藥明康德

WuXi AppTec

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

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

Stock Code : 2359

ANNUAL REPORT 2021

*For identification purpose only

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Dr. Ge Li (李革)
(Chairman and Chief Executive Officer)
Mr. Edward Hu (胡正國)
(Vice Chairman and Global Chief Investment Officer)
Dr. Steve Qing Yang (楊青)
(Co-chief Executive Officer)
Mr. Zhaohui Zhang (張朝暉)
Dr. Ning Zhao (趙寧)

Non-executive Directors

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

Independent Non-executive Directors

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

JOINT COMPANY SECRETARIES

Mr. Chi Yao (姚馳)
Ms. Siu Wing Kit (蕭穎潔)

AUTHORISED REPRESENTATIVES

Mr. Edward Hu (胡正國)
Mr. Chi Yao (姚馳)

STRATEGY COMMITTEE

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

AUDIT COMMITTEE

Dr. Hetong Lou (婁賀統) *(Chairperson)*
Mr. Xiaotong Zhang (張曉彤)
Ms. Yan Liu (劉艷)
(ceased on March 30, 2021)
Dr. Jiangnan Cai (蔡江南)
(appointed on March 30, 2021)

REMUNERATION AND APPRAISAL COMMITTEE

Ms. Yan Liu (劉艷) *(Chairperson)*
Dr. Hetong Lou (婁賀統)
Dr. Ning Zhao (趙寧)
(ceased on March 30, 2021)
Mr. Dai Feng (馮岱)
(appointed on March 30, 2021)

NOMINATION COMMITTEE

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

AUDITOR

Deloitte Touche Tohmatsu
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HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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PRC

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PRC

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Jinshan District
Shanghai
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China Merchants Bank (Waigaoqiao Branch)
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Pudong District
Shanghai
PRC

JPMorgan Chase Bank (China) Company Limited
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Jing'an District
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Citi Tower
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Bank of Communications Co., Ltd. Wuxi Branch
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HONG KONG LEGAL ADVISER

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24/F, HKRI Centre Two
HKRI Taikoo Hui 288
Shi Men Yi Road
Shanghai
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A SHARE REGISTRAR AND TRANSFER OFFICE IN THE PRC

China Securities Depository & Clearing
Corporation Limited (CSDCC)
Shanghai Branch
188 South Yanggao Road
Pudong District, Shanghai
PRC

H SHARE REGISTRAR

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK CODE

A Share: 603259
H Share: 02359

COMPANY'S WEBSITE

www.wuxiapptec.com.cn

Chairman's Statement

Dear Shareholders,

2021 was yet another successful year for WuXi AppTec Co., Ltd. Our comprehensive enabling platform continued to support the growing needs of existing customers and attracted new ones throughout the healthcare industry. As part of our enduring commitment to serving our customers more effectively, we restructured our services into five new business segments in 2021. These five business segments reflect how we manage our business and also provide clearer transparency to our Shareholders. We are confident that business will achieve even stronger growth in 2022, these five business segments will drive our growth for many years to come as we further enhance synergies, increase cross-selling, and deepen customer engagement across our diverse service offerings.

The success of our unique CRDMO and CTDMO business models provides a foundation for reliable and continued long-term growth for our Company and customers worldwide. The fundamentals of our business and its future outlook both remain very strong, and we will continue to invest in R&D service capabilities and capacities, particularly in new modalities and manufacturing. We expect to invest approximately RMB9 billion to RMB10 billion in capital expenditures in 2022 to build new capacities for future growth. We are confident that these investments will better enable our customers worldwide to bring innovative medicines to patients in need — realizing our vision that "every drug can be made and every disease can be treated".

Dr. Ge Li
Chairman and Chief Executive Officer

Hong Kong, March 23, 2022

Financial Highlights

	For the Year Ended December 31, 2021 RMB'000	2020 RMB'000
Operating results		
Revenue	**22,902,385**	16,535,431
Gross profit	**8,265,515**	6,255,044
Net profit attributable to the owners of the Company	**5,097,155**	2,960,235
Adjusted Non-IFRS net profit attributable to the owners of the Company*	**5,131,309**	3,637,277
EBITDA	**7,623,885**	4,701,384
Adjusted EBITDA*	**7,591,590**	5,535,480
Profitability		
Gross profit margin	**36.1%**	37.8%
Margin of net profit attributable to the owners of the Company	**22.3%**	17.9%
Margin of adjusted Non-IFRS net profit attributable to the owners of the Company	**22.4%**	22.0%
EBITDA margin	**33.3%**	28.4%
Adjusted EBITDA margin	**33.1%**	33.5%
Earnings per share (RMB)		
— Basic	**1.75**	1.06
— Diluted	**1.73**	1.05
Adjusted earnings per share* (RMB)		
— Basic	**1.76**	1.30
— Diluted	**1.75**	1.29

	As at December 31, 2021 RMB'000	2020 RMB'000
Financial position		
Total assets	**55,127,388**	46,291,166
Equity attributable to the owners of the Company	**38,491,509**	32,493,743
Total liabilities	**16,369,926**	13,572,675
Bank balances and cash	**8,175,336**	10,228,057
Gearing ratio	**29.7%**	29.3%

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

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

A. Analysis on Principal Operations

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

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

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

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

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

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

Revenue

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

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

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

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

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

(1) WuXi Chemistry

WuXi Chemistry realized revenue of RMB14,087.2 million, representing a YoY growth of 46.9% as compared to the revenue of RMB9,587.7 million in the same period of 2020. Revenue from small molecule drug discovery (R) services amounted to RMB6,167.5 million, representing a YoY growth of 43.2%, and revenue from process development and manufacturing (D&M) services amounted to RMB7,919.7 million, representing a YoY growth of 49.9%. We fully leveraged our technology advantage in process development and pushed forward the strategy of "follow the molecule". In relation to small molecule drug discovery services, we completed the synthesis of more than 310,000 custom synthesized compounds in 2021, empowering customers of early-stage development of innovative small molecule drugs and serving as an important "funnel entrance" of the Company's downstream business units. By establishing close collaborative relationships with our customers in drug discovery and preclinical stages, we are able to seek opportunities for new projects from clinical stage to the commercialization stage, facilitating sustainable and rapid growth in revenue from our CRDMO services. We continuously implement the long-tail customer strategy and have recorded robust growth in long-tail customers. In 2021, revenue from long-tail customers of small molecule drug discovery services recorded a YoY growth of 71% with an increasing percentage in revenue. During the Reporting Period, our process development and manufacturing (D&M) services involved 1,666 new drug molecules, including 42 in commercial stage, 49 in Phase III, 257 in Phase II, 1,318 in Phase I and preclinical stage. In 2021, we added 732 molecules to the small molecule D&M pipeline, among which 14 are in commercial stage, representing a YoY growth of 50%. New modalities in business are also gaining strong momentum. During the Reporting Period, the number of oligonucleotide and peptide D&M customers was 57, representing a YoY growth of 128%. The number of oligonucleotide and peptide D&M molecules was 99, representing a YoY growth of 154%. Revenue from oligonucleotide and peptide D&M reached USD115 million, representing a YoY growth of 145%. Our drug product business also made significant progress. In October 2021, our first drug product project at the Waigaoqiao site successfully passed the FDA's Pre-Approval Inspection (PAI) in the U.S., while other two drug product projects of the Waigaoqiao site successfully passed the NMPA's PAI in China in the same week. By the end of 2021, we had four drug product commercial manufacturing projects as well as eight drug product projects in Phase III or NDA review stage. In 2021, WuXi Chemistry continued to accelerate the development of production capacity. Internally, our three facilities were put into operation, including Changzhou Phase II (常州二期), Taixing (泰興) and Wuxi Oral and Aseptic Filling Drug Product Facility (無錫口服和無菌灌裝製劑工廠). We also completed the construction of our facility in Changshu for scale-up and non-GMP manufacturing, and accelerated the construction of three facilities including Changzhou Phase III (常州三期), Taixing Phase I (泰興一期) and the facility in Delaware, the U.S.. Externally, we also completed the acquisition of a production facility based in Couvet, Switzerland. The Company consolidated its contribution starting from July 2021. We expect the revenue growth of WuXi Chemistry in 2022 will nearly double as compared with 2021. This is a further validation of our CRDMO business model.

(2) *WuXi Testing*

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

(3) WuXi Biology

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

(4) *WuXi ATU*

WuXi ATU realized revenue of RMB1,026.4 million, representing a YoY decrease of 2.8% as compared to the revenue of RMB1,055.8 million in the same period of 2020. However, driven by strong demand for plasmids and lenti-viral vectors manufacturing, WuXi ATU's China subsidiary generated strong revenue growth of 87% in 2021, partially offsetting the decline at our Philadelphia site due to project BLA delays and the impact of COVID-19. In respect of service platform, the Company further strengthened the capabilities in product testing, process development and production of cell and gene therapy products. It provided production services for 74 projects, including 58 projects in preclinical and phase I, 5 projects in phase II, and 11 projects in phase III. The new process research and development and commercialized production center in Lin-gang, Shanghai with an area of 15,300 square meters officially commenced operation in October 2021. The new base is equipped with more than 200 independent suites and 6 complete vector and cell production lines, providing global customers with integrated process development, production and testing services of viral vectors and cell therapies. The expanded base in Philadelphia, the U.S., which is a testing facility with an area of 13,000 square meters, has commenced operations in November 2021. It will triple our testing capacity for cell and gene therapies. Building on momentum in fourth quarter of 2021, 2022 will mark a turning point in WuXi ATU and we anticipate that WuXi ATU's revenue growth in 2022 will exceed the growth rate of its industry sector.

(5) *WuXi DDSU*

WuXi DDSU realized revenue of RMB1,251.0 million, representing a YoY growth of 17.5% as compared to RMB1,065.0 million in the same period of 2020. In 2021, our success-based drug discovery service unit filed INDs for 26 drug candidates and obtained 23 CTAs on behalf of China-based customers. As of December 31, 2021, we have cumulatively submitted IND filings for 144 projects and obtained clinical trial approvals for 110 projects, including 1 application, 3 projects in phase III clinical trials, 14 projects in phase II clinical trials and 74 projects in phase I clinical trials. Among the 144 projects with marketing applications submitted or being in the clinical stage, clinical progress of about 70% of such projects ranked in first three within the same class of drug candidates in China. Upon the launch of customers' products, we will start to receive sales royalty according to the agreed percentage of the drug revenue of customers pursuant to the agreements. WuXi DDSU's business will evolve in 2022 in order to meet China-based customers' increasingly high expectations for projects to be delivered; as a result, we expect that WuXi DDSU's revenue will be down by some degree in 2022 relative to that of 2021.

Explanatory matters

The abovementioned operating performance forecast is made based on the current order backlog of the Company, and it has not been audited and does not constitute a profit forecast for the year of 2022. In addition, such operating performance forecast is subject to various prerequisites, including the continued stabilization or improvement of the COVID-19 global pandemic, the stable development of the global pharmaceutical industry and the stability of the international trade environment and regulatory environment of the countries where the main operations of the Company are located. Consequently, the realization of the operating performance forecast may be subject to certain risks as further particularized in the section headed "III. Risk Warnings" in the announcement on preliminary financial data for the year ended December 31, 2021 published by the Company on February 15, 2022.

Gross Profit

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

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

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

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

(1) *WuXi Chemistry*

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

(2) *WuXi Testing*

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

(3) *WuXi Biology*

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

(4) *WuXi ATU*

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

(5) *WuXi DDSU*

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

Other Income

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

Other Gains and Losses

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

Selling and Marketing Expenses

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

Administrative Expenses

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

R&D Expenses

R&D expenses of the Company increased from RMB693.3 million for the year 2020 to RMB942.2 million for the year 2021, representing a YoY growth of 35.9%. The Company was committed to improving R&D capabilities, continuously increased investment in R&D and focused on investing in platform empowerment, including enzyme catalysis and flow chemistry and a series of R&D activities of new capabilities such as TESSA™, PROTAC, oligonucleotide, peptide, ADC, cell and gene therapies, and resource sorting algorithm.

Share of Losses of Associates

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

Share of Losses of Joint Ventures

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

Finance Costs

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

Income Tax Expenses

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

Profit for the Year

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

Cash Flows

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

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

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

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

Indebtedness

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

(1) Borrowings

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

(2) Charges on Assets

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

(3) Contingent Liabilities

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

(4) Gearing Ratio

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

Treasury Policies

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

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

B. Non-IFRS Measure

To supplement our consolidated financial statements which are presented in accordance with the IFRS, we use adjusted EBITDA and adjusted non-IFRS net profit attributable to the owners of the Company as additional financial measures. EBITDA represents net profit before interest expenses, income tax expenses and depreciation and amortization, while adjusted EBITDA further exclude certain expenses and gains or losses as set out in the table below. We define adjusted non-IFRS net profit attributable to the owners of the Company as profit/(loss) for the period before certain expenses and depreciation and amortization as set out in the table below. Adjusted EBITDA and adjusted non-IFRS net profit attributable to the owners of the Company are not an alternative to (i) profit before income tax or profit for the period (as determined in accordance with the IFRS) as a measure of our operating performance, (ii) cash flows from operating, investing and financing activities as a measure of our ability to meet our cash needs, or (iii) any other measures of performance or liquidity.

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

Adjusted EBITDA

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

Notes:

(1) The sum of the data above is inconsistent with the total due to rounding.

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

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

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

Notes:

(1) the sum of the data above is inconsistent with the total due to rounding.

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

C. Assets and Liabilities Analysis

In RMB million

Items	Amount as at the end of the Reporting Period	Percentage of the amount as at the end of the Reporting Period to the total assets (%)	Amount as at the end of last Reporting Period	Percentage of the amount as at the end of last Reporting Period to the total assets (%)	Ratio of change for the amount as at the end of the Reporting Period as compared with the amount as at the end of last Reporting Period (%)	Reasons
Assets						
Property, plant and equipment	15,848.7	28.7	10,137.1	21.9	56.3	Primarily due to increasing investment in plants and equipment for Changzhou STA, Wuxi STA, Taixing STA, Chengdu and other sites.
Biological assets (non-current)	733.5	1.3	418.9	0.9	75.1	Primarily due to the increase in quantities and fair value change of biological assets during the Reporting Period.
Goodwill	1,925.6	3.5	1,391.8	3.0	38.4	Primarily due to the acquisition of Oxgene.
Other intangible assets	889.8	1.6	585.3	1.3	52.0	Primarily due to the acquisition of Oxgene.

Items	Amount as at the end of the Reporting Period	Percentage of the amount as at the end of the Reporting Period to the total assets (%)	Amount as at the end of last Reporting Period	Percentage of the amount as at the end of last Reporting Period to the total assets (%)	Ratio of change for the amount as at the end of the Reporting Period as compared with the amount as at the end of last Reporting Period (%)	Reasons
Other non-current assets	2,182.4	4.0	1,395.6	3.0	56.4	Primarily due to the increase of certificates of deposits and interests.
Inventories	4,554.6	8.3	1,933.8	4.2	135.5	Primarily due to the capacity expansion and increase of customer orders for CRDMO service during the Reporting Period.
Biological assets (current)	755.5	1.4	501.7	1.1	50.6	Primarily due to the increase in quantities and fair value change of biological assets during the Reporting Period.
Contract costs	594.9	1.1	250.3	0.5	137.7	Primarily due to the growth of business during the Reporting Period.

Items	Amount as at the end of the Reporting Period	Percentage of the amount as at the end of the Reporting Period to the total assets (%)	Amount as at the end of last Reporting Period	Percentage of the amount as at the end of last Reporting Period to the total assets (%)	Ratio of change for the amount as at the end of the Reporting Period as compared with the amount as at the end of last Reporting Period (%)	Reasons
Amounts due from related parties (current and non-current)	343.3	0.6	57.3	0.1	499.1	Primarily due to the sale of small molecule payload and linker business and relevant assets in Changzhou STA.
Trade and other receivables	5,968.5	10.8	4,337.9	9.4	37.6	Primarily due to the expansion of business and revenue growth during the Reporting Period.
Contract assets	773.4	1.4	542.0	1.2	42.7	Primarily due to the expansion of business and revenue growth during the Reporting Period.
Financial assets at FVTPL (Current)	527.3	1.0	4,617.7	10.0	-88.6	Primarily due to redemption of structured deposits during the Reporting Period.

Items	Amount as at the end of the Reporting Period	Percentage of the amount as at the end of the Reporting Period to the total assets (%)	Amount as at the end of last Reporting Period	Percentage of the amount as at the end of last Reporting Period to the total assets (%)	Ratio of change for the amount as at the end of the Reporting Period as compared with the amount as at the end of last Reporting Period (%)	Reasons
Derivative financial instruments	229.1	0.4	562.8	1.2	-59.3	Primarily due to the settlement of forward contracts.
Pledged bank deposits	63.4	0.1	9.1	0.0	596.7	Primarily due to the increase in restricted bank balance related to vested share incentives yet to be settled with employees.
Liabilities						
Trade and other payables	6,856.0	12.4	4,550.3	9.8	50.7	Primarily due to the increase of inventory purchase.
Contract liabilities	2,986.4	5.4	1,581.0	3.4	88.9	Primarily due to the expansion of business and increased advance payment for orders during the Reporting Period.
Borrowings	2,261.5	4.1	1,230.0	2.7	83.9	Primarily due to the increased borrowings for daily operations.

Items	Amount as at the end of the Reporting Period	Percentage of the amount as at the end of the Reporting Period to the total assets (%)	Amount as at the end of last Reporting Period	Percentage of the amount as at the end of last Reporting Period to the total assets (%)	Ratio of change for the amount as at the end of the Reporting Period as compared with the amount as at the end of last Reporting Period (%)	Reasons
Income tax payables	459.3	0.8	340.4	0.7	34.9	Primarily due to the increase of assessable income of subsidiaries during the Reporting Period.
Convertible Bonds	1,264.5	2.3	3,401.1	7.3	-62.8	Primarily due to conversion of Convertible Bonds during the Reporting Period.
Financial liabilities at FVTPL (current and non-current)	—	—	16.5	0.0	-100.0	Primarily due to the settlement of the contingent consideration for the acquisition of Pharmapace, Inc.
Other long-term liabilities	7.2	0.0	219.1	0.5	-96.7	Primarily due to the reclassification of M&A payments to be settled in one year.

D. Analysis on Investments

Investment on wealth management product

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

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

a) Structured deposits, which are conservative products with guaranteed principals and the amount of yields contingent on the indicative performance of the financial market and derivative, such as interest rate derivative, foreign exchange and commodity.

b) Financial products, which are primarily conservatively-constructed portfolios of income with high liquidity and outstanding yield, such as bonds, inter-banking deposits, and notes.

In RMB million

Maturity days	**Structured deposits**	**Financial products**	**Total**
0 day to 30 days	70.1	3.7	73.8
30 days to 90 days	70.4	—	70.4
90 days to 180 days	383.1	—	383.1
Total	523.6	3.7	527.3

Investment in companies

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

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

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

In RMB million

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

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

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

Genesis Medtech Group Limited ("Genesis")

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

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

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

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

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

iKang Healthcare Group ("iKang")

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

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

Lyell Immunopharma, Inc. (NASDAQ: LYEL) ("Lyell")

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

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

(1) Redefining the cell preparations for cell-based immunotherapy following the decades-long work of two of Lyell scientific leaders, Stan Riddell and Nick Restifo;

(2) Modulating T cells to maintain their functionality within the solid tumor microenvironment;

(3) Controlling the specificity and safety of solid tumor-directed T cells armed with T cell receptors, chimeric antigen receptors or other targeting modalities using state-of-the-art protein engineering.

Canbridge Pharmaceuticals Inc. (HKEX: 01228) ("Canbridge")

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

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

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

Significant Investment Held

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

E. Core Competence Analysis

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

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

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

(2) Enabling innovation to strengthen our competitive advantage

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

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

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

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

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

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

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

We have a strong, loyal and expanding customer base. During the Reporting Period, we added over 1,660 new customers and provided services to more than 5,700 active customers in over 30 countries, including all of the top 20 global pharmaceutical companies. During the Reporting Period, the top 20 global pharmaceutical companies contributed to approximately 29.4% of our revenue. As our service capabilities continue to expand, the number of our customers continue to grow. We aim to lower entry barriers for the discovery and development of innovative drugs with respect to capabilities, capacities and capital, and are committed to embracing demands of new and existing customers, thereby attracting new participants to join the evolving healthcare ecosystem. Through this lowering of entry barriers, we believe that we are able to catalyze and benefit from the continuous transformation of the healthcare ecosystem. By nurturing and incubating the rise of new business models and encouraging participants to develop new drugs and healthcare products, we drive the creation of new knowledge and technologies, stimulate new demand and improve efficiency, which further drives innovation and fuels the growth of all participants.

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

(5) Experienced management team with vision and ambition

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

F. Other Events

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

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

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

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

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

2018 A Share Incentive Plan

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

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

2019 A Share Incentive Plan

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

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

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

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

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

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

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

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

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

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

(7) *2020 Profit Distribution Plan*

On May 13, 2021, the 2020 Profit Distribution Plan of the Company was approved at the 2020 AGM, the first A Share class meeting of 2021 and the first H Share class meeting of 2021 of the Company. Pursuant to the 2020 Profit Distribution Plan, two (2) 2020 Capitalization Shares of the Company will be issued for every ten (10) Shares of the Company held by the Shareholders on the relevant record date (i.e. June 7, 2021) by way of capitalization of reserve. Please refer to the circular of the Company dated April 9, 2021 and the relevant announcement of the Company dated May 13, 2021, August 26, 2021 and August 31, 2021 for further details.

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

2018 A Share Incentive Plan

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

2019 A Share Incentive Plan

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

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

2018 A Share Incentive Plan

The "Proposal on the Repurchase and Cancellation of Part of the Restricted A Shares Granted under the Restricted A Shares and Stock Option Incentive Plan of 2018 of the Company" was approved at the seventeenth meeting of the second session of the Board. Pursuant to the above proposal, due to (i) the departure of 39 incentive participants of the 2018 A Share Incentive Plan before the expiry of the lock-up period; (ii) 4 incentive participants being unable to satisfy the performance appraisal target at the individual level for 2020; and (iii) the implementation of the 2020 Profit Distribution Plan, the Company shall repurchase a total of 184,089 Restricted A Shares granted under the initial grant of the 2018 A Share Incentive Plan at the repurchase price of RMB18.69 per A Share after relevant adjustments to the repurchase price and a total of 25,200 Restricted A Shares granted under the 2018 Reserved Grant at the repurchase price of RMB18.85 per A Share after relevant adjustments to the repurchase price. The repurchase and cancellation of such Restricted A Shares were completed on August 31, 2021. Please refer to the relevant announcement of the Company dated June 25, 2021, August 26, 2021 and August 31, 2021 for further details.

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

2019 A Share Incentive Plan

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

The “Proposal on the Repurchase and Cancellation of Part of the Restricted A Shares and the Cancellation of Part of the Share Options of the Restricted A Shares and Stock Option Incentive Plan of 2019 of the Company” was approved at the seventeenth meeting of the second session of the Board. Pursuant to the above proposal, due to (i) the departure of 54 Incentive Participants before the expiry of the lock-up period and 6 Incentive Participants before the expiry of the withholding period for the Initial Grant; (ii) 10 Incentive Participants being unable to satisfy the performance appraisal target at 2020; and (iii) the implementation of the 2020 Profit Distribution Plan, the Company shall repurchase a total of 461,550 Restricted A Shares granted under the 2019 Adjusted Initial Grant at the repurchase price of RMB18.85 per A Share after relevant adjustments to the repurchase price, repurchase a total of 20,160 Restricted A Shares granted under the 2019 Reserved Grant at the repurchase price of RMB33.55 per A Share after relevant adjustments to the repurchase price and cancel 77,741 units of Share Options granted under the 2019 Adjusted Initial Grant. The repurchase and cancellation of such Restricted A Shares were completed on August 31, 2021. Please refer to the relevant announcement of the Company dated June 25, 2021, August 26, 2021 and August 31, 2021 for further details.

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

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

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

(11) Change in Accounting Policy

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

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

On March 8, 2021 (after trading hours), WuXi AppTec Investment & Development Co., Ltd.* (無錫藥明康德投資發展有限公司) ("WuXi Investment"), MeadowSpring LLC ("Meadow Spring"), Firstred Capital Co., Ltd.* (晨壹投資有限公司) ("Firstred") and Suzhou Private Capital Investment Holdings Co., Ltd* (蘇州民營資本投資控股有限公司) has established Suzhou WuXi Huiju Private Equity Fund Management Co., Ltd.* (蘇州藥明匯聚私募基金管理有限公司) (the "Joint Venture Company"). Pursuant to the articles of association of the Joint Venture Company, WuXi Investment agreed to contribute RMB45 million (equivalent to approximately HKD53.91 million), representing 45% of the registered capital of the Joint Venture Company. Following the completion of the establishment of the Joint Venture Company, Wuxi Investment, MeadowSpring, Jiaxing Firstred Pengying Equity Investment Co., Ltd* (嘉興晨壹蓬瀛股權投資有限公司) (a wholly-owned subsidiary of Firstred), Suzhou Yisu Investment Co., Ltd* (蘇州翼蘇投資有限公司) (a wholly-owned subsidiary of Suzhou Private Capital Investment Holdings Co., Ltd* (蘇州民營資本投資控股有限公司)) and the Joint Venture Company will enter into the partnership agreement (the "Partnership Agreement") to form Suzhou Qunying Investment Management Partnership (Limited Partnership)* (蘇州群英投資管理合夥企業(有限合夥) (the "Partnership"). Pursuant to the Partnership Agreement, WuXi Investment will contribute RMB45 million (equivalent to approximately HKD53.91 million) to the capital of the Partnership as a limited partner, representing 44.55% of the partnership interest therein. MeadowSpring is controlled by Mr. Edward Hu, an executive Director. MeadowSpring is an associate of Mr. Edward Hu and therefore a connected person of the Company. Accordingly, the establishment of the Joint Venture Company and the formation of the Partnership, which involved concurrent capital contributions by WuXi Investment and MeadowSpring, constitute connected transactions of the Company under Chapter 14A of the Listing Rules. Please refer to the announcement of the Company dated March 8, 2021 for further details.

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

(13) Proposed related parties transactions

The Company has obtained the Shareholders' approval at the 2020 AGM for the following proposed related parties transactions: (i) STA Pharmaceutical, a wholly-owned subsidiary of STA and an indirect non-wholly-owned subsidiary of the Company, will, together with WuXi Biologics, make capital contributions (the "Capital Contribution") to WuXi XDC (Cayman) Inc. ("WuXi XDC"); (ii) upon completion of the Capital Contribution, WuXi XDC will set up a wholly-owned subsidiary to be incorporated under the laws of Hong Kong, which shall acquire all the issued share capital of WuXi XDC Co., Ltd.* (無錫藥明合聯生物技術有限公司), formerly known as WuXi Biologics Conjugation Co., Ltd.* (無錫藥明偶聯生物技術有限公司) ("WuXi Conjugation") currently held by WuXi Biologics, following the completion of which, WuXi Conjugation will set up a wholly-owned subsidiary in Shanghai to acquire the ADC business of WuXi Biologics currently held through its wholly-owned subsidiary WuXi Biologics (Shanghai) Co., Ltd.* (上海藥明生物技術有限公司), at an aggregate consideration of RMB420 million (the "ADC Acquisition"). WuXi XDC will also, through a wholly-owned subsidiary to be set up by WuXi Conjugation in Changzhou, enter into an asset transfer agreement with Changzhou STA, to acquire the payload and linker R&D business and the GMP manufacturing business of Changzhou STA (which include customer resources, assets relating to the payload and linker R&D business and personnel at a consideration of RMB280 million (the "Asset Transfer Agreement"); and (iii) following the completion of the Capital Contribution, the ADC Acquisition, the Asset Transfer Agreement and the transactions contemplated thereunder, STA may, depending on actual needs, enter into separate agreements to (a) provide WuXi XDC with R&D and GMP manufacturing services for payload and linker and polypeptide drugs and oligonucleotide drugs (the annual cap for such services during 2021 is not expected to exceed RMB150 million, assuming the completion of the aforementioned transactions takes place by the end of 2021); and (b) provide property leasing and composite services to WuXi Conjugation (the annual cap for such services during 2021 is not expected to exceed RMB10 million, assuming the completion of the aforementioned transactions takes place by the end of 2021). As at the date of this annual report, the Company has transferred its small molecule payload and linker business and relevant assets to WuXi XDC (Changzhou) Co., Ltd.* (常州藥明合聯生物技術有限公司) (being the wholly-owned subsidiary set up by WuXi Conjugation) as comtemplated under the Asset Transfer Agreement. Please refer to the section headed "Letter from the Board — 8. Proposed Related Parties Transactions" in the circular of the Company dated April 9, 2021 for further details.

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

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

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

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

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

As at December 31, 2021, awards in an aggregate value of HK$1,907,060,804.00 were granted to 3,261 Selected Participants (including the Selected Participants who are connected persons of the Group), and the number of 2021 Award Shares underlying the relevant 2021 Awards represents 11,664,074 H Shares, accounting for approximately 2.97% of the total number of issued H Shares and approximately 0.39% of the total issued share capital of the Company as at the date of this annual report.

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

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

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

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

2. THE MANAGEMENT'S DISCUSSION AND ANALYSIS ON FUTURE DEVELOPMENT OF THE COMPANY

A. Competition and Development Trends of the Industry

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

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

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

The China pharmaceutical R&D and manufacturing service market is expected to maintain high speed growth going forward, driven by increased demands from oversea and China customers. On one hand, China CRO and CDMO can provide high quality and cost effective services and will continue to benefit from increased outsourcing demands from international pharmaceutical and biotechnology companies. On the other hand, policies such as accelerated approval, marketing authorization holder, consistency evaluation of generic drugs, centralized procurement and inclusion of innovative drugs into the National Reimbursement Drug List, encourage pharmaceutical innovation in China. China CRO and CDMO demands will continue to grow. R&D service providers with market leading expertise are well-positioned to capture the trend.

B. Development Strategies

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

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

C. Operation Plan

(1) Platform Building

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

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

(2) *Customer Strategy*

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

(3) *Quality and Compliance*

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

(4) *Innovation and Development*

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

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

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

(5) Team of Talents

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

(6) Corporate Culture

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

D. Potential Risks

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

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

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

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

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

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

(4) *Business compliance risk*

We have always attached great importance to compliance of our business operation and gradually established a relatively complete internal control system, which requires our staff to abide by relevant laws and regulations and carry out business activities in accordance with relevant laws. Although we have developed a comprehensive internal control and compliance approval system as well as standard operating procedures to ensure legitimacy and compliance of our daily operation, our business operation, reputation, financial condition will be adversely impacted to a certain degree resulting from failure to obtain qualifications required for daily R&D, testing analysis and production, or to completing necessary approval and filing processes or to timely coping with any regulatory requirement put forward or added by the regulators due to ineffective supervision on subsidiaries or departments by the parent company and senior management in actual practices given the number of subsidiaries we control.

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

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

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

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

(7) Risk of failure in business expansion

We anticipate that our customers' demands on drug R&D, commercial manufacturing and clinical development will increase on an ongoing basis. In order to continuously meet market demands and seize the growth opportunity, we may invest in new technologies, businesses or services or enter into strategic alliances with third parties in the healthcare ecosystem and need to invest a great deal of capital and resources and continue to push forward strengthening of our capabilities and expansion of scale globally. We may not be able to successfully achieve the goals despite spending significant amount of time and resources on pursuing such expansion. Adverse impact might be caused to our business, financial and operating performances and outlook in case our entry into new segment suffers unforeseeable delay due to failure to integrate acquisitions successfully, delay in construction and regulatory issues, or we fail to achieve our growth targets.

(8) Foreign exchange risk

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

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

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

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

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

PRE-EMPTIVE RIGHTS

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

	For the Year Ended December 31,				
	2017	2018	2019	2020	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***
Operating results					
Revenue	7,765,260	9,613,684	12,872,206	16,535,431	**22,902,385**
Gross profit	3,239,920	3,776,919	5,006,148	6,255,044	**8,265,515**
Operating profit	1,689,807	2,596,400	2,485,704	3,656,161	**6,261,233**
Profit for the year	1,296,720	2,333,681	1,911,409	2,986,250	**5,135,947**
Profit attributable to the owners of the Company	1,227,093	2,260,523	1,854,551	2,960,235	**5,097,155**
Profitability					
Gross profit margin	41.7%	39.3%	38.9%	37.8%	**36.1%**
Operating profit margin	21.8%	27.0%	19.3%	22.1%	**27.3%**
Margin of net profit attributable to the owners of the Company	15.8%	23.5%	14.4%	17.9%	**22.3%**
Earnings per share (RMB) *(Note)*					
— Basic	0.56	0.94	0.68	1.06	**1.75**
— Diluted	0.55	0.94	0.67	1.05	**1.73**

	As at December 31,				
	2017	2018	2019	2020	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***
Financial position					
Total assets	12,580,447	22,667,202	29,239,134	46,291,166	**55,127,388**
Equity attributable to the owners of the Company	6,342,380	17,688,021	17,312,255	32,493,743	**38,491,509**
Total liabilities	5,842,436	4,501,971	11,829,424	13,572,675	**16,369,926**
Bank balances and cash	2,466,144	5,757,691	5,223,293	10,228,057	**8,175,336**
Gearing ratio	46.4%	19.9%	40.5%	29.3%	**29.7%**

Note:

Both basic and diluted earnings per share have been adjusted to reflect the capitalisation issue under the 2018 Profit Distribution Plan, the 2019 Profit Distribution Plan and the 2020 Profit Distribution Plan.

Profiles of Directors, Supervisors and Senior Management

Below are the brief profiles of the current Directors, Supervisors and Senior Management of the Group.

DIRECTORS

As of the date of this annual report, the Board comprises 12 Directors, of which five are executive Directors, two are non-executive Directors and five are independent non-executive Directors. The following table sets forth information regarding the Directors.

Name	Age	Position	Date of Appointment as Director
Executive Directors			
Dr. Ge Li (李革)	55	chairman, chief executive officer and executive Director	March 1, 2017
Mr. Edward Hu (胡正國)	59	vice chairman, global chief investment officer	May 21, 2020
		executive Director	March 1, 2017
Dr. Steve Qing Yang (楊青)	53	executive Director	May 15, 2020
		co-chief executive officer	May 21, 2020
Mr. Zhaohui Zhang (張朝暉)	52	executive Director, vice president	March 1, 2017
Dr. Ning Zhao (趙寧)	55	executive Director, vice president	March 1, 2017
Non-executive Directors			
Mr. Xiaomeng Tong (童小幪)	48	non-executive Director	March 1, 2017
Dr. Yibing Wu (吳亦兵)	54	non-executive Director	March 1, 2017
Independent non-executive Directors			
Dr. Jiangnan Cai (蔡江南)	64	independent non-executive Director	March 1, 2017
Ms. Yan Liu (劉艷)	49	independent non-executive Director	March 1, 2017
Mr. Dai Feng (馮岱)	46	independent non-executive Director	August 22, 2018 (effective from the Listing Date)
Dr. Hetong Lou (婁賀統)	59	independent non-executive Director	March 1, 2017
Mr. Xiaotong Zhang (張曉彤)	53	independent non-executive Director	March 1, 2017

SUPERVISORS

As of the date of this annual report, our Supervisory Committee consists of three Supervisors, including the chairman of the Supervisory Committee and an employee representative Supervisor.

Name	Age	Position	Date of Appointment as Supervisor
Mr. Harry Liang He (賀亮)	55	chairman of the Supervisory Committee	March 1, 2017
Mr. Baiyang Wu (吳柏楊)	57	Supervisor	August 31, 2020
Ms. Minfang Zhu (朱敏芳)	50	employee representative Supervisor	March 1, 2017

EXECUTIVE DIRECTORS

Dr. Ge Li (李革), aged 55, is the chairman, chief executive officer and an executive Director of the Company. He is also the chairperson of the Strategy Committee and a member of the Nomination Committee of the Company. Dr. Ge Li is primarily responsible for the overall management of the business of our Group. Dr. Ge Li founded our Group in December 2000.

Dr. Ge Li has the following work experience:

- Since February 2014, he has been serving as a non-executive director and chairman of WuXi Biologics, a company listed on the Main Board of the Stock Exchange (stock code: 2269) and primarily engaged in the discovery, research, development and manufacturing of biological services, and has been responsible for providing overall guidance on the business, strategy, and corporate development.

- From August 2007 to December 2015, he served as the chairman and the chief executive officer of WuXi PharmaTech, a company previously listed on NYSE and was responsible for its overall management.

Dr. Ge Li obtained a bachelor's degree in chemistry from Peking University in the PRC in July 1989. He also obtained a Ph.D. degree in organic chemistry from Columbia University in the United States in February 1994.

Dr. Ge Li is the spouse of Dr. Ning Zhao.

Mr. Edward Hu (胡正國), aged 59, is the vice chairman, the global chief investment officer and an executive Director of our Company. He is also a member of the Strategy Committee of the Company.

Mr. Edward Hu is primarily responsible for the overall business and management of our Group. He joined our Group in August 2007 and was appointed as an executive Director in March 2017. Mr. Edward Hu served as a co-chief executive officer from August 2018 to May 2020. He served as the chief financial officer from March 2016 to January 2019.

Mr. Edward Hu has the following work experience:

- From August 2007 to December 2015, he served as the chief financial officer and chief operating officer of WuXi PharmaTech, a company previously listed on NYSE and was responsible for the financial and operational management.

- From October 2000 to July 2007, he served on various roles to become a senior vice president and chief operating officer of Tanox Inc., a biopharmaceutical company previously listed on NASDAQ (stock code: TNOX, acquired by Genentech Inc. in August 2007) and primarily engaged in discovering and developing antibody therapeutic drugs, and was responsible for company operations, quality control, finance and information technology.

- From April 1998 to October 2000, he served as a business planning manager of Biogen Inc., a global biotechnology company listed on NASDAQ (stock code: BIIB) which primarily engaged in developing, marketing and sales of biopharmaceuticals for neurologic and immune diseases, and he was responsible for business planning and budget management of its research and development division.

- From May 1996 to December 1998, he served as a senior financial analyst of Merck, and was responsible for financial planning and analysis.

- Since July 2021, he has been serving as a non-executive director of CStone Pharmaceuticals (基石藥業), a company listed on the Main Board of the Stock Exchange (stock code: 2616).

- From February 2014 to June 2021, he served as a non-executive director of WuXi Biologics, a company listed on the Main Board of the Stock Exchange (stock code: 2269) and was primarily responsible for providing guidance on the business strategy and financial management.

- From May 2018 to March 2021, he served as a director of Viela Bio Inc., a company listed on NASDAQ (stock code: VIE).

Mr. Edward Hu obtained a bachelor's degree in physics from Hangzhou University, currently known as Zhejiang University (浙江大學), in the PRC in July 1983. He also obtained a master's degree in chemistry and a master's degree of business administration from Carnegie Mellon University in the United States in May 1993 and May 1996, respectively.

Dr. Steve Qing Yang (楊青), aged 53, is an executive Director and co-chief executive officer of our Company. He is primarily responsible for our commercial operation and research services of our Group. Dr. Steve Qing Yang joined our Group in April 2014.

Dr. Steve Qing Yang has the following work experience:

- Since May 2020, he has been serving as an executive Director and co-chief executive officer of our Company.

- From December 2015 to May 2020, he served as an executive vice president and chief business officer at our Company.

- From April 2014 to December 2015, he served as a vice president, chief operating officer, chief business officer and chief strategy officer at WuXi PharmaTech, a company previously listed on NYSE.

- Prior to joining our Group, he served as a vice president and the head of Asia and Emerging Markets iMed of AstraZeneca (阿斯利康製藥公司) in the United Kingdom, a company listed on the NYSE (stock code: AZR).

- He joined Pfizer Inc. in the U.S., a company listed on the NYSE (stock code: PFE) in November 2001. From November 2001 to August 2006, he served as the executive director of global research and development. From September 2006 to December 2010, he served as the head of Asia R&D and the vice president of global research and development.

Dr. Steve Qing Yang obtained a bachelor's degree from Michigan Technological University in the United States in June 1991 and a Ph.D. degree from University of California, San Francisco in the United States in 1997.

Mr. Zhaohui Zhang (張朝暉), aged 52, is an executive Director and a vice president of our Company. He is primarily responsible for the business development of our Group. Mr. Zhaohui Zhang founded our Group in December 2000.

Mr. Zhaohui Zhang has the following work experience:

- Since July 2021, he has also been serving as the China chief operating officer of our Company.

- Since December 2015, he has been serving as an executive Director and vice president of our Company.

- From August 2007 to December 2015, he served as a director and senior vice president of operation of WuXi PharmaTech, a company previously listed on NYSE.

- From December 2000 to July 2007, he served as a director and vice president of domestic marketing of our Company.

- In around 2000, he served as the chief executive officer of Wuxi Qingye Investment Consultancy Limited (無錫青葉企業投資諮詢有限責任公司).

Mr. Zhaohui Zhang obtained a bachelor's degree in mechanical and electrical engineering from Jiangnan University (江南大學) in the PRC in 1990 and a master's degree in business administration from China Europe International Business School in the PRC in 2008.

Dr. Ning Zhao (趙寧), aged 55, is an executive Director and a vice president of our Company. She joined our Group in March 2004.

Dr. Ning Zhao has the following work experience:

- Since June 2021, she has been serving as a non-executive director of WuXi Biologics, a company listed on the Main Board of the Stock Exchange (stock code: 2269).

- Since February 2011, she has been serving as a vice president of our Company. From February 2011 to July 2021, she served as a global head of human resources of our Company. Since December 2015, she has been serving as an executive Director and a vice president of our Company.

- From February 2009 to December 2015, she served as a director of WuXi PharmaTech, a company previously listed on NYSE.

- From February 2008 to February 2011, she served as the lead advisor of analytical services operations of our Company.

- From March 2004 to February 2008, she served as a vice president of analytical services of our Company.

- Between the 1990s and the 2000s, she worked as a research and development supervisor at Wyeth Pharmaceuticals, Inc., Pharmacopeia Inc. and Bristol-Myers Squibb Co. with various research papers published.

Dr. Ning Zhao obtained a bachelor's degree in chemistry from Peking University in the PRC in July 1989. She also obtained a Ph.D. degree from Columbia University in the United States in the 1990s.

Dr. Ning Zhao is the spouse of Dr. Ge Li.

NON-EXECUTIVE DIRECTORS

Mr. Xiaomeng Tong (童小幪), aged 48, is a non-executive Director of our Company. He is also a member of the Strategy Committee of the Company. Mr. Xiaomeng Tong is primarily responsible for providing guidance on corporate strategy and governance to our Group. He joined our Group in March 2016.

Mr. Xiaomeng Tong has the following work experience:

- From February 2018 to May 2019, he served as non-executive director of CStone Pharmaceuticals (基石藥業有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 2616).

- From June 2015 to January 2020, he served as a director of Guangzhou Kingmed Diagnostics Group Co., Ltd (廣州金域醫學檢驗集團股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 603882).

- Since June 2014, he has been serving as an independent non-executive director of Alibaba Pictures Group Limited (阿里巴巴影業集團有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 01060).

- Since May 2011, he has been serving as a managing partner of Boyu Capital Advisory Co. Limited (博裕投資顧問).

- From October 2008 to April 2011, he served as a managing director and head of Greater China District of Providence Equity Partners, where he headed its Greater China District practice.

- From July 2000 to September 2008, he served as a managing director and joint head of Greater China District of General Atlantic, where he co-headed its Greater China practice.

Mr. Xiaomeng Tong obtained a bachelor's degree in economics from Harvard University in the United States in June 1998.

Dr. Yibing Wu (吳亦兵), aged 54, is a non-executive Director of our Company. He is also a member of the Strategy Committee of the Company. Dr. Yibing Wu is primarily responsible for providing guidance on corporate strategy and governance to our Group. He joined our Group in March 2016.

Dr. Yibing Wu has the following work experience:

- Since May 2016, he has been serving as a non-executive Director of WuXi Biologics, a company listed on the Main Board of the Stock Exchange (stock code: 2269) and has been responsible for providing guidance on corporate strategy and governance.

- Since November 2015, he has been serving as a director of Summer Bloom Investments Pte. Ltd.

- Since January 2014, he has been serving as a director and general manager of Temasek Holdings Advisors (Beijing) Co., Ltd.

- Since October 2013, he has been working with Temasek International Pte. Ltd. and is currently the president of China; head of Enterprise Development Group (China); and joint head of Technology & Consumer.

- From January 2012 to September 2013, he served as the president of CITIC Goldstone Investment Co. Ltd.

- From April 2011 to April 2014, he served as a director of Neptune Orient Lines Limited, a company listed on the Singapore Exchange Limited (stock code: RE2).

- From December 2009 to September 2013, he served as the president of CITIC Private Equity Funds Management Co., Ltd.

- From May 2009 to July 2013, he served as a non-executive director of Lenovo Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 0992)

- From September 2008 to November 2009, he served as the standing vice president of Legend Holdings Co., Ltd.

- From August 2004 to August 2008, he was seconded from McKinsey & Company as the chief strategy officer, chief integration officer, chief transformation officer and chief information officer of Lenovo Group Ltd.

- From September 1996 to August 2008, he worked with McKinsey & Company, where he was a senior partner, senior director, and the head of Asia Pacific M&A practice and general manager of Beijing office.

Dr. Yibing Wu obtained a bachelor's degree in molecular biology from University of Science and Technology of China (中國科學技術大學) in the PRC in July 1989 and a Ph.D. degree in biochemistry and molecular biology from Harvard University in the United States in June 1996.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Jiangnan Cai (蔡江南), aged 64, is an independent non-executive Director of our Company. He is also the chairperson of the Nomination Committee, a member of the Strategy Committee of the Company and a member of the Audit Committee of the Company. He is primarily responsible for supervising and providing independent judgement to our Board. Dr. Jiangnan Cai was appointed as our independent non-executive Director in March 2017.

Dr. Jiangnan Cai has the following work experience:

- Since January 2020, he has been serving as a Chairman of the Academy of China Healthcare Innovation Platform (CHIPA).

- Since November 2019, he has been serving as an independent director of Betta Pharmaceuticals Co., Ltd. (貝達藥業股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300558) and has been responsible for supervising and providing independent judgement to the board of the company.

- Since June 2016, he has been serving as an independent non-executive director of Shanghai Pharmaceuticals Holding Co., Ltd. (上海醫藥集團股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 601607) and the Main Board of the Stock Exchange (stock code: 2607) and has been responsible for supervising and providing independent judgement to the board of the company.

- From March 2015 to February 2021, he served as a non-executive director of Harmonicare Medical Holdings Limited (和美醫療控股有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 1509), and has been responsible for supervising and providing independent judgement to the board of the company.

- From May 2014 to July 2020, he served as an independent director of Zhejiang DIAN Diagnostics Co., Ltd. (浙江迪安診斷技術股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300244), and was responsible for supervising and providing independent judgement to the board of the company.

- From April 2012 to December 2019, he served as a part-time professor in economics and the director of Center for Healthcare Management and Policy of the China Europe International Business School (中歐國際工商學院衛生管理與政策研究中心).

- From April 1999 to June 2012, he served as a human services program planner, reimbursement analyst and contracted program coordinator at the Center for Health Information and Analysis at Massachusetts.

- From July 1987 to December 1990, he served as a lecturer and the director of the Institute of Economic Development in East China University of Science and Technology (華東理工大學經濟研究所).

Dr. Jiangnan Cai obtained a master's degree in economics from Fudan University (復旦大學) in February 1985 and a doctorate degree in health policy from Brandeis University in the United States in February 1997.

Ms. Yan Liu (劉艷), aged 49, is an independent non-executive Director of the Company. She is also the chairperson of the Remuneration and Appraisal Committee and a member of the Nomination Committee of the Company, Ms. Yan Liu is primarily responsible for supervising and providing independent judgement to our Board. She was appointed as our independent non-executive Director in March 2017.

Ms. Yan Liu has the following work experience:

- Since December 2016, she has been serving as an independent director of Huatai Securities Co., Ltd (華泰證券股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 601688) and the Main Board of the Stock Exchange (stock code: 6886).

- From September 2016 to May 2019, she served as an independent director of Yantai Changyu Pioneer Wine Co., Ltd (煙台張裕葡萄釀酒股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 000869, 200869).

- From August 2014 to April 2021, she served as an independent director of Huaxin Cement Co., Ltd (華新水泥股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600801).

- She joined Beijing Tian Yuan Law Firm (北京市天元律師事務所) in October 1995 and is currently a partner of the firm.

Ms. Yan Liu obtained a bachelor's and master's degree in law from Peking University Law School (北京大學法學院) in the PRC in July 1995 and July 1998, respectively. She also obtained a master's degree in law from New York University Law School in the United States in May 2000.

Mr. Dai Feng (馮岱), aged 46, is an independent non-executive Director of our Company and a member of the Remuneration and Appraisal Committee of the Company. Mr. Dai Feng is primarily responsible for supervising and providing independent judgement to our Board. He was elected as our independent non-executive Director in August 2018 and such appointment was effective from December 13, 2018.

Mr. Dai Feng has the following work experience:

- Since November 2018, he has been serving as a chairman and non-executive director of Angelalign Technology Inc. (時代天使科技有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 6699).

- Since February 2018, he has been serving as a director of The Forsyth Institute (Harvard Dental School Affiliate) (哈佛大學牙科學院附屬研究院).

- Since December 2017, he has been serving as an independent non-executive director of Sling Group Holdings Limited (stock code: 8285), a company listed on the GEM of the Stock Exchange.

- Since March 2015, he has been serving as the managing director of CareCapital Advisors Limited (松柏投資管理(香港)有限公司), a company principally engaged in management advisory, and has been responsible for advising on business development and organizational management, with a focus on the dental industry.

- From December 2007 to December 2010 and from March 2012 to December 2013, he served as a director of Lepu Medical Technology (Beijing) Co., Ltd. (樂普(北京)醫療器械股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300003).

- From April 2004 to December 2014, he has served at various positions, including manager, principal and managing director at Warburg Pincus Asia LLC, a company principally engaged in investment advisory.

- Mr. Dai Feng is currently the chairman of Wuxi EA Medical Instruments Technologies Limited (無錫時代天使醫療器械科技有限公司), a provider of invisible dental orthodontic devices and the vice chairman of Carestream Dental LLC, a provider of dental digital product lines and services.

Mr. Dai Feng obtained a bachelor's degree in engineering sciences from Harvard University in the United States in June 1997.

Dr. Hetong Lou (婁賀統), aged 59, is an independent non-executive Director of our Company. He is also the chairperson of the Audit Committee and a member of the Remuneration and Appraisal Committee. Dr. Hetong Lou is primarily responsible for supervising and providing independent judgement to our Board. He was appointed as our independent non-executive Director in March 2017.

Dr. Hetong Lou has the following work experience:

- Since May 2018, he has been serving as an independent director of Shandong Hualu Hengsheng Chemical Co Ltd (山東華魯恒升化工股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600426), and responsible for providing independent judgement to the board of the company.

- Since March 2018, he has been serving as an independent non-executive director of China Hengshi Foundation Company Limited (中國恒石基業有限公司), which was delisted on the Main Board of the Stock Exchange (stock code: 1197) on 4 July 2019, and was responsible for providing independent judgement to the board of the company.

- Since December 2015, he has been serving as an independent director of Neway Valve (Suzhou) Co., Ltd (蘇州紐威閥門股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 603699), and was responsible for providing independent judgement to the board of the company.

- From April 2015 to August 2018, he was a director of Shanghai Lilong New Media Co., Ltd (上海利隆新媒體股份有限公司), a company which shares are quoted on the NEEQ (stock code: 833366), primarily engaged in providing international integrated road show service, and was responsible for its general management.

- From December 2014 to November 2020, he served as an independent director of Shanghai LongYun Media Group Co., Ltd (上海龍韻傳媒集團股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 603729), and was responsible for providing independent judgement to the board of the company.

- He is currently serving as an associate professor of the Department of Accounting of Fudan University (復旦大學).

Dr. Hetong Lou obtained a bachelor's degree in accounting from Shanghai University of Finance and Economics (上海財經大學) in the PRC in July 1984. He has also obtained a Ph.D. degree in Accounting from Fudan University in the PRC in July 2007.

Mr. Xiaotong Zhang (張曉彤), aged 53, is an independent non-executive Director of our Company. He is a member of the Audit Committee of the Company. Mr. Xiaotong Zhang is primarily responsible for supervising and providing independent judgement to our Board. He was appointed as our independent non-executive Director in March 2017.

Mr. Xiaotong Zhang has the following work experience:

- From September 2018 to September 2021, he served as an independent director of Wuhan DR Laser Technology Co., Ltd. (武漢帝爾激光科技股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 300776).

- From May 2018 to January 2020, he served as an independent director of Hubei Kailong Chemical Group Co., Ltd (湖北凱龍化工集團股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002783), and he was responsible for supervising and providing independent judgement to the board of the company.

- From October 2015 to April 2021, he served as an independent director of Limin Chemical Co., Ltd (利民化工股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002734), and he has been responsible for supervising and providing independent judgement to the board of the company.

- From October 2014 to January 2020, he served as an independent director of Shandong Huapeng Glass Co., Ltd (山東華鵬玻璃股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 603021), and he was responsible for supervising and providing independent judgement to the board of the company.

- Since April 1994, he has been serving as a lawyer and a partner of Beijing Finance and Commercial Law Offices (北京市通商律師事務所).

- From January 2014 to April 2021, he served as an independent director of CTS (Dengfeng) Songshan Shaolin Culture Tourism CO., Ltd (港中旅(登封)嵩山少林文化旅遊有限公司).

- He is currently serving as an independent director of Jiayin Hospital Group Co., Ltd (佳音醫院集團股份有限公司), and has been responsible for supervising and providing independent judgement to the board of the companies.

- He is currently serving as an external director of Beijing Tourism Group Co., Ltd. (北京首都旅遊集團有限責任公司), and has been responsible for supervising and providing independent judgement to the Beijing State-owned Assets Supervision and Administration Commission.

- He is currently serving as an independent director of Zhangzhou Aupo Electronics Co., Ltd. (漳州雅寶電子股份有限公司), and has been responsible for supervising and providing independent judgement to the board of the companies.

- Since April 1996, he has been serving as a senior manager of Beijing Junliu Consulting Co., Ltd. (北京君劉諮詢有限責任公司).

Mr. Xiaotong Zhang obtained a bachelor's degree in law from Southwest University of Political Science and Law (西南政法大學) (formerly known as Southwest College of Political Science and Law (西南政法學院)) in the PRC in July 1990 and a master's degree in law from Peking University Law School (北京大學法學院) in the PRC in July 1999. He also obtained a master's degree in business administration from Cheung Kong Graduate School of Business (長江商學院) in the PRC in September 2015.

SUPERVISORS

Mr. Harry Liang He (賀亮), aged 55, is a Supervisor of our Company. He joined the Group in July 2005 and has been the chairman of the Supervisory Committee since March 2017.

Mr. Harry Liang He has the following work experience:

- Currently, he is serving as an executive director of the chief operation offer's office of our Company.
- From March 2018 to September 2021, he served as the head of operation management of the Waigaoqiao site of the Company and concurrently as the head of supply chain risk control management team of the Company's China risk control department.
- From December 2015 to March 2018, he served as an assistant to the chief executive officer and an executive director of the chief executive officer's office of our Company.
- From July 2007 to December 2015, he served as an assistant to the chief executive officer, senior director and subsequently an executive director of the chief executive officer's office of WuXi PharmaTech, a company previously listed on NYSE.
- From July 2005 to June 2007, he served as an assistant to the chief executive officer of our Company.
- He previously served as a senior chemical testing engineer, data management manager and as an acting manager of the United States Navy public works environmental laboratory at Shaw Environmental & Infrastructure Inc. (肖恩環境和基礎建設公司).

Mr. Harry Liang He obtained a bachelor's degree in chemistry from Beijing University of Chemical Technology in the PRC in July 1989.

Mr. Baiyang Wu (吳柏楊), aged 57, is a Supervisor of our Company. He joined the Group in 2000 and was appointed as a Supervisor in August 2020.

Mr. Baiyang Wu has the following work experience:

- From January 2000 to December 2015, he served as the senior manager of commercial development team of the Company.
- From January 2016 to December 2019, he served as the senior manager of government affairs and policy research department of the Company.

Mr. Baiyang Wu obtained a bachelor's degree in mechanics from Peking University in the PRC in July 1987.

Ms. Minfang Zhu (朱敏芳), aged 50, is a Supervisor of our Company. She joined our Group in February 2001 and was appointed as a Supervisor in March 2017.

Ms. Minfang Zhu has the following work experience:

- Since December 2015, she has been serving as a human resources assistant director, then a human resources associate director and subsequently a human resources director of our Company.

- From August 2007 to December 2015, she served as a finance senior manager and a human resources assistant director of WuXi PharmaTech, a company previously listed on NYSE.

- From February 2001 to August 2007, she served as a finance senior manager and a human resources assistant director of our Company.

Ms. Minfang Zhu obtained an associate degree in financial management from Jiangsu Radio and Television University (江蘇廣播電視大學) in the PRC in July 2001.

SENIOR MANAGEMENT

Dr. Ge Li (李革), see the section headed "Executive Directors" for details.
Mr. Edward Hu (胡正國), see the section headed "Executive Directors" for details.
Dr. Steve Qing Yang (楊青), see the section headed "Executive Directors" for details.
Mr. Zhaohui Zhang (張朝暉), see the section headed "Executive Directors" for details.
Dr. Ning Zhao (趙寧), see the section headed "Executive Directors" for details.

Dr. Minzhang Chen (陳民章), aged 52, is a co-chief executive officer of our Company. He joined the Group in 2008 and has served in senior managerial roles in various important departments of the Group.

Dr. Minzhang Chen has the following work experience:

- Dr. Chen has established WuXi Chemistry, the chemistry business segment of the Company, through leading and integrating subsidiaries and business units including Shanghai SynTheAll Pharmaceutical Co., Ltd. and the Chemistry Service Unit.

- Dr. Chen has had over 20 years of experience in the research and development and production management of new drugs, and he has demonstrated important impact on the process of multiple global new drug research and development and commercialization. Prior to joining the Company, Dr. Chen served as the chief researcher of the chemistry department of Schering-Plough Research Institute (先靈葆雅研究所) and the head of the technical operation department of Vertex Pharmaceuticals Inc.

Dr. Minzhang Chen obtained a bachelor's degree in chemistry from Peking University (北京大學) in the PRC in 1991. He also obtained a Ph. D. degree in Organic Chemistry from University of Minnesota in the United States in 1996.

Mr. Ellis Bih-Hsin Chu (朱璧辛), aged 51, served as the chief financial officer of our Company from January 18, 2019 to December 31, 2021, and is the co-chief financial officer of the Company and the head of the mergers and acquisitions division with effect from January 1, 2022.

Mr. Ellis Bih-Hsin Chu has the following work experience:

From 2006 to 2018, he successively served as the investment banking associate at Lehman Brothers Asia Limited, the vice president of the Investment Banking at Nomura International (Hong Kong) Limited, director of the Asia IBD — M&A Department at Citigroup Global Markets Asia Limited and the managing director and Head of China M&A at Merrill Lynch (Asia Pacific) Ltd and managing director and Head of Greater China at Ion Pacific Limited. Before joining us, he served as the chief financial officer of JHL Biotech Inc. since May 2018.

Mr. Ellis Bih-Hsin Chu obtained an MBA degree from Columbia Business School in 2006.

Ms. Shi Ming (施明), aged 47, is the chief financial officer of the Company with effect from January 1, 2022. She joined the Group in April 2021 and has since then served as the senior vice president in finance of the Company.

Ms. Shi Ming has the following work experience:

She has had over 20 years of management experience in the fields of finance, business development and operations. Prior to joining the Group, Ms. Shi was the managing director of business development and chief financial officer of General Electric ("GE") China. During her 15-year career at GE, she held several senior management roles in GE's various divisions including the healthcare and advanced materials divisions. Ms. Shi has also previously worked at other multinational corporations earlier in her career, including at Ernst & Young Hua Ming LLP from 1997 to 2002.

Ms. Shi obtained a bachelor's degree in international finance from the International Business School of Shanghai University (上海大學國際商學院). She is a member of the Chinese Institute of Certified Public Accountants and a graduate of GE's Executive Financial Leadership Program (EFLP).

Dr. Shuhui Chen (陳曙輝), aged 58, is a vice president of our Company. He joined our Group in April 2004.

Dr. Shuhui Chen has the following work experience:

- Since December 2015, he has been serving as an executive vice president and chief scientific officer of our Company.
- From August 2007 to December 2015, he served as an executive vice president and chief scientific officer at WuXi PharmaTech, a company previously listed on NYSE.
- From April 2004 to August 2007, he served as the chief scientific officer of our Company.
- In around 2004, he served as a research advisor at Eli Lilly and Company, a company listed on the NYSE (stock code: LLY).

Dr. Shuhui Chen obtained a Ph.D. degree in chemistry from Yale University in the United States in May 1991.

Mr. Chi Yao (姚馳), aged 38, is the board secretary of our Company. He joined our Group in March 2016.

Mr. Yao has the following work experience:

- Since March 2016, he served as a board secretary of our Company.

- From December 2012 to March 2016, he served as a legal consultant at DLA Piper (歐華律師事務所).

- From July 2011 to November 2012, he served as a legal consultant at King & Wood Mallesons (金杜律師事務所) in Beijing, PRC.

Mr. Chi Yao obtained a bachelor of law degree and a master's degree of law from China University of Political Science and Law (中國政法大學) in the PRC in June 2006 and June 2011, respectively.

The Board of the Company is pleased to present this corporate governance report in this annual report (the "Corporate Governance Report").

CORPORATE GOVERNANCE PRACTICES

The Board of the Company is committed to achieving good corporate governance standards.

The Board believes that good corporate governance standards are essential in providing a framework for the Company to safeguard the interests of Shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company's corporate governance practices are based on the principles as set out in the Corporate Governance Code (effective until December 31, 2021) contained in Appendix 14 to the Listing Rules.

The Board is of the view that throughout the year ended December 31, 2021, the Company has complied with all the code provisions as set out in the CG Code, except for code provision A.2.1 (which has been renumbered as code provision C.2.1 with effect from January 1, 2022). as explained in the paragraph headed "Chairman and Chief Executive Officer" below.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has devised its own code of conduct regarding Directors' dealings in the Company's securities (the "Code of Conduct") on terms no less exacting than the Model Code as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code and the Code of Conduct throughout the year ended December 31, 2021.

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

BOARD OF DIRECTORS

The Company is headed by an effective Board which oversees the Group's businesses, strategic decisions and performance and takes decisions objectively in the best interests of the Company.

The Board should regularly review the contribution required from a Director to perform his responsibilities to the Company, and whether the Director is spending sufficient time performing them.

Board Composition

During the year ended December 31, 2021, the Board comprised 12 Directors, consisting of 5 executive Directors, 2 non-executive Directors and 5 independent non-executive Directors as follows:

Executive Directors

Dr. Ge Li *(Chairman and Chief Executive Officer)*
Mr. Edward Hu *(Vice Chairman and Global Chief Investment Officer)*
Dr. Steve Qing Yang *(Co-chief Executive Officer)*
Mr. Zhaohui Zhang
Dr. Ning Zhao

Non-executive Directors

Mr. Xiaomeng Tong
Dr. Yibing Wu

Independent Non-executive Directors

Dr. Jiangnan Cai
Ms. Yan Liu
Mr. Dai Feng
Dr. Hetong Lou
Mr. Xiaotong Zhang

The biographical information of the Directors are set out in the section headed "Profiles of Directors, Supervisors and Senior Management" of this annual report and the relationships between the Directors are disclosed in the respective Director's biography.

Except for Dr. Ge Li, Dr. Ning Zhao and Mr. Zhaohui Zhang who had entered into an acting-in-concert agreement and a supplemental agreement on March 23, 2016 and March 17, 2017 to acknowledge and confirm their acting-in-concert relation in the Company and the relationships between the Directors set forth in the respective Director's biography under the section headed "Profiles of Directors, Supervisors and Senior Management", the Directors do not have financial, business, family or other material/relevant relationships with one another.

Chairman and Chief Executive Officer

Code provision A.2.1 (which has been renumbered as code provision C.2.1 with effective from January 1, 2022) stipulates that the roles of Chairman and Chief Executive should be separate and should not be performed by the same individual.

The Chairman and Chief Executive Officer of the Company are held by Dr. Ge Li who is the founder of the Company and has extensive experience in the industry.

The Board is of the view that given that Dr. Ge Li had been responsible for leading the strategic planning and business development of the Group, the arrangement would allow for effective and efficient planning and implementation of business decisions and strategies under the strong and consistent leadership, and should be overall beneficial to the management and development of the Group's business.

Independent Non-executive Directors

During the year ended December 31, 2021, the Board at all times exceeded the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors representing one-third of the board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his/her independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

Appointment and Re-election of Directors

The non-executive Directors (including independent non-executive Directors) of the Company are appointed for a specific term of three years and are eligible for re-election upon expiry of their term of office in accordance with the Articles of Association of the Company.

According to the Articles of Association of the Company, Directors shall be elected or replaced at general meetings and their term of office shall be three years. Directors are eligible for re-election upon expiry of their term of office, while the renewed term of office of independent directors shall not exceed six years. Subject to the relevant laws, regulations and regulatory rules of the place where the Company is listed, if the Board appoints a new director to fill any casual vacancy on the Board or as an addition to the existing Board, the term of office of such appointed director shall end upon the next annual general meeting of the Company and he/she is eligible for re-election and renewal thereat. All the directors appointed to fill causal vacancies shall accept shareholder election at the first general meeting after acceptance of the appointment.

Responsibilities of the Directors

The Board should assume responsibility for leadership of the Company and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses, for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the management.

The Company has arranged appropriate insurance coverage on Directors' and officers' liabilities in respect of any legal actions taken against Directors and senior management arising out of corporate activities.

Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director has received formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for Directors would be arranged and reading material on relevant topics would be provided to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the year ended December 31, 2021, all Directors attended training sessions on the respective obligations of the Directors and senior management. In addition, relevant reading materials including legal and regulatory update have been provided to the Directors for their reference and studying.

The record of continuous professional development relating to director's duties and regulatory and business development that have been received by the Directors for the year ended December 31, 2021 is summarized as follows:

Directors	Type of Training(Note)
Executive Directors	
Dr. Ge Li	A/B
Mr. Edward Hu	A/B
Dr. Steve Qing Yang	A/B
Mr. Zhaohui Zhang	A/B
Dr. Ning Zhao	A/B
Non-Executive Directors	
Mr. Xiaomeng Tong	A/B
Dr. Yibing Wu	A/B
Independent Non-Executive Directors	
Dr. Jiangnan Cai	A/B
Ms. Yan Liu	A/B
Mr. Dai Feng	A/B
Dr. Hetong Lou	A/B
Mr. Xiaotong Zhang	A/B

Note:

Types of Training
A: Attending training sessions, including but not limited to, briefings, seminars, conferences and workshops
B: Reading relevant news alerts, newspapers, journals, magazines and relevant publications

Board Diversity Policy

The Company recognizes and embraces the benefits of having a diverse Board to enhance the quality of its performance. The Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. The Board has adopted a board diversity policy since the date of listing of the Company on the Stock Exchange for the purpose of ensuring that the Board has the appropriate balance of skills, experience and diversity of perspectives necessary to enhance the effectiveness of the Board.

The Company commits to selecting the best person for the role based on a range of diversity perspectives, including but not limited to gender, age, cultural background and ethnicity. All Board appointments will be based on meritocracy, and candidates will be considered against appropriate criteria, having due regard for the benefits of diversity on the Board.

The Nomination Committee will review the Board Diversity Policy and the measurable objectives, as appropriate, to ensure the effectiveness of the Policy.

Nomination Policy

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee of the Company.

The Company has adopted the Nomination Policy which sets out the objectives, selection criteria and nomination procedures for identifying and recommending candidates for appointment or reappointment of Directors.

BOARD COMMITTEES

The Board has established 4 committees, namely, the Audit Committee, Remuneration and Appraisal Committee, Nomination Committee and Strategy Committee, for overseeing particular aspects of the Company's affairs.

All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to Shareholders upon request.

Audit Committee

The Audit Committee consists of three independent non-executive Directors, namely Dr. Hetong Lou, Mr. Xiaotong Zhang and Dr. Jiangnan Cai. Dr. Hetong Lou is the chairperson of the Audit Committee.

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code and in compliance with the relevant laws and regulations of the PRC.

The main duties of the Audit Committee include but are not limited to:

- monitoring and evaluating the work of the external auditor;
- supervising the implementation of the internal audit system of the Company;
- being responsible for the communications among the management level of the Company, the internal and external audit;
- reviewing and commenting on the financial reports of the Company;
- examining the financial reporting system, risk management and internal control systems of the Company;
- making recommendations to the Company on the appointment, reappointment and removal of the external auditor;
- performing daily management duties and implementing control on connected transactions; and
- performing such other duties determined by the Board and stipulated in the Listing Rules or regulatory rules of the place where the shares of the Company are listed.

During the Reporting Period, the Audit Committee held 8 meetings to review, in respect of the year ended December 31, 2021, the annual financial results and reports and significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems and internal audit function, appointment of external auditors and engagement of non-audit services and relevant scope of works and, connected transactions and arrangements for employees to raise concerns about possible improprieties.

The Audit Committee also met the external auditors 2 times without the presence of the executive Directors.

The attendance records of the Audit Committee are set out under "Attendance Record of Directors and Committee Members".

Remuneration and Appraisal Committee

The Remuneration and Appraisal Committee consists of 3 independent non-executive Directors, namely Ms. Yan Liu, Dr. Hetong Lou and Mr. Dai Feng. Ms. Yan Liu is the chairperson of the Remuneration and Appraisal Committee.

The terms of reference of the Remuneration and Appraisal Committee are of no less exacting terms than those set out in the CG Code and in compliance with the relevant laws and regulations of the PRC.

The main duties of the Remuneration and Appraisal Committee include but are not limited to:

- formulating remuneration policies for Directors and senior management in accordance with the respective scope, responsibilities and significance of Directors and senior management and remuneration levels of similar positions in other enterprises within the same industry;
- making recommendations to the Board on the establishment of a formal and transparent procedure for developing remuneration policies;
- monitoring the implementation of remuneration system of the Company for the Directors and senior management;
- assessing the fulfillment of duties of Directors and senior management of the Company and appraising their annual performance;
- determining with delegated responsibility, the remuneration packages of individual Directors and senior management;
- reviewing and approving compensation payable to Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair and not excessive;

- reviewing and managing the share incentive scheme(s) of the Company, including determining the scope of the eligible participants and conditions of a grant and auditing the exercise conditions; and

- performing such other duties determined by the Board and stipulated in the Listing Rules or regulatory rules of the place where the shares of the Company are listed.

The Remuneration and Appraisal Committee held 8 meetings during the Reporting Period to review and make recommendation to the Board on the remuneration policy and structure of the Company and the remuneration packages of the Directors and senior management and other related matters. The attendance records of the Remuneration and Appraisal Committee are set out under "Attendance Records of Directors and Committee Members".

The remuneration of the members of the senior management of the Group by band for the Reporting Period is set out below:

Remuneration	Number of persons
HK$3,000,001 to HK$3,500,000	1
HK$5,500,001 to HK$6,000,000	1
HK$7,500,001 to HK$8,000,000	1
HK$9,000,001 to HK$9,500,000	1
HK$12,500,001 to HK$13,000,000	1
HK$14,500,001 to HK$15,000,000	2
HK$15,000,001 to HK$15,500,000	1
HK$37,000,001 to HK$37,500,000	1

Nomination Committee

The Nomination Committee consists of 3 members, namely Dr. Jiangnan Cai, independent non-executive Director, Ms. Yan Liu, independent non-executive Director, and Dr. Ge Li, executive Director. Dr. Jiangnan Cai is the chairperson of the Nomination Committee.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code and in compliance with the relevant laws and regulations of the PRC.

The main duties of the Nomination Committee include but are not limited to:

- making recommendation to the Board on its size and composition to complement the Company's business operation and shareholding structure;
- reviewing and making recommendations to the selection standard and procedure of Directors and senior management;
- identifying individuals suitably qualified to become Directors and senior management and selecting or making recommendations to the Board on selection of individuals nominated for directorships or senior management positions;
- reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- assessing the independence of independent non-executive Directors; and
- performing such other duties determined by the Board and stipulated in the Listing Rules or regulatory rules of the place where the shares of the Company are listed.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board diversity policy, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience etc. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's character, qualifications, experience, independence, time commitment and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

During the Reporting Period, the Nomination Committee held 2 meetings to review the appointment of members of the senior management of the Company. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board is maintained and has not set any measurable objective implementing the Board diversity policy. The attendance records of the Nomination Committee are set out under "Attendance Record of Directors and Committee Members".

Strategy Committee

The Strategy Committee consists of 5 members including 2 executive Directors namely, Dr. Ge Li and Mr. Edward Hu, 2 non-executive Directors namely, Mr. Xiaomeng Tong and Dr. Yibing Wu and 1 independent non-executive Director namely, Dr. Jiangnan Cai. Dr. Ge Li is the chairperson of the Strategy Committee.

The terms of reference of the Strategy Committee are in compliance with the relevant laws and regulations of the PRC.

The main duties of the Strategy Committee include but are not limited to:

- researching and recommending on long-term development strategy of the Company;
- researching and recommending on significant capital expenditure, investment and financing projects of the Company;
- researching and recommending on major capital operation (including but not limited to the increase or reduction of registered share capital, issuance of bonds, subsidiary merger, separation, dissolution or change of company form, profit distribution plan and make up for losses program), asset management project, and annual financial budget plan of the Company;
- researching and recommending on significant matters relating to the development of the Company;
- monitoring the above matters and assessing, examining and recommending on significant changes; and
- performing such other duties determined by the Board and stipulated in the Listing Rules or regulatory rules of the place where the shares of the Company are listed.

During the Reporting Period, the Strategy Committee held 3 meetings to review matters including the annual financial budget and the current business development and investment projects of the Company. The attendance records of the Strategy Committee are set out under "Attendance Records of Directors and Committee Members".

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 (which has been renumbered as code provision A.2.1 with effective from January 1, 2022) of the CG Code.

During the year, the Board had reviewed the Company's corporate governance policies and practices, training and continuous professional development of directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and Written Employee Guidelines, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

ATTENDANCE RECORDS OF DIRECTORS AND COMMITTEE MEMBERS

The attendance record of each director during their tenure of office at the Board and Board Committee meetings and the general meetings of the Company held during the year ended December 31, 2021 is set out in the table below:

	Attendance/Number of Meetings						
Name of Director	Board	Audit Committee	Remuneration and Appraisal Committee	Nomination Committee	Strategy Committee	Annual General Meeting	Other General Meetings and A Share Class Meeting and H Share Class meeting
Dr. Ge Li	12/12	NA	NA	2/2	3/3	1/1	3/3
Mr. Edward Hu	12/12	NA	NA	NA	3/3	1/1	3/3
Dr. Steve Qing Yang	12/12	NA	NA	NA	NA	1/1	3/3
Mr. Zhaohui Zhang	12/12	NA	NA	NA	NA	1/1	3/3
Dr. Ning Zhao[1]	12/12	NA	2/2	NA	NA	1/1	3/3
Mr. Xiaomeng Tong	12/12	NA	NA	NA	3/3	1/1	3/3
Dr. Yibing Wu	12/12	NA	NA	NA	3/3	1/1	3/3
Dr. Jiangnan Cai[2]	12/12	6/6	NA	2/2	3/3	1/1	3/3
Ms. Yan Liu[3]	12/12	2/2	8/8	2/2	NA	1/1	3/3
Mr. Dai Feng[4]	12/12	NA	6/6	NA	NA	1/1	3/3
Dr. Hetong Lou	12/12	8/8	8/8	NA	NA	1/1	3/3
Mr. Xiaotong Zhang	12/12	8/8	NA	NA	NA	1/1	3/3

Apart from regular Board meetings, the Chairman also held meetings with the independent non-executive Directors without the presence of other Directors during the year.

All independent non-executive Directors and non-executive Directors have attended general meetings to gain and develop a balanced understanding of the view of Shareholders.

Notes:

1. Dr. Ning Zhao has ceased to be a member of the Remuneration and Appraisal Committee with effect from March 30, 2021.

2. Dr. Jiangnan Cai has been appointed as a member of the Audit Committee for a term commencing on March 30, 2021 and ending on the expiration of the term of the second session of the Board.

3. Ms. Yan Liu ceased to be a member of the Audit Committee with effect from March 30, 2021.

4. Mr. Dai Feng has been appointed as a member of the Remuneration and Appraisal Committee for a term commencing on March 30, 2021 and ending on the expiration of the term of the second session of the Board.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit Committee monitors and manages the Company's overall risks related to the business operations. It also (i) reviews and approves the Company's risk management policy to ensure that such policies are in line with the corporate objectives; (ii) reviews and approves the corporate risk tolerance; (iii) monitors significant risks related to the business operations and the handling of such risks by the management; (iv) evaluates the corporate risk based on the corporate risk tolerance; and (v) monitors and ensures the appropriate application of the Company's risk management framework consistently within the Group.

The co-chief executive officers are responsible for (i) formulating and updating the Company's risk management policy and objectives; (ii) reviewing and approving major risk management matters of the Company; (iii) formulating risk management measures; (iv) providing guidance on the risk management approach to the relevant departments of the Company; (v) reviewing the relevant departments' reporting on key risks and providing feedback; (vi) monitoring the implementation of risk management measures by relevant departments; (vii) ensuring that the appropriate structure, processes and competences are in place across the Group; and (viii) reporting significant risks to the Audit Committee.

The relevant departments of the Company are responsible for implementing the risk management policy and the day-to-day risk management practices. In order to standardize risk management across the Group and establish transparent and standardized risk management performance, the relevant departments (i) collect data on risks related to their operation and function; (ii) conduct risk assessment, including the identification, prioritization, measurement and categorization of all major risks which may have potential impacts on achieving their objectives; (iii) prepare risk management reports for the review of the chief executive officers; (iv) continuously monitor major risks related to the Company's operations; (v) implement appropriate measures in response to the risk exposure where necessary; and (vi) formulate and implement appropriate mechanisms to facilitate the application of the risk management framework.

The Company have engaged an internal control consultant to perform certain agreed-upon procedures in connection with the internal control of the Company and the major operating subsidiaries and to report factual findings on the Group's entity-level controls and internal controls of various processes, including environment control, risk assessment, internal monitoring, information and communication, anti-bribery, reporting and disclosure, related parties and related party transaction, tax, sales and payment collection management, purchases and payment management, inventory management, fixed assets management, human resources and remuneration management, capital management, contract management, research and development and intangible assets management, information system management, and insurance.

The Company has adopted a series of internal control policies, measures and procedures designed to provide reasonable assurance for achieving objectives, including effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations. The internal control policies, measures and procedures which the Company implemented or plans to implement are summarized below:

- The Company has set up the Compliance Department and Legal Affairs Office, which are responsible for the overall internal control, corporate governance and legal compliance matters of the Group.

- The Compliance Department and Legal Affairs Office are responsible for issuing and amending internal control policies, measure and procedures to ensure that the Company maintains comprehensive and effective internal control and complies with applicable laws and regulations. The Compliance Department also monitors the implementation of the internal control policies, measures and procedures and conducts regular compliance review and investigation at different stages of drug development process. In addition, the Compliance Department and Legal Affairs Office provide guidelines to the business departments regarding each stage of the drug discovery, development or manufacturing process.

- The Compliance Department organizes monthly/annual inspections on the internal controls of each business department of the Company and issues to the person-in-charge of the relevant business department the internal control self-assessment report with information related to risks discovered and any suggested remedies for his/her action.

- The person-in-charge of each business department is responsible for implementing relevant internal control policies, measures and procedures and conducting regular review regarding the implementation of such policies, measures and procedures.

- The Company has implemented relevant internal control policies, measures and procedures for all business departments regarding each of the drug discovery, development and manufacturing stages, educating the relevant employees about such policies, measures and procedures, and addressing their questions, submitting suggested revisions to such policies, measures and procedures to the Compliance Department and regularly inspect the implementation of policies, measures and procedures.

- The Company has adopted various measures and procedures for all aspects of the business operation, such as project management, quality assurance, intellectual property protection, environmental protection and occupational health and safety. Employees are provided with regular training on such measures and procedures. The implementation of measures and procedures are constantly monitored through the Compliance Department at each stage of the drug development process.

- The Compliance Department has established a whistleblowing mechanism regarding complaints against the Directors, senior management, employees, clients, and other business partners, and independent and fair investigation will be conducted on the reported complaints for appropriate follow up actions. The Compliance Department has also established an online platform for the employees to report their complaints and inquiries. Besides, the Compliance Department has established Whistleblowing Policies which regulates the reporting channels, case officers, investigation procedures and results reports, and explicitly states that retaliation on whistleblowers is prohibited. Based on the complaints received, the Compliance Department will evaluate the effectiveness and any potential weaknesses in the Company's internal control system to make corresponding improvement on the internal control policies, measures and procedures.

The Company has developed its disclosure policy which provides a general guide to the Company's Directors, officers, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries.

Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited.

The Board, through the Audit Committee, has reviewed the effectiveness of the internal audit system and the risk management and the internal control system of the Group, including the adequacy of resources, qualifications and experience of staff in the aforementioned systems and of the Company's accounting and financial reporting function, and the adequacy of their training programs and budget.

For the year ended December 31, 2021, the Board, through a review, considered that the risk management and internal control system of the Group was effective and adequate.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended December 31, 2021.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report.

AUDITORS' REMUNERATION

The remuneration paid or payable to the Company's external auditors of the Group in respect of audit services and non-audit services for the year ended December 31, 2021 amounted to RMB7.6 million and RMB4.2 million, respectively.

An analysis of the remuneration paid to the external auditors of the Group, in respect of audit services and non-audit services for the year ended December 31, 2021 is set out below:

Service Category	**Fees Paid/ Payable** *RMB'000*
Audit Services	7,619
Non-audit Services	
— Taxation	3,483
— Due Diligence	752
	11,854

JOINT COMPANY SECRETARIES

During the year ended December 31, 2021, Mr. Chi Yao and Ms. Siu Wing Kit of Tricor Services Limited (an external service provider) were the joint company secretaries of the Company, they have complied with Rule 3.29 of the Listing Rules by taking no less than 15 hours of the relevant professional training during the year.

All Directors have access to the advice and services of the joint company secretaries on corporate governance and board practices related matters.

SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual Director. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Convening a Shareholders' General Meeting

A Shareholders' general meeting is required to be held once every year. An extraordinary general meeting is required to be held within 2 months of the occurrence of any of the following:

- the number of Directors is less than the number stipulated by the PRC Company Law or less than two-thirds of the number specified in the Articles of Association;
- the unrecovered losses of the Company amounted to one-third of the Company's total paid-in share capital;
- Shareholders severally or jointly holding more than 10% or more of the Company's Shares request in writing to hold such meeting;
- the Board deems it necessary;
- the Supervisory Committee proposes to hold such a meeting; or
- any other circumstances as provided for in the laws, administrative regulations, departmental rules, regulatory documents, the Listing Rules, the Rules Governing the Listing of Stocks on Shanghai Stock Exchange, or the Articles of Association.

A Shareholders' general meeting shall be convened by the Board, and presided over by the Chairman of the Board. In the event that the Chairman cannot or does not fulfill his duties, the vice chairman shall preside over the meeting, where the vice chairman cannot or does not fulfil his duties, a Director nominated by half or more of the Directors shall preside over the meeting. Where the Board is unable to perform or fail to perform the duty of convening Shareholders' general meeting, the Supervisory Committee may convene and preside over Shareholders' general meeting in a timely manner. If the Supervisory Committee fails to convene and preside over Shareholders' general meeting, Shareholders individually or in aggregate holding 10% or more of the Company's Shares for 90 days or more consecutively may unilaterally convene and preside over Shareholders' general meeting.

Putting Forward Proposals at General Meetings

A single Shareholder who holds, or several Shareholders who jointly hold, 3% or more of the Shares may submit an interim proposal in writing to the Board 10 days before the general meeting is held. The Board shall notify other Shareholders within 2 days upon receipt of the proposal, and submit the said interim proposal to the general meeting for deliberation. The contents of the interim proposal shall fall with the scope of powers of the general meeting, and the proposal shall have a clear agenda and specific matters on which resolutions are to be made.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address:	Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong (For the attention of the Board of Directors/Company Secretary)
Fax:	+86(21) 50463093
Email:	ir@wuxiapptec.com

For the avoidance of doubt, Shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. For this purpose, the Company has set up a website (www.wuxiapptec.com.cn), where relevant latest information, the up-to-date state of the Company's business operation and development, the Company's financial information and corporate governance practices and other data are available to the public.

The Company endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, Directors (or their delegates as appropriate) are available to meet Shareholders and answer their enquiries.

During the year ended December 31, 2021, the Company has amended its Articles of Association. An up-to-date version of the Company's Articles of Association is also available on the Company's website and the Stock Exchange's website.

Policies relating to Shareholders

The Company has in place a shareholders' communication policy to ensure that Shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness.

Dividend Policy

The Company has adopted a policy on payment of dividends pursuant to code provision E.1.5 (which has been renumbered as code provision F.1.1 with effective from January 1, 2022) of the CG Code taking into consideration of various elements including but not limited to the Company's strategic development objectives, operation plan, profitability, cash flow and financing. The policy sets out the factors in consideration, procedures, methods and intervals of the payment of dividends with an objective to provide the Shareholders with continuing, stable and reasonable returns on investment while maintaining the Company's business operation and achieving its long-term development goal.

Significant Changes in Constitutional Documents

On 13 May 2021, a special resolution was passed at the 2020 AGM approving certain amendments to the Articles of Association. Please refer to the circular of the Company dated April 9, 2021 for further details of the amendments.

Subsequently, on 30 August 2021, a special resolution was passed at the first extraordinary general meeting convened by the Company in 2021 approving certain amendments to the Articles of Association. Please refer to the circular of the Company dated August 10, 2021 for further details of the amendments.

The Board is pleased to present this annual report together with the audited consolidated financial statements of the Group for the year ended December 31, 2021.

PRINCIPAL ACTIVITIES

The Company is a joint stock limited company incorporated under the laws of the PRC, the predecessor of which, WuXi AppTec Ltd. (無錫藥明康德新藥開發有限公司) (formerly known as WuXi PharmaTech Co., Ltd. (無錫藥明康德組合化學有限公司)), was established under the laws of the PRC as an enterprise legal person in December 2000. The Company completed its initial public offering and listing of 104,198,556 A Shares on The Shanghai Stock Exchange (stock code: 603259.SH) on May 8, 2018. The Company completed its public offering and listing of 116,474,200 H Shares on the Main Board of the Hong Kong Stock Exchange (stock code: HK 2359) on December 13, 2018. The Group is a leading global pharmaceutical R&D services platform transforming the business of discovery, development and manufacturing of innovative pharmaceuticals.

The activities and particulars of the Company's principal subsidiaries are shown under Note 52 to the consolidated financial statements. An analysis of the Group's revenue and operating profit for the year by principal activities is set out in the section headed "Management Discussion and Analysis" in this annual report and Note 5 to the consolidated financial statements.

BUSINESS REVIEW

A review of the Group's business during the year, which includes a discussion of the principal risks and uncertainties faced by the Group, an analysis of the Group's performance using financial key performance indicators, particulars of important events affecting the Group during the year, and an indication of likely future developments in the Group's business, could be found in the sections headed "Chairman's Statement", "Management Discussion and Analysis" and "Corporate Governance Report" in this annual report. The review and discussion form part of this Directors' report.

RESULTS AND DIVIDEND

The consolidated results of the Group for the year ended December 31, 2021 are set out on pages 142 to 304 of this annual report.

Subsequent to the end of the Reporting Period, the Board of the Company proposes the 2021 Profit Distribution Plan, pursuant to which a cash dividend of RMB0.5174 (2020: RMB0.363) (inclusive of tax) per ordinary share is proposed to be paid to Shareholders on the record date for determining the Shareholders' entitlement to 2021 Profit Distribution plan which amounts to an aggregate amount of RMB1,529,309,116.25 (2020: RMB889,579,996.44) (inclusive of tax) based on the total issued share capital of the Company as at March 25, 2022.

FUND RAISING

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

FINANCIAL SUMMARY

A summary of the published results, assets and liabilities of the Group for the last five financial years is set out on page 49 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property and equipment of the Group during the Reporting Period are set out in Note 16 to the consolidated financial statements on pages 210 to 211 of this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is highly aware of the importance of environment protection and has not noted any material non-compliance with all relevant laws and regulations in relation to its business including health and safety, workplace conditions, employment and the environment. The Group has implemented environmental protection measures and has also encouraged staff to be environmental friendly at work by consuming the electricity and paper according to actual needs, so as to reduce energy consumption and minimize unnecessary waste. Further details of the Group's environmental policies and performance are disclosed in the environmental, social and governance report of the Company for the Reporting Period published on April 11, 2022.

SHARE CAPITAL

Details of the movements in share capital of the Company during the Reporting Period are set out in Note 42 to the consolidated financial statements on page 244 to 245 of this annual report.

RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 146 to 147 of this annual report. Details of the movement in the reserves of the Company during the Reporting Period is set out in Note 53 to the consolidated financial statements on pages 301 to 303 of this annual report.

DISTRIBUTABLE RESERVES

As at December 31, 2021, the Company's distributable reserves, calculated in accordance with PRC rules and regulation, were RMB1,536.0 million.

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

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

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

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

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

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

PRE-EMPTIVE RIGHTS

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

USE OF NET PROCEEDS FROM THE A SHARE LISTING

The total net proceeds from the issue of A Shares by the Company in its A Share Listing amounted to approximately RMB2,130.3 million and the balance of unutilized net proceeds of A Share Listing is approximately RMB639.6 million as at the year ended December 31, 2021.

The net proceeds from the A Share Listing have been and will be utilized in accordance with the purpose set out in the A Share Prospectus. The table below sets out the planned applications of the net proceeds from A Share Listing and actual usage up to the year ended December 31, 2021:

Use of proceeds from the A Share Listing	Percentage of net proceeds from the A Share Listing	Allocation of net proceeds as disclosed in the A Share Prospectus (RMB million)	Balance of the utilized amount (as at the year ended December 31, 2021) (RMB million)	Balance of the unutilized amount (as at the year ended December 31, 2021) (RMB million)	Actual and expected timeline for utilizing the remaining balance of net proceeds from the A Share Listing[1]
Suzhou and Nantong drug safety evaluation centre expansion project [2]	34%	727.2	291.5	435.7	Expected to be fully utilized by December 31, 2022
Tianjin chemical R&D laboratory expansion and upgrade project (the "Tianjin Project") [3]	26%	564.0	360.1	203.9	Have been fully utilized as at December 31, 2021
Company's headquarter and analytical diagnostic service R&D centre [4]	9%	200.0	200.0	—	Have been fully utilized as at May 31, 2018
Working capital uses	30%	639.1	639.1	—	N/A
Total [5]	100%	2,130.3	1,490.7	639.6	

Notes:

(1) The expected timeline for utilizing the remaining proceeds is set based on the best estimation of the Company taking into account, among other factors, prevailing and future market conditions and business developments and needs, and therefore is subject to change.

(2) On December 31, 2021, the Board resolved to (i) subject to Shareholders' approval, change the implementation entity and implementation location of the Suzhou drug safety evaluation centre expansion project (the "Suzhou Project") by applying a portion of the net proceeds from the A Share Listing originally allocated to the Suzhou Project to the Nantong drug safety evaluation centre project; and (ii) delay the expected date on which the Suzhou Project is completed and become available for use from December 31, 2021 to December 31, 2022. For further details, please refer to the relevant announcement of the Company dated December 31, 2021 and the circular of the Company dated March 31, 2022.

(3) On March 23, 2022, as a result of the completion of the Tianjin Project and for the purpose of improving the utilization efficiency of the funds of the Company, the Board has resolved to, subject to Shareholders' approval, use the surplus net proceeds from the A Share Listing allocated for the Tianjin Project in the amount of RMB242.2 million (including interest income and wealth management income net of bank charges of RMB38.3 million) to permanently replenish the working capital of the Company. For further details, please refer to the relevant announcement of the Company dated March 23, 2022 and the circular of the Company dated March 31, 2022.

(4) Expansion of Company's headquarter and analytical diagnostic service R&D centre has completed as at May 31, 2018.

(5) Any discrepancies in the sum of amounts listed in the tables with the breakdown of use of net proceeds in this annual report is due to rounding.

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

The total net proceeds from the Non-public Issuance of A Shares by the Company amounted to approximately RMB6,461.2 million, and the balance of unutilized net proceeds of the Non-public Issuance of A Shares is approximately RMB1,268.6 million.

The table below sets out the planned applications of the net proceeds from the Non-public Issuance of A Shares and the actual usage up to the year ended December 31, 2021:

Use of proceeds from the Non-public Issuance of A Shares	Percentage of net proceeds from the Non-public Issuance of A Shares	Allocation of net proceeds from the Non-public Issuance of A Shares (RMB million)	Balance of the utilized amount from the Non-public Issuance of A Shares (as at the year ended December 31, 2021) (RMB million)	Balance of the unutilized amount from the Non-public Issuance of A Shares (as at the year ended December 31, 2021) (RMB million)	Actual and expected timeline for utilizing the remaining balance of net proceeds from the non-public issuance of A Shares[1]
Phase I new drug development services and drug manufacturing project of WuXi STA Pharmaceutical Co., Ltd.	11%	736.3	627.4	108.9	Expected to be fully utilized by August 31, 2022
Global research and development centre and ancillary facilities project of Shanghai STA Pharmaceutical Co., Ltd. (the "Shanghai STA Project") [2]	8%	491.8	380.9	110.9	Expected to be fully utilized by August 31, 2022
New drug manufacturing and research and development centre project of Changzhou SynTheAll Pharmaceutical Co., Ltd. (the "Changzhou STA Centre Project") [3]	10%	660.6	600.7	60.0	Have been fully utilized as at December 31, 2021
New drug manufacturing and research and development integrated project of Changzhou SynTheAll Pharmaceutical Co., Ltd.	28%	1,789.3	1,280.5	508.8	Expected to be fully utilized by August 31, 2022

Use of proceeds from the Non-public Issuance of A Shares	Percentage of net proceeds from the Non-public Issuance of A Shares	Allocation of net proceeds from the Non-public Issuance of A Shares (RMB million)	Balance of the utilized amount from the Non-public Issuance of A Shares (as at the year ended December 31, 2021) (RMB million)	Balance of the unutilized amount from the Non-public Issuance of A Shares (as at the year ended December 31, 2021) (RMB million)	Actual and expected timeline for utilizing the remaining balance of net proceeds from the non-public issuance of A Shares[1]
Small molecule new drug manufacturing skill platform technical capability upgrade project of Shanghai STA Pharmaceutical R&D Co., Ltd.	5%	300.0	133.1	166.9	Expected to be fully utilized by September 30, 2022
Research and development platform technical capability upgrade project of WuXi AppTec (Shanghai) Co., Ltd.	9%	600.0	290.4	309.6	Expected to be fully utilized by September 30, 2022
Replenishing the working capital of the Company [4]	29%	1,883.3	1,879.7	3.6	N/A
Total [5]	100%	6,461.2	5,192.6	1,268.6	

Notes:

(1) The expected timeline for utilizing the remaining proceeds is set based on the best estimation of the Company taking into account, among other factors, prevailing and future market conditions and business developments and needs, and therefore is subject to change.

(2) On August 12, 2021, the Board resolved to delay the expected date on which the Shanghai STA Project is completed and become available for use form August 31, 2021 to August 31, 2022. For further details, please refer to the relevant announcement of the Company dated August 12, 2021.

(3) On March 23, 2022, as a result of the completion of the Changzhou STA Centre Project and for the purpose of improving the utilization efficiency of the funds of the Company, the Board has resolved to, subject to Shareholders' approval, use the surplus net proceeds from the Non-public Issuance of A Shares allocated for the Changzhou STA Centre Project in the amount of RMB68.3 million (including interest income and wealth management income net of bank charges of RMB8.3 million) to permanently replenish the working capital of the Company. For further details, please refer to the relevant announcement of the Company dated March 23, 2022 and the circular of the Company dated March 31, 2022.

(4) Replenishing the working capital is related to all the business activities of the Company, so the expected timeline of fully utilized is not estimated separately.

(5) Any discrepancies in the sum of amounts listed in the tables with the breakdown of use of net proceeds in this annual report is due to rounding.

USE OF NET PROCEEDS FROM THE H SHARE LISTING

The total net proceeds from the issue of H Shares by the Company in its Listing (after deducting the underwriting fees and related Listing expenses) amounted to approximately RMB7,032.6 million [(1)], and the balance of unutilized net proceeds of approximately RMB336.6 million as at the year ended December 31, 2021.

The net proceeds from the Listing (adjusted on a pro rata basis based on the actual net proceeds) have been and will be utilized in accordance with the purposes set out in the Prospectus. The table below sets out the planned applications of the net proceeds and actual usage up to the year ended December 31, 2021:

Use of proceeds from the IPO of H Shares	Percentage of net proceeds from the IPO of H Shares	Original allocation of net proceeds from the IPO of H Shares (HKD million)	Original allocation of net proceeds from the IPO of H Shares (RMB million)	Revised allocation of net proceeds from the IPO of H Shares (RMB million)[(2)]	Balance of utilized amount from the IPO of H Shares (as at the year ended December 31, 2021) (RMB million)	Balance of unutilized amount from the IPO of H Shares (as at the year ended December 31, 2021) (RMB million)	Actual and expected timeline for utilizing the remaining balance of net proceeds from the IPO of H Shares[(3)]
To expand our capacity and capabilities across all business units globally	37%	2,798.0	2,462.2	2,602.1	2,265.5	336.6	
— invest in PRC projects [(4)]	22%	1,663.1	1,463.5	1,547.2	1,547.2	—	Have been fully utilized as at December 31, 2021
— invest in U.S. projects [(5)]	8%	570.1	501.7	562.6	562.6	—	Have been fully utilized as of December 31, 2020
— invest in Lingang Shanghai project [(6)]	7%	564.8	497.0	492.3	155.8	336.6	Expected to be fully utilized by December 31, 2022
To fund the acquisition of CRO and CDMO companies	27%	2,000.0	1,759.9	1,863.6	1,863.6	—	Have been fully utilized as of December 31, 2019
To invest in our ecosystem	4%	300.0	264.0	281.3	281.3	—	Have been fully utilized as of June 30, 2019

Use of proceeds from the IPO of H Shares	Percentage of net proceeds from the IPO of H Shares	Original allocation of net proceeds from the IPO of H Shares (HKD million)	Original allocation of net proceeds from the IPO of H Shares (RMB million)	Revised allocation of net proceeds from the IPO of H Shares (RMB million)(2)	Balance of utilized amount from the IPO of H Shares (as at the year ended December 31, 2021) (RMB million)	Balance of unutilized amount from the IPO of H Shares (as at the year ended December 31, 2021) (RMB million)	Actual and expected timeline for utilizing the remaining balance of net proceeds from the IPO of H Shares(3)
To develop cutting-edge technology	3%	200.0	176.0	182.8	182.8	—	Have been fully utilized as of June 30, 2020
To repay our bank loans	20%	1,500.0	1,320.0	1,399.5	1,399.5	—	Have been fully utilized as of December 31, 2018
Working capital and general corporate uses	10%	755.3	664.6	703.3	703.3	—	Have been fully utilized as of June 30, 2019
Total (7)	100%	7,553.3	6,646.7	7,032.6	6,696.0	336.6	

Notes:

(1) The total proceeds included approximately RMB6,969.6 million from the Global Offering in December 2018 and RMB316.3 million from the partial exercise of over-allotment option in January 2019 as disclosed in the announcement of the Company dated January 6, 2019. By excluding the underwriting fees and commissions and estimated expenses payable by the Company, the net proceeds planned for applications amount to approximately RMB7,032.6 million.

(2) Net H Share Listing proceeds were received in Hong Kong dollar and translated to RMB for application planning. The plan was adjusted slightly due to the fluctuation of the foreign exchange rates since the Listing.

(3) The expected timeline for utilizing the remaining proceeds is set based on the best estimation of the Company taking into account, among other factors, prevailing and future market conditions and business developments and needs, and therefore is subject to change.

(4) Invest in seven PRC projects, including establishment of the Chengdu R&D campus, a manufacturing facility for viral vectors and plasmid DNA used in cell and gene therapy products in Wuxi, and a chemistry and biology labs in Qidong, Jiangsu Province, as well as development of nation-wide clinical trial sites and expansion of our SMO clinical research platform. As at December 31, 2021, the allocated net proceeds for the seven PRC projects have been fully utilized.

(5) Invest in U.S. projects, including setting up a bioanalytical laboratory in San Diego, California and a cGMP manufacturing facility for commercialized cell and gene therapy products in the U.S. As at December 31, 2020, allocated net proceeds for US projects have been fully utilized.

(6) Invest in Lingang Shanghai project, including building an innovation center in Lingang Shanghai of gene therapy product development services and enlarge services. As at December 31, 2021, 31.6% allocated net proceeds have been utilized.

(7) Any discrepancies in the sum of amounts listed in the tables with the breakdown of use of net proceeds in this annual report is due to rounding.

USE OF NET PROCEEDS FROM THE PLACING OF NEW H SHARES

The total net proceeds from the placing of new H Shares by the Company which completed on August 5, 2020 (after deducting the underwriting fees and related Listing expenses) amounted to approximately RMB6,558.6 million, and the balance of unutilized net proceeds was approximately RMB2,433.7 million as at the year ended December 31, 2021.

The table below sets out the planned applications of the net proceeds from the placing of new H Shares and the actual usage up to December 31, 2021:

Use of proceeds from the placing of new H Shares	Percentage of net proceeds from the placing of H Shares	Allocation of net proceeds from the placing of new H Shares (HKD million)	Allocation of net proceeds from the placing of new H Shares (RMB million)	Balance of utilized amount from the placing of new H Shares (as at December 31, 2021) (RMB million)	Balance of unutilized amount from the placing of new H Shares (as at December 31, 2021) (RMB million)	Actual and expected timeline for utilizing the remaining balance of net proceeds from the placing of new H Shares [1]
Mergers and acquisitions including, but not limited to, expansion of the Group's presence in the US, Europe and Asia Pacific [2]	35%	2,550.5	2,295.5	1,064.0	1,231.5	Expected to be fully utilized by December 31, 2023
Expansion of the Group's overseas operation	20%	1,457.5	1,311.7	540.2	771.5	Expected to be fully utilized by December 31, 2023
Construction of Changshu R&D Integrated Project	15%	1,093.1	983.8	553.1	430.7	Expected to be fully utilized by December 31, 2023
Repaying bank loans and other borrowings [3]	10%	728.7	655.9	655.9	—	Have been fully utilized as of December 31, 2020
Replenish the working capital of the Company [4]	20%	1,457.5	1,311.7	1,311.7	—	Have been fully utilized as at June 30, 2021
Total [5]	100%	7,287.3	6,558.6	4,124.8	2,433.7	

Notes:

(1) The expected timeline for utilizing the remaining proceeds is set based on the best estimation of the Company taking into account, among other factors, prevailing and future market conditions and business developments and needs, and therefore is subject to change.

(2) Use of proceeds for mergers and acquisitions project are due primarily to the merger of Nanjing Milestone Pharma Co. Ltd. and Shanghai Milestone Pharma Co. Ltd., and the acquisition of a production facility based in Couvet, Switzerland from BMS.

(3) Use of proceeds for repaying bank loans and other borrowings have been fully utilized as at December 31, 2020.

(4) Use of proceeds for replenishing the working capital of the Company have been fully utilized as at June 30, 2021.

(5) Any discrepancies in the sum of amounts listed in the tables with the breakdown of use of net proceeds in this annual report is due to rounding.

THE CONVERTIBLE BONDS

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

Pursuant to the terms and conditions of the Convertible Bonds, the Conversion Price is subject to adjustment for, among other things, profit distributions and capitalization of reserves made by the Company. As disclosed in the announcement of the Company dated June 3, 2020, the Conversion Price of the Convertible Bonds was adjusted from HK$111.80 per H Share, being the initial Conversion Price to HK$79.85 per H Share as a result of the approval of the payment of the 2019 Profit Distribution and the 2019 Capitalization of Reserve by the Shareholders at the 2019 AGM which took effect from June 4, 2020.

The Company has distributed cash dividends for the year ended December 31, 2020 and conducted the 2020 Capitalization of Reserve. As a result of the approval of the payment of the 2020 Profit Distribution and the 2020 Capitalization of Reserve by the Shareholders at the 2020 AGM with effect from June 8, 2021, the conversion price of the Convertible Bonds has been further adjusted to HK$66.17 per H Share (the "Further Adjusted Conversion Price") pursuant to the terms and conditions of the Convertible Bonds.

As at December 31, 2021, the principal amount of the Convertible Bonds which are outstanding is US$98,800,000. Assuming full conversion of the outstanding Bonds at the Further Adjusted Conversion Price, the H Shares that may be convertible and issuable under the Bonds will be approximately 11,711,913 H Shares, representing 2.99% of the total issued H share capital of the Company as at December 31, 2021 and approximately 2.90% of the enlarged total issued H share capital of the Company resulting from the full conversion of the Convertible Bonds. The additional 2,006,499 H Shares issuable in the event of a full conversion of the outstanding Bonds at the Further Adjusted Conversion Price will be allotted and issued by the Company pursuant to the specific mandate sought and granted at the 2020 AGM. Please refer to the announcement of the Company dated June 7, 2021 and the circular of the Company dated April 9, 2021 for further details.

During the Reporting Period, Convertible Bonds with a nominal value of USD201,200,000 (equivalent to RMB1,282,790,840) (December 31, 2020: Nil) have been converted to 22,020,731 H Shares (December 31, 2020: Nil) of the Company by the bondholders, in which 8,850,778 H Shares were allotted and issued by the Company at the adjusted Conversion Price of HK$79.85; and 13,169,953 H Shares were allotted and issued by the Company at the Further Adjusted Conversion Price of HK$66.17.

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

The following table sets out the shareholding structure of the Company upon full conversion of the outstanding Convertible Bonds at the Further Adjusted Conversion Price with reference to the shareholding structure of the Company as at December 31, 2021 and assuming no further issuance of Shares by the Company:

		As at December 31, 2021		Upon full conversion of the outstanding Convertible Bonds at the Further Adjusted Conversion Price of HK$66.17 per H Share	
Shareholder	**Class of Shares**	**Number of Shares**	**Approximate percentage of the total issued share capital**	Number of Shares	Approximate percentage of the total issued share capital
The Founding Individuals	A	**740,070,220**	**25.04%**	740,070,220	24.94%
Sub-total		**740,070,220**	**25.04%**	740,070,220	24.94%
Public Shareholders	A	**1,823,656,532**	**61.70%**	1,823,656,532	61.45%
	H	**370,079,416**	**12.52%**	370,079,416	12.47%
Subscribers of the Convertible Bonds	H	**22,020,731**	**0.74%**	33,731,924	1.14%
Sub-total		**2,215,756,679**	**74.96%**	2,227,467,872	75.06%
Total		**2,955,826,899**	**100.00%**	2,967,538,092	100.00%

Note:

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

For the principal terms of the Convertible Bonds, please refer to the relevant announcements dated September 3, 2019, September 4, 2019, September 5, 2019 and September 17, 2019 published by the Company on the websites of the Shanghai Stock Exchange and the Stock Exchange. For the adjustments of conversion price, please refer to the announcements of the Company dated June 3, 2020 and June 7, 2021 published by the Company on website of the Stock Exchange. An analysis of the impact on the earnings per share if the Convertible Bonds were fully converted into H Shares of the Company as at December 31, 2021 is set out in Note 14 to the financial statements in this annual report.

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

Use of Net Proceeds from the Issuance of the Convertible Bonds

The net proceeds raised from the Convertible Bonds, after the deduction of fees, commissions and expenses payable, being approximately US$294 million (or approximately RMB2,079.5 million based on an exchange rate on the date of issue of the Convertible Bonds, being September 17, 2019), have been fully utilized by the Company as at June 30, 2021 for, among others, (i) mergers and acquisitions and business expansion; and (ii) working capital and general corporate purposes.

DIRECTORS

The Board currently consists of the following 12 Directors:

Executive Directors

Dr. Ge Li (李革) *(Chairman and chief executive officer)*
Mr. Edward Hu (胡正國) *(Vice chairman and global chief investment officer)*
Dr. Steve Qing Yang (楊青) *(Co-chief executive officer)*
Mr. Zhaohui Zhang (張朝暉)
Dr. Ning Zhao (趙寧)

Non-executive Directors

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

Independent Non-executive Directors

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

SUPERVISORS

The Company currently has the following 3 Supervisors:

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

BIOGRAPHICAL DETAILS OF THE DIRECTORS, THE SUPERVISORS AND THE SENIOR MANAGEMENT

Biographical details of the Directors, the Supervisors and the senior management of the Group as at the date of this annual report are set out on pages 50 to 64 in the section headed "Profiles of Directors, Supervisors and Senior Management" of this annual report.

CHANGE OF INFORMATION OF DIRECTORS AND SUPERVISORS

Changes in information of the Directors since the publication of the interim report of the Company for the six months ended June 30, 2021, which are required to be disclosed pursuant to Rule 13.51B (1) of the Listing Rules, are set out below:

(1) Mr. Edward Hu was appointed as a non-executive director of CStone Pharmaceuticals, a company listed on the Main Board of the Stock Exchange (stock code 2616) with effect from July 9, 2021.

(2) Dr. Yibing Wu became the president of China; head of Enterprise Development Group (China); and joint head of Technology & Consumer of Temasek International Pte. Ltd.

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

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company, under which they agreed to act as executive Directors for a term commencing on the date on which their elections are approved by the Shareholders and ending on the expiry of the term of the second session of the Board, which may be terminated by not less than 90 days' notice in writing served by either the executive Director or the Company.

Each of the non-executive Directors and the independent non-executive Directors has signed an appointment letter with the Company until the expiry of the second session of the Board, which may be terminated by not less than three months' notice in writing served by either of the Director or the Company. Under the respective appointment letters, each of the independent non-executive Directors is entitled to a fixed Director's fee while non-executive Directors' remuneration, if any, is subject to the adjustment of the Board and the Remuneration and Appraisal Committee from time to time.

Each of the Supervisors has signed an appointment letter with the Company until the expiry of the second session of Supervisory Committee, which may be terminated by not less than three months' notice in writing served by either of the Supervisor or the Company.

The appointments of the Directors and Supervisors are subject to the re-election upon expiry of their term of office according to the Articles of Association.

Save as disclosed above, none of the Directors or Supervisors has entered into any service contract with the Company or any of its subsidiaries (excluding contracts expiring or determinable by the Company within one year without payment of compensation, other than statutory compensation).

CONTRACT WITH CONTROLLING SHAREHOLDERS

Upon the Listing of the Company on the Hong Kong Stock Exchange, the Founding Individuals ceased to be controlling Shareholders (as defined in the Listing Rules) of the Company. Save for the STA Equity Transfer Agreement, no contract of significance was entered into between the Company or any of its subsidiaries and the Founding Individuals or any of its subsidiaries during the Reporting Period or subsisted at the end of the year and no contract of significance for the provision of services to the Company or any of its subsidiaries by a Founding Individual or any of its subsidiaries was entered into during the Reporting Period or subsisted at the end of the year.

DIRECTORS' AND SUPERVISORS' INTERESTS IN TRANSACTIONS, ARRANGEMENT OR CONTRACT OF SIGNIFICANCE

No transaction, arrangement and contract of significance to the business of the Group which the Company or any of its subsidiaries was a party, and in which a Director/Supervisor or any entity connected with such a Director/Supervisor had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the Reporting Period.

COMPENSATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The emoluments of the Directors, Supervisors and senior management of the Group are decided by the Board with reference to the recommendation given by the Remuneration and Appraisal Committee, having regard to the Group's operating results, individual performance and comparable market statistics.

Details of the Directors' emoluments and emoluments of the five highest paid individuals in the Group are set out in Note 13 to the consolidated financial statements on pages 205 to 207 of this annual report.

For the year ended December 31, 2021, no emoluments were paid by the Group to any Director, Supervisors or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors or Supervisors has waived any emoluments for the year ended December 31, 2021.

Except as disclosed above, no other payments have been made or are payable, for the year ended December 31, 2021, by our Group to or on behalf of any of the Directors.

DIRECTORS' AND SUPERVISORS' INTERESTS IN COMPETING BUSINESS

During the Reporting Period, none of the Directors and Supervisors or their respective close associates (as defined in the Listing Rules) had any interest in a business that competed or was likely to compete, either directly or indirectly, with the business of the Group, other than being a Director of the Company and/or its subsidiaries.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

Save as disclosed in this annual report, the Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

NON-COMPETITION ARRANGEMENTS

Each of the Founding Individuals provided certain non-competition undertakings in favor of the Company, pursuant to which the said parties have given certain non-competition undertakings to the Company. Details of the non-competition agreements are set out in the section headed "Relationship with our Founding Individuals — Non-Competition Arrangements" in the Prospectus.

The Founding Individuals confirmed that they have complied with the non-competition undertakings for the Reporting Period. The independent non-executive Directors have conducted such review for the Reporting Period and also reviewed the relevant undertakings and are satisfied that the non-competition undertakings have been fully complied with.

MANAGEMENT CONTRACTS

Other than the Directors' and Supervisors' service contracts and appointment letters, no contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or in existence as at the end of the year or at any time during the Reporting Period.

EQUITY-LINKED AGREEMENTS

During the Reporting Period, other than (i) the share incentive arrangements as set out in the section under "Share Incentive Schemes" set out on pages 99 to 125 and Note 46 to the consolidated financial statements on pages 261 to 282 of this annual report and (ii) the issuance of the Convertible Bonds, the Company has not entered into any equity-linked agreement.

MATERIAL LEGAL PROCEEDINGS

The Group was not involved in any material legal proceeding during the Reporting Period.

LOAN AND GUARANTEE

During the Reporting Period, the Group had not made any loan or provided any guarantee for loan, directly or indirectly, to the Directors, Supervisors and senior management of the Company, the controlling shareholders of the Company (if any) or their respective connected persons.

SHARE INCENTIVE SCHEMES

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

1. 2019 A Share Incentive Plan

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

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

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

As at December 31, 2021, the total number of Shares available for issue under the 2019 A Share Incentive Plan was 4,264,157 (options had been granted and were outstanding), representing approximately 0.14% of the Shares in issue as at December 31, 2021.

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

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

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

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

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

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

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

(1) the average trading price of the Company's A Shares on the trading day preceding the date of announcement of the 2019 A Share Incentive Plan (total trading amount/total trading volume on the preceding trading day), i.e. RMB64.88 per Share;

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

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

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

(1) the average trading price of the A Shares of the Company for the last trading day preceding the date of announcement of the board resolution on the Reserved Grant under the 2019 A Share Incentive Plan (total trading amount/total trading volume on the preceding trading day);

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

Fair value of the Share Options

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

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

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

Set out below are details of the movements of the outstanding Restricted A Shares and Share Option granted under the 2019 A Share Incentive Plan throughout the Reporting Period.

	Outstanding at January 1, 2021	Granted during the year	Unlocked and commenced trading during the year	Cancelled during the year	Capitalization during the year	Outstanding at December 31, 2021
Restricted A Shares						
Mr. Edward Hu	175,000	—	84,000	—	35,000	126,000
Ms. Wendy J. Hu (1)	27,300	—	13,104	—	5,460	19,656
Dr. Steve Qing Yang	161,000	—	77,280	—	32,200	115,920
Dr. Minzhang Chen	161,000	—	77,280	—	32,200	115,920
Employees	17,355,178	—	8,043,218	481,710	3,464,078	12,294,328
Sub-total	**17,879,478**	**—**	**8,294,882**	**481,710**	**3,568,938**	**12,671,824**

	Outstanding at January 1, 2021	Granted during the year	Exercised during the year	Cancelled during the year	Capitalization during the year	Outstanding at December 31, 2021
Share Options						
Employees	6,296,640	—	2,531,179	701,318	1,200,014	4,264,157
Sub-total	6,296,640	—	2,531,179	701,318	1,200,014	4,264,157
Total	**24,176,118**	**—**	**10,826,061**	**1,183,028**	**4,768,952**	**16,935,981**

Note:

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

2. 2019 Share Appreciation Scheme

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

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

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

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

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

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

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

	Outstanding at January 1, 2021	Cancelled before the 2020 Capitalization of Reserve	Exercised before the 2020 Capitalization of Reserve	Adjustment due to the 2020 Capitalization of Reserve	Cancelled after the 2020 Capitalization of Reserve	Exercised after the 2020 Capitalization of Reserve	Outstanding at December 31, 2021
2019 Share Appreciation Scheme	2,218,433	140,182	388,874	337,875	98,315	585,202	1,343,735

3. 2018 A Share Incentive Plan

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

On June 3, 2019, the Shareholders' meeting approved to capitalize 4 ordinary Shares for every 10 Shares by way of capitalization of reserve and approved the distribution of RMB5.80 and for every 10 Shares based on the total issued Shares of the Company as of April 15, 2019. As a result, the number of Restricted A Shares and exercise price per share granted under the 2018 A Share Incentive Plan presented herein have been adjusted to reflect the capitalization of reserve and dividend distribution.

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

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

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

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

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

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

Such options shall only be exercised by the Participants within the vesting period.

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

(1) the average trading price of the A Shares of the Company for the last trading day preceding the date of announcement of the board resolution on the Reserved Grant under the 2018 A Share Incentive Plan (total trading amount/total trading volume on the preceding trading day);

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

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

Fair value of the Share Options

The Company selected the Black-Scholes Model to calculate the fair value of Share Option under the 2018 A Share Incentive Plan.

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

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

Set out below are details of the movements of the outstanding Restricted A Shares granted under the 2018 A Share Incentive Plan as at December 31, 2021:

	Outstanding at January 1, 2021	Granted during the year	Capitalization during the year	Unlocked and commenced trading during the year	Cancelled during the year	Outstanding at December 31, 2021
Restricted A Shares						
Mr. Edward Hu	107,016	—	10,702	53,508	—	64,210
Ms. Wendy J. Hu [(1)]	15,876	—	1,588	7,938	—	9,526
Dr. Steve Qing Yang	76,204	—	7,620	38,102	—	45,722
Employees	7,004,632	—	711,770	3,445,722	209,289	4,061,391
Sub-total	**7,203,728**	**—**	**731,680**	**3,545,270**	**209,289**	**4,180,849**

	Outstanding at January 1, 2021	Granted during the year	Capitalization during the year	Exercised during the year	Cancelled during the year	Outstanding at December 31, 2021
Share Options						
Mr. Ellis Bih-Hsin Chu	245,000	—	29,400	98,000	—	176,400
Employees	94,080	—	18,816	56,448	—	56,448
Sub-total	339,080	—	48,216	154,448	—	232,848
Total	**7,542,808**	—	**779,896**	**3,699,718**	**209,289**	**4,413,697**

Note:

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

4. STA Share Units and Options Incentive Scheme

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

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

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

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

STA Share Unites and Options Incentive Scheme	Outstanding at January 1, 2021	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding At December 31, 2021
STA Share Option Incentive Scheme (2015)	—	—	—	—	—
STA Overseas Employees Incentive Scheme — 1st batch	—	—	—	—	—
STA Overseas Employees Incentive Scheme — 2nd batch	166,043	—	—	—	166,043
STA Overseas Employees Incentive Scheme — 3rd batch	192,000	—	—	—	192,000
STA Share Option Incentive Scheme (2016) — 1st batch	167,040	—	159,840	7,200	—
STA Share Option Incentive Scheme (2016) — 2nd batch	233,136	—	73,788	15,780	143,568
Total	758,219	—	233,628	22,980	501,611
Exercisable at the end of the year	—				—
Weighted average exercise price	RMB5.07	N/A	RMB8.00	RMB8.00	RMB3.57

5. STA Share Appreciation Incentive Scheme

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

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

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

STA Share Appreciation Incentive Scheme	Outstanding at 1/1/2021	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 12/31/2021
STA Share Appreciation Incentive Scheme (2016)					
— 1st batch	216,000	—	216,000	—	—
— 2nd batch	54,000	—	18,000	4,800	31,200
STA Share Appreciation Incentive Scheme (2017)	27,000	—	9,000	—	18,000
Total	297,000	—	243,000	4,800	49,200
Exercisable at the end of the year	—				—
Weighted average exercise price	RMB8.00	N/A	RMB8.00	RMB8.00	RMB8.00

6. 2020 H Share Award and Trust Scheme

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

Due to the resignation of 202 Selected Participants and the individual performance appraisal results of 3 Selected Participants being unable to reach the requisite standard (which comprise 204 Independent Selected Participants and 1 Connected Selected Participants) over the course of the Reporting Period which led to the forfeiture of the relevant Awards (with the number of underlying Award Shares being 503,064 H Shares) granted to them pursuant to the rules of the 2020 H Share Award and Trust Scheme, as at December 31, 2021, relevant Awards with the number of underlying Award Shares being 6,311,612 H Shares have been granted to 2,296 Selected Participants (including the Connected Selected Participants), accounting for approximately 1.61% of the total number of issued H Shares and approximately 0.21% of the total issued share capital of the Company as at December 31, 2021 (the "Grant"). The number of Award Shares underlying the Awards granted to the Connected Selected Participants represents 444,712 H Shares, accounting for approximately 0.11% of the total number of issued H Shares and approximately 0.02% of the total issued share capital of the Company as at December 31, 2021. As no new Shares will be issued by the Company pursuant to the Grant, it will not result in any dilution effect on the shareholdings of existing Shareholders.

As at December 31, 2021, relevant Awards with the number of underlying Award Shares being 1,528,625 H Shares have been vested to 2,259 Selected Participants (which comprise 11 Connected Selected Participants and 2,248 Independent Selected Participants), accounting for approximately 0.39% of the total number of issued H Shares and approximately 0.05% of the total issued share capital of the Company as at December 31, 2021. The number of Award Shares underlying the Awards vested to the Connected Selected Participants represents 111,173 H Shares, accounting for approximately 0.03% of the total number of issued H Shares and approximately 0.004% of the total issued share capital of the Company as at December 31, 2021.

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

Selected Participants Under The Grant

Following the abovementioned resignation of 202 Selected Participants and the individual performance appraisal results of 3 Selected Participants being unable to reach the requisite standard (which comprise 204 Independent Selected Participants and 1 Connected Selected Participants) over the course of the Reporting Period, as at December 31, 2021, there are (i) a total of 2,296 Selected Participants under the Grant, which comprise 11 Connected Selected Participants and 2,285 Independent Selected Participants, and (ii) a total of 2,259 Selected Participants whose Awards have been vested, which comprise 11 Connected Selected Participants and 2,248 Independent Selected Participants. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Independent Selected Participants are parties not connected with the Company within the meaning of the Listing Rules. The details of the Selected Participants with Awards made under the Grant as at December 31, 2021 are set out as follows:

Name	Position	Number of Award Shares underlying the Award (Note 1 and 3)	Approximate percentage to the total number of H Shares as at the date of this annual report	Approximate percentage to the total issued share capital of the Company as at the date of this annual report
Connected Selected Participants				
Dr. Ge Li	Executive Director, chairman and chief executive officer	127,738 H Shares	0.0326%	0.0043%
Mr. Edward Hu	Executive Director, vice chairman and global chief investment officer	63,868 H Shares	0.0163%	0.0022%
Dr. Steve Qing Yang	Executive Director, co-chief executive officer	63,868 H Shares	0.0163%	0.0022%
Mr. Zhaohui Zhang	Executive Director, vice president	28,386 H Shares	0.0072%	0.0010%
Dr. Ning Zhao	Executive Director, vice president	28,386 H Shares	0.0072%	0.0010%
Mr. Ellis Bih-Hsin Chu	Chief financial officer (Note 2)	28,386 H Shares	0.0072%	0.0010%
Dr. Minzhang Chen	Co-chief executive officer	42,579 H Shares	0.0109%	0.0014%
Dr. Shuhui Chen	Vice president	42,579 H Shares	0.0109%	0.0014%
Mr. Harry Liang He	Chairman of the Supervisory Committee	9,462 H Shares	0.0024%	0.0003%
Ms. Minfang Zhu	Employee representative Supervisor	3,153 H Shares	0.0008%	0.0001%
Ms. Wendy J. Hu*	Senior director of human resources	6,307 H Shares	0.0016%	0.0002%
Sub-total		444,712 H Shares	0.1134%	0.0150%
Independent Selected Participants				
2,285 senior management, mid-level managers, basic-level managers, backbone members of technicians and other technicians		5,866,900 H Shares	1.4960%	0.1985%
Sub-total		5,866,900 H Shares	1.4960%	0.1985%
Total		**6,311,612 H Shares**	**1.6094%**	**0.2135%**

Note 1: The number of Award Shares underlying the Award is fixed based on the number of Award Shares acquired by the Trustee through on-market transactions from time to time at prevailing market price and apportioned to the corresponding value of the relevant Award based on the volume-weighted average price at the Trustee acquired such Award Shares pursuant to the Scheme.

Note 2: Mr. Ellis Bih-Hsin Chu ceased to be the chief financial officer of the Company with effect from January 1, 2022.

Note 3: The number of Award Shares underlying the relevant Awards has been enlarged following the implementation of the 2020 Profit Distribution Plan on June 8, 2021 under which 2 2020 Capitalization Shares were issued for every existing 10 Shares held by the Shareholders on June 7, 2021 (being the relevant record date) by way of capitalization of reserve.

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

Vesting schedule

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

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

Vesting conditions

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

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

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

7. 2021 H Share Award and Trust Scheme

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

Due to the resignation of 27 2021 Selected Participants (who are all 2021 Independent Selected Participants) over the course of the Reporting Period which led to the forfeiture of the relevant 2021 Awards (with the number of underlying 2021 Award Shares being 51,761 H Shares) granted to them pursuant to the rules of the 2021 H Share Award and Trust Scheme, as at December 31, 2021, relevant 2021 Awards have been granted to 3,234 2021 Selected Participants (including the 2021 Connected Selected Participants), and the number of 2021 Award Shares underlying such relevant 2021 Awards represents 11,612,313 H Shares, accounting for approximately 2.96% of the total number of issued H Shares and approximately 0.39% of the total issued share capital of the Company as at December 31, 2021 (the "2021 Grant"). The number of 2021 Award Shares underlying the 2021 Awards granted to the 2021 Connected Selected Participants represents 675,549 H Shares, accounting for approximately 0.17% of the total number of issued H Shares and approximately 0.02% of the total issued share capital of the Company as at December 31, 2021. As no new Shares will be issued by the Company pursuant to the 2021 Grant, it will not result in any dilution effect on the shareholdings of existing Shareholders.

The Directors (including the independent non-executive Directors) are of the view that the grant of 2021 Awards to the 2021 Selected Participants (including the 2021 Connected Selected Participants) is conducted on normal commercial terms, and is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

2021 Selected Participants under the 2021 Grant

As at December 31, 2021, there are a total of 3,261 2021 Selected Participants under the 2021 Grant, which comprise 13 2021 Connected Selected Participants and 3,248 2021 Independent Selected Participants. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the 2021 Independent Selected Participants are parties not connected with the Company within the meaning of the Listing Rules. The details of the 2021 Selected Participants with 2021 Awards made under the 2021 Grant as at December 31, 2021 are set out as follows:

Name	Position	Number of 2021 Award Shares underlying the 2021 Award (Note 2)	Approximate percentage to the total number of H Shares as at December 31, 2021	Approximate percentage to the total issued share capital of the Company as at December 31, 2021
2021 Connected Selected Participants				
Dr. Ge Li	Executive Director, chairman and chief executive officer	157,729 H Shares	0.0402%	0.0053%
Mr. Edward Hu	Executive Director, vice chairman and global chief investment officer	70,563 H Shares	0.0180%	0.0024%
Dr. Steve Qing Yang	Executive Director, co-chief executive officer	75,423 H Shares	0.0192%	0.0026%

Name	Position	Number of 2021 Award Shares underlying the 2021 Award (Note 2)	Approximate percentage to the total number of H Shares as at December 31, 2021	Approximate percentage to the total issued share capital of the Company as at December 31, 2021
Dr. Minzhang Chen	Co-chief executive officer	99,709 H Shares	0.0254%	0.0034%
Dr. Shuhui Chen	Vice president	74,609 H Shares	0.0190%	0.0025%
Mr. Zhaohui Zhang	Executive Director, vice president	52,576 H Shares	0.0134%	0.0018%
Dr. Ning Zhao	Executive Director, vice president	35,051 H Shares	0.0089%	0.0012%
Mr. Ellis Bih-Hsin Chu	Chief financial officer (Note 1)	27,946 H Shares	0.0071%	0.0009%
Mr. Guodong Tong	President of principal subsidiaries of the Company	35,051 H Shares	0.0089%	0.0012%
Ms. Hui Xu	President of subsidiaries of the Company which do not amount to insignificant subsidiaries in terms of their aggregate profits	22,909 H Shares	0.0058%	0.0008%
Ms. Wendy J. Hu*	Senior director of human resources	8,199 H Shares	0.0021%	0.0003%
Mr. Harry Liang He	Chairman of the Supervisory Committee	11,684 H Shares	0.0030%	0.0004%
Ms. Minfang Zhu	Employee representative Supervisor	4,100 H Shares	0.0010%	0.0001%
Sub-total		675,549 H Shares	0.1723%	0.0229%
Independent Selected Participants				
3,234 senior management, mid-level managers, basic-level managers, backbone members of technicians and other technicians		10,936,764 H Shares	2.7893%	0.3700%
Sub-total		10,936,764 H Shares	2.7893%	0.3700%
Total		**11,612,313 H Shares**	**2.9616%**	**0.3929%**

Note 1: Mr. Ellis Bih-Hsin Chu ceased to be the chief financial officer of the Company with effect from January 1, 2022.

Note 2: The number of 2021 Award Shares underlying the 2021 Award is fixed based on the number of 2021 Award Shares acquired by the 2021 Trustee through on-market transactions from time to time at prevailing market price and apportioned to the corresponding value of the relevant 2021 Award based on the volume-weighted average price at the 2021 Trustee acquired such 2021 Award Shares pursuant to the 2021 H Share Award and Trust Scheme.

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

Vesting schedule

The vesting dates of the Awards under the 2021 Grant are as follows *(Note)*:

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

Note:

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

Vesting conditions

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

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

8. 2021 Shareholder Alignment Incentive H Share Scheme

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

As at the December 31, 2021, the grant of SAI Awards in a maximum aggregate value of HK$1,606,060,300 to 13 2021 SAI Connected Selected Participants has been approved by the Shareholders at the extraordinary general meeting of the Company held on August 30, 2021, and the maximum number of SAI Award Shares underlying the relevant SAI Awards to be granted represents 7,776,023 H Shares, accounting for approximately 1.9832% of the total number of issued H Shares and approximately 0.2631% of the total issued share capital of the Company as at December 31, 2021, subject to the fulfillment of the relevant conditions of release of each of the SAI Award Pools at the relevant milestones and the fulfilment of the terms and conditions of the SAI Awards and performance targets as the Board or the SAI Delegatee determines from time to time (if any) (the "SAI Grant").

Subject to the fulfillment of the relevant conditions of release of each of the SAI Award Pools at the relevant milestones, the Company will grant SAI Awards in the value of HK$785,858,700, HK$1,178,788,000, HK$1,571,717,300 and HK$2,357,575,700 under the First SAI Award Pool, the Second SAI Award, the Third SAI Award Pool and the Fourth SAI Award Pool, respectively, to an aggregate of approximately 500 Independent SAI Selected Participants during the SAI Award Period (assuming SAI Awards under each of the SAI Award Pools in the maximum aggregate value of HK$1,606,060,300 will be granted to the 13 SAI Connected Selected Participants). The Board or the SAI Delegatee will, at the relevant milestones, select SAI Eligible Employees to be such Independent SAI Selected Participants in accordance with the Company Law of the PRC, the Securities Law of the PRC and other applicable laws, regulations and regulatory documents and the relevant provisions of the Articles of Association, together with the Company's actual circumstances and matters including the present and expected contribution of the relevant Independent SAI Selected Participant to the Group. As at December 31, 2021, the list of Independent SAI Selected Participants has not yet been determined and approved.

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

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

SAI Selected Participants Under the SAI Grant

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

The details of the SAI Selected Participants with SAI Awards made under the SAI Grant as at December 31, 2021 are set out as follows:

Name of SAI Connected Selected Participants	Position	Maximum value of the SAI Award	Approximate percentage to the monetary value of the First SAI Award Pool	Maximum number of the SAI Award Shares underlying the SAI Award (for illustrative purpose only) (Note 1)	Approximate percentage to the total number of H Shares as at December 31, 2021 (for illustrative purpose only)	Approximate percentage to the total issued share capital of the Company as at December 31, 2021 (for illustrative purpose only
First SAI Award Pool						
Dr. Ge Li	Executive Director, chairman and chief executive officer	HK$54,545,500	5.4546%	320,855 H Shares	0.0818%	0.0109%
Mr. Edward Hu	Executive Director, vice chairman and global chief investment officer	HK$27,272,700	2.7273%	160,427 H Shares	0.0409%	0.0054%
Dr. Steve Qing Yang	Executive Director, co-chief executive officer	HK$27,272,700	2.7273%	160,427 H Shares	0.0409%	0.0054%
Dr. Minzhang Chen	Co-chief executive officer	HK$18,181,800	1.8182%	106,951 H Shares	0.0273%	0.0036%
Dr. Shuhui Chen	Vice president	HK$18,181,800	1.8182%	106,951 H Shares	0.0273%	0.0036%
Mr. Zhaohui Zhang	Executive Director, vice president	HK$18,181,800	1.8182%	106,951 H Shares	0.0273%	0.0036%
Dr. Ning Zhao	Executive Director, vice president	HK$12,121,200	1.2121%	71,301 H Shares	0.0182%	0.0024%
Mr. Ellis Bih-Hsin Chu	Chief financial officer (Note 2)	HK$12,121,200	1.2121%	71,301 H Shares	0.0182%	0.0024%
Mr. Guodong Tong	President of principal subsidiaries of the Company	HK$12,121,200	1.2121%	71,301 H Shares	0.0182%	0.0024%
Ms. Hui Xu	President of subsidiaries of the Company which do not amount to insignificant subsidiaries in terms of their aggregate profits	HK$6,060,600	0.6061%	35,650 H Shares	0.0091%	0.0012%
Ms. Wendy J. Hu*	Senior director of human resources	HK$2,693,600	0.2694%	15,844 H Shares	0.0040%	0.0005%
Mr. Harry Liang He	Chairman of the Supervisory Committee	HK$4,040,400	0.4040%	23,767 H Shares	0.0061%	0.0008%
Ms. Minfang Zhu	Employee representative Supervisor	HK$1,346,800	0.1347%	7,922 H Shares	0.0020%	0.0003%
Sub-total		HK$214,141,300	21.4141%	1,259,648 H Shares	0.3213%	0.0426%

Name of SAI Connected Selected Participants	Position	Maximum value of the SAI Award	Approximate percentage to the monetary value of the First SAI Award Pool	Maximum number of the SAI Award Shares underlying the SAI Award (for illustrative purpose only) (Note 1)	Approximate percentage to the total number of H Shares as at December 31, 2021 (for illustrative purpose only)	Approximate percentage to the total issued share capital of the Company as at December 31, 2021 (for illustrative purpose only
Second SAI Award Pool						
Dr. Ge Li	Executive Director, chairman and chief executive officer	HK$81,818,200	5.4545%	437,530 H Shares	0.1116%	0.0148%
Mr. Edward Hu	Executive Director, vice chairman and global chief investment officer	HK$40,909,100	2.7273%	218,765 H Shares	0.0558%	0.0074%
Dr. Steve Qing Yang	Executive Director, co-chief executive officer	HK$40,909,100	2.7273%	218,765 H Shares	0.0558%	0.0074%
Dr. Minzhang Chen	Co-chief executive officer	HK$27,272,700	1.8182%	145,843 H Shares	0.0372%	0.0049%
Dr. Shuhui Chen	Vice president	HK$27,272,700	1.8182%	145,843 H Shares	0.0372%	0.0049%
Mr. Zhaohui Zhang	Executive Director, vice president	HK$27,272,700	1.8182%	145,843 H Shares	0.0372%	0.0049%
Dr. Ning Zhao	Executive Director, vice president	HK$18,181,800	1.2121%	97,228 H Shares	0.0248%	0.0033%
Mr. Ellis Bih-Hsin Chu	Chief financial officer (Note 2)	HK$18,181,800	1.2121%	97,228 H Shares	0.0248%	0.0033%
Mr. Guodong Tong	President of principal subsidiaries of the Company	HK$18,181,800	1.2121%	97,228 H Shares	0.0248%	0.0033%
Ms. Hui Xu	President of subsidiaries of the Company which do not amount to insignificant subsidiaries in terms of their aggregate profits	HK$9,090,900	0.6061%	48,614 H Shares	0.0124%	0.0016%
Ms. Wendy J. Hu*	Senior director of human resources	HK$4,040,400	0.2694%	21,606 H Shares	0.0055%	0.0007%
Mr. Harry Liang He	Chairman of the Supervisory Committee	HK$6,060,600	0.4040%	32,409 H Shares	0.0083%	0.0011%
Ms. Minfang Zhu	Employee representative Supervisor	HK$2,020,200	0.1347%	10,803 H Shares	0.0028%	0.0004%
Sub-total		HK$321,212,000	21.4141%	1,717,705 H Shares	0.4381%	0.0581%

Name of SAI Connected Selected Participants	Position	Maximum value of the SAI Award	Approximate percentage to the monetary value of the First SAI Award Pool	Maximum number of the SAI Award Shares underlying the SAI Award (for illustrative purpose only) (Note 1)	Approximate percentage to the total number of H Shares as at December 31, 2021 (for illustrative purpose only)	Approximate percentage to the total issued share capital of the Company as at December 31, 2021 (for illustrative purpose only
Third SAI Award Pool						
Dr. Ge Li	Executive Director, chairman and chief executive officer	HK$109,090,900	5.4545%	534,759 H Shares	0.1364%	0.0181%
Mr. Edward Hu	Executive Director, vice chairman and global chief investment officer	HK$54,545,500	2.7273%	267,379 H Shares	0.0682%	0.0090%
Dr. Steve Qing Yang	Executive Director, co-chief executive officer	HK$54,545,500	2.7273%	267,379 H Shares	0.0682%	0.0090%
Dr. Minzhang Chen	Co-chief executive officer	HK$36,363,600	1.8182%	178,252 H Shares	0.0455%	0.0060%
Dr. Shuhui Chen	Vice president	HK$36,363,600	1.8182%	178,252 H Shares	0.0455%	0.0060%
Mr. Zhaohui Zhang	Executive Director, vice president	HK$36,363,600	1.8182%	178,252 H Shares	0.0455%	0.0060%
Dr. Ning Zhao	Executive Director, vice president	HK$24,242,400	1.2121%	118,835 H Shares	0.0303%	0.0040%
Mr. Ellis Bih-Hsin Chu	Chief financial officer (Note 2)	HK$24,242,400	1.2121%	118,835 H Shares	0.0303%	0.0040%
Mr. Guodong Tong	President of principal subsidiaries of the Company	HK$24,242,400	1.2121%	118,835 H Shares	0.0303%	0.0040%
Ms. Hui Xu	President of subsidiaries of the Company which do not amount to insignificant subsidiaries in terms of their aggregate profits	HK$12,121,200	0.6061%	59,417 H Shares	0.0152%	0.0020%
Ms. Wendy J. Hu*	Senior director of human resources	HK$5,387,200	0.2694%	26,407 H Shares	0.0067%	0.0009%
Mr. Harry Liang He	Chairman of the Supervisory Committee	HK$8,080,800	0.4040%	39,611 H Shares	0.0101%	0.0013%
Ms. Minfang Zhu	Employee representative Supervisor	HK$2,693,600	0.1347%	13,203 H Shares	0.0034%	0.0004%
Sub-total		HK$428,282,700	21.4141%	2,099,416 H Shares	0.5345%	0.0710%

Name of SAI Connected Selected Participants	Position	Maximum value of the SAI Award	Approximate percentage to the monetary value of the First SAI Award Pool	Maximum number of the SAI Award Shares underlying the SAI Award (for illustrative purpose only) (Note 1)	Approximate percentage to the total number of H Shares as at December 31, 2021 (for illustrative purpose only)	Approximate percentage to the total issued share capital of the Company as at December 31, 2021 (for illustrative purpose only
Fourth SAI Award Pool						
Dr. Ge Li	Executive Director, chairman and chief executive officer	HK$163,636,400	5.4545%	687,547 H Shares	0.1753%	0.0233%
Mr. Edward Hu	Executive Director, vice chairman and global chief investment officer	HK$81,818,200	2.7273%	343,773 H Shares	0.0877%	0.0116%
Dr. Steve Qing Yang	Executive Director, co-chief executive officer	HK$81,818,200	2.7273%	343,773 H Shares	0.0877%	0.0116%
Dr. Minzhang Chen	Co-chief executive officer	HK$54,545,500	1.8182%	229,182 H Shares	0.0584%	0.0078%
Dr. Shuhui Chen	Vice president	HK$54,545,500	1.8182%	229,182 H Shares	0.0584%	0.0078%
Mr. Zhaohui Zhang	Executive Director, vice president	HK$54,545,500	1.8182%	229,182 H Shares	0.0584%	0.0078%
Dr. Ning Zhao	Executive Director, vice president	HK$36,363,600	1.2121%	152,788 H Shares	0.0390%	0.0052%
Mr. Ellis Bih-Hsin Chu	Chief financial officer (Note 2)	HK$36,363,600	1.2121%	152,788 H Shares	0.0390%	0.0052%
Mr. Guodong Tong	President of principal subsidiaries of the Company	HK$36,363,600	1.2121%	152,788 H Shares	0.0390%	0.0052%
Ms. Hui Xu	President of subsidiaries of the Company which do not amount to insignificant subsidiaries in terms of their aggregate profits	HK$18,181,800	0.6061%	76,394 H Shares	0.0195%	0.0026%
Ms. Wendy J. Hu*	Senior director of human resources	HK$8,080,800	0.2694%	33,952 H Shares	0.0087%	0.0011%
Mr. Harry Liang He	Chairman of the Supervisory Committee	HK$12,121,200	0.4040%	50,929 H Shares	0.0130%	0.0017%
Ms. Minfang Zhu	Employee representative Supervisor	HK$4,040,400	0.1347%	16,976 H Shares	0.0043%	0.0006%
Sub-total		HK$642,424,300	21.4141%	2,699,254 H Shares	0.6884%	0.0913%
Total		**HK$1,606,060,300**		**7,776,023 H Shares**	**1.9832%**	**0.2631%**

Note 1: Calculated for illustrative purpose based on the target closing price of the H Shares of the Company for the relevant milestone corresponding to the particular SAI Award Pool.

Note 2: Mr. Ellis Bih-Hsin Chu ceased to be the chief financial officer of the Company with effect from January 1, 2022.

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

Grant of SAI Awards

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

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

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

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

Vesting schedule

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

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

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

Vesting conditions

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

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

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

As at December 31, 2021, the interests or short positions of the Directors, Supervisors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Interest in Shares or Underlying Shares of our Company

Name of Director and Chief Executive	Nature of Interest	Number and class of shares interested (1)	Approximate percentage of the Company's issued share capital
Dr. Ge Li	Interests held jointly with another person; interests of spouse; interests of controlled corporation	740,070,220 A Shares (2) (L)	25.0377%
	Beneficial owner; interests of spouse	330,521 H Shares (6) (L)	0.0112%
Dr. Ning Zhao	Interests held jointly with another person; interests of spouse; interests of controlled corporation	740,070,220 A Shares (2) (L)	25.0377%
	Beneficial owner; interests of spouse	330,521 H Shares (6) (L)	0.0112%
Mr. Zhaohui Zhang	Interests held jointly with another person; interests of controlled corporation	740,070,220 A Shares (2) (L)	25.0377%
	Beneficial owner	78,638 H Shares (6) (L)	0.0027%
Mr. Edward Hu	Beneficial owner; interests of spouse	283,314 A Shares (3) (L)	0.0096%
	Beneficial owner; interests of spouse	131,394 H Shares (3)(6) (L)	0.0044%

Name of Director and Chief Executive	Nature of Interest	Number and class of shares interested (1)	Approximate percentage of the Company's issued share capital
Dr. Steve Qing Yang	Beneficial owner	213,554 A Shares (L)	0.0072%
	Beneficial owner	123,324 H Shares (6) (L)	0.0042%
Dr. Minzhang Chen	Beneficial owner	146,180 A Shares(7) (L)	0.0049%
	Beneficial owner	131,644 H Shares(6) (L)	0.0044%
Mr. Ellis Bih-Hsin Chu	Beneficial owner	176,400 Share Options (4)	0.0060%
	Beneficial owner	88,200 A Shares (5)	0.0030%
		52,404 H Shares (6) (L)	0.0018%

Notes:

(1) The letter "L" denotes the person's long position in the Shares.

(2) Dr. Ge Li, Dr. Ning Zhao and Mr. Zhaohui Zhang entered into an acting-in-concert agreement and a supplemental agreement on March 23, 2016 and March 17, 2017 to acknowledge and confirm their acting-in-concert relationship in our Company.

(3) Ms. Wendy J. Hu, spouse of Mr. Edward Hu, is interested in 29,182 A Shares (which includes Restricted A Shares granted to her pursuant to the 2018 A Share Incentive Plan and the 2019 A Share Incentive Plan) and 12,930 H Shares (being the underlying H Share of the Awards granted under the 2020 H Share Award and Trust Scheme and the 2021 H Share Award and Trust Scheme). Mr. Edward Hu is deemed to be interested in his spouse's interest.

(4) The Share Options were granted pursuant to the 2018 A Share Incentive Plan.

(5) The 98,000 A Shares underlying the exercised Share Options are new ordinary A Shares issued by the Company to Mr. Ellis Bih-Hsin Chu.

(6) These are underlying award shares upon full vesting of the awards granted under the 2020 H Share Award and Trust Scheme and the 2021 H Share Award and Trust Scheme of the Company on December 16, 2020 and December 15, 2021. Details of which are set out in the circulars and announcements of the Company dated August 12, 2020, December 16, 2020, August 30, 2021 and December 15, 2021, respectively.

(7) These are Restricted A Shares granted under the 2019 A Share Incentive Plan.

(8) As at December 31, 2021, the number of issued shares of the Company was 2,955,826,899, which has been used for the calculation of the approximate percentage.

(9) The changes in the number of each class of Shares interested are due to (i) the implementation of the 2020 Profit Distribution Plan on June 8, 2021 under which 2 2020 Capitalization Shares were issued for every existing 10 Shares held by the Shareholders on June 7, 2021 (being the relevant record date) by way of capitalization of reserve; and (ii) the disposal of Shares by certain of the Directors and chief executives.

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

Name of Director or Chief Executive	Associated Corporation	Capacity/nature of Interest	Number of Shares	Approximate percentage of shareholding interest
Dr. Ge Li	Shanghai SynTheAll Pharmaceutical Co., Ltd. (上海合全藥業股份有限公司)	Beneficial owner	1,251,704	0.2356%
Mr. Zhaohui Zhang	Shanghai SynTheAll Pharmaceutical Co., Ltd. (上海合全藥業股份有限公司)	Beneficial owner	384,987	0.0725%
Mr. Edward Hu	Shanghai SynTheAll Pharmaceutical Co., Ltd. (上海合全藥業股份有限公司)	Beneficial owner	48,285	0.0091%
Dr. Minzhang Chen	Shanghai SynTheAll Pharmaceutical Co., Ltd. (上海合全藥業股份有限公司)	Beneficial owner	53,220	0.0100%

Save as disclosed above and in the section headed "Share Incentive Schemes" and to the best knowledge of the Directors, as at December 31, 2021, none of the Directors, Supervisors or the chief executive of the Company has any interests and/or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

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

As at December 31, 2021, so far as it was known to the Directors or chief executive of the Company, the following persons (other than the Directors and chief executive of the Company) had interests and/or short positions in the Shares or underlying Shares which are required to be notified to the Company under Divisions 2 and 3 of Part XV of the SFO, or had interests or short positions in 5% or more of the respective type of Shares which were recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of Shareholder	Nature of Interest	Number and class of Shares interested	Approximate percentage of shares in relevant class of shares	Approximate percentage of the Company's issued share capital
Dr. Ge Li (2)(3)	Interests held jointly with another person; interests of spouse; interests of controlled corporation	740,070,220 A Shares (L)	28.87%	25.04%
Dr. Ning Zhao (2)(3)	Interests held jointly with another person; interests of spouse; interests of controlled corporation	740,070,220 A Shares (L)	28.87%	25.04%
Mr. Zhaohui Zhang (2)(4)	Interests held jointly with another person; interests of controlled corporation	740,070,220 A Shares (L)	28.87%	25.04%
Mr. Xiaozhong Liu (2)(5)	Interests held jointly with another person; interests of controlled corporation	740,070,220 A Shares (L)	28.87%	25.04%
Ms. Lei Zhang (張蕾)(4)	Interests of spouse	740,070,220 A Shares (L)	28.87%	25.04%
Ms. Guolian Zhang (張國連)(5)	Interests of spouse	740,070,220 A Shares (L)	28.87%	25.04%
G&C VI Limited (6)	Beneficial owner	190,512,000 A Shares (L)	7.43%	6.45%
G&C I Limited (6)	Interests of controlled corporation	190,512,000 A Shares (L)	7.43%	6.45%
G&C Limited (6)	Interests of controlled corporation	240,927,120 A Shares (L)	9.40%	8.15%
G&C IV Hong Kong Limited (7)	Beneficial owner	139,319,309 A Shares (L)	5.43%	4.71%
G&C VIII Limited (7)	Interests of controlled corporation	139,319,309 A Shares (L)	5.43%	4.71%
G&C IV Limited (7)	Interests of controlled corporation	139,319,309 A Shares (L)	5.43%	4.71%
Summer Bloom Investments (I) Pte. Ltd.(8)	Beneficial owner	159,160,073 A Shares (L)	6.21%	5.38%
Summer Bloom Investments (II) Pte. Ltd.(8)	Interests of controlled corporation	159,160,073 A Shares (L)	6.21%	5.38%
Summer Bloom Investments Pte. Ltd.(8)	Interests of controlled corporation	159,160,073 A Shares (L)	6.21%	5.38%

Name of Shareholder	Nature of Interest	Number and class of Shares interested	Approximate percentage of shares in relevant class of shares	Approximate percentage of the Company's issued share capital
Pavilion Capital International Pte. Ltd.(8)	Interests of controlled corporation	159,160,073 A Shares (L)	6.21%	5.38%
Pavilion Capital Holdings Pte. Ltd.(8)	Interests of controlled corporation	159,160,073 A Shares (L)	6.21%	5.38%
Linden Investments Pte. Ltd.(8)	Interests of controlled corporation	159,160,073 A Shares (L)	6.21%	5.38%
Fullerton Fund Investments Pte. Ltd.(8)	Interests of controlled corporation	159,160,073 A Shares (L)	6.21%	5.38%
Temasek Holdings (Private) Limited (8)	Interests of controlled corporation	159,160,073 A Shares (L)	6.21%	5.38%
Morgan Stanley Capital Management, LLC	Interests of controlled corporation	23,209,216 H Shares (L)	5.92%	0.79%
		17,750,000 H Shares (S)	4.53%	0.60%
BlackRock Inc.	Interests of controlled corporation	39,688,469 H Shares (L)	10.12%	1.34%
		337,364 H Shares (S)	0.09%	0.01%
Brown Brothers Harriman & Co	Agent	15,811,170 H Shares (L)	4.03%	0.53%
		15,811,170 H Shares (P)	4.03%	0.53%
Qatar Investment Authority I	Interests of a controlled corporation	46,548,000 H Shares (L)	11.87%	1.57%
Citigroup Inc.	Interests of a controlled corporation and Approved lending agent	27,101,296 H Shares (L)	6.91%	0.92%
	Interest of corporation controlled	7,017,375 H Shares (S)	1.79%	0.24%
	Approved lending agent	19,610,631 H Shares (P)	5%	0.66%
Pandanus Associates Inc.	Interests of controlled corporation	27,196,123 H Shares (L)	6.94%	0.92%
The Capital Group Companies, Inc.	Interests of controlled corporation	24,399,095 H Shares (L)	6.22%	0.83%
Wellington Management Group LLP	Investment manager	23,266,850 H Shares (L)	5.93%	0.79%
		3,067 H Shares (S)	0.00%	0.00%
JPMorgan Chase & Co.	Interests of a controlled corporation	20,185,694 H Shares (L)	5.15%	0.68%
	Investment manager	3,038,860 H Shares (S)	0.78%	0.10%
	Approved lending agent	10,142,494 H Shares (P)	2.59%	0.34%

Notes:

(1) (L) — Long position; (S) — Short position; (P) — Lending pool

(2) Dr. Ge Li, Dr. Ning Zhao, Mr. Xiaozhong Liu and Mr. Zhaohui Zhang entered into an acting-in-concert agreement and a supplemental agreement on March 23, 2016 and March 17, 2017 to acknowledge and confirm their acting-in-concert relationship in our Company.

(3) Dr. Ning Zhao is the spouse of Dr. Ge Li and they are deemed to be interested in each other's interests in our Company.

(4) Ms. Lei Zhang is the spouse of Mr. Zhaohui Zhang and is deemed to be interested in Mr. Zhaohui Zhang's interests in our Company.

(5) Ms. Guolian Zhang is the spouse of Mr. Xiaozhong Liu and is deemed to be interested in Mr. Xiaozhong Liu's interests in our Company.

(6) Dr. Ge Li indirectly wholly owns G&C VI Limited through his wholly own interests in G&C I Limited and G&C Limited. Under the SFO, Dr. Ge Li is deemed to be interested in our Shares held by G&C VI Limited.

(7) G&C IV Limited is funded by nine investors, who are Independent third parties and independent to each other, holding non-voting shares, and is controlled by Dr. Ge Li by holding one voting share representing 100% of the voting power in G&C IV Limited. Dr. Ge Li indirectly wholly owns G&C IV Hong Kong Limited through his control in G&C IV Limited which wholly owns G&C VIII Limited. Under the SFO, Dr. Ge Li deemed to be interested in our Shares held by G&C IV Hong Kong Limited.

(8) Summer Bloom (I) Investments Pte. Ltd. is wholly-owned by Summer Bloom Investments (II) Pte. Ltd., which in turn is wholly owned by Summer Bloom Investments Pte. Ltd.. Summer Bloom Investments Pte. Ltd. is solely controlled by Pavilion Capital International Pte. Ltd., which is wholly-owned by Pavilion Capital Holdings Pte. Ltd., which in turn, is wholly-owned by Linden Investments Pte. Ltd.. Linden Investments Pte. Ltd. is in turn wholly-owned by Fullerton Fund Investments Pte. Ltd., which in turn, is wholly-owned by Temasek Holdings (Private) Limited. Pavilion Capital Holdings Pte. Ltd. and its subsidiaries are independently managed portfolio companies. Temasek Holdings (Private) Limited is not involved in the management decisions of these companies.

(9) As at December 31, 2021, the number of issued shares of the Company was 2,955,826,899 (comprised of 2,563,726,752 A Shares and 392,100,147 H Shares), which has been used for the calculation of the approximate percentage.

Save as disclosed above, to the best knowledge of the Company, as at December 31, 2021, no person (other than the Directors, Supervisors and chief executives) had informed the Company that he/she had interests or short positions in the Shares or underlying Shares of equity derivatives of the Company which were required to be notified to the Company under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO, or held any interests or short position in 5% or more of the respective types of capital in issue of the Company.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the share incentive schemes set out under the section "Share Incentive Schemes" on pages 99 to 125 of this annual report, at no time during the Reporting Period was the Company, its holding company, or any of its subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debt securities including debentures of, the Company or any other body corporate.

MAJOR SUPPLIERS AND CUSTOMERS

In the Reporting Period, the Group's largest customers accounted for 3.52% of the Group's total revenue. The Group's five largest customers accounted for 15.99% of the Group's total revenue.

In the Reporting Period, the Group's largest suppliers accounted for 4.39% of the Group's total purchase. The Group's five largest suppliers accounted for 14.71% of the Group's total purchase.

None of the Directors or any of their close associates (as defined under the Listing Rules) or any Shareholders (which, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital) has any beneficial interest in the Group's five largest suppliers or the Group's five largest customers.

RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group understands the importance of maintaining a good relationship with its employees, customers and suppliers to meet its immediate and long-term business goals. During the Reporting Period, there was no material and significant dispute between the Group and its employees, customers and suppliers.

TAX RELIEF AND EXEMPTION OF HOLDERS OF LISTED SECURITIES

As at the date of this annual report, the Company is not aware of any tax relief or exemption available to the Shareholders of the Company by reason of their holding of the Company's securities.

HUMAN RESOURCES

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

The remuneration of the Group's employees includes basic salaries, allowances, bonus, share options and other employee benefits, and is determined with reference to their experience, qualifications and general market conditions. We provide regular trainings to our employees in order to improve their skills and knowledge. The training courses range from further educational studies to skill training to professional development course for management personnel. The Group also has in place incentive schemes for its employees, the details of which are set out in the section headed "Share Incentive Schemes".

RETIREMENT BENEFITS SCHEME

The employees of the Group's subsidiaries in the PRC are required to contribute a certain percentage of their payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to this retirement benefits schemes is to make the specified contributions. The Group has a defined contribution plan in the U.S. where participating employees may contribute to the plan 1% to 99% of their eligible annual compensation as defined in the plan, up to the Internal Revenue Service contribution (the "IRS contribution") limit of USD19,000 for the years ended December 31,2020. The Group makes a matching contribution of participants' elective deferral contribution of 100% of the first 2% and 50% for the next 4% of eligible participant contributions, with a maximum matching contribution of 4.0% of eligible participant compensation.

Details of the pension obligations of the Company are set out in Note 49 to the consolidated financial statements in this annual report.

CONNECTED TRANSACTIONS

Details on related party transactions for the Reporting Period are set out in Note 51 to the consolidated financial statements. Details of any related party transactions which also constitute connected transactions or continuing connected transactions not fully exempted under Rule 14A.73 of the Listing Rules are disclosed below.

I. Connected Transactions

During the Reporting Period, the Company entered into the following connected transaction:

Connected transaction in relation to the participation in the establishment of the Joint Venture Company and formation of the Partnership and subsequent termination of the investment in the Joint Venture Company and the Partnership

On March 8, 2021 (after trading hours), WuXi Investment, MeadowSpring, Firstred and Suzhou Private Capital has established the Joint Venture Company. Pursuant to the articles of association of the Joint Venture Company, WuXi Investment agreed to contribute RMB45 million (equivalent to approximately HKD53.91 million), representing 45% of the registered capital of the Joint Venture Company. Following the completion of the establishment of the Joint Venture Company, Wuxi Investment, MeadowSpring, Jiaxing Firstred Pengying Equity Investment Co., Ltd* (嘉興晨壹蓬瀛股權投資有限公司) (a wholly-owned subsidiary of Firstred), Suzhou Yisu Investment Co., Ltd* (蘇州翼蘇投資有限公司) (a wholly-owned subsidiary of Suzhou Private Capital) and the Joint Venture Company will enter into the Partnership Agreement to form the Partnership. Pursuant to the Partnership Agreement, WuXi Investment will contribute RMB45 million (equivalent to approximately HKD53.91 million) to the capital of the Partnership as a limited partner, representing 44.55% of the partnership interest therein. It is intended that the Joint Venture Company will, after being registered with the Asset Management Association of China (中國證券投資基金業協會) as a private equity fund manager, establish a limited partnership to be established and registered under the laws of the PRC (the "Fund") with the Partnership as the general partner of the Fund. MeadowSpring is controlled by Mr. Edward Hu, an executive Director. MeadowSpring is an associate of Mr. Edward Hu and therefore a connected person of the Company. Accordingly, the establishment of the Joint Venture Company and the formation of the Partnership, which involved concurrent capital contributions by WuXi Investment and MeadowSpring, constitute connected transactions of the Company under Chapter 14A of the Listing Rules. The terms of the articles of association of the Joint Venture Company and the Partnership Agreement as well as the transactions contemplated thereunder were agreed after arm's length negotiations among the parties thereto. The Directors (including the independent non-executive Directors) are of the view that the terms of the articles of association of the Joint Venture Company and the Partnership Agreement as well as the transactions contemplated thereunder are conducted in the ordinary and usual course of business of the Group, on normal commercial terms which are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole. Please refer to the announcement of the Company dated March 8, 2021 for further details.

After careful consideration and reaching a consensus upon negotiation with the relevant parties, the Company has decided to terminate the investment of WuXi Investment in the Joint Venture Company and the Partnership. The Directors, including the independent non-executive Directors, are of the view that the termination of the investment of WuXi Investment in the Joint Venture Company and the Partnership will not have substantial impact on the financial conditions as well as the production and operating activities of the Company, and is not detrimental to the interests of the Company and the Shareholders as a whole. Please refer to the announcement of the Company dated November 30, 2021 for further details.

During the Reporting Period, there was no connected transaction or continuing connected transaction of the Group which has to be disclosed in accordance with the Listing Rules, save for the foregoing.

RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group for the Reporting Period are set out in Note 51 to the consolidated financial statements contained herein.

Save as disclosed in the paragraph headed "Connected Transactions" in this annual report, the related party transactions disclosed in Note 51 were not regarded as connected transactions or were exempt from reporting, announcement and shareholders' approval requirements under the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the Board, as at the date of this annual report, the Company has maintained the public float as required under the Listing Rules as modified by the waiver granted by the Stock Exchange upon the Listing.

INDEMNITY OF DIRECTORS

A permitted indemnity provision (as defined in the Hong Kong Companies Ordinance) in relation to the director's and officer's liability insurance is currently in force and was in force during the Reporting Period.

CORPORATE GOVERNANCE

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

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

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

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

Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 65 to 82 of this annual report.

DONATIONS

During the Reporting Period, the Company made donations of RMB5.4 million.

AUDITOR

The H Shares were only listed on the Stock Exchange on December 13, 2018, and there has been no change in auditors since the Listing Date. The consolidated financial statements for the Reporting Period have been audited by Deloitte Touche Tohmatsu, Certified Public Accountants, who are proposed for reappointment at the forthcoming 2021 AGM.

COMPLIANCE WITH LAWS AND REGULATIONS

For the Reporting Period, the Company is in compliance with the relevant laws and regulations that have a significant impact on the Company.

On behalf of the Board
Dr. Ge Li
Chairman and Chief Executive Officer

Hong Kong, March 23, 2022

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

Opinion

We have audited the consolidated financial statements of WuXi AppTec Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 142 to 304, which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

* *For identification purpose only*

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter

Impairment of goodwill arising on business combinations

As disclosed in Note 20 to the consolidated financial statements, the carrying amount of goodwill derived from the investments in the United States is RMB450,565,000 as at December 31, 2021.

Management of the Group performed impairment test of goodwill at least on an annual basis. In performing the impairment test, management identified cash-generating units ("CGUs") first and then allocated goodwill to the corresponding CGUs. The management of the Group determined the impairment loss at the amount by which the carrying amount of the CGU to which the goodwill is allocated exceeds its recoverable amount. The recoverable amount of each CGU is the higher of the value in use or fair value less costs of disposal. The assumptions applied in determining the recoverable amount of CGUs would require significant management estimates, including cash flow forecast, discount rate and long-term average growth rate. Therefore, we identify the impairment of goodwill derived from the investments in the United States as a key audit matter.

Our procedures in relation to the impairment of goodwill derived from the investments in the United States included:

- Understanding the key internal controls over impairment test of goodwill and evaluating the design and operating effectiveness of these controls;
- Examining the supporting of allocation of goodwill to individual CGUs and evaluating its reasonableness;
- Evaluating the reasonableness of the cash flow forecast model and the management's key assumptions including cash flow projections, discount rate and long-term average growth rate in relation to impairment test of goodwill;
- Checking the cash flow projections to determine whether it conforms with historical data and supporting evidence.

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Revenue recognition for Fee-For-Service ("FFS") revenue	
The Group primarily earn revenue by providing research and development ("R&D") services through its WuXi Chemistry, WuXi Testing, WuXi Biology, WuXi ATU, WuXi DDSU and other services segments. The revenue is recognised at a point in time or over time. As disclosed in Note 5 to the consolidated financial statements, for the year ended December 31, 2021, revenue of the Group recognized over time is RMB13,360,268,000, within which RMB8,750,979,000 is derived from FFS model, representing 66% of revenue recognized over time. The management of the Group identified the goods or services promised in the R&D service contracts as performance obligations and recognised revenue when control of the services transferred to the customers. Inappropriate application of the judgements in measurement of progress towards completion could result in material misstatement in the revenue recognition. Therefore, we identify occurrence and accuracy assertion of revenue recognized over time under FFS model as a key audit matter.	Our procedures in relation to the revenue recognition for FFS revenue included: • Understanding the key controls related to occurrence and accuracy assertion of revenue recognition under FFS model and evaluating the design and operating effectiveness of these controls; • Inquiring of the management of the Group about the accounting policies of revenue recognition and inspecting the terms of R&D services contracts on sample basis to evaluate whether accounting policy on the identification of performance obligations and the revenue recognition of the Group under FFS model complies with IFRS 15 Revenue from Contracts with Customers. • Selecting samples from recorded FFS sales transactions recognized over time and evaluating if the performance obligations have been met in the contract by obtaining evidence of the timing of satisfaction of the performance obligation and if the appropriate accounting treatment has been carried out: (a) Evaluating the entity's documentation supporting its conclusions whether any of the "over time" criteria have been met and whether the selected method to measure progress using either input method or output method faithfully depicts the progress of the contract; (b) Testing the accuracy of the measurement of progress used by the management in their calculations.

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.

- Conclude on the appropriateness of the directors of the Company's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Jacky Wong Suk Hung.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
March 23, 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2021

	NOTES	Year ended 31/12/2021 RMB'000	Year ended 31/12/2020 RMB'000
Revenue	5	**22,902,385**	16,535,431
Cost of services		**(14,636,870)**	(10,280,387)
Gross profit		**8,265,515**	6,255,044
Other income	7	**468,568**	326,339
Other gains and losses	8	**1,453,591**	283,177
Impairment losses under expected credit losses ("ECL") model, net of reversal	9	**(31,615)**	(12,627)
Impairment losses of goodwill, net of reversal		**—**	(44,346)
Selling and marketing expenses		**(698,970)**	(588,459)
Administrative expenses		**(2,253,614)**	(1,869,707)
R&D expenses		**(942,242)**	(693,260)
Operating profit		**6,261,233**	3,656,161
Share of losses of associates		**(92,162)**	(76,833)
Share of losses of joint ventures		**(25,129)**	(13,919)
Finance costs	10	**(128,333)**	(196,033)
Profit before tax		**6,015,609**	3,369,376
Income tax expense	11	**(879,662)**	(383,126)
Profit for the year	12	**5,135,947**	2,986,250
Other comprehensive (expense) income for the year			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**(216,654)**	(423,676)
Fair value (loss) gain on			
— hedging instrument designated in cash flow hedges		**(294,234)**	511,326
Other comprehensive (expense) income for the year, net of income tax		**(510,888)**	87,650
Total comprehensive income for the year		**4,625,059**	3,073,900

	NOTES	Year ended 31/12/2021 RMB'000	Year ended 31/12/2020 RMB'000
Profit for the year attributable to:			
Owners of the Company		**5,097,155**	2,960,235
Non-controlling interests		**38,792**	26,015
		5,135,947	2,986,250
Total comprehensive income for the year attributable to:			
Owners of the Company		**4,588,790**	3,040,933
Non-controlling interests		**36,269**	32,967
		4,625,059	3,073,900
		RMB	*RMB*
Earnings per share			
— Basic	14	**1.75**	1.06
— Diluted	14	**1.73**	1.05

Consolidated Statement of Financial Position

At December 31, 2021

	NOTES	31/12/2021 RMB'000	31/12/2020 RMB'000
Non-current Assets			
Property, plant and equipment	16	**15,848,703**	10,137,062
Right-of-use assets	17	**1,779,500**	1,519,864
Goodwill	18	**1,925,563**	1,391,759
Other intangible assets	19	**889,822**	585,319
Interests in associates	21	**619,382**	712,337
Interests in joint ventures	22	**58,923**	52,496
Deferred tax assets	23	**389,846**	300,901
Financial assets at fair value through profit or loss ("FVTPL")	30	**8,714,098**	6,717,207
Other non-current assets	24	**2,182,393**	1,395,594
Biological assets	25	**733,510**	418,869
Amounts due from related parties	51	**—**	419
		33,141,740	23,231,827
Current Assets			
Inventories	26	**4,554,577**	1,933,826
Contract costs	27	**594,912**	250,345
Biological assets	25	**755,517**	501,688
Amounts due from related parties	51	**343,310**	56,885
Trade and other receivables	28	**5,968,471**	4,337,866
Contract assets	28	**773,433**	541,953
Income tax recoverable		**225**	19,057
Financial assets at FVTPL	30	**527,288**	4,617,725
Derivative financial instruments	32	**229,142**	562,824
Pledged bank deposits	31	**63,437**	9,113
Bank balances and cash	31	**8,175,336**	10,228,057
		21,985,648	23,059,339
Current Liabilities			
Trade and other payables	33	**6,855,964**	4,550,334
Amounts due to related parties	51	**21,439**	23,845
Derivative financial instruments	32	**3,652**	859
Contract liabilities	34	**2,986,379**	1,580,980
Borrowings	36	**2,261,480**	1,230,011
Lease liabilities	37	**220,183**	177,436
Financial liabilities at FVTPL	40	**—**	16,508
Income tax payables		**459,256**	340,371
Other current liabilities	41	**176,241**	—
		12,984,594	7,920,344

	NOTES	31/12/2021 RMB'000	31/12/2020 RMB'000
Net Current Assets		**9,001,054**	15,138,995
Total Assets Less Current Liabilities		**42,142,794**	38,370,822
Non-current Liabilities			
Deferred tax liabilities	23	**324,125**	282,987
Deferred income	35	**770,601**	682,035
Lease liabilities	37	**1,018,979**	1,067,103
Convertible bonds — debt component	39	**607,140**	1,819,029
Convertible bonds — embedded derivative component	39	**657,317**	1,582,060
Other long-term liabilities	38	**7,170**	219,117
		3,385,332	5,652,331
Net Assets		**38,757,462**	32,718,491
Capital and Reserves			
Share capital	42	**2,955,827**	2,441,685
Reserves		**35,535,682**	30,052,058
Equity attributable to owners of the Company		**38,491,509**	32,493,743
Non-controlling interests		**265,953**	224,748
Total Equity		**38,757,462**	32,718,491

The consolidated financial statements on pages 142 to 304 were approved and authorized for issue by the board of directors on March 23, 2022 and are signed on its behalf by:

Ge LI
DIRECTOR

Edward HU
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended December 31, 2021

	Attributable to owners of the Company											Non-controlling interests	Total
	Share capital	Share premium	Treasury shares	Capital reserve	Share-based payment reserve	Cash flow hedging reserve	Foreign currency translation reserve	Statutory reserve	Other reserve	Retained earnings	Subtotal		
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at January 1, 2020	1,651,127	11,470,584	(705,817)	(2,157,519)	576,361	(24,451)	180,697	146,215	398,216	5,776,842	17,312,255	97,455	17,409,710
Profit for the year	–	–	–	–	–	–	–	–	–	2,960,235	2,960,235	26,015	2,986,250
Other comprehensive income (expense) for the year	–	–	–	–	–	506,210	(425,512)	–	–	–	80,698	6,952	87,650
Total comprehensive income (expense) for the year	–	–	–	–	–	506,210	(425,512)	–	–	2,960,235	3,040,933	32,967	3,073,900
Transferred to statutory reserve (Note a)	–	–	–	–	–	–	–	92,681	–	(92,681)	–	–	–
Issue of non-public A shares (Note 42)	62,690	6,465,250	–	–	–	–	–	–	–	–	6,527,940	–	6,527,940
Transaction costs attributable to issue of non-public A shares	–	(66,694)	–	–	–	–	–	–	–	–	(66,694)	–	(66,694)
Issue of H Shares placing (Note 42)	68,205	6,561,359	–	–	–	–	–	–	–	–	6,629,564	–	6,629,564
Transaction costs attributable to issue of H Shares placing	–	(70,903)	–	–	–	–	–	–	–	–	(70,903)	–	(70,903)
Issue of restricted A Shares (Note 42 & 46)	383	15,172	(15,555)	–	–	–	–	–	–	–	–	–	–
Repurchase and cancellation of restricted A shares (Note 42)	(1,234)	(26,998)	28,232	–	–	–	–	–	–	–	–	–	–
Share premium transferred to share capital (Note 42)	660,451	(660,451)	–	–	–	–	–	–	–	–	–	–	–
Acquisition of a subsidiary (Note 45)	–	–	–	–	–	–	–	–	–	–	–	57,271	57,271
Change in ownership interests in subsidiaries without change of control (Note 52.3)	–	–	–	(382,317)	–	–	–	–	–	–	(382,317)	33,592	(348,725)
Recognition of share-based payments (Note b)	–	–	–	–	553,269	–	–	–	–	–	553,269	3,463	556,732
Restricted A shares Tranche one vested (Note 46)	–	–	106,383	84,418	(84,418)	–	–	–	–	–	106,383	–	106,383
2018 Option Tranche one vested (Note 42 & 46)	63	2,844	–	1,254	(1,254)	–	–	–	–	–	2,907	–	2,907
Repurchase of H shares under 2020 H Share Awards	–	–	(609,786)	–	–	–	–	–	–	–	(609,786)	–	(609,786)
Payment of dividends	–	–	6,622	–	–	–	–	–	–	(556,430)	(549,808)	–	(549,808)
Balance at December 31, 2020	2,441,685	23,690,163	(1,189,921)	(2,454,164)	1,043,958	481,759	(244,815)	238,896	398,216	8,087,966	32,493,743	224,748	32,718,491

	Attributable to owners of the Company											Non-controlling interests	Total
	Share capital RMB'000	Share premium RMB'000	Treasury shares RMB'000	Capital reserve RMB'000	Share-based payment reserve RMB'000	Cash flow hedging reserve RMB'000	Foreign currency translation reserve RMB'000	Statutory reserve RMB'000	Other reserve RMB'000	Retained earnings RMB'000	Subtotal RMB'000	RMB'000	RMB'000
Profit for the year	–	–	–	–	–	–	–	–	–	5,097,155	5,097,155	38,792	5,135,947
Other comprehensive expense for the year	–	–	–	–	–	(292,149)	(216,216)	–	–	–	(508,365)	(2,523)	(510,888)
Total comprehensive income (expense) for the year	–	–	–	–	–	(292,149)	(216,216)	–	–	5,097,155	4,588,790	36,269	4,625,059
Transferred to statutory reserve (Note a)	–	–	–	–	–	–	–	169,462	–	(169,462)	–	–	–
Repurchase and cancellation of restricted A shares (Note 42)	(691)	(12,601)	13,292	–	–	–	–	–	–	–	–	–	–
Share premium transferred to share capital (Note 42)	490,127	(490,127)	–	–	–	–	–	–	–	–	–	–	–
Recognition of share-based payments (Note b)	–	–	–	–	552,659	–	–	–	–	–	552,659	3,964	556,623
Restricted A shares vested (Note 46)	–	–	239,468	320,906	(320,906)	–	–	–	–	–	239,468	–	239,468
2018 Option vested (Note 42 & 46)	154	6,567	–	3,020	(3,020)	–	–	–	–	–	6,721	–	6,721
2019 Option vested (Note 42 & 46)	2,531	95,223	–	50,538	(50,538)	–	–	–	–	–	97,754	–	97,754
Conversion of convertible bonds	22,021	3,092,290	–	–	–	–	–	–	–	–	3,114,311	–	3,114,311
2020 H Share Award vested (Note 46)	–	(125,004)	125,004	128,728	(128,728)	–	–	–	–	–	–	–	–
Impact of Change of non-controlling interests	–	–	–	(65,292)	–	–	–	–	–	–	(65,292)	4,372	(60,920)
Repurchase of H shares under 2020 H Share Awards	–	–	(1,651,663)	–	–	–	–	–	–	–	(1,651,663)	–	(1,651,663)
Payment of dividends	–	–	4,598	–	–	–	–	–	–	(889,580)	(884,982)	(3,400)	(888,382)
Balance at December 31, 2021	2,955,827	26,256,511	(2,459,222)	(2,016,264)	1,093,425	189,610	(461,031)	408,358	398,216	12,126,079	38,491,509	265,953	38,757,462

Notes:

a. In accordance with the Articles of Association of the Company, it is required to transfer 10% of the profit after taxation to the statutory reserve until the reserve reaches 50% of the registered capital. Transfer to this reserve must be made before distributing dividends to equity holders. The statutory reserve can be used to make up for previous years' losses, expand the existing operations or convert into additional capital of the Company.

b. The amount represents share-based payment reserve as disclosed in Note 46.

Consolidated Statement of Cash Flows

For the year ended December 31, 2021

	Year ended 31/12/2021 *RMB'000*	Year ended 31/12/2020 *RMB'000*
OPERATING ACTIVITIES		
Profit before tax	**6,015,609**	3,369,376
Adjustments for:		
Interest income	**(191,693)**	(92,363)
Income from R&D grants and others related to assets	**(69,888)**	(54,279)
Finance costs	**128,333**	196,033
Dividends received from financial assets at FVTPL	**(28,343)**	(27,054)
Depreciation of property, plant and equipment	**1,138,145**	871,227
Depreciation of right-of-use assets	**224,157**	195,555
Amortization of other intangible assets and other non-current assets	**117,641**	69,192
Impairment loss, net of reversal		
— goodwill	**—**	44,346
— inventories	**33,056**	18,295
— financial assets and other items under ECL model	**31,615**	12,627
Write-off of trade receivables	**(2,760)**	(1,498)
Share of losses of joint ventures	**25,129**	13,919
Share of losses of associates	**92,162**	76,833
Share-based payment expenses	**556,623**	556,732
Net foreign exchange loss	**139,235**	411,116
(Gain) loss on disposal of plant and equipment and right-of-use assets	**(258,960)**	9,358
Gain on financial assets at FVTPL (realized)	**(1,451,453)**	(354,434)
Gain resulting from transfer of an investment in associates to financial assets at FVTPL	**—**	(351,491)
Gain on financial assets at FVTPL (unrealized)	**(273,396)**	(1,137,597)
Fair value loss on financial liabilities at FVTPL	**7,844**	41,062
Fair value gain on biological assets	**(630,465)**	(291,718)
Loss on derivative financial instruments	**995,642**	1,371,978
Operating cash flows before movements in working capital	**6,598,233**	4,947,215

	Year ended 31/12/2021 RMB'000	Year ended 31/12/2020 RMB'000
Movements in working capital elements:		
Increase in inventories	**(2,650,966)**	(516,551)
Increase in contract costs	**(344,567)**	(70,144)
Decrease in biological assets	**3,857**	62,342
Increase in trade and other receivables	**(1,638,831)**	(739,447)
Decrease (increase) in income tax recoverable	**18,832**	(12,771)
Increase in contract assets	**(234,284)**	(162,525)
Increase in other non-current assets	**(3,135)**	(6,046)
Increase in amounts due from related parties	**(6,426)**	(43,788)
Decrease in amounts due to related parties	**(2,406)**	(951)
Increase in trade and other payables	**1,958,326**	133,338
Increase in contract liabilities	**1,402,559**	679,337
(Decrease) increase in other long-term liabilities	**(42,122)**	10,935
Increase in deferred income	**88,566**	14,653
Cash generated from operations	**5,147,636**	4,295,597
Income taxes paid	**(768,931)**	(468,009)
NET CASH FROM OPERATING ACTIVITIES	**4,378,705**	3,827,588
INVESTING ACTIVITIES		
Interests received	**113,251**	75,098
Proceeds from disposal of financial assets at FVTPL	**5,689,827**	894,488
Purchase of financial assets at FVTPL	**(2,038,128)**	(5,099,373)
Purchase of other non-current assets	**(700,000)**	(1,300,000)
Proceeds from disposal of other intangible assets	**433**	307
Proceeds from disposal of property, plant and equipment	**1,376**	8,283
Acquisition of interests in associates	**(56,016)**	(73,881)
Acquisition of interests in joint ventures	**(26,326)**	(26,667)
Purchases of property, plant and equipment	**(6,758,192)**	(3,026,211)
Payments for lease deposits	**(6,111)**	(1,158)
Purchases of other intangible assets	**(6,853)**	(4,824)
Purchases of right-of-use assets	**(39,825)**	—
Purchases of biological assets	**(131,216)**	—
Placement of pledged bank deposits	**(54,324)**	(5,163)
Net cash outflow on acquisition of subsidiaries	**(857,690)**	(186,055)
Dividends received from financial assets at FVTPL	**35,906**	68,698
Dividends received from interests in associates	**41,971**	—
Dividends received from interests in joint ventures	**—**	2,075
Payments for forward contract	**5,780**	(32,608)
R&D grants and others received related to assets	**157,768**	77,363
NET CASH USED IN INVESTING ACTIVITIES	**(4,628,369)**	(8,629,628)

Consolidated Statement of Cash Flows

For the year ended December 31, 2021

	Year ended 31/12/2021 RMB'000	Year ended 31/12/2020 RMB'000
FINANCING ACTIVITIES		
Payments of dividends	**(892,980)**	(556,430)
New borrowings raised	**2,280,862**	1,692,136
Repayments of borrowings	**(1,209,544)**	(2,975,693)
Repayments of lease liabilities	**(245,935)**	(233,811)
Net Proceeds from exercise of stock option	**104,297**	18,462
Proceeds from non-public issue of A shares	**—**	6,465,924
Proceeds from issue of H Shares under placing agreement	**—**	6,564,329
Contribution from non-controlling shareholders	**—**	113,451
Repurchase and cancellation of restricted A shares	**(9,091)**	(28,232)
Interests paid	**(23,164)**	(81,685)
Acquisition of interests in a subsidiary from non-controlling shareholders	**(60,921)**	(462,176)
Repurchase of H shares under 2020 H Share Awards	**—**	(615,104)
Repurchase of H shares under 2021 H Share Awards	**(1,666,120)**	—
Issue cost paid	**(1,318)**	(13,124)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	**(1,723,914)**	9,888,047
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(1,973,578)**	5,086,007
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR	**10,228,057**	5,223,293
Effects of exchange rate changes	**(79,143)**	(81,243)
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	**8,175,336**	10,228,057

1. GENERAL INFORMATION

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

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

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

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

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

Amendments to IFRSs that are mandatorily effective for the current year

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

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

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

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

New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRS Standards that have been issued but are not yet effective:

IFRS 17	Insurance Contracts and the related Amendments (Note ii)
Amendments to IFRS 3	Reference to the Conceptual Framework (Note iii)
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Note iv)
Amendment to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 (Note i)
Amendments to IAS 1	Classification of Liabilities as Current or Non-current (Note ii)
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use (Note iii)
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract (Note iii)
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018–2020 (Note iii)
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies (Note ii)
Amendments to IAS 8	Definition of Accounting Estimates (Note ii)
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Note ii)

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

New and amendments to IFRSs in issue but not yet effective (continued)

Notes:

i: Effective for annual periods beginning on or after April 1,2021.

ii: Effective for annual periods beginning on or after January 1, 2023.

iii: Effective for annual periods beginning on or after January 1, 2022.

iv: Effective for annual periods beginning on or after a date to be determined.

Except for the new and amendments to IFRSs mentioned below, the directors of the Company anticipate that application of all other new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to IAS 1 Classification of Liabilities as Current or Non-current

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

  (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying IAS 32 *Financial Instruments: Presentation*.

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

New and amendments to IFRSs in issue but not yet effective (continued)

Amendments to IAS 1 Classification of Liabilities as Current or Non-current (continued)

As at December 31, 2021, the Group's outstanding convertible instruments include counterparty conversion options that do not meet equity instruments classification by applying IAS 32 *Financial Instruments: Presentation*, and the Group classified the convertible instruments as current or non-current based on the earliest date in which the Group has the obligation to redeem these instruments through cash settlement. The host debt component is measured at amortised cost with carrying amount of RMB607,140,000 (December 31, 2020: RMB1,819,029,000) and the derivative component (including the conversion options) is measured at fair value with carrying amount of RMB657,317,000 as at December 31, 2021 (December 31, 2020: RMB1,582,060,000), both of which are classified as non-current as set out in Note 39. Upon the application of the amendments, in addition to the obligation to redeem through cash settlement, the transfer of equity instruments upon the exercise of the conversion options that do not meet equity instruments classification also constitute settlement of the convertible instruments. The host liability and the derivative component would be reclassified to current liabilities as the holders have the option to convert within twelve months.

Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of IAS 12 *Income Taxes* so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

As disclosed in note 3 to the consolidated financial statements, for leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to the relevant assets and liabilities as a whole. Temporary differences relating to relevant assets and liabilities are assessed on a net basis.

Upon the application of the amendments, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with early application permitted. As at December 31, 2021, the carrying amounts of right-of-use assets and lease liabilities which are subject to the amendments amounted to RMB1,069,566,000 and RMB1,239,162,000 respectively. The cumulative effect of initially applying the amendments will be recognised as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the earliest comparative period presented.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments and biological assets that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial information of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the reporting period are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation (continued)

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 *Financial Instruments* or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations or asset acquisitions

Optional concentration test

The Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Asset acquisitions

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets and financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations or asset acquisitions (continued)

Business combination

Acquisitions of businesses, other than business combination under common control, are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

Except for certain recognition exemptions, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the International Accounting Standards Committee's *Framework for the Preparation and Presentation of Financial Statements*.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquire are measured in accordance with IFRS 2 at the acquisition date;

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard; and

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in IFRS 16) as if the acquired leases were new leases at the acquisition date except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after reassessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations or asset acquisitions (continued)

Business combination (continued)

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition date fair value and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised other comprehensive income and measured under IFRS 9 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

Merger accounting for business combination involving entities under common control

The consolidated financial statements incorporate the financial statements items of the combining businesses in which the common control combination occurs as if they had been consolidated from the date when the combining businesses first came under the control of the controlling party.

The net assets of the combining businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Merger accounting for business combination involving entities under common control (continued)

The consolidated statements of profit or loss and other comprehensive income includes the results of each of the combining businesses from the earliest date presented or since the date when the combining businesses first came under the common control, where this is a shorter period.

The comparative amounts in the consolidated financial statements are presented as if the businesses had been consolidated at the end of the previous reporting period or when they first came under common control, whichever is shorter.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

The Group's policy for goodwill arising on the acquisition of an associate and a joint venture is described below.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in the consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognizing its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

When an investment in an associate or a joint venture is held by, or is held indirectly through, venture capital organisation or similar entities of the Group, the Group may irrevocably elect to measure that investment at fair value through profit or loss in accordance with IFRS 9 and presented as financial assets at FVTPL. Such election is made separately for initial recognition of each associate or joint venture.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments in associates and joint ventures (continued)

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of IFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers (continued)

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

The selection of the method to measure progress towards completion requires judgment and is based on the nature of the products or services to be provided. Depending on which better depicts the transfer of value to the customer, the Group generally measures its progress using either cost-to-cost (input method) or units produced/services transferred to the customer to date (output method). The Group uses the known cost measure of progress when it best depicts the transfer of value to the customer which occurs as the Group incurs costs on its contract, generally related to fixed fee service contracts. Under the cost-to-cost measure of progress, the extent of progress towards completion is measured based on the ratio of costs incurred to date to the total estimated costs at completion of the performance obligation. Revenue is recorded proportionally as costs are incurred. The units produced/services transferred to the customer to date measure of progress is generally related to rate per unit contracts or contracts for the delivery of services, as the extent of progress towards completion is measured based on discrete service or time-based increments, such as samples tested or services transferred.

As a practical expedient, if the Group has a right to consideration in an amount that corresponds directly with the value of the Group's performance completed to date (for example, service contracts in which the Group bills a fixed amount for each hour of service provided), the Group recognises revenue in the amount to which the Group has the right to invoice.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers (continued)

Principal versus agent (continued)

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Contract costs

The Group incurs costs to fulfill a contract in its business. The Group first assess whether these costs qualify for recognition as an asset in terms of other relevant standards, failing which it recognises an asset for these costs only if they meet all of the following criteria:

- the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;
- the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- the costs are expected to be recovered.

Costs to fulfill a contract of the Group mainly consists of cost of materials consumed (determined on a weighted average method), cost of labor and other costs of personnel directly engaged in providing the chemical discovery, development and manufacturing service, including supervisory personnel, and attributable overheads.

The asset recognised is subsequently amortized to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate. The asset is subject to impairment review.

Variable consideration

For contracts that contain variable consideration, the Group estimates the amount of consideration to which it will be entitled using the expected value method or the most likely amount, which better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue from contracts with customers (continued)

Variable consideration (continued)

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application or arising from business combinations of IFRS 16, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Allocation of consideration to components of a contract

The Group applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of equipment and office premises that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight- line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lessee (continued)

Right-of-use assets (continued)

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities other than adjustments to lease liabilities resulting from Covid-19-related rent concessions in which the Group applied the practical expedient.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lessee (continued)

Lease liabilities (continued)

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains one or more additional lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component. The associated non-lease components are included in the respective lease components.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lessee (continued)

Covid-19-related rent concessions

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

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

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

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognised as receivables at commencement date at amounts equal to net investments in the leases, measured using the interest rate implicit in the respective leases. Initial direct costs (other than those incurred by manufacturer or dealer lessors) are included in the initial measurement of the net investments in the leases. Interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

The Group as a lessor (continued)

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies IFRS 15 to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted for under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchanges prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non- controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Borrowing costs

All borrowing costs are recognised in profit or loss in the year in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expense the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under “other income”.

Retirement benefit costs

The Group participates in two defined contribution schemes:

a) A state-managed retirement benefit scheme in the PRC, pursuant to which the Group pays a fixed percentage of its qualifying staff’s wages as contributions to the scheme.

b) A defined contribution plan in the United States of America (“USA”), pursuant to which the Group makes a matching contribution of participants’ elective deferral contribution of 100% of the first 2% and 50% for the next 4% of eligible participant contributions. The maximum match is 4% of eligible participant compensation.

Payments to such retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contributions.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries and annual leave) after deducting any amount already paid.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before tax" as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation (continued)

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities results in net deductible temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment including buildings held for use in the production or supply of goods or services, or for administrative purposes are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognised in profit or loss when the asset is derecognised.

Internally-generated intangible assets — research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible assets so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Intangible assets (continued)

Internally-generated intangible assets — research and development expenditure (continued)

- the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses (if any) on the same basis as intangible assets that are acquired separately.

Impairment of property, plant and equipment, right-of-use assets, intangible assets and contract costs other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives and contract costs to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of property, plant and equipment, right-of-use assets, intangible assets and contract costs other than goodwill (see the accounting policy in respect of goodwill above) (continued)

Before the Group recognises an impairment loss for assets capitalised as contract costs under IFRS 15, the Group assesses and recognises any impairment loss on other assets related to the relevant contracts in accordance with applicable standards. Then, impairment loss, if any, for assets capitalised as contract costs is recognised to the extent the carrying amounts exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services that have not been recognised as expenses. The assets capitalised as contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Biological assets

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

Cynomolgous monkeys are measured on initial recognition and at the end of each reporting period at its fair value less costs to sell. The change in fair value less costs to sell of the cynomolgous monkeys shall be included in profit or loss for the period in which it arises.

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs of inventories are determined on a weighted average method. Net realizable value represents the contracted selling price less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Contingent liabilities

A contingent liability is a present obligation arising from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Where the Group is jointly and severally liable for an obligation, the part of the obligation that is expected to be met by other parties is treated as a contingent liability and it is not recognised in the consolidated financial statements.

The Group assesses continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the consolidated financial statements in the reporting period in which the change in probability occurs, except in the extremely rare circumstances where no reliable estimate can be made.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributed to the acquirer of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

All other financial assets are subsequently measured at FVTPL, except that at the date of initial application of IFRS 9/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 *Business Combinations* applies.

Amortized cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortized cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortized cost of the financial asset from the next reporting period. If the credit risk on the credit impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

Interest income is recognised in profit or loss and is included in the “other income” line item.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains and losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the “other gains and losses” line item.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. For financial assets measured at amortized cost, exchange differences are recognised in profit or loss in the ‘other gains and losses’ line item (Note 8).

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9

The Group performs impairment assessment under ECL model on financial assets (including trade and other receivables, amounts due from related parties, cash and cash equivalents and pledged bank deposits) and contract assets, which are subject to impairment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables, contract assets and amounts due from related parties of trade nature. The ECL on these financial assets are assessed collectively using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Significant increase in credit risk (continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; or
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definition.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

a) significant financial difficulty of the issuer or the borrower;

b) a breach of contract, such as a default or past due event;

c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization;

e) the disappearance of an active market for that financial asset because of financial difficulties; or

f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial assets (continued)

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience and forward-looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis to cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Past-due status;
- Nature, size and industry of debtors;
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortized cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued are classified as either financial liabilities or as equity in accordance with substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which IFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Financial liabilities at amortized cost

Other financial liabilities including borrowings, trade and other payables and amount due to related parties are subsequently measured at amortized cost, using the effective interest method.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortized cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortized cost of the instruments. These foreign exchange gains and losses are recognised in the "other gains and losses" line item in profit or loss (Note 8).

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform

For changes in the basis for determining the contractual cash flows of a financial asset or financial liability to which the amortised cost measurement applies as a result of interest rate benchmark reform, the Group applies the practical expedient to account for these changes by updating the effective interest rate, such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if and only if, both these conditions are met:

- the change is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (ie the basis immediately preceding the change).

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Treasury shares

Own equity instruments which held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in the statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Embedded derivatives

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of IFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured in its entirety as either amortised cost or fair value as appropriate.

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Generally, multiple embedded derivatives in a single instrument that are separated from the host contracts are treated as a single compound embedded derivative unless those derivatives relate to different risk exposures and are readily separable and independent of each other.

Convertible bonds

Convertible bonds issued by the Group that contain both debt and multiple embedded derivatives (including conversion options that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments and redemption options) are classified separately into respective items on initial recognition. At the date of issue, both the debt component and the derivative component are recognised at fair value. In subsequent periods, the debt component of the convertible bonds is carried at amortised cost using the effective interest method. The derivative component is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible bonds are allocated to the debt and derivative components in proportion to their relative fair values. Transaction costs relating to the derivative component are charged to profit or loss immediately. Transaction costs relating to the debt component are included in the carrying amount of the debt portion and amortised over the period of the convertible bonds using the effective interest method.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Hedge accounting

The Group designates certain derivatives as hedging instruments for cash flow hedges.

At the inception of the hedging relationship the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

For the purpose of determining whether a forecast transaction (or a component thereof) is highly probable, the Group assumes that the interest rate benchmark on which the hedged cash flows (contractually or non-contractually specified) are based is not altered as a result of interest rate benchmark reform.

Assessment of hedging relationship and effectiveness

For hedge effectiveness assessment, the Group considers whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulate under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the "other gains and losses" line item.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial instruments (continued)

Hedge accounting (continued)

Cash flow hedges (continued)

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income. Furthermore, if the Group expects that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

Discontinuation of hedge accounting

The Group discontinues hedge accounting prospectively only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. Discontinuing hedge accounting can either affect a hedging relationship in its entirety or only a part of it (in which case hedge accounting continues for the remainder of the hedging relationship).

For cash flow hedge, any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transactions is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

Share-based payment transactions

Equity-settled share-based transactions

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share options reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share options reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (continued)

Share-based payment transactions (continued)

Equity-settled share-based transactions (continued)

When the share options are exercised or when the restricted shares are vested, the amount previously recognised in the share-based payment reserve will be transferred to share premium. When the share options or restricted shares are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payment reserve will continue to be held in share-based payment reserve.

Cash-settled share-based payment transactions

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgment, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Judgments in determining the timing of satisfaction of performance obligations

The Group has different contractual arrangements with different customers. In determining the timing of satisfaction of perform obligations, the management review the contract term of each individual contract. The recognition of FFS revenue under IFRS 15 requires management to apply critical judgements in determining whether the timing of satisfaction of performance obligations is at a point in time or over time.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Critical judgements in applying accounting policies (continued)

Judgments in determining the timing of satisfaction of performance obligations (continued)

Satisfaction of Performance Obligations:

For certain types of revenue under FFS model, the directors of the Company have determined that performance obligations are satisfied over time. Significant judgment is required in determining whether the terms of the Group's contracts with customers in relation to certain type of revenue under FFS model create an enforceable right to payment for the Group. The Group has considered the relevant local laws that are applicable to those relevant contracts and opinion from external legal counsel (if needed).

Depending on which better depicts the transfer of value to the customer, the directors of the Company make judgement to measure the progress of the projects using either cost-to-cost (input method) or units produced/services transferred to the customer to date (output method).

For certain services under FFS method, the directors of the Company have assessed that the Group has a present right to payment from the customers for the services performed at a point in time upon finalization, delivery and acceptance of the deliverable units. Therefore, the directors of the Company have satisfied that the performance obligation of FFS is satisfied at a point in time and recognised FFS revenue at a point in time.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are disclosed below.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. The assumptions applied in determining the value in use of cash-generating units would require significant management estimates, including cash flow forecast, discount rate and long-term average growth rate. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss/further impairment loss may arise. As at December 31, 2021, the carrying amount of goodwill is RMB1,925,563,000 (December 31, 2020: RMB1,391,759,000), net of accumulated impairment loss of RMB140,366,000 (December 31, 2020: RMB141,549,000). Details of the recoverable amount calculation are disclosed in Note 20.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

Impairment on property, plant and equipment and other intangible assets

The Group regularly reviews whether there are any indications of impairment and recognises an impairment loss if the carrying amount of an asset is lower than its recoverable amount. The Group tests for impairment for property, plant and equipment and other intangible assets whenever there is an indication that the asset may be impaired. The recoverable amounts have been determined based on the higher of the fair value less costs of disposal and value in use. The use of estimates are required in these calculations.

Fair value measurements of financial instruments

Certain of the Group's financial assets, unquoted equity instruments amounting to RMB5,771,360 as at December 31, 2021 (December 31, 2020: RMB4,489,915,000) are measured at fair values with fair values being determined based on unobserved inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could affect the reported fair values of these instruments. Further disclosures are detailed in Notes 30 and 44.

Valuation of the embedded derivatives in convertible bonds

The fair value for the embedded derivatives in convertible bonds are established by using valuation techniques. The valuation model is sensitive to changes in certain key inputs including volatility of share prices, risk-free rate and dividend yield that require significant management estimates. Any changes in the estimates and assumptions will affect the fair values of the embedded derivatives in convertible bonds. The carrying amount of embedded derivatives is disclosed in Note 39.

Fair value of share-based compensation

The share-based compensation expense is measured based on the fair value of the share rewards as calculated under the Black-Scholes or binomial option pricing model. Management is responsible for determining the fair value of the share options or restricted shares granted to employees. The key assumptions used to determine the fair value of the share unit awards at the grant date and the re-measure dates include share price on measurement date, expected volatility and risk-free interest rate. Changes in these assumptions could significantly affect the fair value of share awards and hence the amount of compensation expenses the Group recognise in our consolidated financial statements.

Fair value of biological assets

The Group's biological assets are measured at fair values being determined based on unobserved inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could affect the reported fair values of these biological assets. Further disclosures are detailed in Note 25.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

Useful lives and residual values of property, plant and equipment

The Group determines the estimated useful lives, residual values and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. The Group will increase the depreciation charge where useful lives are less than previously estimated lives, or will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Useful lives and residual values of other intangible assets

The Group's management determines the useful lives, residual values and related amortisation charges for its other intangible assets. This estimate is based on the historical experience of the actual useful lives of other intangible assets of similar nature and functions and may vary significantly as a result of technical innovations and keen competitions from competitors, resulting in higher amortisation charge and/or write-off or write-down of technically obsolete assets when useful lives are less than previously estimated. The Group will increase the amortisation charges where useful lives are less than previously estimated lives, or will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

Deferred tax assets

As at December 31, 2021, a deferred tax asset of RMB126,215,000 (December 31, 2020: RMB81,238,000) in relation to unused tax losses for certain operating subsidiaries has been recognised in the Group's consolidated statement of financial position. No deferred tax asset has been recognised on the tax losses of RMB487,723,000 for non-operating subsidiaries or certain loss making companies due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

Provision of ECL for trade receivables and contract assets

The Group uses provision matrix to calculate ECL for the trade receivables and contract assets. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables and contract assets are disclosed in Note 29.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

Inventories and contract costs

The Group assesses periodically if cost of inventories and contract cost may not be recoverable based on an assessment of the net realizable value of inventories and contract cost. Allowances are applied to inventories and contract cost where events or changes in circumstances indicate that the net realizable value is lower than the cost of inventories or contract cost. The identification of obsolete inventories requires the use of judgment and estimates on the conditions and usefulness of the inventories and in the case of contract cost, the net realizable value has been determined based on the contracted selling price to be recognised upon the completion of the contract cost less all estimated remaining costs to completion and costs necessary to provide the service. Where the expectation is different from the original estimate, such difference will impact the carrying value of the inventories and contract cost in the year in which such estimate changes.

As at December 31, 2021, the carrying amounts of inventories were approximately RMB4,554,577,000 (December 31, 2020: RMB1,933,826,000), net of write down of inventories of approximately RMB64,488,000 (December 31, 2020: RMB31,432,000).

As at December 31, 2021, the carrying amounts of contract cost were approximately RMB594,912,000 (December 31, 2020: RMB250,345,000).

5. REVENUE

The Group's revenue streams are categorized as follows:

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

5. REVENUE (continued)

Disaggregation of revenue

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

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

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

Timing of revenue recognition

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

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

6. SEGMENT INFORMATION

Operating segments are determined based on the Group's internal reports which are submitted to Chief Executive Officer, being the chief operating decision maker ("CODM") of the Group for the purpose of performance assessment and resources allocation. This is also the basis upon which the Group is organized and managed.

In the current year, the Group reorganised its internal reporting structure which resulted in changes to the composition of its reportable segments. In order to provide more transparent and relevant accounting information in the financial report that is reflective of the current business management structure of the Group, the Company has decided to adjust the presentation of its operating segments. Before the change in segment reporting, the Group had five business segments, including China-based laboratory services, U.S.-based laboratory services, Clinical research and other CRO services, CDMO services and others. After the reorganisation, the Group has six business segments, including WuXi Chemistry, WuXi Testing, WuXi Biology, WuXi ATU, WuXi DDSU and others. This change does not affect the financial statement data and presentation, and it only affects the presentation of segment reporting. Prior year segment disclosures have been represented to conform with the current year's presentation.

Specifically, the Group's operating segments are as follows:

— WuXi Chemistry

— WuXi Testing

— WuXi Biology

— WuXi ATU

— WuXi DDSU

— Others

6. SEGMENT INFORMATION (continued)

Segment revenue and results

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

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

6. SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

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

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. The CODM makes decisions according to operating results of each segment. No analysis of segment asset and liability is presented as the CODM does not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

6. SEGMENT INFORMATION (continued)

Entity-wide disclosure

Geographical information

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

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

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

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

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

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

7. OTHER INCOME

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

Notes:

(i) The Group has received certain R&D grants and others to invest in laboratory equipment. The grants and subsidies were recognised in profit or loss over the useful lives of the relevant assets. Details of the grants and subsidies are set out in Note 35.

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

8. OTHER GAINS AND LOSSES

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

9. IMPAIRMENT LOSSES UNDER ECL MODEL, NET OF REVERSAL

	Year ended 31/12/2021 RMB'000	Year ended 31/12/2020 RMB'000
Impairment losses under ECL model on		
— trade receivables	**28,810**	12,659
— contract assets	**2,805**	(32)
	31,615	12,627

10. FINANCE COSTS

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

11. INCOME TAX EXPENSE

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

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

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

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

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

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

11. INCOME TAX EXPENSE (continued)

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

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

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

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

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

12. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

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

13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Details of the emoluments paid or payable to the directors and the Chief Executive of the Company for the service provided to the Group during the reporting period are as follows:

	Fees *RMB'000*	Salaries *RMB'000*	Performance related bonuses *RMB'000*	Retirement benefit scheme contribution *RMB'000*	Share-based compensation *RMB'000*	Total *RMB'000*
For the year ended December 31, 2021						
Chief Executive and executive director						
Dr. Ge LI	—	7,903	16,800	61	6,155	30,919
Dr. Steve Qing YANG	—	4,572	3,066	—	4,757	12,395
Executive directors						
Mr. Zhaohui ZHANG	—	3,740	2,283	100	1,454	7,577
Dr. Ning ZHAO	—	2,300	936	—	1,368	4,604
Mr. Edward HU	—	4,938	2,772	61	4,935	12,706
Non-executive directors						
Mr. Xiaomeng TONG	—	—	—	—	—	—
Dr. Yibing WU	—	—	—	—	—	—
Independent non-executive directors						
Dr. Jiangnan CAI	363	—	—	—	—	363
Dr. Hetong LOU	363	—	—	—	—	363
Mr. Xiaotong ZHANG	363	—	—	—	—	363
Ms. Yan LIU	363	—	—	—	—	363
Mr. Dai FENG	363	—	—	—	—	363
Total	1,815	23,453	25,857	222	18,669	70,016

13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (continued)

	Fees RMB'000	Salaries RMB'000	Performance related bonuses RMB'000	Retirement benefit scheme contribution RMB'000	Share-based compensation RMB'000	Total RMB'000
For the year ended December 31, 2020						
Chief Executive and executive director						
Dr. Ge LI	—	8,012	11,820	18	467	20,317
Dr. Steve Qing YANG	—	3,035	2,893	—	4,501	10,429
Executive directors						
Mr. Xiaozhong LIU (note)	—	829	—	22	—	851
Mr. Zhaohui ZHANG	—	1,980	1,787	53	104	3,924
Dr. Ning ZHAO	—	1,610	1,429	—	104	3,143
Mr. Edward HU	—	3,931	2,282	18	5,024	11,255
Non-executive directors						
Mr. Xiaomeng TONG	—	—	—	—	—	—
Dr. Yibing WU	—	—	—	—	—	—
Independent non-executive directors						
Dr. Jiangnan CAI	263	—	—	—	—	263
Dr. Hetong LOU	263	—	—	—	—	263
Mr. Xiaotong ZHANG	263	—	—	—	—	263
Ms. Yan LIU	263	—	—	—	—	263
Mr. Dai FENG	263	—	—	—	—	263
Total	1,315	19,397	20,211	111	10,200	51,234

Note: From May 15th, 2020, Mr. Xiaozhong LIU no longer served as executive director and vice president of the Company due to the expiration of the term of office of the first board of directors.

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

No emoluments of non-executive directors was recognized during the year 2021 (2020: Nil).

The independent non-executive directors' emoluments shown above were for their services as the directors of the Company.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (continued)

Five highest paid individuals' emoluments

The five individuals with the highest emoluments in the Group for the years ended December 31, 2021 include three directors (2020: three directors) disclosed above, details of whose remuneration are set out as above. The emoluments of the remaining two highest paid individuals for the years ended December 31, 2021 (2020: two) were as follows:

	Year ended 31/12/2021 ***RMB'000***	Year ended 31/12/2020 *RMB'000*
Salaries and other benefits	**8,223**	6,328
Performance-based bonus	**6,727**	6,890
Share-based compensation	**7,746**	9,567
Total	**22,696**	22,785

The emoluments of the five highest paid individuals were within the following bands:

	Number of individuals	
	Year ended 31/12/2021	Year ended 31/12/2020
HK$11,500,001 to HK$12,000,000	**—**	1
HK$12,000,001 to HK$12,500,000	**—**	1
HK$12,500,001 to HK$13,000,000	**1**	1
HK$13,000,001 to HK$13,500,000	**—**	1
HK$14,500,001 to HK$15,000,000	**2**	—
HK$15,000,001 to HK$15,500,000	**1**	—
HK$22,500,001 to HK$23,000,000	**—**	1
HK$37,000,001 to HK$37,500,000	**1**	—
Total	**5**	5

During the year of 2021, H shares under 2021 WuXi AppTec H Share Award and Trust Scheme were awarded to two chief executive and executive directors and three executive directors in respect of their services to the Group (2020: two chief executive and executive directors and three executive directors), further details of which are included in the disclosures in Note 46 to the financial statements. The fair value of these H shares, which has been recognised in the consolidated statement of profit or loss over the lock-up period, was determined as at the date of grant and the amount included in the consolidated financial statements for the current year is included in the above executive directors' remuneration disclosures.

14. EARNINGS PER SHARE

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

	Year ended 31/12/2021 *RMB'000*	Year ended 31/12/2020 *RMB'000*
Earnings:		
Profit attributable to ordinary equity holders of the parent	**5,097,155**	2,960,235
Less: Cash dividends attribute to the shareholders of restricted shares expected to be unlocked in the future	**(4,598)**	(6,622)
Earnings for the purpose of calculating basic earnings per share	**5,092,557**	2,953,613
Effect of dilutive potential ordinary shares:		
Add: Cash dividends attribute to the shareholders of restricted shares expected to be unlocked in the future	**4,598**	6,622
Effect of share options issued by a subsidiary	**(4,915)**	(13,237)
Earnings for the purpose of calculating diluted earnings per share	**5,092,240**	2,946,998

	Year ended 31/12/2021	Year ended 31/12/2020
Number of Shares ('000):		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**2,914,820**	2,793,408
Effect of dilutive potential ordinary shares:		
Effect of restricted shares and share options issued by the Company	**22,897**	24,940
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**2,937,717**	2,818,348

14. EARNINGS PER SHARE (continued)

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

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

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

15. DIVIDENDS

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

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

Subsequent to the end of the reporting period, the directors of the Company proposes the 2021 profit distribution plan ("2021 Profit Distribution Plan") as follows: a dividend in an aggregate amount of RMB1,529,309,116.25 (2020: RMB889,579,996.44) (inclusive of tax) to be paid to shareholders on the record date for determining the shareholders' entitlement to 2021 Profit Distribution plan which amounts to a dividend of RMB0.5174 (2020: RMB0.363) (inclusive of tax) per ordinary share to all shareholders of the Company. The 2021 Profit Distribution Plan is subject to, amongst others, approval by Shareholders at the forthcoming AGM.

16. PROPERTY, PLANT AND EQUIPMENT

	Building RMB'000	Machinery RMB'000	Furniture, fixtures and equipment RMB'000	Transportation equipment RMB'000	Others RMB'000	Leasehold improvement RMB'000	Construction in progress ("CIP") RMB'000	Total RMB'000
COST								
At January 1, 2020	2,275,573	1,667,458	3,324,333	21,253	9,409	1,669,797	2,091,667	11,059,490
Additions	–	26,499	17,991	36	–	1,111	3,426,807	3,472,444
Transfers from CIP	577,036	251,239	1,238,464	1,932	–	309,200	(2,377,871)	–
Transfer to other intangible assets	–	–	–	–	–	–	(55,181)	(55,181)
Acquisition of a subsidiary	–	29,726	538	171	–	3,654	693	34,782
Disposals	(2,296)	(24,701)	(67,386)	(2,964)	(1,802)	(42,722)	–	(141,871)
Effect of foreign currency exchange difference	(31)	(33,964)	(2,613)	–	(58)	(58,858)	–	(95,524)
At December 31, 2020	2,850,282	1,916,257	4,511,327	20,428	7,549	1,882,182	3,086,115	14,274,140
Additions	**85,550**	**72,591**	**56,378**	**21**	**–**	**20,928**	**7,006,788**	**7,242,256**
Transfers from CIP	**945,758**	**996,476**	**1,656,970**	**1,112**	**–**	**354,257**	**(3,954,573)**	**–**
Acquisition of a subsidiary	**–**	**–**	**17,541**	**–**	**–**	**4,125**	**–**	**21,666**
Transfer to right-of-use assets	**–**	**–**	**–**	**–**	**–**	**–**	**(272,684)**	**(272,684)**
Transfer to other intangible assets	**–**	**–**	**–**	**–**	**–**	**–**	**(86,212)**	**(86,212)**
Disposals	**(10,276)**	**(14,319)**	**(85,112)**	**(763)**	**(2,956)**	**–**	**–**	**(113,426)**
Effect of foreign currency exchange difference	**(1,005)**	**(14,547)**	**(1,854)**	**–**	**(35)**	**(23,246)**	**(7,644)**	**(48,331)**
At December 31, 2021	**3,870,309**	**2,956,458**	**6,155,250**	**20,798**	**4,558**	**2,238,246**	**5,771,790**	**21,017,409**
DEPRECIATION								
At January 1, 2020	781,837	764,135	1,404,894	13,014	1,425	428,195	–	3,393,500
Provided for the year	155,946	120,614	457,691	2,424	1,569	132,983	–	871,227
Eliminated on disposals	(692)	(22,087)	(55,251)	(2,643)	(835)	(6,166)	–	(87,674)
Effect of foreign currency exchange difference	(29)	(25,000)	(1,201)	–	(36)	(13,709)	–	(39,975)
At December 31, 2020	937,062	837,662	1,806,133	12,795	2,123	541,303	–	4,137,078
Provided for the year	**196,596**	**160,428**	**598,984**	**2,327**	**505**	**179,305**	**–**	**1,138,145**
Eliminated on disposals	**(10,091)**	**(11,679)**	**(66,194)**	**(714)**	**(2,335)**	**–**	**–**	**(91,013)**
Effect of foreign currency exchange difference	**(26)**	**(9,586)**	**(467)**	**–**	**(28)**	**(5,397)**	**–**	**(15,504)**
At December 31, 2021	**1,123,541**	**976,825**	**2,338,456**	**14,408**	**265**	**715,211**	**–**	**5,168,706**
CARRYING VALUE								
At December 31, 2020	1,913,220	1,078,595	2,705,194	7,633	5,426	1,340,879	3,086,115	10,137,062
At December 31, 2021	**2,746,768**	**1,979,633**	**3,816,794**	**6,390**	**4,293**	**1,523,035**	**5,771,790**	**15,848,703**

16. PROPERTY, PLANT AND EQUIPMENT (continued)

The above items of property, plant and equipment except for construction in progress are depreciated on a straight-line basis after taking into account of the residual value as follows:

Building	4.5%–20% per annum
Machinery	9%–20% per annum
Furniture, fixtures and equipment	9%–20% per annum
Transportation equipment	9%–20% per annum
Others	18%–33.33% per annum
Leasehold improvement	over the shorter of the lease term or the expected useful life

17. RIGHT-OF-USE ASSETS

	Leasehold lands *RMB'000*	Land and buildings *RMB'000*	Total *RMB'000*
As at January 1, 2021			
Carrying amount	**412,345**	**1,107,519**	**1,519,864**
As at December 31, 2021			
Carrying amount	**709,934**	**1,069,566**	**1,779,500**
For the year ended December 31, 2021			
Depreciation charge	**(14,605)**	**(209,552)**	**(224,157)**
Expense relating to short-term leases and other leases with lease terms end within 12 months			**4,041**
Expense relating to leases of low-value assets, excluding short-term leases of low value assets			**2,772**
Total cash outflow for leases (Note)			**252,748**
Additions to right-of-use assets			**496,093**

17. RIGHT-OF-USE ASSETS (continued)

Note:

Amount includes payments of principal and interest portion of lease liabilities, short-term leases, low value assets and payments of lease payments on or before lease commencement date (include leasehold lands). These amounts could be presented in operating, investing or financing cash flows.

The Group leases various offices for its operations. Lease contracts are entered into for fixed term of 1 year to 58 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group regularly entered into short-term leases for warehouse. As at December 31, 2021, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

The amounts of the Group's lease liabilities and interest expense on lease liabilities are disclosed in Note 37 and Note 10, respectively. For the year ended December 31, 2021, the lease agreements do not impose any covenants other than the security interests in the leased assets except for leasehold lands that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

18. GOODWILL

	31/12/2021	31/12/2020
	RMB'000	*RMB'000*
COST		
At the beginning of year	**1,533,308**	1,462,713
Effect of foreign currency exchange difference	**(39,339)**	(34,918)
Acquisition of subsidiaries (Note 45)	**571,960**	105,513
At the end of year	**2,065,929**	1,533,308
IMPAIRMENT		
At the beginning of year	**141,549**	100,537
Impairment loss recognised in the year	**—**	44,346
Effect of foreign currency exchange difference	**(1,183)**	(3,334)
At the end of year	**140,366**	141,549
CARRYING VALUES		
At the end of year	**1,925,563**	1,391,759

Particulars regarding impairment assessment on goodwill are disclosed in Note 20.

19. OTHER INTANGIBLE ASSETS

	Trademark RMB'000	Software and others RMB'000	Customer relationship RMB'000	Patent and proprietary technology RMB'000	Total RMB'000
COST					
At January 1, 2020	38,177	224,435	412,792	145,174	820,578
Additions	—	4,824	—	—	4,824
Acquisition of subsidiaries	—	32	—	111,000	111,032
Transfer from CIP	—	55,181	—	—	55,181
Disposals	—	(2,572)	—	—	(2,572)
Effect of foreign currency exchange difference	(2,034)	(4,128)	(14,875)	(722)	(21,759)
At December 31, 2020	36,143	277,772	397,917	255,452	967,284
AMORTIZATION					
At January 1, 2020	7,785	123,297	74,154	20,565	225,801
Charge for the year	1,735	30,120	24,670	12,667	69,192
Eliminated on disposals	—	(2,265)	—	—	(2,265)
Effect of foreign currency exchange difference	(250)	(67)	(2,993)	(216)	(3,526)
At December 31, 2020	9,270	151,085	95,831	33,016	289,202
IMPAIRMENT					
At January 1, 2020	18,714	—	80,189	—	98,903
Eliminated on disposals	—	—	—	—	—
Effect of foreign currency exchange difference	(952)	—	(5,188)	—	(6,140)
At December 31, 2020	17,762	—	75,001	—	92,763
CARRYING VALUES					
At December 31, 2020	9,111	126,687	227,085	222,436	585,319
At January 1, 2020	11,678	101,138	258,449	124,609	495,874

19. OTHER INTANGIBLE ASSETS (continued)

	Trademark RMB'000	Software and others RMB'000	Customer relationship RMB'000	Patent and proprietary technology RMB'000	Total RMB'000
COST					
At January 1, 2021	36,143	277,772	397,917	255,452	967,284
Additions	—	6,853	—	—	6,853
Acquisition of subsidiaries	154,687	3,234	—	175,492	333,413
Transfer from CIP	—	86,212	—	—	86,212
Disposals	—	(11,794)	—	—	(11,794)
Effect of foreign currency exchange difference	(8,225)	(2,720)	(5,065)	(8,767)	(24,777)
At December 31, 2021	182,605	359,557	392,852	422,177	1,357,191
AMORTIZATION					
At January 1, 2021	9,270	151,085	95,831	33,016	289,202
Charge for the year	14,298	40,192	15,381	32,891	102,762
Eliminated on disposals	—	(11,360)	—	—	(11,360)
Effect of foreign currency exchange difference	(533)	(1,632)	(1,313)	(399)	(3,877)
At December 31, 2021	23,035	178,285	109,899	65,508	376,727
IMPAIRMENT					
At January 1, 2021	17,762	—	75,001	—	92,763
Eliminated on disposals	—	—	—	—	—
Effect of foreign currency exchange difference	(406)	—	(1,715)	—	(2,121)
At December 31, 2021	17,356	—	73,286	—	90,642
CARRYING VALUES					
At December 31, 2021	142,214	181,272	209,667	356,669	889,822
At January 1, 2021	9,111	126,687	227,085	222,436	585,319

19. OTHER INTANGIBLE ASSETS (continued)

The above intangible assets have finite useful lives. Such intangible assets are amortized on a straight-line basis over the following periods:

Items	Periods
Trademark	10–30 years
Software and others	5 years
Customer relationship	10–15 years
Patent and proprietary technology	5–18 years

20. IMPAIRMENT ASSESSMENT ON GOODWILL

The cash flows generated from each subsidiary acquired are independent from those of the other subsidiaries of the Group. Therefore, each of these acquired subsidiaries is a separate cash-generating unit. Management of the Group considered that the synergies arising from each acquisition mainly benefited the corresponding acquired subsidiary. Therefore, for the purposes of impairment assessment, goodwill set out in Note 18 has been allocated to corresponding subsidiaries acquired (eleven individual cash generating units (CGUs)), comprising Unit A-DMPK/ADME Services (XenoBiotic Laboratories, Inc), Unit B-SMO Services (Shanghai MedKey Med-Tech Development Co., Ltd), Unit C-Cell and Gene Therapies Services and Medical Device Testing Services (WuXi AppTec, Inc), Unit D-Structure-based Drug Discovery Services (Crelux GmbH), Unit E-Test Analysis-Drug Evaluation and Test (HD Biosciences Co., Ltd.), Unit F-Clinical Research Services (Wuxi Clinic Development, Inc), Unit G-Statistical Analysis of Clinical Research Data Services (Pharmapace, Inc), Unit H-Laboratory-used Biological Assets Cultivation Business (Suzhou Kanglu Biotechnology Co., Ltd.), Unit I-Lab CRO Services (Abgent Inc.), Unit J-Drug Quality Analysis and Production Release Solution Services (Nanjing Milestone Pharma Co., Ltd.) and Unit K-Cell Theray and Gene Theray Solution Services (Oxford Genetics Limited). The carrying amounts of goodwill allocated to these units are as follows:

	31/12/2021 *RMB'000*	31/12/2020 *RMB'000*
Unit A (Note 1)	**37,168**	37,168
Unit B	**933**	933
Unit C (Note 1)	**152,734**	156,308
Unit D	**29,365**	30,052
Unit E	**688,722**	688,722
Unit F (Note 1)	**164,094**	167,934
Unit G (Note 1)	**96,569**	98,829
Unit H	**106,300**	106,300
Unit I (Notes 1 and 2)	**—**	—
Unit J	**105,513**	105,513
Unit K	**544,165**	—
	1,925,563	1,391,759

Note 1: At December 31, 2021, the carrying amount of goodwill derived from the investments in the United States is RMB450,565,000.

Note 2: The Group had recognized full impairment loss in relation to goodwill in Unit I in 2016.

20. IMPAIRMENT ASSESSMENT ON GOODWILL (continued)

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarized below:

		Unit A	Unit B	Unit C	Unit D	Unit E	Unit F	Unit G	Unit H	Unit J	Unit K
2020	Growth rate	3%	3%	3%	3%	3%	3%	3%	3%	2%	—
	Discount rate	21%	13%	16%	14%	14%	14%	17%	13%	17%	—
2021	**Growth rate**	**3%**	**3%**	**3%**	**3%**	**3%**	**3%**	**3%**	**3%**	**2%**	**3%**
	Discount rate	**21%**	**15%**	**16%**	**14%**	**14%**	**15%**	**16%**	**13%**	**16%**	**14%**

The recoverable amounts of these units have been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development.

The management of the Group assessed that any reasonably possible change in any of these assumptions would not cause the carrying amounts of Unit A, B, C, D, E, F, G, H, J and K to exceed their respective recoverable amounts as at December 31, 2021. No impairment loss in relation to goodwill in Unit A, B, C, D, E, F, G, H, J and K is recognised for the year ended December 31, 2021.

21. INTERESTS IN ASSOCIATES

	31/12/2021	31/12/2020
	RMB'000	*RMB'000*
At the beginning of the year	**712,337**	768,292
Addition (Note)	**56,016**	73,881
Share of post-acquisition losses	**(92,162)**	(76,833)
Dividends	**(41,971)**	(2,075)
Exchange effect	**(14,838)**	(50,928)
At the end of the year	**619,382**	712,337

Note:

According to the limited partnership agreement, the capital contribution by the Group was made in installments. The Group injected USD2,000,000 (equivalent to RMB12,793,000) to the Fund II during the year ended December 31, 2021 (2020: RMB20,920,000).

21. INTERESTS IN ASSOCIATES (continued)

These interests in associates are assessed for impairment loss at the end of each reporting period. No impairment loss was recognised during the reporting period for these interests in associates as their present value of the estimated future cash flows discounted at the current market rate of return for similar assets exceed their carrying values.

Details of each of the Group's associates at the end of the reporting period are as follow:

Name of entities	Country of incorporation/ registration	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activity
		December 31, 2021	December 31, 2020	**December 31, 2021**	December 31, 2020	
Jing Medicine Technology (Shanghai), Ltd.	PRC	**30%**	33.33%	**30%**	33.33%	Consulting services in pharmaceutical science and technology
Fund II (Note)	Cayman	**17.31%**	17.31%	**17.31%**	17.31%	Investment platform
PICA Health Technologies Limited	Cayman	**32.78%**	32.78%	**32.78%**	32.78%	Investment holding company
Clarity Medical Group Limited	Cayman	**20.83%**	20.83%	**20.83%**	20.83%	Professional ophthalmic services
Clarity Medical Group Holding Limited	Cayman	**20.83%**	20.83%	**20.83%**	20.83%	Professional ophthalmic services
VW Clinical Innovations Limited	Hong Kong	**33.33%**	33.33%	**33.33%**	33.33%	E-Clinical technology company
Suzhou WuXi Huiju Private Equity Fund Management Co., Ltd. ("WuXi Huiju")	PRC	**45%**	N/A	**45%**	N/A	Investment holding company
Dalian Elite Analytical Instruments Co., Ltd	PRC	**48.44%**	N/A	**48.44%**	N/A	Manufacture of high performance liquid chromatography instruments, columns and accessories

Note:

The Group is able to exercise significant influence over Fund II because two of five general partners of Fund II are appointed by the Group who manage the funds' day to day investment and disposition activities on behalf of the fund under the Article of Association of Fund II.

No additional disclosure of financial information of associates as there is no individually material associate.

21. INTERESTS IN ASSOCIATES (continued)

Aggregate information of associates that are not individually material

	31/12/2021 RMB'000	31/12/2020 RMB'000
The Group's share of loss from continuing operations	**(92,162)**	(76,833)
The Group's share of other comprehensive expense	**(14,838)**	(50,928)
The Group's share of total comprehensive expense	**(107,000)**	(127,761)
Aggregate carrying amount of the Group's interests in these associates	**619,382**	712,337

22. INTERESTS IN JOINT VENTURES

	31/12/2021 RMB'000	31/12/2020 RMB'000
At the beginning of the year	**52,496**	25,215
Addition	**31,731**	41,511
Share of post-acquisition losses	**(25,129)**	(13,919)
Exchange effect	**(175)**	(311)
At the end of the year	**58,923**	52,496

These interests in joint ventures are assessed for impairment loss at the end of each reporting period. No impairment loss was recognised during the reporting period for these interests in joint ventures as their present value of the estimated future cash flows discounted at the current market rate of return for similar assets exceed their carrying values.

22. INTERESTS IN JOINT VENTURES (continued)

Details of each of the Group's joint ventures at the end of the reporting period are as follows:

Name of entities	Country of incorporation/ registration	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activity
		December 31, 2021	December 31, 2020	**December 31, 2021**	December 31, 2020	
WuXi MedImmune Biopharmaceutical Co. Limited	Hong Kong	**50%**	50%	**50%**	50%	Investment holding company
Shanghai Waigaoqiao WuXi AppTec Incubator Management Co., Ltd.	PRC	**70%**	70%	**50%**	50%	Property leasing of medicine innovation industrial park
CW Data Technologies (Chengdu) Limited	PRC	**37.09%**	47.06%	**40.63%**	50%	Data analysis
Faxian Therapeutics, LLC	USA	**50%**	50%	**50%**	50%	Accelerated Drug Discovery
SEA HC Co-GP Limited	Cayman	**50%**	N/A	**50%**	N/A	Fund management company

No additional disclosure of financial information of joint ventures as there is no individually material joint venture.

Aggregate information of joint ventures that are not individually material

	31/12/2021 *RMB'000*	31/12/2020 *RMB'000*
The Group's share of loss from continuing operations	**(25,129)**	(13,919)
The Group's share of other comprehensive expense	**(175)**	(311)
The Group's share of total comprehensive expense	**(25,304)**	(14,230)
Aggregate carrying amount of the Group's interests in these joint ventures	**58,923**	52,496

23. DEFERRED TAXATION

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

	31/12/2021 *RMB'000*	31/12/2020 *RMB'000*
Deferred tax assets	**389,846**	300,901
Deferred tax liabilities	**(324,125)**	(282,987)
	65,721	17,914

23. DEFERRED TAXATION (continued)

	Deferred Assets								Deferred Liabilities						
	Tax losses	Impairment allowance	Share-based payment	Accrual expenses	Deferred income	Depreciation difference	Derivative financial instruments	Others	Intangible assets arising from acquisition of subsidiaries	Depreciation difference	Financial assets at FVTPL	Biological assets FV change	Derivative financial instruments	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2020	43,726	13,368	24,234	9,227	57,852	138,568	5,636	8,868	(144,839)	(122,510)	(1,213)	(763)	–	(1,037)	31,117
Credit (charge) to profit or loss	39,564	3,194	104,428	9,399	9,282	(11,059)	(134)	18,393	70,458	(47,351)	(20,207)	(85,134)	1,871	83	92,787
Credit to OCI	–	–	–	–	–	–	(5,455)	–	–	–	–	–	(86,809)	–	(92,264)
Acquisitions of subsidiaries	–	–	–	–	–	–	–	–	(16,533)	–	–	–	–	–	(16,533)
Exchange differences	(2,052)	(151)	(1,155)	(1,052)	–	(20)	(24)	(1,942)	2,584	6,651	–	–	–	51	2,890
Effect of change in tax rate	–	(3)	(140)	–	–	60	–	–	–	–	–	–	–	–	(83)
At December 31, 2020	81,238	16,408	127,367	17,574	67,134	127,549	23	25,319	(88,330)	(163,210)	(21,420)	(85,897)	(84,938)	(903)	17,914
Credit (charge) to profit or loss	**46,213**	**8,584**	**74,980**	**14,034**	**18,875**	**(10,634)**	**–**	**42,981**	**11,045**	**(16,726)**	**(80,080)**	**(51,891)**	**–**	**(121)**	**57,260**
Credit to OCI	**–**	**–**	**–**	**–**	**–**	**–**	**525**	**–**	**–**	**–**	**–**	**–**	**50,052**	**–**	**50,577**
Acquisitions of subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(62,734)**	**–**	**–**	**–**	**–**	**–**	**(62,734)**
Exchange differences	**(371)**	**(553)**	**(408)**	**(331)**	**–**	**(350)**	**–**	**95**	**2,940**	**2,745**	**–**	**–**	**–**	**94**	**3,861**
Effect of change in tax rate	**(865)**	**(14)**	**(387)**	**(363)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**472**	**–**	**(1,157)**
At December 31, 2021	**126,215**	**24,425**	**201,552**	**30,914**	**86,009**	**116,565**	**548**	**68,395**	**(137,079)**	**(177,191)**	**(101,500)**	**(137,788)**	**(34,414)**	**(930)**	**65,721**

23. DEFERRED TAXATION (continued)

Balances of deductible temporary differences and unused tax losses for which no deferred tax assets have been recognised due to the unpredictability of future profits stream are as follows:

	31/12/2021	31/12/2020
	RMB'000	*RMB'000*
Accrual expenses	**575**	575
Impairment allowance	**13,818**	622
Deferred income	**33,891**	—
Share-based payment	**37,235**	15,586
Tax losses	**487,723**	418,232
	573,242	435,015

The Group had unrecognised tax losses of RMB487,723,000 as at December 31, 2021 (December 31, 2020: RMB418,232,000). These tax losses will be carried forward and expire in years as follows:

	31/12/2021	31/12/2020
	RMB'000	*RMB'000*
2021	**—**	1,586
2022	**7,140**	7,140
2023	**11,361**	11,361
2024	**17,012**	17,012
2025	**36,403**	192,425
2026 and later	**415,807**	188,708
	487,723	418,232

At the end of each of the reporting period, no deferred tax liability has been recognised in respect of the temporary differences associated with undistributed earnings of oversea subsidiaries because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

24. OTHER NON-CURRENT ASSETS

	31/12/2021 *RMB'000*	31/12/2020 *RMB'000*
Rental deposits	**43,321**	40,727
Prepaid expenses (non-current)	**16,418**	16,644
Certificates of deposits	**2,100,898**	1,320,247
Others	**21,756**	17,976
	2,182,393	1,395,594

25. BIOLOGICAL ASSETS

Nature of the Group's agricultural activities

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

Carrying value of the Group's biological assets

	Cynomolgous monkeys for breeding *RMB'000*	Cynomolgous monkeys for experiment *RMB'000*	Total *RMB'000*
Carrying value at January 1, 2021	**418,869**	**501,688**	**920,557**
Add: Purchases	**131,216**	**174,901**	**306,117**
Breeding costs	**—**	**33,117**	**33,117**
Decrease due to mortality	**(13,530)**	**(6,057)**	**(19,587)**
Decrease due to sales	**—**	**(61)**	**(61)**
Decrease due to experiments	**—**	**(381,581)**	**(381,581)**
Gain arising from changes in fair value less costs to sell of biological assets	**372,780**	**257,685**	**630,465**
Transfer among group of monkeys	**(175,825)**	**175,825**	**—**
Carrying value at December 31, 2021	**733,510**	**755,517**	**1,489,027**

25. BIOLOGICAL ASSETS (continued)

Carrying value of the Group's biological assets (continued)

Analysed for reporting purposes as:

	31/12/2021 *RMB'000*
Current	**755,517**
Non-current	**733,510**
Total	**1,489,027**

Fair value measurement

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

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

Changes in fair value less costs to sell of biological assets include changes in the fair value of the monkeys at the end of each reporting period.

26. INVENTORIES

	31/12/2021 *RMB'000*	31/12/2020 *RMB'000*
Raw material and consumables	**1,088,137**	550,737
Work in progress	**2,195,128**	736,412
Finished goods	**1,271,312**	646,677
	4,554,577	1,933,826

The inventories are net of a write-down of approximately RMB64,488,000 as at December 31, 2021 (December 31, 2020: RMB31,432,000).

27. CONTRACT COSTS

	31/12/2021 RMB'000	31/12/2020 RMB'000
Costs to fulfill contracts	**594,912**	250,345

28. TRADE AND OTHER RECEIVABLES/CONTRACT ASSETS

28.1 TRADE AND OTHER RECEIVABLES

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

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

28. TRADE AND OTHER RECEIVABLES/CONTRACT ASSETS (continued)

28.1 TRADE AND OTHER RECEIVABLES (continued)

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

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

In determining the recoverability of the trade receivables, the Group considers any change in the credit quality of the trade receivables from the date on which the credit was initially granted up to the reporting date. Details of impairment assessment of trade and other receivables are set out in Note 29.

28.2 CONTRACT ASSETS

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

As at January 1, 2020, contract assets amounted to RMB379,396,000.

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

29. OVERVIEW OF THE GROUP'S EXPOSURE TO CREDIT RISK

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. At the end of each reporting period, the Group's maximum exposure to credit risk which cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of the financial position.

Credit terms are granted to customers who are in good credit reputation. In order to minimize the credit risk, the Group reviews the recoverable amount of each individual trade debt periodically and the management also has monitoring procedures to ensure the follow-up action is taken to recover overdue debts. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

In order to minimize credit risk, the Group has also tasked its finance team to develop and maintain the Group's credit risk grading to categorize exposures according to their degree of risk of default. Management uses publicly available financial information and the Group's own historical repayment records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

At December 31, 2021, the Group had concentration of credit risk from the five largest customers as 18.71% (December 31, 2020: 19.29%) of the total gross trade receivables (including those contract assets and amounts due from related parties of trade nature).

The aggregate carrying amount of the Group's trade receivables, contract assets and amounts due from related parties of trade nature as at December 31, 2021 is RMB5,501,041,000 (December 31, 2020: RMB4,286,874,000).

For trade receivables, contract assets and amounts due from related parties of trade nature under IFRS 9, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on these items by using a provision matrix and categorizes its customers into three types: strategic type customers, normal risk type customers, and high risk type customers, based on the reputation, external credit rating, financial quality of debtors and historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions.

29. OVERVIEW OF THE GROUP'S EXPOSURE TO CREDIT RISK (continued)

The following table details the risk profile of trade receivables, contract assets and amounts due from related parties of trade nature:

High risk type customers

	At December 31, 2021	At December 31, 2020
Weighted average expected credit loss rate	**100.00%**	100.00%
Total carrying amount (RMB'000)	**11,990**	14,615
Lifetime ECL (RMB'000)	**(11,990)**	(14,615)
	—	—

Strategic type customers

	At December 31, 2021	At December 31, 2020
Weighted average expected credit loss rate	**0.48%**	0.37%
Total carrying amount (RMB'000)	**3,364,493**	2,666,471
Lifetime ECL (RMB'000)	**(16,046)**	(9,889)
	3,348,447	2,656,582

Normal risk type customers

	At December 31, 2021	At December 31, 2020
Weighted average expected credit loss rate	**3.77%**	3.46%
Total carrying amount (RMB'000)	**2,124,558**	1,605,788
Lifetime ECL (RMB'000)	**(80,022)**	(55,627)
	2,044,536	1,550,161

29. OVERVIEW OF THE GROUP'S EXPOSURE TO CREDIT RISK (continued)

Carrying amount of trade receivables and amounts due from related parties of trade nature by ECL stages

At December 31, 2021

	Lifetime ECL (not credit impaired) *RMB'000*	**Lifetime ECL (credit impaired)** *RMB'000*	**Total** *RMB'000*
Weighted average expected credit loss rate	**1.16%**	**19.92%**	**2.17%**
Total carrying amount (RMB'000)	**4,467,902**	**254,174**	**4,722,076**
Lifetime ECL (RMB'000)	**(51,896)**	**(50,630)**	**(102,526)**
	4,416,006	**203,544**	**4,619,550**

At December 31, 2020

	Lifetime ECL (not credit impaired) *RMB'000*	Lifetime ECL (credit impaired) *RMB'000*	Total *RMB'000*
Weighted average expected credit loss rate	1.23%	16.62%	2.07%
Total carrying amount (RMB'000)	3,539,079	203,096	3,742,175
Lifetime ECL (RMB'000)	(43,633)	(33,752)	(77,385)
	3,495,446	169,344	3,664,790

29. OVERVIEW OF THE GROUP'S EXPOSURE TO CREDIT RISK (continued)

Carrying amount of contract assets by ECL stages

At December 31, 2021

	Lifetime ECL (not credit impaired) *RMB'000*	Lifetime ECL (credit impaired) *RMB'000*	Total *RMB'000*
Weighted average expected credit loss rate	**0.71%**	**—**	**0.71%**
Total carrying amount (RMB'000)	**778,965**	**—**	**778,965**
Lifetime ECL (RMB'000)	**(5,532)**	**—**	**(5,532)**
	773,433	**—**	**773,433**

At December 31, 2020

	Lifetime ECL (not credit impaired) *RMB'000*	Lifetime ECL (credit impaired) *RMB'000*	Total *RMB'000*
Weighted average expected credit loss rate	0.42%	100.00%	0.50%
Total carrying amount (RMB'000)	544,220	479	544,699
Lifetime ECL (RMB'000)	(2,267)	(479)	(2,746)
	541,953	—	541,953

29. OVERVIEW OF THE GROUP'S EXPOSURE TO CREDIT RISK (continued)

Carrying amount of contract assets by ECL stages (continued)

Movement in lifetime ECL that has been recognised for trade receivables and contract assets in accordance with the simplified approach set out in IFRS 9 at December 31, 2021 and 2020.

	Trade receivables (non-credit impaired) *RMB'000*	Trade receivables (credit impaired) *RMB'000*	Contract assets (non-credit impaired) *RMB'000*	Contract assets (credit-impaired) *RMB'000*	Total *RMB'000*
At December 31, 2019	(52,733)	(14,839)	(1,799)	(1,017)	(70,388)
— Impairment losses (recognized) reversed	(12,009)	(650)	(506)	538	(12,627)
— Transfers	145	(145)	—	—	—
— Write-offs	—	1,498	—	—	1,498
— Exchange adjustment	1,348	—	38	—	1,386
At December 31, 2020	(63,249)	(14,136)	(2,267)	(479)	(80,131)
— Impairment losses (recognized) reversed	**(11,676)**	**(17,134)**	**(3,284)**	**479**	**(31,615)**
— Transfers	**2,504**	**(2,504)**	**—**	**—**	**—**
— Write-offs	**—**	**2,760**	**—**	**—**	**2,760**
— Exchange adjustment	**20,525**	**(19,616)**	**19**	**—**	**928**
At December 31, 2021	**(51,896)**	**(50,630)**	**(5,532)**	**—**	**(108,058)**

29. OVERVIEW OF THE GROUP'S EXPOSURE TO CREDIT RISK (continued)

Movement in ECL

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Customer category	Trade receivables/ contract assets	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past due amounts.	Strategic	Lifetime ECL — not credit-impaired	12-months ECL
Watch list	Debtors frequently repays after due date but usually settle after due date	Normal risk	Lifetime ECL — not credit-impaired	12-months ECL
Doubtful	There has been a significant increase in credit risk since initial recognition through information developed internally or external resources	Normal risk	Lifetime ECL — not credit- impaired	Lifetime ECL — not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	High risk	Lifetime ECL — credit-impaired	Lifetime ECL — credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	High risk	Amount is written off	Amount is written off

For the purposes of impairment assessment, other receivables and amounts due from related parties of non-trade nature are considered to have low credit risk as the counterparties to these financial assets are mainly related parties and other parties with good reputation. Accordingly, for the purpose of impairment assessment for these financial assets, the loss allowance is measured at an amount equal to 12-months ECL. In determining the ECL for other receivables and amounts due from related parties of non-trade nature, the directors of the Company have taken into account the historical default experience and the future prospects of the industries and/or considering various external sources of actual and forecast economic information, as appropriate, in estimating the probability of default of each of the other receivables occurring within their respective loss assessment time horizon, as well as the loss upon default in each case. The directors of the Company considered that the 12-months ECL allowance is insignificant at the end of each reporting period.

The Group also expects that there is no significant credit risk associated with pledged bank deposits and cash deposits at banks since they are substantially deposited at state-owned banks and other medium or large-sized listed banks. The management of the Group does not expect that there will be any significant losses from non-performance by these counterparties. The credit risk on notes receivable is also assessed as limited because the counterparties are reputable banks with high credit ratings assigned by national credit agencies.

30. FINANCIAL ASSETS AT FVTPL

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

Notes:

(i) As at December 31, 2021, the Group has irrevocably elected to measure investments amounted to RMB29,331,000 in associates held through venture capital organization of the Group at fair value through profit or loss in accordance with IFRS 9.

(ii) The fair values of the unlisted investment funds are based on the net asset values of the investment funds reported to the limited partners by the general partners at the end of the reporting period.

31. BANK BALANCES AND CASH/PLEDGED BANK DEPOSITS

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

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

32. DERIVATIVE FINANCIAL INSTRUMENTS

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

Derivatives under hedge accounting

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

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

32. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Derivatives under hedge accounting (continued)

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

Collar Options	Average strike rate 1* as at December 31, 2021	Average strike rate 2* as at December 31, 2021	Notional value as at December 31, 2021 USD'000	Fair value assets as at December 31, 2021 RMB'000
Sell USD				
Less than 3 months	6.5500	6.7200	76,000	12,674

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

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

32. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Derivatives under hedge accounting (continued)

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

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

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

33. TRADE AND OTHER PAYABLES

	31/12/2021	31/12/2020
	RMB'000	*RMB'000*
Trade payables	**1,923,298**	928,953
Salary and bonus payables	**1,580,452**	1,139,557
Payables for acquisition of plant and equipment	**2,229,717**	1,414,076
Accrued expenses	**539,691**	372,253
Other taxes payable	**76,753**	38,286
Interest payable	**1,338**	848
Note payable	**—**	11,652
Others	**190,623**	87,541
Considerations received from employees for subscribing restricted A shares of the Company under the 2018 and 2019 WuXi AppTec A Share Incentive Scheme (Note 46)	**314,092**	557,168
	6,855,964	4,550,334

33. TRADE AND OTHER PAYABLES (continued)

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

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

34. CONTRACT LIABILITIES

	31/12/2021 RMB'000	31/12/2020 RMB'000
Amounts received in advance for delivery of services	**2,986,379**	1,580,980

As at January 1, 2020, contract liabilities amounted to RMB897,140,000.

Revenue of RMB1,175,154,000 was recognised during the year ended December 31, 2021 (December 31, 2020: RMB617,320,000) that was included in the contract liabilities at the beginning of the relevant year.

35. DEFERRED INCOME

	31/12/2021 RMB'000	31/12/2020 RMB'000
R&D grants and others related to property, plant and equipment (Note i)	**762,571**	672,413
Other subsidies (Note ii)	**8,030**	9,622
	770,601	682,035

Notes:

i. The Group received R&D grants for capital expenditure incurred for the acquisition of plant and machines. The amounts are deferred and amortized over the estimated useful lives of the respective assets.

ii. Other subsidies are generally provided in relation to the R&D activities of the Group. The grants were recognised in profit or loss as other income upon the Group complied with the conditions attached to the grants and the acknowledged acceptance of compliance.

36. BORROWINGS

	31/12/2021 *RMB'000*	31/12/2020 *RMB'000*
Analyzed as:		
Unsecured and guaranteed	—	10,000
Secured and unguaranteed	—	300,000
Unsecured and unguaranteed	**2,261,480**	920,011
	2,261,480	1,230,011

	31/12/2021 *RMB'000*	31/12/2020 *RMB'000*
Analyzed as:		
Fixed interest rate	**1,770,551**	305,000
Variable interest rate	**490,929**	925,011
	2,261,480	1,230,011

	31/12/2021 *RMB'000*	31/12/2020 *RMB'000*
Analyzed as:		
Borrowings from banks	**2,261,480**	1,230,011
	2,261,480	1,230,011

36. BORROWINGS (continued)

	31/12/2021 RMB'000	31/12/2020 RMB'000
The carrying amounts of the above borrowings are repayable:		
Within one year	**2,261,480**	1,230,011
	2,261,480	1,230,011
Less: Amounts due within one year shown under current liabilities	**(2,261,480)**	(1,230,011)
Amounts shown under non-current liabilities	**—**	—

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

	31/12/2021	31/12/2020
Effective interest rate:		
Fixed rate borrowings	**0.61%–4.50%**	2.40%–4.35%
Variable rate borrowings	**1.13%**	0.74%–3.90%

37. LEASE LIABILITIES

	31/12/2021 *RMB'000*	31/12/2020 *RMB'000*
Lease liabilities payable:		
Within one year	**220,183**	177,436
Within a period of more than one year but not more than five years	**593,599**	591,286
Within a period of more than five years	**425,380**	475,817
	1,239,162	1,244,539
Less: Amount due for settlement with 12 months shown under current liabilities	**(220,183)**	(177,436)
Amount due for settlement after 12 months shown under non-current liabilities	**1,018,979**	1,067,103

The weighted average incremental borrowing rates applied to lease liabilities range from 3.85% to 4.65% (2020: from 3.92% to 4.40%).

Lease obligations that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	USD *RMB equivalent'000*
As at December 31, 2021	**613,369**
As at December 31, 2020	731,831

38. OTHER LONG-TERM LIABILITIES

	31/12/2021 *RMB'000*	31/12/2020 *RMB'000*
Payable for acquisition of a associate	**7,121**	176,945
Long-term tax payable	**—**	42,122
Others	**49**	50
	7,170	219,117

39. CONVERTIBLE BONDS

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

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

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

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

The Convertible Bonds comprise two components:

(a) Debt component was initially measured at fair value. It is subsequently measured at amortised cost using the effective interest method after considering the effect of the transaction costs.

(b) Derivative component comprises conversion options and early redemption options (not closely related to the debt component), which was initially measured at fair value.

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

39. CONVERTIBLE BONDS (continued)

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

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

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

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

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

40. FINANCIAL LIABILITIES AT FVTPL

	At December 31, 2021 RMB'000	At December 31, 2020 RMB'000
Current liability		
Contingent consideration	—	16,508

41. OTHER CURRENT LIABILITIES

	31/12/2021 RMB'000	31/12/2020 RMB'000
Payable for acquisition of subsidiaries (Notes)	**176,241**	—

Notes:

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

ii. In September 2020, the Group acquired a subsidiary at a cash consideration of RMB191,420,000 as detailed in Note 45. Amount of RMB16,142,000 will be paid in 2 years after the signing of contract. This amount will be due in 2022, so it is classified to other current liabilities.

42. SHARE CAPITAL/TREASURY SHARES

Share Capital

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

Note:

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

42. SHARE CAPITAL/TREASURY SHARES (continued)

Treasury Shares

	RMB'000
At December 31, 2019 and January 1, 2020	705,817
Issue of restricted A shares under the 2019 WuXi AppTec A Share Incentive Scheme	15,555
Repurchase and cancellation of restricted A shares	(28,232)
2018 WuXi AppTec A Share Incentive Scheme first Batch Restricted Shares Tranche one vested	(106,383)
Repurchase of H shares under 2020 H Share Awards	609,786
Effects of payments of dividend	(6,622)
At December 31, 2020 and January 1, 2021	**1,189,921**
Repurchase and cancellation of restricted A shares	**(13,292)**
WuXi AppTec A Share Incentive Scheme-Restricted Shares vested	**(239,468)**
2020 WuXi AppTec A Share Incentive Scheme-Stock Option vested	**(125,004)**
Repurchase of H shares under 2021 H Share Awards	**1,651,663**
Effects of payments of dividend	**(4,598)**
At December 31, 2021	**2,459,222**

43. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged throughout the reporting period.

The capital structure of the Group consists of debts, which includes borrowings and non-trade nature amounts due to related parties, Convertible Bonds, net of bank balances and cash and equity attributable to owners of the Company, comprising share capital and reserves.

The management of the Group regularly reviews the capital structure on a continuous basis taking into account the cost of capital and the risk associated with the capital. The Group will balance its overall capital structure through the payment of dividends and new shares issues as well as the issue of new debts and redemption of existing debts.

44. FINANCIAL INSTRUMENTS

Categories of financial instruments

	31/12/2021 RMB'000	31/12/2020 RMB'000
Financial assets		
Financial assets measured at fair value	**9,470,528**	11,897,756
Financial assets measured at amortized cost	**15,318,517**	13,926,544
	24,789,045	25,824,300
Financial liabilities		
Financial liabilities measured at fair value	**660,969**	1,599,427
Financial liabilities measured at amortized cost	**8,971,651**	7,494,607
	9,632,620	9,094,034

Financial risk management objectives and policies

The Group's major financial assets and liabilities include financial assets and liabilities at FVTPL, trade and other receivables, amounts due from related parties, pledged bank deposits, bank balances and cash, certificates of deposits, trade and other payables, amounts due to related parties, derivative financial instruments, debt component of Convertible Bonds and borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

The Group's activities expose it primarily to currency risk, interest rate risk and other price risk. There has been no change in the Group's and the Company's exposure to these risks or the manner in which it managed and measured the risks during the reporting period.

Currency risk

It is the policy of the Group to enter into foreign exchange forward contracts or collar contracts to manage the risk associated with anticipated sales and purchase transactions denominated in USD up to 12 months (as detailed in Note 32).

44. FINANCIAL INSTRUMENTS (continued)

Market risk (continued)

Currency risk (continued)

The carrying amounts of the Group's main foreign currency denominated monetary assets (trade and other receivables, bank balances and cash, pledged bank deposits and amounts due from related parties) and liabilities (trade and other payables, borrowings, Convertible Bonds and amount due to related parties) at the end of each reporting period are summarized as follows:

	31/12/2021 *RMB'000*	31/12/2020 *RMB'000*
Assets		
USD	**1,852,559**	5,477,423
HKD	**100,911**	12,507
Liabilities		
USD	**2,829,088**	2,767,038
HKD	**19,458**	64
Inter-company balances		
USD	**2,190,742**	606,854
HKD	**(7)**	(1)

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against USD or HKD, the foreign currency with which the Group may have a material exposure. 5% represents management's assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis uses outstanding foreign currency denominated monetary items as a base and adjusts their translation at the end of each reporting period for a 5% change in foreign currency rate. A negative/positive number below indicates a decrease/increase in profit where RMB strengthens 5% against USD or HKD. For a 5% weakening of RMB against USD or HKD, there would be an equal and opposite impact on profit.

	Year ended 31/12/2021 *RMB'000*	Year ended 31/12/2020 *RMB'000*
Impact on profit or loss		
USD	**47,501**	126,482
HKD	**3,487**	519

In the opinion of the directors of the Company, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

44. FINANCIAL INSTRUMENTS (continued)

Market risk (continued)

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances. The directors of the Company consider that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant, therefore no sensitivity analysis on such risk has been prepared.

For the other variable rate borrowing without hedging interest rate risk, the balance are RMB490,929,000 at the year ended December 31, 2021 (December 31, 2020: RMB272,521,000). If the interest rate had been 50 basis points higher/lower and all other variables were held constant, the Group's profit would decrease/increase by RMB932,000 for the year ended December 31, 2021 (2020: RMB572,000).

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

Other price risk

The Group is also exposed to equity price risk arising from financial assets at FVTPL and embedded derivative component of Convertible Bonds.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risk at the reporting date for financial assets at FVTPL and embedded derivative component of Convertible Bonds.

If the prices of the respective equity instruments had been changed based on the 5% higher/lower, the profit for the year ended December 31, 2021 would increase/decrease by RMB435,705,000 (2020: RMB335,860,000), as a result of the changes in fair value of financial assets at FVTPL.

Embedded derivative component of Convertible Bonds:

(1) Changes in share price

If the share price of the Company had been 5% higher/lower while all other input variables of the valuation models were held constant, the Group's profit for the year would have (decrease)/increase as follows:

	31/12/2021 RMB'000
Higher by 5%	**(64,655)**
Lower by 5%	**64,655**

44. FINANCIAL INSTRUMENTS (continued)

Market risk (continued)

Other price risk (continued)

Sensitivity analysis (continued)

(2) Changes in volatility

If the volatility to the valuation model had been 5% higher/lower while all other variables were held constant, the Group's profit for the year would have (decrease)/increase as follows:

	31/12/2021 RMB'000
Higher by 5%	—
Lower by 5%	—

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents and unused banking facilities deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash outflows on derivative instruments that settle on a net basis. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual settlement dates as the management of the Group considers that the settlement dates are essential for an understanding of the timing of the cash flows of derivatives.

44. FINANCIAL INSTRUMENTS (continued)

Liquidity risk (continued)

Liquidity and interest risk tables

	Weighted average interest rate %	On demand or less than one year RMB'000	One to five years RMB'000	Over five years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
As at December 31, 2021						
Trade and other payables	**N/A**	**4,659,068**	**—**	**—**	**4,659,068**	**4,659,068**
Amounts due to related parties	**N/A**	**21,439**	**—**	**—**	**21,439**	**21,439**
Borrowings						
— Fixed interest rate	**1.30**	**1,775,082**	**—**	**—**	**1,775,082**	**1,770,551**
— Variable interest rate	**1.13**	**493,584**	**—**	**—**	**493,584**	**490,929**
Lease liabilities	**3.85–4.96**	**243,155**	**646,651**	**445,206**	**1,335,012**	**1,239,162**
Convertible bonds	**1.25**	**—**	**653,919**	**—**	**653,919**	**607,140**
Payable for acquisition of subsidiaries	**4.28**	**176,241**	**7,288**	**—**	**183,529**	**183,362**
Total		**7,368,569**	**1,307,858**	**445,206**	**9,121,633**	**8,971,651**
Derivatives-net settlement						
Foreign currency forward contracts	**N/A**	**3,652**	**—**	**—**	**3,652**	**3,652**
Total		**3,652**	**—**	**—**	**3,652**	**3,652**
As at December 31, 2020						
Trade and other payables	N/A	3,000,238	—	—	3,000,238	3,000,238
Amounts due to related parties	N/A	23,845	—	—	23,845	23,845
Borrowings						
— Fixed interest rate	2.50	306,948	—	—	306,948	305,000
— Variable interest rate	1.14	928,410	—	—	928,410	925,011
Lease liabilities	3.92–4.96	191,176	641,788	514,386	1,347,350	1,244,539
Convertible bonds	1.25	—	2,032,050	—	2,032,050	1,819,029
Payable for acquisition of subsidiaries	4.28	—	190,339	—	190,339	176,945
Total		4,450,617	2,864,177	514,386	7,829,180	7,494,607
Derivatives-net settlement						
Foreign currency forward contracts	N/A	147	—	—	147	147
Interest rate swap contracts	N/A	712	—	—	712	712
Total		859	—	—	859	859

44. FINANCIAL INSTRUMENTS (continued)

Fair value measurement

This note provides information about how the Group determines fair value of the following financial assets that are measured at fair value on a recurring basis.

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

Financial assets	Fair value as at 12/31/2021 RMB'000	Fair value as at 12/31/2020 RMB'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Structured deposits	**527,288**	4,617,725	Level 2	Discounted cash flow — Future cash flows are estimated based on expected return	N/A	N/A
Investment in listed companies at fair value	**1,368,696**	1,835,826	Level 1	Active market quoted transaction price	N/A	N/A
Investment in listed companies within lock-up period at fair value	**742,088**	—	Level 3	Option Pricing models	Expected volatility	The higher the expected volatility, the lower the fair value
Investment in unlisted pharmaceutical funds at fair value (Note)	**831,954**	391,466	Level 3	Net asset value of underlying investments	Net assets value	The higher net asset value, the higher the fair value
Unlisted equity securities of pharmaceutical companies at fair value	**5,771,360**	4,489,915	Level 3	Back-solve from recent transaction price Market multiple method	IPO/Redemption/ Liquidation probability/ risk - free rate /expected volatility/ recent transaction price/ liquidity discount	The higher the expected volatility, the higher the fair value The lower the risk-free rate, the higher the fair value
Foreign currency forward contracts	**216,468**	512,916	Level 2	Discounted cash flow — Future cash flows are estimated based on observable forward exchange rates and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties	N/A	N/A
Collar option contracts	**12,674**	49,908	Level 3	Option pricing model with forward exchange rates and expected volatility as key inputs	Expected volatility forward exchange rates	The higher the expected volatility, the higher the fair value

44. FINANCIAL INSTRUMENTS (continued)

Fair value measurement (continued)

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

Financial liabilities	Fair value as at 12/31/2021 RMB'000	Fair value as at 12/31/2020 RMB'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Foreign currency forward contracts	**3,652**	147	Level 2	Discounted cash flow — Future cash flows are estimated based on observable forward exchange rates and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties	N/A	N/A
Interest rate swap contracts	**–**	712	Level 2	Discounted cash flow — Future cash flows are estimated based on the fixed interest rate adopted, the referenced floating interest rate, time to maturity and discount rate that reflects the credit risk of various counterparties	N/A	N/A
Contingent consideration	**–**	16,508	Level 3	Discounted cash flow method was used to capture the present value of the expected future economic benefits that will flow out of the Group arising from the contingent consideration	Probability-adjusted revenue Risk-free rate	The higher the probability -adjusted revenue, the higher the fair value The lower risk-free rate the higher the fair value
Convertible bonds - embedded derivative component	**657,317**	1,582,060	Level 3	Binominal option pricing with the volatilities and risk-free rates as key inputs	Expected volatility Risk-free rate	The higher the expected volatility, the higher the fair value The lower risk-free rate the higher the fair value

There were no transfers between level 1 and level 2 during the year.

44. FINANCIAL INSTRUMENTS (continued)

Fair value measurement (continued)

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

Note:

A slight increase in the net asset value of underlying investments of unlisted funds used in isolation would result in a slight increase in the fair value of unlisted funds. A 5% increase/decrease in the net assets while holding all other variables constant would increase the fair value of the unlisted funds by RMB41,598,000 (December 31, 2020: RMB19,573,000) or decrease the fair value of the unlisted funds by RMB41,598,000 (December 31, 2020: RMB19,573,000) as at December 31, 2021.

(ii) Reconciliation of level 3 fair value measurements

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

	Unlisted fund investments at fair value *RMB'000*
At January 1, 2020	289,020
Acquisitions	47,949
Changes in fair value	73,820
Disposal	(4,415)
Dividend	(4,465)
Effect of exchange rate change	(10,443)
At December 31, 2020	**391,466**
Acquisitions	**420,432**
Changes in fair value	**50,444**
Disposal	**(1,886)**
Dividend	**(20,833)**
Effect of exchange rate change	**(7,669)**
At December 31, 2021	**831,954**

44. FINANCIAL INSTRUMENTS (continued)

Fair value measurement (continued)

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

	Unlisted equity investments RMB'000
At January 1, 2020 at fair value	2,563,112
Transferred to level 1	(253,482)
Changes in fair value	297,138
Acquisition	2,138,211
Disposal	(11,091)
Effect of exchange rate change	(243,973)
At January 1, 2021 at fair value	**4,489,915**
Transferred to level 1 (Note)	**(1,762,994)**
Transferred from unlisted equity investments at fair value to listed pharmaceutical companies within lock-up period at fair value (Note)	**(400,261)**
Changes in fair value	**1,879,342**
Acquisition	**1,758,072**
Disposal	**(100,188)**
Effect of exchange rate change	**(92,526)**
At December 31, 2021	**5,771,360**

	Listed pharmaceutical companies within lock-up period at fair value RMB'000
At January 1, 2021 at fair value	**—**
Transferred from unlisted equity investments at fair value to listed pharmaceutical companies within lock-up period at fair value (Note)	**400,261**
Changes in fair value	**341,605**
Effect of exchange rate change	**222**
At December 31, 2021	**742,088**

44. FINANCIAL INSTRUMENTS (continued)

Fair value measurement (continued)

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

	Collar options RMB'000
At December 31, 2020	49,908
Changes in fair value	(37,234)
At December 31, 2021	12,674

	Convertible bonds — embedded derivative component RMB'000
At January 1, 2021	1,582,060
Changes in fair value	1,000,599
Effect of exchange rate change	(34,709)
Settlement	(1,890,633)
At December 31, 2021	657,317

Note: Nanomicro was listed on The Shanghai Stock Exchange on June 23, 2021, Ambrx Biopharma Inc. was listed on The New York Stock Exchange on June 18, 2021, Adagene Inc., Immunocore Limited, Lyell Immunopharma, Inc. and NRX Pharmaceuticals Inc. were listed on NASDAQ on February 9, 2021, February 5, 2021, June 17, 2021 and June 25, 2021, respectively, Canbridge was listed on The Hongkong Stock Exchange on December 10, 2021. Since then, their open market transaction prices can be obtained from the active market. However, since the fair value of Nanomicro and Canbridge was measured based on the open market transaction prices multiplied with a liquidity discount due to the lock up period, the Group classify the fair value hierarchy of these investments as level 3.

Fair value gains or losses on financial assets and liabilities at FVTPL are included in "other gains and losses" of the total gains or losses for the year ended December 31, 2021, RMB1,729,681,000 (2020: RMB370,958,000) was unrealized fair value gains related to financial assets at FVTPL on Level 3 fair value measurement held at December 31, 2021.

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

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

45. ACQUISITION OF SUBSIDIARIES

For the year ended December 31, 2021

Oxford Genetics Limited

On March 1, 2021, WuXi ATU (HongKong) Limited ("ATU HK"), a subsidiary of the Company entered into an agreement to acquire 100% equity interest of Oxford Genetics Limited ("OXGENE") for a cash consideration of GBP96,492,000 (equivalent to RMB872,863,000). OXGENE is a U.K.-based contract R&D organization that designs and develops scalable gene therapy technologies.

Name of subsidiary acquired	Vendor	Percentage of interest acquired	Principal activity	Fair value of purchase consideration *RMB'000*	Date of completion	Nature of acquisition
Oxford Genetics Limited	Independent third party	100%	Gene therapy	872,863	March 1, 2021	Business combination

Assets acquired and liabilities assumed at the date of acquisition

	Amount *RMB'000*
Bank balances and cash	31,285
Inventories	1,546
Contract costs	1,295
Trade and other receivables	7,124
Income tax recoverable	16
Property, plant and equipment	21,666
Right-of-use assets	7,006
Other intangible assets	333,413
Borrowings	(740)
Trade and other payables	(29,128)
Contract liabilities	(2,840)
Deferred tax liabilities	(62,734)
Lease liabilities	(7,006)
Net assets	300,903
Less: non-controlling interests	—
Net assets acquired	300,903

45. ACQUISITION OF SUBSIDIARIES (continued)

For the year ended December 31, 2021 (continued)

Oxford Genetics Limited (continued)

Fair value of consideration transferred

	Amount RMB'000
Cash	872,863

	Amount RMB'000
Fair value of consideration transferred, satisfied by cash	872,863
Less: fair value of net assets acquired	(300,903)
Goodwill arising on acquisition	571,960

The fair value of trade and other receivables at the date of acquisition amounted to RMB7,124,000, which approximated the gross contractual amounts of those receivables acquired at the date of acquisition. None of the contractual cash flows are not expected to be collected at acquisition date. The directors of the Company consider that the carrying amount of assets and liabilities of OXGENE approximate to their fair values at the date of acquisition except certain other intangible assets. The fair value hierarchy of valuation of certain other intangible assets at the date of acquisition was level 3 and the fair value was to reference to valuation report issued by Beijing Pugu Financial Consulting Co., Ltd.

Other intangible assets mainly include trademark and proprietary technology. The fair value of trademark and proprietary technology were valued using the relief from royalty method being determined by discounting the royalty fee expected to be saved during their useful life assuming the Group owned the trademark and proprietary technology. The royalty saving rate is 7.5% and the weighted average cost of capital was 12%. The fair value of the intangible assets would decrease if royalty saving rate was lower than 7.5% or the weighted average cost of capital was higher than 12%.

Goodwill arising on this acquisition is not expected to be deductible for tax purposes.

45. ACQUISITION OF SUBSIDIARIES (continued)

For the year ended December 31, 2021 (continued)

Oxford Genetics Limited (continued)

Net cash outflow on acquisition of a subsidiary

	Amount *RMB'000*
Cash consideration paid	**872,863**
Less: Bank balances and cash acquired	**(31,285)**
	841,578

No material acquisition related costs were incurred.

OXGENE contributed revenue of RMB23,972,000 and loss of RMB77,611,000 for the period from the date of acquisition to December 31, 2021. If the acquisition had been completed on January 1, 2021, total revenue of the Group for the year ended December 31, 2021 would have been RMB22,907,717,000 and profit for the year of the Group ended December 31, 2021 would have been RMB5,113,707,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of the Group that actually would have been achieved had the acquisition been completed on January 1, 2021, nor is it intended to be a projection of future results.

For the year ended December 31, 2020

Nanjing Milestone

On September 30, 2020, WXAT Shanghai, a subsidiary of the Company entered into an agreement to acquire the 60% equity interest of Nanjing Milestone Pharma Co. Ltd. ("Nanjing Milestone") for a cash consideration of RMB191,420,000. Nanjing Milestone was established in October 2016. It is mainly engaged in the R&D of chemical drugs and reagents, and provides professional services for drug R&D for pharmaceutical companies. Nanjing Milestone is jointly managed by senior returnees and industry elites, and has world-class R&D equipment and technical capabilities. The company has obtained CMA qualification and established and improved one-stop pre-clinical R&D services with reference to cGMP and GLP quality systems.

Name of subsidiary acquired	Vendor	Percentage of interest acquired	Principal activity	Fair value of purchase consideration *RMB'000*	Date of completion	Nature of acquisition
Nanjing Milestone	Independent third party	60%	Material and drug analysis, quality research and solution	191,420	September 30, 2020	Business combination

45. ACQUISITION OF SUBSIDIARIES (continued)

For the year ended December 31, 2020 (continued)

Nanjing Milestone (continued)

Assets acquired and liabilities assumed at the date of acquisition

	Amount *RMB'000*
Bank balances and cash	8,014
Pledged bank deposits	540
Trade and other receivables	40,740
Income tax recoverable	396
Property, plant and equipment	34,782
Right-of-use assets	14,894
Other intangible assets	111,032
Borrowings	(10,000)
Trade and other payables	(20,660)
Income tax payables	(51)
Contract liabilities	(4,503)
Lease liabilities	(15,473)
Deferred tax liabilities	(16,533)
Net assets	143,178
Less: non-controlling interests	(57,271)
Net assets acquired	85,907

Fair value of consideration transferred

	Amount *RMB'000*
Cash	191,420

Goodwill arising on acquisition

	Amount *RMB'000*
Fair value of consideration transferred, satisfied by cash	191,420
Less: fair value of net assets acquired	(85,907)
Goodwill arising on acquisition	105,513

The acquisition is to consolidate and expand the capacity of our analytical testing services.

45. ACQUISITION OF SUBSIDIARIES (continued)

For the year ended December 31, 2020 (continued)

Nanjing Milestone (continued)

Goodwill arising on acquisition (continued)

The fair value of trade and other receivables at the date of acquisition amounted to RMB40,740,000. The gross contractual amounts of those receivables acquired amounted to RMB40,740,000 at the date of acquisition. None of the contractual cash flows are not expected to be collected at acquisition date. The directors of the Company consider that the carrying amount of assets and liabilities of Nanjing Milestone approximate to their fair values at the date of acquisition except those of certain other intangible assets and property, plant and equipment. The fair value hierarchy of valuation of certain other intangible assets and property, plant and equipment at the date of acquisition was level 3 and the fair value was to reference to valuation report issued by Shanghai Orient Appraisal Co., Ltd.

Intangible assets mainly include software, patent and proprietary technology. The fair value of purchased software is valued using the market price excluding tax. The fair value of patent and proprietary technology is valued using the excess income discounting method. The present value of future cash flows of patent and proprietary technology is determined based on the expected return rate attributed to the patent and proprietary technology. The expected long-term revenue growth rate is 2% and the discount rate is 14.1%. The fair value of the intangible assets will decrease if the actual long-term revenue growth rate is lower than 2% or the discount rate is higher than 14.1%.

Goodwill arising on this acquisition is not expected to be deductible for tax purposes.

Net cash outflow on acquisition of a subsidiary

	Amount *RMB'000*
Consideration transferred	191,420
Less: unpaid cash consideration included in other non-current liabilities	(16,142)
Cash consideration paid	175,278
Less: Bank balances and cash acquired	(8,014)
	167,264

No material acquisition related costs were incurred.

45. ACQUISITION OF SUBSIDIARIES (continued)

For the year ended December 31, 2020 (continued)

Nanjing Milestone (continued)

Net cash outflow on acquisition of a subsidiary (continued)

Nanjing Milestone contributed revenue of RMB17,402,000 and profit of RMB3,741,000 for the period from the date of acquisition to December 31, 2021. If the acquisition had been completed on January 1, 2020, total revenue of the Group for the year ended December 31, 2020 would have been RMB16,572,078,000 and profit for the year of the Group ended December 31, 2020 would have been RMB2,971,333,000. The proforma information is for illustrative purposes only (without considering the fair value change gain and losses of Nanjing Milestone before the acquisition) and is not necessarily an indication of the revenue and results of the Group that actually would have been achieved had the acquisition been completed on January 1, 2020, nor is it intended to be a projection of future results.

46. SHARE-BASED COMPENSATION

WuXi PharmaTech Stock Units and Options Plan

Prior to the reorganization, the Company was wholly owned by WuXi PharmaTech (Cayman) Inc. ("WuXi PharmaTech"), which once listed on the New York Stock Exchange and had an employee stock incentive plan ("WuXi PharmaTech Stock Units and Options Plan"). Pursuant to the WuXi PharmaTech Stock Units and Options Plan, certain employees of the Group were granted the restricted stock units and options of the shares of WuXi PharmaTech as the Group was a part of WuXi PharmaTech.

The Group did not recognise share-based compensation expense during the year ended December 31, 2021 (2020: RMB1,015,000), in relation to WuXi PharmaTech Stock Units and Options Plan.

STA Share Units and Options Incentive Scheme

STA, as a listed company on NEEQ, has also adopted different employee incentive schemes to provide incentives for its eligible employees since 2015. STA Group has established equity-settled share units and options incentive schemes including the (i) STA Share Option Incentive Scheme (2015); (ii) STA Overseas Employees Incentive Scheme and (iii) STA Share Option Incentive Scheme (2016). None of the eligible STA employees are the Chief Executive or directors of the Company.

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

46. SHARE-BASED COMPENSATION (continued)

STA Share Units and Options Incentive Scheme (continued)

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

STA Share Units and Options Incentive Scheme	Date of grant	Number of options shares	Exercise price
STA Share Option Incentive Scheme (2015)	May 13, 2015	16,200,000	RMB8.00
STA Overseas Employees Incentive Scheme			
— 1st batch	June 2, 2015	6,330,000	RMB1.79
— 2nd batch	May 23, 2019 and October 13, 2019	186,843	RMB1.79
— 3rd batch	August 8, 2020	192,000	RMB1.79
STA Share Option Incentive Scheme (2016)			
— 1st batch	May 23, 2016	889,200	RMB8.00
— 2nd batch	July 17, 2017	635,940	RMB8.00

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

46. SHARE-BASED COMPENSATION (continued)

STA Share Units and Options Incentive Scheme (continued)

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

STA Share Unites and Options Incentive Scheme	**Outstanding at 1/1/2021**	**Granted during the year**	**Exercised during the year**	**Forfeited during the year**	**Outstanding at 12/31/2021**
STA Share Option Incentive Scheme (2015)	**—**	**—**	**—**	**—**	**—**
STA Overseas Employees Incentive Scheme — 1st batch	**—**	**—**	**—**	**—**	**—**
STA Overseas Employees Incentive Scheme — 2nd batch	**166,043**	**—**	**—**	**—**	**166,043**
STA Overseas Employees Incentive Scheme — 3rd batch	**192,000**	**—**	**—**	**—**	**192,000**
STA Share Option Incentive Scheme (2016) — 1st batch	**167,040**	**—**	**159,840**	**7,200**	**—**
STA Share Option Incentive Scheme (2016) — 2nd batch	**233,136**	**—**	**73,788**	**15,780**	**143,568**
Total	**758,219**	**—**	**233,628**	**22,980**	**501,611**
Exercisable at the end of the year	**—**				**—**
Weighted average exercise price	**RMB5.07**	**N/A**	**RMB8.00**	**RMB8.00**	**RMB3.57**

STA Share Unites and Options Incentive Scheme	Outstanding at 1/1/2020	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 12/31/2020
STA Share Option Incentive Scheme (2015)	6,078,000	—	6,078,000	—	—
STA Overseas Employees Incentive Scheme — 1st batch	2,503,836	—	2,311,836	192,000	—
STA Overseas Employees Incentive Scheme — 2nd batch	186,843	—	20,800	—	166,043
STA Overseas Employees Incentive Scheme — 3rd batch	—	192,000	—	—	192,000
STA Share Option Incentive Scheme (2016) — 1st batch	274,860	—	91,620	16,200	167,040
STA Share Option Incentive Scheme (2016) — 2nd batch	316,560	—	79,140	4,284	233,136
Total	9,360,099	192,000	8,581,396	212,484	758,219
Exercisable at the end of the year	—				—
Weighted average exercise price	RMB6.21	RMB1.79	RMB6.31	RMB2.39	RMB5.07

46. SHARE-BASED COMPENSATION (continued)

STA Share Units and Options Incentive Scheme (continued)

The fair value of the incentive scheme granted was determined using the Binomial model. These fair values and corresponding inputs into the model were as follows:

	STA Share Incentive Option Scheme (2015)	STA Overseas Employees Incentive Scheme — 1st batch	STA Overseas Employees Incentive Scheme — 2nd batch	STA Overseas Employees Incentive Scheme — 3rd batch	STA Share Option Incentive Scheme (2016) — 1st batch	STA Share Option Incentive Scheme (2016) — 2nd batch
Grant date option fair value per STA share (RMB)	6.32-10.04	20.94	37.78-41.90	42.02- 42.43	47.23-48.09	109.18-111.88
Grant date STA Shares Price (RMB)	25.28	25.28	48.09-49.94	50.12	69.65	132.50
Grant date exercise price (RMB)	26.04	5.38	1.79	1.79	26.04	26.04
Expected volatility	33.48%–36.77%	42.07%	24.60%–29.75%	33.45%–37.75%	32.53%–35.30%	29.90%–34.40%
Expected life (years)	3-6	10	10	2-4	3-6	3-6
Risk-free interest rate	3.08-3.67%	3.67%	1.58%–1.82%	0.13%–0.19%	2.61%-2.91%	3.50%-3.55%

Expected volatility was determined by using the historical volatility of the comparable companies. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of behavioral considerations. The Group recognised share-based compensation expense of RMB7,085,000 during the year ended December 31, 2021 (2020: RMB6,116,000), in relation to STA Share Option Incentive Scheme.

STA Share Appreciation Incentive Scheme

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

46. SHARE-BASED COMPENSATION (continued)

STA Share Appreciation Incentive Scheme (continued)

(1) Details of specific categories of STA Share Appreciation Incentive Scheme are as follows:

STA Share Appreciation Incentive Scheme	Date of grant	Number of units	Exercise price
STA Share Appreciation Incentive Scheme (2016)			
— 1st batch	May 23, 2016	1,071,000	RMB8.00
— 2nd batch	July 7, 2017	279,000	RMB8.00
STA Share Appreciation Incentive Scheme (2017)	July 7, 2017	123,000	RMB8.00

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

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

STA Share Appreciation Incentive Scheme	Outstanding at 1/1/2021	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 12/31/2021
STA Share Appreciation Incentive Scheme (2016)					
— 1st batch	216,000	—	216,000	—	—
— 2nd batch	54,000	—	18,000	4,800	31,200
STA Share Appreciation Incentive Scheme (2017)	27,000	—	9,000	—	18,000
Total	297,000	—	243,000	—	49,200
Exercisable at the end of the year	—				—
Weighted average exercise price	RMB8.00	N/A	RMB8.00	N/A	RMB8.00

46. SHARE-BASED COMPENSATION (continued)

STA Share Appreciation Incentive Scheme (continued)

STA Share Appreciation Incentive Scheme	Outstanding at 1/1/2020	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 12/31/2020
STA Share Appreciation Incentive Scheme (2016)					
— 1st batch	432,000	—	144,000	72,000	216,000
— 2nd batch	72,000	—	18,000	—	54,000
STA Share Appreciation Incentive Scheme (2017)	36,000	—	9,000	—	27,000
Total	540,000	—	171,000	72,000	297,000
Exercisable at the end of the year	—				—
Weighted average exercise price	RMB8.00	N/A	RMB8.00	RMB8.00	RMB8.00

The fair value of the units granted under STA Share Appreciation Incentive Scheme at each reporting date was determined using the Binomial model. These fair values and corresponding inputs into the model were as follows:

STA Share Appreciation Incentive Scheme (2016) — 2nd batch and STA Appreciation Incentive Scheme (2017)	December 31, 2020	**December 31, 2021**
STA Share price (RMB)	50.12	**53.59**
Exercise price (RMB)	8.00	**8.00**
Expected volatility	31.87%–38.67%	**27.21%–29.18%**
Expected life (years)	0.54–2.54	**0.54–1.54**
Risk-free interest rate	0.09%–0.15%	**0.22%–0.59%**

The Group recognised share-based compensation expense of RMB2,583,000 during the year ended 2021 (2020: RMB1,337,000) in relation to STA Scheme Appreciation Incentive Scheme.

46. SHARE-BASED COMPENSATION (continued)

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

On August 22, 2018, the shareholders' meeting of the Company passed a resolution to issue up to 8,856,900 A Shares of the Company under the 2018 WuXi AppTec A Share Incentive Scheme. On August 28, 2018, 7,085,500 restricted A shares of the Company were approved for a director of the Company and eligible employees to subscribe at the price of RMB45.53 per A Share ("2018 WuXi AppTec A Share Incentive Scheme — First Batch Restricted Shares") and the remaining 1,771,400 A shares will be reserved for future distribution. In October 2018, 6,281,330 number of A Shares were subscribed by a director of the Company and eligible employees and RMB285,989,000 consideration were received by the Company. These granted restricted A Shares have a contractual term of no more than four years and unlock over a three year period, with 40%, 30% and 30% of the awards unlocking on the first, second and third anniversary date of the A Shares registration date upon meeting certain annual performance conditions. Pursuant to the black-out period provisions of the 2018 WuXi AppTec A Share Incentive Scheme, directors and employees shall not transfer the A Shares which fulfill the unlocking conditions to any third party in any form within the six months from each unlocking anniversary date.

Details of specific categories of restricted shares are as follows:

Categories	Date of grant	Number of restricted A shares	Subscribe price per share
Mr. Edward HU	October 31, 2018	91,000	RMB45.53
Dr. Steve Qing YANG	October 31, 2018	64,800	RMB45.53
Employees	October 31, 2018	6,125,530	RMB45.53

Set out below are details of the movements of the outstanding restricted A shares granted under the 2018 WuXi AppTec A Share Incentive Scheme -First Batch Restricted Shares throughout the reporting period:

	Outstanding at January 1, 2021	Forfeited before capitalization issue	Vested before capitalization issue	Capitalization issue	Forfeited after capitalization issue	Vested after capitalization issue	Outstanding at December 31, 2021
2018 WuXi AppTec A Share Incentive Scheme — First Batch Restricted Shares	6,695,359	81,438	3,346,183	671,952	153,569	3,786,121	—
Total	6,695,359	81,438	3,346,183	671,952	153,569	3,786,121	—

46. SHARE-BASED COMPENSATION (continued)

2018 WuXi AppTec A Share Incentive Scheme — First Batch Restricted Shares (continued)

The fair value of the restricted A shares granted under 2018 WuXi AppTec A Share Incentive Scheme — First Batch Restricted Shares as at the grant date was determined using the Black-Scholes model by factoring the black-out period into the option pricing model. The fair value and corresponding inputs into the model were as follows:

	2018 WuXi AppTec A Share Incentive Scheme First Batch Restricted Shares
Grant date A Share price (RMB)	87.15
Subscribe price (RMB)	45.53
Expected volatility in the black-out period	39.80%–57.50%
Black-out period (year)	0.5
Expected life (years)	2–4
Risk-free interest rate	2.81%–3.26%

For the year ended December 31, 2021, the Group has recorded share-based expenses of RMB14,125,000 (2020: RMB45,152,000) in relation to 2018 WuXi AppTec A Share Incentive Scheme — First Batch Restricted Shares.

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

On July 19, 2019, Board of Directors of the Company passed a resolution to grant 542,017 A Shares of the Company to eligible employees to subscribe at the price of RMB32.44 per A Share under the reserved part of 2018 WuXi AppTec A Share Incentive Scheme ("2018 WuXi AppTec A Share Incentive Scheme-Second Batch Restricted Shares") under the authorization of the shareholders' meeting. In September 2019, 478,822 number of A Shares were subscribed by eligible employees and RMB15,533,000 consideration were received by the Company. These granted restricted A Shares have a contractual term of no more than four years and unlock over a three year period, with 40%, 30% and 30% of the awards unlocking on the first, second and third anniversary date of the A Shares registration date upon meeting certain annual performance conditions. Pursuant to the black-out period provisions of the 2018 WuXi AppTec A Share Incentive Scheme — Second Batch Restricted Shares, employees shall not transfer the A Shares which fulfill the unlocking conditions to any third party in any form within the six months from each unlocking anniversary date.

46. SHARE-BASED COMPENSATION (continued)

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

Details of specific categories of restricted shares are as follows:

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

Set out below are details of the movements of the outstanding restricted A shares granted under the 2018 WuXi AppTec A Share Incentive Scheme-Second Batch Restricted Shares throughout the reporting period:

	Outstanding at January 1, 2021	Forfeited before capitalization issue	Vested before capitalization issue	Capitalization issue	Vested after capitalization issue	Forfeited after Capitalization issue	Outstanding at December 31, 2021
2018 WuXi AppTec A Share Incentive Scheme — Second Batch Restricted Shares	497,726	21,000	199,087	59,728	166,567	15,852	154,948
Total	497,726	21,000	199,087	59,728	166,567	15,852	154,948

The fair value of the restricted A shares granted under 2018 WuXi AppTec A Share Incentive Scheme — Second Batch Restricted Shares as at the grant date was determined using the Black-Scholes model by factoring the black-out period into the option pricing model. The fair value and corresponding inputs into the model were as follows:

	2018 WuXi AppTec A Share Incentive Scheme Second Batch Restricted Shares
Grant date A Share price (RMB)	86.70
Subscribe price (RMB)	32.44
Expected volatility in the black-out period	42.00%–46.20%
Black-out period (year)	0.5
Expected life (years)	2–4
Risk-free interest rate	2.54%–2.84%

46. SHARE-BASED COMPENSATION (continued)

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

For the year ended December 31, 2021, the Group has recorded share-based expenses of RMB3,505,000 (2020: RMB9,802,000) in relation to 2018 WuXi AppTec A Share Incentive Scheme-Second Batch Restricted Shares.

2018 WuXi AppTec A Share Incentive Scheme — Reserved Options

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

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

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

(1) Details of options are as follows:

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

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

46. SHARE-BASED COMPENSATION (continued)

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

Set out below are details of the movements of the outstanding units granted under the 2018 WuXi AppTec A Share Incentive Scheme- Reserved Options throughout the reporting period:

	Outstanding at January 1, 2021	Vested before capitalization issue	Capitalization issue	Vested after capitalization issue	Exercised after Capitalization issue	Outstanding at December 31, 2021
2018 WuXi AppTec A Share Incentive Scheme — Reserved Options	339,080	98,000	48,216	56,448	—	232,848
Total	339,080	98,000	48,216	56,448	—	232,848

The fair value of the restricted A shares granted under 2018 WuXi AppTec A Share Options Incentive Scheme — Reserved Options as at the grant date was determined using the Black-Scholes model. The fair value and corresponding inputs into the model were as follows:

	2018 WuXi AppTec A Share Option Incentive Scheme
Grant date A Share price (RMB)	86.70
Subscribe price (RMB)	64.88
Expected volatility	43.23%–47.09%
Expected life (years)	2–4
Risk-free interest rate	2.70%–2.86%
Dividend yield rate	0.95%

For the year ended December 31, 2021, the Group has recorded share-based expenses of RMB1,852,000 (2020: RMB4,626,000) in relation to 2018 WuXi AppTec A Share Options Incentive Scheme — Reserved Options.

46. SHARE-BASED COMPENSATION (continued)

2019 WuXi AppTec A Share Incentive Scheme — Restricted Shares

In November 2019, the shareholders' meeting of the Company passed a resolution to issue up to 18,949,977 A Shares of the Company under the 2019 WuXi AppTec A Share Incentive Scheme. On November 25, 2019, 13,400,273 restricted A shares of the Company were approved by the Board of Directors of the Company for a director of the Company and eligible employees to subscribe at the price of RMB32.44 per A Share ("2019 WuXi AppTec A Share Incentive Scheme — Restricted Shares"). In December 2019, 12,942,744 number of A Shares were subscribed by a director of the Company and eligible employees and RMB419,976,000 consideration were received by the Company. These granted restricted A Shares have a contractual term of no more than four years and unlock over a three year period, with 40%, 30% and 30% of the awards unlocking on the first, second and third anniversary date of the A Shares registration date upon meeting certain annual performance conditions. Pursuant to the black-out period provisions of the 2019 WuXi AppTec A Share Incentive Scheme — Restricted Shares, director and employees shall not transfer the A Shares which fulfill the unlocking conditions to any third party in any form within the six months from each unlocking anniversary date.

Details of specific categories of restricted shares are as follows:

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

Set out below are details of the movements of the outstanding units granted under the 2019 WuXi AppTec A Share Incentive Scheme- Restricted Shares throughout the reporting period:

	Outstanding at January 1, 2021	Forfeited before capitalization issue	Vested before capitalization issue	Capitalization issue	Forfeited after capitalization issue	Vested after capitalization issue	Outstanding at December 31, 2021
2019 WuXi AppTec A Share Incentive Scheme — Restricted Shares	17,410,334	107,900	34,843	3,492,290	503,699	14,174,484	6,081,698
Total	17,410,334	107,900	34,843	3,492,290	503,699	14,174,484	6,081,698

The fair value of the restricted A shares granted under 2019 WuXi AppTec A Share Incentive Scheme — Restricted Shares as at the grant date was determined using the Black-Scholes model by factoring the black-out period into the option pricing model. The fair value and corresponding inputs into the model were as follows:

46. SHARE-BASED COMPENSATION (continued)

2019 WuXi AppTec A Share Incentive Scheme — Restricted Shares (continued)

	2019 WuXi AppTec A Share Option Incentive Scheme restricted Shares
Grant date A Share price (RMB)	64.95
Subscribe price (RMB)	32.44
Expected volatility in the black-out period	42.90%–48.20%
Black-out period (year)	0.5
Expected life (years)	2–4
Risk-free interest rate	2.67%–2.86%
Dividend yield rate	0.95%

For the year ended December 31, 2021, the Group has recorded share-based expenses of RMB156,485,000 (2020: RMB397,106,000) in relation to 2019 WuXi AppTec A Share Incentive Scheme — Restricted Shares.

2019 WuXi AppTec A Share Incentive Scheme — Stock Option

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

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

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

46. SHARE-BASED COMPENSATION (continued)

2019 WuXi AppTec A Share Incentive Scheme — Stock Option (continued)

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

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

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

Set out below are details of the movements of the outstanding units granted under the 2019 WuXi AppTec A Share Incentive Scheme- Stock Option throughout the reporting period:

	Outstanding at January 1, 2021	Forfeited before capitalization issue	Capitalization issue	Forfeited after Capitalization issue	Vested after capitalization issue	Outstanding at December 31, 2021
2019 WuXi AppTec A Share Incentive Scheme — Stock Option	6,183,303	196,686	1,200,014	444,881	2,531,179	4,210,571
Total	6,183,303	196,686	1,200,014	444,881	2,531,179	4,210,571

46. SHARE-BASED COMPENSATION (continued)

2019 WuXi AppTec A Share Incentive Scheme — Stock Option (continued)

The fair value of the restricted A shares granted under 2019 WuXi AppTec A Share Options Incentive Scheme — Stock Option as at the grant date was determined using the Black-Scholes model. The fair value and corresponding inputs into the model were as follows:

	2019 WuXi AppTec A Share Option Incentive Scheme Stock Option
Grant date A Share price (RMB)	89.90
Subscribe price (RMB)	64.88
Expected volatility	43.44%–45.85%
Expected life (years)	1.5–4.5
Risk-free interest rate	2.81%–2.91%
Dividend yield rate	0.95%

For the year ended December 31, 2021, the Group has recorded share-based expenses of RMB42,614,000 (2020: RMB66,499,000) in relation to 2019 WuXi AppTec A Share Options Incentive Scheme — Stock Option.

2019 WuXi AppTec H Share Appreciation Incentive Scheme

On September 20, 2019, 2019 WuXi AppTec H Share Appreciation Incentive Scheme was approved at the shareholders' meeting. Stock appreciation rights have been awarded in units, with each unit representing the value of one H Share of the Company. The total number of units granted under the WuXi AppTec H Share Appreciation Incentive Scheme to eligible employees were 2,901,172 ("2019 WuXi AppTec H Share Appreciation Incentive Scheme"). Upon the exercise of stock appreciation rights, exercising recipients will receive payments in RMB from the Company, subject to any withholding tax, equal to the number of stock appreciation rights exercised times the difference between the subscribe price and market price of the H Share of the Company on the exercise day.

On May 15, 2020, the shareholders' meeting approved to capitalize 4 shares for every 10 shares standing to the credit of the share premium account and distribute RMB3.37 for every 10 shares ("profit distribution plan"). As a result, the number of shares granted under the 2019 WuXi AppTec H Share Appreciation Incentive Scheme has been adjusted to reflect the profit distribution plan and exercise price per share has been adjusted from HKD72.00 to HKD51.43.

On May 13, 2021, the shareholders' meeting approved to capitalize 2 shares for every 10 shares standing to the credit of the share premium account and distribute RMB3.63 for every 10 shares ("2020 profit distribution plan"). As a result, the number of shares granted under the 2019 WuXi AppTec H Share Appreciation Incentive Scheme has been adjusted to reflect the 2020 profit distribution plan and exercise price per share has been adjusted from HKD51.43 to HKD42.86.

46. SHARE-BASED COMPENSATION (continued)

2019 WuXi AppTec H Share Appreciation Incentive Scheme (continued)

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

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

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

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

	Outstanding at January 1, 2021	Vested before capitalization issue	Forfeited before capitalization issue	Capitalization issue	Forfeited after capitalization issue	Vested after capitalization issue	Outstanding at December 31, 2021
2019 WuXi AppTec H Share Appreciation Incentive Scheme	2,218,433	388,874	140,182	337,875	98,315	585,202	1,343,735
Total	2,218,433	388,874	140,182	337,875	98,315	585,202	1,343,735

46. SHARE-BASED COMPENSATION (continued)

2019 WuXi AppTec H Share Appreciation Incentive Scheme (continued)

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

	December 31, 2021	December 31, 2020
H Share price (HKD)	**135.00**	151.80
Subscribe price (HKD)	**42.86**	51.43
Expected volatility in the black-out period	**55.46%**	42.06%–47.47%
Expected life (years)	**0.92**	0.92–1.92
Risk-free interest rate	**0.28%**	0.07%–0.13%
Dividend yield rate	**0.20%**	0.33%

For the year ended December 31, 2021, the Group has recorded share-based expenses of RMB81,746,000 (2020: RMB107,048,000) in relation to 2019 WuXi AppTec H Share Appreciation Incentive Scheme.

2019 WuXi AppTec A Share Incentive Scheme — Reserved Restricted Shares

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

Details of specific categories of restricted shares are as follows:

	Date of grant	**Number of restricted A shares**	**Subscribe price per share**
2019 WuXi AppTec A Share Incentive Scheme — Reserved Restricted Shares	June 10, 2020	427,000	RMB40.59

46. SHARE-BASED COMPENSATION (continued)

2019 WuXi AppTec A Share Incentive Scheme — Reserved Restricted Shares (continued)

Set out below are details of the movements of the outstanding units granted under the 2019 WuXi AppTec A Share Incentive Scheme-Reserved Restricted Shares throughout the reporting period:

	Outstanding at January 1, 2021	Forfeited before capitalization issue	Capitalization issue	Forfeited after capitalization issue	Vested after capitalization issue	Outstanding at December 31, 2021
2019 WuXi AppTec A Share Incentive Scheme — Reserved Restricted Shares	383,240	16,800	76,648	18,480	175,891	248,717
Total	383,240	16,800	76,648	18,480	175,891	248,717

The fair value of the restricted A shares granted under 2019 WuXi AppTec A Share Incentive Scheme-Reserved Restricted Shares as at the grant date was determined using the Black-Scholes model by factoring the black-out period into the option pricing model. The fair value and corresponding inputs into the model were as follows:

	2019 WuXi AppTec A Share Incentive Scheme — Reserved Restricted Shares
Grant date A Share price (RMB)	81.31
Grant date subscribe price (RMB)	40.59
Expected volatility in the black-out period	44.27%–48.08%
Black-out period (year)	0.5
Expected life (years)	2–4
Risk-free interest rate	1.72%–2.42%
Dividend yield rate	0.41%

For the year ended December 31, 2021, the Group has recorded share-based expenses of RMB5,667,000 (2020: RMB4,445,000) in relation to 2019 WuXi AppTec A Share Incentive Scheme-Reserved Restricted Shares.

46. SHARE-BASED COMPENSATION (continued)

2020 WuXi AppTec H Share Award and Trust Scheme

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

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

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

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

46. SHARE-BASED COMPENSATION (continued)

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

Details of specific categories of restricted shares are as follows:

Categories	Date of grant	Number of Awarded H shares	Value of the Awarded H shares
Dr. Ge Li	02/12/2020	106,449	HKD11,991,574
Mr. Edward Hu	02/12/2020	53,224	HKD5,995,787
Dr. Steve Qing Yang	02/12/2020	53,224	HKD5,995,787
Mr. Zhaohui Zhang	02/12/2020	23,655	HKD2,664,794
Dr. Ning Zhao	02/12/2020	23,655	HKD2,664,794
Mr. Ellis Bih-Hsin Chu	02/12/2020	23,655	HKD2,664,794
Dr. Minzhang Chen	02/12/2020	35,483	HKD3,997,191
Dr. Shuhui Chen	02/12/2020	35,483	HKD3,997,191
Mr. Harry Liang He	02/12/2020	7,885	HKD888,265
Ms. Minfang Zhu	02/12/2020	2,628	HKD296,088
Ms. Wendy J. Hu	02/12/2020	5,256	HKD592,176
Ms. Cuiping Hu	02/12/2020	1,555	HKD175,200
Employees	02/12/2020	5,126,514	HKD577,664,309
Employees	02/07/2021	134,654	HKD24,780,000
Employees	10/11/2021	93,677	HKD11,570,533

Set out below are details of the movements of the outstanding units granted under the 2020 WuXi AppTec H Share Award and Trust Scheme throughout the reporting period:

	Outstanding at January 1, 2021	Forfeited before capitalization issue	Capitalization issue	Forfeited after capitalization issue	Vested after capitalization issue	Grant after capitalization issue	Outstanding at December 31, 2021
2020 WuXi AppTec H Share Award and Trust Scheme	5,481,347	81,323	1,106,925	422,528	1,528,625	228,331	4,784,127
Total	5,481,347	81,323	1,106,925	422,528	1,528,625	228,331	4,784,127

The fair value of the awarded shares was calculated based on the market price of the Company's H shares at the respective grant date. The fair value of awarded shares granted on December 2, 2020 was HKD119.40 per share (equivalent to approximately RMB101.05 per share). The fair value of awarded shares granted on July 2, 2021 was HKD176.60 per share (equivalent to approximately RMB147.17 per share). The fair value of awarded shares granted on November 10, 2021 was HKD157.00 per share (equivalent to approximately RMB128.88 per share).

For the year ended December 31, 2021, the Group has recorded share-based expenses of RMB250,976,000 (2020: RMB21,393,000) in relation to 2020 WuXi AppTec H Share Award and Trust Scheme.

46. SHARE-BASED COMPENSATION (continued)

2021 WuXi AppTec H Share Award and Trust Scheme

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

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

Details of specific categories of restricted shares are as follows:

Categories	Date of grant	Number of Awarded H shares	Value of the Awarded H shares
Dr. Ge Li	15/12/2021	157,729	HKD25,788,705
Mr. Edward Hu	15/12/2021	70,563	HKD11,537,053
Dr. Steve Qing Yang	15/12/2021	75,423	HKD12,331,702
Mr. Zhaohui Zhang	15/12/2021	52,576	HKD8,596,236
Dr. Ning Zhao	15/12/2021	35,051	HKD5,730,825
Mr. Ellis Bih-Hsin Chu	15/12/2021	27,946	HKD4,569,073
Dr. Minzhang Chen	15/12/2021	99,709	HKD16,302,442
Dr. Shuhui Chen	15/12/2021	74,609	HKD12,198,532
Mr. Harry Liang He	15/12/2021	11,684	HKD1,910,276
Ms. Minfang Zhu	15/12/2021	4,100	HKD670,273
Ms. Wendy J. Hu	15/12/2021	8,199	HKD1,340,544
Mr. Guodong Tong	15/12/2021	35,051	HKD5,730,825
Ms. Hui Xu	15/12/2021	22,909	HKD3,745,723
Employees	15/12/2021	10,988,525	HKD1,796,608,595

46. SHARE-BASED COMPENSATION (continued)

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

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

	Outstanding at January 1, 2021	Granted	Forfeited	Outstanding at December 31, 2021
2021 WuXi AppTec H Share Award and Trust Scheme	—	11,664,074	52,041	11,612,033
Total	—	11,664,074	52,041	11,612,033

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

For the year ended December 31, 2021, the Group has recorded share-based expenses of RMB72,405,000 (2020: Nil) in relation to 2021 WuXi AppTec H Share Award and Trust Scheme.

47. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statements of cash flows as cash flows from financing activities.

	Dividends payable RMB'000	Payable for issue cost RMB'000	Convertible bonds RMB'000	Lease liabilities RMB'000	Considerations received for subscribing restricted A shares RMB'000	Borrowings RMB'000	Interest payable RMB'000	Total RMB'000
At January 1, 2020	—	—	2,172,928	1,247,186	705,817	2,572,257	5,325	6,703,513
Financing cash flows	(556,430)	(13,124)	—	(233,811)	(9,770)	(1,283,557)	(81,685)	(2,178,377)
Non-cash changes								
— Accrued interest expense	—	—	69,066	54,205	—	—	72,762	196,033
— Dividends declared	556,430	—	—	—	(6,622)	—	—	549,808
— 2018 Option Tranche one vested	—	—	—	—	(2,907)	—	—	(2,907)
— Restricted A shares Tranche one vested	—	—	—	—	(106,383)	—	—	(106,383)
— Issue costs	—	13,124	—	—	—	—	—	13,124
— Right-of-use assets addition	—	—	—	177,400	—	—	—	177,400
— Right-of-use assets disposal	—	—	—	(15,915)	—	—	—	(15,915)
— Acquisition of a subsidiary	—	—	—	15,474	—	—	—	15,474
— Fair value loss	—	—	1,349,387	—	—	—	—	1,349,387
— Foreign exchange effects	—	—	(190,292)	—	—	(58,689)	4,446	(244,535)
At December 31, 2020	—	—	3,401,089	1,244,539	580,135	1,230,011	848	6,456,622
Financing cash flows	**(892,980)**	**(1,318)**	**—**	**(245,935)**	**(9,091)**	**1,071,318**	**(23,164)**	**(101,170)**
Non-cash changes								
— Accrued interest expense	**—**	**—**	**37,897**	**60,220**	**—**	**—**	**30,216**	**128,333**
— Dividends declared	**892,980**	**—**	**—**	**—**	**(4,598)**	**—**	**—**	**888,382**
— Restricted A shares Tranche one vested	**—**	**—**	**—**	**—**	**(239,468)**	**—**	**—**	**(239,468)**
— Issue costs	**—**	**1,318**	**—**	**—**	**—**	**—**	**—**	**1,318**
— Right-of-use assets addition	**—**	**—**	**—**	**183,584**	**—**	**—**	**—**	**183,584**
— Right-of-use assets disposal	**—**	**—**	**—**	**(9,678)**	**—**	**—**	**—**	**(9,678)**
— Acquisition of a subsidiary	**—**	**—**	**—**	**7,006**	**—**	**740**	**—**	**7,746**
— Conversion of convertible bonds into shares	**—**	**—**	**(3,114,311)**	**—**	**—**	**—**	**—**	**(3,114,311)**
— Fair value loss	**—**	**—**	**1,000,599**	**—**	**—**	**—**	**—**	**1,000,599**
— Foreign exchange effects	**—**	**—**	**(60,817)**	**(574)**	**—**	**(40,589)**	**(6,562)**	**(108,542)**
At December 31, 2021	**—**	**—**	**1,264,457**	**1,239,162**	**326,978**	**2,261,480**	**1,338**	**5,093,415**

48. CAPITAL COMMITMENTS

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

	31/12/2021 ***RMB'000***	31/12/2020 *RMB'000*
Commitments for the acquisition of property, plant and equipment	**4,238,978**	2,238,197
Commitments for the investments in investment portfolio	**2,391**	13,050
	4,241,369	2,251,247

49. RETIREMENT BENEFIT PLANS

The employees of the Group's subsidiaries in the PRC are members of the state-managed retirement benefits schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of payroll costs to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the specified contributions.

The total cost charged to profit or loss in respect of the above-mentioned schemes amounted to approximately RMB683,731,000 for the year ended December 31, 2021 (2020: RMB430,685,000).

The Group has a defined contribution plan in the USA where participating employees may contribute to the plan 1% to 99% of their eligible annual compensation as defined in the Plan, up to the Internal Revenue Service contribution (the "IRS contribution") limit of USD19,500 for the year ended December 31, 2021.

The Group makes a matching contribution of participants' elective deferral contribution of 100% of the first 2% and 50% for the next 4% of eligible participant contributions, with a maximum matching contribution of 4.0% of eligible participant compensation.

The total cost charged to expense in respect to the above mentioned defined contribution plan amounted to approximately USD5,563,000, equivalent to RMB35,885,000 (2020: USD5,754,000, equivalent to RMB39,703,000) for the year ended December 31, 2021.

50. CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at December 31, 2021 (December 31, 2020: nil).

51. RELATED PARTY TRANSACTIONS AND BALANCES

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

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

(1) Names and relationships with related parties

The following companies are significant related parties of the Group that had transactions and/or balances with the Group during the reporting period.

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

51. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(1) Names and relationships with related parties (continued)

Companies	Relationship
WuXi Biopharmaceuticals (Shanghai) Co., Ltd.	Entity or subsidiaries of the entity having director by ultimate Controlling Shareholder of the Company
WuXi Biologics Co., Ltd.	Entity or subsidiaries of the entity having director by ultimate Controlling Shareholder of the Company
WuXi Biologics USA, LLC	Entity or subsidiaries of the entity having director by ultimate Controlling Shareholder of the Company
WuXi Biologics (Shanghai) Co., Ltd.	Entity or subsidiaries of the entity having director by ultimate Controlling Shareholder of the Company
WuXi Biologics (Hong Kong) Limited	Entity or subsidiaries of the entity having director by ultimate Controlling Shareholder of the Company
WuXi Biologics Conjugation Co., Ltd.	Entity or subsidiaries of the entity having director by ultimate Controlling Shareholder of the Company
Bestchrom (Shanghai) Biosciences Co. Ltd.	Entity or subsidiaries of the entity having director by ultimate Controlling Shareholder of the Company
SEA HEALTHCARE FUND VCC	Entity significantly influenced by a subsidiary of the Company
D3 Bio, Inc. ("D3")	Entity significantly influenced by a Controlling Shareholder

Note:

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

51. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(2) Related party transactions:

(a) Provision of R&D service

	Year ended 31/12/2021 RMB'000	Year ended 31/12/2020 RMB'000
Associates	**12,901**	5,464
Joint ventures	**10,729**	21,906
Entities significantly influenced by a Controlling Shareholder	**24,000**	36,000
Entity or subsidiaries of the entity having director by ultimate Controlling Shareholder of the Company	**41,504**	46,869
Fellow subsidiaries	**406**	794
	89,540	111,033

(b) R&D service received

	Year ended 31/12/2021 RMB'000	Year ended 31/12/2020 RMB'000
Entity or subsidiaries of the entity having director by ultimate Controlling Shareholder of the Company	**8,120**	1,540
Fellow subsidiaries	**4,261**	3,122
	12,381	4,662

51. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(2) Related party transactions: (continued)

(c) Provision of administrative service

	Year ended 31/12/2021 ***RMB'000***	Year ended 31/12/2020 *RMB'000*
Associates	**—**	1,422
Joint ventures	**2,795**	—
Entity or subsidiaries of the entity having director by ultimate Controlling Shareholder of the Company	**4,386**	10,298
Entities significantly influenced by a Controlling Shareholder	**2,354**	—
Fellow subsidiaries	**9**	700
	9,544	12,420

(d) Sales of raw materials

	Year ended 31/12/2021 ***RMB'000***	Year ended 31/12/2020 *RMB'000*
Fellow subsidiaries	**—**	1
Entity or subsidiaries of the entity having director by ultimate Controlling Shareholder of the Company	**3,569**	181
An associate	**—**	43
	3,569	225

51. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(2) Related party transactions: (continued)

(e) Provision of premises leasing services

	Year ended 31/12/2021 RMB'000	Year ended 31/12/2020 RMB'000
Entity or subsidiaries of the entity having director by ultimate Controlling Shareholder of the Company	**2,383**	1,304
	2,383	1,304

(f) Sequencing service received

	Year ended 31/12/2021 RMB'000	Year ended 31/12/2020 RMB'000
Fellow subsidiaries	**1,081**	6,449
	1,081	6,449

(g) Disposal of business

	Year ended 31/12/2021 RMB'000	Year ended 31/12/2020 RMB'000
Entity or subsidiaries of the entity having director by ultimate Controlling Shareholder of the Company	**280,000**	—
	280,000	—

51. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(2) Related party transactions: (continued)

(h) Sales of property and equipment

	Year ended 31/12/2021 RMB'000	Year ended 31/12/2020 RMB'000
Entity or subsidiaries of the entity having director by ultimate Controlling Shareholder of the Company	162	133
Fellow subsidiaries	5	7
	167	140

(i) Purchase of property and equipment

	Year ended 31/12/2021 RMB'000	Year ended 31/12/2020 RMB'000
Entity or subsidiaries of the entity having director by ultimate Controlling Shareholder of the Company	3,849	—
Fellow subsidiaries	1	89
	3,850	89

(j) Administrative service received

	Year ended 31/12/2021 RMB'000	Year ended 31/12/2020 RMB'000
A fellow subsidiary	219	77

51. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(2) Related party transactions: (continued)

(k) Rental expenses

	Year ended 31/12/2021 RMB'000	Year ended 31/12/2020 RMB'000
A joint venture	**266**	5,588

Note: Instead of applying the recognition requirements of IFRS 16, the Group elects to account for lease payments as an expense on a straight-line basis over the lease term for leases with a lease term of 12 months or less and containing no purchase options or leases where the underlying asset has a low value.

(l) Purchase of raw materials

	Year ended 31/12/2021 RMB'000	Year ended 31/12/2020 RMB'000
Entity or subsidiaries of the entity having director by ultimate Controlling Shareholder of the Company	**3,057**	1,393
Fellow subsidiaries	**2**	—
	3,059	1,393

(m) Interest expenses on lease liabilities

	Year ended 31/12/2021 RMB'000	Year ended 31/12/2020 RMB'000
A fellow subsidiary	**472**	180
A joint venture	**465**	101
	937	281

51. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(2) Related party transactions: (continued)

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

	Year ended 31/12/2021 RMB'000	Year ended 31/12/2020 RMB'000
A fellow subsidiary	**3,639**	1,587
A joint venture	**2,383**	991
	6,022	2,578

(o) Disposal of the equity investment

	Year ended 31/12/2021 RMB'000	Year ended 31/12/2020 RMB'000
Entities significantly influenced by a subsidiary of the Company	**24,257**	—
	24,257	—

(p) Equity transactions

On November 17, 2020, WuXi Fund I, among a total seven other investors, entered into the Share Purchase Agreement with D3. As of December 31, 2021, WuXi Fund I has already purchased 21,000,000 Series A-1 Shares at the total consideration of US$21 million.

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

51. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(3) Related party balances

AMOUNTS DUE FROM RELATED PARTIES

	31/12/2021	31/12/2020
	RMB'000	*RMB'000*
Trade receivables		
Associates	**1,652**	1,687
Joint ventures	**—**	1,521
Entity or subsidiaries of the entity having director by ultimate Controlling Shareholder of the Company	**25,900**	16,897
Entities significantly influenced by a Controlling Shareholder	**4,500**	36,000
	32,052	56,105
Non-trade related		
Other receivables		
Fellow subsidiaries	**6**	720
Entity or subsidiaries of the entity having director by ultimate Controlling Shareholder of the Company	**284,200**	60
Entity significantly influenced by a subsidiary of the Company	**24,257**	—
A joint venture	**2,795**	—
Other receivables	**311,258**	780
Other non-current assets	**—**	419
Total amounts due from related parties	**343,310**	57,304

51. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(3) Related party balances (continued)

AMOUNTS DUE FROM RELATED PARTIES (continued)

The Group

The Group allows a credit period within 90 days to its customers. The following is an aging analysis of trade related amounts due from related parties (net of allowance for impairment losses) presented based on the invoice dates, at the end of each year in the reporting period:

	31/12/2021 *RMB'000*	31/12/2020 *RMB'000*
Within 90 days	**32,052**	56,105

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

As at December 31, 2021, included in the contract assets of the Group is RMB7,523,000 (December 31, 2020: RMB1,462,000) due from joint ventures and entity or subsidiaries of the entity having director by ultimate Controlling Shareholder of the Company.

AMOUNTS DUE TO RELATED PARTIES

	31/12/2021 *RMB'000*	31/12/2020 *RMB'000*
Considerations received from key management personnel for subscribing restricted A shares of the Company under the 2019 and 2018 WuXi AppTec A Share Incentive Scheme (Note 46)	**12,886**	22,967
Trade payables		
Entity or subsidiaries of the entity having director by ultimate Controlling Shareholder of the Company	**7,708**	767
Fellow subsidiaries	**—**	11
Other payables		
A fellow subsidiary	**845**	100
	21,439	23,845

51. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(3) Related party balances (continued)

AMOUNTS DUE TO RELATED PARTIES (continued)

As at December 31, 2021, included in the contract liabilities of the Group is RMB22,854,000 (December 31, 2020: RMB11,270,000) received from associates, a joint venture and an entity or subsidiary of the entity having director by ultimate Controlling Shareholder of the Company in advance of delivery of services.

As at December 31, 2021, included in the prepayment of the Group is RMB98,000 (December 31, 2020: RMB488,000) to entity or subsidiaries of the entity having director by ultimate Controlling Shareholder of the Company.

The Group entered into several leases with related parties during the year 2021, other than short-term leases and low value assets leases, the total amount of cost of right-of-use assets recognised in 2021 is RMB16,967,000.

As at December 31, 2021, included in the right-of-use assets of the Group is RMB8,877,000 due to a joint venture of the Group (December 31, 2020: RMB5,091,000 due to a joint venture and a fellow subsidiary of the Group).

As at December 31, 2021, included in the lease liabilities of the Group is RMB9,562,000 due to a joint venture of the Group (December 31, 2020: RMB5,306,000 due to a joint venture and a fellow subsidiary of the Group)

(4) Compensation of key management personnel

The remuneration of the directors of the Company and other members of key management of the Group during the reporting period were as follows:

	Year ended 31/12/2021 ***RMB'000***	Year ended 31/12/2020 *RMB'000*
Director Fee	**1,966**	1,313
Salaries and other benefits	**41,167**	34,261
Performance-based bonus	**34,773**	29,208
Share-based compensation	**30,255**	23,611
	108,161	88,393

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

52. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

52.1 General information of subsidiaries

Details of the subsidiaries directly and indirectly held by the Company at the end of the reporting period are set out below.

Full Name of subsidiaries	Place and date of Incorporation/ establishment	Type of legal entity under PRC law	Authorized share capital/ Registered capital	Attributable equity interest held by the Company as at December 31, 2021		December 31, 2020		Principal activities
				Direct	Indirect	Direct	Indirect	
WXAT Shanghai (上海藥明康德新藥開發有限公司)	PRC/April 2, 2002	Limited liability company	RMB 12,457,200,000	**100.00%**	**—**	100.00%	—	Discovery, research and development of small molecule
Shanghai SynTheAll Pharmaceutical Co., Ltd. (上海合全藥業股份有限公司) ("STA")	PRC/January 23, 2003	Limited liability company	RMB 531,338,000	**—**	**98.29%**	—	97.90%	Process development, improvement and production services for small molecule drugs
Shanghai STA Pharmaceutical R&D Co., Ltd. (上海合全藥物研發有限公司) ("STARD")	PRC/April 15, 2011	Limited liability company	RMB 330,000,000	**—**	**98.29%**	—	97.90%	Process development, services for small molecule drugs
Changzhou SynTheAll Pharmaceutical Co., Ltd. (常州合全藥業有限公司) ("STACZ")	PRC/September 29, 2013	Limited liability company	RMB 4,049,900,000	**—**	**98.29%**	—	97.90%	Process development, improvement and production services for small molecule drugs
STA Pharmaceutical Hong Kong Limited (合全藥業香港有限公司) ("STAHK")	Hong Kong (the "HK") of PRC/ April 12, 2011	N/A	HK$10,000	**—**	**98.29%**	—	97.90%	Business development and trade services
WuXi AppTec (Wuhan) Co., Ltd (武漢藥明康德新藥開發有限公司) ("WXAT Wuhan")	PRC/November 12, 2010	Limited liability company	RMB 196,239,000	**60.00%**	**40.00%**	60.00%	40.00%	Discovery, research and development of small molecule drugs
WuXi AppTec (Nantong) Co., Ltd (南通藥明康德醫藥科技有限公司) ("WXAT Nantong")	PRC/April 26,2018	Limited liability company	RMB 875,000,000	**—**	**100.00%**	—	100.00%	Pharmaceutical research and development
WuXi AppTec (Suzhou) Co., Ltd. (蘇州藥明康德新藥開發有限公司) ("WXAT Suzhou")	PRC/October 8, 2006	Limited liability company	RMB 900,000,000	**80.06%**	**19.94%**	80.06%	19.94%	Pharmacology, toxicology and safety evaluation research services
WuXi AppTec (Tianjin) Co., Ltd. (天津藥明康德新藥開發有限公司) ("WXAT Tianjin")	PRC/March 26, 2012	Limited liability company	RMB 600,000,000	**100.00%**	**—**	100.00%	—	Discovery, research and development of small molecule drugs
WuXi AppTec (Hong Kong) Limited (藥明康德(香港)有限公司) ("WXAT HK")	HK of PRC/ March 26, 2012	N/A	HK$10,000	**100.00%**	**—**	100.00%	—	Business development and trade services
WuXi AppTec International Holdings Limited (藥明康德國際控股有限公司) ("WXAT International")	BVI/December 17, 2015	N/A	2,000,000 authorized shares, no par value	**100.00%**	**—**	100.00%	—	Holding Company
WuXi AppTec (Hong Kong) Holding Limited	BVI/January 6, 2015	N/A	HK$10,000	**—**	**100.00%**	—	100.00%	Holding Company
WuXi AppTec (Chengdu) Co., Ltd. (成都藥明康德新藥開發有限公司)	PRC/September 20, 2017	Limited liability company	RMB 550,000,000	**100.00%**	**—**	100.00%	—	Discovery, research and development of small molecule drugs
WuXi ATU Holding Limited	HK of PRC/ October 28, 2019	N/A	HK$10,000	**100.00%**	**—**	100.00%	—	Holding Company

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the year.

52. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

52.2 Details of non-wholly subsidiaries that have material non-controlling interests

	Principal place of business and place of incorporation	Proportion of ownership interests as at		Profit allocated to non-controlling interests for the year ended		Accumulated non-controlling interests as at	
		31/12/2021	31/12/2020	31/12/2021 RMB'000	31/12/2020 RMB'000	31/12/2021 RMB'000	31/12/2020 RMB'000
STA Group	PRC	**98.29%**	97.90%	**37,937**	23,240	**195,399**	150,658
Individually immaterial subsidiaries with non-controlling interests				**855**	2,775	**70,554**	74,090
Total				**38,792**	26,015	**265,953**	224,748

Summarized financial information in respect of STA Group is set out below. The summarized information below represents amounts before intra-group eliminations.

STA Group

	31/12/2021 RMB'000	31/12/2020 RMB'000
Current assets	**10,104,815**	5,155,335
Non-current assets	**7,926,813**	5,245,935
Current liabilities	**6,201,957**	2,767,816
Non-current liabilities	**441,262**	457,885
Equity attributable to owners of the Company	**11,193,010**	7,024,911
Non-controlling interests	**195,399**	150,658

52. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

52.2 Details of non-wholly subsidiaries that have material non-controlling interests (continued)

STA Group (continued)

	Year ended 31/12/2021 ***RMB'000***	Year ended 31/12/2020 *RMB'000*
Revenue	**8,086,665**	5,252,495
Expenses	**(5,985,484)**	(4,229,720)
Profit attributable to owners of the Company	**2,063,244**	999,535
Profit attributable to the non-controlling interests of STA Group	**37,937**	23,240
Profit for the year	**2,101,181**	1,022,775
Other comprehensive (expense) income attributable to owners of the Company	**(131,324)**	318,603
Other comprehensive (expense) income attributable to the non-controlling interests of STA Group	**(2,523)**	6,953
Other comprehensive (expense) income for the year	**(133,847)**	325,556
Total comprehensive income attributable to owners of the Company	**1,931,920**	1,318,138
Total comprehensive income attributable to the non-controlling interests	**35,414**	30,193
Total comprehensive income for the year	**1,967,334**	1,348,331
Dividends paid to non-controlling interests of STA Group	**—**	—
Net cash inflow from operating activities	**970,605**	1,087,921
Net cash outflow from investing activities	**(3,858,050)**	(1,438,575)
Net cash inflow from financing activities	**2,774,380**	692,836
Net cash (outflow) inflow	**(113,065)**	342,182

52. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

52.3 Change in ownership interest in subsidiaries

For the year ended December 31, 2021

During the year, STA issued totalling 41,453,626 ordinary Shares to WXAT Shanghai, which increased the Company's indirect equity interest in STA.

In addition during the year, totalling 1,154,390 non-controlling ordinary STA Shares were purchased by WXAT Shanghai, which increased the Company's indirect equity interest in STA.

After the transactions as above, the Group increased its equity interest in STA from 97.90% at the beginning of the year to 98.29% at the end of the year. The difference of RMB65,007,000 between aggregate increase in the non-controlling interests and the consideration paid by the Group has been adjusted to decrease capital reserve.

In March 2021, WXAT Shanghai increased its capital by RMB2,000,000 in Borui Biotech Co., Ltd., a partially-owned subsidiary of the Group.

For the year ended December 31, 2020

In May 2020, totalling 6,672,780 ordinary STA Shares were vested under the STA Share Option Scheme (details set out in Note 46), which diluted the Company's indirect equity interest in STA.

In May 2020, totalling 640,000 non-controlling ordinary STA Shares were purchased by WXAT Shanghai, which increased the Company's indirect equity interest in STA.

In June 2020, totalling 2,332,636 ordinary STA Shares were exercised under the STA Overseas Employees Incentive Scheme (details set out in Note 46), which diluted the Company's indirect equity interest in STA.

In June 2020, totalling 8,502,256 non-controlling ordinary STA Shares were purchased by WXAT Shanghai, which increased the Company's indirect equity interest in STA.

In July 2020, totalling 79,140 non-controlling ordinary STA Shares were purchased by WXAT Shanghai, which increased the Company's indirect equity interest in STA.

52. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

52.3 Change in ownership interest in subsidiaries (continued)

For the year ended December 31, 2020 (continued)

During November to December 2020, STA issued totalling 22,985,930 ordinary Shares to WXAT Shanghai, which increased the Company's indirect equity interest in STA.

After the transactions as above, the Group increased its equity interest in STA from 97.79% at the beginning of the year to 97.90% at the end of the year. The difference of RMB427,317,000 between aggregate increase in the non-controlling interests and the consideration paid by the Group has been adjusted to decrease capital reserve.

In June 2020, Wuxi Guolian Guokang Health Industry Center (Limited Partnership) increased its capital by RMB60,000,000.00 in Wuxi MedKey Med-Tech Development Co., Ltd., a wholly-owned subsidiary of the Group, and accounted for 20% of the equity of Wuxi Pharmaceutical Technology Co., Ltd. The difference of RMB45,000,000.00 between the consideration received by the Group and the decreased share of net assets has been adjusted to increase capital reserve.

53. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	31/12/2021 *RMB'000*	31/12/2020 *RMB'000*
Non-current Assets		
Interests in subsidiaries	**21,581,541**	17,559,209
Right-of-use assets	**86,224**	88,554
Property, plant and equipment	**2,953**	1,440
Other non-current assets	**727,167**	—
	22,397,885	17,649,203
Current Assets		
Amounts due from subsidiaries	**6,306,825**	4,604,885
Trade and other receivables	**9,517**	16,767
Financial assets at FVTPL	**318,121**	3,248,888
Bank balances and cash	**2,506,863**	5,955,615
	9,141,326	13,826,155
Current Liabilities		
Amounts due to subsidiaries	**—**	713,751
Amounts due to related parties	**12,886**	19,227
Trade and other payables	**347,816**	594,728
Income tax payables	**3,527**	—
	364,229	1,327,706
Net Current Assets	**8,777,097**	12,498,449
Total Assets Less Current Liabilities	**31,174,982**	30,147,652
Non-Current Liabilities		
Convertible bonds — debt component	**607,140**	1,819,029
Convertible bonds — embedded derivative component	**657,317**	1,582,060
	1,264,457	3,401,089
Net Assets	**29,910,525**	26,746,563
Capital and Reserves		
Share capital	**2,955,827**	2,441,685
Reserves	**26,954,698**	24,304,878
Total Equity	**29,910,525**	26,746,563

53. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)

Movement in the Company's reserves

	Share premium *RMB'000*	Treasury shares *RMB'000*	Statutory reserve *RMB'000*	Other reserve *RMB'000*	Share-based reserve payment *RMB'000*	Retained earnings *RMB'000*	Total *RMB'000*
At January 1, 2020	11,470,584	(705,817)	146,215	(8)	175,501	622,755	11,709,230
Profit and total comprehensive income for the year	—	—	—	—	—	926,813	926,813
Share premium transferred to share capital	(660,451)	—	—	—	—	—	(660,451)
Issue of new H shares under specific mandate	6,490,456	—	—	—	—	—	6,490,456
Issue of non-public A Shares	6,398,556	—	—	—	—	—	6,398,556
Issue of restricted A Shares	15,172	(15,555)	—	—	—	—	(383)
Issue of A Shares (Note 42)	2,844	—	—	—	—	—	2,844
Repurchase and cancellation of restricted A shares	(26,998)	28,232	—	—	—	—	1,234
Repurchase of H shares under 2020 H Share Awards	—	(609,787)	—	—	—	—	(609,787)
Restricted A shares Tranche vested	84,418	106,383	—	—	(84,418)	—	106,383
2018 Option Tranche one vested	1,254	—	—	—	(1,254)	—	—
Business combination involving enterprises under common control	—	—	—	(59,233)	—	—	(59,233)
Transferred to statutory reserve	—	—	92,681	—	—	(92,681)	—
Equity-settled share-based payment	—	—	—	—	549,024	—	549,024
Payment for dividends	—	6,622	—	—	—	(556,430)	(549,808)
At December 31, 2020	23,775,835	(1,189,922)	238,896	(59,241)	638,853	900,457	24,304,878

53. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)

Movement in the Company's reserves (continued)

	Share premium RMB'000	Treasury shares RMB'000	Statutory reserve RMB'000	Other reserve RMB'000	Share-based reserve payment RMB'000	Retained earnings RMB'000	Total RMB'000
Profit and total comprehensive income for the year	–	–	–	–	–	1,694,623	1,694,623
Share premium transferred to share capital	(490,127)	–	–	–	–	–	(490,127)
Repurchase and cancellation of restricted A shares	(12,601)	13,292	–	–	–	–	691
Repurchase of H shares under 2021 H Share Awards	–	(1,651,663)	–	–	–	–	(1,651,663)
Restricted A shares Tranche vested	320,906	239,468	–	–	(320,906)	–	239,468
Conversion of convertible bonds	3,092,290	–	–	–	–	–	3,092,290
2018 Option vested	9,587	–	–	–	(3,020)	–	6,567
2019 Option vested	145,762	–	–	–	(50,538)	–	95,224
2020 H Share Award vested	3,724	125,004	–	–	(128,728)	–	–
Transferred to statutory reserve	–	–	169,462	–	–	(169,462)	–
Equity-settled share-based payment	–	–	–	–	547,729	–	547,729
Payment for dividends	–	4,598	–	–	–	(889,580)	(884,982)
At December 31, 2021	26,845,376	(2,459,223)	408,358	(59,241)	683,390	1,536,038	26,954,698

54. SUBSEQUENT EVENTS

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

Proposal of Profit Distribution Plan

Subsequent to the end of the reporting period, the Board proposes the 2021 Profit Distribution Plan as follows: a cash dividend of RMB5.1740 (inclusive of tax) for every 10 shares (representing an aggregate amount of RMB1,529,309,116.25 (inclusive of tax) based on the total issued shares of the Company as of the date of this annual report) all shareholders. In the event of change in total issued Shares of the Company before the record date for payment of the cash dividend, dividends will be distributed according to the original dividend amount per share and the total distribution amount will be adjusted accordingly. The 2021 Profit Distribution Plan is subject to, amongst others, approval by shareholders of the Company at the forthcoming annual general meeting.

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

"2018 A Share Incentive Plan"	the Restricted A Shares and Stock Option Incentive Plan of 2018 adopted by the Company on August 22, 2018
"2018 Profit Distribution Plan"	the profit distribution plan of the Company for the year ended December 31, 2018 including the Capitalization of Reserve and Profit Distribution as defined in the circular of the Company dated April 18, 2019
"2018 Reserved Grant"	the grant of reserved interests subsequent to the initial grant under the 2018 A Share Incentive Plan
"2019 A Share Incentive Plan"	the Restricted A Shares and Stock Option Incentive Plan of 2019 adopted by the Company on September 20, 2019
"2019 Adjusted Initial Grant"	the adjusted initial grant of 13,400,273 Restricted A Shares and 5,039,904 Share Options pursuant to the 2019 A Share Incentive Plan
"2019 Capitalization of Reserve"	the issuance of 4 2019 Capitalization Shares for every 10 Shares by way of capitalization of reserve under the 2019 Profit Distribution Plan
"2019 Capitalization Share"	the new shares to be allotted and issued under the 2019 Capitalization of Reserve by the Company
"2019 Initial Grant"	the initial grant of 13,657,803 Restricted A Shares and 5,292,174 Share Options upon adoption of the 2019 A Share Incentive Plan
"2019 Profit Distribution Plan"	the profit distribution plan of the Company for the year ended December 31, 2019 including the Capitalization of Reserve and Profit Distribution as defined in the circular of the Company dated March 31, 2020 therein
"2019 Reserved Grant"	any grant of reserved interests subsequent to the initial grant under the 2019 A Share Incentive Plan
"2019 Share Appreciation Scheme"	the Share Appreciation Incentive Scheme of 2019 adopted by the Company on September 20, 2019
"2020 AGM"	the annual general meeting of the Company held on May 13, 2021

"2020 Capitalization of Reserve"	the issuance of 2 2020 Capitalization Shares for every 10 Shares by way of capitalization of reserve under the 2020 Profit Distribution Plan
"2020 Capitalization Shares"	the new Shares allotted and issued under the 2020 Capitalization of Reserve by the Company
"2020 H Share Award and Trust Scheme" or "2020 Scheme"	the H Share award and trust scheme adopted by the Company in accordance with the 2020 Scheme Rules on August 31, 2020
"2020 Profit Distribution"	the proposed distribution of cash dividend of RMB3.63 for every 10 Shares (inclusive of tax) under the 2020 Profit Distribution Plan
"2020 Profit Distribution Plan"	the profit distribution plan of the Company for the year ended December 31, 2020 which includes the 2020 Capitalization of Reserve and the 2020 Profit Distribution
"2020 Scheme Rules"	the rules of the 2020 Scheme (as amended from time to time)
"2021 Actual Selling Price"	the actual price at which the 2021 Award Shares are sold (net of brokerage, stamp duty, any taxes, Stock Exchange trading fee, SFC transaction levy and any other applicable costs) on vesting of a 2021 Award pursuant to the 2021 Scheme or in the case of a vesting when there is an event of change in control or privatisation of the Company pursuant to the 2021 Scheme Rules, the consideration receivable under the related scheme or offer
"2021 AGM"	the annual general meeting of the Company held on Friday, May 6, 2022, at which the Shareholders approved, among others, the payment of the 2021 Profit Distribution
"2021 Award"	an award granted by the Board to a 2021 Selected Participant, which may vest in the form of 2021 Award Shares or the 2021 Actual Selling Price of the 2021 Award Shares in cash, as the Board may determine in accordance with the terms of the 2021 Scheme Rules
"2021 Award Period"	the period commencing on the date on which the Shareholders approved the 2021 H Share Award and Trust Scheme, and ending on the Business Day immediately prior to the 10th anniversary of the date on which the Shareholders approved the 2021 H Share Award and Trust Scheme

"2021 Award Shares"	the H Shares granted to a 2021 Selected Participant in a 2021 Award
"2021 Connected Selected Participants"	2021 Selected Participants under the 2021 Scheme who are connected persons of the Group
"2021 Delegatee(s)"	the management committee or person(s) or board committee(s) to which the Board will delegate its authority in connection with matters pertaining to the 2021 Scheme
"2021 Eligible Employee(s)"	eligible employees of the 2021 Scheme pursuant to the 2021 Scheme Rules
"2021 H Share Award and Trust Scheme" or "2021 Scheme"	the H Share award and trust scheme adopted by the Company in accordance with the 2021 Scheme Rules on August 30, 2021
"2021 Profit Distribution"	the proposed distribution of cash dividend of RMB5.1740 for every 10 Shares (inclusive of tax) under the 2021 Profit Distribution Plan
"2021 Profit Distribution Plan"	the profit distribution plan of the Company for the year ended December 31, 2021 which includes the 2021 Profit Distribution
"2021 Scheme Limit"	the maximum size of the 2021 Scheme, being the maximum number of H Shares that will be acquired by the 2021 Trustee through on-market transactions from time to time at the prevailing market price with funds in the amount of not more than HK$2 billion
"2021 Scheme Rules"	the rules governing the operation of the 2021 Scheme as well as the implementation procedures (as amended from time to time)
"2021 Selected Participant(s)"	any 2021 Eligible Employee who is approved for participation in the 2021 Scheme and has been granted any 2021 Award in accordance with the 2021 Scheme Rules
"2021 Shareholder Alignment Incentive H Share Scheme"	the 2021 shareholder alignment incentive H Share scheme adopted by the Company in accordance with the 2021 Shareholder Alignment Incentive H Share Scheme Rules on August 30, 2021
"2021 Shareholder Alignment Incentive H Share Scheme Rules"	the rules governing the operation of the 2021 Shareholder Alignment Incentive H Share Scheme as well as the implementation procedures (as amended from time to time)

"2021 Trustee"	the trustee appointed by the Company for the purpose of the trust to service the 2021 Scheme, and initially, Computershare Hong Kong Trustees Limited, a company incorporated in Hong Kong and having its registered office at 46th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
"A Share(s)"	domestic shares of our Company, with a nominal value of RMB1.00 each, which are listed for trading on the Shanghai Stock Exchange and traded in RMB
"A Share Listing"	issuance of 104,198,556 A Shares by the Company to the public on April 13, 2018, which were listed on Shanghai Stock Exchange on May 8, 2018
"A Share Prospectus"	the prospect issued by the Company under the A Share Listing
"AAV"	adeno-associated virus
"Actual Selling Price"	the actual price at which the Award Shares are sold (net of brokerage, Stock Exchange trading fee, Securities and Futures Commission transaction levy and any other applicable costs) on vesting of an Award pursuant to the Scheme or in the case of a vesting when there is an event of change in control or privatisation of the Company pursuant to the Scheme Rules, the consideration receivable under the related scheme or offer
"ADME"	adsorption, distribution, metabolism, and excretion
"AGM"	annual general meeting of the Company
"AI"	artificial intelligence
"API"	active pharmaceutical ingredient
"Articles" or "Articles of Association"	the articles of association of the Company as amended from time to time
"Audit Committee"	the audit committee of the Board
"Award"	an award granted by the Board to a Selected Participant, which may vest in the form of Award Shares or the Actual Selling Price of the Award Shares in cash, as the Board may determine in accordance with the terms of the Scheme Rules
"Award Shares"	the H Shares granted to a Selected Participant in an Award

"BMS"	Bristol Myers Squibb
"Board of Directors" or "Board"	our board of Directors
"CDMO"	Contract Development and Manufacturing Organization, a CMO that in addition to comprehensive drug manufacturing services, also provide process development and other drug development services in connection with its manufacturing services
"CG Code"	the "Corporate Governance Code" as contained in Appendix 14 to the Listing Rules.
"cGMP"	Current Good Manufacturing Practice regulations, regulations enforced by the FDA on pharmaceutical and biotech firms to ensure that the products produced meet specific requirements for identity, strength, quality and purity
"Changzhou STA"	Changzhou STA Pharmaceutical Co., Ltd.* (常州合全藥業有限公司)
"China" or "PRC"	the People's Republic of China, which for the purpose of this annual report and for geographical reference only, excludes Hong Kong, Macau and Taiwan
"CMO"	Contract Manufacturing Organization, a company that serves other companies in the pharmaceutical industry on a contract basis to provide comprehensive drug manufacturing services
"Company", "our Company", "WuXi AppTec", "We", "our", "us"	WuXi AppTec Co., Ltd.* (無錫藥明康德新藥開發股份有限公司), a joint stock limited company incorporated under the laws of the PRC, the predecessor of which, WuXi AppTec Ltd. (無錫藥明康德新藥開發有限公司) (formerly known as WuXi PharmaTech Co., Ltd. (無錫藥明康德組合化學有限公司)).was established under the laws of the PRC as an enterprise legal person in December 2000, the A Shares of which are listed on the Shanghai Stock Exchange (stock code: 603259) and the H shares of which are listed on the Hong Kong Stock Exchange (stock code:02359) and if the context requires, includes its predecessor

"Connected Selected Participant(s)"	Selected Participants who are connected persons of the Group
"Conversion Price"	the price per H Share(s) to be issued upon conversion of the Convertible Bonds pursuant to the relevant agreements (subject to adjustments) at which the Convertible Bonds may be converted into H Shares
"Convertible Bonds"	US$300 million zero coupon convertible bonds due 2024 convertible at the option of the holder thereof into fully paid ordinary H Shares of the Company of par value RMB1.00 each at the initial Conversion Price of HK$111.80 per H Share, adjusted to the Conversion Price of HK$79.85 per H Share, and further adjusted to the Conversion Price of HK$66.17 per H Share
"COVID-19"	novel coronavirus pneumonia
"CRDMO"	Contract Research Development and Manufacturing Organization
"CRO"	Contract Research Organization
"CTA"	Clinical Trial Authorization
"CTDMO"	Contract Testing Development and Manufacturing Organization
"DEL"	DNA-encoded library
"Delegatee"	the management committee or person(s) or board committee(s) to which the Board will delegate its authority in connection with matters pertaining to the 2020 Scheme
"Director(s)"	the director(s) of the Company or any one of them
"DMPK"	Drug Metabolism and Pharmacokinetics, refers to studies designed to determine the absorption and distribution of an administered drug, the rate at which a drug takes effect, the duration a drug maintains its effects and what happens to the drug after being metabolized by the body
"EBITDA"	earnings before interest, taxes, depreciation, and amortization
"Eligible Employee(s)"	eligible employees of the 2020 Scheme pursuant to the 2020 Scheme Rules
"FDA"	Food and Drug Administration in the U.S.

"Founding Individuals"	Dr. Ge. Li, Dr Ning Zhao, Mr. Xiaozhong Liu and Mr. Zhaohui Zhang
"FVTPL"	fair value through profit or loss
"GMP"	Good Manufacturing Practice, a quality system imposed on pharmaceutical firms to ensure that products produced meet specific requirements for identity, strength, quality and purity, and enforced by public agencies, for example the U.S. FDA
"Group", "our Group"	the Company and its subsidiaries
"H Share(s)"	Overseas listed foreign shares in the share capital of our Company with nominal value of RMB1.00 each, which are listed on the Stock Exchange
"HKD"	Hong Kong dollars and cents, both are the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IFRS"	International Financial Reporting Standards
"Incentive Participants"	the persons to be granted restricted A Shares, share options or share appreciation rights under the 2019 Share Incentive Plan, including the Company's Directors, senior management, mid-level management, backbone members of technicians, basic-level management and other technicians, and incentive participants under the 2019 A Share Incentive Plan
"IND"	Investigational New Drug
"Independent Selected Participant(s)"	Selected Participants who are not the Connected Selected Participants
"Initial Grant"	the initial grant of 13,657,803 Restricted A Shares and 5,292,174 share option upon adoption of the 2019 A Share Incentive Plan
"Listing" or "IPO"	the listing of the H Shares on the Main Board of the Stock Exchange on December 13, 2018
"Listing Date"	December 13, 2018, on which the H Shares were listed and from which dealings therein were permitted to take place on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)

"M&A"	merger and acquisition
"Model Code"	the "Model Code for Securities Transactions by Directors of Listed Issuers" set out in Appendix 10 to the Listing Rules
"NASH"	Nonalcoholic steatohepatitis is liver inflammation and damage caused by a buildup of fat in the liver
"NDA"	New Drug Application
"NMPA"	National Medical Products Administration
"Nomination Committee"	the nomination committee of the Board
"Non-public Issuance of A Shares"	the non-public issuance of 62,690,290 A Shares by the Company to specific subscribers
"NYSE"	The New York Stock Exchange
"Oxgene"	Oxford Genetics Limited
"PDS"	pharmaceutical development services
"Prospectus"	the prospectus issued by the Company dated December 3, 2018
"PROTAC"	the proteolysis Targeting chimera
"R&D"	research & development
"Remuneration and Appraisal Committee"	the remuneration and appraisal committee of the Board
"Reporting Period"	the year ended December 31, 2021
"Reserved Grant"	any grant of the Reserved Interests subsequent to the Initial Grant under the 2019 A Share Incentive Plan

"Reserved Interests"	reserved interests of 2,105,553 units, representing 10% of the total interests to be granted under the 2019 A Share Incentive Plan, which may be granted as Restricted A Shares or Share Options for further distribution
"Restricted A Shares"	the restricted A Shares granted by the Company under the 2018 WuXi AppTec A Share Incentive Scheme and 2019 A Share Incentive Plan
"Returned Shares"	such Award Shares that are not vested and/or are forfeited in accordance with the terms of the Scheme, or such H Shares being deemed to be Returned Shares under the Scheme Rules
"RMB"	Renminbi, the lawful currency of the PRC
"SAI Award"	an award granted by the Board to a SAI Selected Participant under any of the SAI Award Pools which may vest in the form of SAI Award Shares or the actual selling price of the SAI Award Shares in cash, as the Board may determine in accordance with the terms of the 2021 Shareholder Alignment Incentive H Share Scheme Rules
"SAI Award Letter"	a letter issued by the Company to each SAI Selected Participant in such form as the Board or the SAI Delegatee may from time to time determine
"SAI Award Pools"	the four (4) award pools under the 2021 Shareholder Alignment Incentive H Share Scheme with monetary values of HK$1 billion, HK$1.5 billion, HK$2 billion and HK$3 billion, respectively, which may be released upon the fulfilment of relevant release conditions for the grant of SAI Awards to the SAI Selected Participants under these award pools
"SAI Award Shares"	the H Shares granted to a SAI Selected Participant in a SAI Award granted under any of the SAI Award Pools
"SAI Connected Selected Participants"	SAI Selected Participants who are connected persons of the Group

"SAI Delegatee"	the SAI Management Committee or person(s) or board committee(s) to which the Board will delegate its authority in connection with matters pertaining to the 2021 Shareholder Alignment Incentive H Share Scheme
"SAI Eligible Employees"	eligible employees of the 2021 Shareholder Alignment Incentive H Share Scheme pursuant to the rules of the 2021 Shareholder Alignment Incentive H Share Scheme
"SAI Management Committee"	the management committee of the 2021 Shareholder Alignment Incentive H Share Scheme
"SAI Returned Shares"	such SAI Award Shares that are not vested and/or are forfeited in accordance with the terms of the 2021 Shareholder Alignment Incentive H Share Scheme Rules, or such H Shares being deemed to be SAI Returned Shares under the 2021 Shareholder Alignment Incentive H Share Scheme Rules
"SAI Selected Participant(s)"	any eligible employee who is approved for participation in the 2021 Shareholder Alignment Incentive H Share Scheme and has been granted any SAI Award under any of the SAI Award Pools in accordance with the 2021 Shareholder Alignment Incentive H Share Scheme Rules
"SAI Vesting Period(s)"	the vesting period(s) of the SAI Awards granted under the 2021 Shareholder Alignment Incentive H Share Scheme
"Scheme Limit"	the maximum size of the 2020 H Share Award and Trust Scheme
"Scheme Rules"	the rules governing the operation of the 2020 Scheme as well as the implementation procedures (as amended from time to time)
"Selected Participant(s)"	any Eligible Employee who is approved for participation in the 2020 Scheme and has been granted any Award in accordance with the 2020 Scheme Rules
"SFO"	Securities and Futures Ordinance (Chapter 571 of The Laws of Hong Kong)
"Shanghai Stock Exchange"	The Shanghai Stock Exchange (上海證券交易所)

"Share(s)"	Ordinary shares in the capital of our Company with a nominal value of RMB1.00 each, comprising A Shares and H Shares
"Share Options"	share options granted under the initial grant of the 2019 A Share Incentive Plan
"Shareholder(s)"	holder(s) of Shares
"SMO"	Site Management Organization
"STA"	Shanghai SynTheAll Pharmaceutical Co., Ltd* (上海合全藥業股份有限公司)
"STA Equity Transfer Agreement"	an equity transfer agreement entered into among WXAT Shanghai, Dr. Ge Li, Mr. Edward Hu, Mr. Xiaozhong Liu, Mr. Zhaohui Zhang, Dr. Minzhang Chen, Mr. Harry Liang He and Ms. Xiangli Liu on July 2, 2019
"STA Pharmaceutical"	STA Pharmaceutical Hong Kong Investment Limited (合全藥業香港投資有限公司), a limited liability company incorporated under the laws of Hong Kong
"STA Shares"	Shares of STA
"Stock Exchange" or "Hong Kong Stock Exchange"	the Stock Exchange of Hong Kong Limited
"Strategy Committee"	the strategy committee of the Board
"Supervisor(s)"	member(s) of our Supervisory Committee
"Supervisory Committee"	the supervisory committee of our Company
"TESSA"	Tetracycline-Enabled Self-Silencing Adenovirus
"Trustee"	the trustee appointed by the Company for the purpose of the trusts under each of the 2020 Scheme and the 2021 Scheme, and initially, Computershare Hong Kong Trustees Limited, a company incorporated in Hong Kong and having its registered office at 46th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

"U.S."	the United States of America, its territories, its possession and all areas subject to its jurisdiction
"USD"	United States dollars, the lawful currency of the United States
"WIND"	WuXi IND
"WuXi ATU"	CTDMO business of the Company
"Wuxi Biologics"	WuXi Biologics (Cayman) Inc. (藥明生物技術有限公司) (stock code: 2269), a company incorporated under the laws of Cayman Islands with limited liability on February 27, 2014, the shares of which were listed on the Main Board of the Stock Exchange on June 13, 2017
"WuXi Biology"	biology business of the Company
"WuXi Chemistry"	chemistry business of the Company
"WuXi DDSU"	domestic new drug discovery service unit of the Company
"Wuxi STA"	Wuxi STA Pharmaceutical Co., Ltd. (無錫合全藥業有限公司)
"WuXi Testing"	testing business of the Company
"WXAT Shanghai"	WuXi AppTec (Shanghai) Co., Ltd. (上海藥明康德新藥開發有限公司)
"YoY"	year-over-year
"%"	percentage

* *For identification purpose only*

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