WUXI BIOLOGICS (CAYMAN) INC.
藥明生物技術有限公司*

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2269)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2023

FINANCIAL HIGHLIGHTS

		2023	2022	Change
		RMB million	*RMB million*	
Revenue		**17,034.3**	15,268.7	11.6%
Gross profit		**6,827.9**	6,724.0	1.5%
Gross profit margin		***40.1%***	*44.0%*	
Net profit		**3,570.6**	4,549.9	(21.5%)
Net profit margin		***21.0%***	*29.8%*	
Net profit attributable to owners of the Company		**3,399.7**	4,420.3	(23.1%)
Margin of net profit attributable to owners of the Company		***20.0%***	*29.0%*	
Adjusted net profit attributable to owners of the Company		**4,698.9**	4,925.3	(4.6%)
Margin of adjusted net profit attributable to owners of the Company		***27.6%***	*32.3%*	
		RMB	*RMB*	
Earnings per share	— Basic	**0.82**	1.06	(22.6%)
	— Diluted	**0.77**	1.01	(23.8%)
Adjusted earnings per share	— Basic	**1.13**	1.18	(4.2%)
	— Diluted	**1.06**	1.13	(6.2%)

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overall Performance

In 2023, the Group faced a multitude of challenges. Leveraging our unique CRDMO platform and "Follow and Win the Molecule" strategies, the Group showcased resilience and maintained stable growth.

Notably, the latter half of 2023 saw a considerable rebound. The total number of integrated projects increased from 588 last year to 698 as of December 31, 2023, including 132 new integrated projects with a historic record of new non-COVID projects within a year, demonstrating the Group's solid and sustainable business growth. The Group's late-phase and commercial manufacturing business also experienced remarkable growth, with commercial manufacturing projects increasing from 17 last year to 24 as of December 31, 2023, accompanied by a record number of nine "Win-the-Molecule" late-phase and commercial manufacturing projects, propelling our growth momentum.

The following table sets forth the status of the on-going integrated projects of the Group as at December 31, 2023:

Biologics Development Process Stage	Number of On-Going Integrated Projects[1]	Typical Duration	Typical Service Revenue[2]
Pre-IND			
— Pre-clinical development	339	1–2 years	US$5–8 mm
Post-IND			
— Early-phase (phases I & II) clinical development:	284	3 years	US$4–6 mm
— Phase I clinical development	203		
— Phase II clinical development	81		
— Late-phase (phase III) clinical development	51	3–5 years	US$20–50 mm
— Commercial manufacturing[3]	24	Annually	US$50–100 mm[4]
Total	**698**		

Notes:

(1) Integrated projects require the Group to provide services across different divisions/departments within the Group and across various stages of the biologics development process.

(2) Milestone fees can be paid at different research and development ("**R&D**") stages, while royalty fees will be charged for 5–10 years or until the patent expires once the new drug launches in the market.

(3) The commercial manufacturing projects refer to the projects approved by regulatory authorities and signed CMO contracts with the Group.

(4) Estimated value when biologic drug reaches its peak sales. A biologic drug typically reaches its peak sales after a ramp-up period.

The Group's revenue for the year ended December 31, 2023 increased by 11.6% year-on-year to RMB17,034.3 million, with an outstanding year-on-year 37.7% increase in non-COVID revenue and a year-on-year 101.7% surge in the non-COVID late-phase and commercial manufacturing revenue. The gross profit increased by 1.5% year-on-year to RMB6,827.9 million. The net profit attributable to owners of the Company and the adjusted net profit attributable to owners of the Company decreased by year-on-year 23.1% and 4.6% to RMB3,399.7 million and RMB4,698.9 million respectively. The Group maintained positive free cash flow during the Reporting Period, solidifying a strong financial foundation to support the Group's sustainable growth. Please refer to the section headed "Financial Review" for further information. The Group's total backlog increased to US$20,592 million as of December 31, 2023, including US$13,398 million service backlog and US$7,194 million upcoming potential milestone fees, while the total backlog within three years increased to US$3,850 million as of December 31, 2023, ensuring sustainable growth.

The Group has collaborated with the world's top 20 pharmaceutical companies. During the Reporting Period, we further diversified our client base and experienced a substantial increase in the number of clients we served, reaffirming our commitment to provide fully integrated CRDMO services to our clients and partners to develop biologics benefiting patients worldwide. During the Reporting Period, one of the Group's strategic partners, Amicus Therapeutics, Inc. (NASDAQ: FOLD), received approvals from the U.S. FDA, U.K. MHRA and the European Commission for Pombiliti™, a long-term enzyme replacement therapy used in combination with miglustat therapy for adults with late-onset Pompe disease. Pombiliti™ was started at the Group in 2012 with just an initial concept and has now achieved commercialization enabled by the Group's integrated technology platform and strong manufacturing capacity. This achievement truly attests to the effectiveness of the Group's long-standing "Follow and Win the Molecule" strategies.

Business Highlights

CRDMO Platform — Research (R)

The Group's research and discovery arm, the "R" in CRDMO, provides a comprehensive and streamlined suite of solutions for biologic discovery, ranging from concept to IND, that seamlessly transits to CMC and downstream process development. The Group continuously focuses on enhancing biologics generation and optimization capabilities and enriching existing technology platforms to solidify its role as an industry technology pioneer, accelerating the discovery and development processes of various therapeutic biologics, including but not limited to:

- **Bispecific Antibodies**. Drawing upon its established expertise in the development of antibodies and its top team of scientists, the Group has been working on more than 40 different formats with over 110 bispecific projects. **WuXiBody™**, the Group's proprietary bispecific antibody platform, allows valency flexibility and permits the easy joining of almost any monoclonal antibody ("**mAb**") pair to build a bispecific antibody. WuXiBody™ continues to gain industry recognition, with rights to 45 projects granted to external partners as of the end of the Reporting Period.

- **Multispecific Antibodies**. Leveraging our technical capability of Variable Domain of Heavy-chain Antibodies ("**VHH**") libraries, advanced VHH immunization, VHH affinity maturation and humanization platforms and a deep understanding of disease and target biology, the Group has also developed the sophisticated VHH-based **SDArBodY™** (Single-Domain Antibody-related Multispecific Antibody) platform, providing our clients and partners with multi-functional therapeutic capabilities. SDArBodY™ has been applied extensively across a range of projects.

- **T cell engager ("TCE") platform**. The Group has harnessed its Immune Cell Engager platform to devise TCE in an optimized antibody format for exploring the potential of TCE antibodies as preeminent treatments for tumors, in close collaboration with our clients and partners.

- **Single B Cell Cloning Technology**. The Group has developed its single B cell cloning technology using the Berkeley Light Beacon system for a variety of species that are important for lead generation of therapeutic antibodies. This significantly improved a variety of existing technologies to support and enable the discovery of valuable lead molecules for difficult targets.

Equipped with these cutting-edge technologies and platforms, the Group expedited efforts to cultivate partnerships and empower clients and partners in charting a new course for biologics modalities, such as our research service agreement with GSK plc (LSE/NYSE: GSK) on multiple novel bi- and multi-specific TCEs antibodies and our research service agreement with BioNTech SE (NASDAQ: BNTX) on discovering investigational mAbs. Such collaborations and partnerships are poised not only to build trust among our clients and partners but also to boost our biologics pipeline.

CRDMO Platform — Development (D)

With the goal of enabling our clients and partners to bring more high-quality and affordable biologics to patients worldwide, the Group's industry-leading biologics development team consistently fosters innovation under the mission of "Turning Ideas into Life-Improving Biologics and Vaccines". The Group enabled 110 INDs during the Reporting Period.

The Group continuously develops and offers cutting-edge technology platforms to expedite biologics development and manufacturing, most notably:

- **WuXia™**. The Group's proprietary CHO (Chinese Hamster Ovary) cell line development platform WuXia™ enables 150 integrated CMC projects per year, one of the largest capacities in the world. The Group has delivered more than 800 cell lines, including five commercial products. Derived from WuXia™, WuXia^{ADCC} PLUS™ is the Group's high-yielding mammalian cell line platform for the development and manufacturing of afucosylated antibodies to elicit an enhanced ADCC response. The WuXia^{ADCC} PLUS™ cell line is compatible with the WuXia™ platform process, which enables the stable production of the afucosylated antibodies at various scales for clinical and commercial manufacturing.

- **WuXiUP™**. The Group's proprietary continuous bioprocessing platform WuXiUP™ utilizes 1,000–2,000L disposable bioreactors to achieve comparable productivity as a traditional 10,000–20,000L stainless steel bioreactor while still providing similar or even better purification yield. WuXiUP™ has been implemented in more than 130 processes for more than 50 different molecules.

- **WuXiUI™**. In comparison with the conventional fed-batch process, the Group's new proprietary bioprocessing platform WuXiUI™ applies an innovative ultra-intensified intermittent-perfusion fed-batch (UI-IPFB) strategy to achieve 3–6 folds increase in productivity in a typical culture duration for different molecule modalities while ensuring desirable product quality and realizing substantially lower manufacturing cost.

- **WuXiHigh™**. The Group's proprietary high concentration (≥100 mg/mL) drug product ("**DP**") development platform WuXiHigh™ incorporates features such as high-throughput formulation screening strategies, novel methodology in viscosity reduction, and molecular dynamics simulation. As of the end of the Reporting Period, WuXiHigh™ platform has offered tailored solutions for over 70 projects (up to 200 mg/mL) with a wide range of modalities.

Furthermore, the operation of the Group's new biosafety testing facility in Lingang, Shanghai further increased its capabilities and capacity during the Reporting Period, achieving a new milestone of providing better and faster service to global clients and partners.

CRDMO Platform — Manufacturing (M)

Since the banner year of 2021, the Group has sustained its business momentum in late-phase and commercial manufacturing projects through the deployment of automation technologies, the establishment of a robust international quality standard system, steadfast execution, and the cultivation of a diverse manufacturing footprint. The Group's manufacturing services continuously deliver efficient and cost-effective solutions to our clients and partners.

The Group operates several of the industry's leading biologics cGMP drug substance ("**DS**") manufacturing facilities that exclusively employ single-use bioreactors in scales extending from 200L to 4,000L. Meanwhile, the Group's one-stop comprehensive DP capabilities and capacity increased the spectrum of services offered to the biologics industry and enhanced the Group's revenue stream with state-of-the-art facilities and cutting-edge technologies, including integrated high throughput and automation instruments, pioneering lyophilization technologies, and advanced process development capabilities.

During the Reporting Period, the Group's manufacturing services achieved significant milestones during the implementation of our "Follow and Win the Molecule" and "Global Dual Sourcing" strategies:

- **Growing Projects**. Late-phase and commercial manufacturing projects have experienced remarkable growth, totalling 24 commercial manufacturing projects as of the end of the Reporting Period, as well as nine record high "Win-the-Molecule" late-phase and commercial manufacturing projects.

- **Promising Indicators**. The Group's facilities have completed PPQ with more than 97% success rate, which validates us as one of the best performers in the industry with a premier quality system. Moreover, the Group's DS and DP PPQ figures, as the key indicators of commercial manufacturing projects, demonstrated robust growth and established a sturdy foundation for the growth of commercial manufacturing projects.

- **Expanding Network**. During the Reporting Period, the Group continued to invest in its capacity to satisfy the burgeoning capacity demands from the increasing number of late-phase and commercial manufacturing projects and "Global Dual Sourcing" strategy. Please also refer to the section headed "Geographic Footprint" for further information.

New Growth Drivers

Drawing upon its extensive expertise across the entire life cycle of biologics development, the Group has strategically leveraged its capabilities and capacity to establish integrated platforms for various emerging modalities. Since their inception, these new modality platforms have flourished, broadening the Group's service spectrum and emerging as key drivers for future growth.

- **Microbial Platform**. The Group's microbial platform business continues to thrive. Both the signed microbial projects and the microbial molecules surged during the Reporting Period. The Group now provides comprehensive end-to-end one-stop solutions, covering CMC development and GMP manufacturing services for a wide range of biologics and vaccines produced from microbial-based systems. During the Reporting Period, substantial batches were successfully completed for various modalities spanning recombinant protein, virus-like particle, enzyme and etc.

- **WuXi XDC**. The Company's subsidiary WuXi XDC, a leading CRDMO focused on the global ADC and broader bioconjugate market and dedicated to providing integrated and comprehensive services, was listed on the Main Board on November 17, 2023 (HKEX stock code: 2268). As of the end of the Reporting Period, WuXi XDC had secured 143 integrated projects for ADCs and other bioconjugates globally with 21 in phase II/III.

- **WuXi Vaccines**. The Group's vaccine initiatives have sustained consistent growth and prosperity since 2018, driven by WuXi Vaccines, its subsidiary dedicated to offering comprehensive end-to-end vaccine CRDMO services. During the Reporting Period, WuXi Vaccines launched its first standalone vaccine integrated site in Suzhou, China. The facility will add DS and DP capacity, with end-to-end services for diversified vaccines. During the Reporting Period, the number of projects of WuXi Vaccines' increased to 59, including 25 integrated projects, attesting to WuXi Vaccines' outstanding capabilities and capacity.

Quality

The Group consistently prioritizes quality, especially data integrity, at the forefront, ensuring the safeguarding of our clients' and partners' interests. With its world-class quality system, the Group has completed 33 regulatory inspections conducted by the U.S. FDA, EU EMA, China NMPA and other national regulatory agencies since 2017 with no critical issues identified and zero data integrity findings, which distinguishes the Group as the first and only biologics company certified by these regulatory agencies for commercial manufacturing in China. The Group has completed more than 1,200 GMP audits by global clients, and more than 120 audits by EU Qualified Persons ("**EU QP**"). The Group believes that these certificates will help manifest the Group's premier quality system that meets global quality standards and thereby benefits patients globally with biologics of better quality.

ESG

The Group regards sustainability as the cornerstone of its business strategy, aligning the corporate vision and mission to drive long-term success. We embrace social and environmental responsibility and continue to deliver stronger ESG performance for the benefit of stakeholders and for the greater good of society. During the Reporting Period, the Group's ESG targets and metrics were prioritized and monitored in key areas, such as Diversity, Equity and Inclusion ("**DEI**"), climate change and energy saving, resource efficiency, etc.

During the Reporting Period, the Group committed to the Science-Based Targets initiative ("**SBTi**"), established a dedicated DEI Committee, and became a signatory to the United Nations Global Compact. With these milestones, the Group has been recognized by various ESG rating agencies and institutional investors. Please refer to the section headed "Company Awards" for further information.

Geographic Footprint

In response to the continued globalization of biomanufacturing and to fulfill our "Global Dual Sourcing" strategy, the Group continuously invests in its global operations. The Group's current manufacturing capacity encompasses facilities in various regions, providing a flexible and robust global supply chain network that enables our clients to start new projects within four weeks and then distribute biologics products from the Group's facilities to clients' desired sites around the world.

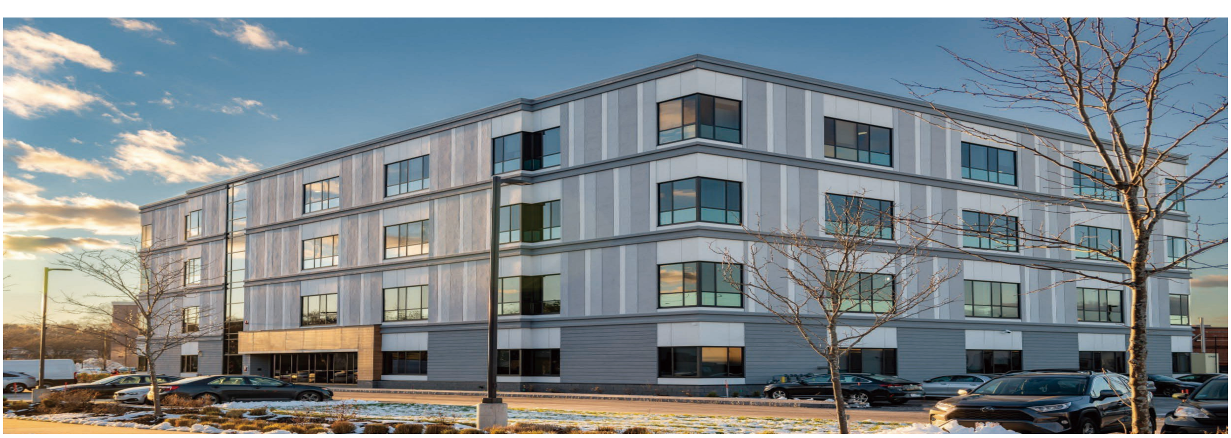
- The Ireland site completed construction and received the 2023 Facility of the Year Award ("**FOYA**") from the International Society for Pharmaceutical Engineering ("**ISPE**"). Its manufacturing facilities MFG6 and MFG7 have been GMP released, paving the way for large-scale commercial manufacturing projects. The Ireland facilities have been ramping up since GMP release, supported by substantial commercial manufacturing demand from global clients.

- The Group continued to invest in state-of-the-art facilities at its German sites. The sterile filling and freeze-drying plant at Leverkusen, with an annual capacity of approximately ten million doses, is being enhanced to include a second filling line. The DS facility in Wuppertal is also expected to double its capacity from 12,000L to 24,000L.

- In response to clients' increasing demand in the U.S., the Group's facility in Worcester, Massachusetts, will increase to 36,000L of commercial DS capacity. The added capacity will further enhance the Group's commercial manufacturing capabilities in the U.S., and also represent a key part of our biomanufacturing network.

- The Group also opened its Boston research service center in the U.S. during the Reporting Period, marking its third research service center globally and its first in the U.S. to offer discovery services to clients of all sizes, complementing the full range of services the Group offers within the U.S. and globally.

- The Group's Singapore site is designed as an integrated biologics CRDMO center to provide end-to-end services from biologics research and development to large-scale DS and DP GMP manufacturing. To improve construction quality, safety and cost predictability, the site adopted a modular approach for project execution, which allows the quality, schedule, cost, and risk associated with the project to be well managed and controlled. The Singapore site's groundbreaking has recently taken place and its design and construction are progressing as planned.

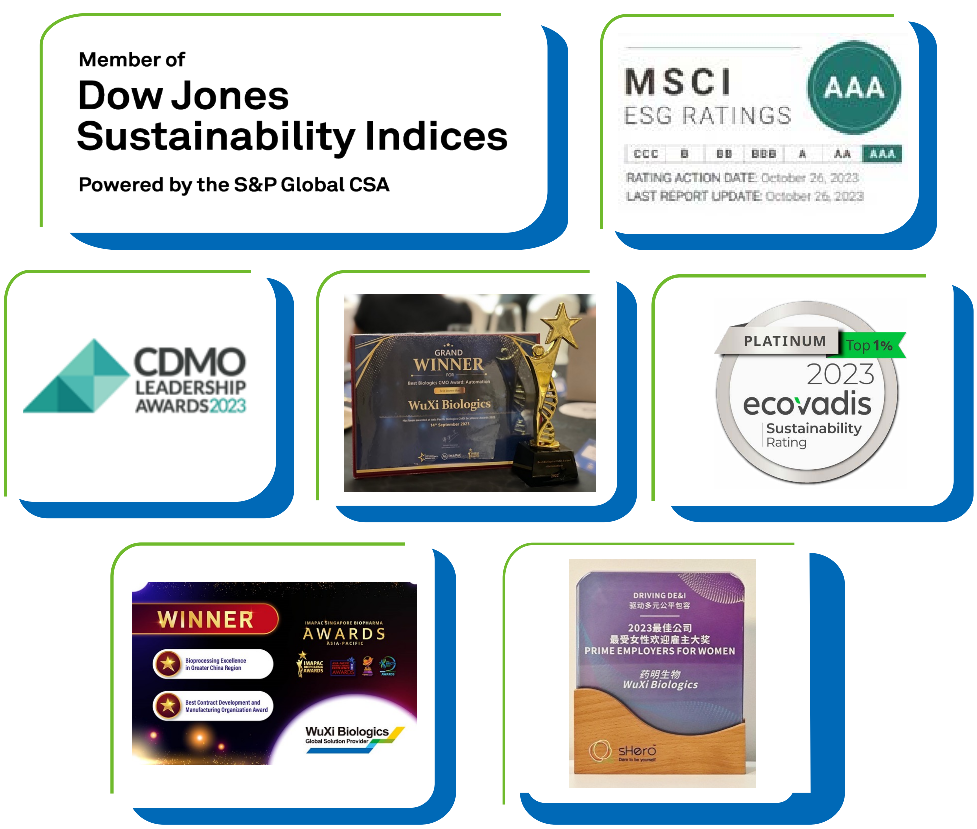


WBS (WuXi Biologics Business System)

WBS was introduced and implemented in all functions of the Group in 2021 to continuously improve efficiency and quality, reduce cost, and generate value for clients. During the Reporting Period, the Group achieved considerable cost savings by implementing more than 370 WBS projects. The Group will continue to develop WBS as a management system to drive continuous improvement and create value for our clients and partners.

Company Awards

In recognition of its exceptional performance in delivering services to accelerate and transform biologics development, alongside its ongoing commitment to ESG initiatives, the Group received a multitude of recognitions and awards during the Reporting Period, notably: "CDMO Leadership Award" for the sixth year in a row; "Best CDMO Award", "Bioprocessing Excellence in Greater China Region Award" and "Best Biologics CMO Award for automation" from IMAPAC; "Best CDMO Winner" at 2023 World ADC Awards by WuXi XDC; "Highly Commended CMO" at the 2023 World Vaccine Congress and "Best Vaccine CMO of the Year" at 2023 Asia-Pacific Vaccine Excellence Awards by WuXi Vaccines; "Prime Employers For Women Award" for the second consecutive year from sHero; "Most Honored Company" by Institutional Investor and "Best in Sector Healthcare Award" from IR Magazine; as well as various ESG top ratings and awards, including member of 2023 Dow Jones Sustainability™ World Index and Emerging Markets Index; a highest AAA rating from MSCI; a Platinum Medal from EcoVadis; an ESG Industry Top-Rated and APAC Regional Top-Rated Company by Sustainalytics; and a score of A for Water Security and A- for Climate Change from CDP.



Future Outlook

Despite headwinds in 2023, our unique CRDMO business model and implementation of the "Follow and Win the Molecule" strategies position the Group to capture new business opportunities in 2024 and supports a positive outlook for the future.

Compared with traditional therapeutics, biologic therapies exhibit superior efficacy coupled with fewer side effects. Along with their immense potential in addressing diseases that were once deemed untreatable or challenging to treat, biologics are witnessing increasing demand, especially given an aging population and the prevalence of chronic diseases.

The biologics outsourcing industry, an indispensable partner to biopharmaceutical companies, has been endeavoring to accommodate the increased need for biologics. With the growth in biologics CDMOs' capabilities and capacity, biopharmaceutical companies have more flexible options for their development and manufacturing strategies. Large biopharma companies are increasingly outsourcing more to reduce costs and enhance efficiency. Small and medium-sized biotech companies lacking inhouse R&D capabilities and manufacturing capacity also rely on outsourcing services to advance their projects. The Group, with its unique integrated end-to-end CRDMO platform, has become an ideal choice to meet clients' diversified needs.

Through consistent implementation of the "Follow and Win the Molecule" and "Global Dual Sourcing" strategies, leveraging our state-of-the-art technology, extensive CMC experience, premier quality system, operational excellence and outstanding ESG practices, we believe we will continue to seize future opportunities to deliver sustainable growth.

The Group will remain committed to operating with the highest standards of compliance and in accordance with the applicable laws and regulations of all jurisdictions where it has business operations, enhancing the efficiency of the operations with WBS while continuing to strengthen its capabilities and capacity to accelerate and transform the discovery, development, and manufacturing of biologics globally to enable clients and partners in their efforts to benefit patients worldwide.

FINANCIAL REVIEW

Revenue

The revenue of the Group increased by 11.6% from approximately RMB15,268.7 million for the year ended December 31, 2022 to approximately RMB17,034.3 million for the year ended December 31, 2023. Such increase was primarily attributed to: (i) the successful execution of the Group's "Follow and Win the Molecule" strategies, coupled with the leading technology platform, best-in-industry timeline and excellent execution track record, contributing to the growth of the Group's revenue; (ii) enlarged spectrum of services offered to the biologics industry, fast growing technology platforms including ADCs and bispecific antibodies, contributing to the Group's revenue stream; (iii) growth of research services revenue generated from the Group's various cutting-edge technologies; and (iv) the utilization of existing and newly expanded capacities, including ramp-up of the manufacturing sites in Europe and the U.S..

Reflecting the Group's global footprint, its revenue demonstrates diversification across a wide array of regions, including North America, Europe, and China. The table below shows the revenue distribution by countries/regions:

	Year ended December 31,				
	2023		2022		Change
Revenue	***RMB million***	*%*	*RMB million*	*%*	
— North America	**8,073.5**	**47.4%**	8,496.4	55.6%	(5.0%)
— Europe	**5,140.8**	**30.2%**	2,546.2	16.7%	101.9%
— PRC	**3,121.5**	**18.3%**	3,719.0	24.4%	(16.1%)
— Rest of the world *(Note)*	**698.5**	**4.1%**	507.1	3.3%	37.7%
Total	**17,034.3**	**100.0%**	15,268.7	100.0%	11.6%

Note: Rest of the world primarily includes Singapore, Japan, South Korea and Australia.

For the year ended December 31, 2023, the pre-IND services revenue of the Group increased by 9.2% to approximately RMB5,401.8 million, accounting for 31.7% of the total revenue. Early-phase (phases I & II) services revenue of the Group increased by 12.7% to approximately RMB3,616.5 million, accounting for 21.2% of the total revenue. Furthermore, late-phase (phase III) services and commercial manufacturing revenue of the Group increased by 12.8% to approximately RMB7,731.5 million, accounting for 45.4% of the total revenue, by implementing the Group's "Follow and Win the Molecule" strategies.

The following table sets forth a breakdown of the Group's total revenue by pre-IND services, early-phase (phases I & II) services, late-phase (phase III) services & commercial manufacturing and others for the years indicated:

	Year ended December 31,				
	2023		2022		Change
Revenue	***RMB million***	***%***	*RMB million*	*%*	
Pre-IND services	**5,401.8**	**31.7%**	4,945.6	32.4%	9.2%
Early-phase (phases I & II) services	**3,616.5**	**21.2%**	3,207.8	21.0%	12.7%
Late-phase (phase III) services & commercial manufacturing	**7,731.5**	**45.4%**	6,854.3	44.9%	12.8%
Others *(Note)*	**284.5**	**1.7%**	261.0	1.7%	9.0%
Total	**17,034.3**	**100.0%**	15,268.7	100.0%	11.6%

Note: Others mainly include sales of other biologics products by Bestchrom (Zhejiang) Biosciences Co., Ltd. and Bestchrom (Shanghai) Biosciences Co., Ltd., two non-wholly owned subsidiaries of the Group. These two companies primarily engage in production and sale of biologics purification medium and chromatographic column.

The top 5 customers' revenue increased by 29.5% from approximately RMB4,680.1 million for the year ended December 31, 2022 to approximately RMB6,059.7 million for the year ended December 31, 2023, accounting for 35.6% of the Group's total revenue for the year ended December 31, 2023, as compared to 30.7% for the year ended December 31, 2022.

The top 10 customers' revenue increased by 22.8% from approximately RMB6,236.6 million for the year ended December 31, 2022 to approximately RMB7,660.4 million for the year ended December 31, 2023, accounting for 45.0% of the Group's total revenue for the year ended December 31, 2023, as compared to 40.8% for the year ended December 31, 2022.

With the listing of WuXi XDC in 2023, the Company now encompasses two primary business segments: biologics and XDC. XDC is dedicated to providing CRDMO services for ADCs and various bioconjugates. Concurrently, the biologics segment continues to engage in provision of biologics discovery, development and manufacturing.

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

	Year ended December 31,				
	2023		2022		Change
Revenue from external customers	***RMB million***	*%*	*RMB million*	*%*	
— biologics	**15,128.2**	**88.8%**	14,649.1	95.9%	3.3%
— XDC	**1,906.1**	**11.2%**	619.6	4.1%	207.6%
Total	**17,034.3**	**100.0%**	15,268.7	100.0%	11.6%

Cost of Sales

The cost of sales of the Group increased by 19.4% from approximately RMB8,544.6 million for the year ended December 31, 2022 to approximately RMB10,206.4 million for the year ended December 31, 2023.

The increase of the cost of sales was in line with the Group's revenue growth. The cost of sales of the Group consists of direct labor costs, cost of raw materials and overhead. Direct labor costs primarily consist of salaries, bonuses, social security costs and share-based compensation for the employees in the Group's business units. Cost of raw materials primarily consists of the purchase cost of raw materials used in the Group's services rendering and manufacturing. Overhead primarily consists of depreciation charges of the facilities and equipment in use, outsourced testing service fees, utilities and maintenance, etc.

Gross Profit and Gross Profit Margin

The gross profit of the Group increased by 1.5% from approximately RMB6,724.0 million for the year ended December 31, 2022 to approximately RMB6,827.9 million for the year ended December 31, 2023, while the gross profit margin decreased from 44.0% for the year ended December 31, 2022 to 40.1% for the year ended December 31, 2023, mainly due to the expected ramp-up impact of new manufacturing facilities in Ireland, Germany, and the U.S., which was partially offset by the efficiency achieved from WBS and other continuous improvement initiatives.

Other Income

The other income of the Group mainly consists of research and other grants, interest income and dividend income. Other income of the Group increased by 36.4% from approximately RMB305.5 million for the year ended December 31, 2022 to approximately RMB416.7 million for the year ended December 31, 2023, primarily due to the increase in interest income as a result of a higher interest rate for USD deposits during the Reporting Period.

Other Gains and Losses

The other gains and losses of the Group primarily include foreign exchange gains or losses, fair value gains or losses on equity investments measured at fair value through profit or loss ("**FVTPL**"), fair value gains or losses on wealth management products, etc. The net other gains of the Group decreased by 95.2% from approximately RMB766.5 million for the year ended December 31, 2022 to approximately RMB36.5 million for the year ended December 31, 2023, primarily due to: (i) the Group has reported a fair value loss on equity investments, as compared to the fair value gain reported in the last year; and (ii) a decrease in foreign exchange gain.

Impairment Losses Under Expected Credit Loss Model, Net of Reversal

Impairment losses under Expected Credit Loss ("**ECL**") model, net of reversal of the Group represent loss allowances on the Group's financial assets (including trade and other receivables and contract assets) ("**Impairment Losses**"). The Impairment Losses of the Group increased from approximately RMB258.5 million for the year ended December 31, 2022 to approximately RMB320.0 million for the year ended December 31, 2023, primarily due to the increased trade and other receivable balance following the growth of the Group's revenue; coupled with a slightly longer settlement cycle from our clients as a result of global biotech funding constraints which has led to a tight liquidity condition for businesses worldwide.

Periodical credit rating is performed to evaluate the collectability by customer, with reference to their historical payment records. Down-payment is required and credit term is granted according to the evaluation results. The management has been closely monitoring the status of overdue debts, taking the follow-up actions for collection, and making provisions prudently.

Selling and Marketing Expenses

The selling and marketing expenses of the Group increased by 80.5% from approximately RMB162.9 million for the year ended December 31, 2022 to approximately RMB294.0 million for the year ended December 31, 2023, and the selling and marketing expenses as a percentage of the Group's revenue increased from 1.1% for the year ended December 31, 2022 to 1.7% for the year ended December 31, 2023. The increases were mainly due to the Group's continuous efforts in enhancing its business development capability in the competitive global market, including strategically investing in several marketing and sales initiatives aimed at expanding its customer base and securing more contracts, and the increased spending on enhancing its talent pool to bolster its competitive edge.

Administrative Expenses

The Group's administrative expenses increased by 17.8% from approximately RMB1,269.6 million for the year ended December 31, 2022 to approximately RMB1,495.4 million for the year ended December 31, 2023, primarily due to: (i) an increase in the staff related costs; (ii) increases in administrative expenses, digital initiatives, etc., to reinforce the key administrative functions and IT infrastructure to support the rapid expansion of the Group's operations; and (iii) building WuXi XDC's standalone capabilities post the listing of its shares on the Main Board.

R&D Expenses

The R&D expenses of the Group consist of labor costs, cost of raw materials and allocated overhead relating to our R&D projects. The R&D expenses of the Group increased by 15.1% from approximately RMB682.8 million for the year ended December 31, 2022 to approximately RMB785.8 million for the year ended December 31, 2023, as a result of our continuous investment in innovation and technologies to enhance and develop the Group's cutting-edge technologies platforms.

Other Expenses

The other expenses of the Group represented the listing expenses incurred for the spin-off and separate listing of the shares of WuXi XDC on the Main Board. The other expenses of the Group amounted to approximately RMB53.6 million for the year ended December 31, 2023.

Financing Costs

The financing costs of the Group mainly include interest expense on lease liabilities, interest expense on bank borrowings and interest expense on financing component of an advance payment received from a customer. The financing costs of the Group increased by 146.1% from approximately RMB64.4 million for the year ended December 31, 2022 to approximately RMB158.5 million for the year ended December 31, 2023, mainly due to an increase in interest expenses on bank borrowings denominated in USD and EUR, as a result of interest rates hike during the Reporting Period; coupled with an increase in interest expenses on lease liabilities, as a result of the increment of the Group's leasing arrangements.

Income Tax Expense

The income tax expense of the Group decreased by 25.3% from approximately RMB807.9 million for the year ended December 31, 2022 to approximately RMB603.2 million for the year ended December 31, 2023, as a result of the decline in profit before tax as discussed above. The income tax rate of the Group decreased from 15.1% for the year ended December 31, 2022 to 14.5% for the year ended December 31, 2023, mainly attributed to certain tax refund.

Net Profit and Net Profit Margin

As a result of the foregoing, the net profit of the Group decreased by 21.5% from approximately RMB4,549.9 million for the year ended December 31, 2022 to approximately RMB3,570.6 million for the year ended December 31, 2023. The net profit margin of the Group decreased from 29.8% for the year ended December 31, 2022 to 21.0% for the year ended December 31, 2023. The decreases were mainly due to: (i) a decrease in gross profit margin due to the ramp-up impacts; (ii) a decrease in investment gains and losses due to the downturn in the capital market; (iii) a decrease in foreign exchange gains; (iv) increases in selling and marketing expenses, administration expenses and R&D expenses; and (v) the listing expenses associated with the separate listing of WuXi XDC.

The net profit attributable to owners of the Company decreased by 23.1% from approximately RMB4,420.3 million for the year ended December 31, 2022 to approximately RMB3,399.7 million for the year ended December 31, 2023. The margin of net profit attributable to owners of the Company decreased from 29.0% for the year ended December 31, 2022 to 20.0% for the year ended December 31, 2023, as followed the same set of reasons discussed above.

Basic and Diluted Earnings Per Share

The basic earnings per share of the Group decreased by 22.6% from RMB1.06 for the year ended December 31, 2022 to RMB0.82 for the year ended December 31, 2023. The diluted earnings per share of the Group decreased by 23.8% from RMB1.01 for the year ended December 31, 2022 to RMB0.77 for the year ended December 31, 2023. The decreases in the basic and diluted earnings per share were primarily due to the decline of the net profit attributable to owners of the Company as discussed above.

Property, Plant and Equipment

The balance of the property, plant and equipment of the Group increased by 13.3% from approximately RMB24,170.7 million as at December 31, 2022 to approximately RMB27,377.6 million as at December 31, 2023, following the Group's continuous investment in facility constructions under its "Global Dual Sourcing" strategy.

Right-of-Use Assets

The right-of-use assets of the Group mainly include the leasehold lands, leased properties and leased machinery & equipment. The balance of the right-of-use assets of the Group increased by 46.8% from approximately RMB1,745.3 million as at December 31, 2022 to approximately RMB2,561.8 million as at December 31, 2023, primarily due to the new leasing agreements entered during the Reporting Period, mainly in China and Singapore.

Goodwill

As at December 31, 2023, the goodwill of the Group amounted to approximately RMB1,529.9 million, arising from acquisitions of subsidiaries and business in previous years, remaining the same as the balance as at December 31, 2022.

Intangible Assets

The intangible assets of the Group mainly include technology and customer relationship arising from acquisitions, and patent and license held by the Group. The intangible assets of the Group decreased by 6.7% from approximately RMB548.8 million as at December 31, 2022 to approximately RMB511.8 million as at December 31, 2023, following the regular amortization schedule during the Reporting Period.

Investment of an Associate Measured at FVTPL

The investment of an associate measured at FVTPL of the Group represents the equity interest held in Shanghai Duoning Biotechnology Co., Ltd. ("**Duoning**"). The balance of investment in Duoning decreased by 11.9% from approximately RMB1,581.6 million as at December 31, 2022 to approximately RMB1,393.5 million as at December 31, 2023, as a result of fair value loss recognized on this investment during the Reporting Period.

Financial Assets at FVTPL (Current Portion & Non-current Portion)

The financial assets at FVTPL in the non-current assets of the Group mainly include investments in listed equity securities and unlisted equity investments. The balance increased by 39.9% from approximately RMB1,086.2 million as at December 31, 2022 to approximately RMB1,519.3 million as at December 31, 2023, mainly due to: (i) certain newly entered investments; and (ii) the fair value gains recognized on investments during the Reporting Period.

The financial assets at FVTPL in the current assets of the Group represent the investment in wealth management products deployed with several reputable banks. The balance decreased by 38.8% from approximately RMB2,014.6 million as at December 31, 2022 to approximately RMB1,233.6 million as at December 31, 2023, as the Group has maintained a higher weight of time deposits and current deposits, following the interest rate hikes during the Reporting Period.

Inventories

The inventories of the Group decreased by 22.6% from approximately RMB2,280.9 million as at December 31, 2022 to approximately RMB1,765.8 million as at December 31, 2023, mainly attributable to the Group's WBS projects, which has been targeting at lean operation. The decreased inventory balance in China domestic entities has been partially offset by an increasing inventory stock level in European entities for the ramp-up.

Contract Costs

The contract costs (previously called Service Work in Progress) of the Group increased by 11.6% from approximately RMB1,096.5 million as at December 31, 2022 to approximately RMB1,223.7 million as at December 31, 2023, mainly due to the increment of on-going projects.

Trade and Other Receivables

The trade and other receivables of the Group increased by 12.2% from approximately RMB5,610.4 million as at December 31, 2022 to approximately RMB6,292.7 million as at December 31, 2023, primarily attributed to the increases in trade receivables and value added tax recoverable, which were in line with the Group's business expansion, while partially offset by a decrease in other receivables, as the Group has collected receivables of approximately RMB247.0 million in relation to the settled derivative financial instruments from banks during the Reporting Period.

Contract Assets

The contract assets of the Group amounted to approximately RMB499.7 million as at December 31, 2023, quite stable as compared to the balance of approximately RMB493.6 million as at December 31, 2022.

Trade and Other Payables

The trade and other payables of the Group decreased by 15.7% from approximately RMB3,269.2 million as at December 31, 2022 to approximately RMB2,755.8 million as at December 31, 2023, mainly due to a decrease in payable for purchase of property, plant and equipment, which was in line with the gradual completion of a couple of facility construction projects of the Group.

Contract Liabilities (Current Portion & Non-current Portion)

The contract liabilities of the Group mainly include the advance payments received from customers. The balance of the contract liabilities in the current liabilities of the Group decreased by 8.6% from approximately RMB3,379.4 million as at December 31, 2022 to approximately RMB3,089.8 million as at December 31, 2023, primarily due to the continuous project completion and corresponding revenue recognition during the Reporting Period.

The contract liabilities in the non-current liabilities of the Group mainly include the advance payment received from a vaccine partner under a contract manufacturing agreement, and the related services are expected be provided beyond twelve months. The balance amounted to approximately RMB711.2 million as at December 31, 2023, quite stable as compared to the balance of approximately RMB711.5 million as at December 31, 2022.

Lease Liabilities (Current Portion & Non-current Portion)

The aggregated balance of lease liabilities in the current liabilities and non-current liabilities of the Group increased by 47.3% from approximately RMB1,638.7 million as at December 31, 2022 to approximately RMB2,414.0 million as at December 31, 2023, which was in line with the increment of leased facilities and offices to support the Group's business expansion.

Liquidity and Capital Resources

The aggregated balance of bank balances and cash and time deposits of the Group increased by 49.4% from approximately RMB6,699.7 million as at December 31, 2022 to approximately RMB10,009.8 million as at December 31, 2023, mainly due to: (i) the receipt of net proceeds about approximately RMB3,604.0 million from the separate listing of WuXi XDC; and (ii) the net cash inflow generated from operating activities.

Treasury Policy

Currently, the Group follows a set of funding and treasury policies to manage its capital needs, resources and risk prevention. The Group expects to fund its working capital and other capital requirements from a combination of various sources, including but not limited to internal financing and external financing at reasonable market rates, to maintain the Group's stability and growth. In order to better control and minimize the cost of funds, the Group's treasury activities are centralized and all cash transactions are dealt with reputable banks.

The Group's treasury policies are also designated to mitigate the foreign currency risks arising from the Group's global operations. The cash and cash equivalents held by the Group are mainly composed of RMB and USD. The Group has been operating with certain transactions in currencies other than the functional currencies of each entity, including sales and purchases transactions, borrowings and repayments, etc., and has been recording monetary assets and liabilities denominated in USD and EUR. It is the Group's policy to negotiate a series of derivative instruments with various banks to hedge the foreign currency risks in the ordinary course of business. The Group usually enters into foreign currency forward contracts, collar contracts, forward extra contracts, etc., as highly effective hedging instruments to mitigate the foreign exchange risks.

Significant Investments, Material Acquisitions and Disposals

As at December 31, 2023, there was no significant investment held by the Company, nor were there any material acquisitions or disposals of subsidiaries, associates and joint ventures during the Reporting Period.

Indebtedness

Borrowings

The aggregated borrowings of the Group decreased by 22.8% from approximately RMB2,783.0 million as at December 31, 2022 to approximately RMB2,147.4 million as at December 31, 2023, mainly due to the repayment of bank loans during the Reporting Period.

Of the total borrowings as at December 31, 2023, RMB denominated borrowings amounted to approximately RMB263.9 million with the effective interest rates ranging from 3.4% to 4.9% per annum; USD denominated borrowings amounted to approximately RMB1,427.9 million with the effective interest rates ranging from 5.4% to 6.4% per annum; and EUR denominated borrowings amounted to approximately RMB455.6 million with the effective interest rates ranging from 3.1% to 6.0% per annum, respectively.

Among all, approximately RMB576.3 million will be due within one year; approximately RMB1,370.2 million will be due in more than one year but within two years; approximately RMB94.6 million will be due in more than two years but within five years; and approximately RMB106.3 million will be due after five years.

As at December 31, 2023, RMB denominated borrowings of approximately RMB57.5 million was secured against the Group's buildings. The remaining borrowings were unsecured.

Contingent Liabilities and Guarantees

As at December 31, 2023, the Group did not have any material contingent liabilities or guarantees.

Currency Risk

During the Reporting Period, the majority of the Group's revenue was generated from sales denominated in USD, while the purchase of raw materials, property, plant and equipment and expenditures were settled in RMB, USD and EUR upon various business arrangements. The Group also has USD and EUR denominated borrowings to provide financing for construction and operation. At the end of each reporting period, the Group's entities have maintained monetary assets and liabilities denominated in foreign currencies other than their functional currencies (mainly in USD and EUR) which expose the Group to foreign currency risks. As a result, the Group's net profit margin was impacted when the foreign exchange rates fluctuated, among USD, RMB and EUR.

The Group seeks to limit its exposure to foreign currency risks by closely monitoring and minimizing its net foreign currency positions. The Group has engaged in a series of forward contracts to manage its currency risks. Hedge accounting is also adopted by the Group for derivatives to mitigate the impact on profit or loss due to the fluctuation in foreign exchange rates.

Charges of Assets

The Group has pledged the bank deposits as collateral for bank borrowings and lease arrangements, or for banks to issue the letter of credit for the Group's purchase of property, plant and equipment. The pledged bank deposits of the Group decreased by 29.1% from approximately RMB25.4 million as at December 31, 2022 to approximately RMB18.0 million as at December 31, 2023, mainly due to the withdrawal of bank deposits pledged for the facility construction in Ireland.

In addition, as at December 31, 2023, the buildings with carrying amounts of approximately RMB10.3 million has been pledged for RMB denominated borrowing of approximately RMB57.5 million in China.

Gearing Ratio

Gearing ratio is calculated using interest-bearing borrowings divided by total equity and multiplied by 100%. Gearing ratio decreased from 7.7% as at December 31, 2022 to 4.9% as at December 31, 2023, mainly due to: (i) an increase in total equity, as a result of the net profit reported during the year, coupled with the receipt of net proceeds from the separate listing of WuXi XDC; and (ii) a decrease in borrowings balance as discussed above.

Non-IFRS Measures

To supplement the Group's consolidated financial statements which are presented in accordance with IFRS, the Company has provided the adjusted net profit, adjusted net profit margin, adjusted net profit attributable to owners of the Company, margin of adjusted net profit attributable to owners of the Company, adjusted EBITDA, adjusted EBITDA margin and adjusted basic and diluted earnings per share as additional financial measures, which are not required by, or presented in accordance with IFRS.

The Group believes that the adjusted financial measures are useful for understanding and assessing underlying business performance and operating trends, and that the Group's management and investors may benefit from referring to these adjusted 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 core business. These non-IFRS financial measures, 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 these non-IFRS financial measures is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with IFRS. Shareholders of the Company and potential investors should not view the adjusted results on a stand-alone basis or as a substitute for results under IFRS. These non-IFRS financial measures may not be comparable to the similarly-titled measures represented by other companies.

Additional information is provided below to reconcile adjusted net profit, EBITDA and adjusted EBITDA.

Adjusted Net Profit

	Year ended December 31,	
	2023	2022
	RMB million	*RMB million*
Net Profit	**3,570.6**	4,549.9
Add: share-based compensation expense	**1,274.1**	1,234.4
Add: listing expenses	**53.6**	—
Add: losses (gains) from equity investments	**57.8**	(361.2)
Less: foreign exchange gain	**(5.7)**	(369.2)
Adjusted Net Profit *(Note)*	**4,950.4**	5,053.9
Margin of Adjusted Net Profit	***29.1%***	*33.1%*
Adjusted Net Profit Attributable to Owners of the Company	**4,698.9**	4,925.3
Margin of Adjusted Net Profit Attributable to Owners of the Company	***27.6%***	*32.3%*
	RMB	***RMB***
Adjusted Earnings Per Share		
— Basic	**1.13**	1.18
— Diluted	**1.06**	1.13

Note: In order to better reflect the key performance of the Group's current business and operations, the adjusted net profit is calculated on the basis of net profit, excluding:

a) share-based compensation expense, a non-cash expenditure;

b) listing expenses incurred by WuXi XDC for its separate listing on the Main Board, a non-recurring expenditure;

c) foreign exchange gains or losses, primarily generated from revaluation of the assets and liabilities denominated in foreign currencies and the fair value change of derivative financial instruments, which the management believes is irrelevant to the Group's core business; and

d) gains or losses from equity investments, a non-operating item.

EBITDA and Adjusted EBITDA

	Year ended December 31,	
	2023	2022
	RMB million	*RMB million*
Net Profit	**3,570.6**	4,549.9
Add: income tax expense	**603.2**	807.9
interest expense	**158.5**	64.4
depreciation	**1,219.8**	874.1
amortization	**61.1**	57.1
EBITDA	**5,613.2**	6,353.4
EBITDA Margin	***33.0%***	*41.6%*
Add: share-based compensation expense	**1,274.1**	1,234.4
Add: listing expenses	**53.6**	—
Add: losses (gains) from equity investments	**57.8**	(361.2)
Less: foreign exchange gain	**(5.7)**	(369.2)
Adjusted EBITDA	**6,993.0**	6,857.4
Adjusted EBITDA Margin	***41.1%***	*44.9%*

Employee and Remuneration Policies

As of the end of the Reporting Period, the Group employed a workforce totalling 12,740 employees, with a top-tier biologics development team of 4,432 scientists. Talent retention has continued to be successful, with a key talent retention rate of approximately 97%, surpassing the industry average. The staff costs, including Directors' emoluments but excluding any contributions to (i) retirement benefit scheme contributions; and (ii) share-based payment expenses, were approximately RMB4,486.6 million for the year ended December 31, 2023, as compared to approximately RMB4,036.2 million for the year ended December 31, 2022. The remuneration package of employees generally includes salary and bonus elements. In general, the Group determines the remuneration package based on the qualifications, position and performance of its employees. The Group also makes contributions to social insurance fund, including basic pension insurance, medical insurance, unemployment insurance, childbirth insurance, work-related injury insurance funds, and housing reserve fund as applicable to the countries where the Group operates.

The Group has adopted the Pre-IPO Share Option Scheme, the Restricted Share Award Scheme, the Global Partner Program Share Scheme and subsidiary share option schemes of each of WuXi Vaccines and WuXi XDC to provide incentive or reward to eligible participants for their contribution or potential contribution to the Group.

In addition, the Group has an effective training system for its employees, including orientation and continuous on-the-job training, to accelerate the learning progress and improve the knowledge and skill levels of its workforce. Its orientation process covers subjects, such as corporate culture and policies, work ethics, introduction to the biologics development process, quality management, and occupational safety, and its periodic on-the-job training covers streamlined technical know-hows of its integrated services, environmental, health and safety management systems and mandatory training required by the applicable laws and regulations.

The remuneration of the Directors and senior management is reviewed by the Remuneration Committee and approved by the Board. The relevant experience, duties and responsibilities, time commitment, working performance and the prevailing market conditions are taken into consideration in determining the emoluments of the Directors and senior management.

Final Dividend

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

OTHER INFORMATION

AGM and Closure of Register of Members

The AGM will be held on Wednesday, June 19, 2024. A notice convening the AGM is expected to be published in due course in accordance with the requirements of the Listing Rules.

For determining the qualification as members of the Company to attend and vote at the AGM, the register of members of the Company will be closed from Friday, June 14, 2024 to Wednesday, June 19, 2024, both dates inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the AGM, non-registered holders of Shares shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Thursday, June 13, 2024.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of Shareholders and to enhance corporate value and accountability. The Company has adopted the CG Code as set out in Appendix C1 to the Listing Rules as its own code of corporate governance. The Company has complied with all the code provisions as set out in Part 2 of the CG Code throughout the year ended December 31, 2023. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Written Guidelines on no less exacting terms than the Model Code as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, all of them have confirmed that they have complied with the Model Code and the Written Guidelines throughout the Reporting Period. In order to ensure strict compliance of the Listing Rules and enhance corporate governance measures, the Company will remind all Directors as to their respective obligations under the Listing Rules in all aspects, including but not limited to the restrictions in dealing with Company's securities. No incident of non-compliance of the Guidelines for Securities Transactions by Employees (員工證券交易管理辦法) by the employees who are likely to be in possession of inside information of the Company was noted by the Company.

USE OF NET PROCEEDS FROM PLACING

On February 2, 2021, the Company entered into a placing agreement with Morgan Stanley & Co. International plc (the "**Placing Agent**"), pursuant to which the Placing Agent agreed to place 118,000,000 shares (or, failing which, to purchase itself as principal) on a fully underwritten basis to not less than six independent investors (the "**Fourth Placing**"). The Fourth Placing price was HK$112.00 per share. The net price per Fourth Placing share was approximately HK$111.20. The closing price was HK$120.40 per share as quoted on the Stock Exchange on the date of the placing agreement. For further details, please refer to the announcement of the Company dated February 3, 2021.

The net proceeds from the Fourth Placing were approximately RMB10,899.0 million, which will be used in the following manner: (i) approximately 40% will be used for merger and acquisition of additional capacities for drug substances/drug products (DS/DP) manufacturing to match a rapidly growing pipeline; (ii) approximately 40% will be used for building-up of additional large scale manufacturing capacities for various technology platforms, including microbial and mammalian platforms; (iii) approximately 10% will be used for investment in mRNA related technologies to further enable its global clients; and (iv) approximately 10% shall be used for general corporate purposes of the Group, as disclosed in the announcement of the Company dated February 3, 2021. The table below sets out the planned applications of the net proceeds and actual usage up to December 31, 2023:

Use of proceeds	**Planned applications** *(RMB million)*	**Percentage of total net proceeds**	**Actual usage up to December 31, 2023** *(RMB million)*	**Net proceeds brought forward for the Reporting Period** *(RMB million)*	**Unutilized net proceeds as at December 31, 2023** *(RMB million)*	**Expected timeframe for utilizing the remaining unutilized net proceeds** *(Note)*
Merger and acquisition of additional capacities for drug substances/drug products (DS/DP) manufacturing	4,359.6	40%	3,660.1	809.0	699.5	By the end of 2024
Building-up of additional large scale manufacturing capacities for various technology platforms, including microbial and mammalian platforms	4,359.6	40%	4,359.6	261.5	—	N/A
Investment in mRNA related technologies	1,089.9	10%	54.1	1,065.1	1,035.8	By the end of 2024
General corporate purposes of the Group	1,089.9	10%	1,089.9	—	—	N/A
Total	**10,899.0**	**100%**	**9,163.7**	**2,135.6**	**1,735.3**	

Note: The expected timeframe for utilizing the remaining proceeds is based on the best estimation of the future market conditions made by the Group. It will be subject to change based on the current and future development of market conditions.

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

During the Reporting Period, the Company had repurchased, a total of 34,769,000 Shares on the Stock Exchange at an aggregate purchase price of approximately HK$1,005.19 million. As at the date of this announcement, the repurchased Shares had not been cancelled by the Company.

Details of the Shares repurchased during the Reporting Period are set out as follows:

Month of repurchases	Number of Shares repurchased on the Stock Exchange	Price per Share paid Highest	Lowest	Aggregate purchase price
		(HK$)	*(HK$)*	*(HK$ million)*
December 2023	34,769,000	30.00	26.70	1,005.19

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

REVIEW OF ANNUAL RESULTS

The independent auditor of the Company, namely Messrs. Deloitte Touche Tohmatsu, have carried out a review of the annual financial information, which is based on the audited consolidated financial statements of the Group for the year ended December 31, 2023. The Audit Committee has jointly reviewed with the management and the independent auditor of the Company, the accounting principles and policies adopted by the Company and discussed internal control and financial reporting matters (including the review of the annual results for the year ended December 31, 2023) of the Group. The Audit Committee and the independent auditor of the Company considered that the annual results are in compliance with the applicable accounting standards, laws and regulations, and the Company has made appropriate disclosures thereof.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended December 31, 2023 as set out in this preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the audited consolidated financial statements of the Group for the year as approved by the Board of Directors on March 26, 2024. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Messrs. Deloitte Touche Tohmatsu on this preliminary announcement.

KEY EVENTS AFTER THE REPORTING PERIOD

There are no key events affecting the Group subsequent to December 31, 2023.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This announcement is published on the website of HKEX (www.hkexnews.hk) and the Company's website (www.wuxibiologics.com). The annual report for the year ended December 31, 2023 containing all the information in accordance with the requirements under the Listing Rules, will be published on the respective websites of HKEX and the Company in due course.

ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2023

The Board is pleased to announce the consolidated statement of profit or loss and other comprehensive income of the Group for the year ended December 31, 2023 and the Group's consolidated statement of financial position as at December 31, 2023, together with the comparative figures for corresponding period in 2022 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2023

	NOTES	**2023** *RMB'000*	2022 *RMB'000*
Revenue	4&5	**17,034,255**	15,268,660
Cost of sales		**(10,206,354)**	(8,544,646)
Gross profit		**6,827,901**	6,724,014
Other income	6	**416,657**	305,454
Impairment losses under expected credit loss model, net of reversal	9	**(319,970)**	(258,525)
Other gains and losses	7	**36,464**	766,533
Selling and marketing expenses		**(294,009)**	(162,913)
Administrative expenses		**(1,495,352)**	(1,269,592)
Research and development expenses		**(785,822)**	(682,818)
Other expenses	9	**(53,578)**	—
Financing costs	8	**(158,488)**	(64,382)
Profit before tax	9	**4,173,803**	5,357,771
Income tax expense	10	**(603,179)**	(807,865)
Profit for the year		**3,570,624**	4,549,906
Other comprehensive (expense) income			
Item that will not be reclassified to profit or loss:			
Fair value loss on investments in equity instruments at fair value through other comprehensive income ("**FVTOCI**")		**(20,806)**	(59,731)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**116,555**	143,151
Fair value loss on hedging instruments designated in cash flow hedges, net foreign investment hedges and time value within fair value hedges, net of income tax		**(288,821)**	(233,710)
Other comprehensive expense for the year		**(193,072)**	(150,290)
Total comprehensive income for the year		**3,377,552**	4,399,616

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2023

		NOTE	**2023** **RMB'000**	2022 *RMB'000*
Profit for the year attributable to:				
Owners of the Company			**3,399,729**	4,420,286
Non-controlling interests			**170,895**	129,620
			3,570,624	4,549,906
Total comprehensive income for the year attributable to:				
Owners of the Company			**3,190,997**	4,262,390
Non-controlling interests			**186,555**	137,226
			3,377,552	4,399,616
			RMB	*RMB*
Earnings per share	— Basic	11	**0.82**	1.06
	— Diluted	11	**0.77**	1.01

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT DECEMBER 31, 2023

	NOTES	2023 RMB'000	2022 RMB'000
Non-current Asset			
Property, plant and equipment		**27,377,643**	24,170,739
Right-of-use assets		**2,561,828**	1,745,259
Goodwill		**1,529,914**	1,529,914
Intangible assets		**511,834**	548,778
Investment of an associate measured at fair value through profit or loss ("**FVTPL**")		**1,393,531**	1,581,565
Equity instruments at FVTOCI		**21,408**	41,470
Financial assets at FVTPL		**1,519,347**	1,086,176
Finance lease receivables		**165,503**	109,171
Deferred tax assets		**235,783**	222,568
Other long-term deposits and prepayments		**60,686**	58,877
		35,377,477	31,094,517
Current Assets			
Inventories		**1,765,751**	2,280,911
Finance lease receivables		**21,575**	14,166
Trade and other receivables	13	**6,292,682**	5,610,363
Contract assets	14	**499,669**	493,566
Contract costs		**1,223,701**	1,096,480
Tax recoverable		**5,765**	33,442
Derivative financial assets		**127,652**	201,243
Financial assets at FVTPL		**1,233,598**	2,014,632
Pledged bank deposits	15	**18,017**	25,374
Time deposits	15	**340,000**	304,469
Bank balances and cash	15	**9,669,839**	6,395,222
		21,198,249	18,469,868

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT DECEMBER 31, 2023

	NOTES	2023 RMB'000	2022 RMB'000
Current Liabilities			
Trade and other payables	16	**2,755,774**	3,269,182
Borrowings	18	**576,328**	1,321,430
Contract liabilities	17	**3,089,762**	3,379,372
Income tax payable		**618,883**	773,825
Lease liabilities		**154,980**	149,058
Derivative financial liabilities		**440,293**	425,730
		7,636,020	9,318,597
Net Current Assets		**13,562,229**	9,151,271
Total Assets less Current Liabilities		**48,939,706**	40,245,788
Non-current Liabilities			
Deferred tax liabilities		**122,540**	132,076
Borrowings	18	**1,571,046**	1,461,563
Contract liabilities	17	**711,216**	711,541
Lease liabilities		**2,259,005**	1,489,610
Deferred income		**258,017**	237,921
		4,921,824	4,032,711
Net Assets		**44,017,882**	36,213,077
Capital and Reserves			
Share capital	19	**235**	233
Reserves		**40,331,362**	35,047,174
Equity attributable to owners of the Company		**40,331,597**	35,047,407
Non-controlling interests		**3,686,285**	1,165,670
Total Equity		**44,017,882**	36,213,077

1. GENERAL INFORMATION

The Company was established in the Cayman Islands as an exempted company with limited liability on February 27, 2014, and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since June 13, 2017. The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as "**the Group**") is a biologics CRDMO offering end-to-end solutions for biologics discovery, development and manufacturing.

The consolidated financial statements are presented in Renminbi ("**RMB**"), which is also the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

New and amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to IFRSs issued by the International Accounting Standards Board (the "**IASB**") for the first time, which are mandatorily effective for the annual period beginning on January 1, 2023 for the preparation of the consolidated financial statements:

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	*Insurance Contracts*
Amendments to IAS 8	*Definition of Accounting Estimates*
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to IAS 12	*International Tax Reform — Pillar Two model Rules*
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*

Amendments to IFRSs in issue but not yet effective

The Group has not early applied the following amendments to IFRSs that have been issued but are not yet effective:

Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[1]
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*[2]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[2]
Amendments to IAS 1	*Non-current Liabilities with Covenants*[2]
Amendments to IAS 7 and IFRS 7	*Supplier Finance Arrangements*[2]
Amendments to IAS 21	*Lack of Exchangeability*[3]

1 Effective for annual periods beginning on or after a date to be determined.
2 Effective for annual periods beginning on or after 1 January 2024.
3 Effective for annual periods beginning on or after 1 January 2025.

The directors of the Company anticipate that the application of all amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

4. REVENUE

(i) Disaggregation of revenue from contracts with customers

The Group derives its revenue from the transfer of services and goods at a point in time and over time in the following major service lines:

	2023	2022
	RMB'000	*RMB'000*
Type of services		
CRDMO services	**16,749,791**	15,007,726
Others	**284,464**	260,934
Total	**17,034,255**	15,268,660
Timing of revenue recognition		
A point in time		
— CRDMO services	**15,626,052**	14,470,968
— Others	**269,231**	238,489
Over time		
— CRDMO services	**1,123,739**	536,758
— Others	**15,233**	22,445
Total	**17,034,255**	15,268,660

CRDMO services

The Group offers end-to-end solutions for biologics discovery, development and manufacturing. Revenue generated from CRDMO service is derived from the transfer of services and/or goods through contracts under fee-for-service ("**FFS**") basis and full-time-equivalent ("**FTE**") basis. During the year ended December 31, 2023, revenue from CRDMO contracts under FFS basis and FTE basis was RMB16,479,118,000 and RMB270,673,000 (December 31, 2022: RMB14,742,109,000 and RMB265,617,000), respectively.

Others

Others mainly include sales of other biologics products by two non-wholly owned subsidiaries of the Group which primarily engage in production and sale of biologics purification medium and chromatographic column; and providing its customers with construction project management service on facilities (the "**PMO services**").

5. OPERATING SEGMENTS

Information reported to the chief executive officer, being the chief operating decision maker ("**CODM**"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

WuXi XDC, a subsidiary of the Company, is listed separately on the Main Board of the Stock Exchange since November 17, 2023. Therefore, the CODM considered the Group has two reportable segments for the purpose of allocation of performance assessment as set out below. Prior year segment disclosures have been represented to conform with the current year's presentation.

Segment revenue and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable segments:

For the year ended December 31, 2023

	Biologics *RMB'000*	**XDC** *RMB'000*	**Adjustments and eliminations** *RMB'000*	**Consolidated** *RMB'000*
SEGMENT REVENUE				
External sales	**15,128,154**	**1,906,101**	**—**	**17,034,255**
Inter-segment sales	**903,924**	**217,738**	**(1,121,662)**	**—**
	16,032,078	**2,123,839**	**(1,121,662)**	**17,034,255**
Segment results	**3,835,483**	**359,612**	**—**	**4,195,095**
Unallocated expenses				**(21,292)**
Group's profit before tax				**4,173,803**

For the year ended December 31, 2022

	Biologics *RMB'000*	XDC *RMB'000*	Adjustments and eliminations *RMB'000*	Consolidated *RMB'000*
SEGMENT REVENUE				
External sales	14,649,042	619,618	—	15,268,660
Inter-segment sales	355,710	370,805	(726,515)	—
	15,004,752	990,423	(726,515)	15,268,660
Segment results	5,179,788	195,801	—	5,375,589
Unallocated expenses				(17,818)
Group's profit before tax				5,357,771

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment results represent the profit earned by each segment without allocation of central administration costs and directors' emoluments. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market rates.

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

Geographical information

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

	2023	2022
	RMB'000	*RMB'000*
Revenue		
— North America	**8,073,476**	8,496,361
— Europe	**5,140,787**	2,546,172
— PRC	**3,121,516**	3,719,048
— Rest of the world	**698,476**	507,079
	17,034,255	15,268,660

As at December 31, 2023, other than financial instruments, investment of an associate measured at FVTPL and deferred tax assets, the Group had non-current assets located in Ireland, Germany, the U.S. and Singapore amounted to RMB11,145,776,000, RMB3,477,556,000, RMB2,139,451,000 and RMB485,456,000 respectively (December 31, 2022: RMB10,120,685,000, RMB2,794,914,000, RMB1,840,142,000 and RMB25,529,000 respectively), and the remaining non-current assets are located in the PRC.

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2023	2022
	RMB'000	*RMB'000*
Customer A *(note)*	**1,937,363**	N/A
Customer B *(note)*	**N/A**	1,709,429

Note: N/A: The corresponding revenue did not contribute over 10% of the total revenue of the Group.

6. OTHER INCOME

	2023	2022
	RMB'000	*RMB'000*
Interest income from banks and other financial assets at amortized cost	**219,178**	107,475
Research and other grants related to		
— Asset *(note i)*	**22,198**	29,649
— Income *(note ii)*	**175,281**	160,015
Dividend from an equity instrument at FVTOCI	**—**	8,315
	416,657	305,454

Notes:

i. The Group has received certain research and other grants as incentive for investing in laboratory equipment. The grants were recognized in profit or loss over the useful lives of the relevant assets.

ii. Income from research and other grants of the Group during the year were mainly related to the Group's contribution to the local high-tech industry and economy. These grants are unconditional and accounted for as immediate financial support with neither future related costs expected to be incurred nor related to any assets of the Group.

7. OTHER GAINS AND LOSSES

	2023	2022
	RMB'000	*RMB'000*
Net foreign exchange gain	**46,733**	417,201
Loss on derivative financial instruments	**(41,068)**	(48,046)
Fair value gain (loss) on		
— listed equity securities at FVTPL	**26,616**	(362,042)
— unlisted equity investments at FVTPL	**112,506**	(94,978)
— investment of an associate measured at FVTPL	**(196,914)**	809,898
— wealth management products	**71,626**	26,559
Others	**16,965**	17,941
	36,464	766,533

8. FINANCING COSTS

	2023	2022
	RMB'000	*RMB'000*
Interest expense on financing component of an advance payment received from a customer recorded as contract liabilities	**10,797**	10,287
Interest expense on bank borrowings	**140,872**	63,187
Interest expense on lease liabilities	**80,526**	50,707
Less: amounts capitalized in the cost of qualifying assets	**(73,707)**	(59,799)
	158,488	64,382

During the current year, borrowing cost arose on the certain general borrowings were capitalized to expenditure on qualifying assets at rates varying from 1.27% to 6.46% (2022: 1.39% to 2.55%) per annum.

9. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging (crediting):

	2023	2022
	RMB'000	*RMB'000*
Depreciation for property, plant and equipment	**1,077,599**	814,195
Depreciation for right-of-use assets	**246,996**	170,413
Amortization of intangible assets	**61,067**	58,382
	1,385,662	1,042,990
Staff cost (including directors' emoluments):		
— Salaries and other benefits	**4,486,572**	4,036,159
— Retirement benefits scheme contributions	**420,361**	332,120
— Share-based payment expenses	**1,423,521**	1,296,759
	6,330,454	5,665,038
Depreciation, amortization, and staff cost		
— Capitalized in contract cost	**(633,464)**	(894,778)
— Capitalized in property, plant and equipment	**(695,887)**	(771,668)
	(1,329,351)	(1,666,446)
Impairment losses under expected credit loss model, net of reversal		
— Trade receivables	**295,513**	243,195
— Contract assets	**987**	16,819
— Receivables for purchase of raw materials on behalf of customers	**23,470**	(1,489)
	319,970	258,525
Auditors' remuneration		
— Auditor of the Company	**6,553**	6,345
Write-down of inventories (included in cost of sales)	**142,267**	85,200
Reversals of inventories write-down (included in cost of sales)	**(69,360)**	(82,992)
Write-down of contract costs (included in cost of sales)	**45,190**	100,882
Reversals of contract costs write-down (included in cost of sales)	**(119,067)**	(68,522)
Listing expenses of a subsidiary (included in other expenses) *(note)*	**53,578**	—
Loss on disposal of property, plant and equipment	**3,484**	19,273
Cost of inventories recognized as an expense	**3,274,800**	3,223,842

Note: Other expenses of the Group represented the listing expenses incurred for the spin-off of WuXi XDC for separate listing of its shares on the Main Board of the Stock Exchange.

10. INCOME TAX EXPENSE

	2023	2022
	RMB'000	*RMB'000*
Current tax:		
— PRC Enterprise Income Tax ("**EIT**")	**921,621**	939,357
— Hong Kong Profits Tax	**134,863**	205,132
— US Income Tax	**1,408**	215
Over provision in prior years	**(402,960)**	(367,341)
	654,932	777,363
Deferred tax:		
— Current year	**(51,753)**	30,502
	603,179	807,865

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the EIT rate of the PRC subsidiaries is 25%.

Under the two-tiered profits tax rates regime in Hong Kong, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%.

Certain Group's subsidiaries operating in the PRC, which were accredited as "High and New Technology Enterprise", "Technologically Advanced Service Enterprise" or "Micro and Small Enterprise", were entitled to a preferential EIT rate of 15% or certain concessions.

The directors of the Company are of the view that it is very probable that the subsidiaries which are eligible for "High and New Technology Enterprise" and "Technologically Advanced Service Enterprise" tax preference are able to extend their accreditation upon expiry.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

11. EARNINGS PER SHARE

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

	2023	2022
	RMB'000	*RMB'000*
Earnings:		
Earnings for the purpose of calculating basic earnings per share	**3,399,729**	4,420,286
Effect of dilutive potential ordinary shares:		
Adjustment to the share of profit of subsidiaries based on dilution of their earnings per share	**(39,505)**	—
Earnings for the purpose of diluted earnings per share	**3,360,224**	4,420,286

	2023	2022
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**4,163,542,567**	4,172,735,893
Effect of dilutive potential ordinary shares:		
Share options	**158,707,682**	178,896,369
Restricted shares	**26,624,229**	24,275,631
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**4,348,874,478**	4,375,907,893

The weighted average number of ordinary shares shown above have been arrived at after deducting the weighted average effect on 76,792,800 shares (December 31, 2022: 61,789,907 shares) held by a trustee under Restricted Share Award Scheme for the year ended December 31, 2023.

12. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended December 31, 2023, nor has any dividend been proposed since the end of the reporting period (2022: nil).

13. TRADE AND OTHER RECEIVABLES

	2023	2022
	RMB'000	*RMB'000*
Trade receivables from contracts with customers		
— related parties	**4,576**	5,500
Less: allowance for credit losses	**(329)**	(199)
— third parties	**6,405,693**	5,194,251
Less: allowance for credit losses	**(756,310)**	(548,889)
	5,653,630	4,650,663
Bills receivable from contracts with customers	**9,551**	—
Receivables for purchase of raw materials on behalf of customers	**37,491**	263,042
Advances to suppliers		
— related parties	**3,244**	16,995
— third parties	**67,677**	71,235
	70,921	88,230
Other receivables	**47,652**	273,255
Prepayments	**36,214**	25,281
Value added tax recoverable	**437,223**	309,892
	521,089	608,428
Total trade and other receivables	**6,292,682**	5,610,363

The Group allows a credit period ranging from 10 to 90 days to its customers. The following is an aged analysis of trade receivables (net of allowance for credit losses) presented based on the invoice dates:

	2023	2022
	RMB'000	*RMB'000*
Not past due	**3,708,023**	3,017,493
Overdue:		
— Within 90 days	**838,005**	736,181
— 91 days to 1 year	**709,700**	735,020
— Over 1 year	**397,902**	161,969
	5,653,630	4,650,663

As at December 31, 2023, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB1,945,607,000 (2022: RMB1,633,170,000) which are past due as at the reporting date. Out of the past due balances, RMB1,107,602,000 (2022: RMB896,989,000) has been past due 90 days or more and is not considered as in default as the management of the Group believed that the amounts will be settled by the customers based on the customers' committed promise and historical experience. The Group does not hold any collateral over these balances.

14. CONTRACT ASSETS

	2023	2022
	RMB'000	*RMB'000*
Contract assets		
— related parties	**7,685**	7,250
Less: allowance for credit losses	**(229)**	(44)
— third parties	**519,264**	512,722
Less: allowance for credit losses	**(27,051)**	(26,362)
	499,669	493,566

The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditioned upon the Group's future performance in achieving specified milestones as stipulated in the contract. The contract assets are transferred to trade receivables when the rights become unconditional.

15. BANK BALANCES AND CASH/PLEDGED BANK DEPOSITS/TIME DEPOSITS

Bank balances and cash of the Group comprised of cash and short term bank deposits with an original maturity of three months or less. The short term bank deposits are carried interests at market rates which ranged from 0% to 5.68% per annum as at December 31, 2023 (2022: 0% to 2.03%).

Time deposits as at December 31, 2023 are carried fixed interest rate from 1.7% to 2.8% per annum and have original maturity over three months (2022: 2.6% to 3.0%).

The Group performed impairment assessment on time deposits, pledged bank deposits and bank balances and concluded that the associated credit risk is limited because the counterparties are banks with high credit rating and good reputation.

16. TRADE AND OTHER PAYABLES

	2023	2022
	RMB'000	*RMB'000*
Trade payables		
— related parties	**105,193**	115,796
— third parties	**728,073**	676,680
	833,266	792,476
Other payables and accrual		
— related parties	**10,901**	40,716
— third parties *(note)*	**596,656**	431,434
	607,557	472,150
Payable for purchase of property, plant and equipment	**518,651**	1,029,318
Consideration payables for acquisition of subsidiaries	**2,968**	2,968
Salary and bonus payables	**707,099**	912,852
Other taxes payable	**86,233**	57,506
Bill payables	**—**	1,912
Trade and other payables	**2,755,774**	3,269,182

Note: Included in the other payables, an amount of RMB11,199,000 represented the payables to employees arising from exercise of share options and restricted shares as at December 31, 2023 (2022: RMB4,936,000).

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 aged analysis of trade payables presented based on invoice date at the end of the reporting period:

	2023	2022
	RMB'000	*RMB'000*
Within three months	**748,784**	674,412
Over three months but within one year	**76,174**	100,853
Over one year but within five years	**8,308**	17,211
	833,266	792,476

17. CONTRACT LIABILITIES

	2023	2022
	RMB'000	*RMB'000*
Contract liabilities		
— related parties	**1,002**	—
— third parties	**3,799,976**	4,090,913
	3,800,978	4,090,913
Less: amounts shown under current liabilities	**(3,089,762)**	(3,379,372)
Amounts shown under non-current liabilities *(note)*	**711,216**	711,541

Note: The contract liabilities are classified as non-current as the related services will be provided beyond twelve months under a long-term contract manufacturing agreement signed by the Group with an independent third party in 2020, after considering the financing components and the recognition of revenue during the reporting periods.

18. BORROWINGS

	2023	2022
	RMB'000	*RMB'000*
Secured bank loans	**57,500**	66,700
Unsecured bank loans	**2,089,874**	2,716,293
	2,147,374	2,782,993
The carrying amounts of the above borrowings are repayable:		
Within one year	**576,328**	1,321,430
Within a period of more than one year but not exceeding two years	**1,370,148**	96,954
Within a period of more than two years but not exceeding five years	**94,551**	1,343,909
Within a period of more than five years	**106,347**	20,700
	2,147,374	2,782,993
Less: amounts due within one year shown under current liabilities	**(576,328)**	(1,321,430)
Amounts shown under non-current liabilities	**1,571,046**	1,461,563

The amounts due are based on scheduled repayment dates set out in the loan agreements.

The exposure of the Group's bank borrowings are as follows:

	2023	2022
	RMB'000	*RMB'000*
Fixed-rate borrowings	**57,500**	66,700
Variable-rate borrowings	**2,089,874**	2,716,293
	2,147,374	2,782,993

The Group's variable-rate borrowings carry interest at European Central Bank Rate plus 1.5%, Euro Interbank Offered Rate ("**EURIBOR**") plus 0.75%, Secured Overnight Financing Rate ("**SOFR**") plus 0.8%, and 5-years Loan Prime Rate ("**LPR**") minus 0.9%.

The ranges of effective interest rates before the interest rate swap (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	2023	2022
Effective interest rate:		
Fixed-rate borrowings	**4.90%**	4.90%
Variable-rate borrowings	**2.71% to 6.46%**	0.75% to 5.12%

As at the end of the reporting period, the Group has the following undrawn borrowing facilities:

	2023	2022
	RMB'000	*RMB'000*
Floating rate:		
— expiring within one year	**936,041**	459,219

As at December 31, 2023, the Group's borrowings were secured by the Group's property, plant and equipment as collaterals with carrying amounts of RMB10,299,000 (December 31, 2022: RMB10,448,000).

19. SHARE CAPITAL

AUTHORIZED:

	Number of shares	Par value	Authorized share capital
		US$	*US$*
At January 1, 2022, December 31, 2022 and December 31, 2023	6,000,000,000	1/120,000	50,000

ISSUED AND FULLY PAID:

	Number of shares	Amount	Shown in the financial statements as
		US$	*RMB'000*
At January 1, 2022	4,259,003,614	35,492	235
Issue of new shares *(note i)*	39,953,861	333	2
Exercise of pre-IPO share options	22,083,410	184	1
Shares repurchased and cancelled *(note ii)*	(95,779,000)	(798)	(5)
At December 31, 2022	4,225,261,885	35,211	233
Issue of new shares *(note i)*	17,642,323	147	1
Exercise of pre-IPO share options	14,596,408	122	1
At December 31, 2023	4,257,500,616	35,480	235

Notes:

i. On June 10, 2022 and June 1, 2023, the Company issued and allotted 39,953,861 and 17,642,323 new ordinary shares at nil consideration to trustee under the Restricted Share Award Scheme or the Global Partner Program Share Scheme, respectively.

ii. During the year ended December 31, 2022, the Company repurchased its own ordinary shares through The Stock Exchange of Hong Kong Limited. On January 14, 2022, 45,058,000 shares were cancelled, of which 10,435,500 shares and 34,622,500 shares were repurchased in January 2022 and December 2021, respectively. On November 2, 2022, 50,721,000 shares were cancelled, of which 1,500,000 shares and 49,221,000 shares were repurchased in September 2022 and October 2022 respectively.

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

DEFINITIONS

"ADC"	antibody-drug conjugate
"ADCC"	antibody-dependent cell-mediated cytotoxicity
"AGM"	the annual general meeting of the Company
"Audit Committee"	the audit committee of the Board
"Board" or "Board of Directors"	the board of Directors of the Company
"CDMO"	Contract Development and Manufacturing Organization
"CG Code"	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules
"cGMP"	Current Good Manufacturing Practice Regulations
"Chairman"	the chairman of the Board
"China" or the "PRC"	the People's Republic of China excluding, for the purpose of this announcement, Hong Kong, Macau Special Administrative Region and Taiwan
"China NMPA"	China National Medical Products Administration
"CMC"	Chemical Manufacturing and Control
"CMO"	Contract Manufacturing Organization
"Company"	WuXi Biologics (Cayman) Inc. (藥明生物技術有限公司*), an exempted company incorporated in the Cayman Islands with limited liability on February 27, 2014
"CRDMO"	Contract Research, Development and Manufacturing Organization
"Director(s)"	the director(s) of the Company
"ESG"	environmental, social and governance

"EU"	a politico-economic union of 27 member states that are located primarily in Europe
"EU EMA"	European Medicines Agency
"EUR"	Europe currency
"Global Partner Program Share Scheme"	the share award scheme for global partner program adopted by the Company on June 16, 2021 and amended and restated on June 27, 2023
"GMP"	Good Manufacturing Practice
"Group" or "we" or "our" or "us"	the Company and its subsidiaries
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"HKEX"	Hong Kong Exchanges and Clearing Limited
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IFRS"	International Financial Reporting Standards
"IND"	investigational new drug, an experimental drug for which a pharmaceutical company obtains permission to ship across jurisdictions (usually to clinical investigators) before a marketing application for the drug has been approved
"IPO"	the listing of the Shares on the Main Board of the Stock Exchange on June 13, 2017
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
"Main Board"	Main Board of the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix C3 to the Listing Rules
"mRNA"	messenger ribonucleic acid

"PPQ"	process performance qualification
"Pre-IPO Share Option Scheme"	the pre-IPO share option scheme adopted by the Company on January 5, 2016, and amended on August 10, 2016, the principal terms of which are summarized in "Statutory and General Information — E. Pre-IPO Share Option Scheme" in Appendix IV to the Prospectus
"Prospectus"	the prospectus issued by the Company dated May 31, 2017
"Remuneration Committee"	the remuneration committee of the Board
"Renminbi" or "RMB"	Renminbi Yuan, the lawful currency of the PRC
"Reporting Period"	the one-year period from January 1, 2023 to December 31, 2023
"Restricted Share Award Scheme"	the restricted share award scheme adopted by the Company on January 15, 2018 and amended and restated on June 27, 2023
"Shareholder(s)"	holder(s) of Share(s)
"Share(s)"	ordinary share(s) in the capital of the Company with nominal value of US$1/120,000 each
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"U.K. MHRA"	The Medicines and Healthcare Products Regulatory Agency of the United Kingdom
"U.S."	United States of America
"US$" or "USD"	United States dollar(s), the lawful currency of the U.S.
"U.S. FDA"	The Food and Drug Administration of the U.S.
"Written Guidelines"	the Written Guidelines for Securities Transactions by Directors adopted by the Company
"WuXi Vaccines"	WuXi Vaccines (Cayman) Inc., a company incorporated under the laws of the Cayman Islands, a non-wholly owned subsidiary of the Company

"WuXi XDC"	WuXi XDC Cayman Inc. (藥明合聯生物技術有限公司*), a company incorporated under the laws of the Cayman Islands with limited liability, a non-wholly owned subsidiary of the Company and listed on the Main Board (HKEX stock code: 2268)

In this announcement, the terms "associate", "connected person", "substantial shareholder" and "subsidiary" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

By order of the Board
WuXi Biologics (Cayman) Inc.
Dr. Ge Li
Chairman

Hong Kong, March 26, 2024

As at the date of this announcement, the Board comprises Dr. Zhisheng Chen and Dr. Weichang Zhou as executive Directors; Dr. Ge Li, Dr. Yibing Wu and Mr. Yanling Cao as non-executive Directors; and Mr. William Robert Keller, Mr. Kenneth Walton Hitchner III, Mr. Jackson Peter Tai and Dr. Jue Chen as independent non-executive Directors.

* *For identification purpose only*