (stock code: 603259.SH) on May 8, 2018, The Company completed its public offering and listing of 116,474,200 ordinary shares of the Company (“**H Shares**”) on the Main Board of The Stock Exchange of Hong Kong Limited (“**The Hong Kong Stock Exchange**”), (stock code: HK 2359) on December 13, 2018. On January 9, 2019, an aggregate of 5,321,200 H shares was issued and allotted by the Company with the exercise of over-allotment option. On August 5, 2020, the Company completed the placing of new H shares under specific mandate and an aggregate of 68,205,400 placing shares have been successfully placed by Morgan Stanley & Co. International Plc, Huatai Financial Holdings (Hong Kong) Limited, Goldman Sachs (Asia) L.L.C. and J.P. Morgan Securities Plc to no less than six independent placees. On September 23, 2020, the Company completed the proposed non-public issuance of 62,690,290 A Shares and registered such new shares with the Shanghai Branch of the China Securities Depository and Clearing Corporation Limited.

The address of the registered office of the Company is Mashan No.5 Bridge, Binhu District, Wuxi, Jiangsu Province, the PRC and the principal place of business of the Company is 288 Fute Zhong Road, Waigaoqiao Free Trade Zone, Shanghai, the PRC. The Company is ultimately controlled by Dr. Ge LI, Dr. Ning ZHAO, the spouse of Dr. Ge LI, Mr. Xiaozhong LIU and Mr. Zhaohui Zhang, who are all acting in concert (collectively known as “**ultimate Controlling Shareholders**”).

The Company is an investment holding company. The principal activity of the Company and its subsidiaries (collectively referred to as “**Group**”) is to provide a portfolio of research and manufacturing services throughout the discovery, development and manufacturing spectrum for small molecule drugs, cell therapies and gene therapies as well as providing testing services for medical devices.

The functional currency of the Company is Renminbi (“**RMB**”), which is the same as the presentation currency of the consolidated financial statements.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments and biological assets that are measured at fair values at the end of each reporting period.

3. APPLICATION OF AMENDMENTS TO IFRSs

In the current year, the Group has applied the following amendments to IFRSs issued by the IASB for the first time, which are mandatorily effective for the annual periods beginning on or after January 1, 2021 for the preparation of the Group's consolidated financial statements:

Amendment to IFRS 16	Covid-19-Related Rent Concessions
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform — Phase 2

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the “**Committee**”) of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories.

The application of the amendments to IFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

4. OPERATING SEGMENT INFORMATION

The Group's revenue streams are categorized as follows:

WuXi Chemistry	Integrating the chemistry business-related resources and capabilities, including STA (“合全藥業”), the Chemistry Service Unit (“CSU”), the International Discovery Service Unit (“IDSU”) and the Core Analytical Service (“CAS”) business units to offer new drug CRDMO services to customers.
WuXi Testing	Integrating the pre-clinical and clinical resources and capabilities of the Group, such as Lab Testing Division, WuXi Clinical (“康德弘翼”) (Clinical Development Services business) and MedKey (“藥明津石”) (Site Management Organization business) to serve global customers in pharmaceutical, biopharmaceutical, medical device, and in vitro diagnostic sectors.
WuXi Biology	Integrating the cutting-edge technologies of the Group in DNA-encoded Library (“DEL”), biology, oncology and immunology to provide global customers with integrated drug discovery and research services.
WuXi ATU	Capitalizing on the resources and capabilities in the PRC, the U.S. and the United Kingdom to provide customers with integrated cell and gene therapy CTDMO services including testing, process development and manufacturing.
WuXi DDSU	Based on customers' needs, providing customers with integrated new drug R&D services with a focus on patent creation, developing small molecule new drugs with internationally advanced level, and empowering the R&D of domestic pharmaceutical enterprises.
Others	Others mainly including the income streams from administrative services, sales of raw materials and sales of scrap materials.

Segment revenue and results

The following is an analysis of the Group's revenue by reportable segments.

	Year ended December 31, 2021						
	WuXi Chemistry RMB'000	Wuxi Testing RMB'000	WuXi Biology RMB'000	Wuxi ATU RMB'000	Wuxi DDSU RMB'000	Others RMB'000	Total RMB'000
Segment revenue	14,087,220	4,525,111	1,985,093	1,026,401	1,251,040	27,520	22,902,385
Segment results	<u>5,528,184</u>	<u>1,427,516</u>	<u>768,806</u>	<u>(21,312)</u>	<u>549,225</u>	<u>13,096</u>	<u>8,265,515</u>
Unallocated amount:							
Other income							468,568
Other gains and losses							1,453,591
Impairment losses under ECL model, net of reversal							(31,615)
Selling and marketing expenses							(698,970)
Administrative expenses							(2,253,614)
R&D expense							(942,242)
Share of losses of associates							(92,162)
Share of losses of joint ventures							(25,129)
Finance costs							<u>(128,333)</u>
Profit before tax							<u><u>6,015,609</u></u>

	Year ended December 31, 2020						
	WuXi	Wuxi	WuXi	Wuxi	Wuxi	Others	Total
	Chemistry	Testing	Biology	ATU	DDSU		
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Segment revenue	9,587,666	3,278,439	1,526,410	1,055,821	1,064,990	22,105	16,535,431
Segment results	<u>3,926,629</u>	<u>1,031,312</u>	<u>636,793</u>	<u>148,135</u>	<u>500,659</u>	<u>11,516</u>	<u>6,255,044</u>
Unallocated amount:							
Other income							326,339
Other gains and losses							283,177
Impairment losses under ECL model, net of reversal							(12,627)
Impairment losses of goodwill, net of reversal							(44,346)
Selling and marketing expenses							(588,459)
Administrative expenses							(1,869,707)
R&D expense							(693,260)
Share of losses of associates							(76,833)
Share of losses of joint ventures							(13,919)
Finance costs							<u>(196,033)</u>
Profit before tax							<u><u>3,369,376</u></u>

The chief operating decision maker (“**CODM**”) makes decisions according to operating results of each segment. No analysis of segment asset and liability is presented as the CODM does not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

Entity-wide disclosure

Geographical information

An analysis of the Group's revenue from external customers, analyzed by their respective country/region of domicile, is detailed below:

	Year ended 31/12/2021 RMB'000	Year ended 31/12/2020 RMB'000
Revenue		
— USA	12,146,429	8,861,913
— PRC	5,802,236	4,145,325
— Europe	3,719,295	2,650,781
— Asia-others	1,026,311	679,651
— Rest of the world	208,114	197,761
	<u>22,902,385</u>	<u>16,535,431</u>

No revenue amounting to 10% or more of the Group's total revenue was derived from sales to a single customer for the years ended December 31, 2021 and 2020.

Information about the Group's non-current assets by geographical location of the assets is presented below:

	31/12/2021 RMB'000	31/12/2020 RMB'000
— PRC	17,508,049	12,689,580
— Rest of the world	4,428,849	3,523,720
	<u>21,936,898</u>	<u>16,213,300</u>

Non-current assets excluding deferred tax assets, certificates of deposits, rental deposits included in amounts due from related parties and financial assets at FVTPL.

5. REVENUE

The Group derives its revenue from the transfer of goods and services over time or at a point in time in the following major service lines. This is consistent with the revenue information that is disclosed for each reportable segment under IFRS 8 below.

An analysis of the Group's revenue is as follows:

	Year ended 31/12/2021 RMB'000	Year ended 31/12/2020 RMB'000
Revenue		
— WuXi Chemistry	14,087,220	9,587,666
— WuXi Testing	4,525,111	3,278,439
— WuXi Biology	1,985,093	1,526,410
— WuXi ATU	1,026,401	1,055,821
— WuXi DDSU	1,251,040	1,064,990
— Others	27,520	22,105
	<u>22,902,385</u>	<u>16,535,431</u>

Timing of revenue recognition

	Year ended 31/12/2021 RMB'000	Year ended 31/12/2020 RMB'000
Over time		
— WuXi Chemistry	4,557,338	3,323,253
— WuXi Testing	4,525,111	3,278,439
— WuXi Biology	1,985,093	1,526,410
— WuXi ATU	1,023,845	1,055,821
— WuXi DDSU	1,251,040	1,064,990
— Others	17,841	21,881
At a point in time		
— WuXi Chemistry	9,529,882	6,264,413
— WuXi ATU	2,556	—
— Others	9,679	224

The aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) are RMB29,099 million as at December 31, 2021 (December 31, 2020: RMB15,855 million). The expected amount of revenue recognized in 2022 will be RMB22,986 million. The management of the Group expects the majority of the transaction price allocated to the unsatisfied contracts as of each reporting date during the Reporting Period will be recognised as revenue within two years from the reporting date.

6. OTHER INCOME

	Year ended 31/12/2021 RMB'000	Year ended 31/12/2020 RMB'000
Interest income on bank balances	191,693	92,363
R&D grants and others related to		
— asset (i)	69,888	54,279
— income (ii)	178,644	152,643
Dividend income arising from financial assets at FVTPL	28,343	27,054
	<u>468,568</u>	<u>326,339</u>

Notes:

- (i) The Group has received certain R&D grants and others to invest in laboratory equipment. The grants and subsidies were recognised in profit or loss over the useful lives of the relevant assets.
- (ii) The R&D grants and others related to income have been received to compensate for the Group's research and development expenditures. Some of the grants related to income have future related costs expected to be incurred and require the Group to comply with conditions attached to the grants. These grants related to income are recognised in profit or loss when related costs are subsequently incurred and the Group receives acknowledge of compliance. Other grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

7. OTHER GAINS AND LOSSES

	Year ended 31/12/2021 RMB'000	Year ended 31/12/2020 RMB'000
Net foreign exchange loss	(139,235)	(411,116)
Gain on financial assets at FVTPL (realized)	1,451,453	354,434
Gain/(loss) on disposal of plant and equipment and right-of-use assets	258,960	(9,358)
Gain resulting from transfer of an investment in associates to financial assets at FVTPL	—	351,491
Gain on financial assets at FVTPL (unrealized)	273,396	1,137,597
Loss on derivative financial instruments (unrealized)	(989,631)	(1,339,370)
Loss on derivative financial instruments (realized)	(6,011)	(32,608)
Fair value gain on biological assets	630,465	291,718
Fair value loss on financial liabilities at FVTPL	(7,844)	(41,062)
Others	(17,962)	(18,549)
	<u>1,453,591</u>	<u>283,177</u>

8. FINANCE COSTS

	Year ended 31/12/2021 RMB'000	Year ended 31/12/2020 RMB'000
Interest expense on borrowings	23,653	66,468
Interest on lease liabilities	60,220	54,205
Effective interest expense on Convertible Bonds	37,897	69,066
Imputed interest expense on payable for acquisition of a subsidiary	6,563	6,294
	<u>128,333</u>	<u>196,033</u>

9. INCOME TAX EXPENSE

	Year ended 31/12/2021 RMB'000	Year ended 31/12/2020 RMB'000
Current tax:		
— PRC	772,650	458,902
— Hong Kong	92,386	61,587
— USA	19,728	(10,052)
— Rest of world	18,379	2,151
	<u>903,143</u>	<u>512,588</u>
Under (Over) provision in respect of prior years:		
— PRC	7,978	(27,795)
— Hong Kong	8,495	(111)
— USA	—	(12,715)
	<u>16,473</u>	<u>(40,621)</u>
Deferred tax:		
— Current year	<u>(39,954)</u>	<u>(88,841)</u>
	<u>879,662</u>	<u>383,126</u>

On March 21, 2018, the Hong Kong Legislative Council passed the Inland Revenue (Amendment) (No. 7) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on March 28, 2018 and was gazetted on the following day.

Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of profits of qualifying corporations will be taxed at 8.25%, and profits above HK\$2,000,000 will be taxed at 16.5%. The two-tiered profits tax rates regime is applicable to the Group’s Hong Kong subsidiaries with estimated assessable profits for its annual Reporting Periods ending on or after April 1, 2018.

The federal corporate tax rate remains at 21% and the state income tax rate remains at a range from 4% to 10 % for both years.

The group entities incorporated in Cayman Islands are not subject to income or capital gains tax under the law of Cayman Islands. In addition, dividend payments are not subject to withholding tax in the Cayman Islands.

The group entities established in British Virgin Islands (“**BVI**”) are not subject to income tax or capital gains tax under the law of BVI.

The group entities incorporated in Korea, Ireland, Germany, Australia, Swiss, Singapore, United Kingdom and other countries are subject to the tax rate at a range from 8.5% to 30% during the Reporting Period.

Under the Law of the PRC on Enterprise Income Tax (the “**EIT Law**”) and Implementation Regulation of the EIT Law, the EIT rate of the Company and other PRC subsidiaries is 25% during the Reporting Period unless subject to tax concession set out below.

Certain subsidiaries operating in the PRC were accredited as “High and New Technology Enterprise” or “Advanced Technology Enterprise” for a period of three years, and therefore are entitled to a preferential EIT rate of 15% for the Reporting Period. The qualification as a High and New Technology Enterprise will be subjected to review by the relevant tax authority in the PRC for every three years. According to the Notice 2018 No.76 of the Ministry of Finance, from January 1, 2018, the enterprises that have the qualifications as High and New Technology Enterprise or Advanced Technology Enterprise (hereinafter collectively referred to as qualifications) will be able to make up for the losses that have not been completed in the previous five years before the qualification year. The longest carry-over period is extended from 5 years to 10 years.

The tax charge for the Reporting Period can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	Year ended 31/12/2021 RMB'000	Year ended 31/12/2020 RMB'000
Profit before tax	6,015,609	3,369,376
Tax at the applicable tax rate of 25%	1,503,902	842,344
Tax effect of expenses not deductible for tax purpose	289,974	245,284
Tax effect of income that is exempt from taxation	(117,609)	(165,920)
Under (Over) provision in respect of prior years	16,473	(40,621)
Effect of unused tax losses and other deductible temporary differences not recognised as deferred tax assets	73,959	75,990
Utilization of tax losses and other deductible temporary differences previously not recognised as deferred tax assets	(39,402)	(12,415)
Effect on opening deferred tax assets or liabilities resulting from change in applicable tax rate	1,928	(18,935)
Effect of different tax rate of subsidiaries operating in other jurisdictions and tax concession	(871,584)	(527,033)
Others	22,021	(15,568)
Income tax expense	<u>879,662</u>	<u>383,126</u>

10. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	Year ended 31/12/2021 <i>RMB'000</i>	Year ended 31/12/2020 <i>RMB'000</i>
Depreciation for property, plant and equipment	1,138,145	871,227
Depreciation of right-of-use assets	224,157	195,555
Amortization of other intangible assets and other non-current assets	117,641	69,192
Expense relating to short-term leases	4,041	8,878
Expense relating to leases of low-value assets that are not shown above as short-term leases	2,772	336
Staff cost (including directors' emoluments):		
— Salaries and other benefits	6,787,535	4,928,998
— Retirement benefit scheme contributions	719,616	470,388
— Equity-settled share-based payments	556,623	556,732
— Cash-settled share-based payments	84,329	108,385
Less: capitalised in inventories and contract costs	(1,399,164)	(722,410)
	8,235,695	6,487,281
Auditor's remuneration	7,619	5,930

11. DIVIDENDS

Dividends for ordinary shareholders of the Company recognised as distribution during the year as follows:

	Year ended 31/12/2021 RMB'000	Year ended 31/12/2020 RMB'000
2020 Final-RMB0.363 (inclusive of tax) per ordinary share (2019: RMB0.337)	<u>889,580</u>	<u>556,430</u>

Subsequent to the end of the Reporting Period, the directors of the Company proposes the 2021 profit distribution plan (“**2021 Profit Distribution Plan**”) as follows: a dividend in an aggregate amount of RMB1,529,306,147.92 (2020: RMB889,579,996.44) (inclusive of tax) to be paid to shareholders on the record date for determining the shareholders’ entitlement to 2021 Profit Distribution plan which amounts to a dividend of RMB0.5174 (2020: RMB0.363) (inclusive of tax) per ordinary share to all shareholders of the Company. The 2021 Profit Distribution Plan is subject to, amongst others, approval by Shareholders at the forthcoming AGM.

12. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	Year ended 31/12/2021 RMB'000	Year ended 31/12/2020 RMB'000
Earnings:		
Profit attributable to ordinary equity holders of the parent	5,097,155	2,960,235
Less: Cash dividends attribute to the shareholders of restricted shares expected to be unlocked in the future	(4,598)	(6,622)
Earnings for the purpose of calculating basic earnings per share	<u>5,092,557</u>	<u>2,953,613</u>
Effect of dilutive potential ordinary shares:		
Add: Cash dividends attribute to the shareholders of restricted shares expected to be unlocked in the future	4,598	6,622
Effect of share options issued by a subsidiary	(4,915)	(13,237)
Earnings for the purpose of calculating diluted earnings per share	<u>5,092,240</u>	<u>2,946,998</u>
Number of Shares ('000):		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<u>2,914,820</u>	<u>2,793,408</u>
Effect of dilutive potential ordinary shares:		
Effect of restricted shares and share options issued by the Company	<u>22,897</u>	<u>24,940</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<u><u>2,937,717</u></u>	<u><u>2,818,348</u></u>

The computation of diluted earnings per share for the years ended December 31, 2021 and 2020 is based on weighted average number of shares assumed to be in issue after taking into account the effect of restricted shares and share option issued by the Company.

The denominator for the purposes of calculating both basic and diluted earnings per share for the years ended December 31, 2021 and 2020 have been adjusted to reflect the capitalisation issue completed on June 8, 2021 under the 2020 profit Distribution plan.

The computation of diluted earnings per share does not assume the conversion of the Company's outstanding convertible bonds since their assumed exercise would result in an increase in earnings per share.

13. FINANCIAL ASSETS AT FVTPL

	31/12/2021 RMB'000	31/12/2020 RMB'000
Current assets		
Structured deposits and financial products	<u>527,288</u>	<u>4,617,725</u>
	<u>527,288</u>	<u>4,617,725</u>
Non-current assets		
Listed equity securities	2,110,784	1,835,826
Unlisted equity investments	5,771,360	4,489,915
Unlisted fund investments	<u>831,954</u>	<u>391,466</u>
	<u>8,714,098</u>	<u>6,717,207</u>

14. TRADE AND OTHER RECEIVABLES/CONTRACT ASSETS

Trade and Other Receivables

	31/12/2021 RMB'000	31/12/2020 RMB'000
Trade receivables		
— third parties	4,690,024	3,686,070
Less: Allowance for credit losses	(102,526)	(77,385)
	<u>4,587,498</u>	<u>3,608,685</u>
Other receivables	<u>16,525</u>	<u>24,076</u>
Note receivable	48,000	2,500
Prepayments	302,910	175,732
Interest receivables	38	2,247
Prepaid expenses	27,721	21,322
Value added tax recoverable	858,760	496,492
Rental deposits	11,759	6,812
Others (<i>Note</i>)	<u>115,260</u>	<u>—</u>
	<u>1,364,448</u>	<u>705,105</u>
Total trade and other receivables	<u><u>5,968,471</u></u>	<u><u>4,337,866</u></u>

Note: In September 2020, the group entered into collar option contract with HSBC Bank (China) Company Limited, the expiry date and the settlement date are December 31, 2021 and January 5, 2022, respectively. The cash settlement of the collar option contract to be received on settlement date is classified in trade and other receivables.

The Group allows a credit period ranging from 30 to 90 days to its customers. The following is an aging analysis of trade receivables (net of allowance for credit losses) and note receivable presented based on the invoice dates, at the end of each reporting period:

	31/12/2021 RMB'000	31/12/2020 RMB'000
Within 180 days	4,214,825	3,239,280
181 days to 1 year	217,129	202,561
1 year to 2 years	170,466	161,530
More than 2 years	33,078	7,814
	<u>4,635,498</u>	<u>3,611,185</u>

In determining the recoverability of the trade receivables, the Group considers any change in the credit quality of the trade receivables from the date on which the credit was initially granted up to the reporting date.

Contract Assets

	31/12/2021 RMB'000	31/12/2020 RMB'000
Contract assets	778,965	544,699
Less: Allowance for credit losses	(5,532)	(2,746)
	<u>773,433</u>	<u>541,953</u>

The contract assets primarily relate to the Group's right to the consideration for work completed but not billed. The contract assets are transferred to trade receivables when the rights become unconditional.

15. BANK BALANCES AND CASH/PLEDGED BANK DEPOSITS

At the end of the Reporting Period, bank balances and cash of the Group comprised of cash and short term bank deposits with an original maturity of three months or less. The short term bank deposits carry interest at market rates which range from 0.00% to 3.20%, per annum as at December 31, 2021 (December 31, 2020: 0.30% to 2.08%).

Pledged bank deposits represent restricted bank balance related to vested share incentives yet to be settled with employees and collateral for letters of guarantee for the purchase of raw materials and plant and equipment by the Group. The pledged bank deposits will be released upon the making of payments in relation to the share incentive plans of the Company and the repayment of relevant letter of guarantee.

16. TRADE AND OTHER PAYABLES

	31/12/2021 <i>RMB'000</i>	31/12/2020 <i>RMB'000</i>
Trade payables	1,923,298	928,953
Salary and bonus payables	1,580,452	1,139,557
Payables for acquisition of plant and equipment	2,229,717	1,414,076
Accrued expenses	539,691	372,253
Other taxes payable	76,753	38,286
Interest payable	1,338	848
Note payable	—	11,652
Others	190,623	87,541
Considerations received from employees for subscribing restricted A shares of the Company under the 2018 and 2019 WuXi AppTec A Share Incentive Scheme	314,092	557,168
	<u>6,855,964</u>	<u>4,550,334</u>

Payment terms with suppliers are mainly on credit within 90 days from the time when the goods are received from the suppliers. The following is an age analysis of trade payables and note payable presented based on invoice date at the end of each reporting period:

	31/12/2021 <i>RMB'000</i>	31/12/2020 <i>RMB'000</i>
Within one year	1,901,748	926,076
1 year to 2 years	10,877	5,369
2 years to 3 years	4,280	6,263
More than 3 years	6,393	2,897
	<u>1,923,298</u>	<u>940,605</u>

17. CONVERTIBLE BONDS

On September 17, 2019 (the “**Issue Date**”), the Company issued a five-year zero coupon convertible bonds (the “**Convertible Bonds**”) overseas in an aggregate principal amount of USD300,000,000. The conversion period is on or after October 28, 2019 up to the close of business on the date falling 10 working days prior to September 17, 2024 (the “**Maturity Date**”) and the price of H shares to be issued in exercise of the right of conversion is initially HK\$111.80 per H share and the conversion price of Convertible Bonds would be adjusted accordingly when the Company distributes stock dividends, issues new shares or places new shares, distributes cash dividend. The conversion price has been adjusted to HK\$79.85 per H Share as a result of the approval of the payment of the 2019 Profit Distribution and the 2019 Capitalization of Reserve by the Shareholders at the 2019 annual general meeting of the Company with effect from June 4, 2020. The conversion price has been further adjusted to HK\$66.17 per H Share as a result of the approval of the payment of the 2020 Profit Distribution and the 2020 Capitalization of Reserve by the Shareholders at the 2020 annual general meeting of the Company with effect from June 8, 2021.

On the Maturity Date, the Company would redeem all unconverted bonds from bondholders at the price of 106.43% par value of the issued Convertible Bonds.

On September 17, 2022, the bondholders would have right to ask the Company to redeem all or some of the bonds at 103.81% of the principal amount.

On giving not less than 30 nor more than 60 days’ notice to the bondholders, the trustee and the principal agent (which notice will be irrevocable), the Convertible Bonds may be redeemed by the Company in whole, but not in part, on the date specified in the optional redemption notice at the early redemption amount (i) at any time after September 27, 2022 but prior to the Maturity Date, or (ii) at any time if, the aggregate principal amount of the Convertible Bonds outstanding is less than 10% of the aggregate principal amount originally issued.

The Convertible Bonds comprise two components:

- (a) Debt component was initially measured at fair value. It is subsequently measured at amortised cost using the effective interest method after considering the effect of the transaction costs.
- (b) Derivative component comprises conversion options and early redemption options (not closely related to the debt component), which was initially measured at fair value.

The total transaction costs that are related to the issue of the Convertible Bonds were allocated to the debt and derivative components in proportion to their respective fair values.

Transaction costs relating to the debt component were included in the carrying amount of the debt portion and amortised over the period of the Convertible Bonds using the effective interest method.

	Debt component RMB'000	Embedded derivative component RMB'000	Total RMB'000
Balance at 1 January 2021	1,819,029	1,582,060	3,401,089
Interest charge	37,897	—	37,897
Exchange adjustments	(26,108)	(34,709)	(60,817)
Loss arising on changes of fair value	—	1,000,599	1,000,599
Conversion of convertible bonds into shares	<u>(1,223,678)</u>	<u>(1,890,633)</u>	<u>(3,114,311)</u>
As at December 31, 2021	<u><u>607,140</u></u>	<u><u>657,317</u></u>	<u><u>1,264,457</u></u>

During the period ended December 31, 2021, convertible bonds with a nominal value of USD201,200,000 (equivalent to RMB1,282,791,000) (December 31, 2020: Nil) have been converted to 22,021,000 shares (December 31, 2020: Nil) of the Company by the bond holders, as a result, the debt component of the convertible bonds of RMB1,223,678,000 (December 31, 2020: Nil) and the embedded derivative component of the convertible bonds of RMB1,890,633,000 (December 31, 2020: Nil) have been transferred to equity upon the conversion.

No redemption of the Convertible Bonds has occurred up to December 31, 2021.

As at December 31, 2021, the derivative component was measured at fair value with reference to valuation report issued by the third-party evaluation agency. And the changes in fair value are recognised in profit or loss during the year.

18. FINANCIAL LIABILITIES AT FVTPL

	31/12/2021 <i>RMB'000</i>	31/12/2020 <i>RMB'000</i>
Current liability		
Contingent consideration	<u>—</u>	<u>16,508</u>

19. DERIVATIVE FINANCIAL INSTRUMENTS

	31/12/2021 <i>RMB'000</i>	31/12/2020 <i>RMB'000</i>
Current assets		
<i>Derivatives under hedge accounting</i>		
Cash flow hedges-Foreign currency forward contracts	216,468	512,916
Cash flow hedges-Foreign currency collar option contracts	<u>12,674</u>	<u>49,908</u>
	<u>229,142</u>	<u>562,824</u>
Current liabilities		
<i>Derivatives under hedge accounting</i>		
Cash flow hedges-Foreign currency forward contracts	3,652	147
Interest hedges-Interest rate swap contracts	<u>—</u>	<u>712</u>
	<u>3,652</u>	<u>859</u>

Derivatives under hedge accounting

It is the policy of the Group to enter into forward foreign exchange contracts and collar option contracts to manage its foreign exchange rate risk arising from anticipated future foreign currency transactions up to 12 months, in particular, the exchange rate between USD and RMB, which are designated into cash flow hedges.

	Average strike rate as at December 31, 2021	Notional value as at December 31, 2021 <i>USD'000</i>	Fair value assets as at December 31, 2021 <i>RMB'000</i>
Sell USD			
Less than 3 months	6.5716	469,000	78,689
3 to 6 months	6.4965	533,000	36,756
6 to 12 months	6.5569	1,266,000	101,023

	Average strike rate as at December 31, 2021	Notional value as at December 31, 2021 <i>USD'000</i>	Fair value liabilities as at December 31, 2021 <i>RMB'000</i>
Sell USD			
Less than 3 months	6.3939	49,300	156
3 to 6 months	6.3833	187,000	3,469
6 to 12 months	6.5175	183,000	27

	Average strike rate 1* as at December 31, 2021	Average strike rate 2* as at December 31, 2021	Notional value as at December 31, 2021 <i>USD'000</i>	Fair value assets as at December 31, 2021 <i>RMB'000</i>
Collar Options				

Sell USD				
Less than 3 months	6.5500	6.7200	76,000	12,674

- * the Group has the right but not the obligation to sell USD and buy RMB at strike rate 1 if the spot rate on the settlement date is at or below the strike rate 1 or no transaction if the spot rate on the settlement date is between the strike rate 1 and the strike rate 2 or the Group has the obligation to sell USD and buy RMB at strike rate 2 if the spot rate on the settlement date is at or above the strike rate 2.

Year ended December 31, 2021			
	Fair value change of derivative financial instruments recognised in other comprehensive income RMB'000	Reclassification from other comprehensive income into profit or loss RMB'000	Profit or loss items
Cash flow hedges			
Anticipated future sales	482,597	(830,277)	Revenue
Anticipated borrowings repayment	—	753	Finance costs
	<u>482,597</u>	<u>(829,524)</u>	

As at December 31, 2021, the aggregate amount of gain under foreign exchange forward contracts and collar option contracts accumulated in cash flow hedging reserve relating to the exposure on anticipated future sales transactions denominated in USD is RMB225,966,000. It is anticipated that the sales will take place within next 12 months at which time the amount recognised in other comprehensive income will be reclassified to profit or loss.

The Group entered into interest rate swaps to mitigate its interest rate risk in the year of 2020. Under the interest rate swaps, the Group agrees with other third party to exchange the floating interest payments in USD for fixed interest rate at 0.54% and 0.62% per annum in USD. As at December 31, 2021, the interest rate swaps has terminated and the amount recognised in other comprehensive income has been reclassified to profit or loss in the same periods during which the hedged cash flows affect profits or loss.

At the inception of above hedging relationships, the Group formally designates and documents the hedge relationship, risk management objective and strategy for undertaking the hedge. The cash flow hedge mentioned above were assessed to be highly effective.

20. SHARE CAPITAL

Share Capital

	<i>RMB'000</i>
Ordinary shares of RMB1.00 each At December 31, 2019 and January 1, 2020	1,651,127
Share premium transferred to share capital (<i>Note</i>)	660,451
Issue of H shares under the placement	68,205
Non-public issuance of A shares	62,690
Issue of restricted A shares under the 2019 WuXi AppTec A Share Incentive Scheme	383
Issue of A shares under 2018 WuXi AppTec A Share Incentive Scheme-Reserved Options	63
Repurchase and cancellation of restricted A shares	(1,234)
At December 31, 2020 and January 1, 2021	2,441,685
Share premium transferred to share capital (<i>Note</i>)	490,127
Conversion of convertible bonds	22,021
Issue of restricted A shares under the 2019 WuXi AppTec A Share Incentive Scheme	2,531
Issue of A shares under 2018 WuXi AppTec A Share Incentive Scheme-Reserved Options	154
Repurchase and cancellation of restricted A shares	(691)
At December 31, 2021	<u>2,955,827</u>

Note:

Pursuant to the written resolutions of the shareholders of the Company passed on May 13, 2021, 2 new shares for every 10 existing shares of the Company were issued out of reserve to all shareholders. As a result, RMB490,126,719.00 (2020: RMB660,450,612.00) was transferred from share premium to share capital.

21. SUBSEQUENT EVENTS

The Group has the following events taken place subsequent to December 31, 2021.

Proposal of Profit Distribution Plan

Subsequent to the end of the Reporting Period, the Board proposes the 2021 Profit Distribution Plan as follows: a cash dividend of RMB5.1740 (inclusive of tax) for every 10 shares (representing an aggregate amount of RMB1,529,306,147.92 (inclusive of tax) based on the total issued shares of the Company as of the date of this announcement). In the event of change in total issued Shares of the Company before the record date for payment of the cash dividend, dividends will be distributed according to the original dividend amount per share, and the total distribution amount will be adjusted accordingly. The 2021 Profit Distribution Plan is subject to, amongst others, approval by shareholders of the Company at the forthcoming annual general meeting.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“2018 A Share Incentive Plan”	the Restricted A Shares and Stock Option Incentive Plan of 2018 adopted by the Company on August 22, 2018
“2018 Reserved Grant”	the grant of reserved interests subsequent to the initial grant under the 2018 A Share Incentive Plan
“2019 A Share Incentive Plan”	the Restricted A Shares and Stock Option Incentive Plan of 2019 adopted by the Company on September 20, 2019
“2019 Adjusted Initial Grant”	the adjusted initial grant of 13,400,273 Restricted A Shares and 5,039,904 Share Options pursuant to the 2019 A Share Incentive Plan
“2019 Initial Grant”	the initial grant of 13,657,803 Restricted A Shares and 5,292,174 Share Options upon adoption of the 2019 A Share Incentive Plan
“2019 Reserved Grant”	any grant of reserved interests subsequent to the initial grant under the 2019 A Share Incentive Plan
“2019 Share Appreciation Scheme”	the share appreciation incentive scheme adopted by the Company on September 20, 2019
“2020 AGM”	the annual general meeting of the Company held on May 13, 2021
“2020 Capitalization of Reserve”	the issuance of 2 2020 Capitalization Shares for every 10 Shares by way of capitalization of reserve under the 2020 Profit Distribution Plan
“2020 Capitalization Shares”	the new Shares to be allotted and issued under the 2020 Capitalization of Reserve by the Company
“2020 H Share Award and Trust Scheme” or “2020 Scheme”	the H Share award and trust scheme adopted by the Company in accordance with the 2020 Scheme Rules on August 31, 2020

“2020 Profit Distribution”	the proposed distribution of cash dividend of RMB3.63 for every 10 Shares (inclusive of tax) under the 2020 Profit Distribution Plan
“2020 Profit Distribution Plan”	the profit distribution plan of the Company for the year ended December 31, 2020 which includes the 2020 Capitalization of Reserve and the 2020 Profit Distribution
“2020 Scheme Rules”	the rules of the 2020 Scheme (as amended from time to time)
“2021 H Share Award and Trust Scheme” or “2021 Scheme”	the H Share award and trust scheme adopted by the Company in accordance with the 2021 Scheme Rules on August 30, 2021
“2021 Profit Distribution”	the proposed distribution of cash dividend of RMB5.1740 for every 10 Shares (inclusive of tax) under the 2021 Profit Distribution Plan
“2021 Profit Distribution Plan”	the profit distribution plan of the Company for the year ended December 31, 2021 which includes the 2021 Profit Distribution
“2021 Scheme Rules”	the rules of the 2021 Scheme (as amended from time to time)
“2021 Shareholder Alignment Incentive H Share Scheme”	the 2021 shareholder alignment incentive H Share scheme adopted by the Company in accordance with the 2021 Shareholder Alignment Incentive H Share Scheme Rules on August 30, 2021
“A Share(s)”	domestic shares of our Company, with a nominal value of RMB1.00 each, which are listed for trading on the Shanghai Stock Exchange and traded in RMB
“A Share IPO”	issuance of 104,198,556 A Shares by the Company to the public on April 13, 2018, which were listed on Shanghai Stock Exchange on May 8, 2018
“AAV”	adeno-associated virus
“AGM”	the 2021 annual general meeting to be convened by the Company

“AI”	artificial intelligence
“API”	active pharmaceutical ingredient
“Articles of Association”	the articles of association of the Company as amended from time to time
“Audit Committee”	the audit committee of the Board
“Award”	an award granted by the Board to a Selected Participant, which may vest in the form of Award Shares or the actual selling price of the Award Shares in cash, as the Board may determine in accordance with the terms of the 2020 Scheme Rules or the 2021 Scheme Rules
“Award Shares”	the H Shares granted to a Selected Participant in an Award
“BMS”	Bristol Myers Squibb
“Board”	our board of Directors
“Bonds” or “Convertible Bonds”	USD300 million zero coupon convertible bonds due 2024 convertible at the option of the holder thereof into fully paid ordinary H Shares of the Company of par value RMB1.00 each at the adjusted conversion price of HK\$66.17 per H Share
“CDMO”	Contract Development and Manufacturing Organization, a CMO that in addition to comprehensive drug manufacturing services, also provide process development and other drug development services in connection with its manufacturing services
“CG Code”	the “Corporate Governance Code” as contained in Appendix 14 to the Listing Rules
“Changzhou STA”	Changzhou STA Pharmaceutical Co., Ltd.* (常州合全藥業有限公司)
“China” or “PRC”	the People’s Republic of China, which for the purpose of this annual results announcement and for geographical reference only, excludes Hong Kong, Macau and Taiwan

“Company”, “our Company”, “WuXi AppTec”, “Group”, “our Group”, “We” “our”, “us”	WuXi AppTec Co., Ltd.* (無錫藥明康德新藥開發股份有限公司), a joint stock limited company incorporated under the laws of the PRC, the predecessor of which, WuXi AppTec Ltd. (無錫藥明康德新藥開發有限公司) (formerly known as WuXi PharmaTech Co., Ltd (無錫藥明康德組合化學有限公司)) was established under the laws of the PRC as an enterprise legal person in December 2000, the A Shares of which are listed on the Shanghai Stock Exchange (stock code: 603259) and the H shares of which are listed on the Hong Kong Stock Exchange (stock code: 02359) and if the context requires, includes its predecessor
“COVID-19”	the novel coronavirus pneumonia
“CRDMO”	Contract Research Development and Manufacturing Organization
“CRO”	Contract Research Organization
“CTDMO”	Contract Testing, Development, Manufacturing Organization
“Director(s)”	the director(s) of the Company or any one of them
“EBITDA”	Earnings before Interest, Tax, Depreciation and Amortization
“FDA”	Food and Drug Administration in the U.S.
“FVTPL”	Fair Value Through Profit or Loss
“GMP”	Good Manufacturing Practice, a quality system imposed on pharmaceutical firms to ensure that products produced meet specific requirements for identity, strength, quality and purity, and enforced by public agencies, for example the U.S. FDA
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign shares in the share capital of our Company with nominal value of RMB1.00 each, which are listed on the Stock Exchange

“HK\$” or “HKD”	Hong Kong dollars and cents, both are the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IFRS”	International Financial Reporting Standards
“Incentive Participants”	the persons to be granted restricted A Shares, share options or share appreciation rights under the 2019 Share Incentive Plan, including the Company’s Directors, senior management, mid-level management, backbone members of technicians, basic-level management and other technicians, and incentive participants under the 2019 A Share Incentive Plan
“IND”	investigational new drug
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“M&A”	mergers and acquisitions
“Model Code”	the “Model Code for Securities Transactions by Directors of Listed Issuers” as set out in Appendix 10 to the Listing Rules
“NMPA”	National Medical Products Administration
“Non-Public Issuance of A Shares”	the non-public issuance of not more than 105,000,000 A Shares by the Company to specific subscribers
“Oxgene”	Oxford Genetics Limited
“R&D”	research and development
“Reporting Period”	the year ended December 31, 2021

“Restricted A Shares”	the restricted A Shares granted by the Company under the 2018 A Share Incentive Plan and/or the 2019 Share Incentive Plan
“RMB”	Renminbi, the lawful currency of the PRC
“SAI Award”	an award granted by the Board to a SAI Selected Participant under any of the SAI Award Pools which may vest in the form of SAI Award Shares or the actual selling price of the SAI Award Shares in cash, as the Board may determine in accordance with the terms of the 2021 Shareholder Alignment Incentive H Share Scheme Rules
“SAI Award Pools”	the four (4) award pools under the 2021 Shareholder Alignment Incentive H Share Scheme with monetary values of HK\$1 billion, HK\$1.5 billion, HK\$2 billion and HK\$3 billion, respectively, which may be released upon the fulfilment of relevant release conditions for the grant of SAI Awards to the SAI Selected Participants under these award pools
“SAI Award Shares”	the H Shares granted to a SAI Selected Participant in a SAI Award granted under any of the SAI Award Pools
“SAI Selected Participant(s)”	any eligible employee who is approved for participation in the 2021 Shareholder Alignment Incentive H Share Scheme and has been granted any SAI Award under any of the SAI Award Pools in accordance with the 2021 Shareholder Alignment Incentive H Share Scheme Rules
“Selected Participant(s)”	any eligible employee who is approved for participation in the 2020 Scheme or the 2021 Scheme and has been granted any Award in accordance with the Scheme Rules or the 2021 Scheme Rules
“Share Options”	share options granted under the initial grant of the 2019 A Share Incentive Plan
“Share(s)”	ordinary shares in the capital of our Company with a nominal value of RMB1.00 each, comprising A Shares and H Shares

“Shareholder(s)”	holder(s) of Shares
“SMO”	Site Management Organization
“STA”	Shanghai SynTheAll Pharmaceutical Co., Ltd* (上海合全藥業股份有限公司)
“Stock Exchange” or “Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TESSA”	Tetracycline-Enabled Self-Silencing Adenovirus
“Trustee”	the trustee appointed by the Company for the purpose of the trusts under each of the 2020 Scheme and the 2021 Scheme, and initially, Computershare Hong Kong Trustees Limited, a company incorporated in Hong Kong and having its registered office at 46th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong
“U.S.”	the United States of America, its territories, its possession and all areas subject to its jurisdiction
“USD”	United States dollars, the lawful currency of the United States
“WIND”	WuXi IND
“WuXi ATU”	CTDMO business of the Company
“WuXi Biologics”	WuXi Biologics (Cayman) Inc. (藥明生物技術有限公司) (stock code: 2269), a company incorporated under the laws of Cayman Islands with limited liability on February 27, 2014, the shares of which were listed on the Main Board of the Stock Exchange on June 13, 2017
“WuXi Biology”	biology business of the Company
“WuXi Chemistry”	chemistry business of the Company
“WuXi DDSU”	domestic new drug discovery service unit of the Company

“Wuxi STA”	Wuxi STA Pharmaceutical Co., Ltd. (無錫合全藥業有限公司)
“WuXi Testing”	testing business of the Company
“YoY”	year-over-year
“%”	percentage

By order of the Board
WuXi AppTec Co., Ltd.*
Dr. Ge Li
Chairman

Hong Kong, March 23, 2022

As at the date of this announcement, the Board comprises Dr. Ge Li, Mr. Edward Hu, Dr. Steve Qing Yang, Mr. Zhaohui Zhang and Dr. Ning Zhao as executive Directors, Mr. Xiaomeng Tong and Dr. Yibing Wu as non-executive Directors and Dr. Jiangnan Cai, Ms. Yan Liu, Mr. Dai Feng, Dr. Hetong Lou and Mr. Xiaotong Zhang as independent non-executive Directors.

* *For identification purposes only*