



無錫藥明康德新藥開發股份有限公司
WuXi AppTec Co., Ltd.*

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

Stock Code : 2359

The cover art features a central white circle containing the text 'INTERIM REPORT 2022'. Surrounding this circle are several circular and semi-circular images: a microscopic view of cells, a hand holding a multi-well plate, a molecular structure, and a stylized network of nodes and lines. The background is a light blue gradient with abstract geometric shapes and a network of nodes and lines.

INTERIM REPORT
2022

*For identification purpose only

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

- Dr. Ge Li (李革)
(Chairman and Chief Executive Officer)
- Mr. Edward Hu (胡正國)
(Vice Chairman and Global Chief Investment Officer)
- Dr. Steve Qing Yang (楊青)
(Co-chief Executive Officer)
- Dr. Minzhang Chen (陳民章)
(Co-chief executive officer) (elected as an executive director with effect from May 6, 2022)
- Mr. Zhaohui Zhang (張朝暉)
- Dr. Ning Zhao (趙寧)

Non-executive Directors

- Mr. Xiaomeng Tong (童小幪)
- Dr. Yibing Wu (吳亦兵)

Independent Non-executive Directors

- Dr. Jiangnan Cai (蔡江南)
- Ms. Yan Liu (劉艷)
- Dr. Hetong Lou (婁賀統)
- Mr. Xiaotong Zhang (張曉彤)
- Mr. Dai Feng (馮岱)

JOINT COMPANY SECRETARIES

- Mr. Chi Yao (姚馳)
- Ms. Siu Wing Kit (蕭穎潔)
(resigned on May 25, 2022)
- Ms. Cheung Yuet Fan (張月芬)
(appointed on May 25, 2022)

AUTHORISED REPRESENTATIVES

- Mr. Edward Hu (胡正國)
- Mr. Chi Yao (姚馳)

STRATEGY COMMITTEE

- Dr. Ge Li (李革) *(Chairperson)*
- Mr. Edward Hu (胡正國)
- Mr. Xiaomeng Tong (童小幪)
- Dr. Yibing Wu (吳亦兵)
- Dr. Jiangnan Cai (蔡江南)

AUDIT COMMITTEE

- Dr. Hetong Lou (婁賀統) *(Chairperson)*
- Mr. Xiaotong Zhang (張曉彤)
- Dr. Jiangnan Cai (蔡江南)

REMUNERATION AND APPRAISAL COMMITTEE

- Ms. Yan Liu (劉艷) *(Chairperson)*
- Dr. Hetong Lou (婁賀統)
- Mr. Dai Feng (馮岱)

NOMINATION COMMITTEE

- Dr. Jiangnan Cai (蔡江南) *(Chairperson)*
- Ms. Yan Liu (劉艷)
- Dr. Ge Li (李革)

AUDITOR

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STOCK CODE

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H Share: 02359

COMPANY'S WEBSITE

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Financial Highlights

	Six months ended June 30,		Change
	2022 RMB million (except for percentages)	2021 RMB million (except for percentages)	
Operating results			
Revenue	17,756.3	10,536.6	68.5%
Gross profit	6,426.8	3,883.7	65.5%
<i>Gross profit margin</i>	36.2%	36.9%	
Net profit attributable to the owners of the Company	4,635.7	2,675.1	73.3%
<i>Margin of net profit attributable to the owners of the Company</i>	26.1%	25.4%	
Adjusted Non-IFRS net profit attributable to the owners of the Company	4,300.7	2,447.9	75.7%
<i>Margin of adjusted Non-IFRS net profit attributable to the owners of the Company</i>	24.2%	23.2%	
Earnings per share (RMB)			
— Basic	1.59	0.92	72.8%
— Diluted	1.48	0.91	62.6%
Adjusted Non-IFRS earnings per share (RMB)			
— Basic	1.47	0.84	75.0%
— Diluted	1.46	0.84	73.8%
	June 30, 2022 RMB million (except for percentages)	December 31, 2021 RMB million (except for percentages)	Change
Financial position			
Total assets	61,913.5	55,127.4	12.3%
Equity attributable to the owners of the Company	42,080.4	38,491.5	9.3%
Total liabilities	19,520.1	16,369.9	19.2%
Bank balances and cash	7,094.2	8,175.3	-13.2%
Gearing ratio	31.5%	29.7%	

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

A. Analysis on Principal Operations

During the Reporting Period, the Company continued to execute on its unique end-to-end full-service platform achieving numerous synergies and strong growth across our business segments, while grasping new business opportunities by actively engaging new long tail customers. As at June 30, 2022, our active customer base has exceeded 5,850 with about 650 new active customers added during the Reporting Period. Top 20 global pharmaceutical companies made up 44.2% of our total revenue, representing a 165% YoY growth, while long tail customers made up 55.8% of our total revenue, representing a 31% YoY growth. We continued to optimize cross-platform synergies and increased our presence globally, strengthening our unique competitive advantage as a fully integrated CRDMO and a true one-stop service provider that is able to fulfill all our clients' discovery, development and manufacturing service needs. In order to better serve our global customers, we have about 32 facility sites globally. Our revenue is well diversified across different geographic locations.

The Company continued to expand its capabilities by adding talents with unique academic and professional qualifications across all levels of the organization. As at June 30, 2022, we had 39,716 staff members, among which 11,441 staff members have a master's degree and 1,294 staff members have a doctoral degree.

- **Revenue**

For the six months ended June 30, 2022, the Company realized RMB17,756.3 million in revenue, representing a YoY growth of 68.5%. The Company has achieved a continuous quarter-over-quarter revenue growth for 17 consecutive quarters since the first quarter of 2018 to June 30, 2022 (other than the first quarter of 2020 due to the COVID-19 pandemic). For the first quarter and the second quarter of 2022, revenue grew by 32.8% and 9.5% on a quarter-over-quarter basis, respectively. Revenue from US-based clients grew by 104% to RMB11,909 million; revenue from China-based clients grew by 27% to RMB3,175 million; revenue from Europe-based clients grew by 24% to RMB1,853 million; revenue from other clients grew by 15% to RMB819 million. We continued to expand our customer base and retain existing clients. During the Reporting Period, revenue from existing clients grew by 79% to RMB17,366 million and new clients contributed RMB391 million in revenue. During the Reporting Period, revenue from top 20 global pharmaceutical companies grew by 165% to RMB7,856 million; revenue attributable to all other clients grew by 31% to RMB9,900 million. Our unique positioning across the pharmaceutical development value-chain drove our "follow-the-customer" and "follow-the-molecule" strategies and enhance synergies across our business segments. Clients using services from more than one of our business units contributed RMB15,744 million in revenue, representing a YoY growth of 82%.

Detailed breakdown of our revenue by operating segments is as follows:

Operating Segments	Six months ended June 30,		Revenue Change
	2022 Revenue RMB million	2021 Revenue RMB million	
WuXi Chemistry	12,974.1	6,425.8	101.9%
WuXi Testing	2,605.0	2,107.2	23.6%
WuXi Biology	1,090.7	920.2	18.5%
WuXi ATU	615.4	453.4	35.7%
WuXi DDSU	455.1	620.7	-26.7%
Other	16.0	9.2	74.3%
Total	17,756.3	10,536.6	68.5%

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

(1) WuXi Chemistry

Our chemistry business realized revenue of RMB12,974.1 million in the first half of 2022, representing a YoY growth of 101.9% as compared to the revenue of RMB6,425.8 million in the same period of 2021. Revenue from small molecule drug discovery (R) services amounted to RMB3,503.7 million, representing a YoY growth of 36.5%, and revenue from process D&M services amounted to RMB9,470.4 million, representing a YoY growth of 145.4%. Excluding the COVID-19 commercialization projects, revenue from chemistry business recorded a YoY growth of 36.8%. We fully leveraged our technological advantage in process development and pushed forward the strategy of “follow-the-molecule”. In relation to small molecule drug discovery (R) services, we completed the synthesis of more than 180,000 custom synthesized compounds in the first half of 2022, 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 based on our “follow-the-customer” and “follow-the-molecule” strategies, we are able to seek opportunities for new projects from late clinical stage to the commercialization stage, facilitating sustainable and rapid growth in revenue from our CRDMO services. The Company continuously implements the long-tail customer strategy and has recorded robust growth in long-tail customers. During the Reporting Period, we added 473 molecules to the chemistry process D&M pipeline. As at the end of the first half of 2022, our chemistry services involved 2,010 new drug molecules, including 52 in Phase III, 288 in Phase II, 1,627 in Phase I and preclinical stage and 43 drug approvals. In terms of D&M services of new modalities, the number of oligonucleotide and peptide D&M customers under our chemistry business sector was 98, representing a YoY growth of 123%. The number of oligonucleotide and peptide D&M molecules was 142, representing a YoY growth of 63%. Revenue from oligonucleotide and peptide D&M reached RMB705 million. Capacity expansion of WuXi Chemistry continued to accelerate in the first half of 2022 to meet demands. In June 2022, we announced the opening

of another high-potency API plant at our Changzhou site. The new plant will meet growing demand for high-potency API process R&D and manufacturing services. In July 2022, we announced the opening of a new large-scale oligonucleotide and peptide manufacturing facility at our Changzhou campus. The new facility underscores our ongoing commitment to enhancing our capacity and capability to meet the fast-growing customer needs for oligonucleotide and peptide therapeutics development and manufacturing worldwide. In addition, we opened a continuous manufacturing (**flow chemistry**) plant at our Changzhou campus for large-scale API and advanced intermediate production. This new expansion marks our ongoing effort to enhance our flow chemistry platform in response to increasing customer demand for scalable and sustainable pharmaceutical manufacturing.

(2) *WuXi Testing*

Our testing business realized revenue of RMB2,605.0 million in the first half of 2022, representing a YoY growth of 23.6% as compared to the revenue of RMB2,107.2 million in the same period of 2021. Revenue from lab analysis and testing services amounted to RMB1,890.0 million, representing a YoY growth of 34.6%, and revenue from clinical CRO and SMO amounted to RMB715.1 million, representing a YoY growth of 1.7%. We provide a full range of laboratory testing services to our customers, including drug metabolism and pharmacokinetics (DMPK), toxicology, and bioanalysis for drug development testing as well as medical device 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 the first half of 2022, 72 service contracts were signed through the WIND service platform. In respect of drug safety evaluation business, revenue maintained significant growth momentum as compared to the same period of 2021 and realized a YoY growth of 53% during the Reporting Period. We maintained and expanded our industry-leading position in Asia for drug safety evaluation services that meet the highest global regulatory requirements. Testing services for medical devices recovered significantly and recorded a YoY growth of 31% during the Reporting Period. In respect of clinical CRO services, in the first half of 2022, the Company provided clinical testing and development services to around 170 projects and assisted customers in obtaining 10 IND approvals. For clinical SMO services, the Company continued its rapid expansion. As at the end of the first half of 2022, the SMO team had more than 4,600 staff, representing a YoY growth of 16%, across over 1,000 hospitals in approximately 150 cities in China. In the first half of 2022, SMO supported 16 new drugs approval.

(3) *WuXi Biology*

Our biology business realized revenue of RMB1,090.7 million in the first half of 2022, representing a YoY growth of 18.5% as compared to the revenue of RMB920.2 million in the same period of 2021. The Company has the largest discovery biology enabling platform, with more than 2,500 experienced scientists who provide comprehensive biology services and solutions covering all stages and therapeutic areas of drug R&D. The Company has established three centers of excellence for non-alcoholic steatohepatitis (NASH), anti-viral, neuroscience and aging. The Company has a leading DNA Encoded Library (DEL) and hit compound generation platform, providing service for more than 1,200 customers globally. We leverage our global network across Asia, Europe and North America to develop and use new technologies such as One-Bead-One-Compound (OBOC) to drive growth and maintain business continuity. The Company continues to build new biology capabilities related to new modalities, including target protein degradation, nucleic acid based and conjugated modalities, vector platforms, and novel drug delivery vehicles. In the first half of 2022, revenue from new modalities and large molecules grew by 67%, and its revenue contribution rose to 19.0% in the first half of 2022, from 14.6% in 2021, suggesting that new modalities-related biology services have become an increasingly important growth driver.

(4) *WuXi ATU*

Our cell and gene therapy CTDMO business realized revenue of RMB615.4 million in the first half of 2022, representing a YoY increase of 35.7% as compared to the revenue of RMB453.4 million in the same period of 2021. The Company further strengthened the capabilities in product testing, process development and production of cell and gene therapy products. It provided development and production services for 67 projects, including 51 clinical testing projects in preclinical and Phase I, 9 clinical testing projects in Phase II, and 7 clinical testing projects in Phase III (4 projects are in biological license application (BLA) preparation stage). The Company announced the launch of Tetracycline-Enabled Self-Silencing Adenovirus (TESSA™) in March 2022. TESSA™ technology is a revolutionary and novel process for transfection-free, scalable manufacturing of adeno-associated virus (AAV). Process has now been scaled to 200L that produces more than 10 times AAV products compared to traditional plasmid-based manufacture. As at June 30, 2022, we had 30 TESSA™ evaluation projects by customers.

(5) *WuXi DDSU*

Our domestic new drug discovery services business realized revenue of RMB455.1 million in the first half of 2022, representing a YoY decrease of 26.7% as compared to RMB620.7 million in the same period of 2021. The revenue decline was mainly attributed to business evolution that aim to better serve the growing needs of clients in China for novel and innovative products, which will take longer to deliver INDs. In the first half of 2022, the Company helped customers complete IND filing process for 9 projects and obtained 19 clinical trial approvals. As at the end of the first half of 2022, the Company had completed IND filings for 153 projects and obtained clinical trial approvals for 129 projects. In addition, new drug application (NDA) for 1 project was in progress, and there were 5 projects, 18 projects and 77 projects in Phase III, Phase II and Phase I clinical trials, respectively. 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. We are now putting our efforts towards the discovery of potential best-in-class molecules and new modalities molecules for customers. In the first half of 2022, we worked for customers on 15 pre-clinical projects in new modalities that include Peptide/Peptide-Drug-Conjugation (PDC), protein degraders and oligonucleotides. Several of these projects are expected to file an IND in late 2022 or early 2023.

- **Explanatory matters**

After Shanghai experienced an Omicron outbreak in the second quarter of 2022, we effectively implemented our business continuity plan and leveraged our global capacities and comprehensive capabilities to ensure the health of our employees and continue our business operations. Since June 2022, we have resumed operations of our facilities in Shanghai, and continue to meet project delivery timelines and capture new business opportunities. We have increased our revenue growth target for the full year of 2022 to the range of 68–72% from 65–70% year-over-year, and we are confident to deliver strong growth in 2022 and beyond.

The abovementioned operating performance forecast for the full year of 2022 is made based on the current order backlog of the Company. 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. Further, such operating performance forecast does not constitute a profit forecast by the management of the Company for the full year of 2022 nor a substantive undertaking by the Company to investors. Its realization is subject to various factors including but not limited to changes in internal and external environment, where greater uncertainty exists.

- **Gross Profit**

	Six months ended June 30,				
	2022		2021		Gross Profit Change
	Gross Profit RMB million	Gross Profit margin	Gross Profit RMB million	Gross Profit Margin	
WuXi Chemistry	5,072.4	39.1%	2,629.4	40.9%	92.9%
WuXi Testing	871.2	33.4%	673.2	31.9%	29.4%
WuXi Biology	416.6	38.2%	308.2	33.5%	35.2%
WuXi ATU	-57.7	-9.4%	-14.5	-3.2%	298.1%
WuXi DDSU	116.2	25.5%	284.5	45.8%	-59.2%
Gross profit of core business	6,418.6	36.2%	3,880.7	36.9%	65.4%
Gross profit of other business	8.2	51.4%	3.0	32.8%	173.1%
Comprehensive gross profit	6,426.8	36.2%	3,883.7	36.9%	65.5%

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

For the six months ended June 30, 2022, the Company realized RMB6,426.8 million in gross profit, representing a YoY growth of 65.5%. Gross profit margin was 36.2%, representing a decrease of 0.7 percentage points as compared with the same period of 2021.

(1) *WuXi Chemistry*

During the Reporting Period, the gross profit was RMB5,072.4 million and the gross profit margin dropped by 1.8 percentage points, mainly due to the significant decrease in the hedging contracted exchange rate (USD against RMB) in the Reporting Period when compared with the same period in 2021.

(2) *WuXi Testing*

During the Reporting Period, the gross profit was RMB871.2 million and the gross profit margin increased by 1.5 percentage points. However, it was partially offset by the unfavorable impact of the Omicron outbreak in the second quarter on clinical CRO and SMO business.

(3) *WuXi Biology*

During the Reporting Period, the gross profit was RMB416.6 million and the gross profit margin increased by 4.7 percentage points, mainly due to the fluctuation in gross profit of projects delivered during various periods.

(4) *WuXi ATU*

During the Reporting Period, the gross profit was RMB(57.7) million and the gross profit margin dropped by 6.2 percentage points, mainly due to under-utilized capacities of the newly built Shanghai Lingang site.

(5) *WuXi DDSU*

During the Reporting Period, the gross profit was RMB116.2 million and the gross profit margin dropped by 20.3 percentage points, mainly due to the decrease of revenue resulted from business evolution.

- **Other Income**

Other income increased from RMB206.1 million for the six months ended June 30, 2021 to RMB240.5 million for the six months ended June 30, 2022, representing a YoY growth of 16.7%. The increase in other income was primarily due to: (1) increase in R&D grants of RMB46.6 million; and (2) increase in dividend income arising from financial assets at FVTPL of RMB9.6 million; offset by (3) decrease in interest income of RMB21.8 million.

- **Other Gains and Losses**

Other gains and losses increased from RMB740.6 million for the six months ended June 30, 2021 to RMB1,389.9 million for the six months ended June 30, 2022, representing a YoY growth of 87.7%. The increase in other gains and losses was primarily due to: (1) a turn-around from loss to gain of RMB1,768.7 million in derivate financial instruments, which mainly resulted from fair value changes of the derivative component of the Convertible Bonds; (2) a turn-around from loss to gain of RMB284.8 million in net foreign exchange; (3) increase in fair value gain of biological assets of RMB245.7 million; (4) gain resulting from transfer of an investment in a subsidiary to financial assets at FVTPL of RMB125.4 million; (5) net increase in other individually insignificant items of RMB23.3 million; and partially offset by (6) decrease in gain from investment portfolios of RMB1,798.5 million.

- **Administrative Expenses**

Administrative expenses increased from RMB995.3 million for the six months ended June 30, 2021 to RMB1,307.8 million for the six months ended June 30, 2022, representing a YoY growth of 31.4%. The increase in administrative expenses was primarily due to increase in staff members leading to the increase in personnel and operation costs.

- **R&D Expenses**

R&D expenses of the Company increased from RMB404.4 million for the six months ended June 30, 2021 to RMB657.2 million for the six months ended June 30, 2022, representing a YoY growth of 62.5%. During the Reporting Period, the Company continued to invest substantially in further improving service capabilities for new molecule types, such as PROTAC, oligonucleotide, peptide, antibody-drug conjugate (ADC), bi-specific antibody, cell and gene therapies.

- **Share of Results of Associates**

Share of results of associates decreased from gains of RMB217.3 million for the six months ended June 30, 2021 to losses of RMB70.8 million for the six months ended June 30, 2022. The turnaround from gains to losses was primarily due to: (1) a turnaround of equity pick-up from gain to loss of WuXi Healthcare Ventures II L.P., leading to a decrease of RMB324.4 million; partially offset by (2) increase in equity pick-up gain of RMB36.3 million from WuXi XDC Cayman Inc. and other associates.

- **Share of Results of Joint Ventures**

Share of results of joint ventures increased from losses of RMB22.3 million for the six months ended June 30, 2021 to gains of RMB1.4 million for the six months ended June 30, 2022. The turnaround from losses to gains was primarily due to performance improvement at the joint ventures during the Reporting Period.

- **Income Tax Expenses**

Income tax expenses increased from RMB487.7 million for the six months ended June 30, 2021 to RMB865.2 million for the six months ended June 30, 2022, representing a YoY growth of 77.4%. The increase in income tax expenses was primarily due to the increase in assessable profit of subsidiaries along with the rise of performance results.

- **Profit for the Period**

Profit for the Reporting Period increased from RMB2,692.2 million for the six months ended June 30, 2021 to RMB4,675.7 million for the six months ended June 30, 2022, representing a YoY increase of 73.7%. Net profit margin increased from 25.6% to 26.3% primarily due to strong revenue growth leading to profit increase during the Reporting Period.

- **Cash Flows**

	Six months ended June 30,		Change
	2022	2021	
	RMB million	RMB million	
Net cash from operating activities	3,767.9	2,063.5	82.6%
Net cash used in investing activities	(3,770.1)	(2,486.0)	51.7%
Net cash (used in) from financing activities	(1,137.6)	62.8	N.A.

For the six months ended June 30, 2022, net cash flows from operating activities of the Company amounted to RMB3,767.9 million, representing an increase of 82.6% over the six months ended June 30, 2021. The increase was primarily due to the strong growth of revenue and continuous improvement on operating processes, leading to a higher turnover efficiency of working capital.

For the six months ended June 30, 2022, net cash flows used in investing activities of the Company amounted to RMB3,770.1 million, representing an increase of 51.7% over the six months ended June 30, 2021. The increase was primarily due to increasing capital investments in constructions in Taixing, Wuhan, Changzhou and Changshu sites, as well as capital injection to associates during the Reporting Period.

For the six months ended June 30, 2022, net cash flows used in financing activities of the Company amounted to RMB1,137.6 million, compared to the net cash from financing activities of RMB62.8 million for the six months ended June 30, 2021. The turnaround was primarily due to the decrease in net cash inflow from short-term loan financing, and the distribution of 2021 cash dividend during the Reporting Period which was much greater in amount than the cash dividend of the same period in 2021.

- **Indebtedness**

As at June 30, 2022, total liabilities of the Company amounted to RMB19,520.1 million (December 31, 2021: RMB16,369.9 million), the composition of which was 43.7% being trade and other payables, 16.6% being contract liabilities, 14.7% being bank borrowings, 6.3% being lease liabilities and 5.4% being Convertible Bonds.

- (1) *Borrowings*

As at June 30, 2022, the Company had aggregated borrowings of RMB2,870.9 million and the whole amount will be due within one year. Floating interest rate borrowings amounted to RMB100.7 million and fixed interest rate borrowings amounted to RMB2,770.2 million. USD borrowings amounted to RMB2,281.9 million (equivalent to USD340.0 million) and RMB borrowings amounted to RMB589.0 million.

- (2) *Charges on Assets*

As at June 30, 2022, the Company pledged bank deposits with an amount of RMB0.4 million, which decreased by 99.4% from RMB63.4 million as at December 31, 2021. The balance mainly represented deposits placed in banks as collateral for banks to issue letters of guarantee for the Group's raw material purchasing and domestic construction projects.

- (3) *Contingent Liabilities*

As at June 30, 2022, the Company has no significant contingent liabilities.

- (4) *Gearing Ratio*

As at June 30, 2022, the gearing ratio, calculated as total liabilities over total assets, was 31.5%, as compared with 29.7% as at December 31, 2021. The slight increase was primarily due to increase in trade related payables and borrowings for supporting performance achievement and capacity expansion.

- **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 Convertible Bonds and new Shares to satisfy its operational and investment needs.

Certain entities in the Group have sales and purchases 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 USD. 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 condensed 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.

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

	Six months ended June 30,	
	2022	2021
	RMB million	RMB million
	(except for	(except for
	percentages)	percentages)
Profit before tax	5,540.9	3,179.9
Add:		
Interest expense	66.5	68.9
Depreciation and amortization	875.8	693.6
EBITDA	6,483.1	3,942.4
<i>EBITDA margin</i>	36.5%	37.4%
Add:		
Share-based compensation expenses	430.9	375.0
Issuance expenses of Convertible Bonds	1.1	2.4
Fair value (gain) loss from derivative component of Convertible Bonds	(274.5)	1,493.3
Foreign exchange related (gains) losses	(206.6)	79.0
Realized and unrealized gains from venture capital investments	(355.1)	(2,266.0)
Realized and unrealized share of (gains) losses from joint ventures	(1.4)	22.3
Adjusted EBITDA	6,077.5	3,648.5
<i>Adjusted EBITDA margin</i>	34.2%	34.6%

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

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

	Six months ended June 30,	
	2022	2021
	RMB million	<i>RMB million</i>
Profit attributable to the owners of the Company	4,635.7	2,675.1
Add:		
Share-based compensation expenses	360.0	310.6
Issuance expenses of Convertible Bonds	0.9	1.8
Fair value (gain) loss from derivative component of Convertible Bonds	(274.5)	1,439.3
Foreign exchange related (gains) losses	(158.5)	66.8
Amortization of acquired intangible assets from merge and acquisition	28.7	26.2
Non-IFRS net profit attributable to the owners the Company	4,592.2	4,573.8
Add:		
Realized and unrealized gains from venture capital investments	(290.1)	(2,148.2)
Realized and unrealized share of (gains) losses from joint ventures	(1.4)	22.3
Adjusted non-IFRS net profit attributable to the owners of the Company	4,300.7	2,447.9

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

C. Assets and Liabilities Analysis

In RMB million

Items	Amount as at June 30, 2022	Percentage of the amount to the total assets as at June 30, 2022 (%)	Amount as at December 31, 2021	Percentage of the amount to the total assets as at December 31, 2021 (%)	Ratio of change for the amount as at June 30, 2022 as compared with the amount as at December 31, 2021 (%)	Reasons
Assets						
Biological assets (non-current)	956.9	1.5	733.5	1.3	30.4	Primarily due to the increase in quantities and fair value change of biological assets during the Reporting Period.
Interests in associates	1,078.1	1.7	619.4	1.1	74.1	Primarily due to the investment in WuXi XDC Cayman Inc. during the Reporting Period.
Amounts due from related parties	71.8	0.1	343.3	0.6	-79.1	Primarily due to collection of receivables from the sales of small molecule payload and linker business and relevant assets in Changzhou STA.
Trade and other receivables	7,767.1	12.5	5,968.5	10.8	30.1	Primarily due to the expansion of business and revenue growth during the Reporting Period.
Financial assets at FVTPL (Current)	40.6	0.1	527.3	1.0	-92.3	Primarily due to redemption of structured deposits during the Reporting Period.
Derivative financial instruments	13.2	0.0	229.1	0.4	-94.2	Primarily due to the settlement and fair value change of forward foreign exchange contracts.
Pledged bank deposits	0.4	0.0	63.4	0.1	-99.4	Primarily due to payment to employees for settling the vested and sold shares related to share-based compensations.
Other current assets	545.4	0.9	—	—	100	Primarily due to the reclassification of certificates of deposits due in one year.
Liabilities						
Derivative financial instruments	467.6	0.8	3.7	0.0	12,702.9	Primarily due to the fair value change of forward foreign exchange contracts.
Income tax payables	665.2	1.1	459.3	0.8	44.8	Primarily due to the increase of assessable income of subsidiaries during the Reporting Period.

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 June 30, 2022, the balance of current-financial assets at FVTPL amounted to RMB40.6 million, representing 0.07% of our total assets. Products associated of the investment balance have a maturity date within 90 days to 180 days. As at the end of the Reporting Period, the Group invested in 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.

Investment in companies

As part of our efforts to foster the healthcare 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 RMB529.4 million. The Company continues to make additional investment in joint ventures and associates, so as to strengthen the Company's synergy and promote the development of core business, access a broader customer base and enhance service capabilities.

During the Reporting Period, addition in other equities aside from joint ventures and associates amounted to a total of RMB359.3 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	2,110.8	832.0	5,771.4	8,714.1
Addition <i>(Note 1)</i>	20.1	115.9	223.3	359.3
Fair value change during the Reporting Period	(642.4)	(10.3)	802.4	149.7
Disposals of shares	(32.6)	(0.9)	(128.8)	(162.3)
Dividend	—	(16.5)	—	(16.5)
Foreign exchange effect	51.7	27.6	220.7	300.0
Ending Balance	1,507.6	947.8	6,888.9	9,344.3

Note 1: The addition amount includes fair value of interest retained after deemed disposal of Suzhou Yao Ming Bo Rui Biotechnology Co., Ltd. ("**Borui Biotech**"). During the Reporting Period, the Group lost its control on Borui Biotech and evaluated that Borui Biotech was no longer its subsidiary. As at June 30, 2022, the investment was transferred to financial assets at FVTPL with amount of RMB167.1 million.

Note 2: The discrepancies between the total and sums of amounts in the table above are due to rounding.

We primarily invest using self-owned funds through our venture capital arm, WuXi PharmaTech Healthcare Fund I L.P., which plays a significant role in contributing to the ecosystem. The following are some of our major investments across several different areas in the healthcare industry as at June 30, 2022.

Genesis Medtech Group Limited ("Genesis**")**

Genesis provides high-quality research, production and sales services on medical device. As at June 30, 2022, the fair value of the equity interests held by our Group in Genesis amounted to RMB1,510.4 million (representing 2.4% 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 June 30, 2022, Genesis has over 1,600 employees and covers 1,500 hospitals, of which more than 50% are Class III Grade A hospitals in China.

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. As at June 30, 2022, the fair value of the equity interests held by our Group in NanoMicro amounted to RMB521.4 million (representing 0.8% 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 at June 30, 2022, the fair value of equity interests held by our Group in iKang amounted to RMB447.7 million (representing 0.7% 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 at June 30, 2022, 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. As at June 30, 2022, the fair value of the equity interests held by our Group in Lyell amounted to RMB358.0 million (representing 0.6% of our total assets).

Lyell brings together a leading scientific R&D 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.

Jiangsu Hanbon Science and Technology Co., Ltd. (“Hanbon”)

Hanbon, a national key high-tech enterprise focusing on the chromatography-related products, contributes on providing professional chromatographic technology products and services. As at June 30, 2022, the fair value of the equity interests held by our Group in Hanbon amounted to RMB273.0 million (representing 0.4% of our total assets).

Hanbon provides customers with the design and implementation of the overall solution centered on chromatographic separation and purification process. The overall solution covers different stages of product process development, pilot scale-up and industrial production line implementation. The services provided include sample processing system, chromatographic purification system (high, medium and low pressure), solvent recovery and auto-control of the whole system, design of public works, equipment selection, supply, installation and pipeline construction of the corresponding production line.

Significant Investment Held

As at June 30, 2022, 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 interim report, 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, 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 through leading advantages in the industry based on latest scientific and technological discoveries

The Company is committed to leveraging latest scientific and technological discoveries to enable medical innovation in an effort to assist its customer in transforming new drug ideas into reality. With its leading service capability and scale in the industry, the Company has established an entry barrier which can hardly be replicated by its competitors, enabling the Company 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 breakthroughs of new technologies, new mechanisms and new molecular types, the global and China medical industry has developed rapidly. Looking forward, the Company will continue to increase its investment in the service capabilities of new molecular types, such as PROTAC, oligonucleotide, peptide, antibody-drug conjugate (“**ADC**”), bi-specific antibody, cell and gene therapies, to capture new business opportunities and enable global medical innovation.

Moreover, through exploring technologies such as artificial intelligence, medical big data and laboratory automation, the Company strives to apply them in R&D of new drugs as early as possible to help its customers increase their R&D efficiency and minimize the entry barrier of pharmaceutical R&D. Leveraging its deep insights into industrial trends and emerging technologies, the Company enables its customers to understand and study 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 overseas 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, we strive to provide more premium and comprehensive services to our customers.

We continue to increase our capacities and enhance capabilities across all segments and facilities globally. In April 2022, WuXi Advanced Therapies (WuXi ATU), a wholly owned subsidiary of the Company, and A*STAR's Bioprocessing Technology Institute, announced a new partnership to bring WuXi Advanced Therapies (WuXi ATU)'s proprietary TESSA™ technology to the Asia-Pacific region. This partnership aims to foster scientific innovation in cell and gene therapy, and establish a joint professional development programme to train and develop the next generation of scientists and engineers in GMP manufacturing for the cell and gene therapy industry. In June 2022, we announced the opening of another high-potency API plant at our Changzhou site. The new plant will meet growing demand for high-potency API process R&D and manufacturing services. In July 2022, we announced the opening of a new large-scale oligonucleotide and peptide manufacturing facility at our Changzhou campus. The new facility underscores our ongoing commitment to enhancing our capacity and capability to meet the fast-growing customer needs for oligonucleotide and peptide therapeutics development and manufacturing worldwide. In addition, we opened a continuous manufacturing (**flow chemistry**) plant at our Changzhou campus for large-scale API and advanced intermediate production. This new expansion marks our ongoing effort to enhance our flow chemistry platform in response to increasing customer demand for safe and sustainable pharmaceutical manufacturing.

(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 650 new customers and provided services to more than 5,850 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 44.2% 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.

As the global pandemic continued unabated, the Company tightened its online communication and cooperation with its global customers during the pandemic lockdown where they stayed at home and facilitated the advancement of its new drug R&D programs. In the first half of 2022, the Company organized 5 online activities, including WuXi Global Forum, WuXi Healthy Aging Forum, WuXi Healthy Industry Forum, rare disease non-profit concerts, rare disease non-profit series forums and others, where over 120 industry KOLs, and over 50 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. A total of over 19,000 people have registered for the online forums of the Company.

(5) Experienced management team with vision and ambition

We have an excellent management team with global vision and strategic industrial 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) 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, 2022, the Board resolved to approve the resolutions in relation to the fulfilment of the conditions for the unlocking of the Restricted A Shares granted under 2018 Reserved Grant for the second unlocking period. As a result, a total of 15 incentive participants have satisfied the conditions for unlocking the Restricted A Shares granted under the 2018 Reserved Grant for the second unlocking period and a total of 166,567 Restricted A Shares were unlocked, representing approximately 0.0056% of the then total issued share capital of the Company and approximately 0.0065% of the then total number of issued A Shares of the Company, respectively. The listing of and trading in the aforementioned Restricted A Shares to be unlocked commenced on May 9, 2022. Please refer to the relevant announcement of the Company dated April 28, 2022 for further details.

On April 28, 2022, the Board resolved to approve the resolution in relation to the fulfilment of the conditions for unlocking the Restricted A Shares granted under the 2018 Initial Grant for the third unlocking period. As a result, a total of 1,162 incentive participants have satisfied the conditions for unlocking the Restricted A Shares granted under the 2018 Initial Grant for the third unlocking period and a total of 3,786,121 Restricted A Shares were unlocked, representing approximately 0.1281% of the then total issued share capital of the Company and approximately 0.1477% of the then total number of issued A Shares of the Company, respectively. The listing of and trading in the aforementioned Restricted A Shares to be unlocked commenced on May 12, 2022. Please refer to the relevant announcement of the Company dated May 5, 2022 for further details.

2019 A Share Incentive Plan

On February 23, 2022, the Board resolved to approve the resolution in relation to the fulfilment of the conditions for unlocking the Restricted A Shares granted under the special grant of the 2019 A Share Incentive Plan (“**2019 Special Grant**”) for the second unlocking period. As a result, 1 incentive participant has satisfied the conditions for unlocking the Restricted A Shares granted under the 2019 Special Grant for the second unlocking period and a total of 41,812 Restricted A Shares were unlocked, representing approximately 0.0014% of the then total issued share capital of the Company and approximately 0.0016% of the then total number of issued A Shares of the Company, respectively. The listing of and trading in the aforementioned Restricted A Shares to be unlocked commenced on March 1, 2022. Please refer to the relevant announcement of the Company dated February 23, 2022 for further details.

On March 17, 2022, the Board resolved to approve the resolution in relation to the fulfilment of the conditions for unlocking the Restricted A Shares granted under the 2019 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 2019 Reserved Grant for the first unlocking period and a total of 175,891 Restricted A Shares were unlocked, representing approximately 0.0060% of the then total issued share capital of the Company and approximately 0.0069% of the then total number of issued A Shares of the Company, respectively. The listing of and trading in the aforementioned Restricted A Shares to be unlocked commenced on March 23, 2022. Please refer to the relevant announcement of the Company dated March 17, 2022.

On June 27, 2022, the Board resolved to approve the resolution in relation to the fulfilment of the conditions for unlocking the Restricted A Shares granted under the 2019 Adjusted Initial Grant for the second unlocking period. As a result, a total of 1,800 incentive participants have satisfied the conditions for unlocking the Restricted A Shares granted under the 2019 Adjusted Initial Grant for the second unlocking period and a total of 5,916,743 Restricted A Shares were unlocked, representing approximately 0.2001% of the then total issued share capital of the Company and approximately 0.2307% of the then total number of issued A Shares of the Company, respectively. The listing of and trading in the aforementioned Restricted A Shares to be unlocked commenced on July 1, 2022. Please refer to the relevant announcement of the Company dated June 27, 2022 for further details.

(2) Exercise of Share Options granted under the 2019 Adjusted Initial Grant for the first and second vesting periods

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.

Following the fulfillment of the exercise conditions for the second vesting period of the Share Options granted under the 2019 Adjusted Initial Grant, the second vesting period of the Share Options granted under the 2019 Adjusted Initial Grant shall be from June 16, 2022 to May 25, 2023. The number of Share Options which will become vested to the 334 incentive participants during the second vesting period shall be 1,905,840 units at the exercise price of RMB38.62 per unit. Please refer to the relevant announcement of the Company dated June 10, 2022 for further details.

As at June 30, 2022, 375 incentive participants have exercised an aggregate 2,864,656 units of Share Options granted under the 2019 Adjusted Initial Grant for the first vesting period and 175 incentive participants have exercised an aggregate 780,104 units of Share Options granted under the 2019 Adjusted Initial Grant for the second 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 3, 2022 for further details.

(3) 2021 Profit Distribution Plan

On May 6, 2022, the 2021 Profit Distribution Plan of the Company was approved at the 2021 AGM. Pursuant to the 2021 Profit Distribution Plan, the Company will pay a cash dividend of RMB5.1740 (inclusive of tax) for every 10 Shares to the Shareholders whose names appear on the register of members of the Company on June 8, 2022. Please refer to the circular of the Company dated March 31, 2022 and the relevant announcement of the Company dated May 6, 2022 for further details.

(4) Adjustment to the repurchase price of Restricted A Shares under the 2018 A Share Incentive Plan and/or 2019 A Share Incentive Plan

2018 A Share Incentive Plan

Following the implementation of the 2021 Profit Distribution Plan, the repurchase price of Restricted A Shares granted under the initial grant of the 2018 A Share Incentive Plan shall be adjusted to RMB18.17 per A Share and the repurchase price of Restricted A Shares granted under the reserved grant of the 2018 A Share Incentive Plan shall be adjusted to RMB18.34 per A Share.

2019 A Share Incentive

Following the implementation of the 2021 Profit Distribution Plan, the repurchase price of Restricted A Shares granted under the initial grant of the 2019 A Share Incentive Plan shall be adjusted to RMB18.34 per A Share and the repurchase price of Restricted A Shares granted under the reserved grant of the 2019 A Share Incentive Plan shall be adjusted to RMB33.04 per A Share.

(5) 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 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.

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 2018 of the Company” was approved at the thirtieth meeting of the second session of the Board. Pursuant to the above proposal, due to the implementation of the 2021 Profit Distribution Plan, and (i) due to the departure of 3 incentive participants of the 2018 A Share Incentive Plan before the expiry of the lock-up period of the Restricted A Shares, the Company shall repurchase a total of 4,517 Restricted A Shares granted under the 2018 Initial Grant at the repurchase price of RMB18.17 per A Shares; (ii) due to the departure of 3 incentive participants before the expiry of the lock-up period of the Restricted A Shares, the Company shall repurchase a total of 24,084 Restricted A Shares granted under the 2018 Reserved Grant at the repurchase price of RMB18.34 per A Shares; and (iii) due to the departure of 1 incentive participant before the expiry of the vesting period of the share options granted under the reserved grant of 2018 A Share Incentive Plan, the Company shall cancel a total of 56,448 units of share options granted under the reserved grant of 2018 A Share Incentive Plan. Please refer to the relevant announcement of the Company dated June 27, 2022 for further details.

2019 A Share Incentive Plan

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.

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 twenty-ninth meeting of the second session of the Board. Pursuant to the above proposal, due to the departure of 13 incentive participants before the expiry of the withholding period of the Share Options, the Company shall cancel 113,613 units of Share Options granted under the initial grant of 2019 A Share Incentive Plan. Please refer to the relevant announcement of the Company dated May 25, 2022 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 thirtieth meeting of the second session of the Board. Pursuant to the above proposal, due to the implementation of the 2021 Profit Distribution Plan, and (i) due to 73 incentive participants either departing before the expiry of lock-up period of the Restricted A Shares or being unable to satisfy the performance appraisal target at the individual level for 2021, the Company shall repurchase a total of 332,977 Restricted A Shares granted under the 2019 Initial Grant at the repurchase price of RMB18.34 per A Share; (ii) due to the departure of 2 incentive participants before the expiry of lock-up period of the Restricted A Shares, the Company shall repurchase a total of 30,845 Restricted A Shares granted under the 2019 Reserved Grant at the repurchase price of RMB33.04 per A Share; and (iii) due to the departure of 1 incentive participant, the Company shall cancel a total of 3,729 units of share options granted and the validity period for the exercise of which has expired under the initial grant of 2019 A Share Incentive Plan. Please refer to the relevant announcement of the Company dated June 27, 2022 for further details.

(6) Fulfillment of exercise conditions for the third exercisable period of the share appreciation rights granted under the 2019 Share Appreciation Scheme

On June 27, 2022, the Board considered and approved the resolutions in relation to, among other things, the fulfilment of the exercise conditions for the third exercisable period of the share appreciation rights granted under the 2019 Share Appreciation Scheme. The exercise conditions for the third exercisable period of the share appreciation rights granted under the 2019 Share Appreciation Scheme have been fulfilled and a total of 873,090 units of share appreciations rights will become exercisable by 137 incentive participants during the third exercisable period. Please refer to the announcement of the Company dated June 27, 2022 for further details.

(7) Further grant of Awards under the 2020 H Share Award and Trust Scheme

During the Reporting Period, Awards in an aggregate value of HK\$20,996,000 were further granted to 46 independent selected participants, and the number of Award Shares underlying the relevant Awards represents 160,894 H Shares, accounting for approximately 0.0410% of the then total number of issued H Shares and approximately 0.0054% of the then total issued share capital of the Company. Please refer to the relevant announcement of the Company dated January 21, 2022 for further details.

2. 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 terms 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 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 M&A, 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 for 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 accidents 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 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 have also 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 gain/(loss) in the six months ended June 30, 2021 and June 30, 2022 were RMB78.2 million in loss and RMB206.6 million in gain, 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 RMB9,344.3 million. In the six months ended June 30, 2022 and June 30, 2021, the changes in fair value of the Company's equity interests in listed companies and other unlisted underlying interests were gains of RMB149.7 million and RMB1,251.4 million, respectively, with a difference of RMB1,101.7 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.

USE OF NET PROCEEDS FROM THE A SHARE LISTING

The total net proceeds from the issue of A shares by the Company in its A Share Listing amounted to approximately RMB2,130.3 million and the balance of unutilized net proceeds of A Share Listing is approximately RMB612.0 million as at June 30, 2022.

The net proceeds from the A Share Listing have been and will be utilized in accordance with the purpose set out in the A Share Prospectus. The table below sets out the planned applications of the net proceeds and actual usage up to June 30, 2022:

Use of proceeds from the A Share Listing	Percentage of net proceeds from the A Share Listing	Allocation of net proceeds as disclosed in the A Share Prospectus (RMB million)	Balance of the utilized amount from the A Share Listing (as at June 30, 2022) (RMB million)	Balance of the unutilized amount from the A Share Listing (as at June 30, 2022) (RMB million)	Actual and expected timeline for utilizing the remaining or surplus net proceeds from the A Share Listing ⁽¹⁾
Suzhou and Nantong drug safety evaluation centre expansion project ⁽²⁾	34%	727.2	319.1	408.1	Expected to be fully utilized by December 31, 2022
Tianjin chemical R&D laboratory expansion and upgrade project (the "Tianjin Project") ⁽³⁾	26%	564.0	360.1	203.9	The Tianjin Project has been completed and the surplus net proceeds will be used to permanently replenish the working capital of the Company with effect from May 6, 2022
Company's headquarter and analytical diagnostic service R&D centre ⁽⁴⁾	9%	200.0	200.0	—	Have been fully utilized as at May 31, 2018
Working capital uses	30%	639.1	639.1	—	N/A
Total ⁽⁵⁾	100%	2,130.3	1,518.3	612.0	

Management Discussion and Analysis

Notes:

- (1) The expected timeline for utilizing the remaining proceeds is set based on the best estimation of the Company taking into account, among other factors, prevailing and future market conditions and business developments and needs, and therefore is subject to change.
- (2) The Company has obtained the Shareholders' approval at the 2021 AGM to change the implementation entity and implementation location of the Suzhou drug safety evaluation centre expansion project (the **"Suzhou Project"**) by applying a portion of the net proceeds from the A Share Listing originally allocated to the Suzhou Project to the Nantong drug safety evaluation centre project. On December 31, 2021, the Board resolved to extend the expected date on which the Suzhou Project is completed and become available for use from December 31, 2021 to December 31, 2022. For further details, please refer to the relevant announcements of the Company dated December 31, 2021 and May 6, 2022, and the circular of the Company dated March 31, 2022.
- (3) The Company has obtained the Shareholders' approval at the 2021 AGM to use the surplus net proceeds from the A Share Listing allocated for the Tianjin Project in the amount of RMB242.2 million (including interest income and wealth management income net off bank charges of RMB38.3 million) to permanently replenish the working capital of the Company subsequent to completion of the Tianjin Project. For further details, please refer to the relevant announcement of the Company dated March 23, 2022 and the circular of the Company dated March 31, 2022.
- (4) Expansion of Company's headquarter and analytical diagnostic service R&D centre has completed as at May 31, 2018.
- (5) Any discrepancies in the sum of amounts listed in the tables with the breakdown of use of net proceeds in this interim report is due to rounding.

USE OF NET PROCEEDS FROM NON-PUBLIC ISSUANCE OF A SHARES

The total net proceeds from the non-public issuance of 62,690,290 A Shares by the Company to specific subscribers amounted to approximately RMB6,461.2 million and the balance of unutilized net proceeds from the Non-public Issuance of A Shares was approximately RMB560.7 million as at June 30, 2022.

The table below sets out the planned application of the net proceeds from the Non-public Issuance of A Shares and actual usage up to June 30, 2022:

Use of proceeds from the Non-public Issuance of A Shares	Percentage of net proceeds from the Non-public Issuance of A Shares	Allocation of net proceeds from the Non-public Issuance of A Shares (RMB million)	Balance of the utilized amount from the Non-public Issuance of A Shares (as at June 30, 2022) (RMB million)	Balance of the unutilized amount from the Non-public Issuance of A Shares (as at June 30, 2022) (RMB million)	Actual and expected timeline for utilizing the remaining or surplus net proceeds from the Non-public Issuance of A Shares ⁽¹⁾
Phase I new drug development services and drug manufacturing project of Wuxi STA Pharmaceutical Co., Ltd. (the "Wuxi STA Project") ⁽²⁾	11%	736.3	722.3	14.0	The Wuxi STA Project has been completed and the surplus net proceeds will be used for the Changzhou STA Integrated Project with effect from August 15, 2022
Global research and development centre and ancillary facilities project of Shanghai STA Pharmaceutical Co., Ltd. (the "Shanghai STA Project") ⁽²⁾	8%	491.8	396.9	94.9	The Shanghai STA Project has been completed and the surplus net proceeds will be used for the Changzhou STA Integrated Project with effect from August 15, 2022

Use of proceeds from the Non-public Issuance of A Shares	Percentage of net proceeds from the Non-public Issuance of A Shares	Allocation of net proceeds from the Non-public Issuance of A Shares (RMB million)	Balance of the utilized amount from the Non-public Issuance of A Shares (as at June 30, 2022) (RMB million)	Balance of the unutilized amount from the Non-public Issuance of A Shares (as at June 30, 2022) (RMB million)	Actual and expected timeline for utilizing the remaining or surplus net proceeds from the Non-public Issuance of A Shares ⁽¹⁾
New drug manufacturing and research and development centre project of Changzhou SynTheAll Pharmaceutical Co., Ltd. (the "Changzhou STA Centre Project") ⁽³⁾	10%	660.6	600.7	60.0	The Changzhou STA Centre Project has been completed and the surplus net proceeds will be used to permanently replenish the working capital of the Company with effect from May 6, 2022
New drug manufacturing and research and development integrated project of Changzhou SynTheAll Pharmaceutical Co., Ltd. (the "Changzhou STA Integrated Project") ⁽⁴⁾	28%	1,789.3	1,760.7	28.5	Expected to be fully utilized by December 31, 2023
Small molecule new drug manufacturing skill platform technical capability upgrade project of Shanghai STA Pharmaceutical R&D Co., Ltd. (the "Shanghai STA R&D Project") ⁽²⁾	5%	300.0	167.3	132.7	The Shanghai STA R&D Project has been completed and the surplus net proceeds will be used for the Changzhou STA Integrated Project with effect from August 15, 2022
Research and development platform technical capability upgrade project of WuXi AppTec (Shanghai) Co., Ltd. (the "WuXi AppTec (Shanghai) Project") ⁽²⁾	9%	600.0	372.9	227.1	The WuXi AppTec (Shanghai) Project has been completed and the surplus net proceeds will be used for the Changzhou STA Integrated Project with effect from August 15, 2022
Replenishing the Working capital of the Company ⁽⁵⁾	29%	1,883.3	1,879.7	3.6	N/A
Total ⁽⁶⁾	100%	6,461.2	5,900.5	560.7	

Management Discussion and Analysis

Notes:

- (1) The expected timeline for utilizing the remaining proceeds is set based on the best estimation of the Company taking into account, among other factors, prevailing and future market conditions and business developments and needs, and therefore is subject to change.
- (2) On August 15, 2022, the Board resolved to use the surplus net proceeds from the Non-public Issuance of A Share allocated for the Wuxi STA Project, Shanghai STA Project, Shanghai STA R&D Project, WuXi AppTec (Shanghai) Project to the Changzhou STA Integrated Project after completion of those Projects. For further details, please refer to the relevant announcement of the Company dated August 15, 2022.
- (3) The Company has obtained the Shareholders' approval at the 2021 AGM to use the surplus net proceeds from the Non-public Issuance of A Shares allocated for the Changzhou STA Centre Project in the amount of RMB68.3 million (including interest income and wealth management income net off bank charges of RMB8.3 million) to permanently replenish the working capital of the Company subsequent to completion of the Changzhou STA Centre Project. For further details, please refer to the relevant announcements of the Company dated March 23, 2022 and May 6, 2022, and the circular of the Company dated March 31, 2022.
- (4) On August 15, 2022, the Board resolved to extend the expected date on which the Changzhou STA Integrated Project is completed and become available for use from August 31, 2022 to December 31, 2023. For further details, please refer to the relevant announcement of the Company dated August 15, 2022.
- (5) Replenishing the working capital is related to all the business activities of the Company, so the expected timeline of fully utilized is not estimated separately.
- (6) Any discrepancies in the sum of amounts listed in the tables with the breakdown of use of net proceeds in this interim report is due to rounding.

USE OF NET PROCEEDS FROM THE H SHARE LISTING

The total net proceeds from the issuance of H Shares by the Company in its H Share Listing (after deducting the underwriting fees and related H Share Listing expenses) amounted to approximately RMB7,032.6 million⁽¹⁾, and the balance of unutilized net proceeds amounted to approximately RMB239.0 million as at June 30, 2022.

The net proceeds from the H Share Listing (adjusted on a pro rata basis based on the actual net proceeds) have been and will be utilized in accordance with the purposes set out in the Prospectus. The table below sets out the planned applications of the net proceeds and actual usage up to June 30, 2022:

Use of proceeds from the H Share Listing	Percentage of net proceeds from the H Share Listing	Original allocation of net proceeds from the H Share Listing (HKD million)	Original allocation of net proceeds from the H Share Listing (RMB million)	Revised allocation of net proceeds from the H Share Listing (RMB million) ⁽²⁾	Balance of utilized amount from the H Share Listing (as at June 30, 2022) (RMB million)	Balance of unutilized amount from the H Share Listing (as at June 30, 2022) (RMB million)	Actual and expected timeline for utilizing the remaining balance of net proceeds from the H Share Listing ⁽³⁾
To expand our capacity and capabilities across all business units globally	37%	2,798.0	2,462.2	2,602.1	2,363.0	239.0	
— invest in PRC projects ⁽⁴⁾	22%	1,663.1	1,463.5	1,547.2	1,547.2	—	Have been fully utilized by December 31, 2021
— invest in U.S. projects ⁽⁵⁾	8%	570.1	501.7	562.6	562.6	—	Have been fully utilized as at December 31, 2020
— invest in Lingang Shanghai project ⁽⁶⁾	7%	564.8	497.0	492.3	253.3	239.0	Expected to be fully utilized by December 31, 2022
To fund the acquisition of CRO and CMO/CDMO companies	27%	2,000.0	1,759.9	1,863.6	1,863.6	—	Have been fully utilized as at December 31, 2019
To invest in our ecosystem	4%	300.0	264.0	281.3	281.3	—	Have been fully utilized as at June 30, 2019
To develop cutting-edge technology	3%	200.0	176.0	182.8	182.8	—	Have been fully utilized as at June 30, 2020
To repay our bank loans	20%	1,500.0	1,320.0	1,399.5	1,399.5	—	Have been fully utilized as at December 31, 2018
Working capital and general corporate uses	10%	755.3	664.6	703.3	703.3	—	Have been fully utilized as at June 30, 2019
Total ⁽⁷⁾	100%	7,553.3	6,646.7	7,032.6	6,793.5	239.0	

Notes:

- (1) The total proceeds included approximately RMB6,969.6 million from the Global Offering in December 2018 and RMB316.3 million from the partial exercise of over-allotment option in January 2019 as disclosed in the announcement of the Company dated January 6, 2019. By excluding the underwriting fees and commissions and estimated expenses payable by the Company, the net proceeds planned for applications amount to approximately RMB7,032.6 million.
- (2) Net H Share Listing proceeds were received in HKD and translated to RMB for application planning. The plan was adjusted slightly due to the fluctuation of the foreign exchange rates since the H Share Listing.
- (3) The expected timeline for utilizing the remaining proceeds is set based on the best estimation of the Company taking into account, among other factors, prevailing and future market conditions and business developments and needs, and therefore is subject to change.

Management Discussion and Analysis

- (4) Invest in seven PRC projects, including establishment of the Chengdu R&D campus, a manufacturing facility for viral vectors and plasmid DNA used in cell and gene therapy products in Wuxi, and a chemistry and biology labs in Qidong, Jiangsu Province, as well as development of nation-wide clinical trial sites and expansion of our SMO clinical research platform. As at December 31, 2021, the allocated net proceeds for the seven PRC projects have been fully utilized.
- (5) Invest in U.S. projects, including setting up a bioanalytical laboratory in San Diego, California and a cGMP manufacturing facility for commercialized cell and gene therapy products in the U.S. As at December 31, 2020, allocated net proceeds for US projects have been fully utilized.
- (6) Invest in Lingang Shanghai project, including building an innovation center in Lingang Shanghai of gene therapy product development services and enlarge services. As at June 30, 2022, 51.4% allocated net proceeds have been utilized.
- (7) Any discrepancies in the sum of amounts listed in the tables with the breakdown of use of net proceeds in this interim report is due to rounding.

USE OF NET PROCEEDS FROM THE PLACING OF NEW H SHARES

The total net proceeds from the placing of new H Shares by the Company which completed on August 5, 2020 (after deducting the underwriting fees and related expenses) amounted to approximately RMB6,558.5 million and the balance of unutilized net proceeds was approximately RMB2,165.0 million as at June 30, 2022.

The table below sets out the planned applications of the net proceeds from the placing of new H Shares and the actual usage up to June 30, 2022:

Use of proceeds from the placing of new H Shares	Percentage of net proceeds from the placing of new H Shares	Allocation of net proceeds from the placing of new H Shares (HKD million)	Allocation of net proceeds from the placing of new H Shares (RMB million)	Balance of utilized amount from the placing of new H Shares (as at June 30, 2022) (RMB million)	Balance of unutilized amount from the placing of new H Shares (as at June 30, 2022) (RMB million)	Actual and expected timeline for utilizing the remaining balance of net proceeds from the placing of new H Shares ⁽¹⁾
Mergers and acquisitions including, but not limited to, expansion of the Group's presence in the US, Europe and Asia Pacific	35%	2,550.5	2,295.5	1,070.0	1,225.5	Expected to be fully utilized by December 31, 2023
Expansion of the Group's overseas operation	20%	1,457.5	1,311.7	617.0	694.7	Expected to be fully utilized by December 31, 2023
Construction of Changshu R&D Integrated Project	15%	1,093.1	983.8	739.0	244.8	Expected to be fully utilized by December 31, 2023

Use of proceeds from the placing of new H Shares	Percentage of net proceeds from the placing of new H Shares	Allocation of net proceeds from the placing of new H Shares (HKD million)	Allocation of net proceeds from the placing of new H Shares (RMB million)	Balance of utilized amount from the placing of new H Shares (as at June 30, 2022) (RMB million)	Balance of unutilized amount from the placing of new H Shares (as at June 30, 2022) (RMB million)	Actual and expected timeline for utilizing the remaining balance of net proceeds from the placing of new H Shares ⁽¹⁾
Repaying bank loans and other borrowings ⁽²⁾	10%	728.7	655.9	655.9	—	Have been fully utilized as at December 31, 2020
Replenish the working capital of the Company ⁽³⁾	20%	1,457.5	1,311.7	1,311.7	—	Have been fully utilized as at June 30, 2021
Total ⁽⁴⁾	100%	7,287.3	6,558.5	4,393.6	2,165.0	

Notes:

- (1) The expected timeline for utilizing the remaining proceeds is set based on the best estimation of the Company taking into account, among other factors, prevailing and future market conditions and business developments and needs, and therefore is subject to change.
- (2) Use of proceeds for repaying bank loans and other borrowings have been fully utilized as at December 31, 2020.
- (3) Use of proceeds for replenishing the working capital of the Company have been fully utilized as at June 30, 2021.
- (4) Any discrepancies in the sum of amounts listed in the tables with the breakdown of use of net proceeds in this interim report is due to rounding.

THE CONVERTIBLE BONDS

On September 17, 2019, Company issued US\$300 million zero coupon convertible bonds due 2024, convertible at the option of the holders thereof into fully paid ordinary H Shares of the Company of par value RMB1.0 each at the initial Conversion Price of HK\$111.80 per H Share. 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 Board considers that the issue of the Convertible Bonds represents an opportunity to obtain a pool of readily available funds that can better support business expansion of the Company in the long run. The net proceeds from the subscription of the Convertible Bonds, after the deduction of fees, commissions and expenses payable, were approximately US\$294 million (approximately RMB2,079.5 million based on an exchange rate of 7.073 as at the issue date).

Pursuant to the terms and conditions of the Convertible Bonds, the Conversion Price is subject to adjustment for, among other things, profit distributions and capitalization of reserves made by the Company. As disclosed in the announcement of the Company dated June 3, 2020, the Conversion Price of the Convertible Bonds was adjusted from HK\$111.80 per H Share, being the initial Conversion Price 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 AGM which took effect from June 4, 2020.

The Company has distributed cash dividends for the year ended December 31, 2020 and conducted the 2020 Capitalization of Reserve. 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, the conversion price of the Convertible Bonds has been further adjusted to HK\$66.17 per H Share (the “**Further Adjusted Conversion Price**”) pursuant to the terms and conditions of the Convertible Bonds.

As at June 30, 2022, the principal amount of the Convertible Bonds which are outstanding is US\$98,200,000. Assuming full conversion of the outstanding Bonds at the Further Adjusted Conversion Price, the H Shares that may be convertible and issuable under the Bonds will be approximately 11,640,789 H Shares, representing 2.97% of the total issued H share capital of the Company as at June 30, 2022 and approximately 2.88% of the enlarged total issued H share capital of the Company resulting from the full conversion of the Convertible Bonds.

During the Reporting Period, Convertible Bonds with a nominal value of USD600,000 (equivalent to RMB3,825,000) (December 31, 2021: RMB1,282,791,000) have been converted to 71,000 H Shares (December 31, 2021: 22,021,000 H Shares) of the Company by the bondholders, such shares were allotted and issued by the Company at the Further Adjusted Conversion Price of HK\$66.17.

There had not been any redemption of the Convertible Bonds during the Reporting Period.

The following table sets out the shareholding structure of the Company upon full conversion of the outstanding Convertible Bonds at the Further Adjusted Conversion Price with reference to the shareholding structure of the Company as at June 30, 2022 and assuming no further issuance of Shares by the Company:

Shareholder	Class of Shares	As at June 30, 2022		Upon full conversion of the outstanding Bonds at the Further Adjusted Conversion Price of HK\$66.17 per H Share	
		Number of Shares	Approximate percentage of the total issued share capital	Number of Shares	Approximate percentage of the total issued share capital
The Founding Individuals	A	740,070,220	25.03%	740,070,220	24.93%
Sub total		740,070,220	25.03%	740,070,220	24.93%
Public Shareholders	A	1,824,552,730	61.70%	1,824,552,730	61.46%
	H	370,079,416	12.52%	370,079,416	12.47%
Subscribers of the Convertible Bonds	H	22,091,855	0.75%	33,732,644	1.14%
Sub total		2,216,724,001	74.97%	2,228,364,790	75.07%
Total		2,956,794,221	100.00%	2,968,435,010	100.00%

Note:

The approximate percentages of (i) the A Shares; (ii) the H Shares; and (iii) the total issued share capital are rounded to the nearest two decimal places and may not add up to 100% due to rounding.

For the principal terms of the Convertible Bonds, please refer to the relevant announcements dated September 3, 2019, September 4, 2019, September 5, 2019 and September 17, 2019 published by the Company on the websites of the Shanghai Stock Exchange and the Stock Exchange. For the adjustments of conversion price, please refer to the announcements of the Company dated June 3, 2020 and June 7, 2021 published by the Company on website of the Stock Exchange. An analysis of the impact on the earnings per share if the Convertible Bonds were fully converted into H Shares of the Company as at June 30, 2022 is set out in Note 11 to the financial statements in this interim report.

The Board considers that the issuance of the Convertible Bonds represents an opportunity to obtain a pool of readily available funds that can better support business expansion of the Company in long run.

USE OF NET PROCEEDS FROM THE ISSUANCE OF THE CONVERTIBLE BONDS

The net proceeds raised from the issue of the Convertible Bonds, after the deduction of fees, commissions and expenses payable, being approximately US\$294 million (or approximately RMB2,079.5 million based on an exchange rate on the date of issue of the Bonds, being September 17, 2019), have been fully utilized by the Company as at June 30, 2022 for, among others, (i) mergers and acquisitions and business expansion; and (ii) working capital and general corporate purposes.

FUND RAISING

During the Reporting Period, there was no fund raising activity carried out by the Company.

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 and the 2019 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 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.

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 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, the Company shall (i) repurchase a total of 145,219 Restricted A Shares granted under the Initial Grant at the repurchase price of RMB18.85 per A Share; and (ii) repurchase a total of 15,120 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 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.

Statutory Disclosures

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 2018 of the Company” was approved at the thirtieth meeting of the second session of the Board. Pursuant to the above proposal, due to the implementation of the 2021 Profit Distribution Plan, and (i) due to the departure of 3 incentive participants of the 2018 A Share Incentive Plan before the expiry of the lock-up period of the Restricted A Shares, the Company shall repurchase a total of 4,517 Restricted A Shares granted under the 2018 Initial Grant at the repurchase price of RMB18.17 per A Shares; and (ii) due to the departure of 3 incentive participants before the expiry of the lock-up period of the Restricted A Shares, the Company shall repurchase a total of 24,084 Restricted A Shares granted under the 2018 Reserved Grant at the repurchase price of RMB18.34 per A Shares. Please refer to the relevant announcement of the Company dated June 27, 2022 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 thirtieth meeting of the second session of the Board. Pursuant to the above proposal, due to the implementation of the 2021 Profit Distribution Plan, and (i) due to 73 incentive participants either departing before the expiry of lock-up period of the Restricted A Shares or being unable to satisfy the performance appraisal target at the individual level for 2021, the Company shall repurchase a total of 332,977 Restricted A Shares granted under the 2019 Initial Grant at the repurchase price of RMB18.34 per A Share; and (ii) due to the departure of 2 incentive participants before the expiry of lock-up period of the Restricted A Shares, the Company shall repurchase a total of 30,845 Restricted A Shares granted under the 2019 Reserved Grant at the repurchase price of RMB33.04 per A Share. Please refer to the relevant announcement of the Company dated June 27, 2022 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.

INTERIM DIVIDEND

The Board does not recommend the distribution of any interim dividend for the Reporting Period.

DIRECTORS

As at the end of the Reporting Period, the Board was constituted by 13 Directors, of which 6 are executive Directors, 2 are non-executive Directors and 5 are independent non-executive Directors. The Directors are as follows:

Executive Directors

Dr. Ge Li (李革) (*Chairman and Chief Executive Officer*)
Mr. Edward Hu (胡正國) (*Vice Chairman and Global Chief Investment Officer*)
Dr. Steve Qing Yang (楊青) (*Co-chief Executive Officer*)
Dr. Minzhang Chen (陳民章) (*Co-chief executive officer*) (*elected as an executive Director with effect from May 6, 2022*)
Mr. Zhaohui Zhang (張朝暉)
Dr. Ning Zhao (趙寧)

Non-executive Directors

Mr. Xiaomeng Tong (童小蒙)
Dr. Yibing Wu (吳亦兵)

Independent Non-executive Directors

Dr. Jiangnan Cai (蔡江南)
Ms. Yan Liu (劉艷)
Dr. Hetong Lou (婁賀統)
Mr. Xiaotong Zhang (張曉彤)
Mr. Dai Feng (馮岱)

SUPERVISORS

As at the end of the Reporting Period, the Supervisors are as follows:

Mr. Harry Liang He (賀亮)
Mr. Baiyang Wu (吳柏楊)
Ms. Minfang Zhu (朱敏芳)

CHANGE OF INFORMATION OF DIRECTORS AND SUPERVISORS

Changes in information of the Directors since the publication of the annual report of the Company for the year ended December 31, 2021 which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below:

- (1) Dr. Minzhang Chen (陳民章) was elected as an executive Director of the second session of the Board for a term commencing on the date on which his election is approved by the Shareholders (being May 6, 2022) and ending on the expiry of the term of the second session of the Board.
- (2) Mr. Edward Hu has been appointed as a director of Ambrx Biopharma Inc., a company listed on the NYSE (stock code: AMAM) and a non-executive director of CANbridge Pharmaceuticals Inc. (北海康成製藥有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 1228) with effect from July 5, 2022.
- (3) Mr. Dai Feng has been appointed as a chairman of Angelalign Technology Pte. Ltd. with effect from January 19, 2022.
- (4) Dr. Hetong Lou has been appointed as an independent director of Dongke Semiconductor (Anhui) Co., Ltd. (東科半導體(安徽)股份有限公司) with effect from May 2022.

Save as disclosed above, there is no other information which was required to be disclosed by the Directors and Supervisors pursuant to Rule 13.51B(1) of the Listing Rules.

CHANGE OF ADDRESS OF PRINCIPAL PLACE OF BUSINESS IN HONG KONG AND HONG KONG H SHARE REGISTRAR AND TRANSFER OFFICE

With effect from August 15, 2022, (i) the principal place of business in Hong Kong of the Company has been relocated from Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong to 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong; and (ii) the Hong Kong H Share Registrar and Transfer Office of the Company, Tricor Investor Services Limited (the "**H Share Registrar**"), has changed its address from Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong to 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

All telephone and facsimile numbers of the H Share Registrar remain unchanged.

SHARE INCENTIVE SCHEMES

The Group's share incentive schemes effective during the Reporting Period are as follows:

1. 2018 A Share Incentive Plan

In order to establish and improve long-term corporate incentive systems of the Company, attract and retain talent, fully mobilize the motivation of management members and technicians and effectively tying the interests of our Shareholders, the Company and the management of the Company and enabling the respective parties to become aware of the Company's long-term development, and to promote the realization of the development strategies of the Company, on August 22, 2018, the Shareholders' meeting of the Company passed a resolution to issue up to 8,856,900 A Shares of the Company under the 2018 A Share Incentive Plan. The total participants of the 2018 A Share Incentive Plan is 1,528, including the Directors, members of the senior-level management (including senior management), mid-level managers and backbone members of our technicians and basic-level managers and other technicians. On August 28, 2018, 7,085,500 Restricted A Shares of the Company were approved for 1,528 eligible employees to subscribe at the price of RMB45.53 per A Share. Please refer to the relevant announcement of the Company dated August 28, 2018 for further details. On July 19, 2019, 542,017 Restricted A Shares of the Company were approved to be granted to 21 eligible employees and 287,000 Share Options were approved to be granted to 2 eligible employees. Please refer to the relevant announcement of the Company dated July 19, 2019 for further details.

On June 3, 2019, the Shareholders' meeting approved to capitalize 4 ordinary Shares for every 10 Shares by way of capitalization of reserve and approved the distribution of RMB5.80 for every 10 Shares based on the total issued Shares of the Company. As a result, the number of Restricted A Shares and the exercise price and number of Share Options granted under the 2018 A Share Incentive Plan presented herein have been adjusted to reflect the capitalization of reserve and dividend distribution.

On May 15, 2020, the Shareholders' meeting approved to capitalize 4 ordinary Shares for every 10 Shares by way of capitalization of reserve and approved the distribution of RMB3.37 for every 10 Shares based on the total issued Shares of the Company. As a result, the number of Restricted A Shares and the exercise price and number of Share Options granted under the 2018 A Share Incentive Plan presented herein have been adjusted to reflect the capitalization of reserve and dividend distribution.

On May 13, 2021, the Shareholders' meeting approved to capitalize 2 ordinary Shares for every 10 Shares by way of capitalization of reserve and approved the distribution of RMB3.63 for every 10 Shares based on the total issued Shares of the Company. As a result, the number of Restricted A Shares and the exercise price and number of Share Options granted under the 2018 A Share Incentive Plan presented herein have been further adjusted to reflect the capitalization of reserve and dividend distribution.

As at June 30, 2022, the total number of Shares available for issue under the 2018 A Share Incentive Plan was 232,848 (options had been granted and were outstanding), representing approximately 0.01% of the Shares in issue as at June 30, 2022.

The validity period of the 2018 A Share Incentive Plan shall commence from the date on which all the Restricted A Shares granted thereunder have been unlocked or cancelled, or all of the Share Options granted thereunder have been exercised or cancelled, subject to a maximum of 60 months.

The Share Options granted under the 2018 A Share Incentive Plan are valid from the date of the grant to the date on which they have been unlocked, exercised or canceled, but in any event not be more than 48 months. Subject to fulfillment of the conditions as set out in the rules of the 2018 A Share Incentive Plan, the exercisable periods and arrangements of each tranche of such Share Options are as follows:

	Vesting Period	Proportion of vesting
First vesting period	From the first trading day after 12 months from the date of the grant to the last trading day within 24 months from the date of the grant	40%
Second vesting period	From the first trading day after 24 months from the date of the grant to the last trading day within 36 months from the date of the grant	30%
Third vesting period	From the first trading day after 36 months from the date of the grant to the last trading day within 48 months from the date of the grant	30%

Such options shall only be exercised by the participants of the 2018 A Share Incentive Plan within the Vesting Period.

The exercise price of the Share Options under the 2018 A Share Incentive Plan is RMB64.88 and shall not be lower than the par value of the Shares, and shall not be lower than the highest of the following:

- (1) the average trading price of the A Shares of the Company for the last trading day preceding the date of announcement of the board resolution on the 2018 Reserved Grant (total trading amount/total trading volume on the preceding trading day);
- (2) the average trading price of the A Shares of the Company for the last 20, 60 or 120 trading days preceding the date of announcement of the board resolution on the Reserved Grant under the 2018 A Share Incentive Plan (total trading amount for the last 20, 60 or 120 trading days/total trading volume traded on the last 20, 60 or 120 trading days).

The exercise price of the share options granted under the 2018 A Share Incentive Plan has been adjusted from RMB64.88 to RMB46.34 as a result of the 2019 Profit Distribution and 2019 Capitalization of Reserve approved by the Shareholders at the 2019 annual general meeting of the Company with effect from June 4, 2020. The exercise price of the share options granted under the 2018 A Share Incentive Plan has been further adjusted from RMB46.34 to RMB38.62 as a result of the 2020 Profit Distribution and 2020 Capitalization of Reserve approved by the Shareholders at the 2020 annual general meeting of the Company with effect from June 8, 2021.

Fair value of the Share Options

The Company selected the Black-Scholes Model to calculate the fair value of Share Options under the 2018 A Share Incentive Plan, the specific calculating methods and results of fair value of each Share Option are as follows:

The fair value and corresponding inputs into the model were as follows:

	Share Options Granted under the 2018 A Share Incentive Plan
Grant date A Share price (RMB)	86.70
Subscribe price (RMB)	64.88
Expected volatility	43.23%–47.09%
Expected life (years)	2–4
Risk-free interest rate	2.70%–2.86%
Dividend yield rate	0.95%

Statutory Disclosures

Set out below are details of the movements of the Restricted A Shares subject to lock-up and unexercised Share Options granted under the 2018 A Share Incentive Plan throughout the Reporting Period:

	Subject to lock-up as at January 1, 2022	Granted during the Reporting Period	Capitalization during the Reporting Period	Unlocked and commenced trading during the Reporting Period	Cancelled during the Reporting Period	Subject to lock-up as at June 30, 2022
Restricted A Shares						
Mr. Edward Hu	64,210	—	—	64,210	—	—
Ms. Wendy J. Hu ⁽¹⁾	9,526	—	—	9,526	—	—
Dr. Steve Qing Yang	45,722	—	—	45,722	—	—
Employees	4,061,391	—	—	3,833,230	57,044	171,117
Total	4,180,849	—	—	3,952,688	57,044	171,117
	Unexercised as at January 1, 2022	Granted during the Reporting Period	Capitalization during the Reporting Period	Exercised during the Reporting Period	Cancelled during the Reporting Period	Unexercised as at June 30, 2022
Share Options						
Mr. Ellis Bih-Hsin Chu ⁽²⁾	176,400	—	—	—	—	176,400
Employees	56,448	—	—	—	—	56,448
Total	232,848	—	—	—	—	232,848

Note:

- (1) Ms. Wendy J. Hu is the spouse of Mr. Edward Hu.
- (2) Mr. Ellis Bih-Hsin Chu ceased to be the chief financial officer of the Company with effect from January 1, 2022.

2. 2019 A Share Incentive Plan

In order to establish and improve the long-term incentive mechanism of the Company, attract and retain talents, fully motivate the core personnel of the Company and effectively integrate the interests of the Shareholders, the Company and core team members so that the parties will make joint efforts for the sustainable development of the Company, on September 20, 2019, the Shareholders' meeting of the Company passed a resolution to approve the adoption of the 2019 A Share Incentive Plan, pursuant to which the Company may issue up to 21,055,530 units of Restricted A Shares or Share Options of the Company. The total participants of the 2019 A Share Incentive Plan is 2,467, including the Directors, members of the senior-level management (including senior management), mid-level managers and backbone members of our technicians and basic level managers and other technicians. On November 25, 2019, 13,400,273 Restricted A Shares of the Company were approved for 2,008 eligible employees to subscribe at the price of RMB32.44 per A Share, including 124,443 Restricted A Shares granted as special grant to one eligible employee which are subjected to different conditions and restrictions. 5,039,904 Share Options were approved for 460 eligible employees which can be exercised at the price of RMB64.88 per A Share (the "**Initial Grant**"). Please refer to the relevant announcement of the Company dated November 25, 2019 for further details. On June 10, 2020, 427,000 Restricted A Shares of the Company were approved for 18 eligible employees to subscribe at the price of RMB40.59 per share. 29,131 Share Options were approved for 1 eligible employee which can be exercised at the price of RMB81.17 per A Share (the "**Reserved Grant**"). Please refer to the relevant announcement of the Company dated June 10, 2020 for further details.

On May 15, 2020, the Shareholders' meeting approved to capitalize 4 ordinary Shares for every 10 Shares by way of capitalization of reserve and approved the distribution of RMB3.37 for every 10 Shares based on the total issued Shares of the Company. As a result, the number of Restricted A Shares and the exercise price and number of Share Options granted under the 2019 A Share Incentive Plan have been adjusted to reflect the capitalization of reserve and dividend distribution.

On May 13, 2021, the Shareholders' meeting approved to capitalize 2 ordinary Shares for every 10 Shares by way of capitalization of reserve and approved the distribution of RMB3.63 for every 10 Shares based on the total issued Shares of the Company. As a result, the number of Restricted A Shares and the exercise price and number of Share Options granted under the 2019 A Share Incentive Plan have been further adjusted to reflect the capitalization of reserve and dividend distribution.

Statutory Disclosures

As at June 30, 2022, the total number of Shares available for issue under the 2019 A Share Incentive Plan was 3,036,963 (options had been granted and were outstanding), representing approximately 0.10% of the Shares in issue as at June 30, 2022.

The validity period of the 2019 A Share Incentive Plan shall commence from the date of Initial Grant of the Restricted A Shares to the date on which all the Restricted A Shares granted are unlocked or repurchased and cancelled and all the Share Options are exercised or otherwise cancelled subject to a maximum of 66 months.

The Initial Grant of the Share Option is valid from the date on which the Share Options is granted under the Initial Grant to the date on which all the options granted to the participants under the Initial Grant have been vested or cancelled, but in any event shall not be more than 54 months. The withholding period of each tranche of the Share Options granted under the Initial Grant shall be 18, 30 and 42 months from the date of the Initial Grant, respectively. Subject to fulfillment of the conditions as set out in the rules of the 2019 A Share Incentive Plan, the vesting periods (each a “**Vesting Period**”) and arrangements of each tranche of the Share Options granted under the Initial Grant are as follows:

	Vesting Period	Proportion of vesting
First Vesting Period	From the first trading day after 18 months from the date of the Initial Grant to the last trading day within 30 months from the date of the Initial Grant	40%
Second Vesting Period	From the first trading day after 30 months from the date of the Initial Grant to the last trading day within 42 months from the date of the Initial Grant	30%
Third Vesting Period	From the first trading day after 42 months from the date of the Initial Grant to the last trading day within 54 months from the date of the Initial Grant	30%

The validity period of the Share Options under the Reserved Grant shall be from the date of grant of the Share Options under the Reserved Grant to the date on which the reserved Shares Options granted to the participants are all exercised or otherwise cancelled, which shall not be longer than 54 months. The conditions for the grant of the reserved interests, the unlocking and exercise of the reserved Restricted A Shares and reserved Share Options shall follow that of Share Options granted under the Initial Grant, in addition to certain performance indicators as set out in the rules of the 2019 A Share Incentive Plan. The Vesting Periods and arrangements of each tranche of the reserved Share Options granted under the Reserved Grant are as follows:

	Vesting Period	Proportion of vesting
First Vesting Period	From the first trading day after 18 months from the date of the Reserved Grant to the last trading day within 30 months from the date of the Reserved Grant	40%
Second Vesting Period	From the first trading day after 30 months from the date of the Reserved Grant to the last trading day within 42 months from the date of the Reserved Grant	30%
Third exercisable period	From the first trading day after 42 months from the date of the Reserved Grant to the last trading day within 54 months from the date of the Reserved Grant	30%

Such options shall only be exercised by the participants within the Vesting Period.

The exercise price of the Share Options under the Initial Grant is RMB64.88 per Share and shall not be lower than the par value of the Shares, and shall not be lower than the highest of the following:

- (1) the average trading price of the Company's A Shares on the trading day preceding the date of announcement of the 2019 A Share Incentive Plan (total trading amount/total trading volume on the preceding trading day), i.e. RMB64.88 per Share;
- (2) the average trading price of the Company's A Shares for the last 60 trading days preceding the date of announcement of the 2019 A Share Incentive Plan (total trading amount for the last 60 trading days/total trading volume traded on the last 60 trading days), i.e. RMB60.56 per Share.

The exercise price of the Share Options under the Initial Grant has been adjusted from RMB64.88 to RMB46.34 as a result of the 2019 Profit Distribution and 2019 Capitalization of Reserve approved by the Shareholders at the 2019 annual general meeting of the Company with effect from June 4, 2020. The exercise price of the Share Options under the Initial Grant has been further adjusted from RMB46.34 to RMB38.62 as a result of the 2020 Profit Distribution and 2020 Capitalization of Reserve approved by the Shareholders at the 2020 annual general meeting of the Company with effect from June 8, 2021.

The exercise price of the Share Options under the Reserved Grant is RMB81.17 and shall not be lower than the par value of the A Shares, and shall be the higher of the following:

- (1) the average trading price of the A Shares of the Company for the last trading day preceding the date of announcement of the board resolution on the Reserved Grant under the 2019 A Share Incentive Plan (total trading amount/total trading volume on the preceding trading day);
- (2) the average trading price of the A Shares of the Company for the last 20, 60 or 120 trading days preceding the date of announcement of the board resolution on the Reserved Grant under the 2019 A Share Incentive Plan (total trading amount for the last 20, 60 or 120 trading days/total trading volume traded on the last 20, 60 or 120 trading days).

Fair value of the Share Options

The Company selected the Black-Scholes Model to calculate the fair value of Share Options under the 2019 A Share Incentive Plan, the specific calculating methods and results of fair value of each Share Option are as follows:

The fair value and corresponding inputs into the model were as follows:

	Share Options Granted under the 2019 A Share Incentive Plan
Grant date A Share price (RMB)	89.90
Subscribe price (RMB)	64.88
Expected volatility	43.44%–45.85%
Expected life (years)	1.5–4.5
Risk-free interest rate	2.81%–2.91%
Dividend yield rate	0.95%

Set out below are details of the movements of the Restricted A Shares subject to lock-up and unexercised Share Options granted under the 2019 A Share Incentive Plan throughout the Reporting Period:

	Subject to lock-up as at January 1, 2022	Granted during the Reporting Period	Unlocked and commenced trading during the Reporting Period	Cancelled during the Reporting Period	Capitalization during the Reporting Period	Subject to lock-up as at June 30, 2022
Restricted A Shares						
Mr. Edward Hu	126,000	—	63,000	—	—	63,000
Ms. Wendy J. Hu ⁽¹⁾	19,656	—	9,828	—	—	9,828
Dr. Steve Qing Yang	115,920	—	57,960	—	—	57,960
Dr. Minzhang Chen	115,920	—	57,960	—	—	57,960
Employees	12,294,328	—	5,945,698	160,339	—	6,188,291
Total	12,671,824	—	6,134,446	160,339	—	6,377,039
	Unexercised as at January 1, 2022	Granted during the Reporting Period	Exercised during the Reporting Period	Cancelled during the Reporting Period	Capitalization during the Reporting Period	Unexercised as at June 30, 2022
Share Options						
Employees	4,264,157	—	1,113,581	113,613	—	3,036,963
Total	4,264,157	—	1,113,581	113,613	—	3,036,963

Note:

(1) Ms. Wendy J. Hu is the spouse of Mr. Edward Hu.

3. 2019 Share Appreciation Scheme

On September 20, 2019, the 2019 Share Appreciation Scheme was approved at the Shareholders' meeting. On September 30, 2019, the Company granted 2,901,172 share appreciation rights (representing approximately 0.1771% of the total share capital of the Company as at the date of the announcement of the proposed adoption of the 2019 Share Appreciation Scheme) to a total of 234 incentive participants, being not more than 234 members of the senior level management, mid-level managers and backbone members of the technicians, basic level managers and other technicians who have employment or labor service relationships with the Company or its subsidiaries overseas under the 2019 Share Appreciation Scheme at the exercise price of HK\$72.00 per unit. Each of the share appreciation rights under the 2019 Share Appreciation Scheme is notionally linked to one H Share, and will confer the right to gain specified amount of benefits in cash from the increase in market price of the relevant H Shares.

As disclosed in the Company's announcement dated June 10, 2020, following the implementation of the 2019 Profit Distribution Plan on June 4, 2020, the number of share appreciation rights by the Company was adjusted from 2,901,172 units to 4,061,639 units and the exercise price was adjusted from HK\$72.00 per unit to HK\$51.43 per unit.

Following the implementation of the 2020 Profit Distribution Plan on June 8, 2021, 2 new Shares were issued for every existing 10 Shares held by the Shareholders on June 7, 2021 (being the relevant record date) and a cash dividend of RMB3.63 (inclusive of tax) for every 10 Shares was distributed to the Shareholders. As a result, the number of the share appreciation rights granted by the Company have been adjusted from 1,707,792 units to 2,049,342 units and the exercise price of which have been adjusted from HK\$51.43 per unit to HK\$42.86 per unit accordingly. Please refer to the relevant announcement of the Company dated June 25, 2021 for further details.

The 2019 Share Appreciation Scheme does not involve any grant of Share Options which will require the Company (or any of its subsidiaries) to issue any new shares or other new securities and is therefore not subject to or governed by Chapter 17 of the Listing Rules.

The 2019 Share Appreciation Scheme is valid from the date of grant of share appreciation rights to the date of completion of exercise of all share appreciation rights, which shall not be longer than 48 months. The vesting and exercise arrangement of the 2019 Share Appreciation Scheme is as follows:

	Vesting Schedule	Exercise Period	Exercise Percentage
First batch of exercise	May 31, 2020	From June 1, 2020 to May 31, 2021	40%
Second batch of exercise	May 31, 2021	From June 1, 2021 to May 31, 2022	30%
Third batch of exercise	May 31, 2022	From June 1, 2022 to May 31, 2023	30%

Set out below are details of the movements of the outstanding units granted under the 2019 Share Appreciation Scheme throughout the Reporting Period:

	Outstanding at January 1, 2022	Exercised during the period	Forfeited during the period	Outstanding at June 30, 2022
2019 Share Appreciation Scheme	1,343,735	555,155	45,447	743,133

4. STA Share Units and Options Incentive Scheme

STA has also adopted different employee incentive schemes to provide incentives for its eligible employees including the directors (excluding independent directors), supervisors and members of the senior management, members of the mid-level management and core technicians (operation staff) since 2015. STA has established equity-settled share units and options incentive schemes including the (i) STA Share Option Incentive Scheme (2015); (ii) STA Overseas Employees Incentive Scheme and (iii) STA Share Option Incentive Scheme (2016). None of the eligible STA employees are the chief executives or Directors of the Company.

On September 13, 2017, the STA shareholders' meeting approved to capitalize 20 ordinary STA Shares for every 10 STA Shares standing to the credit of the share premium account of STA ("**Conversion of Capital Reserve**"). In May 2017 and April 2018, the distribution of RMB10.0 and RMB3.5 for every 10 STA Shares was approved at the STA shareholders' meetings, respectively. As a result of the Conversion of Capital Reserve and dividend adjustment, the total number of STA Shares granted under the STA Share Option Incentive Scheme (2015), STA Overseas Employees Incentive Scheme and STA Share Option Incentive Scheme (2016) to eligible employees including the directors (excluding independent directors), supervisors and members of the senior management, members of the mid-level management and core technicians (operation staff) were 16,200,000, 6,708,843 and 1,525,140, respectively. The exercise prices of the STA Shares under the STA Share Option Incentive Scheme (2015), STA Overseas Employees Incentive Scheme and STA Share Option Incentive Scheme (2016) upon the conversion of capital reserve and dividend adjustment were RMB8.00, RMB1.79 and RMB8.00, respectively, which were determined by based on STA's operations, value of assets, contribution of its employees and the intended level of employee incentive to be provided as adjusted by Conversion of Capital Reserve and dividend adjustment.

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Options granted under the STA Share Option Incentive Scheme (2015), STA Overseas Employees Incentive Scheme and STA Share Option Incentive Scheme (2016) shall have a contractual term of 10 years and vest over a four-year period, with 20%, 20%, 20% and 40% of total options vesting on the first, second, third and fourth anniversary date two years after the vesting commencement date upon meeting certain annual performance conditions.

Set out below are details of the movements of the outstanding units and options granted under the STA Share Units and Options Incentive Scheme throughout the Reporting Period:

STA Share Units and Options Incentive Scheme	Outstanding at January 1, 2022	Granted during the period	Exercised during the period	Forfeited during the period	Outstanding at June 30, 2022
STA Overseas Employees Incentive Scheme — 2nd batch	166,043	—	58,169	—	107,874
STA Overseas Employees Incentive Scheme — 3rd batch	192,000	—	76,800	—	115,200
STA Share Option Incentive Scheme (2016) — 2nd batch	143,568	—	—	1,152	142,416
Total	501,611	—	134,969	1,152	365,490
Exercisable at the end of the period	—				—
Weighted average exercise price	RMB3.57	N/A	RMB1.79	RMB8.00	RMB4.21

5. STA Share Appreciation Incentive Scheme

On May 16, 2016 and July 12, 2017, STA Share Appreciation Incentive Scheme (2016) and STA Share Appreciation Incentive Scheme (2017) were approved at the STA shareholders' meeting. As a result of the Conversion of Capital Reserve, the total number of STA units granted under the STA Share Appreciation Incentive Scheme (2016) and the STA Share Appreciation Incentive Scheme (2017) to directors (excluding independent directors), supervisors and members of the senior management and core technicians (operation staff) were 1,350,000 and 123,000 respectively. Stock appreciation rights have been awarded in units, with each unit representing the value of one STA Share. Upon the exercise of stock appreciation rights, exercising recipients will receive payments in RMB from STA, subject to any withholding tax, equal to the number of stock appreciation rights exercised times the difference between the subscription price and market price of the STA Shares on the exercise day. The exercise prices of the STA Share Appreciation Incentive Scheme (2016) and the STA Share Appreciation Incentive Scheme (2017) upon the Conversion of Capital Reserve and dividend adjustment were RMB8.00 and RMB8.00, respectively, which were determined by based on STA's operations, value of assets, contribution of its employee and the intended level of employee incentive to be provided.

Units granted under the STA Share Appreciation Incentive Scheme shall have a contractual term of 10 years and generally vest over a four-year period, with 20%, 20%, 20% and 40% of total options vesting on the first, second, third and fourth anniversary date two years after the vesting commencement date.

Set out below are details of the movements of the outstanding units granted under the STA Share Appreciation Incentive Scheme throughout the Reporting Period:

STA Share Appreciation Incentive Scheme	Outstanding at January 1, 2022	Granted during the period	Exercised during the period	Forfeited during the period	Outstanding at June 30, 2022
STA Share Appreciation Incentive Scheme (2016) — 2nd batch	31,200	—	—	—	31,200
STA Share Appreciation Incentive Scheme (2017)	18,000	—	—	3,600	14,400
Total	49,200	—	—	3,600	45,600
Exercisable at the end of the period	—				—
Weighted average exercise price	RMB8.00	N/A	N/A	RMB8.00	RMB8.00

6. 2020 H Share Award and Trust Scheme

In order to attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of the Group, the Board has considered and approved, on July 21, 2020, a resolution to adopt the 2020 H Share Award and Trust Scheme. The Scheme Limit shall be the maximum number of H Shares that will be acquired by the Trustee through on-market transactions from time to time at the prevailing market price with funds in the amount of not more than HK\$700 million. The Board or the Delegatee may grant Awards to Selected Participants during the Award Period conditional upon fulfilment of terms and conditions of the Awards and performance targets as the Board or the Delegatee determines from time to time. Eligible Employee who may participate in the Scheme include any individual, being a Director, supervisor, senior management, mid-level manager, basic-level manager, backbone member of the technicians, other technician, who is a full-time PRC or non-PRC employee of any members of the Group. The Company proposed to grant Awards in an aggregate value of HK\$41,923,641.00 to 12 Connected Selected Participants including, Dr. Ge Li, Mr. Edward Hu, Dr. Steve Qing Yang, Mr. Zhaohui Zhang, Dr. Ning Zhao, Mr. Ellis Bih-Hsin Chu, Dr. Minzhang Chen, Dr. Shuhui Chen, Mr. Harry Liang He, Ms. Minfang Zhu, Ms. Wendy J. Hu and Ms. Cuiping Hu. The adoption of the 2020 H Share Award and Trust Scheme and the grant of Awards to the Connected Selected Participants has been approved by the Shareholders at the extraordinary general meeting of the Company held on August 31, 2020. Details of which are set out in the announcements of the Company dated July 21, 2020 and August 31, 2020, and the circular of the Company dated August 12, 2020.

During the Reporting Period, due to (i) the resignation of 95 Selected Participants (who are all Independent Selected Participants), relevant Awards granted to them with the number of underlying Award Shares being 199,196 H Shares have been forfeited pursuant to the rules of the 2020 H Share Award and Trust Scheme; and (ii) the change in job position in the Group of 1 Independent Selected Participant, relevant Awards granted to him/her with the number of underlying Award Shares being 2,989 H Shares have been forfeited pursuant to the rules of the 2020 H Share Award and Trust Scheme.

During the Reporting Period, relevant Awards with the number of underlying Award Shares being 160,894 H Shares have been further granted to 46 Independent Selected Participants, accounting for approximately 0.0410% of the total number of issued H Shares and approximately 0.0054% of the total issued share capital of the Company as at June 30, 2022. Details of which are set out in the announcement of the Company dated January 21, 2022.

As at June 30, 2022, the number of underlying Award Shares of the outstanding Awards which have been granted to the Connected Selected Participants comprising both vested and unvested Award Shares is 444,712 H Shares (accounting for approximately 0.1134% of the total number of issued H Shares and approximately 0.0150% of the total issued share capital of the Company as at June 30, 2022), while the number of underlying Award Shares of the outstanding Awards which have been granted to the Independent Selected Participants comprising both vested and unvested Award Shares is 5,748,217 H Shares (accounting for approximately 1.4657% of the total number of issued H Shares and approximately 0.1944% of the total issued share capital of the Company as at June 30, 2022).

The Directors (including the independent non-executive Directors) are of the view that the grant of Awards to the Selected Participants (including the Connected Selected Participants) is conducted on normal commercial terms, and is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Selected Participants Under The 2020 H Share Award and Trust Scheme

As at June 30, 2022, there are a total of 2,250 Selected Participants under the 2020 H Share Award and Trust Scheme, which comprise 11 Connected Selected Participants and 2,239 Independent Selected Participants. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Independent Selected Participants are parties not connected with the Company within the meaning of the Listing Rules.

For further details in relation to the grant of Awards under the 2020 H Share Award and Trust Scheme, please refer to the announcements of the Company dated November 10, 2021 and January 21, 2022 and the circular of the Company dated August 12, 2020.

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The details of the Selected Participants with Awards granted under the 2020 H Share Award and Trust Scheme comprising both vested and unvested Awards as at June 30, 2022 are set out as follows:

Name	Position	Number of Award Shares underlying the Award granted comprising both vested and unvested Award Shares <i>(Notes 1&3)</i>	Approximate percentage to the total number of H Shares as at June 30, 2022	Approximate percentage to the total issued share capital of the Company as at June 30, 2022
Connected Selected Participants				
Dr. Ge Li	Executive Director, chairman and chief executive officer	127,738 H Shares	0.0326%	0.0043%
Mr. Edward Hu	Executive Director, vice chairman and global chief investment officer	63,868 H Shares	0.0163%	0.0022%
Dr. Steve Qing Yang	Executive Director, co-chief executive officer	63,868 H Shares	0.0163%	0.0022%
Dr. Minzhang Chen	Executive Director, co-chief executive officer	42,579 H Shares	0.0109%	0.0014%
Mr. Zhaohui Zhang	Executive Director, vice president	28,386 H Shares	0.0072%	0.0010%
Dr. Ning Zhao	Executive Director, vice president	28,386 H Shares	0.0072%	0.0010%
Dr. Shuhui Chen	Vice president	42,579 H Shares	0.0109%	0.0014%
Mr. Ellis Bih-Hsin Chu <i>(Note 2)</i>	Co-chief financial officer of the Company and the head of the mergers and acquisitions division	28,386 H Shares	0.0072%	0.0010%
Mr. Harry Liang He	Chairman of the Supervisory Committee	9,462 H Shares	0.0024%	0.0003%
Ms. Minfang Zhu	Employee representative Supervisor	3,153 H Shares	0.0008%	0.0001%
Ms. Wendy J. Hu*	Senior director of human resources	6,307 H Shares	0.0016%	0.0002%
Sub-total		444,712 H Shares	0.1134%	0.0150%
Independent Selected Participants				
	2,239 senior management, mid-level managers, basic-level managers, backbone members of technicians and other technicians	5,748,217 H Shares	1.4657%	0.1944%
Sub-total		5,748,217 H Shares	1.4657%	0.1944%
Total		6,192,929 H Shares	1.5791%	0.2094%

Notes:

- 1: The number of Award Shares underlying the Award is fixed based on the number of Award Shares acquired by the Trustee through on-market transactions from time to time at prevailing market price and apportioned to the corresponding value of the relevant Award based on the volume-weighted average price at the Trustee acquired such Award Shares pursuant to the Scheme.
- 2: Mr. Ellis Bih-Hsin Chu ceased to be the chief financial officer of the Company with effect from January 1, 2022.
- 3: The number of Award Shares underlying the relevant Awards has been enlarged following the implementation of the 2020 Profit Distribution Plan on June 8, 2021 under which 2 2020 Capitalization Shares were issued for every existing 10 Shares held by the Shareholders on June 7, 2021 (being the relevant record date) by way of capitalization of reserve.

* Ms. Wendy J. Hu is the spouse of Mr. Edward Hu.

Vesting schedule

The vesting periods of the Awards under the 2020 Grant are as follows:

Vesting periods		Proportion of Vesting
First vesting period	From December 2, 2021 to December 1, 2022	25%
Second vesting period	From December 2, 2022 to December 1, 2023	25%
Third vesting period	From December 2, 2023 to December 1, 2024	25%
Fourth vesting period	From December 2, 2024 to December 1, 2025	25%

Vesting conditions

Vesting of the Awards under the 2020 Grant is subject to conditions of the individual performance indicators of the Selected Participants, and any other applicable vesting conditions as set out in the award letter.

According to the relevant performance management rules adopted by the Company, the Board or the Delegatee shall carry out annual comprehensive appraisal on the Selected Participants and determine the actual vesting amount of the Awards granted under the 2020 H Share Award and Trust Scheme accordingly. The actual vesting amount of the Award granted to a Selected Participant for the respective vesting periods shall be equal to the standard coefficient \times the planned vesting amount for the respective vesting periods. The coefficient for individual performance appraisal results of grade B (or its equivalent appraisal result such as “meets expectations”) or above is 100% whereas the coefficient for individual performance appraisal results below grade B is 0. If the Selected Participant fails to fulfil such individual performance indicators, all the Award Shares underlying the relevant Awards which may otherwise be vested during the respective vesting periods shall not be vested and shall be held by the Trustee as Returned Shares.

For further details on the vesting conditions of the Awards, please refer to the section headed “Letter from the Board — II. Proposed Adoption of the H Share Award and Trust Scheme — Vesting of the Awards — Vesting Conditions” in the circular of the Company dated August 12, 2020.

7. 2021 H Share Award and Trust Scheme

In order to attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of the Group by providing them with the opportunity to own equity interests in the Company, the Board has considered and approved, on August 2, 2021, a resolution to adopt the 2021 H Share Award and Trust Scheme. The 2021 Scheme Limit shall be the maximum number of H Shares that will be acquired by the Trustee through on-market transactions from time to time at the prevailing market price with funds in the amount of not more than HK\$2 billion. The Board or the 2021 Delegatee may grant the 2021 Awards to the 2021 Selected Participants during the 2021 Award Period conditional upon fulfilment of terms and conditions of the 2021 Awards and performance targets as the Board or the 2021 Delegatee determines from time to time. 2021 Eligible Employees who may participate in the 2021 H Share Award and Trust Scheme include any individual, being a Director, supervisor, senior management, mid-level manager, basic-level manager, backbone member of the technicians, other technician, who is a full-time PRC or non-PRC employee of any members of the Group. The Company has granted the 2021 Awards in an aggregate value of HK\$110,452,209 to 13 Connected Selected Participants including, Dr. Ge Li, Mr. Edward Hu, Dr. Steve Qing Yang, Dr. Minzhang Chen, Dr. Shuhui Chen, Mr. Zhaohui Zhang, Dr. Ning Zhao, Mr. Ellis Bih-Hsin Chu, Mr. Guodong Tong, Ms. Hui Xu, Ms. Wendy J. Hu, Mr. Harry Liang He and Ms. Minfang Zhu. The adoption of the 2021 H Share Award and Trust Scheme and the grant of 2021 Awards to the 2021 Connected Selected Participants has been approved by the Shareholders at the extraordinary general meeting of the Company held on August 30, 2021. Details of which are set out in the announcements of the Company dated August 2, 2021, August 30, 2021 and December 15, 2021, and the circular of the Company dated August 10, 2021.

During the Reporting Period, due to (i) 1 2021 Independent Selected Participant not accepting the Award granted to him/her, relevant 2021 Awards granted to him/her with the number of underlying Award Shares being 852 H Shares have been forfeited pursuant to the rules of the 2021 H Share Award and Trust Scheme; and (ii) the resignation of 127 2021 Selected Participants (who are all 2021 Independent Selected Participants), relevant 2021 Awards granted to them with the number of underlying 2021 Award Shares being 400,075 H Shares have been forfeited pursuant to the rules of the 2021 H Share Award and Trust Scheme.

As at June 30, 2022, the number of underlying 2021 Award Shares of the outstanding 2021 Awards which have been granted to the 2021 Connected Selected Participants is 675,549 H Shares (accounting for approximately 0.1723% of the total number of issued H Shares and approximately 0.0228% of the total issued share capital of the Company as at June 30, 2022), while the number of underlying 2021 Award Shares of the outstanding 2021 Awards which have been granted to the 2021 Independent Selected Participants is 10,531,781 H Shares (accounting for approximately 2.6855% of the total number of issued H Shares and approximately 0.3562% of the total issued share capital of the Company as at June 30, 2022).

The Directors (including the independent non-executive Directors) are of the view that the grant of Awards to the Selected Participants (including the Connected Selected Participants) is conducted on normal commercial terms, and is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

2021 Selected Participants Under the 2021 Grant

As at June 30, 2022, there are a total of 3,105 2021 Selected participants under the 2021 Grant, which comprise 13 2021 Connected Selected participants and 3,092 2021 Independent Selected Participants. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the 2021 Independent Selected Participants are parties not connected with the Company within the meaning of the Listing Rules. The details of the 2021 Selected Participants with 2021 Awards made under the 2021 Grant as at June 30, 2022 are set out as follows:

Name	Position	Number of Award Shares underlying the Award granted <i>(Note 2)</i>	Approximate percentage to the total number of H Shares as at June 30, 2022	Approximate percentage to the total issued share capital of the Company as at June 30, 2022
Connected Selected Participants				
Dr. Ge Li	Executive Director, chairman and chief executive officer	157,729 H Shares	0.0402%	0.0053%
Mr. Edward Hu	Executive Director, vice chairman and global chief investment officer	70,563 H Shares	0.0180%	0.0024%
Dr. Steve Qing Yang	Executive Director, co-chief executive officer	75,423 H Shares	0.0192%	0.0026%
Dr. Minzhang Chen	Executive Director, co-chief executive officer	99,709 H Shares	0.0254%	0.0034%
Mr. Zhaohui Zhang	Executive Director, vice president	52,576 H Shares	0.0134%	0.0018%
Dr. Ning Zhao	Executive Director, vice president	35,051 H Shares	0.0089%	0.0012%
Dr. Shuhui Chen	Vice president	74,609 H Shares	0.0190%	0.0025%
Mr. Ellis Bih-Hsin Chu <i>(Note 1)</i>	Co-chief financial officer of the Company and the head of the mergers and acquisitions division	27,946 H Shares	0.0071%	0.0009%
Mr. Guodong Tong	President of principal subsidiaries of the Company	35,051 H Shares	0.0089%	0.0012%
Ms. Hui Xu	President of subsidiaries of the Company which do not amount to insignificant subsidiaries in terms of their aggregate profits	22,909 H Shares	0.0058%	0.0008%
Ms. Wendy J. Hu*	Senior director of human resources	8,199 H Shares	0.0021%	0.0003%
Mr. Harry Liang He	Chairman of the Supervisory Committee	11,684 H Shares	0.0030%	0.0004%
Ms. Minfang Zhu	Employee representative Supervisor	4,100 H Shares	0.0010%	0.0001%
Sub-total		675,549 H Shares	0.1723%	0.0228%
Independent Selected Participants				
	3,092 senior management, mid-level managers, basic-level managers, backbone members of technicians and other technicians	10,531,781 H Shares	2.6855%	0.3562%
Sub-total		10,531,781 H Shares	2.6855%	0.3562%
Total		11,207,330 H Shares	2.8578%	0.3790%

Statutory Disclosures

Notes:

- 1: Mr. Ellis Bih-Hsin Chu ceased to be the chief financial officer of the Company with effect from January 1, 2022.
- 2: The number of 2021 Award Shares underlying the 2021 Award is fixed based on the number of 2021 Award Shares acquired by the Trustee through on-market transactions from time to time at prevailing market price and apportioned to the corresponding value of the relevant 2021 Award based on the volume-weighted average price at the Trustee acquired such 2021 Award Shares pursuant to the 2021 H Share Award and Trust Scheme.

* Ms. Wendy J. Hu is the spouse of Mr. Edward Hu.

Vesting schedule

The vesting dates of the Awards under the 2021 Grant are as follows:

Vesting Dates		Proportion of Vesting
First vesting period	November 23, 2022	25%
Second vesting period	November 23, 2023	25%
Third vesting period	November 23, 2024	25%
Fourth vesting period	November 23, 2025	25%

Note:

If the vesting date is not a Business Day, the vesting date shall, subject to any trading halt or suspension in trading of the H Shares, be the Business Day immediately thereafter.

Vesting conditions

Vesting of the 2021 Awards under the 2021 Grant is subject to conditions of the individual performance indicators of the 2021 Selected Participants, and any other applicable vesting conditions as set out in the award letter.

For further details on the vesting conditions of the Awards (including the conditions of the individual performance indicators of the Selected Participants), please refer to the section headed “Letter from the Board — II. Proposed Adoption of the 2021 H Share Award and Trust Scheme — Vesting of the Awards — Vesting Conditions” in the circular of the Company dated August 10, 2021.

8. 2021 Shareholder Alignment Incentive H Share Scheme

In order to retain, reward and incentivize the SAI Selected Participants comprising employees who have made and are expected to continue to make significant and particular contributions to the Group's business development and growth, with incentives highly correlated to and directly driven by the overall business performance and stock price of the H Shares of the Company, the Board has considered and approved, on August 2, 2021, a resolution to adopt the 2021 Shareholder Alignment Incentive H Share Scheme. Subject to the 2021 Shareholder Alignment Incentive H Share Scheme Rules, the 2021 Shareholder Alignment Incentive H Share Scheme shall have four (4) individual scheme limits for each of the four (4) SAI Award Pools. The amounts of the four (4) scheme limits are linked to the monetary value of the corresponding SAI Award Pool. The aggregate amount of the four (4) individual scheme limits is HK\$7.5 billion. The Board or the SAI Delegatee may grant SAI Awards to SAI Selected Participants during the SAI Award Period only in the event that (i) the relevant SAI Award Pool has been released upon the fulfillment of the conditions in connection with the target closing price of the H Shares of the Company at the corresponding milestone; and (ii) the fulfilment of the terms and conditions of the SAI Awards and performance targets as the Board or the SAI Delegatee determines from time to time (if any). SAI Eligible Employees who may qualify to participate in the 2021 Shareholder Alignment Incentive H Share Scheme include any individual, being any individual, being an executive Director, a supervisor who is an employee of the Company, senior management member, and personnel at the grade of director or above that made high performance contributions and are critical company middle to senior management personnel, who is a full-time PRC or non-PRC employee of any members of the Group, and whose performance appraisal results for the most recent two consecutive years are A-or above for any one year and B (excluding B-) or above for the other year. Subject to the fulfillment of the relevant conditions of release of each of the SAI Award Pools at the relevant milestones and the fulfilment of the terms and conditions of the SAI Awards and performance targets as the Board or the SAI Delegatee determines from time to time (if any), the Company proposed to grant SAI Awards under each of the SAI Award Pools in a maximum aggregate value of HK\$1,606,060,300 to 13 SAI Connected Selected Participants, including Dr. Ge Li, Mr. Edward Hu, Dr. Steve Qing Yang, Dr. Minzhang Chen, Dr. Shuhui Chen, Mr. Zhaohui Zhang, Dr. Ning Zhao, Mr. Ellis Bih-Hsin Chu, Mr. Guodong Tong, Ms. Hui Xu, Ms. Wendy J. Hu, Mr. Harry Liang He and Ms. Minfang Zhu. The adoption of the 2021 Shareholder Alignment Incentive H Share Scheme and the grant of SAI Awards to the SAI Connected Selected Participants has been approved by the Shareholders at the extraordinary general meeting of the Company held on August 30, 2021. Details of which are set out in the announcements of the Company dated August 2, 2021 and August 30, 2021, and the circular of the Company dated August 10, 2021.

As at June 30, 2022, the grant of SAI Awards in a maximum aggregate value of HK\$1,606,060,300 to 13 2021 SAI Connected Selected Participants has been approved by the Shareholders at the extraordinary general meeting of the Company held on August 30, 2021, and the maximum number of SAI Award Shares underlying the relevant SAI Awards to be granted represents 7,776,023 H Shares, accounting for approximately 1.9828% of the total number of issued H Shares and approximately 0.2630% of the total issued share capital of the Company as at June 30, 2022, subject to the fulfillment of the relevant conditions of release of each of the SAI Award Pools at the relevant milestones and the fulfilment of the terms and conditions of the SAI Awards and performance targets as the Board or the SAI Delegatee determines from time to time (if any) (the "SAI Grant").

Subject to the fulfillment of the relevant conditions of release of each of the SAI Award Pools at the relevant milestones, the Company will grant SAI Awards in the value of HK\$785,858,700, HK\$1,178,788,000, HK\$1,571,717,300 and HK\$2,357,575,700 under the First SAI Award Pool, the Second SAI Award, the Third SAI Award Pool and the Fourth SAI Award Pool, respectively, to an aggregate of approximately 500 Independent SAI Selected Participants during the SAI Award Period (assuming SAI Awards under each of the SAI Award Pools in the maximum aggregate value of HK\$1,606,060,300 will be granted to the 13 SAI Connected Selected Participants). The Board or the SAI Delegatee will, at the relevant milestones, select SAI Eligible Employees to be such Independent SAI Selected Participants in accordance with the Company Law of the PRC, the Securities Law of the PRC and other applicable laws, regulations and regulatory documents and the relevant provisions of the Articles of Association, together with the Company's actual circumstances and matters including the present and expected contribution of the relevant Independent SAI Selected Participant to the Group. As at June 30, 2022, the list of Independent SAI Selected Participants has not yet been determined and approved.

As no new Shares will be issued by the Company pursuant to the SAI Grant, it will not result in any dilution effect on the shareholdings of existing Shareholders.

The Directors (including the independent non-executive Directors) are of the view that the grant of SAI Awards to the SAI Connected Selected Participants is a transaction entered into on normal commercial terms, and is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

SAI Selected Participants Under the SAI Grant

There are a total of 13 SAI Connected Selected Participants under the SAI Grant.

The details of the SAI Selected Participants with SAI Awards made under the SAI Grant as at June 30, 2022 are set out as follows:

Name of SAI Connected Selected Participants	Position	Maximum value of the SAI Award	Approximate percentage to the monetary value of the First SAI Award Pool	Maximum number of the SAI Award Shares underlying the SAI Award (for illustrative purpose only) <i>(Note 1)</i>	Approximate percentage to the total number of H Shares as at June 30, 2022 (for illustrative purpose only)	Approximate percentage to the total issued share capital of the Company as at June 30, 2022 (for illustrative purpose only)
First SAI Award Pool						
Dr. Ge Li	Executive Director, chairman and chief executive officer	HK\$54,545,500	5.4546%	320,855 H Shares	0.0818%	0.0109%
Mr. Edward Hu	Executive Director, vice chairman and global chief investment officer	HK\$27,272,700	2.7273%	160,427 H Shares	0.0409%	0.0054%
Dr. Steve Qing Yang	Executive Director, co-chief executive officer	HK\$27,272,700	2.7273%	160,427 H Shares	0.0409%	0.0054%
Dr. Minzhang Chen	Executive Director, co-chief executive officer	HK\$18,181,800	1.8182%	106,951 H Shares	0.0273%	0.0036%
Mr. Zhaohui Zhang	Executive Director, vice president	HK\$18,181,800	1.8182%	106,951 H Shares	0.0273%	0.0036%
Dr. Ning Zhao	Executive Director, vice president	HK\$12,121,200	1.2121%	71,301 H Shares	0.0182%	0.0024%
Dr. Shuhui Chen	Vice president	HK\$18,181,800	1.8182%	106,951 H Shares	0.0273%	0.0036%
Mr. Ellis Bih-Hsin Chu <i>(Note 2)</i>	Co-chief financial officer of the Company and the head of the mergers and acquisitions division	HK\$12,121,200	1.2121%	71,301 H Shares	0.0182%	0.0024%
Mr. Guodong Tong	President of principal subsidiaries of the Company	HK\$12,121,200	1.2121%	71,301 H Shares	0.0182%	0.0024%
Ms. Hui Xu	President of subsidiaries of the Company which do not amount to insignificant subsidiaries in terms of their aggregate profits	HK\$6,060,600	0.6061%	35,650 H Shares	0.0091%	0.0012%
Ms. Wendy J. Hu*	Senior director of human resources	HK\$2,693,600	0.2694%	15,844 H Shares	0.0040%	0.0005%
Mr. Harry Liang He	Chairman of the Supervisory Committee	HK\$4,040,400	0.4040%	23,767 H Shares	0.0061%	0.0008%
Ms. Minfang Zhu	Employee representative Supervisor	HK\$1,346,800	0.1347%	7,922 H Shares	0.0020%	0.0003%
Sub-total		HK\$214,141,300	21.4141%	1,259,648 H Shares	0.3212%	0.0426%
Second SAI Award Pool						
Dr. Ge Li	Executive Director, chairman and chief executive officer	HK\$81,818,200	5.4545%	437,530 H Shares	0.1116%	0.0148%
Mr. Edward Hu	Executive Director, vice chairman and global chief investment officer	HK\$40,909,100	2.7273%	218,765 H Shares	0.0558%	0.0074%
Dr. Steve Qing Yang	Executive Director, co-chief executive officer	HK\$40,909,100	2.7273%	218,765 H Shares	0.0558%	0.0074%
Dr. Minzhang Chen	Executive Director, co-chief executive officer	HK\$27,272,700	1.8182%	145,843 H Shares	0.0372%	0.0049%
Mr. Zhaohui Zhang	Executive Director, vice president	HK\$27,272,700	1.8182%	145,843 H Shares	0.0372%	0.0049%
Dr. Ning Zhao	Executive Director, vice president	HK\$18,181,800	1.2121%	97,228 H Shares	0.0248%	0.0033%
Dr. Shuhui Chen	Vice president	HK\$27,272,700	1.8182%	145,843 H Shares	0.0372%	0.0049%
Mr. Ellis Bih-Hsin Chu <i>(Note 2)</i>	Co-chief financial officer of the Company and the head of the mergers and acquisitions division	HK\$18,181,800	1.2121%	97,228 H Shares	0.0248%	0.0033%
Mr. Guodong Tong	President of principal subsidiaries of the Company	HK\$18,181,800	1.2121%	97,228 H Shares	0.0248%	0.0033%
Ms. Hui Xu	President of subsidiaries of the Company which do not amount to insignificant subsidiaries in terms of their aggregate profits	HK\$9,090,900	0.6061%	48,614 H Shares	0.0124%	0.0016%
Ms. Wendy J. Hu*	Senior director of human resources	HK\$4,040,400	0.2694%	21,606 H Shares	0.0055%	0.0007%
Mr. Harry Liang He	Chairman of the Supervisory Committee	HK\$6,060,600	0.4040%	32,409 H Shares	0.0083%	0.0011%
Ms. Minfang Zhu	Employee representative Supervisor	HK\$2,020,200	0.1347%	10,803 H Shares	0.0028%	0.0004%
Sub-total		HK\$321,212,000	21.4141%	1,717,705 H Shares	0.4380%	0.0581%

Statutory Disclosures

Name of SAI Connected Selected Participants	Position	Maximum value of the SAI Award	Approximate percentage to the monetary value of the First SAI Award Pool	Maximum number of the SAI Award Shares underlying the SAI Award (for illustrative purpose only) <i>(Note 1)</i>	Approximate percentage to the total number of H Shares as at June 30, 2022 (for illustrative purpose only)	Approximate percentage to the total issued share capital of the Company as at June 30, 2022 (for illustrative purpose only)
Third SAI Award Pool						
Dr. Ge Li	Executive Director, chairman and chief executive officer	HK\$109,090,900	5.4545%	534,759 H Shares	0.1364%	0.0181%
Mr. Edward Hu	Executive Director, vice chairman and global chief investment officer	HK\$54,545,500	2.7273%	267,379 H Shares	0.0682%	0.0090%
Dr. Steve Qing Yang	Executive Director, co-chief executive officer	HK\$54,545,500	2.7273%	267,379 H Shares	0.0682%	0.0090%
Dr. Minzhang Chen	Executive Director, co-chief executive officer	HK\$36,363,600	1.8182%	178,252 H Shares	0.0455%	0.0060%
Mr. Zhaohui Zhang	Executive Director, vice president	HK\$36,363,600	1.8182%	178,252 H Shares	0.0455%	0.0060%
Dr. Ning Zhao	Executive Director, vice president	HK\$24,242,400	1.2121%	118,835 H Shares	0.0303%	0.0040%
Dr. Shuhui Chen	Vice president	HK\$36,363,600	1.8182%	178,252 H Shares	0.0455%	0.0060%
Mr. Ellis Bih-Hsin Chu <i>(Note 2)</i>	Co-chief financial officer of the Company and the head of the mergers and acquisitions division	HK\$24,242,400	1.2121%	118,835 H Shares	0.0303%	0.0040%
Mr. Guodong Tong	President of principal subsidiaries of the Company	HK\$24,242,400	1.2121%	118,835 H Shares	0.0303%	0.0040%
Ms. Hui Xu	President of subsidiaries of the Company which do not amount to insignificant subsidiaries in terms of their aggregate profits	HK\$12,121,200	0.6061%	59,417 H Shares	0.0152%	0.0020%
Ms. Wendy J. Hu*	Senior director of human resources	HK\$5,387,200	0.2694%	26,407 H Shares	0.0067%	0.0009%
Mr. Harry Liang He	Chairman of the Supervisory Committee	HK\$8,080,800	0.4040%	39,611 H Shares	0.0101%	0.0013%
Ms. Minfang Zhu	Employee representative Supervisor	HK\$2,693,600	0.1347%	13,203 H Shares	0.0034%	0.0004%
Sub-total		HK\$428,282,700	21.4141%	2,099,416 H Shares	0.5353%	0.0710%
Fourth SAI Award Pool						
Dr. Ge Li	Executive Director, chairman and chief executive officer	HK\$163,636,400	5.4545%	687,547 H Shares	0.1753%	0.0233%
Mr. Edward Hu	Executive Director, vice chairman and global chief investment officer	HK\$81,818,200	2.7273%	343,773 H Shares	0.0877%	0.0116%
Dr. Steve Qing Yang	Executive Director, co-chief executive officer	HK\$81,818,200	2.7273%	343,773 H Shares	0.0877%	0.0116%
Dr. Minzhang Chen	Executive Director, co-chief executive officer	HK\$54,545,500	1.8182%	229,182 H Shares	0.0584%	0.0078%
Mr. Zhaohui Zhang	Executive Director, vice president	HK\$54,545,500	1.8182%	229,182 H Shares	0.0584%	0.0078%
Dr. Ning Zhao	Executive Director, vice president	HK\$36,363,600	1.2121%	152,788 H Shares	0.0390%	0.0052%
Dr. Shuhui Chen	Vice president	HK\$54,545,500	1.8182%	229,182 H Shares	0.0584%	0.0078%
Mr. Ellis Bih-Hsin Chu <i>(Note 2)</i>	Co-chief financial officer of the Company and the head of the mergers and acquisitions division	HK\$36,363,600	1.2121%	152,788 H Shares	0.0390%	0.0052%
Mr. Guodong Tong	President of principal subsidiaries of the Company	HK\$36,363,600	1.2121%	152,788 H Shares	0.0390%	0.0052%
Ms. Hui Xu	President of subsidiaries of the Company which do not amount to insignificant subsidiaries in terms of their aggregate profits	HK\$18,181,800	0.6061%	76,394 H Shares	0.0195%	0.0026%
Ms. Wendy J. Hu*	Senior director of human resources	HK\$8,080,800	0.2694%	33,952 H Shares	0.0087%	0.0011%
Mr. Harry Liang He	Chairman of the Supervisory Committee	HK\$12,121,200	0.4040%	50,929 H Shares	0.0130%	0.0017%
Ms. Minfang Zhu	Employee representative Supervisor	HK\$4,040,400	0.1347%	16,976 H Shares	0.0043%	0.0006%
Sub-total		HK\$642,424,300	21.4141%	2,699,254 H Shares	0.6883%	0.0913%
Total		HK\$1,606,060,300		7,776,023 H Shares	1.9828%	0.2630%

Notes:

1. Calculated for illustrative purpose based on the target closing price of the H Shares of the Company for the relevant milestone corresponding to the particular SAI Award Pool.
2. Mr. Ellis Bih-Hsin Chu ceased to be the chief financial officer of the Company with effect from January 1, 2022.

* Ms. Wendy J. Hu is the spouse of Mr. Edward Hu.

Grant of SAI Awards

Only in the event that (i) the relevant SAI Award Pool has been released upon the fulfillment of the conditions in connection with the target closing price of the H Shares of the Company at the corresponding milestone (the details of which are further particularized below); and (ii) the fulfillment of the terms and conditions of the SAI Awards and performance targets as the Board or the SAI Delegatee determines from time to time (if any), may the Board or the SAI Delegatee grant SAI Awards to SAI Selected Participants during the SAI Award Period.

Milestone	Release conditions	SAI Award Pool to be released
First milestone	The closing price of the H Shares as stated in the Stock Exchange's daily quotations sheets being above HK\$170 for any nonconsecutive 45 Business Days or above during any 12-month period which falls under the aggregate duration of five years commencing on the date on which the adoption of the 2021 Shareholder Alignment Incentive H Share Scheme will be approved by the Board (being August 2, 2021) (the " SAI Milestone Test Period ")	First SAI Award Pool with a monetary value of HK\$1 billion (the " First SAI Award Pool ")
Second milestone	The closing price of the H Shares as stated in the Stock Exchange's daily quotations sheets being above HK\$187 for any non-consecutive 45 Business Days or above during any 12-month period which falls under the SAI Milestone Test Period	Second SAI Award Pool with a monetary value of HK\$1.5 billion (the " Second SAI Award Pool ")
Third milestone	The closing price of the H Shares as stated in the Stock Exchange's daily quotations sheets being above HK\$204 for any non-consecutive 45 Business Days or above during any 12-month period which falls under the SAI Milestone Test Period	Third SAI Award Pool with a monetary value of HK\$2 billion (the " Third SAI Award Pool ")
Fourth milestone	The closing price of the H Shares as stated in the Stock Exchange's daily quotations sheets being above HK\$238 for any non-consecutive 45 Business Days or above during any 12-month period which falls under the SAI Milestone Test Period	Fourth SAI Award Pool with a monetary value of HK\$3 billion (the " Fourth SAI Award Pool ")

The release of the SAI Award Pools can take place during any point of time during the SAI Milestone Test Period. Over the course of any 12-month period within such five-year duration, the SAI Award Pools shall be released as and when the target closing price of the H Shares of the Company as set out in the abovementioned conditions of release at the corresponding milestone(s) has been reached. In the event that no milestone can be reached during the first 12-month period which falls under the SAI Milestone Test Period, the SAI Award Pools will not be released, and further assessments as to whether any milestone can be reached will be made during the other 12-month periods which fall under the SAI Milestone Test Period, until all the four (4) milestones are reached before the expiry of the SAI Milestone Test Period or the aggregate five-year duration of the SAI Milestone Test Period expires. In the event that the target closing price of the H Shares of the Company has been reached and it is higher than more than one of the four (4) target closing prices, each of the SAI Award Pools which corresponds to the relevant milestone that has been reached will be released concurrently. If none of the milestones can be reached during the aggregate five-year duration, no grant of SAI Awards will be made at all.

For further details on the grant of SAI Awards and conditions of release of the SAI Award Pools, please refer to the section headed “Letter from the Board — V. Proposed Adoption of the 2021 Shareholder Alignment Incentive H Share Scheme — Grant of SAI Awards — Grant of SAI Awards and conditions of release of the SAI Award Pools” in the circular of the Company dated August 10, 2021.

Vesting schedule

Unless otherwise specified in the SAI Award Letter approved by the Board or the SAI Delegatee, the SAI Vesting Periods of the SAI Awards granted under each of the SAI Award Pools of the 2021 Shareholder Alignment Incentive H Share Scheme are as follows:

	SAI Vesting Periods	Proportion of Vesting
First SAI Vesting Period	Within the year immediately following the first anniversary of the SAI Grant Date	20%
Second SAI Vesting Period	Within the year immediately following the second anniversary of the SAI Grant Date	20%
Third SAI Vesting Period	Within the year immediately following the third anniversary of the SAI Grant Date	20%
Fourth SAI Vesting Period	Within the year immediately following the fourth anniversary of the SAI Grant Date	20%
Fifth SAI Vesting Period	Within the year immediately following the fifth anniversary of the SAI Grant Date	20%

The SAI Vesting Periods of the SAI Awards granted under any subsequent grant of the 2021 Shareholder Alignment Incentive H Share Scheme pursuant to any of the SAI Award Pools or the SAI Awards to be satisfied by the application of any SAI Returned Shares shall be determined by the Board or the Delegatee in its sole and absolute discretion, and shall in any event not extend beyond the then remaining term of the SAI Award Period at the time of grant.

Vesting conditions

Vesting of the SAI Awards under each of the SAI Award Pools of the 2021 Shareholder Alignment Incentive H Share Scheme is subject to conditions of (i) the performance indicators of the closing prices of the H Shares of the Company during each SAI Vesting Period; and (ii) the individual performance indicators of the SAI Selected Participants, and any other applicable vesting conditions as set out in the SAI Award Letter.

For further details on the vesting conditions of the SAI Awards (including the conditions of the individual performance indicators of the Selected Participants), please refer to the section headed “Letter from the Board — V. Proposed Adoption of the 2021 Shareholder Alignment Incentive H Share Scheme — Vesting of the SAI Awards — Vesting Conditions” in the circular of the Company dated August 10, 2021.

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

As at June 30, 2022, the interests or short positions of the Directors, Supervisors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Interests in Shares or Underlying Shares of our Company

Name of Director and Chief Executive	Nature of Interest	Number and class of shares interested ⁽¹⁾	Approximate percentage of the Company's issued share capital ⁽⁵⁾
Dr. Ge Li	Interests held jointly with another person; interests of spouse; interests of controlled corporation	740,070,220 A Shares ⁽²⁾ (L)	25.0295%
	Beneficial owner; interests of spouse	330,521 H Shares (L)	0.0112%
Dr. Ning Zhao	Interests held jointly with another person; interests of spouse; interests of controlled corporation	740,070,220 A Shares ⁽²⁾ (L)	25.0295%
	Beneficial owner; interests of spouse	330,521 H Shares (L)	0.0112%
Mr. Zhaohui Zhang	Interests held jointly with another person; interests of controlled corporation	740,070,220 A Shares ⁽²⁾ (L)	25.0295%
	Beneficial owner	78,638 H Shares (L)	0.0027%
Mr. Edward Hu	Beneficial owner; interests of spouse	283,314 A Shares ⁽³⁾ (L)	0.0096%
	Beneficial owner; interests of spouse	131,394 H Shares ⁽³⁾ (L)	0.0044%
Dr. Steve Qing Yang	Beneficial owner	213,554 A Shares (L)	0.0072%
	Beneficial owner	123,324 H Shares (L)	0.0042%
Dr. Minzhang Chen	Beneficial owner	146,180 A Shares (L)	0.0049%
	Beneficial owner	131,644 H Shares (L)	0.0045%
Ms. Ming Shi	Beneficial owner	2,000 A Shares (L)	0.0001%
	Beneficial owner; interests of spouse	20,624 H Shares ⁽⁴⁾ (L)	0.0007%

Notes:

- (1) The letter "L" denotes the person's long position in the Shares.
- (2) Dr. Ge Li, Dr. Ning Zhao and Mr. Zhaohui Zhang entered into an acting-in-concert agreement and a supplemental agreement on March 23, 2016 and March 17, 2017 to acknowledge and confirm their acting-in-concert relationship in our Company.
- (3) Ms. Wendy J. Hu, spouse of Mr. Edward Hu, is interested in 29,182 A Shares (which includes Restricted A Shares granted to her pursuant to the 2018 A Share Incentive plan and the 2019 A Share Incentive Plan) and 12,930 H Shares (being the underlying H Shares of the Awards granted under the 2020 H Share Award and Trust Scheme and the 2021 H Share Award and Trust Scheme). Mr. Edward Hu is deemed to be interested in his spouse's interest.

- (4) Mr. Weimin Jiang, spouse of Ms. Ming Shi, is interested in 1,060 H Shares. Ms. Ming Shi is deemed to be interested in her spouse's interest.
- (5) As at June 30, 2022, the number of issued shares of the Company was 2,956,794,221, which has been used for the calculation of the approximate percentage.

Interests in associated corporation (within the meaning of Part XV of the SFO)

Name of Director or Chief Executive	Associated Corporation	Capacity/nature of Interest	Number of Shares	Approximate percentage of shareholding interest
Dr. Ge Li	Shanghai SynTheAll Pharmaceutical Co., Ltd. (上海合全藥業股份有限公司)	Beneficial owner	938,778	0.1767%
Mr. Zhaohui Zhang	Shanghai SynTheAll Pharmaceutical Co., Ltd. (上海合全藥業股份有限公司)	Beneficial owner	288,741	0.0543%
Mr. Edward Hu	Shanghai SynTheAll Pharmaceutical Co., Ltd. (上海合全藥業股份有限公司)	Beneficial owner	36,214	0.0068%
Dr. Minzhang Chen	Shanghai SynTheAll Pharmaceutical Co., Ltd. (上海合全藥業股份有限公司)	Beneficial owner	39,915	0.0075%

Save as disclosed above and in the section headed "Share Incentive Schemes" and to the best knowledge of the Directors, as at June 30, 2022, none of the Directors, Supervisors or the chief executive of the Company has any interests and/or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES AND SHORT POSITION IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at June 30, 2022, so far as it was known to the Directors or chief executive of the Company, the following persons (other than the Directors and chief executive of the Company) had interests and/or short positions in the Shares or underlying Shares which are required to be notified to the Company under Divisions 2 and 3 of Part XV of the SFO, or had interests or short positions in 5% or more of the respective type of Shares which were recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of Shareholder	Nature of Interest	Number and class of shares Interested ⁽¹⁾	Approximate percentage of shares in relevant class of shares	Approximate percentage of the Company's issued share capital ⁽⁹⁾
Dr. Ge Li ⁽²⁾⁽³⁾	Interests held jointly with another person; interests of spouse; interests of controlled corporation	740,070,220 A Shares (L)	28.86%	25.03%
Dr. Ning Zhao ⁽²⁾⁽³⁾	Interests held jointly with another person; interests of spouse; interests of controlled corporation	740,070,220 A Shares (L)	28.86%	25.03%
Mr. Zhaohui Zhang ⁽²⁾⁽⁴⁾	Interests held jointly with another person; interests of controlled corporation	740,070,220 A Shares (L)	28.86%	25.03%
Mr. Xiaozhong Liu ⁽²⁾⁽⁵⁾	Interests held jointly with another person; interests of controlled corporation	740,070,220 A Shares (L)	28.86%	25.03%
Ms. Lei Zhang (張蕾) ⁽⁴⁾	Interests of spouse	740,070,220 A Shares (L)	28.86%	25.03%
Ms. Guolian Zhang (張國連) ⁽⁵⁾	Interests of spouse	740,070,220 A Shares (L)	28.86%	25.03%
G&C VI Limited ⁽⁶⁾	Beneficial owner	190,512,000 A Shares (L)	7.43%	6.44%
G&C I Limited ⁽⁶⁾	Interests of controlled corporation	190,512,000 A Shares (L)	7.43%	6.44%
G&C Limited ⁽⁶⁾	Interests of controlled corporation	240,927,120 A Shares (L)	9.39%	8.15%

Name of Shareholder	Nature of Interest	Number and class of shares Interested ⁽¹⁾	Approximate percentage of shares in relevant class of shares	Approximate percentage of the Company's issued share capital ⁽⁹⁾
G&C IV Hong Kong Limited ⁽⁷⁾	Beneficial owner	139,319,309 A Shares (L)	5.43%	4.71%
G&C VIII Limited ⁽⁷⁾	Interests of controlled corporation	139,319,309 A Shares (L)	5.43%	4.71%
G&C IV Limited ⁽⁷⁾	Interests of controlled corporation	139,319,309 A Shares (L)	5.43%	4.71%
Summer Bloom Investments (I) Pte. Ltd. ⁽⁸⁾	Beneficial owner	159,160,073 A Shares (L)	6.21%	5.38%
Summer Bloom Investments (II) Pte. Ltd. ⁽⁸⁾	Interests of controlled corporation	159,160,073 A Shares (L)	6.21%	5.38%
Summer Bloom Investments Pte. Ltd. ⁽⁸⁾	Interests of controlled corporation	159,160,073 A Shares (L)	6.21%	5.38%
Pavilion Capital International Pte. Ltd. ⁽⁸⁾	Interests of controlled corporation	159,160,073 A Shares (L)	6.21%	5.38%
Pavilion Capital Holdings Pte. Ltd. ⁽⁸⁾	Interests of controlled corporation	159,160,073 A Shares (L)	6.21%	5.38%
Linden Investments Pte. Ltd. ⁽⁸⁾	Interests of controlled corporation	159,160,073 A Shares (L)	6.21%	5.38%
Fullerton Fund Investments Pte. Ltd. ⁽⁸⁾	Interests of controlled corporation	159,160,073 A Shares (L)	6.21%	5.38%
Temasek Holdings (Private) Limited ⁽⁸⁾	Interests of controlled corporation	159,160,073 A Shares (L)	6.21%	5.38%
Morgan Stanley Capital Management, LLC	Interests of controlled corporation	23,209,216 H Shares (L) 17,750,000 H Shares (S)	5.92% 4.53%	0.78% 0.60%
BlackRock, Inc.	Interests of controlled corporation	35,548,870 H Shares (L) 108,064 H Shares (S)	9.06% 0.03%	1.20% 0.00%

Statutory Disclosures

Name of Shareholder	Nature of Interest	Number and class of shares Interested ⁽¹⁾	Approximate percentage of shares in relevant class of shares	Approximate percentage of the Company's issued share capital ⁽⁹⁾
Brown Brothers Harriman & Co.	Agent	15,811,170 H Shares (L)	4.03%	0.53%
		15,811,170 H Shares (P)	4.03%	0.53%
Qatar Investment Authority I	Interests of a controlled corporation	46,548,000 H Shares (L)	11.87%	1.57%
Citigroup Inc.	Interests of a controlled corporation and Approved lending agent	22,862,068 H Shares (L)	5.82%	0.77%
	Interest of corporation controlled	3,182,167 H Shares (S)	0.81%	0.11%
	Approved lending agent	19,335,202 H Shares (P)	4.93%	0.65%
Pandanus Associates Inc.	Interests of controlled corporation	27,196,123 H Shares (L)	6.93%	0.92%
The Capital Group Companies, Inc.	Interests of controlled corporation	21,530,895 H Shares (L)	5.49%	0.73%
Wellington management Group LLP	Investment manager	23,266,850 H Shares (L)	5.93%	0.79%
		3,067 H Shares (S)	0.00%	0.00%
JPMorgan Chase & Co.	Interests of a controlled corporation	28,853,206 H Shares (L)	7.36%	0.96%
	Investment manager	9,212,656 H Shares (S)	2.35%	0.31%
	Approved lending agent	10,968,040 H Shares (P)	2.80%	0.37%

Notes:

- (1) (L) — Long position; (S) — Short position; (P) — Lending pool
- (2) Dr. Ge Li, Dr. Ning Zhao, Mr. Xiaozhong Liu and Mr. Zhaohui Zhang entered into an acting-in-concert agreement and a supplemental agreement on March 23, 2016 and March 17, 2017 to acknowledge and confirm their acting-in-concert relationship in our Company.
- (3) Dr. Ning Zhao is the spouse of Dr. Ge Li and they are deemed to be interested in each other's interests in our Company.
- (4) Ms. Lei Zhang is the spouse of Mr. Zhaohui Zhang and is deemed to be interested in Mr. Zhaohui Zhang's interests in our Company.

- (5) Ms. Guolian Zhang is the spouse of Mr. Xiaozhong Liu and is deemed to be interested in Mr. Xiaozhong Liu's interests in our Company.
- (6) Dr. Ge Li indirectly wholly owns G&C VI Limited through his wholly own interests in G&C I Limited and G&C Limited. Under the SFO, Dr. Ge Li is deemed to be interested in our Shares held by G&C VI Limited.
- (7) G&C IV Limited is funded by nine investors, who are Independent third parties and independent to each other, holding non-voting shares, and is controlled by Dr. Ge Li by holding one voting share representing 100% of the voting power in G&C IV Limited. Dr. Ge Li indirectly wholly owns G&C IV Hong Kong Limited through his control in G&C IV Limited which wholly owns G&C VIII Limited. Under the SFO, Dr. Ge Li deemed to be interested in our Shares held by G&C IV Hong Kong Limited.
- (8) Summer Bloom (I) Investments Pte. Ltd. is wholly-owned by Summer Bloom Investments (II) Pte. Ltd., which in turn is wholly owned by Summer Bloom Investments Pte. Ltd.. Summer Bloom Investments Pte. Ltd. is solely controlled by Pavilion Capital International Pte. Ltd., which is wholly-owned by Pavilion Capital Holdings Pte. Ltd., which in turn, is wholly-owned by Linden Investments Pte. Ltd.. Linden Investments Pte. Ltd. is in turn wholly-owned by Fullerton Fund Investments Pte. Ltd., which in turn, is wholly-owned by Temasek Holdings (Private) Limited. Pavilion Capital Holdings Pte. Ltd. and its subsidiaries are independently managed portfolio companies. Temasek Holdings (Private) Limited is not involved in the management decisions of these companies.
- (9) As at June 30, 2022, the number of issued shares of the Company was 2,956,794,221 (comprised of 2,564,622,950 A Shares and 392,171,271 H Shares), which has been used for the calculation of the approximate percentage.

Save as disclosed above, to the best knowledge of the Company, as at June 30, 2022, no person (other than the Directors, Supervisors and chief executives) had informed the Company that he/she had interests or short positions in the Shares or underlying Shares of equity derivatives of the Company which were required to be notified to the Company under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO, or held any interests or short position in 5% or more of the respective types of capital in issue of the Company.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the share incentive schemes set out under the section "Share Incentive Schemes" on pages 49 to 75 of this interim report, at no time during the Reporting Period was the Company, its holding company, or any of its subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debt securities including debentures of, the Company or any other body corporate.

HUMAN RESOURCES

As at June 30, 2022, the Group had 39,716 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.

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 interim report, 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 H Share Listing on the Hong Kong Stock Exchange on December 13, 2018.

CORPORATE GOVERNANCE

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 C.2.1 of the CG Code.

Pursuant to code provision C.2.1 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 six 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.

EVENTS AFTER THE REPORTING PERIOD

1. Adoption of the 2022 H Share Award and Trust Scheme

Subsequent to the Reporting Period, to attract, motivate and retain highly skilled and experienced personnel to strive for the future development and expansion of the Group by providing them with the opportunity to be further incentivized by equity interests in the Company and more directly associated with the equity performance of the Company, the Board has considered and approved, on August 15, 2022, a resolution to adopt the 2022 H Share Award and Trust Scheme. The 2022 Scheme Limit shall be the maximum number of H Shares that will be acquired by the Trustee through on-market transactions from time to time at the prevailing market price with funds in the amount of not more than HK\$2 billion, and in any event the maximum number of H Shares to be so acquired by the Trustee shall be determined by the Board and/or the 2022 Delegatee which shall not exceed 10% (including 10%) above the total number of H Shares acquired by the trustee of the 2021 Scheme in accordance with the instructions of the Company for the purpose of satisfying the 2021 Awards.

The Board or the 2022 Delegatee may grant the 2022 Awards to the 2022 Selected Participants during the 2022 Award Period conditional upon fulfillment of terms and conditions of the 2022 Awards and performance targets as the Board or the 2022 Delegatee determines from time to time. Eligible employees who may participate in the 2022 H Share Award and Trust Scheme include any individual, being a Director, Supervisor, senior management, mid-level manager, basic-level manager, backbone member of the technicians, other technician, who is a full-time PRC or non-PRC employee of any members of the Group. The Company proposed to grant the 2022 Awards representing maximum of 1,418,760 underlying Award Shares to 14 2022 Connected Selected Participants including Dr. Ge Li, Mr. Edward Hu, Dr. Steve Qing Yang, Dr. Minzhang Chen, Dr. Shuhui Chen, Mr. Zhaohui Zhang, Dr. Ning Zhao, Ms. Ming Shi, Ms. Hui Xu, Ms. Wendy J. Hu, Mr. Harry Liang He, Ms. Minfang Zhu, Mr. Huitian Lv and Mr. Hongping Wan. The adoption of the 2022 H Share Award and Trust Scheme and the grant of 2022 Awards to the 2022 Connected Selected Participants are subject to approval by the Shareholders at the 2022 EGM. Details of which are set out in the announcements of the Company dated August 15, 2022 and the circular of the Company dated August 18, 2022.

REVIEW OF INTERIM RESULTS AND INTERIM REPORT

Audit Committee

As at June 30, 2022, 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 unaudited condensed 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 independent auditors of the Company, namely Deloitte Touche Tohmatsu, have carried out a review of the interim financial information in accordance with the Hong Kong Standard on Review Engagement 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

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

Hong Kong, July 26, 2022

* For identification purposes only

Report on Review of Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

TO THE BOARD OF DIRECTORS OF 無錫藥明康德新藥開發股份有限公司 WUXI APTEC CO., LTD. *
(incorporated in the People's Republic of China with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of 無錫藥明康德新藥開發股份有限公司 WuXi AppTec Co., Ltd.* (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 86 to 155 which comprise the condensed consolidated statement of financial position at June 30, 2022 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six months period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
July 26, 2022

* For identification purpose only

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended June 30, 2022

	NOTES	Six months ended June 30,	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Revenue	3	17,756,258	10,536,558
Cost of services		(11,329,433)	(6,652,831)
Gross profit		6,426,825	3,883,727
Other income	5	240,549	206,077
Other gains and losses	6	1,389,885	740,603
Impairment losses under expected credit losses ("ECL") model, net of reversal	23	(58,750)	(21,644)
Selling and marketing expenses		(355,614)	(355,259)
Administrative expenses		(1,307,811)	(995,276)
Research and development ("R&D") expenses		(657,200)	(404,431)
Operating profit		5,677,884	3,053,797
Share of results of associates		(70,835)	217,286
Share of results of joint ventures		1,434	(22,293)
Finance costs	7	(67,621)	(68,855)
Profit before tax		5,540,862	3,179,935
Income tax expense	8	(865,203)	(487,742)
Profit for the period	10	4,675,659	2,692,193
Other comprehensive income (expense) for the period			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		282,585	(71,539)
Fair value loss on:			
— hedging instruments designated in cash flow hedges		(581,173)	(205,603)
Other comprehensive expense for the period, net of income tax		(298,588)	(277,142)
Total comprehensive income for the period		4,377,071	2,415,051

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended June 30, 2022

		Six months ended June 30,	
		2022	2021
<i>NOTES</i>		<i>RMB'000</i>	<i>RMB'000</i>
		(Unaudited)	(Unaudited)
<hr/>			
Profit for the period attributable to:			
		4,635,750	2,675,101
		39,909	17,092
		4,675,659	2,692,193
<hr/>			
Total comprehensive income for the period attributable to:			
		4,342,460	2,400,005
		34,611	15,046
		4,377,071	2,415,051
		<i>RMB</i>	<i>RMB</i>
<hr/>			
Earnings per share			
— Basic	11	1.59	0.92
— Diluted	11	1.48	0.91

Condensed Consolidated Statement of Financial Position

At June 30, 2022

	NOTES	At June 30, 2022 RMB'000 (Unaudited)	At December 31, 2021 RMB'000 (Audited)
Non-current Assets			
Property, plant and equipment	13	20,064,140	15,848,703
Right-of-use assets	13	1,789,137	1,779,500
Goodwill	14	1,919,165	1,925,563
Other intangible assets		872,114	889,822
Interests in associates	15	1,078,101	619,382
Interests in joint ventures	16	61,554	58,923
Financial assets at fair value through profit or loss ("FVTPL")	17	9,344,343	8,714,098
Deferred tax assets	18	474,311	389,846
Other non-current assets	19	1,675,586	2,182,393
Biological assets	20	956,850	733,510
		38,235,301	33,141,740
Current Assets			
Inventories	21	5,752,057	4,554,577
Biological assets	20	947,154	755,517
Contract costs		583,215	594,912
Amounts due from related parties	35	71,849	343,310
Trade and other receivables	22	7,767,100	5,968,471
Contract assets	22	862,746	773,433
Income tax recoverable		225	225
Financial assets at FVTPL	17	40,633	527,288
Derivative financial instruments	26	13,233	229,142
Other current assets	24	545,361	—
Pledged bank deposits		373	63,437
Bank balances and cash		7,094,220	8,175,336
		23,678,166	21,985,648
Current Liabilities			
Trade and other payables	25	8,527,169	6,855,964
Amounts due to related parties	35	13,331	21,439
Derivative financial instruments	26	467,562	3,652
Contract liabilities		3,231,090	2,986,379
Borrowings	27	2,870,909	2,261,480
Income tax payables		665,213	459,256
Other current liabilities	29	180,128	176,241
Lease liabilities		248,066	220,183
		16,203,468	12,984,594

Condensed Consolidated Statement of Financial Position

At June 30, 2022

	<i>NOTES</i>	At June 30, 2022 RMB'000 (Unaudited)	At December 31, 2021 RMB'000 (Audited)
Net Current Assets		7,474,698	9,001,054
Total Assets Less Current Liabilities		45,709,999	42,142,794
Non-current Liabilities			
Deferred tax liabilities	18	399,621	324,125
Convertible bonds — debt component	28	646,835	607,140
Convertible bonds — embedded derivative component	28	408,627	657,317
Deferred income		873,915	770,601
Other long-term liabilities		48	7,170
Lease liabilities		987,609	1,018,979
		3,316,655	3,385,332
Net Assets		42,393,344	38,757,462
Capital and Reserves			
Share capital	30	2,956,794	2,955,827
Reserves		39,123,639	35,535,682
Equity attributable to owners of the Company		42,080,433	38,491,509
Non-controlling interests		312,911	265,953
Total Equity		42,393,344	38,757,462

The condensed consolidated financial statements on pages 86 to 155 were approved and authorized for issue by the board of directors on July 26, 2022 and are signed on its behalf by:

Ge LI
DIRECTOR

Edward HU
DIRECTOR

Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2022

	Attributable to owners of the Company										Total RMB'000		
	Share capital RMB'000	Share premium RMB'000	Treasury shares RMB'000	Capital reserve RMB'000	Share- based payment reserve RMB'000	Cash flow hedging translation reserve RMB'000	Foreign currency reserve RMB'000	Statutory reserve RMB'000	Other reserve RMB'000	Retained earnings RMB'000		Subtotal RMB'000	Non- controlling interests RMB'000
Balance at January 1, 2022 (audited)	2,955,827	26,256,511	(2,459,222)	(2,016,264)	1,093,425	189,610	(461,031)	408,358	398,216	12,126,079	38,491,509	265,953	38,757,462
Profit for the period	—	—	—	—	—	—	—	—	4,635,750	4,635,750	39,909	4,675,659	
Other comprehensive expense for the period	—	—	—	—	—	(576,305)	283,015	—	—	(293,290)	(5,298)	(298,588)	
Total comprehensive income for the period	—	—	—	—	—	(576,305)	283,015	—	4,635,750	4,342,460	34,611	4,377,071	
Recognition of share-based payments	—	—	—	—	451,823	—	—	—	—	451,823	2,755	454,578	
Issue of restricted A shares under the 2019 WuXi AppTec A Share Incentive Scheme-Stock Option	1,113	41,893	—	23,614	(23,614)	—	—	—	—	43,006	—	43,006	
Conversion of convertible bonds	71	7,473	—	—	—	—	—	—	—	7,544	—	7,544	
Change in ownership interests in subsidiaries without change of control	—	—	—	(8,833)	—	—	—	—	—	(8,833)	1,118	(7,715)	
Dividends recognised as distribution	—	—	2,868	—	—	—	—	—	(1,529,442)	(1,526,574)	—	(1,526,574)	
Repurchase and cancellation of restricted A shares	(217)	(4,093)	4,310	—	—	—	—	—	—	—	—	—	
Deemed disposal of subsidiaries (Note 9)	—	—	—	(18,936)	—	—	—	—	20,447	1,511	8,210	9,721	
Restricted A shares vested and options exceeds the related cumulative remuneration expense	—	—	192,123	258,714	(258,714)	—	—	—	—	192,123	—	192,123	
	—	—	—	85,864	—	—	—	—	—	85,864	264	86,128	
Balance at June 30, 2022 (unaudited)	2,956,794	26,301,784	(2,259,921)	(1,675,841)	1,262,920	(386,695)	(178,016)	408,358	398,216	15,252,834	42,080,433	312,911	42,393,344

Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2022

	Attributable to owners of the Company												
	Share capital RMB'000	Share premium RMB'000	Treasury shares RMB'000	Capital reserve RMB'000	Share-based payment reserve RMB'000	Cash flow hedging reserve RMB'000	Foreign currency translation reserve RMB'000	Statutory reserve RMB'000	Other reserve RMB'000	Retained earnings RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at January 1, 2021 (audited)	2,441,685	23,690,163	(1,189,921)	(2,454,164)	1,043,958	481,759	(244,815)	238,896	398,216	8,087,966	32,493,743	224,748	32,718,491
Profit for the period	—	—	—	—	—	—	—	—	2,675,101	2,675,101	2,675,101	17,092	2,692,193
Other comprehensive expense for the period	—	—	—	—	—	(204,206)	(70,890)	—	—	(275,096)	(275,096)	(2,046)	(277,142)
Total comprehensive income for the period	—	—	—	—	—	(204,206)	(70,890)	—	2,675,101	2,400,005	2,400,005	15,046	2,415,051
Recognition of share-based payments	—	—	—	—	258,379	—	—	—	—	—	258,379	2,046	260,425
Share premium transferred to share capital	490,127	(490,127)	—	—	—	—	—	—	—	—	—	—	—
Issue of A shares under 2018 WuXi AppTec A Share Incentive Scheme-Reserved Options	98	4,443	—	1,960	(1,960)	—	—	—	—	4,541	—	—	4,541
Issue of restricted A shares under the 2019 WuXi AppTec A Share Incentive Scheme-Stock Option	1,714	64,503	—	34,234	(34,234)	—	—	—	—	66,217	—	—	66,217
Conversion of convertible bonds	15,371	2,165,954	—	—	—	—	—	—	—	2,181,325	—	—	2,181,325
2019 WuXi AppTec A Share Incentive Scheme	—	—	—	—	—	—	—	—	—	—	—	—	—
— Restricted Shares vested	—	—	158,773	256,008	(256,008)	—	—	—	—	158,773	—	—	158,773
2018 WuXi AppTec A Share Incentive Scheme	—	—	—	—	—	—	—	—	—	—	—	—	—
— First Batch Restricted Shares vested	—	—	76,126	57,751	(57,751)	—	—	—	—	76,126	—	—	76,126
2018 WuXi AppTec A Share Incentive Scheme	—	—	—	—	—	—	—	—	—	—	—	—	—
— Second Batch Restricted Shares vested	—	—	4,569	7,147	(7,147)	—	—	—	—	4,569	—	—	4,569
Change in ownership interests in subsidiaries without change of control	—	—	—	(27,086)	—	—	—	—	—	(27,086)	(27,086)	13,465	(13,621)
Dividends recognised as distribution	—	—	4,598	—	—	—	—	—	(889,580)	(884,982)	(884,982)	(3,400)	(888,382)
Balance at June 30, 2021 (unaudited)	2,948,995	25,434,936	(945,855)	(2,124,150)	945,237	277,553	(315,705)	238,896	398,216	9,873,487	36,731,610	251,905	36,983,515

Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2022

	NOTE	Six months ended June 30,	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
NET CASH FROM OPERATING ACTIVITIES		3,767,897	2,063,527
NET CASH USED IN INVESTING ACTIVITIES			
Interests received		28,166	54,549
Proceeds from disposal of financial assets at FVTPL		889,264	3,347,179
Purchase of financial assets at FVTPL		(249,751)	(1,602,495)
Proceeds from disposal of property, plant and equipment and business		280,053	468
Proceeds from disposal of other intangible assets		976	323
Purchase of other non-current assets		—	(700,000)
Acquisition of interests in/capital injection to associates		(529,416)	(17,673)
Acquisition of interests in/capital injection to a joint venture		—	(16,800)
Purchase of property, plant and equipment		(4,359,857)	(2,539,709)
Purchase of right-of-use assets		(55,723)	—
Payment for rental deposits		(3,974)	(614)
Purchase of other intangible assets		(3,087)	(2,819)
Purchase of biological assets		—	(192,062)
Withdraw of pledged bank deposits		63,064	460
Net cash outflow on acquisition of subsidiaries		—	(841,578)
Net cash outflow on deemed disposal of subsidiaries	9	(21,193)	—
Dividends received from associates		32,480	11,222
Dividends received from financial assets at FVTPL		22,292	582
R&D grants and others received related to assets		136,619	24,792
Payment for forward contracts		—	(11,791)
		(3,770,087)	(2,485,966)

Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2022

	Six months ended June 30,		
	NOTE	2022	2021
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
NET CASH (USED IN) FROM FINANCING ACTIVITIES			
Payment of dividends		(1,529,442)	(892,980)
New borrowings raised		1,333,302	1,524,767
Repayment of borrowings		(858,459)	(484,645)
Acquisition of partial interest of subsidiaries from non-controlling shareholders		(7,715)	(13,621)
Interests paid		(21,049)	(11,217)
Net proceeds from exercise of stock option		43,185	70,196
Repurchase and cancellation of restrict A shares		(376)	(82)
Repayment of lease liabilities		(97,005)	(128,321)
Issue cost paid		—	(1,318)
		(1,137,559)	62,779
NET DECREASE IN CASH AND CASH EQUIVALENTS		(1,139,749)	(359,660)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF PERIOD		8,175,336	10,228,057
Effects of exchange rate changes		58,633	(62,671)
CASH AND CASH EQUIVALENTS AT THE END OF PERIOD		7,094,220	9,805,726

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

1. GENERAL INFORMATION

無錫藥明康德新藥開發股份有限公司 WuXi AppTec Co., Ltd. (the “Company”) was incorporated in the People’s Republic of China (“PRC”) on March 1, 2017 as a joint stock limited liability company under the PRC laws upon the conversion of 無錫藥明康德新藥開發有限公司 WuXi AppTec Ltd. (formerly known as 無錫藥明康德組合化學有限公司 WuXi PharmaTechs Co., Ltd.), 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.

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 unaudited condensed consolidated financial statements.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 “*Interim Financial Reporting*” (“IAS 34”) issued by the International Accounting Standards Board (“IASB”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value and biological assets which are measured at fair value less costs to sell.

Other than additional accounting policies resulting from application of amendments to International Financial Reporting Standards (“IFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2022 are the same as those presented in the Group’s annual financial statements for the year ended December 31, 2021.

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Application of amendments to IFRSs

In the current interim period, the Group has applied the following amendments to IFRSs issued by the IASB for the first time, which are mandatorily effective for the annual period beginning on or after January 1, 2022 for the preparation of the Group's condensed consolidated financial statements:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendment to IFRS 16	Covid-19-Related Rent Concessions beyond June 30, 2021
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018–2020

Except as described below, the application of the amendments to IFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

2.1 Impacts and changes in accounting policies on application of Amendment to IFRS 16 Covid-19-Related Rent Concessions beyond June 30, 2021

2.1.1 Accounting policies

Leases

Covid-19-related rent concessions

In relation to rent concessions that occurred as a direct consequence of the Covid-19 pandemic, the Group has elected to apply the practical expedient not to assess whether the change is a lease modification if all of the following conditions are met:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before June 30, 2022; and
- there is no substantive change to other terms and conditions of the lease.

The Group accounts for changes in lease payments resulting from rent concessions in the same way it would account for the changes applying IFRS 16 Leases if the changes are not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in profit or loss in the period in which the event occurs.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Application of amendments to IFRSs (Continued)

2.1 Impacts and changes in accounting policies on application of Amendment to IFRS 16 Covid-19-Related Rent Concessions beyond June 30, 2021 (Continued)

2.1.2 Transition and summary of effects

The application has had no impact to the opening retained profits at January 1, 2022.

2.2 Impacts and accounting policies on application of Amendments to IAS 16 Property, Plant and Equipment – Proceeds before Intended Use

2.2.1 Accounting policies

Property, plant and equipment

Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing the related assets functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Sale proceeds of items that are produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the asset is functioning properly), and the related costs of producing those items are recognised in the profit or loss.

2.2.2 Transition and summary of effects

The application of the amendments has had no material impact on the Group's financial position and performance.

2.3 Impacts and accounting policies on application of Amendments to IAS 37 Onerous Contracts – Cost of Fulfilling a Contract

2.3.1 Accounting policies

Provisions

Onerous contracts

For assessment of outstanding unfulfilled contracts as at January 1, 2022, the unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it. When assessing whether a contract is onerous or loss-making, the Group includes costs that relate directly to the contract, consisting of both the incremental costs and an allocation of other costs that relate directly to fulfilling contracts.

2.3.2 Transition and summary of effects

The Group has applied the amendments to contracts for which the Group has not yet fulfilled all its obligations as at the date of initial application, January 1, 2022. The application of the amendments has had no material impact on the Group's financial position and performance.

3. REVENUE

The Group's revenue streams are categorized as follows:

Chemistry business ("WuXi Chemistry")	Integrating the chemistry business-related resources and capabilities, including WuXi 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 Contract Research Development and Manufacturing Organization ("CRDMO") services to customers.
Testing business ("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.
Biology business ("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.
Cell and gene therapy contract testing development and manufacturing organization ("CTDMO") business ("WuXi ATU")	Capitalizing on the resources and capabilities in the PRC, the United States of America ("U.S.") and the United Kingdom to provide customers with integrated cell and gene therapy CTDMO services including testing, process development and manufacturing.
Domestic Discovery Service Unit ("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.

Disaggregation of revenue

The Group derives its revenue from the transfer of goods and services over time and 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 *Operating Segment* in Note 4.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

3. REVENUE (Continued)

Disaggregation of revenue (Continued)

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

	Six months ended June 30,	
	2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Unaudited)
Revenue		
— WuXi Chemistry	12,974,122	6,425,785
— WuXi Testing	2,605,046	2,107,240
— WuXi Biology	1,090,655	920,225
— WuXi ATU	615,404	453,409
— WuXi DDSU	455,073	620,743
— Others	15,958	9,156
	17,756,258	10,536,558

Timing of revenue recognition

	Six months ended June 30,	
	2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Unaudited)
Over time		
— WuXi Chemistry	2,656,411	2,072,295
— WuXi Testing	2,605,046	2,107,240
— WuXi Biology	1,090,655	920,225
— WuXi ATU	607,096	453,409
— WuXi DDSU	455,073	620,743
— Others	11,137	9,156
At a point in time		
— WuXi Chemistry	10,317,711	4,353,490
— WuXi ATU	8,308	—
— Others	4,821	—
	17,756,258	10,536,558

4. SEGMENT INFORMATION

Segment revenue and results

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

	Six months ended June 30, 2022 (Unaudited)						Total RMB'000
	WuXi Chemistry RMB'000	WuXi Testing RMB'000	WuXi Biology RMB'000	WuXi ATU RMB'000	WuXi DDSU RMB'000	Others RMB'000	
Segment revenue	12,974,122	2,605,046	1,090,655	615,404	455,073	15,958	17,756,258
Segment results	5,072,388	871,189	416,608	(57,728)	116,166	8,202	6,426,825
Unallocated amount:							
Other income							240,549
Other gains and losses							1,389,885
Impairment losses under ECL model, net of reversal							(58,750)
Selling and marketing expenses							(355,614)
Administrative expenses							(1,307,811)
R&D expenses							(657,200)
Share of results of associates							(70,835)
Share of results of joint ventures							1,434
Finance costs							(67,621)
Profit before tax							5,540,862

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

4. SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

	Six months ended June 30, 2021 (Unaudited)						Total RMB'000
	WuXi Chemistry RMB'000	WuXi Testing RMB'000	WuXi Biology RMB'000	WuXi ATU RMB'000	WuXi DDSU RMB'000	Others RMB'000	
	Segment revenue	6,425,785	2,107,240	920,225	453,409	620,743	
Segment results	2,629,393	673,159	308,195	(14,501)	284,478	3,003	3,883,727
Unallocated amount:							
Other income							206,077
Other gains and losses							740,603
Impairment losses under ECL model, net of reversal							(21,644)
Selling and marketing expenses							(355,259)
Administrative expenses							(995,276)
R&D expenses							(404,431)
Share of results of associates							217,286
Share of results of joint ventures							(22,293)
Finance costs							(68,855)
Profit before tax							3,179,935

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 has decided to adjust the presentation of its operating segments in 2021. This change does not affect the financial statement data and presentation, and it only affects the presentation of segment reporting. Prior period segment disclosures have been represented to conform with the current period's presentation.

4. SEGMENT INFORMATION (Continued)**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:

	Six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 <i>RMB'000</i> (Unaudited)
Revenue		
— U.S.	11,909,254	5,834,903
— PRC	3,174,510	2,501,004
— Europe	1,853,456	1,489,892
— Rest of the world	819,038	710,759
	17,756,258	10,536,558

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

	At June 30, 2022 RMB'000 (Unaudited)	At December 31, 2021 <i>RMB'000</i> (Audited)
	— PRC	21,813,258
— Rest of the world	5,006,406	4,428,849
	26,819,664	21,936,898

Non-current assets excluding deferred tax assets, certificates of deposits and financial assets at FVTPL.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

5. OTHER INCOME

	Six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 <i>RMB'000</i> (Unaudited)
Interest income on bank balances	69,575	91,346
R&D grants and others related to		
— asset (<i>Note i</i>)	33,071	26,936
— income (<i>Note ii</i>)	128,142	87,666
Dividend income arising from financial assets at FVTPL	9,761	129
	240,549	206,077

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 R&D 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.

6. OTHER GAINS AND LOSSES

	Six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 <i>RMB'000</i> (Unaudited)
Net foreign exchange gain (loss)	206,590	(78,197)
Gain on deemed disposal of subsidiaries	125,445	—
Loss on disposal of plant and equipment	(5,652)	(5,993)
Gain on financial assets at FVTPL (realized)	165,933	868,971
Gain on financial assets at FVTPL (unrealized)	149,778	1,245,287
Gain (Loss) on derivative financial instruments (unrealized)	274,509	(1,482,372)
Loss on derivative financial instruments (realized)	—	(11,791)
Fair value gain on biological assets	477,842	232,190
Fair value loss on financial liabilities at FVTPL	—	(226)
Fair value gain (loss) on share-based appreciation rights	5,137	(21,949)
Others	(9,697)	(5,317)
	1,389,885	740,603

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

7. FINANCE COSTS

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest expense on borrowings	26,133	11,164
Imputed interest expense on payable for acquisition of a subsidiary	3,064	3,281
Interest on lease liabilities	27,162	29,470
Effective interest expense on Convertible Bonds (defined in Note 28)	11,262	24,940
	67,621	68,855

8. INCOME TAX EXPENSE

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax:		
— PRC	597,570	348,845
— Hong Kong	121,564	80,975
— U.S.	20,085	401
— Rest of world	3,149	16,583
	742,368	446,804
Under provision in respect of prior years:		
— PRC	27,799	7,588
	27,799	7,588
Deferred tax:		
— Current period	95,036	33,350
	865,203	487,742

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

9. DEEMED DISPOSAL OF SUBSIDIARIES

In May 2022, third-party investors entered into an agreement with Suzhou Yao Ming Bo Rui Biotechnology Co., Ltd. and its subsidiary (collectively referred to as “Borui Biotech”), subsidiaries of the Group, to inject capital contribution into Borui Biotech. As a result, the Group’s equity interest in Borui Biotech was diluted from 70.00% to 41.07%. According to the Amended Articles of Association of Borui Biotech, the Group lost control of Borui Biotech. The deemed disposal of Borui Biotech was completed on May 31, 2022.

The results of operations of Borui Biotech for the period from January 1, 2022 to May 31, 2022 and preceding interim period, which have been included in the condensed consolidated statement of profit or loss were as follows:

	Five months ended May 31, 2022 RMB'000 (Unaudited)	Six months ended June 30, 2021 RMB'000 (Unaudited)
Other income	130	57
Other gain and loss	(59)	(73)
Administrative expenses	(1,682)	(101)
R&D expenses	(10,121)	(4,806)
Operating loss	(11,732)	(4,923)
Loss before tax	(11,732)	(4,923)
Loss for the period	(11,732)	(4,923)

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

9. DEEMED DISPOSAL OF SUBSIDIARIES (Continued)

The net assets of Borui Biotech at the date of disposal were as follows:

	At May 31, 2022 RMB'000 (Unaudited)
Net assets disposed of:	
Property, plant and equipment	4,654
Right-of-use assets	3,309
Other intangible assets	2,617
Other non-current assets	4,214
Inventories	133
Trade and other receivables	3,581
Bank balances and cash	21,193
Trade and other payables	(909)
Lease liabilities — current	(1,884)
Lease liabilities — non-current	(2,065)
Non-controlling interests	6,836
	<u>41,679</u>
Net assets disposed	41,679
Gain on disposal	<u>125,445</u>
Total consideration	<u>167,124</u>
Satisfied by:	
Fair value of the 41.07% investment retained	167,124
Net cash outflow arising on disposal:	
Bank balances and cash disposed of	<u>21,193</u>

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

9. DEEMED DISPOSAL OF SUBSIDIARIES (Continued)

Cash flows from Borui Biotech:

	Five months ended May 31, 2022 RMB'000 (unaudited)	Six months ended June 30, 2021 RMB'000 (unaudited)
Net cash flows from operating activities	(10,713)	(4,616)
Net cash flows from investing activities	(1,060)	(958)
Net cash flows from financing activities	500	50,000
Net cash flows	(11,273)	44,426

10. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging (crediting):

	Six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Depreciation of property, plant and equipment	701,388	527,446
Depreciation of right-of-use assets	110,883	121,568
Amortization of other intangible assets and other non-current assets	63,499	44,598
Staff cost (including directors' emoluments):		
— Salaries and other benefits	4,285,738	3,187,221
— Retirement benefit scheme contributions	490,418	339,671
— Equity-settled share-based payments	454,578	260,425
— Cash-settled share-based payments	(18,581)	92,739
	6,087,923	4,573,668
Capitalized in the ending balance of inventories and contract costs	(1,533,225)	(902,360)
	4,554,698	3,671,308
Write-down of inventories	(913)	9,347
Expense relating to short-term leases	2,034	7,017
Expense relating to leases of low-value assets that are not shown above as short-term leases	995	186
Auditor's remuneration	4,395	3,996

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

11. EARNINGS PER SHARE (Continued)

The computation of diluted earnings per share for the six months ended June 30, 2022 is based on weighted average number of shares assumed to be in issue after taking into account the effect of restricted shares, share options and the conversion of the outstanding convertible bonds issued by the Company.

The computation of diluted earnings per share for the six months ended June 30, 2021 is based on weighted average number of shares assumed to be in issue after taking into account the effect of restricted shares and share options. The computation of diluted earnings per share for the six months ended June 30, 2021 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.

12. DIVIDENDS

On May 6, 2022, 2021 profit distribution plan ("2021 Profit Distribution Plan") of the Company was approved at the 2021 annual general meeting. Pursuant to the 2021 Profit Distribution Plan, a final dividend of RMB0.5174 per share (inclusive of tax) (2020 Profit Distribution Plan (defined in Note 32): RMB0.3630 per share (inclusive of tax)) based on the record date for determining the shareholders' entitlement to 2021 Profit Distribution Plan was declared to both holders of A Shares and H Shares. The aggregated dividends amounted to RMB1,529,442,000 (Six months ended June 30, 2021: RMB889,580,000), including A shares dividends of RMB1,326,532,000 (Six months ended June 30, 2021: RMB774,954,000), and H shares dividends of RMB202,910,000 (Six months ended June 30, 2021: RMB114,626,000), which was paid by the Company during the current interim period.

The directors of the Company have determined that no dividend will be proposed or declared in respect of the current interim period (Six months ended June 30, 2021: Nil).

13. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the current interim period, the Group acquired property, plant and equipment of approximately RMB4,893,225,000 (Period ended June 30, 2021: RMB2,997,077,000) for the expansion of production facilities and research capacity. During the current interim period, the Group disposed certain plant and equipment with an aggregate carrying amount of RMB5,705,000 (Period ended June 30, 2021: RMB5,858,000), resulting in a loss on disposal of RMB5,652,000 (Period ended June 30, 2021: RMB5,993,000).

During the current interim period, the Group entered into several new lease agreements for the use of buildings. On lease commencement, the Group recognized right-of-use assets amounting to RMB48,699,000 (Period ended June 30, 2021: RMB68,729,000) and lease liabilities amounted to RMB48,699,000 (Period ended June 30, 2021: RMB68,729,000).

During the current interim period, the Group also acquired RMB55,723,000 (six months ended June 30, 2021: RMB272,685,000) right-of-use assets for leasehold lands in the PRC.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

14. GOODWILL

	At June 30, 2022 RMB'000 (Unaudited)	At December 31, 2021 RMB'000 (Audited)
COST		
At the beginning of period/year	2,065,929	1,533,308
Effect of foreign currency exchange difference	(3,737)	(39,339)
Acquisition of a subsidiary	—	571,960
	2,062,192	2,065,929
IMPAIRMENT		
At the beginning of period/year	140,366	141,549
Effect of foreign currency exchange difference	2,661	(1,183)
	143,027	140,366
CARRYING VALUES		
At the end of period/year	1,919,165	1,925,563

15. INTERESTS IN ASSOCIATES

	At June 30, 2022 RMB'000 (Unaudited)	At December 31, 2021 RMB'000 (Audited)
At the beginning of the period/year	619,382	712,337
Addition (<i>Note</i>)	529,416	56,016
Dividend	(32,480)	(92,162)
Share of post-acquisition losses	(70,835)	(41,971)
Exchange effect	32,618	(14,838)
	1,078,101	619,382

Note: In May 2021, the Group established an associate company, WuXi XDC Cayman Inc. ("XDC Cayman") with WuXi Biologics, an entity significantly influenced by the ultimate controlling shareholders of the Group. The Group is able to exercise significant influence over XDC Cayman because two of five directors are appointed by the Group according to XDC Cayman's articles of association. During the current interim period, the Group injected USD80,000,000 (equivalent to RMB529,416,000) to XDC Cayman.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

16. INTERESTS IN JOINT VENTURES

	At June 30, 2022 RMB'000 (Unaudited)	At December 31, 2021 RMB'000 (Audited)
At the beginning of the period/year	58,923	52,496
Addition	—	31,731
Share of post-acquisition gains (losses)	1,434	(25,129)
Exchange effect	1,197	(175)
	61,554	58,923

17. FINANCIAL ASSETS AT FVTPL

	At June 30, 2022 RMB'000 (Unaudited)	At December 31, 2021 RMB'000 (Audited)
Current asset		
Structured deposits and financial products	40,633	527,288
	40,633	527,288
Non-current assets		
Listed equity securities	1,507,609	2,110,784
Unlisted equity investments	6,888,905	5,771,360
Unlisted fund investments	947,829	831,954
	9,344,343	8,714,098

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

18. DEFERRED TAXATION

For the purpose of presentation in the condensed consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	At June 30, 2022 RMB'000 (Unaudited)	At December 31, 2021 RMB'000 (Audited)
Deferred tax assets	474,311	389,846
Deferred tax liabilities	(399,621)	(324,125)
	74,690	65,721

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18. DEFERRED TAXATION (Continued)

The following are the deferred tax liabilities and assets recognised and movements thereon during the current and preceding interim periods:

	Deferred Assets						Deferred Liabilities						Total RMB'000		
	Tax losses RMB'000	Impairment allowance RMB'000	Share- based payment RMB'000	Accrual expenses RMB'000	Deferred income RMB'000	Depreciation difference RMB'000	Derivative financial instruments RMB'000	Others RMB'000	Intangible assets arising from acquisition of subsidiaries RMB'000	Depreciation difference RMB'000	Financial assets at FVTPL RMB'000	Biological assets FV Change RMB'000		Derivative financial instruments RMB'000	Others RMB'000
At January 1, 2021 (Audited)	81,238	16,408	127,367	17,574	67,134	127,549	23	25,319	(86,330)	(163,210)	(21,420)	(85,897)	(84,938)	(903)	17,914
Credit (charge) to profit or loss	69,378	5,514	33,712	(8,156)	3,787	(9,376)	—	13,422	7,131	(49,681)	(89,427)	(12,482)	(1,645)	796	(37,027)
Credit to OCI	—	—	—	—	—	—	4,166	—	—	—	—	—	34,301	—	38,467
Acquisitions of subsidiaries	—	—	—	—	—	—	—	—	(62,734)	—	—	—	—	—	(62,734)
Exchange differences	275	(528)	(98)	(202)	—	(349)	—	525	299	1,140	—	—	—	8	1,070
At June 30, 2021 (Unaudited)	150,891	21,394	160,981	9,216	70,921	117,824	4,189	39,266	(143,634)	(211,751)	(110,847)	(98,379)	(52,282)	(99)	(42,310)
Credit (charge) to profit or loss	(23,165)	3,070	41,268	22,190	15,088	(1,258)	—	29,559	3,914	32,955	9,947	(39,409)	1,645	(917)	94,287
(Charge) Credit to OCI	—	—	—	—	—	—	(3,641)	—	—	—	—	—	15,751	—	12,110
Exchange differences	(646)	(25)	(310)	(129)	—	(1)	—	(430)	2,641	1,605	—	—	—	86	2,791
Effect of change in tax rate	(865)	(14)	(387)	(363)	—	—	—	—	—	—	—	—	472	—	(1,157)
At December 31, 2021 (Audited)	126,215	24,425	201,552	30,914	86,009	116,565	548	66,395	(137,079)	(177,191)	(101,500)	(137,788)	(34,414)	(930)	65,721
Credit (charge) to profit or loss	21,580	24,485	(66,882)	8,487	25,227	(17,340)	—	(5,843)	10,366	4,945	(44,703)	(46,776)	—	164	(86,290)
Credit to OCI	—	—	—	—	—	—	66,763	—	—	—	—	—	31,882	—	98,645
Exchange differences	3,777	868	(3,164)	1,463	—	44	—	3,294	(2,275)	(7,337)	—	—	—	(56)	(3,366)
At June 30, 2022 (Unaudited)	151,572	49,778	131,506	40,864	111,236	99,269	67,311	65,846	(129,988)	(179,583)	(146,203)	(184,564)	(2,532)	(822)	74,690

18. DEFERRED TAXATION (Continued)

At the end of the current interim period, the Group has unused tax losses of RMB1,682,953,000 (December 31, 2021: RMB992,994,000) available for offset against future profits. A deferred tax asset of RMB151,572,000 (December 31, 2021: RMB126,215,000) in respect of tax losses of RMB577,125,000 (December 31, 2021: RMB505,271,000) has been recognised. No deferred tax asset has been recognised in respect of the remaining tax losses of RMB1,105,828,000 (December 31, 2021: RMB487,723,000) due to the unpredictability of future profit streams. These unrecognised tax losses will be carried forward and expire in years as follows:

	At June 30, 2022 RMB'000 (Unaudited)	At December 31, 2021 RMB'000 (Audited)
2022	7,140	7,140
2023	24,794	11,361
2024	42,788	17,012
2025	66,326	36,403
2026 and later	964,780	415,807
	1,105,828	487,723

19. OTHER NON-CURRENT ASSETS

Balances at June 30, 2022 included the certificates of deposits purchased by the Group with an aggregate amount of RMB1,500,000,000 (December 31, 2021: RMB2,000,000,000). The certificates of deposits are principal guaranteed with fixed interest rate which ranged from 3.988% to 4.125% (December 31, 2021: 3.988% to 4.180%) per annum and mature date ranged from October 28, 2023 to January 22, 2024. Certificates of deposits within one year are recognized as other current assets (as detailed in Note 24).

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20. BIOLOGICAL ASSETS

Nature of the Group's agricultural activities

The biological assets of the Group are cynomolgous non-human primates, including cynomolgous monkeys for CRO experiment, which are classified as current assets and cynomolgous monkeys for breeding, which are classified as non-current assets of the Group.

Carrying value of the Group's biological assets

	Cynomolgous monkeys for breeding <i>RMB'000</i>	Cynomolgous monkeys for experiment <i>RMB'000</i>	Total <i>RMB'000</i>
Carrying value at January 1, 2022 (Audited)	733,510	755,517	1,489,027
Add: Purchases	34,559	61,532	96,091
Breeding costs	—	22,486	22,486
Decrease due to mortality	(6,017)	(3,769)	(9,786)
Decrease due to experiments	—	(171,656)	(171,656)
Gain arising from changes in fair value less costs to sell of biological assets	256,176	221,666	477,842
Transfer among group of monkeys	(61,378)	61,378	—
Carrying value at June 30, 2022 (Unaudited)	956,850	947,154	1,904,004

Analysed for reporting purposes as:

	At June 30, 2022 RMB'000 (Unaudited)	At December 31, 2021 RMB'000 (Audited)
Current	947,154	755,517
Non-current	956,850	733,510
Total	1,904,004	1,489,027

20. BIOLOGICAL ASSETS (Continued)**Fair value measurement**

The Group's biological assets were valued by Shanghai Orient Appraisal Co., Ltd. ("Shanghai Orient"), a firm of independent qualified professional valuers unrelated to the Group. The fair value less costs to sell of biological assets are determined as follows:

Fair value hierarchy	Valuation technique	Inputs	Relationship of unobservable inputs to fair value
Level 3	Market approach — sales comparison method	Recent trading price and adjustment factors based on the characteristics of the biological assets (including age information, species, health status and etc.).	The higher adjustment factors, the higher the fair value.

21. INVENTORIES

	At June 30, 2022 RMB'000 (Unaudited)	At December 31, 2021 RMB'000 (Audited)
Raw material and consumables	1,428,636	1,088,137
Work in progress	2,820,028	2,195,128
Finished goods	1,503,393	1,271,312
	5,752,057	4,554,577

The inventories are net of a write-down of approximately RMB63,575,000 as at June 30, 2022 (December 31, 2021: RMB64,488,000).

Notes to the Condensed Consolidated Financial Statements

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22. TRADE AND OTHER RECEIVABLES/CONTRACT ASSETS

22.1 TRADE AND OTHER RECEIVABLES

	At June 30, 2022 RMB'000 (Unaudited)	At December 31, 2021 RMB'000 (Audited)
Trade receivables		
— third parties	6,466,176	4,690,024
Allowance for credit losses	(161,151)	(102,526)
	6,305,025	4,587,498
Other receivables	28,612	16,525
Note receivable	117,266	48,000
Prepayments	369,749	302,910
Interest receivables	—	38
Prepaid expense	37,426	27,721
Value added tax recoverable	894,654	858,760
Rental deposits	14,368	11,759
Others	—	115,260
	1,433,463	1,364,448
Total trade and other receivables	7,767,100	5,968,471

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:

	At June 30, 2022 RMB'000 (Unaudited)	At December 31, 2021 RMB'000 (Audited)
Within 180 days	5,854,780	4,214,825
181 days to 1 year	328,367	217,129
1 year to 2 years	169,026	170,466
More than 2 years	70,118	33,078
	6,422,291	4,635,498

22. TRADE AND OTHER RECEIVABLES/CONTRACT ASSETS (Continued)**22.2 CONTRACT ASSETS**

	At June 30, 2022 RMB'000 (unaudited)	At December 31, 2021 RMB'000 (audited)
Contract assets	870,693	778,965
Less: Allowance for credit losses	(7,947)	(5,532)
	862,746	773,433

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

23. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS AND OTHER ITEMS SUBJECT TO EXPECTED CREDIT LOSS (“ECL”) MODEL, NET OF REVERSAL

	Six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Impairment loss recognised in respect of		
Contract assets	2,367	1,252
Trade receivables	56,383	20,392
	58,750	21,644

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended June 30, 2022 are the same as those followed in the preparation of the Group's annual financial statements for the year ended December 31, 2021.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

24. OTHER CURRENT ASSETS

Balances at June 30, 2022 included the certificates of deposits purchased by the Group with an aggregate amount of RMB500,000,000 (December 31, 2021: Nil). The certificates of deposits are principal guaranteed with fixed interest rate which ranged from 4.125% to 4.180% (December 31, 2021: Nil) per annum and mature date ranged from April 13, 2023 to April 30, 2023.

25. TRADE AND OTHER PAYABLES

	At June 30, 2022 RMB'000 (unaudited)	At December 31, 2021 RMB'000 (audited)
Trade payables	3,417,018	1,923,298
Salary and bonus payables	1,277,647	1,580,452
Payables for acquisition of plant and equipment	2,990,583	2,229,717
Accrued expenses	559,618	539,691
Other taxes payable	67,611	76,753
Interest payable	1,418	1,338
Others	86,237	190,623
Considerations received from employees for subscribing restricted A shares of the Company under the WuXi AppTec A Share Incentive Scheme	127,037	314,092
	8,527,169	6,855,964

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 presented based on invoice dates at the end of each reporting period:

	At June 30, 2022 RMB'000 (Unaudited)	At December 31, 2021 RMB'000 (Audited)
Within one year	3,383,217	1,901,748
1 year to 2 years	17,167	10,877
2 years to 3 years	8,125	4,280
More than 3 years	8,509	6,393
	3,417,018	1,923,298

26. DERIVATIVE FINANCIAL INSTRUMENTS

	At June 30, 2022 RMB'000 (Unaudited)	At December 31, 2021 RMB'000 (Audited)
Current assets		
Derivatives under hedge accounting		
Cash flow hedges — Foreign currency forward contracts	13,233	216,468
Cash flow hedges — Foreign currency collar option contracts	—	12,674
	13,233	229,142
Current liabilities		
Derivatives under hedge accounting		
Cash flow hedges — Foreign currency forward contracts	467,562	3,652
	467,562	3,652

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 June 30, 2022	Notional value as at June 30, 2022 USD'000	Fair value assets as at June 30, 2022 RMB'000
Forward Contracts			
Sell USD			
7 to 12 months	6.7381	259,700	13,233
	Average strike rate as at June 30, 2022	Notional value as at June 30, 2022 USD'000	Fair value liabilities as at June 30, 2022 RMB'000
Less than 3 months	6.5553	948,000	129,968
3 to 6 months	6.5640	1,089,000	143,604
7 to 12 months	6.4519	833,750	193,990

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26. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

Derivatives under hedge accounting (Continued)

	Period ended June 30, 2022		Profit or loss item
	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	
Cash flow hedge			
Anticipated future sales	(671,487)	(8,331)	Revenue
	(671,487)	(8,331)	

As at June 30, 2022, the aggregate amount of loss under foreign exchange forward contracts recognised in other comprehensive income and accumulated in cash flow hedging reserve relating to the exposure on anticipated future sales transactions denominated in USD is RMB453,853,000 (as at December 31, 2021: gain of 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.

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.

The ineffective part of the hedge mainly comes from basis risk, risk of change of supply and demand in spot markets and forward markets, and other uncertainty risk of spot markets and forward markets. The amount of the ineffective part of the hedge in the current period and the previous period is not significant.

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27. BORROWINGS

	At June 30, 2022 <i>RMB'000</i> (Unaudited)	At December 31, 2021 <i>RMB'000</i> (Audited)
Analyzed as:		
Unsecured and unguaranteed	2,870,909	2,261,480
	2,870,909	2,261,480
Analyzed as:		
Fixed interest rate	2,770,238	1,770,551
Variable interest rate	100,671	490,929
	2,870,909	2,261,480
Analyzed as:		
Current	2,870,909	2,261,480
Analyzed as:		
Borrowings from banks	2,870,909	2,261,480

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27. BORROWINGS (Continued)

The ranges of effective interest rates on the Group's fixed and variable-rate borrowings are as follows:

	At June 30, 2022 RMB'000 (Unaudited)	At December 31, 2021 RMB'000 (Audited)
Effective interest rate:		
Fixed rate borrowings	0.84%–4.50%	0.61%–4.50%
Variable rate borrowings	1.80%	1.13%

28. 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. The conversion price is subject to adjustment for, among other things, capital distributions and capitalisation of profits or reserves made by the Company. The conversion price has been adjusted to HK\$79.85 per H Share as a result of the approval of the payment of the Profit Distribution and the Capitalisation 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 Profit Distribution and the Capitalisation of Reserve by the Shareholders at the 2020 annual general meeting of the Company with effect from June 8, 2021.

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.

28. CONVERTIBLE BONDS (Continued)

The total transaction costs relating to the derivative component were charged to profit or loss. 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.

The movement of the debt and derivative components of Convertible Bonds for the period is set out as below:

	Debt component <i>RMB'000</i>	Embedded derivative component <i>RMB'000</i>	Total <i>RMB'000</i>
As at January 1, 2022 (Audited)	607,140	657,317	1,264,457
Exchange adjustments	32,126	29,670	61,796
Interest charge	11,262	—	11,262
Gain arising on changes of fair value	—	(274,509)	(274,509)
Conversion of convertible bonds into shares	<u>(3,693)</u>	<u>(3,851)</u>	<u>(7,544)</u>
As at June 30, 2022 (Unaudited)	<u>646,835</u>	<u>408,627</u>	<u>1,055,462</u>

During the period ended June 30, 2022, convertible bonds with a nominal value of USD600,000 (equivalent to RMB3,825,000) (December 31, 2021: RMB1,282,791,000) have been converted to 71,000 shares (December 31, 2021: 22,021,000 shares) of the Company by the bond holders, as a result, the debt component of the convertible bonds of RMB3,693,000 (December 31, 2021: RMB1,223,678,000) and the embedded derivative component of the convertible bonds of RMB3,851,000 (December 31, 2021: RMB1,890,633,000) have been transferred to equity upon the conversion.

No redemption of the Convertible Bonds has occurred up to June 30, 2022.

As at June 30, 2022, the derivative component was measured at fair value with reference to valuation report issued by a third party consultant. And the changes in fair value were recognised in profit or loss during the Reporting Period.

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29. OTHER CURRENT LIABILITIES

	At June 30, 2022 RMB'000 (Unaudited)	At December 31, 2021 RMB'000 (Audited)
Payable for acquisition of subsidiaries (Notes)	180,128	176,241

Notes:

- i. In November 2019, the Group acquired a subsidiary at a cash consideration of RMB803,838,000. Amount of RMB147,221,000 will be paid in 3 years after the signing of contract. The payables are measured at amortized cost with imputed interest of 4.30% per annum. This amount will be due in 2022, so it is classified to other current liabilities.
- ii. In September 2020, the Group acquired a subsidiary at a cash consideration of RMB191,420,000. Amount of RMB16,142,000 will be paid in 2 years after the signing of contract. This amount will be due in 2022, so it is classified to other current liabilities.

30. SHARE CAPITAL

	RMB'000
Ordinary shares of RMB1.00 each	
At January 1, 2021	2,441,685
Share premium transferred to share capital	490,127
Conversion of convertible bonds	15,371
Issue of restricted A shares under the 2019 WuXi AppTec A Share Incentive Scheme — Stock Option	1,714
Issue of A shares under 2018 WuXi AppTec A Share Incentive Scheme — Reserved Options	98
At June 30, 2021 (Unaudited)	2,948,995
Conversion of convertible bonds	6,650
Issue of restricted A shares under the 2019 WuXi AppTec A Share Incentive Scheme-Stock Option	817
Issue of A shares under 2018 WuXi AppTec A Share Incentive Scheme — Reserved Options	56
Repurchase and cancellation of restricted A shares	(691)
At December 31, 2021 (Audited)	2,955,827

30. SHARE CAPITAL (Continued)

	<i>RMB'000</i>
Ordinary shares of RMB1.00 each	
At January 1, 2022	2,955,827
Issue of restricted A shares under the 2019	
WuXi AppTec A Share Incentive Scheme — Stock Option	1,113
Conversion of convertible bonds	71
Repurchase and cancellation of restricted A shares	(217)
	<hr/>
At June 30, 2022 (Unaudited)	2,956,794

31. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS**Fair value measurement**

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorized (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are based on quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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31. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

Fair value measurement (Continued)

(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Financial assets	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	06/30/2022 RMB'000	12/31/2021 RMB'000				
Structured deposits and financial products	40,633	527,288	Level 2	Discounted cash flow — Future cash flows are estimated based on expected return	N/A	N/A
Investment in listed companies at fair value	986,258	1,368,696	Level 1	Active market quoted transaction price	N/A	N/A
Investment in listed companies within lock-up period at fair value	521,351	742,088	Level 3	Option Pricing models	expected volatility	The higher the expected volatility, the lower the fair value
Investment on unlisted funds at fair value	947,829	831,954	Level 3	Net asset value of underlying investments	Net assets value	The higher net asset value, the higher the fair value
Unlisted equity investments at fair value	6,888,905	5,771,360	Level 3	Back-solve from recent transaction price Market multiple method	IPO/Redemption/ Liquidation probability/ risk-free rate/expected volatility/ recent transaction price/ liquidity discount	The higher the expected volatility, the higher the fair value The lower the risk-free rate, the higher the fair value
Foreign currency forward contracts	13,233	216,468	Level 2	Discounted cash flow — Future cash flows are estimated based on observable forward exchange rates and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties	N/A	N/A
Collar option contracts	—	12,674	Level 3	Option pricing model with forward exchange rates and expected volatility as key inputs	Expected volatility forward exchange rates	The higher the expected volatility, the higher the fair value

31. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)**Fair value measurement** (Continued)**(i) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis** (Continued)

Financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	06/30/2022 RMB'000	12/31/2021 RMB'000				
Foreign currency forward contracts	467,562	3,652	Level 2	Discounted cash flow — Future cash flows are estimated based on observable forward exchange rates and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties	N/A	N/A
Convertible Bonds — embedded derivative component	408,627	657,317	Level 3	Binominal option pricing with the volatilities and risk-free rates as key inputs	Expected volatility Risk-free rate	The higher the expected volatility, the higher the fair value The lower risk-free rate the higher the fair value

There were no transfers between level 1 and level 2 during the six months ended June 30, 2022.

Notes to the Condensed Consolidated Financial Statements

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31. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

Fair value measurement (Continued)

(ii) Reconciliation of level 3 fair value measurements

Details of reconciliation of financial assets at fair value and financial liabilities at fair value measured at Level 3 fair value measurement are set out as below:

	Unlisted fund investments at fair value RMB'000	Unlisted equity investments at fair value RMB'000	Listed companies within lock-up period at fair value RMB'000	Convertible bonds embedded derivative component RMB'000	Contingent consideration RMB'000	Collars RMB'000
At January 1, 2021	391,466	4,489,915	—	(1,582,060)	(16,508)	49,908
Acquisitions	137,935	1,604,064	—	—	—	—
Changes in fair value	58,243	1,056,872	572,226	(1,493,340)	226	33,827
Transferred from unlisted equity investments at fair value to listed companies within lock-up period at fair value (Note i)	—	(1,809,965)	1,809,965	—	—	—
Disposal	—	(71,782)	(7,348)	—	—	—
Settlement	—	—	—	—	15,886	—
Dividend	(8,595)	—	—	—	—	—
Conversion of convertible bonds into shares	—	—	—	1,300,898	—	—
Effect of exchange rate change	(1,937)	(28,306)	(7,770)	17,363	396	—
At June 30, 2021	577,112	5,240,798	2,367,073	(1,757,139)	—	83,735
At January 1, 2022	831,954	5,771,360	742,088	(657,317)	—	12,674
Acquisitions	115,937	56,158	—	—	—	—
Fair value of interests retained after deemed disposal (Note ii)	—	167,124	—	—	—	—
Changes in fair value	(10,291)	802,382	(78,973)	274,509	—	—
Transferred from listed companies within lock- up period at fair value to listed companies (Note iii)	—	—	(147,066)	—	—	—
Disposal	(888)	(128,789)	—	—	—	—
Settlement	—	—	—	—	—	(12,674)
Dividend	(16,501)	—	—	—	—	—
Conversion of convertible bonds into shares	—	—	—	3,851	—	—
Effect of exchange rate change	27,618	220,670	5,302	(29,670)	—	—
At June 30, 2022	947,829	6,888,905	521,351	(408,627)	—	—

31. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

Fair value measurement (Continued)

(ii) Reconciliation of level 3 fair value measurements (Continued)

Note i: Suzhou Nanomicro Technology Co., Limited (“Suzhou Nanomicro”) was listed on The Shanghai Stock Exchange on June 23, 2021. Since then, its open market transaction prices can be obtained from the active market. However, since the fair value of these investments was measured based on the open market transaction prices multiplied with a liquidity discount due to the lock up period, the Group classify the fair value hierarchy of these investments as level 3.

Note ii: During the current period, the Group lost control on Borui Biotech, details of which is set out in note 9. As at June 30, 2022, the Group held 41.07% equity interests in Borui Biotech and the investment was recognized as financial assets at FVTPL.

Note iii: CANbridge Pharmaceuticals Inc. (“CANbridge”) was listed on The Hong Kong Stock Exchange on December 10, 2021. Since then, its open market transaction price can be obtained from the active market. However, since the fair value of CANbridge was measured based on the open market transaction prices multiplied with a liquidity discount due to the lock up period, the Group classify the fair value hierarchy of these investments as level 3 at December 31, 2021. In June 2022, the lock up period was ended and the investment was transferred from Level 3 to Level 1 of the fair value hierarchy.

Fair value gains or losses for the period included an unrealized gain of RMB1,077,261,000 relating to financial assets and financial liabilities at FVTPL on Level 3 fair value at the end of the reporting period (six months ended June 30, 2021: a gain of RMB194,227,000). Such fair value gains or losses are included in ‘other gains and losses’.

(iii) Fair value of financial assets and financial liabilities that are not measured at fair value

The directors of the Company consider that the carrying amount of the Group’s financial assets and financial liabilities recorded at amortized cost in the condensed consolidated financial statements except for the debt component of convertible bonds approximate to their fair values. Such fair values have been determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

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32. SHARE-BASED COMPENSATION

STA Share Units and Options Incentive Scheme

上海合全藥業股份有限公司 Shanghai SynTheAll Pharmaceutical Co., Ltd. (“STA”), a subsidiary of the Company, was once listed on National Equities Exchange and Quotations (“NEEQ”) and delisted from NEEQ in June 2019. STA has established equity-settled share units and options incentive schemes including the (i) STA Share Option Incentive Scheme (2015); (ii) STA Overseas Employees Incentive Scheme and (iii) STA Share Option Incentive Scheme (2016). None of the eligible STA employees are the Chief Executive or directors of the Company.

On September 13, 2017, the STA shareholders’ meeting approved to capitalize 20 STA Shares for every 10 STA Shares standing to the credit of the share premium account of STA (“Conversion of Capital Reserve”). In May 2017 and April 2018, the STA Shareholders’ meeting approved to distribute RMB10.0 and RMB3.5 for every 10 STA Shares, respectively. As a result, the number of STA Shares and exercise price per share granted under the STA Share Option Incentive Scheme (2015), STA Overseas Employees Incentive Scheme, and STA Share Option Incentive Scheme (2016) presented herein has been adjusted to reflect the Conversion of Capital Reserve and dividend adjustment.

Set out below are details of the movements of the outstanding units and options granted under the STA Share Units and Options Scheme for the six months ended June 30, 2022:

STA Share Units and Options Incentive Scheme (Unaudited)	Outstanding at January 1, 2022	Granted during the period	Exercised during the period	Forfeited during the period	Outstanding at June 30, 2022
STA Overseas Employees Incentive Scheme — 2nd batch	166,043	—	58,169	—	107,874
STA Overseas Employees Incentive Scheme — 3rd batch	192,000	—	76,800	—	115,200
STA Share Option Incentive Scheme (2016) — 2nd batch	143,568	—	—	1,152	142,416
Total	501,611	—	134,969	1,152	365,490
Exercisable at the end of the period	—				—
Weighted average exercise price	RMB3.57	N/A	RMB1.79	RMB8.00	RMB4.21

The Group recognized RMB2,121,000 of share-based payment expenses for the six months ended June 30, 2022 (six months ended June 30, 2021: RMB4,131,000) in relation to STA Share Option Incentive Scheme.

32. SHARE-BASED COMPENSATION (Continued)**STA Share Appreciation Incentive Scheme**

On May 16, 2016 and July 12, 2017, STA Share Appreciation Incentive Scheme (2016) and STA Share Appreciation Incentive Scheme (2017) were approved at the STA shareholders' meeting. As a result of the Conversion of Capital Reserve, the total number of STA units granted under the STA Share Appreciation Incentive Scheme (2016) and the STA Share Appreciation Incentive Scheme (2017) to eligible STA foreign employees were 1,350,000 and 123,000 respectively. Stock appreciation rights have been awarded in units, with each unit representing the value of one STA Shares. Upon the exercise of stock appreciation rights, exercising recipients will receive payments in RMB from STA, subject to any withholding tax, equal to the number of stock appreciation rights exercised times the difference between the subscribe price and market price of the STA Shares on the exercise day. The number of STA Shares and subscribe price per STA share granted under the STA Share Appreciation Incentive Scheme presented herein has been adjusted to reflect the Conversion of Capital Reserve and dividend adjustment.

Set out below are details of the movements of the outstanding units granted under the STA Share Appreciation Incentive Scheme for the six months ended June 30, 2022:

STA Share Appreciation Incentive Scheme (Unaudited)	Outstanding at January 1, 2022	Granted during the period	Exercised during the period	Forfeited during the period	Outstanding at June 30, 2022
STA Share Appreciation Incentive Scheme (2016) — 2nd batch	31,200	—	—	—	31,200
STA Share Appreciation Incentive Scheme (2017)	18,000	—	—	3,600	14,400
Total	49,200	—	—	3,600	45,600
Exercisable at the end of the period	—				—
Weighted average exercise price	RMB8.00	N/A	N/A	RMB8.00	RMB8.00

For the six months ended June 30, 2022, the Group has recorded share-based payment expenses of RMB480,000 (six months ended June 30, 2021: RMB2,346,000) in relation to the STA Share Appreciation Incentive Scheme.

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For the six months ended June 30, 2022

32. SHARE-BASED COMPENSATION (Continued)

2018 WuXi AppTec A Share Incentive Scheme — Second Batch Restricted Shares

On July 19, 2019, Board of Directors of the Company passed a resolution to grant 542,017 A Shares of the Company to eligible employees to subscribe at the price of RMB32.44 per A Share under the reserved part of 2018 WuXi AppTec A Share Incentive Scheme (“2018 WuXi AppTec A Share Incentive Scheme — Second Batch Restricted Shares”) under the authorization of the shareholders’ meeting. In September 2019, 478,822 number of A Shares were subscribed by eligible employees and RMB15,553,000 consideration were received by the Company. These granted restricted A Shares have a contractual term of no more than four years and unlock over a three year period, with 40%, 30% and 30% of the awards unlocking on the first, second and third anniversary date of the A Shares registration date upon meeting certain annual performance conditions. Pursuant to the black-out period provisions of the 2018 WuXi AppTec A Share Incentive Scheme — Second Batch Restricted Shares, employees shall not transfer the A Shares which fulfill the unlocking conditions to any third party in any form within the six months from each unlocking anniversary date.

Details of specific categories of restricted shares are as follows:

Categories	Date of grant	Number of restricted A shares	Subscribe price per share
Employees	September 1, 2019	478,822	RMB32.44

Set out below are details of the movements of the outstanding restricted A shares granted under the 2018 WuXi AppTec A Share Incentive Scheme — Second Batch Restricted Shares for the six months ended June 30, 2022:

	Outstanding at January 1, 2022	Forfeited during the period	Outstanding at June 30, 2022
2018 WuXi AppTec A Share Incentive Scheme — Second Batch Restricted Shares (Unaudited)	154,948	12,432	142,516
Total	154,948	12,432	142,516

For the six months ended June 30, 2022, the Group has recorded share-based payment expenses of RMB546,000 (six months ended June 30, 2021: RMB1,916,000) in relation to 2018 WuXi AppTec A Share Incentive Scheme — Second Batch Restricted Shares.

32. SHARE-BASED COMPENSATION (Continued)**2018 WuXi AppTec A Share Incentive Scheme — Reserved Options**

On July 19, 2019, Board of Directors of the Company passed a resolution to grant A Shares stock options of the Company to eligible employees under the reserved part of 2018 WuXi AppTec A Share Incentive Scheme (“2018 WuXi AppTec A Share Incentive Scheme — Reserved Options”) under the authorization of the shareholders’ meeting.

On May 15, 2020, the shareholders’ meeting approved to capitalize 4 shares for every 10 shares standing to the credit of the share premium account. As a result, the number of share options granted under the 2018 WuXi AppTec A Share Incentive Scheme — Reserved Options has been adjusted to reflect the capitalisation and exercise price per share has been adjusted from RMB64.88 to RMB46.34.

On May 13, 2021, the shareholders’ meeting approved to capitalize 2 shares for every 10 shares standing to the credit of the share premium account. As a result, the number of shares granted under the 2018 WuXi AppTec A Share Incentive Scheme — Reserved Options has been adjusted to reflect the capitalisation and exercise price per share has been adjusted from RMB46.34 to RMB38.62.

(1) Details of options are as follows:

	Date of grant	Number of options shares	Exercise price
2018 WuXi AppTec A Share Options Incentive Scheme Reserved Options	July 19, 2019	287,000	RMB64.88

(2) Options granted under the 2018 WuXi AppTec A Share Incentive Scheme — Reserved Options shall have a contractual term of four-year period and vest over a four-year period, with 40%, 30% and 30% of total options vesting on the first, second, third anniversary date one year after the vesting commencement date upon meeting certain annual performance conditions.

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For the six months ended June 30, 2022

32. SHARE-BASED COMPENSATION (Continued)

2018 WuXi AppTec A Share Incentive Scheme — Reserved Options (Continued)

Set out below are details of the movements of the outstanding units granted under the 2018 WuXi AppTec A Share Incentive Scheme — Reserved Options for the six months ended June 30, 2022:

	Outstanding at January 1, 2022	Forfeited during the period	Outstanding at June 30, 2022
2018 WuXi AppTec A Share Incentive Scheme — Reserved Options (Unaudited)	232,848	56,448	176,400
Total	232,848	56,448	176,400

For the six months ended June 30, 2022, the Group has recorded share-based payment expenses of RMB(620,000) (six months ended June 30, 2021: RMB1,221,000) in relation to 2018 WuXi AppTec A Share Options Incentive Scheme — Reserved Options.

2019 WuXi AppTec A Share Incentive Scheme — Restricted Shares

In November 2019, the shareholders' meeting of the Company passed a resolution to issue up to 18,949,977 A Shares of the Company under the 2019 WuXi AppTec A Share Incentive Scheme. On November 25, 2019, 13,400,273 restricted A shares of the Company were approved by the Board of Directors of the Company for two directors of the Company and eligible employees to subscribe at the price of RMB32.44 per A Share ("2019 WuXi AppTec A Share Incentive Scheme — Restricted Shares"). In December 2019, 12,942,744 number of A Shares were subscribed by two directors of the Company and eligible employees and RMB419,863,000 consideration were received by the Company. These granted restricted A Shares have a contractual term of no more than four years and unlock over a three year period, with 40%, 30% and 30% of the awards unlocking on the first, second and third anniversary date of the A Shares registration date upon meeting certain annual performance conditions. Pursuant to the black-out period provisions of the 2019 WuXi AppTec A Share Incentive Scheme — Restricted Shares, directors and employees shall not transfer the A Shares which fulfill the unlocking conditions to any third party in any form within the six months from each unlocking anniversary date.

32. SHARE-BASED COMPENSATION (Continued)**2019 WuXi AppTec A Share Incentive Scheme — Restricted Shares** (Continued)

Details of specific categories of restricted shares are as follows:

Categories	Date of grant	Number of restricted A shares	Subscribe price per share
Mr. Edward HU	December 4, 2019	125,000	RMB32.44
Dr. Steve Qing Yang	December 4, 2019	115,000	RMB32.44
Employees	December 4, 2019	12,702,744	RMB32.44

Set out below are details of the movements of the outstanding units granted under the 2019 WuXi AppTec A Share Incentive Scheme — Restricted Shares throughout the Reporting Period:

	Outstanding at January 1, 2022	Forfeited during the period	Outstanding at June 30, 2022
2019 WuXi AppTec A Share Incentive Scheme — Restricted Shares (Unaudited)	6,081,698	283,908	5,797,790
Total	6,081,698	283,908	5,797,790

For the six months ended June 30, 2022, the Group has recorded share-based payment expenses of RMB30,294,000 (six months ended June 30, 2021: RMB82,212,000) in relation to 2019 WuXi AppTec A Share Incentive Scheme-Restricted Shares.

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32. SHARE-BASED COMPENSATION (Continued)

2019 WuXi AppTec A Share Incentive Scheme — Stock Option

In November 2019, the shareholders' meeting of the Company passed a resolution to issue up to 18,949,977 A Shares of the Company under the 2019 WuXi AppTec A Share Incentive Scheme. On November 25, 2019, 5,014,854 A shares stock options of the Company were approved by the Board of Directors of the Company to grant to eligible employees ("2019 WuXi AppTec A Share Incentive Scheme — Reserved Options").

On May 15, 2020, the shareholders' meeting approved to capitalize 4 shares for every 10 shares standing to the credit of the share premium account. As a result, the number of shares granted under the 2019 WuXi AppTec A Share Incentive Scheme — Stock Option has been adjusted to reflect the capitalisation and exercise price per share has been adjusted from RMB64.88 to RMB46.34.

On May 13, 2021, the shareholders' meeting approved to capitalize 2 shares for every 10 shares standing to the credit of the share premium account. As a result, the number of shares granted under the 2019 WuXi AppTec A Share Incentive Scheme — Stock Option has been adjusted to reflect the capitalisation and exercise price per share has been adjusted from RMB46.34 to RMB38.62.

(1) Details of specific categories of options are as follows:

	Date of grant	Number of options shares	Exercise price
2019 WuXi AppTec A Share Options Incentive Scheme Reserved Options	November 25, 2019	5,014,854	RMB64.88

(2) Options granted under the 2019 WuXi AppTec A Share Options Incentive Scheme shall have a contractual term of 54-months and vest over a 54-months period, with 40%, 30% and 30% of total options vesting on the first, second, third anniversary date 18 months after the vesting commencement date upon meeting certain annual performance conditions.

Set out below are details of the movements of the outstanding units granted under the 2019 WuXi AppTec A Share Incentive Scheme — Stock Option throughout the Reporting Period:

	Outstanding at January 1, 2022	Exercised during the period	Forfeited during the period	Outstanding at June 30, 2022
2019 WuXi AppTec A Share Incentive Scheme — Stock Option (Unaudited)	4,210,571	1,113,581	60,027	3,036,963
Total	4,210,571	1,113,581	60,027	3,036,963

32. SHARE-BASED COMPENSATION (Continued)**2019 WuXi AppTec A Share Incentive Scheme — Stock Option** (Continued)

For the six months ended June 30, 2022, the Group has recorded share-based payment expenses of RMB14,377,000 (six months ended June 30, 2021: RMB29,899,000) in relation to 2019 WuXi AppTec A Share Incentive Scheme — Stock Option.

2019 WuXi AppTec H Share Appreciation Incentive Scheme

On September 30, 2019, 2019 WuXi AppTec H Share Appreciation Incentive Scheme was approved at the shareholders' meeting. Stock appreciation rights have been awarded in units, with each unit representing the value of one H Share of the Company. The total number of units granted under the WuXi AppTec H Share Appreciation Incentive Scheme to eligible employees were 2,901,172 ("2019 WuXi AppTec H Share Appreciation Incentive Scheme"). Upon the exercise of stock appreciation rights, exercising recipients will receive payments in RMB from the Company, subject to any withholding tax, equal to the number of stock appreciation rights exercised times the difference between the subscribe price and market price of the H Share of the Company on the exercise day.

On May 15, 2020, the shareholders' meeting approved to capitalize 4 shares for every 10 shares standing to the credit of the share premium account ("2019 Profit Distribution Plan"). As a result, the number of shares granted under the 2019 WuXi AppTec H Share Appreciation Incentive Scheme has been adjusted to reflect the 2019 Profit Distribution Plan and exercise price per share has been adjusted from HKD72.00 to HKD51.43.

On May 13, 2021, the shareholders' meeting approved to capitalize 2 shares for every 10 shares standing to the credit of the share premium account ("2020 Profit Distribution Plan"). As a result, the number of shares granted under the 2019 WuXi AppTec H Share Appreciation Incentive Scheme has been adjusted to reflect the 2020 Profit Distribution Plan and exercise price per share has been adjusted from HKD51.43 to HKD42.86.

(1) Details of specific categories of options are as follows:

	Date of grant	Number of options shares	Exercise price
2019 WuXi AppTec H Share Appreciation Incentive Scheme	September 30, 2019	2,901,172	HKD72.00

(2) Units granted under the 2019 WuXi AppTec H Share Appreciation Incentive Scheme shall have a contractual term of 44-months and vest over a 44-months period, with 40%, 30% and 30% of total options vesting on the first, second, third anniversary date eight months after the vesting commencement date upon meeting certain annual performance conditions.

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32. SHARE-BASED COMPENSATION (Continued)

2019 WuXi AppTec H Share Appreciation Incentive Scheme (Continued)

Set out below are details of the movements of the outstanding units granted under the 2019 WuXi AppTec H Share Appreciation Incentive Scheme throughout the Reporting Period:

	Outstanding at January 1, 2022	Exercised during the period	Forfeited during the period	Outstanding at June 30, 2022
2019 WuXi AppTec H Share Appreciation Incentive Scheme (Unaudited)	1,343,735	555,155	45,447	743,133
Total	1,343,735	555,155	45,447	743,133

The fair value of the units granted under 2019 WuXi AppTec H Share Appreciation Incentive Scheme as each reporting date was determined using the Black-Scholes model.

For the six months ended June 30, 2022, the Group has recorded share-based payment expenses of RMB(19,060,000) (six months ended June 30, 2021: RMB90,393,000) in relation 2019 WuXi AppTec H Share Appreciation Incentive Scheme.

2019 WuXi AppTec A Share Incentive Scheme — Reserved Restricted Shares

On June 10, 2020, Board of Directors of the Company passed a resolution to grant 427,000 A Shares of the Company to eligible employees to subscribe at the price of RMB40.59 per A Share under the reserved part of 2019 WuXi AppTec A Share Incentive Scheme (“2019 WuXi AppTec A Share Incentive Scheme — Reserved Restricted Shares”) under the authorization of the shareholders’ meeting. These granted restricted A Shares have a contractual term of no more than four years and unlock over a three year period, with 40%, 30% and 30% of the awards unlocking on the first, second and third anniversary date of the A Shares registration date upon meeting certain annual performance conditions. Pursuant to the black-out period provisions of the 2019 WuXi AppTec A Share Incentive Scheme — Reserved Restricted Shares, employees shall not transfer the A Shares which fulfill the unlocking conditions to any third party in any form within the six months from each unlocking anniversary date.

Details of specific categories of restricted shares are as follows:

	Date of grant	Number of options shares	Exercise price
2019 WuXi AppTec A Share Incentive Scheme — Reserved Restricted Shares	June 10, 2020	427,000	RMB40.59

32. SHARE-BASED COMPENSATION (Continued)**2019 WuXi AppTec A Share Incentive Scheme — Reserved Restricted Shares**
(Continued)

	Outstanding at January 1, 2022	Forfeited during the period	Outstanding at June 30, 2022
2019 WuXi AppTec A Share Incentive Scheme-Reserved Restricted Shares (Unaudited)	248,717	30,845	217,872
Total	248,717	30,845	217,872

For the six months ended June 30, 2022, the Group has recorded share-based payment expenses of RMB890,000 (six months ended June 30, 2021: RMB3,516,000) in relation to 2019 WuXi AppTec A Share Incentive Scheme — Reserved Restricted Shares.

2020 WuXi AppTec H Share Award and Trust Scheme

On August 31, 2020, the first extraordinary general meeting of 2020 approved the resolution in relation to the proposed adoption of the 2020 WuXi AppTec H Share Award and Trust Scheme (“2020 H Share Award Scheme”) and authorized Board of Directors of the Company to handle related matters. Under 2020 H Share Award Scheme, the Company has signed a trust deed with Computershare Hong Kong Trustees Limited (the “Trustee”) and provided Trustee with funds in the amount of not more than HK\$700 million to purchase H shares of the Company through on-market transactions from time to time at the prevailing market price. On December 2, 2020, Board of Directors of the Company passed a resolution to grant 5,498,666 H Shares of the Company (equivalent to HKD619,587,950) to 2,444 eligible employees. These granted awarded H Shares have four vesting period, with 25%, 25%, 25% and 25% of the awards within the year immediately following the first, second, third and fourth anniversary date of the grant date upon meeting certain annual performance conditions.

On July 2, 2021, Board of Directors of the Company passed a resolution to grant 134,654 H Shares of the Company (equivalent to HKD24,780,000) to 31 eligible employees. These granted awarded H Shares have four vesting period, with 0%, 25%, 25% and 50% of the awards within the year immediately following the first, second, third and fourth anniversary date of the employed date upon meeting certain annual performance conditions.

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32. SHARE-BASED COMPENSATION (Continued)

2020 WuXi AppTec H Share Award and Trust Scheme (Continued)

On November 10, 2021, Board of Directors of the Company passed a resolution to grant 93,677 H Shares of the Company (equivalent to HKD11,570,533) to 26 eligible employees. These granted awarded H Shares have four vesting period, with 25%, 25%, 25% and 25% of the awards within the year immediately following the first, second, third and fourth anniversary date of the grant date upon meeting certain annual performance conditions.

On January 21, 2022, Board of Directors of the Company passed a resolution to grant 160,894 H Shares of the Company (equivalent to HKD20,996,000) to 46 eligible employees. These granted awarded H Shares have four vesting period, with 0%, 25%, 25% and 50% of the awards within the year immediately following the first, second, third and fourth anniversary date of the employed date upon meeting certain annual performance conditions.

The employees shall have no right to any dividend underlying the non-vested Awarded Shares or any of the returned shares or any dividend, right to any cash or non-cash income, distribution, sale proceeds of non-cash and non-scrip distributions underlying the returned shares, all of which shall be retained by the Trustee for the benefit of the 2020 H Share Award Scheme.

(1) Details of specific categories of restricted shares are as follows:

Categories	Date of grant	Number of Awarded H shares
Dr. Ge Li	02/12/2020	106,449
Mr. Edward Hu	02/12/2020	53,224
Dr. Steve Qing Yang	02/12/2020	53,224
Mr. Zhaohui Zhang	02/12/2020	23,655
Dr. Ning Zhao	02/12/2020	23,655
Mr. Ellis Bih-Hsin Chu	02/12/2020	23,655
Dr. Minzhang Chen	02/12/2020	35,483
Dr. Shuhui Chen	02/12/2020	35,483
Mr. Harry Liang He	02/12/2020	7,885
Ms. Minfang Zhu	02/12/2020	2,628
Ms. Wendy J. Hu	02/12/2020	5,256
Ms. Cuiping Hu	02/12/2020	1,555
Employees	02/12/2020	5,126,514
Employees	02/07/2021	134,654
Employees	10/11/2021	93,677
Employees	17/01/2022	160,894

32. SHARE-BASED COMPENSATION (Continued)**2020 WuXi AppTec H Share Award and Trust Scheme** (Continued)

- (2) Set out below are details of the movements of the outstanding units granted under the 2020 WuXi AppTec H Share Award and Trust Scheme throughout the Reporting Period:

	Outstanding at January 1, 2022	Granted during the period	Forfeited during the period	Outstanding at June 30, 2022
2020 WuXi AppTec H Share Award and Trust Scheme (Unaudited)	4,784,127	160,894	210,424	4,734,597
Total	4,784,127	160,894	210,424	4,734,597

The fair value of the awarded shares was calculated based on the market price of the Company's H shares at the respective grant date.

The fair value of awarded shares granted on December 2, 2020 was HKD119.40 per share (equivalent to approximately RMB101.05 per share). The fair value of awarded shares granted on July 2, 2021 was HKD176.60 per share (equivalent to approximately RMB147.17 per share). The fair value of awarded shares granted on November 10, 2021 was HKD157.00 per share (equivalent to approximately RMB128.88 per share). The fair value of awarded shares granted on January 17, 2022 was HKD130.50 per share (equivalent to approximately RMB106.59 per share).

For the six months ended June 30, 2022, the Group has recorded share-based payment expenses of RMB65,143,000 (six months ended June 30, 2021: RMB127,982,000) in relation to 2020 WuXi AppTec H Share Award and Trust Scheme.

2021 WuXi AppTec H Share Award and Trust Scheme

On August 30, 2021, the first extraordinary general meeting of 2021 approved the resolution in relation to the proposed adoption of the 2021 WuXi AppTec H Share Award and Trust Scheme ("2021 H Share Award Scheme") and authorized Board of Directors of the Company to handle related matters. Under 2021 H Share Award Scheme, the Company has signed a trust deed with Computershare Hong Kong Trustees Limited (the "Trustee") and provided Trustee with funds in the amount of not more than HK\$20 Billion to purchase H shares of the Company through on-market transactions from time to time at the prevailing market price. On December 15, 2021, Board of Directors of the Company passed a resolution to grant 11,664,074 H Shares of the Company (equivalent to HKD1,907,060,804) to 3,261 eligible employees. These granted awarded H Shares have four vesting period, with 25%, 25%, 25% and 25% of the awards within the year immediately following the first, second, third and fourth anniversary date of the grant date upon meeting certain annual performance conditions.

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32. SHARE-BASED COMPENSATION (Continued)

2021 WuXi AppTec H Share Award and Trust Scheme (Continued)

The employees shall have no right to any dividend underlying the non-vested Awarded Shares or any of the returned shares or any dividend, right to any cash or non-cash income, distribution, sale proceeds of non-cash and non-scrip distributions underlying the returned shares, all of which shall be retained by the Trustee for the benefit of the 2021 H Share Award Scheme.

Details of specific categories of restricted shares are as follows:

Categories	Date of grant	Number of Awarded H shares
Dr. Ge Li	15/12/2021	157,729
Mr. Edward Hu	15/12/2021	70,563
Dr. Steve Qing Yang	15/12/2021	75,423
Mr. Zhaohui Zhang	15/12/2021	52,576
Dr. Ning Zhao	15/12/2021	35,051
Mr. Ellis Bih-Hsin Chu	15/12/2021	27,946
Dr. Minzhang Chen	15/12/2021	99,709
Dr. Shuhui Chen	15/12/2021	74,609
Mr. Harry Liang He	15/12/2021	11,684
Ms. Minfang Zhu	15/12/2021	4,100
Ms. Wendy J. Hu	15/12/2021	8,199
Mr. Guodong Tong	15/12/2021	35,051
Ms. Hui Xu	15/12/2021	22,909
Employees	15/12/2021	10,988,525

Set out below are details of the movements of the outstanding units granted under the 2021 WuXi AppTec H Share Award and Trust Scheme throughout the Reporting Period:

	Outstanding at January 1, 2022	Forfeited during the period	Outstanding at June 30, 2022
2021 WuXi AppTec H Share Award and Trust Scheme (Unaudited)	11,612,033	404,703	11,207,330
Total	11,612,033	404,703	11,207,330

32. SHARE-BASED COMPENSATION (Continued)**2021 WuXi AppTec H Share Award and Trust Scheme** (Continued)

The fair value of the awarded shares was calculated based on the market price of the Company's shares at the respective grant date. The fair value of awarded shares granted on December 15, 2021 was HKD154.50 per share (equivalent to approximately RMB126.78 per share).

For the six months ended June 30, 2022, the Group has recorded share-based expenses of RMB341,211,000 (six months ended June 30, 2021: Nil) in relation to 2021 WuXi AppTec H Share Award and Trust Scheme.

33. CAPITAL COMMITMENTS

The Group had capital commitments under non-cancellable contracts as follows:

	At June 30, 2022 RMB'000 (Unaudited)	At December 31, 2021 RMB'000 (Audited)
Commitments for the acquisition of property, plant and equipment	4,654,327	4,238,978
Commitments for the investments in investment portfolio	2,517	2,391
	4,656,844	4,241,369

34. CONTINGENT LIABILITIES

The Group has no significant contingent liabilities as at June 30, 2022 (December 31, 2021: Nil).

35. RELATED PARTY TRANSACTIONS AND BALANCES

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operational decisions. Parties are also considered to be related if they are subject to common control. Members of key management and their close family members of the Group are also considered as related parties.

The following significant transactions were carried out between the Group and its related parties during the periods presented. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

35. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(1) Names and relationships with related parties

Save as disclosed elsewhere in the condensed consolidated financial statement, the following companies are significant related parties of the Group that had transactions and/or balances with the Group during the periods presented in the condensed consolidated financial statements.

Company	Relationship
Faxian Therapeutics, LLC.	Joint venture
Shanghai Waigaoqiao WuXi AppTec Incubator Management Co., Ltd.	Joint venture
WuXi MedImmune Biopharmaceutical Co. Limited	Joint venture
SEA HC GP Pte. Ltd	Joint venture
Jing Medicine Technology (Shanghai) Ltd.	Associate
PhageLux Inc.	Associate
WuXi NextCode Genomics (Shanghai) Co., Ltd. (Note)	Fellow subsidiary
Chengdu Kangde Renze Real Estate Co., Ltd.	Fellow subsidiary
WuXi AppTec ZK (Suzhou) Bioscience Ltd.	Fellow subsidiary
WuXi Diagnostic Lab (Shanghai) Co., Ltd.	Fellow subsidiary
WuXi Diagnostic Medical Testing Institute (Shanghai) Co., Ltd.	Fellow subsidiary
WuXi Diagnostics Management (Shanghai) Co., Ltd.	Fellow subsidiary
Bright Angel Investments Ltd (“Bright Angel”)	Fellow subsidiary
Hodge Lake LLC (“Hodge Lake”)	Fellow subsidiary
WuXi AppTec (Suzhou) Testing Technology Co., Ltd.	Entity or subsidiaries of the entity having director by ultimate Controlling Shareholder of the Company
WuXi XDC (Shanghai) Co., Ltd.	Entity or subsidiaries of the entity having director by ultimate Controlling Shareholder of the Company
WuXi XDC (Changzhou) Co., Ltd.	Entity or subsidiaries of the entity having director by ultimate Controlling Shareholder of the Company
WuXi XDC Hong Kong Limited	Entity or subsidiaries of the entity having director by ultimate Controlling Shareholder of the Company
WuXi Biologics (Zhejiang) Pharmaceutical Sci & Tech Co., Ltd.	Entity or subsidiaries of the entity having director by ultimate Controlling Shareholder of the Company
WuXi Biopharmaceuticals (Shanghai) Co., Ltd.	Entity or subsidiaries of the entity having director by ultimate Controlling Shareholder of the Company
WuXi Biologics Co., Ltd.	Entity or subsidiaries of the entity having director by ultimate Controlling Shareholder of the Company

35. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)**(1) Names and relationships with related parties** (Continued)

Company	Relationship
WuXi Biologics (Shanghai) Co., Ltd.	Entity or subsidiaries of the entity having director by ultimate Controlling Shareholder of the Company
WuXi Biologics Holdings Co., Ltd.	Entity or subsidiaries of the entity having director by ultimate Controlling Shareholder of the Company
WuXi Biologics (Hong Kong) Limited	Entity or subsidiaries of the entity having director by ultimate Controlling Shareholder of the Company
WuXi XDC Co., Ltd.(formerly known as “WuXi Biologics Conjugation Co., Ltd.”)	Entity or subsidiaries of the entity having director by ultimate Controlling Shareholder of the Company
Bestchrom (Shanghai) Biosciences Co. Ltd.	Entity or subsidiaries of the entity having director by ultimate Controlling Shareholder of the Company
SEA HEALTHCARE FUND VCC	Entity significantly influenced by a subsidiary of the Company
D3 Bio, Inc. (“D3”)	Entity significantly influenced by a Controlling Shareholder

Note: From September 2, 2021, the Controlling Shareholder of the Group lost control on WuXi NextCode Genomics (Shanghai) Co., Ltd. and the Group evaluated that WuXi NextCode Genomics (Shanghai) Co., Ltd. was no longer its fellow subsidiary.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

35. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(2) Related party transactions:

Save as disclosed elsewhere in the condensed consolidated financial statement, the Group entered into the following transactions with its related parties.

(a) Provision of R&D service

	<u>Six months ended June 30,</u>	
	2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Unaudited)
A joint venture	10	7,030
An associate	5,167	5,324
A fellow subsidiary	35	364
Entity significantly influenced by a Controlling Shareholder	17,519	35,000
Entity or subsidiaries of the entity having director by ultimate Controlling Shareholder of the Company	37,875	10,893
	60,606	58,611

(b) Provision of administrative service

	<u>Six months ended June 30,</u>	
	2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Unaudited)
A joint venture	928	—
A fellow subsidiary	—	1
Entity or subsidiaries of the entity having director by ultimate Controlling Shareholder of the Company	1,220	410
	2,148	411

35. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)**(2) Related party transactions:** (Continued)**(c) Sales of raw materials**

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Entity or subsidiaries of the entity having director by ultimate Controlling Shareholder of the Company	5,639	—

(d) Provision of premises leasing services

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Entity or subsidiaries of the entity having director by ultimate Controlling Shareholder of the Company	2,763	615

(e) R&D service received

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
A fellow subsidiary	496	2,381
Entity or subsidiaries of the entity having director by ultimate Controlling Shareholder of the Company	1,654	382
	2,150	2,763

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

35. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(2) Related party transactions: (Continued)

(f) Sales of property and equipment

	Six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Entity or subsidiaries of the entity having director by ultimate Controlling Shareholder of the Company	—	157
A fellow subsidiary	7	5
	<u>7</u>	<u>162</u>

(g) Rental expenses

	Six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
A joint venture	—	266
	<u>—</u>	<u>266</u>

Note: The Group elects to account for lease payments as an expense on a straight-line basis over the lease term for leases with a lease term of 12 months or less and containing no purchase options or leases where the underlying asset has a low value when new.

35. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)**(2) Related party transactions:** (Continued)**(h) Interest expenses on lease liabilities**

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
A joint venture	180	131
A fellow subsidiary	—	194
	180	325

(i) Depreciation charge on right-of-use assets

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
A joint venture	1,423	959
A fellow subsidiary	—	2,426
	1,423	3,385

(j) Purchase of property and equipment

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Fellow subsidiaries	1,496	1

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

35. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(2) Related party transactions: (Continued)

(k) Administrative service received

	Six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
A fellow subsidiary	—	137

(l) Sequencing service received

	Six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
A fellow subsidiary	—	1,081

(m) Purchase of raw materials

	Six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Entity or subsidiaries of the entity having director by ultimate Controlling Shareholder of the Company	1,786	1,274
A fellow subsidiary	—	2
	1,786	1,276

(n) Additions of right-of-use assets and additions of lease liabilities

	Six months ended June 30,	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
A joint venture	—	9,277
A fellow subsidiary	—	7,689
	—	16,966

35. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)**(2) Related party transactions:** (Continued)**(o) Equity transactions**

On February 25, 2022, WuXi PharmaTech Healthcare Fund I L.P. (“WuXi Fund I”), a wholly-owned subsidiary of the Group, and other investors entered into a share purchase agreement with D3. During the six months ended June 30, 2022, WuXi Fund I subscribed Series A-2 preferred shares of D3 at a total consideration of USD8,125,000 (Equivalent RMB51,559,000).

Certain other investors to the Share Purchase Agreement, namely Hodge Lake and Bright Angel, are “associates” (as defined under Chapter 14A of the Listing Rules) of the executive directors of the Company, Dr. Ge Li and Dr. Ning Zhao and therefore each a connected person of the Company. Accordingly, the investment, which involves WuXi Fund I, Hodge Lake and Bright Angel making investments in D3 in the same round of investment, constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

(3) Related party balances:**AMOUNTS DUE FROM RELATED PARTIES**

	At June 30, 2022 RMB'000 (Unaudited)	At December 31, 2021 RMB'000 (Audited)
Trade related Trade receivables	66,282	32,052
Non-trade related Other receivables	5,567	311,258
Total amount due from related parties	71,849	343,310

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

35. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(3) Related party balances: (Continued)

AMOUNTS DUE FROM RELATED PARTIES (Continued)

The Group allows a credit period ranging from 60 to 90 days to its customers. The following is an aging analysis of trade related amounts due from related parties (net of allowance for doubtful debts) presented based on the invoice dates, at the end of the period or year presented in the condensed consolidated financial statements:

	At June 30, 2022 RMB'000 (Unaudited)	At December 31, 2021 RMB'000 (Audited)
Within 90 days	66,282	32,052

In determining the recoverability of the trade related amounts due from related parties, the Group considers any change in the credit quality of the trade related amount due from related parties from the date on which the credit was initially granted up to the reporting date. The credit quality of the trade related amounts due from related parties that are neither past due nor impaired had not changed during the period/year presented in the condensed consolidated financial statements.

Details of amounts due from related parties are set out in below:

Trade related	At June 30, 2022 RMB'000 (Unaudited)	At December 31, 2021 RMB'000 (Audited)
Trade receivables		
Associates	2,578	1,652
Entity or subsidiaries of the entity having director by ultimate Controlling Shareholder of the Company	55,331	25,900
Entity significantly influenced by a Controlling Shareholder	8,373	4,500
	66,282	32,052

35. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)**(3) Related party balances:** (Continued)**AMOUNTS DUE FROM RELATED PARTIES** (Continued)

Non-trade related	At June 30, 2022 RMB'000 (Unaudited)	At December 31, 2021 RMB'000 (Audited)
Other receivables		
Fellow subsidiaries	10	6
Entity or subsidiaries of the entity having director by ultimate Controlling Shareholder of the Company	4,269	284,200
Entity significantly influenced by a subsidiary of the Company	—	24,257
A joint venture	1,288	2,795
	5,567	311,258

Other receivables from related parties are all unsecured, repayable on demand and interest free.

Included in the contract assets of the Group are amounts RMB9,000 (December 31, 2021: RMB6,580,000) due from a joint venture, RMB2,827,000 (December 31, 2021: RMB943,000) due from entity or subsidiaries of the entity having director by ultimate Controlling Shareholder of the Company and RMB1,086,000 (December 31, 2021: Nil) due from an associate as at June 30, 2022.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2022

35. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(3) Related party balances: (Continued)

AMOUNTS DUE TO RELATED PARTIES

Non-trade related	At June 30, 2022 RMB'000 (Unaudited)	At December 31, 2021 RMB'000 (Audited)
Considerations received from key management personnel for subscribing restricted A shares of the Company under the WuXi AppTec A Share Incentive Scheme	4,575	12,886
Other payable A fellow subsidiary	14	845
	4,589	13,731
Trade related	At June 30, 2022 RMB'000 (Unaudited)	At December 31, 2021 RMB'000 (Audited)
Trade payables Entity or subsidiaries of the entity having director by ultimate Controlling Shareholder of the Company	8,742	7,708
	8,742	7,708

Included in the contract liabilities of the Group are amounts of RMB16,008,000 received from related parties in advance of delivery of services as at June 30, 2022 (December 31, 2021: RMB22,854,000).

The Group entered into several leases with related parties, other than short-term leases and low value assets leases in 2021, the total amount of cost of right-of-use assets recognized as at June 30, 2022 is Nil (December 31, 2021: RMB16,967,000).

35. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)**(3) Related party balances:** (Continued)

Included in the right-of-use assets of the Group are amounts RMB7,454,000 from a joint venture of the Group as at June 30, 2022 (December 31, 2021: RMB8,877,000)

Included in the lease liabilities of the Group are amounts RMB8,883,000 due to a joint venture of the Group as at June 30, 2022 (December 31, 2021: RMB9,562,000)

The prepayment of the Group with related parties is Nil at June 30, 2022 (December 31, 2021: RMB98,000)

(4) Compensation of key management personnel

The remuneration of the directors of the Company and other members of key management of the Group for the six months ended June 30, 2022 and 2021 are as follows:

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Salaries and other benefits	26,459	17,788
Performance-based bonus	19,177	14,270
Share-based compensation	25,598	15,842
	71,234	47,900

The remuneration of key management is determined with reference to the performance of the individuals and market trends.

Definitions

In this interim report, 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 Initial Grant”	the initial grant of Restricted A Shares and Share Options pursuant to the 2018 A Share Incentive Plan
“2018 Reserved Grant”	the grant of reserved interests subsequent to the initial grant under the 2018 A Share Incentive Plan
“2019 AGM”	the annual general meeting of the Company held on May 15, 2020
“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 Restricted A Shares and Share Options pursuant to the 2019 A Share Incentive Plan
“2019 Capitalization of Reserve”	the issuance of 4 2019 Capitalization Shares for every 10 Shares by way of capitalization of reserve under the 2019 Profit Distribution Plan
“2019 Capitalization Share(s)”	the new Shares to be allotted and issued under the 2019 Capitalization of Reserve
“2019 Initial Grant”	the initial grant of Restricted A Shares and Share Options upon adoption of the 2019 A Share Incentive Plan
“2019 Profit Distribution”	the proposed distribution of cash dividend of RMB3.37 for every 10 Shares (inclusive of tax) under the 2019 Profit Distribution Plan
“2019 Profit Distribution Plan”	the profit distribution plan of the Company for the year ended December 31, 2019 including the Capitalization of Reserve and Profit Distribution as defined in the circular of the Company dated March 31, 2020 therein
“2019 Reserved Grant”	the 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 Share(s)”	the new Shares to be allotted and issued under the 2020 Capitalization of Reserve
“2020 Grant”	the grant of Award Shares pursuant to the 2020 H Share Award and Trust Scheme
“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 as defined in the circular of the Company dated April 9, 2021
“2020 Scheme Rules”	the rules of the 2020 Scheme (as amended from time to time)
“2021 Actual Selling Price”	the actual price at which the 2021 Award Shares are sold (net of brokerage, stamp duty, any taxes, Stock Exchange trading fee, SFC transaction levy and any other applicable costs) on vesting of a 2021 Award pursuant to the 2021 Scheme or in the case of a vesting when there is an event of change in control or privatisation of the Company pursuant to the 2021 Scheme Rules, the consideration receivable under the related scheme or offer
“2021 AGM”	the annual general meeting of the Company held on May 6, 2022
“2021 Award”	an award granted by the Board to a 2021 Selected Participant, which may vest in the form of 2021 Award Shares or the 2021 Actual Selling Price of the 2021 Award Shares in cash, as the Board may determine in accordance with the terms of the 2021 Scheme Rules
“2021 Award Period”	the period commencing on the date on which the Shareholders approved the 2021 Scheme, and ending on the Business Day immediately prior to the 10th anniversary of the date on which the Shareholders approved the 2021 Scheme
“2021 Award Shares”	the H Shares granted to a 2021 Selected Participant in a 2021 Award
“2021 Connected Selected Participants”	2021 Selected Participants under the 2021 Scheme who are connected persons of the Group

Definitions

“2021 Delegatee(s)”	the Management Committee or person(s) or board committee(s) to which the Board will delegate its authority in connection with matters pertaining to the 2021 Scheme
“2021 Eligible Employee(s)”	eligible employees of the 2021 Scheme pursuant to the 2021 Scheme Rules
“2021 Grant”	the grant of 2021 Award Shares pursuant to the 2021 H Share Award and Trust Scheme
“2021 H Share Award and Trust Scheme” or “2021 Scheme”	the 2021 H Share award and trust scheme adopted by the Company in accordance with the 2021 Scheme Rules
“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 Limit”	means the maximum size of the 2021 Scheme, being the maximum number of H Shares that will be acquired by the 2021 Trustee through on-market transactions from time to time at the prevailing market price with funds in the amount of not more than HK\$2 billion
“2021 Scheme Rules”	the rules governing the operation of the 2021 Scheme as well as the implementation procedures (as amended from time to time)
“2021 Selected Participant(s)”	any 2021 Eligible Employee who is approved for participation in the 2021 Scheme and has been granted any 2021 Award in accordance with the 2021 Scheme Rules
“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
“2021 Shareholder Alignment Incentive H Share Scheme Rules”	the rules governing the operation of the 2021 Shareholder Alignment Incentive H Share Scheme as well as the implementation procedures (as amended from time to time)
“2022 Actual Selling Price”	the actual price at which the 2022 Award Shares are sold (net of brokerage, stamp duty, any taxes, Stock Exchange trading fee, SFC transaction levy and any other applicable costs) on vesting of a 2022 Award pursuant to the 2022 Scheme or in the case of a vesting when there is an event of change in control or privatization of the Company pursuant to the 2022 Scheme Rules, the consideration receivable under the related scheme or offer

“2022 EGM”	the extraordinary general meeting of the Company to be held on Monday, September 26, 2022, at which the Shareholders will consider, among others, the adoption of the 2022 Scheme
“2022 Award”	an award granted by the Board to a 2022 Selected Participant, which may vest in the form of 2022 Award Shares or the 2022 Actual Selling Price of the 2022 Award Shares in cash, as the Board may determine in accordance with the terms of the 2022 Scheme Rules
“2022 Award Period”	the period commencing on the date on which the Shareholders approved the 2022 Scheme, and ending on the Business Day immediately prior to the 10th anniversary of the date on which the Shareholders approved the 2022 Scheme
“2022 Award Shares”	the H Shares granted to a 2022 Selected Participant in a 2022 Award
“2022 Connected Selected Participants”	2022 Selected Participants under the 2022 Scheme who are connected persons of the Group
“2022 Delegatee(s)”	the Executive Committee or person(s) or board committee(s) to which the Board will delegate its authority in connection with matters pertaining to the 2022 Scheme
“2022 H Share Award and Trust Scheme” or “2022 Scheme”	the 2022 H Share award and trust scheme proposed to be adopted by the Company in accordance with the 2022 Scheme Rules
“2022 Scheme Limit”	means the maximum size of the 2022 Scheme, being the maximum number of H Shares that will be acquired by the Trustee through on-market transactions from time to time at the prevailing market price with funds in the amount of not more than HK\$2 billion, and in any event the maximum number of H Shares to be so acquired by the Trustee shall be determined by the Board and/or the 2022 Delegatee which shall not exceed 10% (including 10%) above the total number of H Shares acquired by the trustee of the 2021 Scheme in accordance with the instructions of the Company for the purpose of satisfying the 2021 Awards
“2022 Scheme Rules”	the rules governing the operation of the 2022 Scheme as well as the implementation procedures (as amended from time to time)
“2022 Selected Participant(s)”	any eligible employee of the 2022 Scheme pursuant to the 2022 Scheme Rules who is approved for participation in the 2022 Scheme and has been granted any 2022 Award in accordance with the 2022 Scheme Rules

Definitions

“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 Listing”	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
“A Share Prospectus”	the prospectus issued by the Company under the A Share Listing
“AAV”	adeno-associated virus
“Actual Selling Price”	the actual price at which the Award Shares are sold (net of brokerage, Stock Exchange trading fee, Securities and Futures Commission transaction levy and any other applicable costs) on vesting of an Award pursuant to the Scheme or in the case of a vesting when there is an event of change in control or privatization of the Company pursuant to the Scheme Rules, the consideration receivable under the related scheme or offer
“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 Scheme Rules
“Award Shares”	the H Shares granted to a Selected Participant in an Award
“Board of Directors” or “Board”	our board of Directors
“Business Day”	any day on which the Stock Exchange is open for the business of dealing in securities
“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

“cGMP”	Current Good Manufacturing Practice regulations, regulations enforced by the FDA on pharmaceutical and biotech firms to ensure that the products produced meet specific requirements for identity, strength, quality and purity
“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 interim report and for geographical reference only, excludes Hong Kong Macau and Taiwan
“CMO”	Contract Manufacturing Organization, a company that serves other companies in the pharmaceutical industry on a contract basis to provide comprehensive drug manufacturing services
“Company”, “our Company”, “WuXi AppTec”, “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
“Connected Selected Participant(s)”	Selected Participants who are connected persons of the Group
“Conversion Price”	the price per H Share(s) to be issued upon conversion of the Convertible Bonds pursuant to the relevant agreements (subject to adjustments) at which the Convertible Bonds may be converted into H Shares
“Convertible Bonds”	US\$300 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 initial Conversion Price of HK\$111.80 per H Share, adjusted to the Conversion Price of HK\$79.85 per H Share, and further adjusted to the Conversion Price of HK\$66.17 per H Share
“COVID-19”	novel coronavirus pneumonia
“CRDMO”	Contract Research Development and Manufacturing Organization
“CRO”	Contract Research Organization
“CTDMO”	Contract Testing Development and Manufacturing Organization
“DEL”	DNA-encoded library

Definitions

“Delegatee”	the management committee or person(s) or board committee(s) to which the Board will delegate its authority in connection with matters pertaining to the 2020 Scheme
“Director(s)”	the director(s) of the Company or any one of them
“DMPK”	Drug Metabolism and Pharmacokinetics, refers to studies designed to determine the absorption and distribution of an administered drug, the rate at which a drug takes effect, the duration a drug maintains its effects and what happens to the drug after being metabolized by the body
“EBITDA”	Earnings before Interest, Taxes, Depreciation and Amortization
“Eligible Employee(s)”	eligible employees of the 2020 Scheme pursuant to the 2020 Scheme Rules
“Executive Committee”	the proposed executive committee of the Company to whom the Board will delegate its authority to administer the 2022 Scheme
“Founding Individuals”	Dr. Ge Li, Dr. Ning Zhao, Mr. Xiaozhong Liu and Mr. Zhaohui Zhang
“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”, “our 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
“H Share Listing”	the listing of the H Shares on the Main Board of the Stock Exchange on December 13, 2018
“HKD” or “HK\$”	Hong Kong dollars, 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
“IPO”	initial public offering
“Independent Selected Participant(s)”	Selected Participants who are not the Connected Selected Participants
“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”	merger and acquisition
“Management Committee”	the management committee of the 2021 Scheme to whom the Board has delegated its authority to administer the 2021 Scheme
“Model Code”	the “Model Code for Securities Transactions by Directors of Listed Issuers” set out in Appendix 10 to the Listing Rules
“NASH”	Nonalcoholic steatohepatitis is liver inflammation and damage caused by a buildup of fat in the liver
“NDA”	New Drug Application
“NMPA”	National Medical Products Administration
“Nomination Committee”	the nomination committee of the Board
“Non-public Issuance of A Shares”	the non-public issuance of 62,690,290 A Shares by the Company to specific subscribers
“Prospectus”	the prospectus issued by the Company dated December 3, 2018
“PROTAC”	the proteolysis targeting chimera
“R&D”	research and development
“Remuneration and Appraisal Committee”	The remuneration and appraisal committee of the Board
“Reporting Period”	the six months ended June 30, 2022
“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
“Returned Shares”	such Award Shares that are not vested and/or are forfeited in accordance with the terms of the Scheme, or such H Shares being deemed to be Returned Shares under the Scheme Rules
“RMB”	Renminbi, the lawful currency of the PRC

Definitions

“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 2021 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 Letter”	a letter issued by the Company to each SAI Selected Participant in such form as the Board or the SAI Delegatee may from time to time determine
“SAI Award Period”	the period commencing on the date on which the Shareholders approved the 2021 Shareholder Alignment Incentive H Share Scheme, and ending on the Business Day immediately prior to the 10th anniversary of the date on which the Shareholders approved the 2021 Shareholder Alignment Incentive H Share Award Scheme
“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 Connected Selected Participants”	SAI Selected Participants who are connected persons of the Group
“SAI Delegatee”	the SAI Management Committee or person(s) or board committee(s) to which the Board will delegate its authority in connection with matters pertaining to the 2021 Shareholder Alignment Incentive H Share Scheme
“SAI Eligible Employees”	eligible employees of the 2021 Shareholder Alignment Incentive H Share Scheme pursuant to the rules of the 2021 Shareholder Alignment Incentive H Share Scheme
“SAI Management Committee”	the management committee of the 2021 Shareholder Alignment Incentive H Share Scheme
“SAI Returned Shares”	such SAI Award Shares that are not vested and/or are forfeited in accordance with the terms of the 2021 Shareholder Alignment Incentive H Share Scheme Rules, or such H Shares being deemed to be SAI Returned Shares under the 2021 Shareholder Alignment Incentive H Share Scheme Rules

“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
“SAI Vesting Period(s)”	the vesting period(s) of the SAI Awards granted under the 2021 Shareholder Alignment incentive H Share Scheme
“Scheme Limit”	the maximum size of the H Share Award and Trust Scheme
“Scheme Rules”	the rules governing the operation of the 2020 Scheme as well as the implementation procedures (as amended from time to time)
“Selected Participant(s)”	any Eligible Employee who is approved for participation in the 2020 Scheme and has been granted any Award in accordance with the 2020 Scheme Rules
“SFO”	Securities and Futures Ordinance (Chapter 571 of The Laws of Hong Kong)
“Shanghai Stock Exchange”	The Shanghai Stock Exchange (上海證券交易所)
“Share(s)”	ordinary shares in the capital of our Company with a nominal value of RMB1.00 each, comprising A Shares and H Shares
“Share Options”	share options granted under the 2018 A Share Incentive Plan and/or the 2019 A Share Incentive Plan
“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)
“STA Shares”	Shares of STA
“Stock Exchange” or “Hong Kong Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Strategy Committee”	the strategy committee of the Board
“Supervisor(s)”	member(s) of our Supervisory Committee
“Supervisory Committee”	the supervisory committee of our Company
“TESSA™”	Tetracycline-Enabled Self-Silencing Adenovirus

Definitions

“Trustee”	the trustee appointed by the Company for the purpose of the trusts under each of the 2020 Scheme, the 2021 Scheme and the 2022 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