WuXi Biologics
Global Solution Provider

WuXi Biologics (Cayman) Inc.
藥明生物技術有限公司*

(Incorporated in the Cayman Islands with Limited Liability)
Stock Code: 2269

ANNUAL REPORT 2021

*For identification purpose only

Table of Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Dr. Zhisheng Chen
(Chief Executive Officer)
Dr. Weichang Zhou
(Chief Technology Officer)

Non-executive Directors

Dr. Ge Li *(Chairman)*
Dr. Ning Zhao
Mr. Yibing Wu
Mr. Yanling Cao

Independent Non-executive Directors

Mr. William Robert Keller
Mr. Teh-Ming Walter Kwauk
Mr. Kenneth Walton Hitchner III

AUDIT COMMITTEE

Mr. Teh-Ming Walter Kwauk *(Chairman)*
Mr. William Robert Keller
Mr. Kenneth Walton Hitchner III

REMUNERATION COMMITTEE

Mr. William Robert Keller *(Chairman)*
Dr. Ning Zhao
Mr. Kenneth Walton Hitchner III

NOMINATION COMMITTEE

Dr. Ge Li *(Chairman)*
Mr. William Robert Keller
Mr. Teh-Ming Walter Kwauk

STRATEGY COMMITTEE

Dr. Zhisheng Chen *(Chairman)*
Dr. Ge Li
Mr. Yibing Wu

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

Dr. Zhisheng Chen *(Chairman)*
Dr. Ning Zhao
Mr. William Robert Keller
Mr. Kenneth Walton Hitchner III

AUTHORISED REPRESENTATIVES

Dr. Zhisheng Chen
Ms. Sham Ying Man

JOINT COMPANY SECRETARIES

Mr. Huang Yue
Ms. Sham Ying Man

REGISTERED OFFICE

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Grand Cayman KY1-1104
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CORPORATE HEADQUARTER

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Wuxi
China

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Level 54, Hopewell Centre
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Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Maples Fund Services (Cayman) Limited
PO Box 1093, Boundary Hall
Cricket Square
Grand Cayman KY1-1102
Cayman Islands

Corporate Information

HONG KONG BRANCH SHARE REGISTRAR

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

HONG KONG LEGAL ADVISER

Fangda Partners
26/F One Exchange Square
8 Connaught Place, Central
Hong Kong

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
Registered Public Interest Entity Auditors
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Hong Kong

STOCK CODE

2269

COMPANY WEBSITE

www.wuxibiologics.com

Chairman and CEO Statement

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of WuXi Biologics (Cayman) Inc. (the "**Company**") and its subsidiaries (collectively the "**Group**"), we are pleased to present you the Group's 2021 Annual Report.

2021 was an extraordinary and exciting year for the Group. Not only did we maintain our high growth rate, but also led the industry, once again, through the implementation of our fully integrated Contract Research, Development and Manufacturing Organization ("**CRDMO**") business model. It was also a banner year for the Group's commercial manufacturing business, which laid a solid foundation for strong revenue growth in the near future.

With unparalleled capabilities and capacity, the Group's robust revenue growth continued in 2021, increasing 83.3% year-on-year, and its net profit increased 107.3% year-on-year. The Group added 156 integrated projects to reach a total of 480, among which, 447 were non-COVID-related. The following are the key highlights of the Group's outstanding execution of the "Follow and Win the Molecule" strategies:

- In response to the global health imperatives, the Group enabled more than 20 COVID-19 projects and helped to file close to 30 INDs for its customers. In particular, with "WuXi Bio Speed", the Group enabled one of its customers' COVID-19 neutralizing antibody to obtain U.S. FDA's Emergency Use Authorization ("**EUA**") approval within just 14 months. Three COVID-19 neutralizing antibodies developed and manufactured by the Group had been approved by regulatory authorities and proved to be effective against the Omicron variant.

- The number of late-phase projects had grown to 32 and the Group added 7 new Commercial Manufacturing ("**CMO**") projects in 2021, bringing the total number of ongoing CMO projects to 9. Revenue generated from late-phase and commercial manufacturing in 2021 increased to RMB4,930.5 million, accounting for 47.9% of the total revenue, demonstrating the stickiness of biologics CRDMO and reaping the fruition of the Group's long-term "Follow and Win the Molecule" strategies.

- Both of our two industry-leading subsidiaries, WuXi Vaccines and WuXi XDC, made significant progress in 2021. WuXi Vaccines has continued to strengthen its end-to-end vaccine platform and signed nine vaccine projects, including two mRNA vaccine programs. WuXi XDC, the integrated Antibody-drug Conjugate ("**ADC**") platform, has secured 60 ADC integrated projects globally, including 2 Phase III projects. WuXi Vaccines and WuXi XDC are expected to become the Group's next fast-growing platforms.

- The Group continued its global capacity expansion under its "Global Dual Sourcing" manufacturing paradigm. Through both new construction and global acquisitions, the total manufacturing capacity has increased from 54,000 liters at the end of 2020 to 154,000 liters at the end of 2021. To meet growing demands, the Group will continue to increase its manufacturing capacity to 262,000 liters by the end of 2022 and 430,000 liters after 2024.

Chairman and CEO Statement

- In 2021, the Group strived to enforce its ESG commitment by, among others, setting aggressive carbon emission targets, minimizing energy and water consumption through its advanced continuous manufacturing platform with single-use technology, and launching more Corporate Social Responsibility initiatives to benefit global employees, partners, patients and communities. The Group had earned broad recognitions from global ESG rating agencies and would press on towards a stronger ESG performance for the greater good of society.

As a leading biologics CRDMO platform, the Group has never stopped pushing the frontier of its' innovations and technology platform improvements. Backed by over 3,000 of our world-class scientists, the Group has innovated various proprietary technology platforms throughout the life cycle of biologics discovery, development and manufacturing, including the WuXiBody™ bispecific antibody platform, SDArBodY™ multispecific antibody platform, WuXia™ cell line development platform, WuXiUP™ continuous manufacturing platform and mRNA vaccine platform, etc. These proprietary technology platforms are the cornerstones of the Group's CRDMO business model, and they also foster faster and more cost-effective achievements of project milestones, support revenue streams through milestone payments and royalties, and bring more biologics projects into our pipeline.

At WuXi Biologics, our mission is to empower any one and any company to discover, develop and manufacture biologics from concept to commercial manufacturing in a cost-effective and time-sensitive manner. We continued to enlarge and diversify our customer base throughout the year. In 2021, the Group provided services to all top 20 global pharmaceutical companies. In addition, our overall customer base grew substantially and we now support over 470 customers worldwide, once again demonstrating our clients' and partners' trust in the Group's core competencies. Our open-source, end-to-end CRDMO platform, combined with our "Follow and Win the Molecule" strategies, have been the key drivers for our success, and will continue to provide value to our customers and partners, and contribute sustainable revenue growth in the future.

On behalf of the Board and management team, we would like to express our gratitude to our shareholders and clients, for your support throughout the years. We must also thank our 10,000 dedicated employees worldwide, who are instrumental to everything we have achieved. Looking forward to the remainder of 2022, although the placement of two of our subsidiaries onto the Unverified List ("**UVL**") has had no material impact to our operations and ongoing services to our global clients, we are confident that the two subsidiaries will be removed from the UVL. We will continue to follow our motto "do the right thing and do it right"; continue with our mission to become the most comprehensive technology platform in the global biologics industry; create greater value for our shareholders; and provide better services to our global customers for the benefits of patients!

Dr. Ge Li
Chairman
March 22, 2022

Dr. Zhisheng Chen
CEO
March 22, 2022

Financial Highlights

	For the year ended December 31,				
	2017 RMB'000	2018 RMB'000	2019 RMB'000	2020 RMB'000	**2021** **RMB'000**
Operating results					
Revenue	1,618,829	2,534,453	3,983,687	5,612,384	**10,290,050**
Gross profit	660,557	1,017,755	1,658,829	2,532,966	**4,828,897**
Profit before tax	303,687	737,722	1,126,633	1,965,760	**3,993,119**
Net profit	252,628	630,465	1,010,337	1,692,694	**3,508,581**
Profit attributable to owners of the Company	252,628	630,592	1,013,805	1,688,886	**3,388,478**
Adjusted net profit[1]	432,872	751,557	1,201,449	1,715,838	**3,435,908**
Adjusted net profit attributable to owners of the Company	432,872	751,684	1,204,917	1,721,990	**3,316,388**
Profitability					
Gross margin (%)	40.8%	40.2%	41.6%	45.1%	**46.9%**
Net profit margin (%)	15.6%	24.9%	25.4%	30.2%	**34.1%**
Margin of adjusted net profit (%)	26.7%	29.7%	30.2%	30.6%	**33.4%**
Margin of net profit attributable to owners of the Company (%)	15.6%	24.9%	25.4%	30.1%	**32.9%**

	As at December 31,				
	2017 RMB'000	2018 RMB'000	2019 RMB'000	2020 RMB'000	**2021** **RMB'000**
Financial position					
Total assets	4,848,962	9,393,150	17,602,269	28,963,613	**44,032,623**
Total liabilities	824,602	1,398,922	4,706,169	8,064,217	**11,326,457**
Total equity	4,024,360	7,994,228	12,896,100	20,899,396	**32,706,166**
Equity attributable to owners of the Company	4,024,360	7,993,755	12,784,363	20,564,445	**32,278,593**
Bank balances and cash	503,881	4,084,395	6,205,496	7,095,735	**9,003,280**

(1) Details are set out in "Non-IFRS Measures" on pages from 38 to 40.

Management Discussion and Analysis

BUSINESS REVIEW

CRDMO Platform — Overall Performance

After a decade's investing in cutting-edge technology platforms and state-of-the-art infrastructure, the Group has established itself as a leading fully-integrated biologics Contract Research, Development and Manufacturing Organization ("**CRDMO**"), which combines Contract Research Organization ("**CRO**") and Contract Development and Manufacturing Organization ("**CDMO**") business models to provide one-stop end-to-end biologics services. The Group's CRDMO platform enables its clients and partners from as early as discovery and pre-clinical stages by establishing a stronger position in terms of program design and ultimately advancing promising programs into late stages and commercial manufacturing.

The Group's CRDMO platform is an ideal demonstration of its "Follow and Win the Molecule" strategies. During the Reporting Period, the Group offered its single-source CRDMO platform to enable its clients and partners to discover, develop and manufacture biologics from concept to commercial manufacturing and delivered outstanding results again, as outlined below:

- The total number of integrated projects increased by 43.7% from 334 as at the same time last year to 480 as at December 31, 2021, including 447 non-COVID integrated projects, demonstrating the Group's strong business growth even without COVID-19 projects.

- The total number of pre-clinical projects increased by 58.6% from 169 as at the same time last year to 268 as at December 31, 2021.

- The total number of early-phase (phases I & II) projects increased by 26.7% from 135 as at the same time last year to 171 (119 in phase I and 52 in phase II) as at December 31, 2021.

- The number of late-phase (phase III) projects increased by 14.3% from 28 as at the same time last year to 32 as at December 31, 2021, laying down a solid basis for launching more commercial manufacturing projects.

- The Group added seven commercial manufacturing projects during the Reporting Period.

- The Group also achieved great success in progressing projects from pre-IND stage to post-IND stage: 27 projects progressed from pre-clinical development stage to early-phase stage during the Reporting Period.

- The Group's effective execution of the "Win-the-Molecule" strategy further brought 18 external projects into the pipeline from other global CDMOs.

The following table sets forth the status of the on-going integrated projects of the Group as of December 31, 2021:

Biologics Development Process Stage	Number of On-going Integrated Projects[1]	Typical Duration	Typical Revenue[2]
Pre-IND			
— Drug discovery	—	2 years	US$1.5–2.5 mm
— Pre-clinical development	268	1–2 years	US$5–8 mm
Post-IND			
— Early-phase (phases I & II) clinical development	171	3 years	US$4–6 mm
— Phase I clinical development	119		
— Phase II clinical development	52		
— Late-phase (phase III) clinical development	32	3–5 years	US$20–50 mm
— Commercial manufacturing	9	Annually	US$50–100 mm[3]
Total	**480**		

Notes:

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

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

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

Management Discussion and Analysis

The Group's revenue for the year ended December 31, 2021 increased by 83.3% year-on-year to RMB10,290.1 million, together with a 107.3% year-on-year growth in net profit to RMB3,508.6 million. The Group's total backlog, including the service backlog and upcoming potential milestone fees backlog, also increased by 20.1% from US$11,324 million as of December 31, 2020 to US$13,597 million as of December 31, 2021, of which service backlog increased by 19.9% from US$6,629 million to US$7,946 million and upcoming potential milestone fees backlog increased 20.4% from US$4,695 million to US$5,651 million. The Group's total backlog within three years also increased by 98.2% from US$1,458 million as of December 31, 2020 to US$2,890 million as of December 31, 2021. The service backlog represents the revenue amount the Group has contracted but has yet to perform. The total upcoming potential milestone fees backlog represents the total amount for upcoming milestone fees, which the Group has contracted but has not yet performed nor received. This milestone revenue may take longer to receive at the various development stages as it depends on the success rate and progress of the projects which may not be within the Group's control.

During the Reporting Period, the Group further diversified its customer base by working with all top 20 pharmaceutical companies in the world and 42 out of the 50 largest pharmaceutical companies in China. The Group provided services to over 470 clients for the year ended December 31, 2021, compared with 369 clients last year. The Group believes that investing to further support existing and future clients, in areas such as extending capabilities and increasing capacity, will enhance its value chain, thus allowing the Group to continue to capture opportunities in this growing market.

Management Discussion and Analysis

Ongoing Contributions to Combat the COVID-19 Pandemic

Relying on its one-stop end-to-end biologics CRDMO platform, the Group mobilized at the outset of the COVID-19 pandemic to enable our clients and partners to develop innovative vaccines and therapies for COVID-19 in record time.

During the Reporting Period, the Group enabled more than 20 COVID-19 related vaccine and therapy projects globally with nearly 30 INDs approved, including three commercial manufacturing monoclonal antibodies ("**mAbs**") projects. In response to the global health imperative, the Group substantially reduced its timeline for mAb projects. In particular, the Group has enabled three COVID-19 neutralizing antibodies approved by the authorities, including one having achieved U.S. FDA Emergency Use Authorization ("**EUA**") approval in a record-breaking 14 months. The Group also supplied hundreds of millions of doses of COVID-19 viral vaccine drug substance ("**DS**") and drug product ("**DP**") to global pharmaceutical companies, and also undertook other protein and messenger RNA ("**mRNA**") COVID-19 vaccines projects.

The Group looks forward to continuing to support the biologics industry by applying its industry-leading capabilities and capacity to overcome the COVID-19 pandemic.

Strategic Highlights

During the Reporting Period, the Group continued to increase its full stack offerings to meet the growing biologics demand worldwide, while setting itself apart as a leader in the industry, as exhibited by the following achievements:

- The Group has been named a winner of the 2021 "CMO Leadership Awards" for the fourth year in a row. The Group is proud to receive this distinction in all six award categories — capabilities, compatibility, expertise, quality, reliability, and service — across the three respondent groups — Big Pharma, Small Pharma, and Overall (combined Big and Small Pharma). It is a great testimony to the efforts made by each of the Group's employees around the globe and to the satisfaction of our clients and partners.

- The Company completed its primary placing by placing 118,000,000 shares with approximately HK$13,121.24 million net proceeds, laying a solid foundation for the Group's further global expansion and technology innovation.

- The Group extended its global footprint and expanded its manufacturing capacity through a series of acquisitions, including DS facility purchased from Bayer Aktiengesellschaft ("**Bayer**") in Germany; DS and DP facilities in China from Pfizer; and the acquisition of CMAB Biopharma Limited ("**CMAB**"), a full-service CDMO company in China.

- The Group established a joint venture company, WuXi XDC Cayman Inc. ("**WuXi XDC**"), with Shanghai SynTheAll Pharmaceutical Co., Ltd. ("**WuXi STA**"), a subsidiary of WuXi AppTec. WuXi XDC engages in the CRDMO of Antibody-drug Conjugate ("**ADC**") and other bioconjugates. The Group and WuXi STA intend to make capital contributions of US$120 million and US$80 million, respectively, to WuXi XDC.

- During the Reporting Period, the Group has provided services to all top 20 global pharmaceutical companies, which manifests the clients' and partners' trust in the Group's core competencies of leading technology platform, best-in-industry timeline and excellent execution track record.

- In 2021 — the banner year for the Group's commercial manufacturing — the Group accomplished multiple manufacturing milestones, including, but not limited to, adding seven new commercial manufacturing projects, obtaining various manufacturing licenses from regulatory agencies worldwide and launching GMP production in new manufacturing facilities, all of which lay the foundation for significant manufacturing revenue growth. Please refer to the section headed "Manufacturing" for additional information.

CRDMO Platform — Discovery and Development Capabilities and Capacity

Discovery Research and Development ("R&D")

During the Reporting Period, the Group's biologics discovery R&D team, which has more than 390 scientists, many of whom have multiple years of biologics discovery experience at multinational pharmaceutical companies, continuously focused on:

- enhancing innovative biologics generation capabilities and optimizing several existing technological platforms, including traditional hybridoma technology, premium humanization and various antibody optimization platforms (including pH sensitivity engineering and disease microenvironment modulating engineering), phage display technology, yeast display technology, OMT fully human antibody discovery platform, bispecifics, multispecifics, nanobodies, modified cytokines, fusion proteins, and antibody fragments to expedite the discovery of novel therapeutic biologics; enabling rapid discovery of antibody leads with in-house developed state-of-the-art single B cell cloning technology, fully synthetic IgG Fab phage and yeast display libraries; and applying AI technology to assist antibody lead identification and optimization;

Management Discussion and Analysis

- supporting the Group's global partners in using the proprietary bispecific and multispecific antibody platforms, including WuXiBody™ and SDArBodY™, enabling them to considerably accelerate the development process of new bispecific and multi-functional biologics;

- building strong capabilities in selecting new targets such as tumor associated antigens ("**TAA**") using patient-centric big data driven omics approach, and making antibodies for TAAs to enable discovery of quality ADC and immune cell engagers;

- enhancing the Group's in vitro and in vivo biology capabilities and capacity to further enhance our one-stop service offering and to enable the screening, identification and characterization of desired biologics as drug development candidates;

- continuously identifying and prioritizing new areas of biologic innovation and developing proprietary technologies to enable the Group's clients to discover and develop highly differentiated novel biologic drugs, such as conditionally activated biologics;

- continuously enhancing R&D capabilities in the design and discovery of best-in-class and first-in-class preclinical candidates ("**PCC**") driven by deep understanding of disease biology and target biology and mastery of state-of-the-art biologics engineering technologies;

- further expanding our service from PCC to pre-clinical development for IND-enabling by providing integrated rapid pre-clinical development services to multiple clients' SARS-CoV-2 neutralization antibody projects; and

- refining systems and structuring teams for more efficient business operations and optimized cost control to ensure the provision of quality and efficient technical solutions for clients.

Technology Platforms

The Group strives to advance and innovate its technologies to optimize the spectrum of services offered to the global biologics industry. These proprietary technology platforms are the cornerstones of the Group's CRDMO business model, and they also foster project milestones, support revenue streams and bring more biologics projects to the pipeline.

Antibody-drug Conjugates

Antibody-drug Conjugates is a new class of highly potent biologics composed of an antibody linked, via a chemical linker, to a biologically active drug or cytotoxic compound. Compared to traditional chemotherapies and mAbs, ADCs show superior efficacy, lower off-target toxicity and a larger therapeutic window. The industry is optimistic that ADC will shape future treatment paradigms as evidenced by eight ADCs having been approved by the U.S. FDA since 2019, more than ever before approved.

As a global industry-leading biologics CRDMO, the Group has gained extensive experience in working with different antibodies and other biological molecules, linkers, payload chemistries, and combinations, which uniquely qualifies the Group to provide development strategies to cater to its partners' needs of ADC development and manufacturing. As of the end of the Reporting Period, the Group had secured 60 ADC integrated projects globally, 22 of which had reached IND stages to phase II/III stages.

The Group's new ADC facility, Drug Product Facility 3 ("**DP3**"), encompasses nearly 6,000 square meters and provides integrated solutions such as process development, technology transfer, and pilot scale to large-scale cGMP production for ADCs and other complex protein conjugates. This state-of-the-art facility, which strictly complies with global quality standards, houses an advanced, fully-isolated automatic aseptic filling system, which can produce 2/6/10/20/50ml liquid and lyophilized products and provides the flexibility to meet production requirements of global clinical trials and product launches. Since its GMP production release in 2019, DP3 has produced more than 120 GMP DS and DP batches. The Group also completed a capacity expansion project at DP3, increasing its lyophilization capacity by five times to meet the needs of multiple late-stage ADC development and manufacturing projects.

Furthermore, with the establishment of WuXi XDC, the Group will have the most comprehensive set of in-house capabilities to handle all stages of ADC drug development. The Group now also has manufacturing of antibody and payload linkers in facilities conveniently located within a short distance, enabling global ADC innovators to move their assets forward in a high quality, cost-effective and timely manner.

Bispecific and Multispecific Antibodies

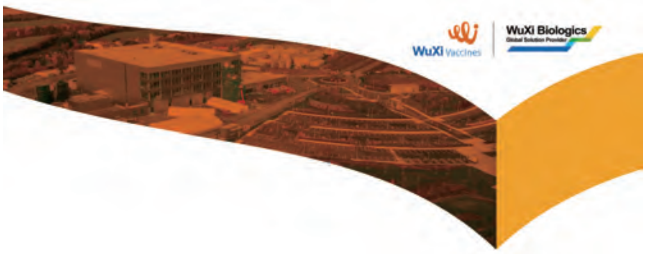
With more than 100 different bispecific formats currently available, approximately 160 bispecific antibodies in clinical trials and 460 bispecific antibodies in pre-clinical development, many believe that multispecific drugs, particularly bispecific and multispecific antibodies, are leading the way in the field of antibody-based therapeutics. Nevertheless, the complexity of bispecific and multispecific antibody formats presents challenges associated with biology complexity, protein engineering, product stability, and manufacturing.

As a global premier CRDMO, based on its first-hand experience in antibody discovery and development and its world-class scientist team, the Group has developed more than 10 different formats and published more than 30 relevant papers. The Group developed and launched the innovative WuXiBody™ bispecific antibody platform allowing valency flexibility to meet various biology needs and permits the easy joining of almost any mAb pair to build a bispecific antibody. Together with many other benefits it offers, including high-yield, high solubility, stability in serum, and increased in vivo half-life, WuXiBody™ has been widely recognized in the industry since its market launch. Relevant projects based on WuXiBody™ platform have delivered strong growth for and will continue contributing to the Group's businesses. Currently two WuXiBody™ bispecific molecules are in early clinical development.

Derived from its leading technical capabilities and deep understanding of disease and target biology, the Group further developed SDArBodY™ (Single-Domain Antibody-related Multispecific Antibody) platform, which enables its clients and partners that are focusing on multispecific and multi-functional therapeutic modalities.

Vaccines Platform

The pandemic has put a spotlight on vaccines — one of the most powerful and cost-effective ways to promote public health. In addition to COVID-19, the need for novel vaccines is anticipated to boost the growth of the vaccine market. Through WuXi Vaccines and its industry-leading capabilities and capacity, the Group has grown its vaccine business since 2018 and now offers end-to-end vaccine CRDMO services for its clients and partners, including vaccine discovery and development, scale-up commercial manufacturing, and global distribution. The Group's robust global network enables its clients to start vaccine projects within four weeks and then distribute vaccines from the Group's facilities to the clients' desired sites anywhere around the world. The Group's mRNA vaccines technology platform is enabling its clients by offering both DS and DP services to two on-going projects.



As of the end of the Reporting Period, the Group has signed nine vaccine contracts, including a partnership manufacturing agreement with one of the global vaccine leaders for an initial term of 20 years and a total contract value over US$3 billion. The Group also has enabled clients to combat the pandemic with three different modalities of COVID-19 vaccines.

The Group's state-of-the-art vaccines facility in Ireland is also contributing to these efforts, with its modular lab in operation and generating revenues. The facility won the title of "Large Pharma Project of the Year" at Ireland's 2020 Pharma Industry Awards. The main facility achieved "weather-tight" status in early 2021 and is in mechanical, electrical and plumbing engineering ("**MEP**") stage.

Other Proprietary Technology Platforms

In addition to the industry-leading technology platforms listed previously, the Group's CRDMO platform also offers various additional cutting-edge technologies for biologics discovery, development and manufacturing.

WuXia™, the Group's proprietary Chinese Hamster Ovary ("**CHO**") cell line development platform, enables 150 integrated projects per year, one of the largest capacities in the world. The WuXia™ platform utilizes our proprietary codon optimization program which is developed based on the codon and codon-pair usage frequencies of our own host cell lines. Coupled with proprietary expression vector system, top 3 clones with high expression levels can be obtained and utilized for process development and cell banking within only 9–10 weeks. Combined with the Group's EU EMA, China NMPA and Japan PMDA certified cGMP cell banking and cell line characterization services, the WuXia™ platform is ideal for the production of a variety of therapeutic proteins including mAbs, bispecific antibodies, fusion proteins and recombinant proteins.

WuXiUP™, the Group's proprietary continuous manufacturing platform, utilizes 1,000–2,000L disposable bioreactors to achieve comparable productivity as a traditional 10,000–20,000L stainless steel bioreactor while still providing similar or even better purification yield. The WuXiUP™ platform accelerates biologics development and manufacturing, and significantly reduces manufacturing costs of biologics. Coupled with continuous product capture column chromatography, the WuXiUP™ platform enables continuous direct product capture with a similar or better purification yield as traditional purification processes for almost any kind of biologics, including mAbs, bispecific antibodies, fusion proteins and recombinant proteins such as enzymes. WuXiUP™ has been implemented in more than 40 projects; among them more than 10 projects accomplished process scale-up, clinical manufacturing and commercial manufacturing and two projects received Biologics License Application ("**BLA**") approval during the Reporting Period.

CRDMO Platform — Manufacturing Capabilities and Capacity

Manufacturing

2021 was the banner year for the Group's commercial manufacturing, boosted by many new commercial manufacturing projects, manufacturing licenses obtained from regulatory agencies worldwide and GMP production launched in new manufacturing facilities. During the Reporting Period, most of the Group's manufacturing capacity was fully and efficiently utilized, with a considerable number of COVID-19-related and non-COVID biologics projects reaching a record high.

As at the end of the Reporting Period, the Group's operational DS manufacturing capacity has reached around 154,000L, mainly including:

Facility	Highlights
MFG1	• The first biologics manufacturing facility in China approved by both the U.S. FDA and the EU EMA • Successfully completed pre-license inspection ("**PLI**") batches for China NMPA and U.S. FDA inspection and also the post process performance qualification projects during the Reporting Period
MFG2	• 14 2,000L-capacity and two 1,000L-capacity disposable bioreactors offer a highly flexible manufacturing strategy and competitive cost structure • Received GMP accreditation from various regulatory agencies, including but not limited to China NMPA, U.S. FDA, Japan PMDA and Italy AIFA
MFG3	• With a 7,000L bioreactor capacity at MFG3, Shanghai site now offers complete one-stop biologics development and manufacturing services in one central location • Enable the Group's clients to reach their clinical manufacturing goals within the shortest time possible
MFG4	• Successfully completed the first 4,000L DS GMP production in 2020, which was a significant breakthrough in the biologics industry for the first time using the 4,000L single-use bioreactor in Asia • Successful DS production of COVID-19 vaccine in full capacity and completed PLI batches for Ireland Health Products Regulatory Authority during the Reporting Period
MFG5	• World's largest single-use bioreactor-based cGMP biologics facility • Both its nine 4,000L lines and its 12 2,000L lines successfully launched GMP operation during the Reporting Period

Facility	Highlights
MFG13 and MFG14	• The Group's microbial and viral platform ("**MVP**") business unit, established in Hangzhou, Zhejiang Province, China in November 2020, offering one-stop end-to-end services from sequence to GMP manufacturing and quality control for viral (MFG13 with 2,000L capacity) and microbial (MFG14 with 2,300L capacity) based products • Currently working on nearly 20 projects for various modalities spanning recombinant protein, virus like particle, enzyme, viral vaccine, mRNA, plasmid DNA, etc.
MFG20	• Acquired from Pfizer China in Hangzhou with designed 8,000L capacity • GMP released during the Reporting Period
MFG21	• GMP-certificated facility in Suzhou with designed 7,000L capacity acquired during the Reporting Period • Apply single-use technology with four upstream production lines with flexible capacities and two downstream purification lines

During the Reporting Period, the Group's operational DP facilities also achieved their manufacturing goals:

- Drug Product Facility 1 ("**DP1**"), the Group's first dual approval DP facility from both the U.S. FDA and the EU EMA, successfully completed PLI batches for China NMPA during the Reporting Period.

- The 12,000 square-meter Drug Product Facility 2 ("**DP2**"), featuring a state-of-the-art isolator filling line for the continuous high-speed production of wide size range, was GMP released during the Reporting Period. DP2 applies innovative technologies such as single-use and automation and will increase up to 60 million vials for commercial DP per year.

- Drug Product Facility 4 ("**DP4**") is the first robotic aseptic filling line for biologics in China. DP4 achieved a significant milestone during the Reporting Period by completing its PLI batches for China NMPA and U.S. FDA.

- The Group's DP facility in Germany acquired from Bayer, Drug Product Facility 7 ("**DP7**"), received a License of Manufacturing Permit from German health authorities during the Reporting Period. It has also received from EU EMA COVID product manufacturing approval. By the end of the Reporting Period, it has successfully filled more than 10 million doses for commercial lots.

- The Group's Drug Product Facility 9 ("**DP9**") acquired from Pfizer China and Drug Product Facility 11 ("**DP11**") of CMAB contributed to the Group's DP manufacturing shortly after acquisition. In particular, DP11 contains a fully automatic Bosch line for both liquid and lyophilization products. During the Reporting Period, DP11 completed more than 24 hours' long media fill in open restricted access barrier system ("**oRABS**") and increased its production capability by 300%.

- In addition, a new Drug Product Packaging Center ("**DPPC**") which includes the Group's first fully automated vial packaging line, was also GMP released during the Reporting Period. Leveraging new technologies, including anti-forgery drug tracking as well as automatic intelligent labeling and packaging, DPPC will not only provide customized end-to-end manufacturing services for clients, but also accelerate the process of high-volume clinical and commercial projects.

Biosafety Testing

The Group's biosafety testing facility in Suzhou significantly shortens the turnaround times for all biosafety tests and viral clearance validation studies conducted for the Group's clients. During the Reporting Period, the biosafety Suzhou site received another EU EMA GMP certificate following the first one received in 2020, which further validated the Group's commitment to delivering high-quality services to its global clients and partners.

Along with other business units, the biosafety Suzhou site actively builds up its biosafety testing capabilities by developing tests and methods for various biologics products including gene therapy products, as well as expanding its cell bank characterization test panels to include other species (such as the HEK293 cell line) commonly used in the production of biologics and vaccines.

During the Reporting Period, a new laboratory building in the biosafety Suzhou site came into full operation, increasing the site's testing capacity and building a strong foundation for the Group to provide high-quality, high-speed biosafety testing services to more clients and partners. With the ascent of the biologics testing business, another new testing center has been strategically selected and is under construction for further capacity increasing.

Quality

The Quality Department, which includes quality assurance, quality control, global quality compliance, regulatory affairs and training center functions, is committed to the highest standard of regulatory compliance while providing high-quality services and products that meet client needs.

With its world-class quality system, the Group has completed 22 regulatory inspections conducted by U.S. FDA, EU EMA, China NMPA and other national regulatory agencies since 2017, including 16 inspections during the Reporting Period, which distinguishes the Group as the first and only biologics company certified by these regulatory agencies for commercial manufacturing in China. The Group believes that these certificates will help manifest the Group's world-class quality system that meets global quality standards and thereby benefits patients globally with biologics of better quality.

Capacity Expansion

The growth of COVID-19 related projects, increase in late-phase non-COVID projects, and the burgeoning biologics market are further stimulating demand for the Group's manufacturing capacity, particularly under the Group's "Global Dual Sourcing" manufacturing paradigm. In response, through both new construction and global acquisitions, the total planned manufacturing capacity of the Group has reached 430,000L as at the end of the Reporting Period.

Facility	Designed Capacity	Location	Comments
MFG6	6,000L perfusion	Dundalk, Ireland	Commercial
MFG7	48,000L fed-batch	Dundalk, Ireland	Commercial
MFG8	48,000L fed-batch	Shijiazhuang	Commercial
MFG9	96,000L fed-batch	Wuxi	Commercial
MFG10	4,500L fed-batch/ perfusion	Singapore	Clinical/ Commercial
MFG11	16,000L fed-batch	Worcester, MA	Clinical/ Commercial
MFG12	48,000L fed-batch	Chengdu	Clinical/ Commercial
MFG17	10,000L fed-batch	Shanghai	Clinical
MFG18	6,000L fed-batch	Cranbury, NJ	Clinical
MFG19	15,000L fed-batch/ perfusion	Wuppertal, Germany	Commercial

During the Reporting Period, the Group made achievements to extend its global footprint despite continued challenges posed by the pandemic. Highlights included:

- The Group's Dundalk, Ireland site (**MFG6** and **MFG7**), its first European site, has seen significant progress during the Reporting Period, reaching mechanical completion in 2021 and in commissioning, qualification and validation ("**CQV**"). The site is progressing well to be GMP-released in 2022. Once completed, this "Factory of the Future" will be one of the world's largest facilities using single-use bioreactors alongside next generation continuous manufacturing process technology.

Management Discussion and Analysis

- To meet the increasing demand from the U.S. market, the Group has taken determined steps to establish and grow its capacity there:

    - During the Reporting Period, the design of the Group's Manufacturing Facility 11 ("**MFG11**") in Worcester, Massachusetts, a new 200,000 square-foot biologics development and manufacturing facility, was nearly completed. Facility construction is expected to commence soon.

    - The Group's Manufacturing Facility 18 ("**MFG18**") in Cranbury, New Jersey, is its first manufacturing facility to be operational in the U.S., offering 150,000 square-foot cGMP clinical manufacturing space with full process development capability and clinical DS and DP cGMP manufacturing capability. Process development labs were opened for operation in April 2021 and DS GMP operation is expected to be released in 2022.

- The Group's new site in the Fengxian district of Shanghai, a comprehensive one-stop center for biologics discovery, development, and clinical and commercial manufacturing, has been operational since early 2021 with a six-story building that houses laboratories and facilities for biologics discovery and development. Phase II construction — consisting of four buildings totaling around 60,000 square meters — is progressing smoothly. Altogether, the total area of this new state-of-the-art biologics center, including the future Phase III facilities, will be 150,000 square meters.

- The Group's Manufacturing Facility 8 ("**MFG8**") broke ground in 2018 at Shijiazhuang, the capital city of Hebei Province in Northern China. With a planned capacity of 48,000L, MFG8 is designed to meet the rigorous international cGMP standards of the U.S., EU and China. During the Reporting Period, MFG8's MEP has reached 95% completion.

- The Group also acquired more state-of-the-art facilities worldwide to quickly grow its capacity for serving more clients and partners, including MFG19 and DP7 in Germany from Bayer, MFG20, DP9 and DP10 in Hangzhou China from Pfizer, and MFG21 and DP11 of CMAB in Suzhou, China. Please refer to the section headed "Manufacturing" for additional information.



Sales and Marketing

The global pandemic continued to dramatically influence the way the Group interacted with its clients and partners during the Reporting Period, especially in North America and Europe as interactions between large groups continued to mostly take place as virtual events. The Group employed more digital and web-based methods to communicate to the market and with its client-base. For example, the Group was still able to participate in events like the JP Morgan Healthcare Conference, BIO 2021, BioEurope and multiple events throughout China using web-based and digital communication platforms. Not letting the lack of face-to-face meetings impact our outreach endeavors, the Group increased its efforts to contact executives and other key industry leaders from biopharma and pharma companies worldwide to keep communication channels open and flowing.

During the Reporting Period, the Group used multiple digital marketing and promotional strategies that included advertisements, company press releases, social media, webinars, podcasts and email marketing to promote its various technologies and platforms. These marketing channels focused on promoting the Group's record-breaking DNA to IND timelines, including highlighting the extraordinary efforts made to enable our partners to deliver novel biologics in record-breaking timeframe throughout the COVID-19 pandemic. Another promotional campaign centered on the Group's "Global Dual Sourcing" manufacturing strategy, which supports the Group's global facility and capacity expansion initiatives. Additional specific promotions were undertaken to raise awareness within the scientific community about the Group's novel technology platforms, including the exciting WuXiBody™ bispecific antibody platform, proprietary WuXia™ cell line development system, novel formulation and fill capabilities, the WuXiUP™ continuous manufacturing platform and in particular, the Group's single-source ADC/bioconjugates one-stop service.

Management Discussion and Analysis

Strategic Collaborations with Global Partners

During the Reporting Period, the Group continuously endeavored to establish strategic partnerships and introduce more biologics projects into the pipeline under its "Follow and Win the Molecule" strategies, despite the business communication constraints imposed by the pandemic.

- Signed Memorandum of Understanding with ImmuneOncia Therapeutics, Inc. ("**ImmuneOncia**"), a clinical-stage, immuno-oncology company in South Korea, for the development and manufacturing of IOH-001, ImmuneOncia's therapeutic bispecific antibody targeting PD-L1 and CD47.

- Signed Memorandum of Understanding with LegoChem Biosciences, Inc., a clinical-stage biopharmaceutical company focusing on the development of next-generation novel therapeutics (stock code: 141080KS), in development and manufacturing of innovative ADCs based on WuXi XDC's integrated services.

- Exclusive partnership with OncoC4, Inc. ("**OncoC4**"), a privately-held clinical-stage biopharma company, for OncoC4's full pipeline of biologics. Under the partnership, the Group will provide biologics development and cGMP manufacturing services for OncoC4's products from early R&D and pre-clinical activities to post-commercialization.

- Long-term strategic collaboration with Worg Pharma ("**Worg**"), a clinical stage biopharmaceutical company in Hangzhou, China, by which the Group, leveraging its well-established microbial and viral platforms, will provide technical support and services for the process development, manufacturing and global IND for multiple biologics, further enabling Worg to advance the new-generation Allergen-Specific Immunotherapy (ASIT).

- Exclusive license agreement with Exelixis, Inc. ("**Exelixis**") (Nasdaq: EXEL), a commercially successful, oncology-focused biotech company, to support the continued expansion of Exelixis' oncology biologics pipeline by the Group's integrated technology platforms.

Environmental, Social and Governance ("ESG")

The Group regards ESG as an essential component of business strategy to drive its long term success. During the Reporting Period, as a leading ESG company, the Group strives to enforce its ESG commitment by, among others, setting aggressive carbon emission targets, minimizing energy and water consumption through its advanced continuous manufacturing platform with single-use technology, and launching more Corporate Social Responsibility ("**CSR**") initiatives to benefit global employees, partners, patients and communities. During the Reporting Period, the Group also welcomed the first female Director and established the ESG Committee directly chaired by the CEO to further enhance its ESG efforts.

Through its efforts in governance, environmental protection, and social responsibility, the Group has earned wide recognition from global ESG rating agencies and will press on towards a stronger ESG performance for the greater good of society. Please also refer to the section headed "Company Awards" for ESG awards the Group obtained.

Investors Relations

The Group views the highest standards of corporate governance and investor relations practices as a priority of the Group, with the aim of providing our investors with a comprehensive understanding of the Group's long-term value and developing strategies. The Group endeavors to provide multichannel approach to ensure that the Shareholders and investors have equal and timely access to the Group's key business imperatives. In particular, the Group maintains effective and on-going dialogue with Shareholders and investors with the communication tools including announcements, press releases, annual and extraordinary general meetings, interim and annual reports and a company-sponsored Investor Day, etc.

The Group encourages Shareholders and investors to actively participate in results announcements meetings, annual and extraordinary general meetings, Investor Day and other road shows, which have provided opportunities for communication between the senior management and the Shareholders and investors. To cope with the COVID-19 pandemic, the Group has used more web-based and digitalized communication, such as live broadcasting and teleconferences to enhance transparency among global investors. This year also marked the first year to hold the Investor Day both virtually and in person with over 200 investors attended the whole-day meeting and visited our facilities in Wuxi in person and another 1,000 investors attended virtually.

Apart from participating in meetings and road shows, the Group's investors and Shareholders can also get easy access to the announcements, press releases, company presentations and financial information through the Group's website. The Group has also established a section within the Group's website and listed investor relations contact on the website for investors to make inquiries, and has been endeavoring to ensure timely reply, thus further facilitating a high degree of transparency.

Through the above efforts, within the Reporting Period, the Group has been well-recognized by the capital market and won several awards during the Reporting Period. Please refer to the section headed "Company Awards" for further information.

Management Discussion and Analysis

Company Awards

During the Reporting Period, the Company received recognitions and awards for its outstanding performance in providing exceptional services to accelerate and transform biologics development, as well as its ongoing ESG efforts. Its honors include:

- 2021 CMO Leadership Awards from Life Science Leader for the fourth consecutive year in all six categories (capabilities, compatibility, expertise, quality, reliability, and service) and across the three respondent groups — Big Pharma, Small Pharma, and Overall (combined Big and Small Pharma);

- 2021 Asia-Pacific Bioprocessing Excellence Award in the Bioprocessing Excellence in Antibody & ADC Therapeutics Manufacturing in Greater China Region and the Bioprocessing Excellence in Viral Clearance and Safety in Greater China Region from IMAPAC, a leading consulting firm;

- 2021 Top Graduate Employers Award in China (「中國大學生喜愛僱主」) for the second consecutive year from The Top Graduate Employers, co-launched by 51job.com, a leading integrated human resources service provider in China, and yingjiesheng.com, a leading online job search portal for college users in China;

- China's Most Attractive Employer by Universum, a Swedish-based global employer authority. The Group was ranked Top 2 in the Pharma & Health category for its outstanding employer brand influence;

- Most Honored Company, Best CEO and CFO, Best IR and Best ESG awards by Institutional Investor, an international financial publication, which affirms the Group's high-performing leadership team, investor relations management, and dedication to ESG practices; and

- Excellence in Corporate Governance of the 2021 Hong Kong Corporate Governance and ESG Excellence Awards by the Chamber of Hong Kong Listed Companies (CHKLC) and the Centre for Corporate Governance and Financial Policy. As the only biotech company among the winners, the Group was recognized "success in protecting clients' interests and well-being of patients", as well as "the able leadership of its effective and professional board".

Future Outlook

Since the pandemic's outbreak, pharmaceutical companies, especially biotech companies, have endeavored to develop various vaccines and effective therapeutics to fight COVID-19, and multiple vaccines and medicines have been approved by regulatory agencies in the past two years. The biologics outsourcing industry, an indispensable partner to biopharmaceuticals, has been striving to accommodate the increased needs of COVID-19 vaccine and therapeutics projects.

In addition to COVID-19 related projects, recent years have witnessed a promising growth in the biopharma industry as a result of technological advancement, comprehensive policy reforms, and a surge in investments. The extensive application of digital and AI technologies in the biopharma industry, particularly since the outbreak of COVID-19, has empowered innovative breakthroughs in the sector. The global biologics market is expected to grow at a rate of 10.7% from 2020 to 2025.

The burgeoning biopharma industry also brings about unprecedented demands for biologics outsourcing services. Small and medium-sized innovative biotech companies are turning to outsourcing services due to their lack of R&D capabilities and limited capacity. Meanwhile, large biopharma companies are also outsourcing to biologics CDMO offering end-to-end solutions to reduce research and development costs, mitigate risks, and focus on their own core competencies while improving efficiency. The global biologics outsourcing market is estimated to grow at a remarkable rate in the coming several years.

As a global CRDMO leader, the Group is experiencing significant growth to meet escalating demands from both large pharmaceuticals and small and medium-sized companies. The ability to deeply engage in R&D and provide technological expertise to our partners has distinguished the Group from traditional CDMO. With exceptional capacity, research capability, advanced technologies and world-class quality systems, the Group has established an advantage with its platform, which provides one-stop end-to-end services to enable its clients and partners and empower the global biopharma industry throughout the drug discovery, development and manufacturing process, from concepts to pre-clinical research, clinical trials, and commercial manufacturing. Recognizing the Group's capabilities and capacity to provide high-quality, efficient and more cost-effective CRDMO services, large pharmaceutical companies are increasingly utilizing the Group's services. The Group welcomes the recent development that all top 20 global large pharmaceutical companies have become its key clients. Meanwhile, small and medium-sized companies continue to rely on the Group's platforms to drive their innovative biologics.

Management Discussion and Analysis

As an indispensable partner to biopharma companies, the Group will continue to strive to provide fully integrated CRDMO services to our partners, particularly in the areas of manufacturing cost-effective COVID-19 vaccines and Omicron-effective mAbs to contribute to the fight against the pandemic. Moreover, other vaccines and therapies that were not prioritized during the pandemic are soon expected to be resumed. Therefore, there will be higher demand for already scarce capacity. As observed by the Group, the business momentum remains strong. The Group anticipates that to satisfy the demand of biologics CRDMO services, non-COVID programs will make up the revenue from decreasing COVID-19 projects and will continue to deliver consistent high growth throughout 2022 and in the years following.

Looking further ahead, the Group will continue to implement its "Follow and Win the Molecule" strategies and "Global Dual Sourcing" paradigm to seize development opportunities in the biologics industry. Combining such efforts with our cutting-edge capabilities and capacity, in addition to our premier ESG practices, we will continue to enable our clients and partners and, ultimately, benefit patients worldwide.

FINANCIAL REVIEW

Revenue

The revenue of the Group increased by 83.3% from approximately RMB5,612.4 million for the year ended December 31, 2020 to approximately RMB10,290.1 million for the year ended December 31, 2021. Such increase was mainly attributed to (i) the significant manufacturing revenue growth in 2021 as the banner year for the Group's commercial manufacturing; (ii) the fruition from long-term "Follow and Win the Molecule" strategies, with leading technology platform, best-in-industry timeline and excellent execution track record contributing to significantly higher revenue and market share of new non-COVID integrated projects; (iii) the Group's acceleration to undertake, promptly execute and generate revenue from existing and new COVID-19 projects to support and enable the Group's global clients in combatting against COVID-19; (iv) successful execution of "Follow and Win the Molecule" strategies adding considerable late-stage pipelines and near-term revenue; and (v) the recovery from the reduced productivity due to the brief slow-down in the first quarter of 2020 as disrupted by the pandemic, coupled with the enhancement in the utilization of existing capacities and resources and the implementation of operational efficiency improvement programs.

The revenue of the Group has maintained a strong growth during the Reporting Period. The Group derived a vast majority of its revenue from providing services to customers headquartered in the North America and the PRC. The table below shows the revenue distribution by countries/regions:

	Year ended December 31,			
	2021		2020	
Revenue	**RMB million**	**%**	RMB million	%
— North America	**5,228.9**	**50.8%**	2,479.2	44.2%
— PRC	**2,510.7**	**24.4%**	2,464.1	43.9%
— Europe	**2,276.3**	**22.1%**	446.6	8.0%
— Rest of the world *(Note)*	**274.2**	**2.7%**	222.5	3.9%
Total	**10,290.1**	**100.0%**	5,612.4	100.0%

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

For the year ended December 31, 2021, as RMB350.0 million of one-time sublicense revenue earned in year 2020 was not repeating in year 2021, the pre-IND services revenue of the Group increased by 21.1% to approximately RMB3,392.0 million, accounting for 33.0% of the total revenue. Early-phase (phases I & II) services revenue of the Group increased by 9.0% to approximately RMB1,602.7 million, accounting for 15.6% of the total revenue. Furthermore, late-phase (phase III) services and commercial manufacturing revenue of the Group increased by 293.0% to approximately RMB4,930.5 million, accounting for 47.9% of the total revenue, by implementing the "Follow and Win the Molecule" strategies.

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

	Year ended December 31,			
	2021		2020	
	RMB million	**%**	RMB million	%
Pre-IND services	**3,392.0**	**33.0%**	2,800.3	49.9%
Early-phase (phases I & II) services	**1,602.7**	**15.6%**	1,470.3	26.2%
Late-phase (phase III) services & commercial manufacturing	**4,930.5**	**47.9%**	1,254.5	22.3%
Others *(Note)*	**364.9**	**3.5%**	87.3	1.6%
Total	**10,290.1**	**100.0%**	5,612.4	100.0%

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

The top 5 customers' revenue increased by 122.2% from approximately RMB1,684.7 million for the year ended December 31, 2020 to approximately RMB3,744.2 million for the year ended December 31, 2021, accounting for 36.4% of total revenue for the year ended December 31, 2021, as compared to 30.0% for the year ended December 31, 2020.

The top 10 customers' revenue increased by 109.2% from approximately RMB2,326.9 million for the year ended December 31, 2020 to approximately RMB4,867.7 million for the year ended December 31, 2021, accounting for 47.3% of total revenue for the year ended December 31, 2021, as compared to 41.5% for the year ended December 31, 2020.

Cost of Sales and Services

The cost of sales and services of the Group increased by 77.3% from approximately RMB3,079.4 million for the year ended December 31, 2020 to approximately RMB5,461.2 million for the year ended December 31, 2021. The increase of the cost of sales and services was lower than the Group's revenue growth, contributing to the gross profit margin expansion.

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

Gross Profit and Gross Profit Margin

The gross profit of the Group increased by 90.6% from approximately RMB2,533.0 million for the year ended December 31, 2020 to approximately RMB4,828.9 million for the year ended December 31, 2021. The Group's gross profit margin increased from 45.1% for the year ended December 31, 2020 to 46.9% for the year ended December 31, 2021. The increase in the gross profit margin was primarily attributable to (i) the Group's robust business growth, as a result of the rapid increase in the number of integrated projects and projects progressing to late stages of development; (ii) the significant manufacturing margin growth in 2021 as the banner year for the Group's commercial manufacturing; (iii) the Group's deployment to fully utilize existing manufacturing facilities; (iv) the Group's extraordinary efforts to undertake a large number of new development projects, with a prudent approach in adding new resources; (v) the continuing undertaking of the Group's operational efficiency improvement programs; and (vi) more than offsetting the new facilities ramping-up impact.

Other Income

The other income of the Group mainly consists of research and other grants and interest income. Other income of the Group decreased by 10.7% from approximately RMB220.1 million for the year ended December 31, 2020 to approximately RMB196.6 million for the year ended December 31, 2021, primarily due to the decrease in interest income as a result of the lower interest rates of return from bank deposits.

Other Gains and Losses

The other gains and losses of the Group primarily include foreign exchange gains or losses, fair value gains or losses on equity investments measured at fair value through profit or loss ("**FVTPL**"), fair value changes from wealth management products, etc. The net other gains of the Group increased by 134.9% from approximately RMB283.4 million for the year ended December 31, 2020 to approximately RMB665.6 million for the year ended December 31, 2021, primarily due to (i) an increase in fair value gain on various equity investments held by the Group; (ii) foreign exchange gain reported in year 2021 as compared to foreign exchange loss reported in year 2020, from the sound management over foreign currency risk through hedging arrangements; and (iii) an increase in fair value gain from wealth management products.

Impairment Losses, Under Expected Credit Loss Model, Net of Reversal

Impairment losses, under Expected Credit Loss ("**ECL**") model, net of reversal of the Group represent loss allowances on the Group's financial assets (including trade and other receivables and contract assets) ("**Impairment Losses**") and increased from approximately RMB121.1 million for the year ended December 31, 2020 to approximately RMB156.7 million for the year ended December 31, 2021. The 83.3% increase of the revenue base, adverse impact of COVID-19 on the global economy, coupled with the longer collecting cycles from some customers headquartered in China, has led to an increase in Impairment Losses. The Group has been continuously monitoring its down-payment requirements, credit policies, and has engaged senior management in the collection of overdue receivables.

Selling and Marketing Expenses

The selling and marketing expenses of the Group increased by 32.0% from approximately RMB94.4 million for the year ended December 31, 2020 to approximately RMB124.6 million for the year ended December 31, 2021, mainly due to (i) our continuous efforts in enhancing the Group's business development capability to solidify its leading role in the growing global market; and (ii) the amortization of customer relationship generated from new acquisitions during the Reporting Period. Compared to the phenomenal growth of revenue, the selling and marketing expenses as a percentage of the Group's revenue decreased to 1.2% for the year ended December 31, 2021, as compared to 1.7% for the year ended December 31, 2020.

Administrative Expenses

The Group's administrative expenses increased by 71.3% from approximately RMB511.4 million for the year ended December 31, 2020 to approximately RMB875.9 million for the year ended December 31, 2021, primarily due to the increases in the investment on IT infrastructure to strengthen the group's corporate infrastructure, digitization initiatives, and staff related costs, insurance expenses, consulting expenses, and etc., in line with the rapid expansion of the Group's operations and merge & acquisition activities globally.

Research and Development Expenses

The research and development expenses of the Group increased by 65.2% from approximately RMB303.7 million for the year ended December 31, 2020 to approximately RMB501.6 million for the year ended December 31, 2021, as a result of our continuous investment in innovation and technologies to enhance and develop the Group's cutting-edge platforms.

Financing Costs

The financing costs of the Group mainly include interest expenses on lease liabilities, interest expenses on bank borrowings and interest expenses on financing component of an advance payment received from a customer. The financing costs of the Group decreased by 8.2% from approximately RMB42.7 million for the year ended December 31, 2020 to approximately RMB39.2 million for the year ended December 31, 2021, mainly due to decreased interest expenses on bank borrowings as a result of lower interest rates applied during the Reporting Period; coupled with an effect of full capitalization of the interest expenses from a syndicated loan for the Group's global facility constructions.

Income Tax Expense

For the year ended December 31, 2021, the income tax expenses of the Group amounted to approximately RMB484.5 million, which were attributed to the regular income tax expenses with an effective tax rate of 15.9%, and partially offset by certain tax refund from local authorities as a favorable local policy in a couple of China subsidiaries, totaling approximately RMB150.5 million. While for the year ended December 31, 2020, the income tax expenses of the Group amounted to approximately RMB273.1 million, attributed to the similar tax refund from local authorities of approximately RMB120.7 million.

Net Profit and Net Profit Margin

As a result of the foregoing, the net profit of the Group increased by 107.3% from approximately RMB1,692.7 million for the year ended December 31, 2020 to approximately RMB3,508.6 million for the year ended December 31, 2021. The net profit margin of the Group for the year ended December 31, 2021 was 34.1%, as compared to 30.2% for the year ended December 31, 2020. The increase in net profit margin was primarily due to (i) the growth of gross profit as mentioned above; and (ii) the increase in fair value gain from equity investments at FVTPL, which was partially offset by the increases in Administrative Expenses, Research and Development Expenses and Income Tax Expense.

The net profit attributable to owners of the Company increased by 100.6% from approximately RMB1,688.9 million for the year ended December 31, 2020 to approximately RMB3,388.5 million for the year ended December 31, 2021. The margin of net profit attributable to owners of the Company increased from 30.1% for the year ended December 31, 2020 to 32.9% for the year ended December 31, 2021. The increases followed the same set of reasons as discussed above.

Basic and Diluted Earnings Per Share

The basic earnings per share of the Group increased by 88.4% from RMB0.43 for the year ended December 31, 2020 to RMB0.81 for the year ended December 31, 2021. The diluted earnings per share of the Group increased by 92.5% from RMB0.40 for the year ended December 31, 2020 to RMB0.77 for the year ended December 31, 2021. The increase in the basic and diluted earnings per share was primarily due to the increase in the net profit attributable to owners of the Company resulting from the strong business growth of the Group as discussed above.

Property, Plant and Equipment

The balance of the property, plant and equipment of the Group increased by 50.6% from approximately RMB11,996.2 million as at December 31, 2020 to approximately RMB18,065.5 million as at December 31, 2021, primarily due to (i) on-going facility constructions in various sites of the Group; and (ii) new acquisitions during the Reporting Period.

Right-of-Use Assets

The balance of the right-of-use assets of the Group increased by 93.4% from approximately RMB874.2 million as at December 31, 2020 to approximately RMB1,690.3 million as at December 31, 2021, primarily due to the increment of new lease agreements entered during the Reporting Period, mainly in Germany, the U.S. and China.

Goodwill

The balance of the goodwill of the Group increased by 725.2% from approximately RMB185.4 million as at December 31, 2020 to approximately RMB1,529.9 million as at December 31, 2021, mainly due to new acquisitions of subsidiaries and business during the Reporting Period.

Intangible Assets

The intangible assets of the Group mainly include technology and customer relationship acquired from the acquisition transactions, and patent and license held by the Group. The intangible assets of the Group increased by 53.3% from approximately RMB391.9 million as at December 31, 2020 to approximately RMB600.7 million as at December 31, 2021, mainly due to the technology and customer relationship arising from new acquisitions during the Reporting Period.

Investment of an Associate Measured at FVTPL

The investment of an associate measured at FVTPL of the Group represents the equity interest held in Shanghai Duoning Biotechnology Co., Ltd. ("**Duoning**").

The balance of investment in Duoning increased by 301.2% from approximately RMB187.5 million as at December 31, 2020 to approximately RMB752.3 million as at December 31, 2021, mainly due to (i) a fair value gain on investment of Duoning amounting to approximately RMB366.1 million recognized during the Reporting Period; and (ii) the additional investment of approximately RMB200.0 million in January 2021, and thus the Group had increased its shareholding in Duoning from 15.9% as at December 31, 2020 to 18.4% as at December 31, 2021.

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

The financial assets at FVTPL of the Group mainly include investments in wealth management products purchased from several banks, listed equity securities and unlisted equity investments. The aggregated balances of the financial assets at FVTPL in the current assets and non-current assets of the Group increased by 167.6% from approximately RMB871.3 million as at December 31, 2020 to approximately RMB2,331.7 million as at December 31, 2021, mainly due to (i) an increase in investments of listed and unlisted equity interests, as the Group has continuously made new and further investments in a wide variety of companies in life science and healthcare industry to support the sustainable growth of the Group; and (ii) an increased balance in the wealth management products in various different banks.

Inventories

The inventories of the Group increased by 55.6% from approximately RMB1,084.2 million as at December 31, 2020 to approximately RMB1,687.4 million as at December 31, 2021, mainly due to (i) increased inventory safety stocks to mitigate the supply chain risk under COVID-19 pandemic; and (ii) more inventory stock held in various sites to support the continuously expanding production capacities.

Contract Costs

The contract costs (previously called Service Work in Progress) of the Group increased by 156.4% from approximately RMB392.1 million as at December 31, 2020 to approximately RMB1,005.5 million as at December 31, 2021, mainly due to the increment of on-going projects, along with the rapid growth of the Group's revenue and business.

Trade and Other Receivables

The trade and other receivables of the Group increased by 49.8% from approximately RMB3,241.9 million as at December 31, 2020 to approximately RMB4,857.3 million as at December 31, 2021, primarily due to (i) an increase in trade receivables, along with the Group's revenue growth; (ii) an increase in value added tax recoverable, consolidated from a couple of acquisitions during the Reporting Period; (iii) an increase in receivables for purchase of raw materials on behalf of customers as an industry practice, in line with the increment of integrated projects; and (iv) an increase in other receivables due from a bank in relation to the settled derivative financial instruments.

Contract Assets

The contract assets of the Group increased by 449.8% from approximately RMB24.1 million as at December 31, 2020 to approximately RMB132.5 million as at December 31, 2021, along with the revenue growth of the Group.

Trade and Other Payables

The trade and other payables of the Group increased by 35.5% from approximately RMB2,728.5 million as at December 31, 2020 to approximately RMB3,697.8 million as at December 31, 2021, mainly due to (i) an increase in the employees related payables, including salary and bonus payables, in line with the workforce growth of the Group; and (ii) payable amounting to approximately RMB280.0 million for acquisition of WuXi XDC business, which was partially offset by the settlement of payable for additional investment in Duoning amounting to approximately RMB154.5 million as at December 31, 2020.

Contract Liabilities (Current Portion & Non-current Portion)

The contract liabilities in the current liabilities of the Group increased by 160.8% from approximately RMB664.9 million as at December 31, 2020 to approximately RMB1,733.8 million as at December 31, 2021, mainly due to more contracts have been entered into, as a result of the Group's robust increase in the number of integrated projects, coupled with the management's efforts on stringent requirement of down-payments.

The contract liabilities in the non-current liabilities of the Group represented the total payment amounting to US$100.0 million received from a vaccine partner. The balances at the end of each reporting period are measured after considering the financing components and the recognition of revenue during the related reporting period.

Lease Liabilities (Current Portion & Non-current Portion)

The aggregated lease liabilities in the current liabilities and non-current liabilities of the Group increased by 110.8% from approximately RMB727.2 million as at December 31, 2020 to approximately RMB1,532.9 million as at December 31, 2021, primarily due to more plants and offices have been leased to support the Group's business expansion in Germany, the U.S. and China.

Liquidity and Capital Resources

The aggregated balances of bank balances and cash and time deposits of the Group increased by 21.3% from approximately RMB8,368.1 million as at December 31, 2020 to approximately RMB10,150.9 million as at December 31, 2021. The increase was mainly due to (i) the receipt of net proceeds from placing of approximately RMB10,899.0 million in February 2021; and (ii) cash generated from business operations, which was partially offset by the increases in payment for purchase of property, plant and equipment and payment for acquisition of subsidiaries, along with the Group's capacity expansion.

Treasury Policy

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

The Group's treasury policies are also designated to mitigate the impact of fluctuations in foreign currency exchange rates arising from the Group's global operations. The cash and cash equivalents held by the Group are mainly composed of RMB and USD. Certain Group's entities have foreign currency transactions, including sales and purchases transactions, borrowings and repayment, etc., and foreign currencies denominated monetary assets and liabilities, which are mainly denominated in USD and EUR. It is the Group's policy to negotiate a series of derivative instruments with different banks to hedge the foreign currency risks in the ordinary course of business. Including, the Group usually enters into foreign currency forward contracts and collar contracts to hedge substantially all forecasted future USD denominated sales transactions up to 12 months, cross currency swap contracts to hedge foreign currencies denominated borrowings and repayments upon demand, forward extra contracts and European vanilla option contracts to hedge net exposure denominated in foreign currencies as needed.

Significant Investments, Material Acquisitions and Disposals

As at December 31, 2021, there was no significant investment held by the Company, nor were any material acquisitions or disposals of subsidiaries, associates and joint ventures during the Reporting Period.

Indebtedness

Borrowings

The aggregated borrowings of the Group increased by 6.1% from approximately RMB2,604.7 million as at December 31, 2020 to approximately RMB2,762.4 million as at December 31, 2021, mainly due to that more bank facilities have been utilized to support the continuous business expansion, especially the overseas construction activities.

Of the total borrowings as at December 31, 2021, RMB denominated borrowings amounted to approximately RMB75.9 million with the effective interest rate around 4.9% per annum; USD denominated borrowings amounted to approximately RMB2,359.0 million with the effective interest rates ranging from 1.6% to 2.0% per annum; and EUR denominated borrowings amounted to approximately RMB327.5 million with the effective interest rate ranging from 0.8% to 1.5% per annum, respectively.

Among all, approximately RMB2,121.9 million will be due within one year; approximately RMB583.0 million will be due in more than one year but within two years; approximately RMB27.6 million will be due in more than two years but within five years; and approximately RMB29.9 million will be due after five years.

As at December 31, 2021, RMB denominated borrowings of approximately RMB75.9 million was secured against the Group's buildings. The remaining borrowings were unsecured.

Contingent Liabilities and Guarantees

As at December 31, 2021, the Group did not have any material contingent liabilities or guarantees.

Charges of Assets

The Group pledged the bank deposits as collateral for the banks to issue the letter of guarantee for the facility construction in Ireland. The pledged bank deposits of the Group decreased by 58.8% from approximately RMB528.8 million as at December 31, 2020 to approximately RMB218.0 million as at December 31, 2021, mainly due to the decrease of the guaranteed amount required.

Gearing Ratio

Gearing ratio is calculated using interest-bearing borrowings divided by total equity and multiplied by 100%. Gearing ratio decreased from 12.5% as at December 31, 2020 to 8.4% as at December 31, 2021, mainly due to an increase in equity after placing in February 2021.

Non-IFRS Measures

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

The Group believes that the adjusted financial measures are useful for understanding and assessing underlying business performance and operating trends, and that the Group's management and investors may benefit from referring to these adjusted financial measures in assessing the Group's financial performance by eliminating the impact of certain unusual, non-recurring, non-cash and/or non-operating items that the Group does not consider indicative of the performance of the Group's core business. These non-IFRS financial measures, as the management of the Group believes, is widely accepted and adopted in the industry in which the Group is operating in. However, the presentation of these non-IFRS financial measures is not intended to be considered in isolation or as a substitute for the financial information prepared and presented in accordance with IFRS. Shareholders of the Company and potential investors should not view the adjusted results on a stand-alone basis or as a substitute for results under IFRS. And these non-IFRS financial measures may not be comparable to the similarly-titled measures represented by other companies.

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

Adjusted Net Profit

	Year ended December 31,	
	2021	2020
	RMB million	RMB million
Net Profit	**3,508.6**	1,692.7
Add: share-based compensation expense	**531.9**	276.4
Add: foreign exchange loss	**—**	91.3
Less: fair value gain on equity investments at FVTPL	**(604.6)**	(344.6)
Adjusted Net Profit *(Note i)*	**3,435.9**	1,715.8
Margin of Adjusted Net Profit	***33.4%***	*30.6%*
Adjusted Net Profit Attributable to Owners of the Company	**3,316.4**	1,722.0
Margin of Adjusted Net Profit Attributable to Owners of the Company	***32.2%***	*30.7%*
	RMB	RMB
Adjusted Earnings Per Share		
— Basic	**0.79**	0.44
— Diluted	**0.75**	0.41

Note:

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

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

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

c) gains or losses of fair value change on equity investments at FVTPL, a non-operating item.

Management Discussion and Analysis

EBITDA and Adjusted EBITDA

	Year ended December 31,	
	2021	2020
	RMB million	RMB million
Net Profit	**3,508.6**	1,692.7
Add: income tax expense	**484.5**	273.1
interest expense	**39.2**	42.7
depreciation	**582.3**	400.4
amortization	**47.7**	32.0
EBITDA	**4,662.3**	2,440.9
EBITDA Margin	***45.3%***	*43.5%*
Add: share-based compensation expense	**531.9**	276.4
Add: foreign exchange loss	**—**	91.3
Less: fair value gain on equity investments at FVTPL	**(604.6)**	(344.6)
Adjusted EBITDA	**4,589.6**	2,464.0
Adjusted EBITDA Margin	***44.6%***	*43.9%*

Employee and Remuneration Policies

As at December 31, 2021, the Group employed a workforce totaling 9,864 employees. The staff costs, including Directors' emoluments but excluding any contributions to (i) retirement benefit scheme contributions; and (ii) share-based payment expenses, were approximately RMB3,572.7 million for the year ended December 31, 2021, as compared to approximately RMB1,787.7 million for the year ended December 31, 2020. The remuneration package of employees generally includes salary and bonus elements. In general, the Group determines the remuneration package based on the qualifications, position and performance of its employees. The Group also makes contributions to social insurance fund, including basic pension insurance, medical insurance, unemployment insurance, childbirth insurance, work-related injury insurance funds, and housing reserve fund as applicable to the countries where the Group operates.

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

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

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

KEY EVENTS AFTER THE REPORTING PERIOD

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

- From January 4, 2022 to January 5, 2022, the Company repurchased an aggregate of 10,435,500 Shares on the Stock Exchange at the highest and lowest prices of HK$82.90 and HK$78.45 per Share, respectively. The aggregate purchase price paid for the share repurchase was approximately HK$842.67 million.

- The Group has been named a winner of the 2022 "CMO Leadership Awards" for the fifth year in a row. The Group is proud to receive this distinction in all six award categories (i.e., capabilities, compatibility, expertise, reliability, quality and service). On top of this CMO award, the Group received additional recognition as the CHAMPION in its Capabilities category, applauding for the Company's state-of-the-art facilities and robust manufacturing capabilities which outperformed the industry standard.

- On February 8, 2022, the Company noted that the Bureau of Industry and Security in the Department of Commerce of the United States of America (the "**U.S. Commerce Department**") added two of its subsidiaries, namely, WuXi Biologics Co., Ltd. and WuXi Biologics (Shanghai) Co., Ltd. to the Unverified List (the "**UVL**"). The Company is of the view that this incident has no material adverse effect on its business or ongoing services to its global partners, and that the impact to its imports is not significant. For details of the aforesaid matter, please refer to the announcement published by the Company on February 8, 2022.

Directors and Senior Management

DIRECTORS

Executive Directors

Dr. Zhisheng Chen (陳智勝), aged 49, was appointed as an executive Director and chief executive officer in February 2014 and January 2016, respectively. He joined the Group in June 2011 and also serves as a director of most subsidiaries of the Company. From June 2011 to January 2016, Dr. Chen served as a senior vice president of WuXi AppTec (Shanghai) Co., Ltd. (上海藥明康德新藥開發有限公司), and was responsible for the management of biologics development and manufacturing. From August 2008 to June 2011, Dr. Chen served as the chief operating officer of Shanghai Celgen Bio-Pharmaceutical Co., Ltd. (上海賽金生物醫藥有限公司), and was responsible for the development, manufacturing and quality control of biologics. From November 2005 to August 2008, Dr. Chen served as a director and senior engineering consultant of Eli Lilly and Company, a global pharmaceutical company listed on NYSE (stock code: LLY), and was responsible for running a clinical manufacturing facility and providing technical guidance to biologics development and manufacturing. From June 2000 to November 2005, Dr. Chen served as a process engineer and manager of Merck & Co. Inc., a pharmaceutical company listed on NYSE (stock code: MRK) ("**Merck**"), and was responsible for providing technical support and trouble-shooting manufacturing issues of biologics and recombinant vaccines. Dr. Chen obtained a bachelor's degree in chemical engineering from Tsinghua University in June 1994 and a Ph.D. degree in chemical engineering from University of Delaware in June 2000. In November 2018, Dr. Chen was appointed by International Society for Pharmaceutical Engineering (ISPE) to serve on the International Board of Directors.

Dr. Weichang Zhou (周偉昌), aged 58, was appointed as an executive Director, chief technology officer and executive vice president in May 2016, November 2016 and October 2019, respectively. He is primarily responsible for overseeing the development and manufacturing of biologics. He joined the Group in December 2012 as the vice president, responsible for the management of biologics development and manufacturing functions. Prior to joining the Group, Dr. Zhou served as a senior director of Genzyme Corporation (now part of Sanofi) from March 2008 to December 2012, and was responsible for commercial cell culture process development. From October 2002 to February 2008, Dr. Zhou served as a senior director of PDL BioPharma Inc., a biopharmaceutical company listed on NASDAQ, and was responsible for process sciences and engineering functions. From May 1994 to October 2002, Dr. Zhou served as up to an associate director of Merck, and was responsible for fermentation and cell culture process development. Dr. Zhou obtained a Ph.D. degree in Chemical Engineering from the University of Hannover in 1989 and conducted postdoctoral research at the German Association of Chemical Engineering and Biotechnology, Swiss Federal Institute of Technology Zurich, and the University of Minnesota.

Directors and Senior Management

Non-executive Directors

Dr. Ge Li (李革), aged 55, was appointed as the chairman and non-executive Director in February 2014. Dr. Li is primarily responsible for providing overall guidance on the business, strategy and corporate development of the Group. He founded the Group in May 2010 and also serves as a director of most subsidiaries of the Company. Dr. Li has been serving as the chairman and the chief executive officer since December 2000 of WuXi AppTec, a company dual-listed on Shanghai Stock Exchange (上海證券交易所) (stock code: 603259) and the Main Board of the Stock Exchange (stock code: 2359), and has been responsible for the overall management of its business, strategy and corporate development. From August 2007 to December 2015, Dr. Li served as the chairman and the chief executive officer of WuXi PharmaTech. From May 1993 to December 2000, Dr. Li was one of the founding scientists and latest served as a research manager of Pharmacopeia Inc., a biopharmaceutical company listed on NASDAQ (stock code: PCOP), and was responsible for managing external research collaboration. Dr. Li obtained a Ph.D. degree in organic chemistry from Columbia University in the United States in February 1994. He was appointed as a director of the Scripps Research Institute (TSRI), a private non-profit research organization, in February 2017.

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

Dr. Ning Zhao (趙寧), aged 55, was appointed as a non-executive director in June 2021. Dr. Zhao is a co-founder and an executive director of WuXi AppTec, a company dual-listed on Shanghai Stock Exchange (上海證券交易所) (stock code: 603259) and the Main Board of the Stock Exchange (stock code: 2359). Since 2011, she has served as WuXi AppTec's Senior Vice President of Operations. From February 2011 to July 2021, Dr. Zhao was also the Global Head of Human Resources of WuXi AppTec. In 2020, Dr. Zhao co-founded the Ge Li & Ning Zhao Family Foundation with Dr. Ge Li and serves as a director and president of the organization. From 2004 to 2011, Dr. Zhao was the Vice President of Analytical Services and Lead Advisor of Analytical Services Operations at WuXi AppTec. In this role, she established WuXi AppTec's global analytical services platform, which provides comprehensive and integrated capabilities across all stages of drug discovery and development. She previously held various research and management positions at Bristol-Myers Squibb, Pharmacopeia, and Wyeth Pharmaceuticals (now Pfizer). Dr. Zhao is an Honorary Trustee of Peking University, and a member of the Board of Trustees at the Peddie School. She was named one of Forbes China's "50 Top Women in Tech" in 2019, and to Forbes China's "Top Businesswomen List" in 2021. Dr. Zhao obtained her bachelor's degree in chemistry from Peking University in 1989 and her doctoral degree in organic chemistry from Columbia University, where she was awarded the George Pegram Award, in 1995.

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

Directors and Senior Management

Mr. Yibing Wu (吳亦兵), aged 54, was appointed as a non-executive Director in May 2016. He joined the Group in May 2016. Prior to joining the Group, Mr. Wu has been serving as a director of WuXi AppTec since March 2016. Since November 2015, Mr. Wu has been serving as a director of Summer Bloom Investments Pte. Ltd. Since October 2013, Mr. Wu has been working with Temasek International Pte. Ltd. and is currently Global Executive Council Member, the joint head of Technology & Consumer, the head of Enterprise Development Group (China) and the president of China. From April 2011 to April 2014, Mr. Wu 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, Mr. Wu served as the president of CITIC Private Equity Funds Management Co., Ltd. From January 2012 to September 2013, Mr. Wu served as the chairman and chief executive officer of CITIC Goldstone Investment Co. Ltd. From May 2009 to July 2013, Mr. Wu 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, Mr. Wu served as the executive vice president of Legend Holdings Co., Ltd. From August 2004 to August 2008, Mr. Wu 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, the head of Asia Pacific M&A practice and general manager of Beijing office. Mr. 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.

Mr. Yanling Cao (曹彥凌), aged 38, was appointed as a non-executive Director in May 2016. He is primarily responsible for providing guidance on corporate strategy and governance to the Group. He joined the Group in May 2016. Prior to joining the Group, Mr. Cao has been serving as the managing director of Boyu Capital Advisory Co. Limited since March 2011 and currently serves as a partner, mainly responsible for investments in the healthcare industry. From December 2007 to January 2011, Mr. Cao served as an investment professional of General Atlantic LLC, and was responsible for private equity and venture capital investment. From July 2006 to November 2007, Mr. Cao served as an investment banker of Goldman Sachs Asia LLC, and was responsible for providing investment banking advisory services to clients in Asia. In addition, Mr. Cao served as a director of CStone Pharmaceuticals (基石藥業), a company listed on the Main Board of the Stock Exchange (stock code: 2616) ("**CStone Pharmaceuticals**"), from April 2016 to March 2017 and has been appointed as a non-executive director since May 2019. From June 2019 to March 2021, Mr. Cao served as a director and then a non-executive director of Hygeia Healthcare Holdings Co., Limited (海吉亞醫療控股有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 6078). Mr. Cao has been serving as a non-executive director of Ocumension Therapeutics (歐康維視生物), a company listed on the Main Board of the Stock Exchange (stock code: 1477), since June 2019. Mr. Cao has also been serving as a non-executive director of Viela Bio Inc., a company listed on NASDAQ (stock code: VIE), since February 2018. From February 2019 to December 2021, Mr. Cao served as a director and then a non-executive director of Antengene Corporation Limited (德琪醫藥有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 6996). From May 2020 to December 2021, Mr. Cao served as an independent non-executive director of JW (Cayman) Therapeutics Co. Ltd (藥明巨諾（開曼）有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 2126). Mr. Cao obtained a bachelor's degree in economics and mathematics from Middlebury College in the United States in June 2006.

Directors and Senior Management

Independent Non-Executive Directors

Mr. William Robert Keller, aged 74, was appointed as an independent non-executive Director on May 17, 2017. He joined the Group in May 2017. From December 2010 to November 2020, he served as the chairman of Coland Pharmaceutical Co., Ltd. (康聯藥業有限公司), a company previously listed on Taiwan Stock Exchange (stock code: 4144), and was responsible for providing business advice to the company. From September 2014 to December 2015, Mr. Keller served as an independent director of WuXi PharmaTech and was responsible for providing independent advice to the board of the company. From December 2009 to May 2015, Mr. Keller served as a director of Alexion Pharmaceuticals, Inc., a company listed on NASDAQ (stock code: ALXN), and was responsible for providing independent advice to the board of the company. From February 2003 to June 2014, Mr. Keller served as the founder and principal of Keller Pharma Consultancy (Shanghai) Co. Ltd. (凱樂醫藥諮詢（上海）有限公司) and was responsible for market entry and strategy consulting. From March 2003 to June 2014, Mr. Keller served as the deputy general manager of Shanghai Zhangjiang Biotech and Pharmaceutical Base Development Co., Ltd. (上海張江生物醫藥基地開發有限公司) and was responsible for consulting of pharmaceutical and biotechnological startups' industry development in the park. From May 2007 to April 2010, Mr. Keller served as the chairman of HBM Biomed China Partners Ltd. and was responsible for investment in biotechnology companies. From December 2007 to December 2014, Mr. Keller served as a director and later a supervisor of TaiGen Biopharmaceuticals Holding Limited (太景醫藥研發控股股份有限公司), a company listed on Taiwan Stock Exchange (stock code: 4157), and was responsible for overseeing financial matters. From June 1997 to December 2013, Mr. Keller served as the deputy chairman of the Shanghai Association of Enterprises with Foreign Investment (上海市外商投資企業協會), and was responsible for supporting foreign invested companies as a business advisor. From March 2003 to December 2013, Mr. Keller served as a senior consultant of the Shanghai Foreign Investment Development Board (上海市外國投資促進中心) and was responsible for providing advice regarding foreign investment development. Since September 14, 2018, Mr. Keller has been serving as an independent non-executive director of Hua Medicine (華領醫藥), a company listed on the Main Board of the Stock Exchange (stock code: 2552) ("**Hua Medicine**"). Mr. Keller has been serving as a director of Cathay Biotech Inc. (上海凱賽生物技術股份有限公司), a company listed on Shanghai STAR Market (stock code: 688065) in August 2020. Mr. Keller obtained a bachelor of science's degrees from the School of Economics and Business Administration in Zurich, Switzerland in July 1972.

Directors and Senior Management

Mr. Teh-Ming Walter Kwauk (郭德明), aged 69, was appointed as an independent non-executive Director on May 17, 2017. He joined the Group in May 2017. Prior to joining the Group, he has been serving as an independent director and chairman of the audit committee of Alibaba Group Holding Limited (阿里巴巴集團控股有限公司), a company dual-listed on NYSE (stock code: BABA) and the Main Board of the Stock Exchange (stock code: 9988) since September 2014. Since September 2018, Mr. Kwauk has been serving as an independent non-executive director of Hua Medicine, responsible for supervising and providing independent judgment to the board of the company. Mr. Kwauk also served as an independent non-executive director and the chairman of the audit committee of China Fordoo Holding Limited (中國虎都控股有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 2399) from June 2014 to August 2016. From August 2014 to December 2015, Mr. Kwauk served as an independent director of WuXi PharmaTech, and was responsible for providing independent judgement to the board of the company. Since October 2012, he has been serving as an independent non-executive director and the chairman of the audit committee of Sinosoft Technology Group Limited (中國擎天軟件科技集團有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 1297). Since January 2003, Mr. Kwauk has been serving as a senior consultant and a vice president of Motorola Solutions (China) Co., Ltd. (摩托羅拉系統（中國）有限公司), and has been responsible for providing advice on corporate strategic, finance and tax. Mr. Kwauk was a partner of KPMG, an accounting firm primarily engaged in providing audit, advisory and tax services from 1977 to 2002, and was responsible for audit. Mr. Kwauk obtained a bachelor's degree in science in April 1975 and a licentiate's degree in accounting in April 1977 from the University of British Columbia in Canada. He has been an associate member of Hong Kong Institute of Certified Public Accountants since March 1983.

Mr. Kenneth Walton Hitchner III, aged 62, was appointed as an independent non-executive Director on June 9, 2020. He has more than 30 years of experience in corporate finance. He served as the Chairman and Chief Executive Officer of The Goldman Sachs Group, Inc. in Asia Pacific Ex-Japan before his retirement in 2019. He was also a member of Goldman Sachs' Management Committee and co-chaired its Asia Pacific Management Committee. Previously, Mr. Hitchner served as President of Goldman Sachs in Asia Pacific Ex-Japan from 2013 to 2017. Prior to relocating to Hong Kong, he was global head of Goldman Sachs' Healthcare Banking Group and global co-head of its Technology, Media and Telecom Group. He was named managing director in 2000 and partner in 2002. He became head of the global medical device banking practice in 1998 and head of the global pharmaceutical banking practice in 2001. He began his career with Goldman Sachs' Corporate Finance Department in 1991. Mr. Hitchner has been serving as a director of the alternative investment management firm Elements Advisors SPV since May 2020. Mr. Hitchner has also been serving as a senior advisor to a leading global life sciences investor Valiance Asset Management since November 2020. He has joined Global Advisory Board of the global early-stage venture capitalist Antler since January 2021. He has also been serving as a senior advisor of WuXi AppTec since February 2020. Mr. Hitchner has been serving as an independent non-executive director of Provident Acquisition Corp., a company listed on NASDAQ (stock code: PAQC), since January 7, 2021. Mr. Hitchner has also been serving as the chairman of the board of HH&L Acquisition Co., a company listed on NYSE (stock code: HHLA), since February 11, 2021. Mr. Hitchner has been serving as a non-executive director of CStone Pharmaceuticals since December 10, 2021. Mr. Hitchner obtained a bachelor's degree in arts from the University of Colorado in 1982 and a master's degree in business administration (MBA) as a merit fellow from Columbia University Business School in 1992.

Directors and Senior Management

SENIOR MANAGEMENT

For the biographies of Dr. Zhisheng Chen (陳智勝) and Dr. Weichang Zhou (周偉昌), please refer to "Directors — Executive Directors".

Mr. Ming Tu (屠鳴), aged 53, is Chief Financial Officer ("**CFO**") of WuXi Biologics. Serving in this role since November 1, 2021, Mr. Tu is responsible for overseeing the Group's financial strategy, performance, reporting and business planning, as well as functional support, such as treasury, tax, controllership and audit operations.

Mr. Tu has more than 27 years of experience in management and corporate finance. Prior to joining the Group, Mr. Tu had served as the CFO of General Electric ("**GE**") China and other senior management positions within GE group for around 24 years at different business units in China, the United States, Japan and other global locations. Since August 2019, he had served as the chief financial officer of the Home Credit China, one of the largest consumer finance companies in China. Mr. Tu obtained a bachelor's degree in computer science from Fudan University in 1990 and obtained a master of business administration degree in finance and a master of science degree in information systems management from the University of Akron in 1994. He is a graduate of GE's Executive Financial Leadership Program (EFLP) and a certified Six Sigma black belt.

Dr. Jijie Gu (顧繼傑), aged 56, serves as Executive Vice President and Chief Scientific Officer of WuXi Biologics. Dr. Gu brings more than 20 years of drug research and development expertise and extensive management experience to the firm. He has significant expertise in target discovery, therapeutic design, protein engineering, preclinical drug discovery and early clinical development.

Prior to joining WuXi Biologics, Dr. Gu served as a function head at AbbVie Cambridge Research Center, where he led target validation and lead discovery in AbbVie Immunology for both small and large molecule drugs. Before that, he was a function head of Oncology Biologics in Global Biologics at AbbVie Bioresearch Center.

While at Abbott/AbbVie, Dr. Gu made critical contributions to building antibody platform technologies. He led the construction of novel biologics platform technologies, including Fc engineering, ADC technology, TCR technology, bispecific and multispecific antibody technologies and T cell engagers. He also led projects in multiple therapeutic areas relating to oncology, immunology, immuno-oncology, metabolic disease, neuroscience and ophthalmology, and contributed broadly to AbbVie Biologics portfolio and delivered several New Biological Entities (NBEs) into clinical development.

Throughout his extensive career, Dr. Gu has co-invented more than 20 filed and issued U.S. patents and has coauthored 40 publications. He currently serves on the editorial boards of the peer-reviewed journals mAbs and Antibody Therapeutics.

Dr. Gu obtained his Ph.D. in Molecular Biology and Biochemistry from Peking Union Medical School. He received postdoctoral training in Tumor Immunology at the Dana Farber Cancer Institute, a principal teaching affiliate of Harvard Medical School, and in Cancer Cell Biology at the Harvard School of Public Health.

Mr. Jian Dong (董健), aged 58, joined WuXi Biologics in 2014 and has since been named Senior Vice President of Global Biomanufacturing. In this role, he oversees global clinical and commercial biologics manufacturing and new facility development.

Mr. Dong has over 30 years' experience in bio-pharmaceutical production and process development. He has extensive experience managing the design, construction, qualification and operation of new current GMP (cGMP) biologics manufacturing facilities with 30,000 L bioreactor capacities.

Prior to WuXi Biologics, Mr. Dong served as Deputy Chief Engineer at Shenzhen Kangtai Biological Products, Senior Process Engineer at Eli Lilly & Co., Vice President of Manufacturing and Vice President of Quality at Shanghai Celgen and Deputy General Manager of Unilab Bioscience and Shanghai United Cell Biotechnology, the subsidiaries of UNILAB.

Mr. Dong obtained his Master's degree in Biology from Wuhan University in China and his MBA from Webster University in the United States. He was subsequently granted a Senior Pharmaceutical Engineer certification by the Personnel Department of Guangdong Province in 1996.

Directors and Senior Management

Dr. Jerry Xu (徐學健), aged 59, is Senior Vice President and Chief Quality Officer of WuXi Biologics. Dr. Xu joined the Group in 2011 and oversees the Company's Quality Operations, including Quality Assurance, Quality Control, Global Quality Compliance, Regulatory Affairs and the training center.

Dr. Xu has 28 years' experience in bio-pharmaceutical quality assurance, production management and drug product development. Prior to WuXi Biologics, Dr. Xu served as U.S. FDA officer, director of product development at Pharmaceutics International Inc., Senior Manager of Production Techical Services at Wyeth Pharmaceuticals, General Manager at Shanghai Fleecon Biomedical Corp, Inc. and senior scientist at Genzyme Corporation.

Dr. Xu obtained his Ph.D. from Northeastern University in the United States, his bachelor's degree from East China University of Science and Technology.

Mr. Keqiang (Peter) Shen (沈克強), aged 58, joined the Group in 2012. He led multiple teams in Bioprocess Development and Manufacturing business unit as Senior Director, Executive Director and Vice President from 2012 to 2020. He was appointed as Senior Vice President, Head of China Biomanufacturing in 2020. In this role, he manages and oversees all the production sites' operation, development of manufacturing platform and late phase clinical and commercial biological manufacturing in China.

Mr. Shen has over 30 years' experience in biological process development, scale-up and manufacturing. Prior to joining WuXi Biologics, Mr. Shen took multiple scientific and managerial roles in Nanjing Institute of Biological Pharmaceuticals, DuPont Pharma, Bristol-Myers Squibb Co, Centocor Johnson & Johnson Co, and Laureate Biopharmaceutical Services, Inc.

Mr. Shen obtained his Bachelor's degree in Biopharmaceuticals from China Pharmaceutical University in China and Master's degree in Biology from New Mexico State University in the United States.

Dr. William Aitchison, aged 67, joined the Group in 2020 as Senior Vice President of Global Manufacturing. In this capacity he oversees all manufacturing operations outside of China.

Dr. Aitchison has over 30 years of experience in the development and manufacturing of vaccines and biopharmaceutical products. Prior to joining WuXi Biologics, Dr. Aitchison was Senior Vice President, Technical Operations for TESARO (GSK), Senior Vice President Global Manufacturing Operations at Sanofi Genzyme and Senior Vice President of Global Manufacturing Operations at Sanofi Pasteur.

Dr. Aitchison obtained his Master's degree from the University of Toronto School of Pharmacy and his PH.D. in Cell Biology from the University of Ottawa, Canada.

Mr. Angus Scott Marshall Turner, aged 54, is Senior Vice President of Global business development and Alliance Management at WuXi Biologics. Mr. Turner, who joined the Company in 2016, is responsible for business development, strategic alliances and partnerships.

Prior to joining WuXi Biologics, Mr. Turner served from 2010 to 2016 as Director of Sales Europe and Asia for Lonza AG, a Swiss supplier of products and services to the global pharmaceutical, healthcare and life science industries. In addition to building the sales team there, he oversaw the successful implementation of sales strategies across all technologies in the contract manufacturing business unit. Before working at Lonza AG, Mr. Turner was Director of Business Development Europe and Asia for AppTec Laboratory Services, Inc. with a focus on biopharmaceutical and medical device testing, as well as biologics-based manufacturing and related services. Upon the acquisition of AppTec Laboratory Services, Inc. by WuXi PharmaTech in 2008, Mr. Turner served as Director of International Biopharmaceutical Business Development for WuXi PharmaTech. Mr. Turner also worked for Bayer AG for several years in sales and marketing, including supporting the launch of Kogenate ® FS Antihemophilic Factor (Recombinant).

Mr. Turner obtained a bachelor's degree in biology from Stirling University, a master's degree in biotechnology from Strathclyde University and an MBA from Warwick Business School, with a scholarship to Copenhagen Business School.

Directors' Report

The Directors are pleased to present this annual report and the audited consolidated financial statements of the Group for the year ended December 31, 2021.

Principal Activities

The Group is principally engaged in the provision of end-to-end solutions and services for biologics discovery, development and manufacturing to customers involving in biologics industry.

A list of the Company's subsidiaries, together with their places of incorporation, principal activities and particulars of their issued shares/paid up capital, is set out in note 44 to the consolidated financial statements in this annual report.

Business Review

A review of the business of the Group during the year, a discussion and analysis on the Group's future business development and the financial and operational key performance indicators employed by the Directors in measuring the performance of the Group's business are set out in the sections headed "Chairman and CEO Statement" on pages 4 to 5 of this annual report, "Financial Highlights" on page 6 of this annual report, and "Management Discussion and Analysis" on pages 7 to 41 of this annual report. The financial risk management objectives and policies of the Group are set out in note 37 to the consolidated financial statements in this annual report. Significant events that have an effect on the Group subsequent to the financial year ended December 31, 2021 are set out in note 48 to the consolidated financial statements in this annual report. All the above sections shall form an integral part of this directors' report.

Directors

The Directors during the Reporting Period and up to the date of this Directors' Report were:

Executive Directors

Dr. Zhisheng Chen *(Chief Executive Officer)*
Dr. Weichang Zhou *(Chief Technology Officer)*

Non-executive Directors

Dr. Ge Li *(Chairman)*
Dr. Ning Zhao (appointed on June 16, 2021)
Mr. Edward Hu (retired on June 16, 2021)
Mr. Yibing Wu
Mr. Yanling Cao

Independent non-executive Directors

Mr. William Robert Keller
Mr. Teh-Ming Walter Kwauk
Mr. Kenneth Walton Hitchner III

Biographies of the Directors and Senior Management

The biographical details of the Directors and the senior management of the Company are set out in the section headed "Directors and Senior Management" on pages 42 to 51 of this annual report.

Service Contracts of the Directors

Each of the Directors has entered into a three-year service contract with the Company, subject to termination before expiry by either party giving not less than three months' notice in writing to the other.

None of the Directors proposed for re-election at the forthcoming AGM has a service contract with the Company or any member of the Group which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

Remuneration of the Directors and Five Individual with Highest Emoluments

Details of the Directors' remuneration and the five highest paid individuals in the Group are set out in note 11 to the consolidated financial statements in this annual report.

No Director has waived or has agreed to waive any emoluments during the year ended December 31, 2021.

Changes in information in respect of Directors

Pursuant to Rule 13.51B of the Listing Rules, the changes in Directors' information after the publication of the 2021 interim report are set out below:

- Mr. Yanling Cao ceased to be a non-executive director of Antengene Corporation Limited (德琪醫藥有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 6996), in December 2021.

- Mr. Yanling Cao ceased to be an independent non-executive director of JW (Cayman) Therapeutics Co. Ltd (藥明巨諾（開曼）有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 2126), in December 2021.

- Mr. Kenneth Walton Hitchner III was appointed 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), in December 2021.

Save as disclosed above, there were no changes in information which are required to be disclosed and had not been disclosed by Directors pursuant to paragraphs (a) to (e) and (g) of Rule 13.51(2) of the Listing Rules.

Independence of Independent Non-Executive Directors

The Company has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all of the independent non-executive Directors are independent in accordance with the guidelines set out in the Listing Rules.

Directors' Interests in Competing Businesses

Saved as disclosed in this annual report, as of December 31, 2021, none of the Directors or their respective associates had engaged in or had any interest in any business which competes or may compete with the business of the Group.

Directors' Interests in Transaction, Arrangement or Contract of Significance

Save as disclosed in this annual report, there was no transaction, arrangement or contract of significance subsisted in which a Director or an entity connected with a Director was materially interested, whether directly or indirectly, during or at the end of the Reporting Period.

Connected Transactions

Details on related party transactions for the year ended December 31, 2021 are set out in note 42 to the consolidated financial statements. None of the related party transactions constitute "connected transactions" or "continuing connected transactions" under Chapter 14A of the Listing Rules.

Save as disclosed above, during the Reporting Period, there was no connected transaction of the Group which has to be disclosed in accordance with the Listing Rules.

Risk Management

The Company believes that sound risk management is essential to the Group's efficient and effective operation. The Company's risk management system assists the Board in evaluating material risk exposure arising internally and externally from the Group's business, including operational risks, financial risks, regulatory risks, etc. and proactively setting up appropriate risk management and internal control mechanism which is embedded in daily operation management.

Regulatory Risk

The biologics industry, being a division of the pharmaceutical and healthcare industry, has experienced drastic changes in recent years. On one hand, the National Medical Products Administration (NMPA) has introduced certain measures to improve the standards of the approval of pharmaceutical research and development and the efficiency of the approval of drug applications, i.e., the "NMPA Notice No. 126 (2017)" which is the Opinion on Implementing Priority Review and Approval to Encourage Drug Innovation and the "Notice No. 23 (2018)" which is the Announcement on Optimizing the Review and Approval of Drug Registration. On the other hand, while government policies toward the pharmaceutical industry are expected to remain stable and the government is expected to remain committed to increasing innovation as well as overall healthcare spending which is in line with the "Healthy China 2030" goals set by the State Council of the PRC, it is also observed that the companies of this industry are to comply with more stringent regulations which is closer to international standards, the punishment becomes much stricter and supervision and inspection from government will become more frequent. In 2020, NMPA published the Pharmacopoeia of the People's Republic of China (PPRC) which came into effect on December 30, 2020. All manufactured and marketed drugs should meet the related requirements of the latest version of PPRC. U.S. FDA and EMA have published a series of regulations and guidance related to COVID-19 in 2020. In May 2021, U.S. FDA released a report, "Resiliency Roadmap for U.S. FDA Inspectional Oversight" ("**Roadmap**"), beginning in July, U.S. FDA conducted domestic surveillance inspections, investigations, and sample collections based on consideration of risk and identified U.S. FDA priorities. To the Group, there are some uncertainties remain since COVID-19 pandemic started in regards to possible delay in pre-license inspection of facilities outside the U.S. and drug approval application decisions due to travel restrictions. Furthermore, the relevant regulatory authorities are increasingly conducting planned or unplanned facility inspections for drug development and production organizations to ensure that the relevant facilities meet regulatory requirements. In response to all above, the Group sticks to the strategies of "Innovation" and "Globalization" to handle the keep-changing regulations. The Group has formed a dedicated Regulatory Affairs team which comprises professionals with years of experiences and diversified backgrounds in both domestic and overseas markets. The team members are responsible for actively following new laws, regulations and guidelines published by regulatory agencies and promoting improvements in compliance with such laws, regulations and guidelines.

Risks related to Global Politics, International Trade and Regulations

The Group operates globally and as such its operations could be impacted by global and regional changes in macro-economic, geopolitical and social conditions, and regulatory environments. These external factors are beyond the Group's control and may make it more difficult for the Group to manage its financial performance. There are ongoing uncertainties in political conditions and changes in regulatory and legal requirements in various countries, specifically in global trade systems. Policy decisions and stringent regulations may affect the ease of doing business with customers and suppliers, increasing the cost of operations and exposing the Group to potential liability. The Group has diversified its geographic sources of revenue and profit to reduce its dependency on any single country or region. It continuously monitors its external environment, and tracks action plans and conducts sensitivity and scenario analysis to position the Group for a better outcome. The Group also vigilantly tracks and monitors the developments of the political conditions and adapts its strategy to address the shifting dynamics in regions and countries. It follows closely legal and regulatory changes, and maintains compliance programs.

Interest Rate Risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings and fixed-rate pledged bank deposits and lease liabilities. The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances and variable-rate bank borrowings. The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. The management will review the proportion of borrowings in fixed and floating rates and ensure they are within reasonable range. In addition, the Group entered into interest rate swaps with banks to minimize its exposure to interest rate fluctuation on its variable-rate bank borrowings.

Credit Risk

During the Reporting Period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is the carrying amount of the respective recognized financial assets as stated in the consolidated statements of financial position. In order to minimize the credit risk, the management has designated a team responsible for reviewing and monitoring the credit exposure of customers by evaluating customers' credit qualification, strengthening management of customer advance payments, monitoring credit records, sending confirmations and initiating collection procedures (with involvement of senior management when necessary), to promptly recover overdue debts. With more new customers being introduced, and the more uncertainties in the future global politics and economics, the management has also made efforts to prudently assess credit limits, approve credit term granted and other monitoring procedures to monitor the overall risk exposure. In addition, the Board considers that the impairment losses under ECL (Expected Credit Loss) model have been of a more conservative view in credit risk control. The management has been continuously managing the credit risk through periodic review and monitoring on the doubtful debts.

The Board is of the view that the credit risk on time deposits, pledged bank deposits, bank balances and wealth management products is limited because the majority of the counterparties are state-owned banks with good reputation or top-tier international banks and financial institutions with good credit rating. In addition, to regulate the management of surplus fund, the Group has set up relevant policies and procedures, which clearly state that no speculative transaction is allowed. Also the criteria for evaluating the available products in the market are set in the following sequence of priority: safety, liquidity and then returns. Other requirements like the approved list of financial institutions, the maximum placement per transaction and the aggregate amount in the individual financial institution are also clearly defined. With all the above, the Directors consider the credit risk in relation to time deposits, pledged bank deposits, bank balances and wealth management products has been significantly reduced.

Currency Risk

Following the "Global Dual Sourcing" manufacturing strategy, it has accelerated its business expansion around the world. The Group's entities are exposed to foreign exchange risks of foreign currencies other than their functional currencies, primarily with respect to USD and EUR.

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

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

Data Privacy and Data Security Risk

Data privacy and data security are increasingly being included in highly regulatory areas. We are required to comply with local, national and international data protection and privacy laws, instructions, regulations and guidelines, and contractual obligations that are applicable to the collection, use, retention, protection, disclosure, transfer, and processing of personal data, in different jurisdictions where we operate and carry out business activities. Such data protection and privacy laws and regulations are constantly changing, which may lead to the continuous strengthening of public supervision and enforcement, the escalation of penalties, and the increase of compliance costs.

Although we have adopted data security policies and measures to protect our proprietary data and data privacy, we may still encounter and will continue to experience threats to our data and systems, including computer viruses, malicious code, phishing, ransomware, hacker attacks, and other cyber security attacks. With the diversity of sources and technologies of network attacks, we may not be able to predict all types of security threats, or to implement effective preventive measures against all security threats. For this reason, the management has paid continuous attention to related risks, and will put more resources and investment into the relevant areas for continuous management and enhancement.

COVID-19 Pandemic Impact

Pandemic is both a standalone business risk and an amplifier of existing vulnerabilities. COVID-19 was categorized as a pandemic by the World Health Organization in March 2020. While there is some progress toward transition to normalcy for some countries, others are still grappling with new waves and new variants of the virus as well as continued lockdowns. Despite the lasting effects of COVID-19, the group continued to ensure supply continuity and timely delivery to our clients. This shows that the Group's Business Continuity Management system — as part of our overall management system — is functioning as intended. The scale of the outbreak and the unprecedented containment measures in many countries is still evolving and has some uncertainty. The Group continues to work closely with customers, employees and suppliers to address the impact of the COVID-19 outbreak in order to navigate this crisis period. The Group closely monitors evolving situation, changing demand and inventory levels to identify gaps in supply and production capacity. It actively anticipates and prepares contingency plans to minimize any negative impacts, including leveraging its own global manufacturing networks and collaboration with suppliers.

Directors' 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 and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept pursuant to Section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Interests in Shares or underlying Shares of the Company

Names of Directors	Capacity/Nature of Interest	Number of Shares(1)	Number of Underlying Shares	Aggregate Interest(1)	Approximate Percentage of Shareholding Interest
Dr. Ge Li	Interests of controlled corporations	650,251,133 (L)(2) (3)	—	650,251,133 (L)	15.27%
Dr. Ning Zhao	Interest of spouse	650,251,133 (L)(3) (4)	—	650,251,133 (L)	15.27%
Dr. Zhisheng Chen	Beneficial owner and founder of a discretionary trust	12,050,988 (L)(5)	4,491,596 restricted shares (L)(6) 102,532,000 share options (L)(7)	119,074,584 (L)	2.80%
Dr. Weichang Zhou	Beneficial owner	47,754 (L)	996,132 restricted shares (L)(6) 15,089,000 share options (L)(7)	16,132,886 (L)	0.38%
Mr. William Robert Keller	Beneficial owner	15,307 (L)	2,467 restricted shares (L)(6)	17,774 (L)	0.00%
Mr. Teh-Ming Walter Kwauk	Beneficial owner	13,675 (L)	4,934 restricted shares (L)(6)	18,609 (L)	0.00%
Mr. Kenneth Walton Hitchner III	Beneficial owner	40,000 (L)	4,934 restricted shares (L)(6)	44,934 (L)	0.00%

Notes:

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

(2) Dr. Ge Li controlled 19.66% of the issued share capital of Biologics Holdings and 55.03% of the voting power at its general meetings. Hence, Dr. Ge Li is deemed to be interested in 640,191,133 Shares held by Biologics Holdings.

(3) Dr. Ge Li entered into an acting-in-concert agreement dated June 30, 2016 with Dr. Ning Zhao, Mr. Zhaohui Zhang and Mr. Xiaozhong Liu to acknowledge and confirm their acting in-concert relationship in relation to the Company.

(4) Dr. Ning Zhao is the spouse of Dr. Ge Li and is deemed to be interested in the Shares interested by Dr. Ge Li.

(5) Among the 12,050,988 Shares, 10,504,254 Shares were held by Dr. Zhisheng Chen through a trust of which Dr. Zhisheng Chen is the settlor (founder) and his spouse and child are the beneficiaries.

(6) Interests in restricted shares granted pursuant to the Restricted Share Award Scheme.

(7) Interests in share options granted pursuant to the Pre-IPO Share Option Scheme.

Save as disclosed above, as at December 31, 2021, so far as it was known to the Directors or chief executive of the Company, none of the Directors or chief executive of the Company had interests or short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations as recorded in the register required to be kept, pursuant to Section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' Interests and Short Positions in Shares, 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 as recorded in the register required to be kept by the Company under section 336 of the SFO.

Interests in Shares or underlying Shares of the Company

Names of Shareholders	Capacity/Nature of Interest	Number of Shares[1]	Approximate Percentage of Shareholding Interest
Dr. Ge Li	Interests of controlled corporations	650,251,133 (L)[2]	15.27%
Dr. Ning Zhao	Interests of spouse	650,251,133 (L)[3][4]	15.27%
Mr. Zhaohui Zhang	Interests of parties acting in concert	650,251,133 (L)[4]	15.27%
Mr. Xiaozhong Liu	Interests of parties acting in concert	650,251,133 (L)[4]	15.27%
Life Science Holdings	Interests of controlled corporations	640,191,133 (L)[5]	15.03%
Life Science Limited	Interests of controlled corporations	640,191,133 (L)[5]	15.03%
WuXi PharmaTech	Interests of controlled corporations	640,191,133 (L)[5]	15.03%
Biologics Holdings	Beneficial owner	640,191,133 (L)[5]	15.03%
The Capital Group Companies, Inc.	Interests of controlled corporations	291,515,252(L)[6]	6.84%
BlackRock, Inc.	Interests of controlled corporations	253,862,842 (L)[7] 1,346,500 (S)[7]	5.96% 0.03%

Notes:

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

(2) Dr. Ge Li controlled 19.66% of the issued share capital of Biologics Holdings and 55.03% of the voting power at its general meetings. Hence, Dr. Ge Li is deemed to be interested in 640,191,133 Shares held by Biologics Holdings.

(3) Dr. Ning Zhao is the spouse of Dr. Ge Li and is deemed to be interested in the Shares interested by Dr. Ge Li.

(4) Dr. Ge Li, Dr. Ning Zhao, Mr. Zhaohui Zhang and Mr. Xiaozhong Liu entered into an acting-in-concert agreement on June 30, 2016 to acknowledge and confirm their acting-in-concert relationship in relation to the Company. Hence, Dr. Ge Li, Dr. Ning Zhao, Mr. Zhaohui Zhang and Mr. Xiaozhong Liu are deemed to be interested in the Shares held by each other.

(5) Life Science Holdings wholly owned Life Science Limited, which wholly owned WuXi PharmaTech, which in turn controlled 44.97% of the voting power at general meetings of Biologics Holdings. Biologics Holdings directly owned 640,191,133 Shares. Life Science Holdings, Life Science Limited and WuXi PharmaTech are deemed to be interested in the Shares held by Biologics Holdings.

(6) The Capital Group Companies, Inc. wholly owned Capital Research and Management Company, which wholly owned Capital Group International, Inc., which wholly owned Capital International Limited, Capital International Sàrl and Capital International, Inc., in aggregate interested in 5,546,300 Shares. Capital Research and Management Company is deemed to be interested in 5,546,300 Shares and the 285,968,952 Shares which it has direct interest in. Hence, The Capital Group Companies, Inc. is deemed to be interested in 291,515,252 Shares, which include 485,248 derivative interests.

(7) BlackRock Inc. is deemed to be interested in the long position of a total of 253,862,842 Shares and in the short position of 1,346,500 Shares, including 115,000 derivative interests in long position and 1,346,500 derivative interests in short position, indirectly through a series of controlled corporations.

Pre-IPO Share Option Scheme

The Company adopted the Pre-IPO Share Option Scheme pursuant to the resolutions of its Shareholders passed on January 5, 2016, which was subsequently amended on August 10, 2016 pursuant to the resolutions of the Board.

The purpose of the Pre-IPO Share Option Scheme is to attract, retain and motivate employees, Directors and such other participants of the Group, to provide a means of compensating them through the grant of options under the Pre-IPO Share Option Scheme for their contribution to the growth and profits of the Group, and to allow them to participate in the growth and profitability of the Group. Participants of the Pre-IPO Share Option Scheme include: (a) any employee (whether full-time or part-time) of the Company or its subsidiaries, including any executive Director, (b) any non-executive Director or independent non-executive Director of the Company appointed or proposed to be appointed prior to the Listing Date, or any director of any of the subsidiaries, and (c) any other person who in the sole opinion of the Board, will contribute or have contributed to the Group. No further option would be granted under the Pre-IPO Share Option Scheme on or after the Listing Date. The life of the Pre-IPO Share Option Scheme is 10 years from the date of adoption. As at the date of this annual report, there are no more securities available for grant under the Pre-IPO Share Option Scheme.

The table below shows details of the movements in the share options granted under the Pre-IPO Share Option Scheme during the Reporting Period:

Category of Participants	Date of Grant	Exercise Price	Outstanding as at January 1, 2021	Granted during the Reporting Period	Exercised during the Reporting Period	Forfeited during the Reporting Period	Outstanding as at December 31, 2021
Directors							
Dr. Zhisheng Chen	January 7, 2016	USD0.1667	88,200,000	–	3,200,000	–	85,000,000
	March 15, 2017	USD0.3400	17,532,000	–	–	–	17,532,000
			105,732,000	**–**	**3,200,000**	**–**	**102,532,000**
Dr. Weichang Zhou	January 7, 2016	USD0.1667	13,596,000	–	1,000,000	–	12,596,000
	March 15, 2017	USD0.3400	2,493,000	–	–	–	2,493,000
			16,089,000	**–**	**1,000,000**	**–**	**15,089,000**
Sub-total			**121,821,000**	**–**	**4,200,000**	**–**	**117,621,000**
Employees in aggregate							
230 employees	January 7, 2016	USD0.1667	65,241,100	–	30,935,774	–	34,305,326
24 employees	March 28, 2016	USD0.1667	2,254,075	–	855,350	–	1,398,725
102 employees	August 10, 2016	USD0.2200	9,433,200	–	1,810,600	187,200	7,435,400
92 employees	November 11, 2016	USD0.2633	8,508,500	–	3,544,897	28,800	4,934,803
321 employees	March 15, 2017	USD0.3400	26,275,500	–	3,906,907	760,800	21,607,793
74 employees	May 12, 2017	USD0.6000	6,331,530	–	632,900	–	5,698,630
Sub-total			**118,043,905**	**–**	**41,686,428**	**976,800**	**75,380,677**
Total			**239,864,905**	**–**	**45,886,428**	**976,800**	**193,001,677**

In respect of the share options exercised during the Reporting Period, the weighted average closing price at the date of exercise was HK$108.48 and the weighted average closing price of the Shares immediately before the dates on which the options were exercised was HK$107.89.

In accordance with Pre-IPO Share Option Scheme, the total number of Shares issued and to be issued upon exercise of the options granted to each participant (including exercised, cancelled and outstanding options) in any 12-month period shall not exceed 1% of the Shares in issue. The exercise price was determined by the Board, as it thought fit taking into account a participant's contribution to the development and growth of the Group.

The options granted under the Pre-IPO Share Option Scheme shall be exercisable during a period from the vesting date of the option until the expiry of 10 years from the date of the grant of the option. Details of the terms and movement of the options granted during the Reporting Period and the impact of options granted under the Pre-IPO Share Option Scheme on the financial statements are set out in the Prospectus and under note 43 to the consolidated financial statements in this annual report.

Restricted Share Award Scheme

The Company has adopted the Restricted Share Award Scheme on January 15, 2018 to (i) recognize the contributions by the selected participants; (ii) encourage, motivate and retain the selected participants, whose contributions are beneficial to the continual operation, development and long-term growth of the Group; and (iii) provide additional incentive for the selected participants to achieve performance goals, with a view to achieving the objectives of increasing the value of the Group and aligning the interests of the selected participants to the shareholders of the Company through ownership of Shares. The Restricted Share Award Scheme became effective on January 15, 2018. Subject to earlier termination by the Board, the Restricted Share Award Scheme shall be valid and effective for a period of 10 years from the adoption date. The maximum number of shares which can be awarded under the Restricted Share Award Scheme are limited to 3% (i.e. 104,859,097 Shares, after taking into account the share subdivision which took effect on November 16, 2020) of the issued share capital of the Company as at the adoption date.

Pursuant to the Restricted Share Award Scheme, the Board shall select the eligible participant and determine the number of shares to be awarded.

The Company shall comply with the relevant Listing Rules when granting the Restricted Shares. If awards are made to the directors or substantial shareholders of the Group, such awards shall constitute connected transaction under Chapter 14A of the Listing Rules and the Company shall comply with the relevant requirements under the Listing Rules.

The table below shows details of the Restricted Shares granted under the Restricted Share Award Scheme during the Reporting Period:

Category of Participants	Date of Grant	Outstanding as at January 1, 2021	Granted during the Reporting Period	Vested during the Reporting Period	Forfeited during the Reporting Period	Outstanding as at December 31, 2021	Vesting Period
Directors							
Dr. Zhisheng Chen	June 5, 2019	2,959,500	–	591,900	–	2,367,600	5 years
	November 12, 2020	1,178,796	–	–	–	1,178,796	5 years
	June 16, 2021	–	945,200	–	–	945,200	5 years
		4,138,296	**945,200**	**591,900**	**–**	**4,491,596**	**–**
Dr. Weichang Zhou	June 5, 2019	473,520	–	94,704	–	378,816	5 years
	November 12, 2020	353,637	–	–	–	353,637	5 years
	June 16, 2021	–	263,679	–	–	263,679	5 years
		827,157	**263,679**	**94,704**	**–**	**996,132**	**–**
Mr. Edward Hu (Retired on June 16, 2021)	June 9, 2020	13,680	–	13,680	–	–	1 year
		13,680	**–**	**13,680**	**–**	**–**	**–**
Mr. William Robert Keller	June 9, 2020	6,840	–	6,840	–	–	1 year
	June 16, 2021	–	2,467	–	–	2,467	1 year
		6,840	**2,467**	**6,840**	**–**	**2,467**	**–**
Mr. Teh-Ming Walter Kwauk	June 9, 2020	13,680	–	13,680	–	–	1 year
	June 16, 2021	–	4,934	–	–	4,934	1 year
		13,680	**4,934**	**13,680**	**–**	**4,934**	**–**
Mr. Kenneth Walton Hitchner III	June 16, 2021	–	4,934	–	–	4,934	1 year
		–	**4,934**	**–**	**–**	**4,934**	**–**
Sub-total		**4,999,653**	**1,221,214**	**720,804**	**–**	**5,500,063**	

Category of Participants	Date of Grant	Outstanding as at January 1, 2021	Granted during the Reporting Period	Vested during the Reporting Period	Forfeited during the Reporting Period	Outstanding as at December 31, 2021	Vesting Period
Employees in aggregate							
259 employees	January 15, 2018	5,066,760	–	1,266,690	671,292	3,128,778	5 years
540 employees	March 20, 2018	3,554,628	–	883,515	214,086	2,457,027	5 years
170 employees	June 13, 2018	1,254,174	–	308,613	58,920	886,641	5 years
202 employees	August 21, 2018	2,727,846	–	664,425	134,364	1,929,057	5 years
124 employees	November 20, 2018	1,941,925	–	469,361	136,042	1,336,522	5 years
6 employees	March 19, 2019	137,910	–	27,580	–	110,330	5 years
846 employees	June 5, 2019	9,113,784	–	1,787,584	544,351	6,781,849	5 years
335 employees	August 20, 2019	4,212,252	–	808,304	255,804	3,148,144	5 years
67 employees	November 20, 2019	1,293,948	–	246,799	77,343	969,806	5 years
383 employees	March 27, 2020	4,892,280	–	–	415,302	4,476,978	5 years
77 employees	June 9, 2020	1,830,762	–	–	55,077	1,775,685	5 years
126 employees	August 18, 2020	1,799,517	–	–	218,601	1,580,916	5 years
1391 employees	November 12, 2020	4,827,270	–	–	387,558	4,439,712	5 years
1617 employees	March 24, 2021	–	4,736,220	22,408	231,436	4,482,376	5 years
3 employees	June 16, 2021	–	271,927	–	–	271,927	5 years
1752 employees	June 17, 2021	–	13,128,486	–	593,610	12,534,876	5 years
745 employees	August 24, 2021	–	4,869,545	–	286,124	4,583,421	5 years
486 employees	November 23, 2021	–	3,944,640	–	97,871	3,846,769	5 years
Sub-total		**42,653,056**	**26,950,818**	**6,485,279**	**4,377,781**	**58,740,814**	
Total		**47,652,709**	**28,172,032**	**7,206,083**	**4,377,781**	**64,240,877**	

Details of the purpose, terms and movement of the Restricted Shares granted under the Restricted Share Award Scheme during the Reporting Period are set out in the Company's announcements dated March 24, 2021, June 17, 2021, August 24, 2021 and November 23, 2021 and under note 43 to the consolidated financial statements in this annual report. For more details of the Restricted Share Award Scheme, please refer to the Company's announcements dated January 15, 2018 and January 18, 2018.

SHARE AWARD SCHEME FOR GLOBAL PARTNER PROGRAM

The Company has adopted the Global Partner Program Share Scheme on June 16, 2021 to further reward and incentivize the Group's top employees and attract key talents to ensure the continuous business development and growth of the Company. The Global Partner Program Share Scheme became effective on June 16, 2021. Subject to earlier termination by the Board, the Global Partner Program Share Scheme shall be valid and effective for a period of 10 years from the adoption date. The maximum number of shares which can be awarded under the Global Partner Program Share Scheme are limited to 3% (i.e. 126,982,689 Shares) of the issued share capital of the Company as at the adoption date.

Pursuant to the Global Partner Program Share Scheme, the Board shall select the eligible participant and determine the number of shares to be awarded.

The Company shall comply with the relevant Listing Rules when granting the Restricted Shares. If awards are made to the directors or substantial shareholders of the Group, such awards shall constitute connected transaction under Chapter 14A of the Listing Rules and the Company shall comply with the relevant requirements under the Listing Rules.

The table below shows details of the Restricted Shares granted under the Global Partner Program Share Scheme during the Reporting Period:

Category of Participants	Date of Grant	Outstanding as at January 1, 2021	Granted during the Reporting Period	Vested during the Reporting Period	Forfeited during the Reporting Period	Outstanding as at December 31, 2021	Vesting Period
Employees in aggregate							
198 employees	November 23, 2021	–	2,723,830	–	–	2,723,830	2 years
Total		–	2,723,830	–	–	2,723,830	

Details of the purpose, terms and movement of the Restricted Shares under the Global Partner Program Share Scheme granted during the Reporting Period are set out in the Company's announcement dated November 23, 2021 and under note 43 to the consolidated financial statements in this annual report. For more details of the Global Partner Program Share Scheme, please refer to the Company's announcement dated June 16, 2021.

WUXI VACCINES SHARE OPTION SCHEME

WuXi Vaccines, a subsidiary of the Company, adopted the WuXi Vaccines Share Option Scheme pursuant to the resolutions of the Shareholders passed on November 23, 2021, which shall be valid and effective for a period of 10 years commencing from the adoption date.

The purposes of the WuXi Vaccines Share Option Scheme are to enable WuXi Vaccines to grant share options of WuXi Vaccines to the eligible participants as incentives or rewards for their contribution to WuXi Vaccines and its subsidiaries (the "**WuXi Vaccines Group**") so as to enable the WuXi Vaccines Group to recruit and retain high-calibre employees and attract human resources that are valuable to the WuXi Vaccines Group.

Eligible participants for the WuXi Vaccines Share Option Scheme include any full-time or part-time employees, executives, officers or directors of the WuXi Vaccines Group, who have contribution to the business development and growth of the WuXi Vaccines Group. The maximum number of shares of WuXi Vaccines in respect of which share options may be granted under the WuXi Vaccines Share Option Scheme was 100,000,000 shares of WuXi Vaccines (the "**WuXi Vaccines Shares**"), representing 10% of the issued share capital of WuXi Vaccines as at the date of this annual report. Unless approved by the Shareholders, the total number of WuXi Vaccines Shares issued and to be issued upon exercise of the share options granted to each eligible participant (including both exercised, cancelled and outstanding share options) in any 12-month period shall not exceed 1% of the WuXi Vaccines Shares in issue. Save as determined by the board of WuXi Vaccines (the "**WuXi Vaccines Board**") and provided in the offer to a grantee, the WuXi Vaccines Share Option Scheme does not specify that the share options must be subject to any performance target and does not prescribe any specific minimum period for which a share option must be held before it can be exercised.

The exercise price of share options payable by any grantee shall, subject to the adjustment in the event of any capitalization issue, rights issue, sub-division or consolidation of shares or reduction of capital of WuXi Vaccines, be in such amount as determined by the WuXi Vaccines Board at its absolute discretion to be fair and reasonable on a case by case basis, after taking into account, among other things, the business performance of WuXi Vaccines, individual performance of the relevant grantee as well as the net asset value of WuXi Vaccines as shown in its latest available management accounts, provided that in the event that WuXi Vaccines resolves to seek a separate listing of its shares on the Stock Exchange, the exercise price of any share option granted after such resolution up to the listing date of WuXi Vaccines shall not be lower than the new issue price (if any); and in particular, any share options granted during the period commencing six months before the lodgment of the listing application and up to the listing date of WuXi Vaccines shall not be lower than the new issue price. A consideration of HK$1.00 is payable on or before the acceptance of the grant of share options. The period within which the WuXi Vaccines Shares must be taken up under a share option is 10 years.

No share options under the WuXi Vaccines Share Option Scheme had been granted, exercised, cancelled and lapsed during the Reporting Period.

WUXI XDC SHARE OPTION SCHEME

WuXi XDC, a subsidiary of the Company, adopted the WuXi XDC Share Option Scheme pursuant to the resolutions of the Shareholders passed on November 23, 2021, which shall be valid and effective for a period of 10 years commencing from the adoption date.

The purposes of the WuXi XDC Share Option Scheme are to enable WuXi XDC to grant share options of WuXi XDC to the eligible participants as incentives or rewards for their contribution to WuXi XDC and its subsidiaries (the "**WuXi XDC Group**") so as to enable the WuXi XDC Group to recruit and retain high-calibre employees and attract human resources that are valuable to the WuXi XDC Group.

Eligible participants for the WuXi XDC Share Option Scheme include any full-time or part-time employees, executives, officers or directors of the WuXi XDC Group, who have contribution to the business development and growth of the WuXi XDC Group. The maximum number of shares of WuXi XDC in respect of which share options may be granted under the WuXi XDC Share Option Scheme was 100,000,000 shares of WuXi XDC (the "**WuXi XDC Shares**"), representing 10% of the issued share capital of WuXi XDC as at the date of this annual report. Unless approved by the Shareholders, the total number of WuXi XDC Shares issued and to be issued upon exercise of the share options granted to each eligible participant (including both exercised, cancelled and outstanding share options) in any 12-month period shall not exceed 1% of the WuXi XDC Shares in issue. Save as determined by the board of WuXi XDC (the "**WuXi XDC Board**") and provided in the offer to a grantee, the WuXi XDC Share Option Scheme does not specify that the share options must be subject to any performance target and does not prescribe any specific minimum period for which a share option must be held before it can be exercised.

The exercise price of share options payable by any grantee shall, subject to the adjustment in the event of any capitalization issue, rights issue, sub-division or consolidation of shares or reduction of capital of WuXi XDC, be in such amount as determined by the WuXi XDC Board at its absolute discretion to be fair and reasonable on a case by case basis, after taking into account, among other things, the business performance of WuXi XDC, individual performance of the relevant grantee as well as the net asset value of WuXi XDC as shown in its latest available management accounts, provided that in the event that WuXi XDC resolves to seek a separate listing of its shares on the Stock Exchange, the exercise price of any share option granted after such resolution up to the listing date of WuXi XDC shall not be lower than the new issue price (if any); and in particular, any share options granted during the period commencing six months before the lodgment of the listing application and up to the listing date of WuXi XDC shall not be lower than the new issue price. A consideration of HK$1.00 is payable on or before the acceptance of the grant of share options. The period within which the WuXi XDC Shares must be taken up under a share option is 10 years.

No share options under the WuXi XDC Share Option Scheme had been granted, exercised, cancelled and lapsed during the Reporting Period.

Major Customers and Suppliers

Major Customers

For the year ended December 31, 2021, the Group's sales to its five largest customers accounted for 36.4%, as compared to 30.0% of the Group's total revenue for the year ended December 31, 2020, and the Group's sales to the largest customer accounted for 14.8%, as compared to 7.2% of the Group's total revenue for the year ended December 31, 2020.

Major Suppliers

For the year ended December 31, 2021, the Group's five largest suppliers accounted for 46.5%, as compared to 65.6% of the Group's total purchases for the year ended December 31, 2020. The Group's single largest supplier accounted for 18.3%, as compared to 24.3% of the Group's total purchases for the year ended December 31, 2020.

During the year ended December 31, 2021, none of the Directors or any of their close associates or any Shareholders (which, to the knowledge of the Directors, own more than 5% of the number of issued shares of the Company) had any interest in the Group's five largest customers and suppliers.

Relationship with Employees, Suppliers and Customers

The Group recognises that employees, suppliers and customers are key to the Group's success. The Group actively maintains a good relationship with employees, suppliers and customers. There was no material and significant dispute between the Group and its employees, suppliers and/or customers during the Reporting Period.

Management Contracts

During the Reporting Period, the Company has not entered into any contract with any individuals, firm or body corporate to manage or administer the whole or any substantial part of any business of the Group.

Directors' Permitted Indemnity Provision

Each Director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto in accordance with the Articles of Association. The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group during the year ended December 31, 2021, which is still in force.

Directors' Report

Results and Dividends

The results of the Group for the Reporting Period are set out in the consolidated statement of profit or loss and other comprehensive income on page 101 of this annual report. The Board does not recommended any payment of final dividend for the year ended December 31, 2021.

Share Capital

Details of movements in share capital of the Company during the Reporting Period are set out in note 35 to the consolidated financial statements in this annual report.

Reserves

Details of movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity and note 46 to the consolidated financial statements in this annual report.

Details of the Company's reserves available for distribution to the Shareholders as at December 31, 2021 are set out in note 46 to the consolidated financial statements in this annual report.

Donations

During the Reporting Period, charitable and other donations made by the Group amounted to RMB12,112,000 (2020: RMB2,293,000).

Property, Plant and Equipment

Details of movements in property, plant and equipment of the Group during the Reporting Period are set out in note 14 to the consolidated financial statements in this annual report.

Use of Net Proceeds from Placing

On October 31, 2019, the Company entered into a placing agreement with the Morgan Stanley & Co. International plc (the "**Placing Agent**"), pursuant to which the Placing Agent agreed to place 46,500,000 shares (or, failing which, to purchase itself as principal) on a fully underwritten basis to not less than six independent investors (the "**Second Placing**"). The Second Placing price was HK$85.00 per share.

The net proceeds from the Second Placing were approximately RMB3,512.2 million, which have been used for the expansion of the Group, including the capital requirements to support its development of vaccines and microbial based products as well as continuous global capacity expansion, as disclosed in the announcement of the Company dated November 1, 2019. By the end of June 2021, the net proceeds have been fully utilized.

On June 29, 2020, the Company entered into a placing agreement with the Placing Agent, pursuant to which the Placing Agent agreed to place 45,000,000 shares (or, failing which, to purchase itself as principal) on a fully underwritten basis to not less than six independent investors (the "**Third Placing**"). The Third Placing price was HK$137.00 per share.

The net proceeds from the Third Placing were approximately RMB5,545.8 million, which will be used for continuous global capacity expansion of the Group, including the construction of commercial manufacturing facilities in the United States for projects involving COVID-19 treatments and other related CDMO projects, acquisition of manufacturing facilities outside of the PRC and development of microbial facilities in the PRC, as well as for general corporate purposes of the Group, as disclosed in the announcement of the Company dated June 30, 2020. The table below sets out the planned applications of the net proceeds and actual usage up to December 31, 2021:

Use of proceeds	Planned applications (RMB million)	Percentage of total net proceeds	Actual usage up to December 31, 2021 (RMB million)	Net proceeds brought forward for the Reporting Period (RMB million)	Unutilized net proceeds as at December 31, 2021 (RMB million)	Expected timeline for utilizing the remaining unutilized net proceeds[1]
To construct commercial manufacturing facilities in the United States for projects involving COVID-19 treatments and other related CDMO projects, acquisition of manufacturing facilities outside of the PRC and development of microbial facilities in the PRC, as well as for general corporate purposes	5,545.8	100%	4,506.9	5,545.8	1,038.9	By the end of 2022

Note:

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

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

The net proceeds from the Fourth Placing were approximately HK$13,121.24 million, which will be used in the following manner: (i) approximately 40% will be used for merger and acquisition of additional capacities for drug substances/drug products (DS/DP) manufacturing to match a rapidly growing pipeline; (ii) approximately 40% will be used for building-up of additional large scale manufacturing capacities for various technology platforms, including microbial and mammalian platforms; (iii) approximately 10% will be used for investment in mRNA (messenger RNA) related technologies to further enable its global clients; and (iv) approximately 10% shall be used for general corporate purposes of the Group. The table below sets out the planned applications of the net proceeds and actual usage up to December 31, 2021:

Use of proceeds	Planned applications (RMB million)	Percentage of total net proceeds	Actual usage up to December 31, 2021 (RMB million)	Net proceeds brought forward for the Reporting Period (RMB million)	Unutilized net proceeds as at December 31, 2021 (RMB million)	Expected timeline for utilizing the remaining unutilized net proceeds[1]
Merger and acquisition of additional capacities for drug substances/drug products (DS/DP) manufacturing	4,359.6	40%	3,162.1	–	1,197.5	By the end of 2023
Building-up of additional large scale manufacturing capacities for various technology platforms, including microbial and mammalian platforms	4,359.6	40%	–	–	4,359.6	By the end of 2023
Investment in mRNA related technologies	1,089.9	10%	–	–	1,089.9	By the end of 2023
General corporate purposes of the Group	1,089.9	10%	1,089.9	–	–	N/A
Total	10,899.0	100%	4,252.0	–	6,647.0	

Note:

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

Purchase, Sale or Redemption of Listed Securities of the Company

During the Reporting Period, the Company had repurchased, a total of 34,622,500 Shares on the Stock Exchange at an aggregate purchase price of approximately HK$3,077.53 million. As of the date of this annual report, the repurchased Shares had been cancelled by the Company.

The financial position of the Company is solid and healthy. The Company believes the share repurchase and subsequent cancellation of the repurchased Shares can enhance the value of the Shares thereby improving the return to Shareholders of the Company. In addition, the share repurchase reflects the confidence of the Company in its business development and the strong growth prospects. The Company believes that the share repurchase is in the interests of the Company and its Shareholders as a whole.

Details of the share repurchased during the year ended December 31, 2021 are set out as follows:

Date of repurchases	Number of Shares repurchased on the Stock Exchange	Price per Share paid		Aggregate purchase price
		Highest	Lowest	
		(HK$)	(HK$)	(HK$ million)
December 16, 2021 to December 31, 2021	34,622,500	94.35	85.90	3,077.53

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

Arrangement to Purchase Shares or Debentures

Save for the Pre-IPO Share Option Scheme, at no time during the year ended December 31, 2021 did the Company or any of its holding companies, subsidiaries or fellow subsidiaries a part to any arrangements that would enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Equity-Linked Agreements

Save for the Pre-IPO Share Option Scheme as disclosed on pages 61 to 63 of this annual report, no equity-linked agreements were entered into by the Company, or existed during the Reporting Period.

Directors' Report

AGM and Closure of Register of Members

The AGM will be held on Friday, June 10, 2022. A notice convening the AGM is expected to be published and despatched to the Shareholders in due course in accordance with the requirements of the Listing Rules.

For determining the qualification as members of the Company to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, June 7, 2022 to Friday, June 10, 2022, both dates inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the AGM, non-registered holders of Shares shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, June 6, 2022.

Corporate Governance

A report on the principle corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 76 to 94 of this annual report.

Compliance with the Relevant 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.

Sufficiency of Public Float

Based on information that is publicly available and within the knowledge of the Directors, the Company maintained the prescribed public float as required under the Listing Rules from the Listing Date to the latest practicable date prior to the issue of this annual report.

Tax Relief and Exemption

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's listed securities.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Articles of Association or the relevant laws of the Cayman Islands where the Company is incorporated which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

Auditor

The Company has appointed Deloitte Touche Tohmatsu as the auditor of the Company for the year ended December 31, 2021. A resolution will be proposed for approval by Shareholders at the forthcoming AGM to re-appoint Deloitte Touche Tohmatsu as the auditor of the Company.

On behalf of the Board

Dr. Ge Li
Chairman
Hong Kong, March 22, 2022

Corporate Governance Report

The Board is pleased to present the Corporate Governance Report for the year ended December 31, 2021.

CORPORATE GOVERNANCE PRACTICES

The Board is committed to maintaining high 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.

In December 2021, the Stock Exchange has announced amendments to the CG Code as contained in Appendix 14 to the Listing Rules. The new requirements under the CG Code will apply to corporate governance reports of listed issuers for financial year commencing on or after January 1, 2022. Throughout the year ended December 31, 2021, the Company has adopted the principles and code provisions of the CG Code contained in Appendix 14 to the Listing Rules as set out in the CG Code applicable for the financial year under review (the "**then CG Code**") as the basis of the Company's corporate governance practices.

The Board is of the view that the Company has complied with all applicable code provisions as set out in the then CG Code throughout the Reporting Period. The Board will review the corporate governance structure and practices from time to time and shall make necessary arrangements when the Board considers appropriate.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Written Guidelines on terms no less exacting than the Model Code as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors.

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

The Company has also established the Guidelines for Securities Transactions by Employees (the "**Employees' Written Guidelines**") on terms no less exacting than the Model Code for securities transactions by employees who are likely to be in possession of inside 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 Board oversees the Group's businesses, strategic decisions and performance and should take decisions objectively in the best interests of the Company.

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

The Board of the Company currently comprises the following Directors:

Executive Directors

Dr. Zhisheng Chen *(Chief Executive Officer)*
Dr. Weichang Zhou *(Chief Technology Officer)*

Non-executive Directors

Dr. Ge Li *(Chairman)*
Dr. Ning Zhao
Mr. Yibing Wu
Mr. Yanling Cao

Independent Non-executive Directors

Mr. William Robert Keller
Mr. Teh-Ming Walter Kwauk
Mr. Kenneth Walton Hitchner III

The biographical information of the Directors are set out in the section headed "Directors and Senior Management" on pages 42 to 47 of this annual report.

Except for Dr. Ge Li is the spouse of Dr. Ning Zhao, the Directors do not have financial, business, family or other material/relevant relationships with one another.

Board Meetings and Directors' Attendance Records

Regular Board meetings should be held at least four times a year involving active participation, either in person or through electronic means of communication, of a majority of Directors.

Code provision of the then CG Code requires that the Chairman of the Board should at least annually hold meetings with independent non-executive Directors without the presence of other directors. Arrangements have been made for compliance with the code provision and one meeting was held during the Reporting Period.

During the Reporting Period, the Board held six meetings and the Directors' attendance records are as follows:

Name of Directors	Attendance
Dr. Ge Li	6/6
Dr. Zhisheng Chen	6/6
Dr. Weichang Zhou	6/6
Dr. Ning Zhao (appointed on June 16, 2021)	2/2
Mr. Edward Hu (retired on June 16, 2021)	4/4
Mr. Yibing Wu	6/6
Mr. Yanling Cao	5/6
Mr. William Robert Keller	6/6
Mr. Teh-Ming Walter Kwauk	6/6
Mr. Kenneth Walton Hitchner III	6/6

Chairman and Chief Executive Officer

The positions of Chairman and Chief Executive Officer are held by Dr. Ge Li and Dr. Zhisheng Chen respectively. The Chairman provides leadership and is responsible for the effective functioning and leadership of the Board as well as provides overall guidance on the business, strategy and corporate development of the Group. The Chief Executive Officer focuses on the overall management of the business, strategy and corporate development of the Group.

Independent Non-executive Directors

During the Reporting Period, the Board at all times met 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 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

Each of the Directors is engaged on a director's service agreement for a specific term of three years, which is renewable by mutual consent and subject to the Articles of Association of the Company.

Every Director (including those appointed for a specific term) shall be subject to retirement and re-election by rotation at least once every three years at the annual general meetings of the Company under the Articles of Association of the Company.

The Company's Articles of Association also provides that all Directors appointed to fill a casual vacancy or as an addition to the Board shall be subject to election by shareholders at the next following general meeting of the Company.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board should assume responsibility for leadership and control 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 judgment 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 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.

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 they remain informed and relevant for their contribution to the Board.

Every newly appointed Director will receive 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. Besides, meetings with senior management of the Company will also be arranged.

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 Reporting Period, the Company organized training sessions conducted by the legal advisers and compliance consultants for all Directors. The training sessions covered a wide range of relevant topics including Directors' duties and responsibilities and Listing Rules update. In addition, relevant reading materials including legal and regulatory updates have been provided to the directors for their reference and studying.

The training records of the Directors for the Reporting Period are summarized as follows:

Directors	Type of Training[Note]
Executive Directors	
Dr. Zhisheng Chen	A & B
Dr. Weichang Zhou	A & B
Non-executive Directors	
Dr. Ge Li	A & B
Dr. Ning Zhao (appointed on June 16, 2021)	A & B
Mr. Edward Hu (retired on June 16, 2021)	B
Mr. Yibing Wu	A & B
Mr. Yanling Cao	A & B
Independent Non-executive Directors	
Mr. William Robert Keller	A & B
Mr. Teh-Ming Walter Kwauk	A & B
Mr. Kenneth Walton Hitchner III	A & B

Note:

Types of Training

A: Attending training sessions, including but not limited to, briefings, seminars, conferences and/or workshops

B: Reading relevant news alerts, newspapers, journals, magazines and/or relevant publications

BOARD COMMITTEES

The Board has established five committees, namely, the Audit Committee, Remuneration Committee, Nomination Committee, Strategy Committee, and Environmental, Social and Governance 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 Audit Committee, Remuneration Committee and Nomination Committee are posted on the websites of the Company and HKEX and are available to shareholders upon request.

Audit Committee

The Audit Committee consists of three independent non-executive Directors, namely Mr. Teh-Ming Walter Kwauk, Mr. William Robert Keller and Mr. Kenneth Walton Hitchner III, with Mr. Teh-Ming Walter Kwauk as its chairman.

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the then CG Code. The main duties of the Audit Committee are to assist the Board in reviewing the Company's financial information, overseeing the Company's financial reporting system, risk management and internal control systems, reviewing and monitoring the effectiveness of the internal audit function, scope of audit and appointment of external auditors, reviewing the arrangements to enable employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company, and managing business ethics and anti-corruption issues and ensuring that they comply with applicable laws, regulations, regulatory requirements, and international standards.

The Audit Committee is also responsible for performing the functions set out in code provision of the then CG Code. These include developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board; reviewing and monitoring the training and continuous professional development of directors and senior management of the Company; reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements; developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and directors of the Company; and reviewing the Company's compliance with the then CG Code from time to time adopted by the Company and the disclosure in the corporate governance report to be contained in the Company's annual report.

During the Reporting Period, the Audit Committee held four meetings to review and consider annual financial results and report, Corporate Governance Report and Environmental, Social and Governance Report in respect of the year ended December 31, 2020, the interim financial results and report in respect of the six months ended June 30, 2021, 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, connected transactions, review and consider the reported case and investigation progress in accordance with the Whistleblowing & Investigation Policy, and evaluate and assess the adequacy of the terms of reference of the Audit Committee.

The Audit Committee also met the external auditors once during the Reporting Period without the presence of the executive Directors and the management.

The attendance records of the members of the Audit Committee are as follows:

Name of Members of the Audit Committee	Attendance
Mr. Teh-Ming Walter Kwauk	4/4
Mr. William Robert Keller	4/4
Mr. Edward Hu (retired on June 16, 2021)	2/2
Mr. Kenneth Walton Hitchner III (appointed as a member of the Audit Committee on June 16, 2021)	2/2

Remuneration Committee

The Remuneration Committee consists of two independent non-executive Directors and one non-executive Director, namely Mr. William Robert Keller, Dr. Ning Zhao and Mr. Kenneth Walton Hitchner III, with Mr. William Robert Keller as its chairman.

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the then CG Code. The primary functions of the Remuneration Committee include making recommendations to the Board on the remuneration packages of individual executive directors and senior management, the remuneration policy and structure for all directors and senior management, establishing a formal and transparent procedure for developing remuneration policy and ensuring that no Director or any of his associates is involved in deciding his own remuneration.

During the Reporting Period, the Remuneration Committee held four meetings to review and make recommendation to the Board on the remuneration policy and structure of the Company, the remuneration packages of the executive Directors and senior management, evaluate and assess the adequacy of the terms of reference of the Remuneration Committee and other related matters as well as consider and make recommendation to the Board on key terms of the new director's service agreement entered with the newly appointed non-executive Director and the grant of restricted shares under the restricted share award scheme.

Pursuant to code provision of the then CG Code, details of the remuneration of the senior management (other than Directors) by bands for the year ended December 31, 2021 is as follows:

	Number of employees
HK$20,000,001 to HK$30,000,000	1
HK$10,000,001 to HK$20,000,000	1
HK$5,000,001 to HK$10,000,000	3
HK$2,000,001 to HK$5,000,000	2

The attendance records of the members of the Remuneration Committee are as follows:

Name of Members of the Remuneration Committee	Attendance
Mr. William Robert Keller	4/4
Dr. Ning Zhao (appointed on June 16, 2021)	2/2
Mr. Edward Hu (retired on June 16, 2021)	2/2
Mr. Kenneth Walton Hitchner III	4/4

Nomination Committee

The Nomination Committee consists of one non-executive Director and two independent non-executive Directors, namely Dr. Ge Li, Mr. William Robert Keller and Mr. Teh-Ming Walter Kwauk, with Dr. Ge Li as its chairman.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the then CG Code. The principal duties of the Nomination Committee include reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board, identifying individuals suitably qualified to become Board members and selecting or making recommendation to the Board on the selection of individuals nominated for directorship, making recommendations to the Board on the appointment or re-appointment and succession planning of Directors, and assessing the independence of independent non-executive Directors.

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. 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 relevant criteria as set out in the Director Nomination Policy that are 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 met once to review the structure, size and composition of the Board, to consider the qualifications of the retiring directors standing for election at the 2021 annual general meeting, to consider and recommend the Board on the election as new non-executive Director at the 2021 annual general meeting to enhance steps towards increasing gender diversity of the Board's composition of members, and evaluate and assess the adequacy of the terms of reference of the Nomination Committee.

The attendance records of the members of the Nomination Committee are as follows:

Name of Members of the Nomination Committee	Attendance
Dr. Ge Li	1/1
Mr. William Robert Keller	1/1
Mr. Teh-Ming Walter Kwauk	1/1

Board Diversity Policy

The Board has adopted a Board Diversity Policy which sets out the approach to achieve diversity on the Board and is available on the website of the Company. The Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage.

In accordance with the Board Diversity Policy, a truly diverse Board will include and make good use of differences in the skills, regional and industry experience, background, race, gender and other qualities of directors. These differences will be taken into account in determining the optimum composition of the Board. All Board appointments will be based on merit while taking into account diversity (including gender diversity).

The Company aims to build and maintain a Board with a diversity of Directors, in terms of skills, professional experience, educational background, knowledge, expertise, culture, independence, age and gender.

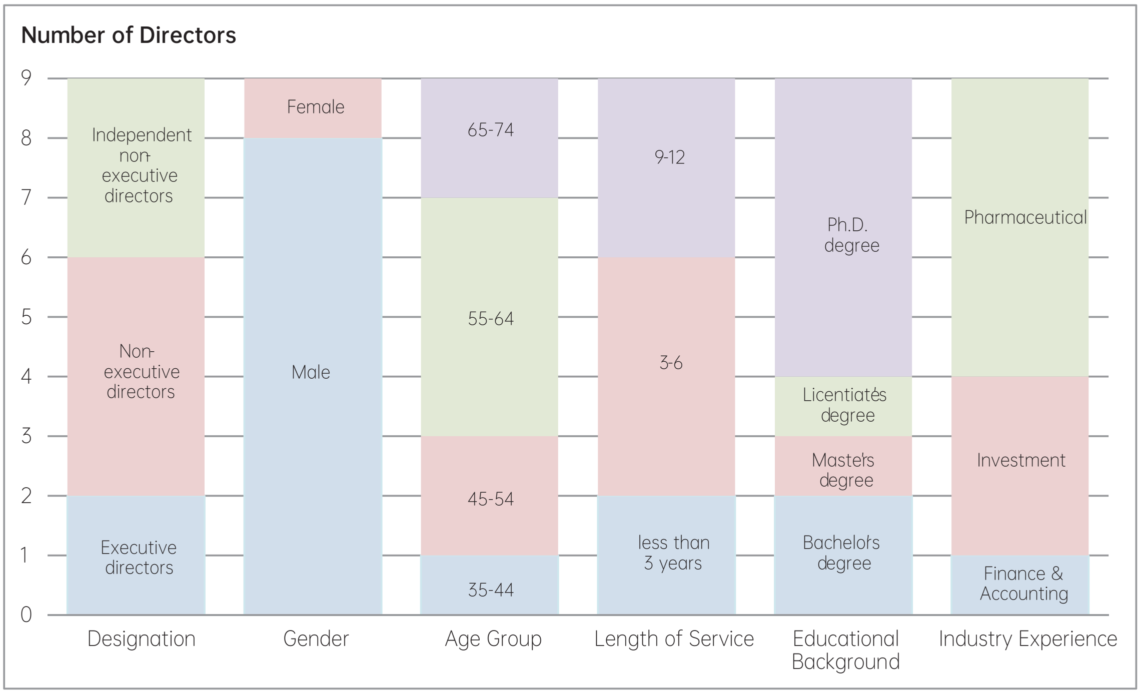
The Board will consider setting measurable objectives to implement the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

At present, the Nomination Committee considered that the Board is sufficiently diverse and the Board has not set any measurable objectives.

The Nomination Committee will report annually, in the corporate governance report contained in the Company's annual report, on the Board's composition under diversified perspectives, and monitor the implementation of the Board Diversity Policy.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its effectiveness. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

The following chart shows the diversity profile of the Board:



Director Nomination Policy

The Board has adopted a Director Nomination Policy which sets out the approach to guide the Nomination Committee in relation to the selection, appointment and re-appointment of the Directors and ensure that the Board has a balance of skills, experience, knowledge and diversity of perspectives appropriate to the requirements of the Company's business.

The Director Nomination Policy sets out the criteria for the selection of a proposed candidate, including but not limited to the following:

- Diversity required for the operation of the Company;
- Commitment for responsibilities of the Board in respect of available time and relevant interest;
- Skills, qualification and experiences;
- Independence from the Company and its subsidiaries;
- Reputation for integrity;
- Potential contributions that the individual(s) can bring to the Board; and
- Plan(s) in place for the orderly succession of the Board.

The Director Nomination Policy also sets out the criteria for evaluation and recommendation to the Board on the re-appointment of retiring Director(s) and the position(s) of the independent non-executive Directors, and the process and procedures for the nomination of Directors.

During the Reporting Period, there was change in the composition of the Board.

The Nomination Committee will review the Director Nomination Policy, as appropriate, to ensure its effectiveness.

Strategy Committee

The Strategy Committee consists of one executive Director and two non-executive Directors, namely Dr. Zhisheng Chen, Dr. Ge Li and Mr. Yibing Wu, with Dr. Zhisheng Chen as its chairman.

The principal duties of the Strategy Committee include conducting research and making recommendations to the Board on the Group's mid-term and long-term strategies and their feasibility, conducting research and making recommendations to the Board on the Group's investment plans, major business decisions and investment earnings forecast and evaluating and monitoring the implementation of the strategy, plans and measures adopted by the Strategy Committee.

During the Reporting Period, the Strategy Committee met once to review and consider the implementation of the "Follow and Win the Molecule" strategy, global footprint and mergers and acquisitions strategy.

The attendance records of the members of the Strategy Committee are as follows:

Name of Members of the Strategy Committee	Attendance
Dr. Zhisheng Chen	1/1
Dr. Ge Li	1/1
Mr. Yibing Wu	1/1

Environmental, Social and Governance Committee

The Environmental, Social and Governance Committee ("**ESG Committee**") was established on March 23, 2021. The ESG Committee consists of one executive Director, one non-executive Director and two independent non-executive Directors, namely Dr. Zhisheng Chen, Dr. Ning Zhao, Mr. Kenneth Walton Hitchner III and Mr. William Robert Keller, with Dr. Zhisheng Chen as its chairman.

The principal duties of the ESG Committee include but not limited to:

- guiding and formulating the Group's environmental, social and governance ("**ESG**") vision, objectives, strategies and structure to ensure that they are in line with the needs of the Group and comply with applicable laws, regulations, regulatory requirements and international standards;

- monitoring the development and implementation of the Group's ESG vision, strategies, policies and governance structure;

- guiding and reviewing the identification and ranking of important ESG issues and assessing ESG targets of the Group on an annual basis;

- reviewing the key ESG trends and related risks and opportunities, and assessing the adequacy and effectiveness of the Group's ESG strategies, policies, action plans, and governance structure accordingly on a regular basis;

- monitoring the channels and means of communication with the Group's stakeholders and ensuring that the relevant policies are in place to effectively promote the relationship between the Group and its stakeholders and protect the Group's reputation; and

- reviewing and approving the Company's ESG report and other ESG related disclosures, making recommendations and reporting on ESG progresses to the Board, so as to promote the continuous improvement of the ESG performance of the Group.

During the Reporting Period, the ESG Committee met once to make recommendations to the Board in order to maintain the integrity of the ESG report and other ESG related disclosures and to discuss the challenges in ESG practice and next action plan.

The attendance records of the members of the ESG Committee are as follows:

Name of Members of the ESG Committee	Attendance
Dr. Zhisheng Chen	1/1
Dr. Ning Zhao	1/1
Mr. Kenneth Walton Hitchner III	1/1
Mr. William Robert Keller	1/1

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 but 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 Group's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit Committee assists the Board in leading the management and overseeing the design, implementation and monitoring of the risk management and internal control systems.

The Company has developed its risk management policy to:

- Support effective decision-making that is guided by the Group's mission and vision;
- Ensure a consistent and effective approach to risk management;
- Formalize its commitment to the principles of risk management and incorporate them into all areas of the Group;
- Foster and encourage a risk-aware culture where risk management is seen as a positive attribute of decision-making rather than a corrective measure;
- Align the Group's planning, compliance and risk management systems, and their integration into all areas of the Group's operations; and

- Ensure robust operational and corporate governance practices to effectively manage risk while allowing innovation and sustainable growth.

The Company is committed to excellence and continual improvement, and will continue to encourage innovation while maintaining a low-risk profile. Employees are encouraged to adopt a positive approach to risk management, which further strengthens the risk-aware culture (as opposed to risk-adverse culture) of the Group.

Risk management is incorporated into the strategic and operational processes at all levels within the Group in order to minimize the impact of risk.

Opportunities and risks are identified and are proactively assessed and monitored by employees on an on-going basis.

The Group's approach to risk management, is aligned with COSO Enterprise Risk Management Framework-Aligning Risk with Strategy and Performance.

In order to formalize risk management across the Group and in order to set a common level of transparency and risk management performance, a number of requirements have been defined for the business units. Divisions, business units and group functions of the Group are obliged to address the following requirements with regard to risk management:

- Develop and review, at least annually, a statement on the risk tolerance of the Group;

- Conduct a formalized risk assessment at least annually either in the form of risk assessment questionnaire or risk assessment workshop, which is to include the identification, prioritization, measurement and categorization of all key risks that could potentially affect the Company's objectives;

- Report annually on the key risks as identified in the Group's risk reporting formats;

- Continuously monitor key risks and controls and implement appropriate risk responses where necessary;

- Formalize responsibilities for managing risk and for sustaining the Group's risk management framework;

- Monitor and review the application of the risk management framework.

The internal control system of the Group is built up on a clear organization structure and management duties, a set of standardized policies and procedures, a sound accounting system, continuing training to employees, and independent review and oversight of operation and financial results by internal audit department of the Company (the "**Internal Audit Department**"). The Company has formulated code of conduct for all employees which ensures their ethical value and competency. The Company attaches great importance to the prevention of fraud and has formulated its internal reporting system, which encourages anonymous reporting of situations where internal employees or external customers and suppliers have breached the rules. The Company has set up the policy regulating the handling and dissemination of inside information, which has clearly defined the scope of inside information, the roles and responsibilities, the reporting and disclosure requirements, the registration of insiders and confidentiality management. It has also clearly regulated the punishment if the policy is violated. The Company has adopted Written Guidelines and Employees' Written Guidelines for security transactions. The Company has also promulgated the Conflict of Interest Management Policy which sets guidelines in consultation, judgment, declaration and addressing conflict of interest.

The Internal Audit Department plays a vital role in supporting the Board and the management with the risk management and internal control systems. The functions of the Internal Audit Department are independent of the Company's business operations, and play an important role in the monitoring of the Group's internal management. The Internal Audit Department is responsible for internal controls assessment of the Group at least annually, and provides an objective assurance to the Audit Committee and the Board that the risk management and internal control systems are maintained and operated by the management in compliance with agreed processes and standards on a risk-based approach.

The Internal Audit Department regularly reports the internal audit results to the Audit Committee on a quarterly basis per year, which are then reported to the Board through the Audit Committee.

The Internal Audit Department is also responsible for performing independent review of the adequacy and effectiveness of the risk management and internal control systems. The Board has reviewed the effectiveness of the internal audit function and the review result is satisfactory.

The management has confirmed to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the Reporting Period. The Board, as supported by the Audit Committee as well as the management report and the internal audit findings, reviewed the risk management and internal control systems of the Group, including the financial, operational and compliance controls, for the Reporting Period, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and staff qualifications, experience and relevant resources.

Arrangements are in place to facilitate employees of the Group to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Group.

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

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 on pages 98 to 100 of this annual report.

AUDITORS' REMUNERATION

An analysis of the remuneration paid/payable to the external auditors of the Company 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	4,680
Non-audit Services	
– Interim Review	1,330
TOTAL	6,010

Corporate Governance Report

JOINT COMPANY SECRETARIES

Mr. Huang Yue and Ms. Sham Ying Man are the joint company secretaries of the Company.

Ms. Sham Ying Man is a manager of Corporate Services of Tricor Services Limited, a global professional services provider specializing in integrated Business, Corporate and Investor Services. The primary contact person at the Company is Mr. Huang Yue, joint company secretary of the Company and the Executive Director of the Secretary Office to the Board.

The joint company secretaries attended sufficient professional training as required under the Listing Rules for the year ended December 31, 2021 to update their skills and knowledge.

SHAREHOLDERS' RIGHTS

To safeguard shareholder 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 HKEX after each general meeting.

Convening an Extraordinary General Meeting

Pursuant to article 12.3 of the Articles of Association of the Company, extraordinary general meetings shall also be convened on the written requisition of any two or more members, or by any one member which is a recognized clearing house (or its nominee), deposited at the principal office of the Company in Hong Kong specifying the objects of the meeting and signed by the requisitionist(s), provided that such requisitionist(s) held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company.

Putting Forward Proposals at General Meetings

There are no provisions in the Company's Articles of Association or the Cayman Islands Companies Law for shareholders to move new resolutions at general meetings. Shareholders who wish to move a resolution may request the Company to convene a general meeting in accordance with the procedures set out in the preceding paragraph. As regards proposing a person for election as a director of the Company, please refer to the "Procedures for Shareholders to Propose a Person for Election as a Director" of the Company which is posted on the Company's website.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, 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: 46#, 299 Fute Zhong Road, Waigaoqiao
China (Shanghai) Pilot Free Trade Zone Shanghai 200131, China
(For the attention of the board secretary office)
Fax: 86 (21) 50461000

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

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. 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.

The attendance records of Directors at the annual general meeting held during the Reporting Period are as follows:

Name of Directors	Attendance
Dr. Ge Li	1/1
Dr. Zhisheng Chen	1/1
Dr. Weichang Zhou	1/1
Dr. Ning Zhao (appointed on June 16, 2021)	N/A
Mr. Edward Hu (retired on June 16, 2021)	0/1
Mr. Yibing Wu	0/1
Mr. Yanling Cao	0/1
Mr. William Robert Keller	0/1
Mr. Teh-Ming Walter Kwauk	0/1
Mr. Kenneth Walton Hitchner III	0/1

The Company maintains a website at www.wuxibiologics.com as a communication platform with shareholders of the Company and investors, where the financial information and other relevant information of the Company are available for public access.

Constitutional Documents

During the Reporting Period, the Company has not made any changes to its Memorandum and Articles of Association. An up-to-date version of the Company's Memorandum and Articles of Association is also available on the websites of the Company and HKEX.

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.

The Company has adopted a policy on payment of dividends which aims to set out the principles and guidelines that the Company intends to apply in relation to the declaration and payment of dividends pursuant to code provision of the then CG Code that has become effective from January 1, 2019.

The Board has adopted a dividend policy in which the Company may declare dividends in any currency in general meeting but no dividends shall exceed the amount recommended by the Board, subject to the Companies Law of the Cayman Islands and the Memorandum and Articles of Association of the Company. Based on the financial results for the Reporting Period and the current cash flow and working capital projections, the Board believes that it will not be advisable to make a distribution for the Reporting Period and the following two years, given considerable requirements of capital expenditure for business expansion. The Board will continue to review its financial position from time to time, and decide whether it would be in the interest of the Company and its shareholders to make any distribution.

Independent Auditor's Report

TO THE SHAREHOLDERS OF WUXI BIOLOGICS (CAYMAN) INC.
(incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of WuXi Biologics (Cayman) Inc. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 101 to 272, 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, consolidated statement of changes in equity and 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 ("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 judgement, 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.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition for research services on fee-for-service ("FFS") basis and sales of goods on commercial manufacturing contracts ("CMO") basis	
As disclosed in Note 5 to the consolidated financial statements, for the year ended December 31, 2021, revenue of the Group in total was RMB10,290 million, of which RMB8,035 million and RMB1,649 million were derived from research services on FFS basis and sales of goods on CMO basis representing 78.1% and 16.0% total revenue, respectively. The management of the Group identified performance obligations in the contracts with customers and recognized revenue when control of the goods or services underlying the particular performance obligation is transferred to the customers. To a certain degree the identification and measurement of different components as distinct performance obligations were subject to management's judgement and interpretation on the terms of the contracts, which gave rise to the risk that revenue could be misstated due to the incorrect identification of particular performance obligation, resulting in an inappropriate timing on recognition of revenue. Therefore, we identified occurrence and cut-off assertions of revenue recognition for research services on FFS basis and sales of goods on CMO basis as a key audit matter.	Our procedures in relation to the revenue recognition for research services on FFS basis and sales of goods on CMO basis included: • Understanding key controls related to occurrence and cut-off assertions of revenue recognition for research services on FFS basis and sales of goods on CMO basis and evaluating the design and implementation and operating effectiveness of these controls; • Inquiring the management of the Group and examining the contract terms of for FFS basis and CMO basis, on sampling basis, to evaluate the appropriateness of the identification of each performance obligation and the timing of revenue recognition determined by the management in accordance with IFRS 15 *Revenue from Contracts with Customers;* • Selecting samples from recorded sales transactions from research services on FFS basis and sales of goods on CMO basis and examining evidences supporting the transfer of control of services or goods; • Testing, on sampling basis, revenue recognized for research services on FFS basis and sales of goods on CMO basis taking place before and after year-end and trace to evidences supporting the transfer of control of services or goods to determine that the revenue is recognized in the correct accounting period.

Key audit matter	How our audit addressed the key audit matter
Purchase price allocation ("PPA") arising from acquisition of subsidiaries/business	
As set out in Notes 16 and 41 to the consolidated financial statements, during the year ended December 31, 2021, the Group acquired CMAB Group from an independent third party, and acquired Payload and Linker Business from a related party (as defined and described in Notes 16 and 41 to the consolidated financial statements), at consideration of RMB1,591 million and RMB280 million, respectively. The Group has engaged independent valuation experts to perform PPA exercise for the two acquisitions, where the purchase consideration was allocated to the fair value of the identifiable assets acquired and liabilities assumed, resulting in the recognition of goodwill of RMB1,345 million and intangible assets of RMB286 million. We identified the PPA of these two acquisitions as a key audit matter as the determination of fair values of identifiable assets acquired and liabilities assumed, including the identification of intangible assets at acquisition date, required significant judgements in estimating the underlying assumptions applied in the valuation models.	Our procedures in relation to the PPA included: • Reviewing the key terms of agreements signed with the vendors (the "Agreements"), including the identification of purchase considerations, acquisition date and the relevant conditions as stipulated in the Agreements; • Concluding interviews with independent valuation experts engaged by the management, evaluating their independence and competence, and understanding their valuation basis and methodology adopted in assessing the fair value of the identifiable assets and liabilities at the date of the acquisitions; • Involving our internal valuation expert to evaluate the appropriateness of valuation basis and methodology used by the independent valuation experts, challenging the key assumptions adopted including revenue growth rate, discount rate, and the significant estimates and judgements made by the management of the Group in determining the fair value of the identifiable assets and liabilities at respective acquisition dates; and • Assessing the appropriateness of the disclosures regarding the acquisitions of subsidiaries/business in Notes 16 and 41 to the consolidated financial statements.

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 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.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

As part of an audit in accordance with HKSAs, we exercise professional judgement 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.

- Conclude on the appropriateness of the directors' 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.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

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 Leung, David.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

March 22, 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2021

	NOTES	2021 RMB'000	2020 RMB'000
Revenue	5	**10,290,050**	5,612,384
Cost of sales and services		**(5,461,153)**	(3,079,418)
Gross profit		**4,828,897**	2,532,966
Other income	6	**196,605**	220,137
Impairment losses, under expected credit loss model, net of reversal	9	**(156,667)**	(121,062)
Other gains and losses	7	**665,637**	283,404
Selling and marketing expenses		**(124,647)**	(94,415)
Administrative expenses		**(875,932)**	(511,436)
Research and development expenses		**(501,583)**	(303,734)
Share of profit of an associate		**—**	2,632
Financing costs	8	**(39,191)**	(42,732)
Profit before tax	9	**3,993,119**	1,965,760
Income tax expense	10	**(484,538)**	(273,066)
Profit for the year		**3,508,581**	1,692,694
Other comprehensive (expense) income			
Item that will not be reclassified to profit or loss:			
Fair value loss on investments in equity instruments at fair value through other comprehensive income ("FVTOCI")		**(29,819)**	(2,686)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(572,280)**	(24,297)
Fair value (loss) gain on hedging instruments designated in fair value hedges and cash flow hedges, net of income tax		**(116,506)**	226,600
Other comprehensive (expense) income for the year		**(718,605)**	199,617
Total comprehensive income for the year		**2,789,976**	1,892,311

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2021

	NOTE	2021 RMB'000	2020 RMB'000
Profit for the year attributable to:			
Owners of the Company		**3,388,478**	1,688,886
Non-controlling interests		**120,103**	3,808
		3,508,581	1,692,694
Total comprehensive income for the year attributable to:			
Owners of the Company		**2,697,354**	1,885,582
Non-controlling interests		**92,622**	6,729
		2,789,976	1,892,311
		RMB	RMB
Earnings per share — Basic	12	**0.81**	0.43
— Diluted	12	**0.77**	0.40

Consolidated Statement of Financial Position

At December 31, 2021

	NOTES	2021 RMB'000	2020 RMB'000
Non-current Assets			
Property, plant and equipment	14	**18,065,495**	11,996,171
Right-of-use assets	15	**1,690,301**	874,153
Goodwill	16	**1,529,914**	185,408
Intangible assets	19	**600,654**	391,857
Investment of an associate measured at fair value through profit or loss ("FVTPL")	17	**752,275**	187,520
Equity instruments at FVTOCI	20	**94,413**	127,167
Financial assets at FVTPL	21	**1,356,134**	758,813
Finance lease receivables	22	**124,485**	87,672
Derivative financial assets	31	**10,942**	20,870
Deferred tax assets	18	**220,787**	80,136
Other long-term deposits and prepayments	23	**57,482**	49,478
		24,502,882	14,759,245
Current Assets			
Inventories	24	**1,687,375**	1,084,192
Finance lease receivables	22	**13,564**	8,615
Trade and other receivables	26	**4,857,319**	3,241,878
Contract assets	27	**132,545**	24,069
Contract costs	25	**1,005,470**	392,123
Tax recoverable		**9,436**	3,147
Derivative financial assets	31	**479,557**	440,997
Financial assets at FVTPL	21	**975,578**	112,469
Pledged bank deposits	28	**217,991**	528,787
Time deposits	28	**1,147,626**	1,272,356
Bank balances and cash	28	**9,003,280**	7,095,735
		19,529,741	14,204,368
Current Liabilities			
Trade and other payables	29	**3,697,819**	2,728,543
Borrowings	32	**2,121,895**	767,126
Contract liabilities	30	**1,733,799**	664,863
Income tax payable		**557,725**	250,893
Lease liabilities	33	**103,561**	60,711
Derivative financial liabilities	31	**40,890**	26,112
		8,255,689	4,498,248
Net Current Assets		**11,274,052**	9,706,120
Total Assets less Current Liabilities		**35,776,934**	24,465,365

Consolidated Statement of Financial Position

At December 31, 2021

	NOTES	2021 RMB'000	2020 RMB'000
Non-current Liabilities			
Deferred tax liabilities	18	**124,211**	180,885
Borrowings	32	**640,513**	1,837,623
Contract liabilities	30	**652,598**	659,949
Lease liabilities	33	**1,429,318**	666,513
Deferred income	34	**224,128**	213,740
Derivative financial liabilities	31	**—**	7,259
		3,070,768	3,565,969
Net Assets		**32,706,166**	20,899,396
Capital and Reserves			
Share capital	35	**235**	225
Reserves		**32,278,358**	20,564,220
Equity attributable to owners of the Company		**32,278,593**	20,564,445
Non-controlling interests		**427,573**	334,951
Total Equity		**32,706,166**	20,899,396

The consolidated financial statements on pages 101 to 272 were approved and authorized for issue by the Board of Directors on March 22, 2022 and are signed on its behalf by:

Zhisheng Chen
DIRECTOR

Weichang Zhou
DIRECTOR

	Attributable to owners of the Company												
	Share capital RMB'000	Treasury stock RMB'000 *(note iv)*	Share premium RMB'000	Statutory reserve RMB'000 *(note i)*	Equity-settled share-based compensation reserve RMB'000 *(note ii)*	Cash flow and fair value hedging reserve RMB'000	FVTOCI reserve RMB'000	Group reorganization reserve RMB'000 *(note iii)*	Foreign currency translation reserve RMB'000	Retained earnings RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At January 1, 2020	214	–	10,260,207	201,182	435,907	15,120	–	(4,636)	(2,526)	1,878,895	12,784,363	111,737	12,896,100
Profit for the year	–	–	–	–	–	–	–	–	–	1,688,886	1,688,886	3,808	1,692,694
Other comprehensive income (expense) for the year													
– Fair value adjustments on fair value hedges and cash flow hedges	–	–	–	–	–	365,045	–	–	–	–	365,045	–	365,045
– Recycling from cash flow hedging reserve to profit or loss	–	–	–	–	–	(138,445)	–	–	–	–	(138,445)	–	(138,445)
– Fair value change of equity instruments at FVTOCI	–	–	–	–	–	–	(2,686)	–	–	–	(2,686)	–	(2,686)
– Exchange differences arising from translation of foreign operations	–	–	–	–	–	–	–	–	(27,218)	–	(27,218)	2,921	(24,297)
Total comprehensive income (expense) for the year	–	–	–	–	–	226,600	(2,686)	–	(27,218)	1,688,886	1,885,582	6,729	1,892,311
Transfer to statutory reserve	–	–	–	132,475	–	–	–	–	–	(132,475)	–	–	–
Recognition of equity-settled share-based compensation	–	–	–	–	284,177	–	–	–	–	–	284,177	–	284,177
Exercise of pre-IPO share options and vest of restricted shares	2	–	143,676	–	(79,553)	–	–	–	–	–	64,125	–	64,125
Issue of new shares *(Note 35)*	9	–	5,584,741	–	–	–	–	–	–	–	5,584,750	–	5,584,750
Capital injection by non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	216,892	216,892
Disposal of partial equity interest in subsidiaries without losing control	–	–	–	–	–	–	–	–	–	407	407	(407)	–
Transaction costs attributable to issue of new shares	–	–	(38,959)	–	–	–	–	–	–	–	(38,959)	–	(38,959)
At December 31, 2020	225	–	15,949,665	333,657	640,531	241,720	(2,686)	(4,636)	(29,744)	3,435,713	20,564,445	334,951	20,899,396
Profit for the year	–	–	–	–	–	–	–	–	–	3,388,478	3,388,478	120,103	3,508,581
Other comprehensive income (expense) for the year													
– Fair value adjustments on fair value hedges and cash flow hedges	–	–	–	–	–	341,385	–	–	–	–	341,385	–	341,385
– Recycling from cash flow and fair value hedging reserve to profit or loss	–	–	–	–	–	(457,891)	–	–	–	–	(457,891)	–	(457,891)
– Fair value change of equity instruments at FVTOCI	–	–	–	–	–	–	(29,819)	–	–	–	(29,819)	–	(29,819)
– Exchange differences arising from translation of foreign operations	–	–	–	–	–	–	–	–	(544,799)	–	(544,799)	(27,481)	(572,280)
Total comprehensive (expense) income for the year	–	–	–	–	–	(116,506)	(29,819)	–	(544,799)	3,388,478	2,697,354	92,622	2,789,976

Consolidated Statement of Changes In Equity

For the year ended December 31, 2021

	Attributable to owners of the Company												
	Share capital RMB'000	Treasury stock RMB'000 *(note iv)*	Share premium RMB'000	Statutory reserve RMB'000 *(note i)*	Equity-settled share-based compensation reserve RMB'000 *(note ii)*	Cash flow and fair value hedging reserve RMB'000	FVTOCI reserve RMB'000	Group reorganization reserve RMB'000 *(note iii)*	Foreign currency translation reserve RMB'000	Retained earnings RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
Transfer to statutory reserve	–	–	–	303,650	–	–	–	–	–	(303,650)	–	–	–
Recognition of equity-settled share-based compensation	–	–	–	–	577,952	–	–	–	–	–	577,952	–	577,952
Exercise of pre-IPO share options and vest of restricted shares	3	–	195,810	–	(138,885)	–	–	–	–	–	56,928	–	56,928
Issue of new shares *(Note 35)*	7	–	10,977,731	–	–	–	–	–	–	–	10,977,738	–	10,977,738
Transaction costs attributable to issue of new shares	–	–	(78,709)	–	–	–	–	–	–	–	(78,709)	–	(78,709)
Repurchase of shares	–	(2,517,115)	–	–	–	–	–	–	–	–	(2,517,115)	–	(2,517,115)
At December 31, 2021	235	(2,517,115)	27,044,497	637,307	1,079,598	125,214	(32,505)	(4,636)	(574,543)	6,520,541	32,278,593	427,573	32,706,166

Notes:

i. In accordance with the Articles of Association of all subsidiaries of WuXi Biologics (Cayman) Inc. (the "Company") established in the People's Republic of China (the "PRC"), they are required to transfer 10% of the profit after tax to the statutory reserve until the reserve reaches 50% of their 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 subsidiaries.

ii. The amount represents the equity-settled share-based compensation in respect of share options for shares of WuXi PharmaTech (Cayman) Inc. ("WuXi PharmaTech"), the then ultimate holding company of the Company before the completion of the group reorganization of the Company (see note iii below), for the equity instruments granted by WuXi PharmaTech to certain directors of the Company and employees of the Company and its subsidiaries (collectively referred to as the "Group") for their service rendered to the Group, the equity-settled share-based compensation under the Company's pre-IPO share option scheme (the "Pre-IPO Share Option Scheme"), the Company's restricted share award scheme (the "Restricted Share Award Scheme") and the Company's global partner program share scheme (the "Global Partner Program Share Scheme") as disclosed in Note 43.

iii. Group reorganization reserve represents the combined capital contribution of the entities comprising the Group, net of the settlement of the payables to their then shareholders; and the administration service cost borne or on behalf of the fellow subsidiaries by the Company prior to the completion of a group reorganization to rationalize the current group structure as at December 31, 2015.

iv. During the year ended December 31, 2021, the Company repurchased its own ordinary shares through The Stock Exchange of Hong Kong Limited as follows:

Month of repurchase	No. of ordinary shares	Price per share Highest HK$	Price per share Lowest HK$	Aggregate consideration paid RMB'000
December, 2021	34,622,500	94.35	85.90	2,517,115

The above ordinary shares were cancelled on January 14, 2022.

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

Consolidated Statement of Cash Flows

For the year ended December 31, 2021

	2021 RMB'000	2020 RMB'000
OPERATING ACTIVITIES		
Profit before tax	**3,993,119**	1,965,760
Adjustments for:		
Financing costs	**39,191**	42,732
Interest income from banks and other financial assets at amortized cost	**(58,026)**	(80,864)
Share of profit of an associate	**—**	(2,632)
Depreciation for property, plant and equipment	**404,573**	236,866
Depreciation of right-of-use assets	**29,541**	34,094
Amortization of intangible assets	**47,669**	32,049
Amortization of retention bonus	**—**	951
Impairment loss, net of reversal		
— trade and other receivables	**153,955**	121,629
— contract assets	**2,712**	(567)
Write down of inventories	**220,561**	19,341
Write down of contract costs	**90,488**	13,266
Net foreign exchange loss	**12,319**	63,312
Share-based compensation expense	**531,923**	276,370
Income from research and other grants	**(26,292)**	(10,953)
Gain on fair value changes of wealth management products	**(60,853)**	(26,812)
Gain on fair value changes of equity investments at FVTPL	**(238,534)**	(344,625)
Gain on fair value changes of investment of an associate measured at FVTPL	**(366,053)**	—
Gain on fair value changes of derivative financial instruments	**(32,593)**	—
Loss on disposal of property, plant and equipment	**870**	2,660
Operating cash flows before movements in working capital	**4,744,570**	2,342,577
Increase in inventories	**(783,185)**	(704,522)
(Increase) decrease in contract costs	**(548,364)**	8,152
Increase in trade and other receivables	**(1,329,724)**	(1,418,264)
(Increase) decrease in contract assets	**(111,188)**	16,477
Increase in other long-term deposits	**(3,409)**	(3,924)
Increase in contract liabilities	**1,061,585**	988,417
Increase in trade and other payables	**741,847**	747,171
Increase (decrease) in deferred income	**9,112**	(570)
Cash generated from operations	**3,781,244**	1,975,514
Income tax paid	**(349,986)**	(94,238)
NET CASH FROM OPERATING ACTIVITIES	**3,431,258**	1,881,276

Consolidated Statement of Cash Flows

For the year ended December 31, 2021

	NOTE	2021 RMB'000	2020 RMB'000
INVESTING ACTIVITIES			
Proceeds on disposal of property, plant and equipment		80,856	66,485
Purchases of property, plant and equipment		(6,507,803)	(6,024,780)
Payment for consideration payables for acquisition of a subsidiary in prior year		(19,010)	(5,684)
Net cash outflow on acquisition of subsidiaries	41	(2,161,594)	—
Payment for potential acquisition		—	(149,555)
Payments for right-of-use assets		(15,311)	—
Payments for rental deposits		(21,317)	(6,232)
Acquisition of investment of an associate measured at FVTPL		(354,526)	—
Research and other grants received		32,302	75,368
Withdrawal of pledged bank deposits		320,922	—
Placement of pledged bank deposits		(17,960)	(97,147)
Withdrawal of other financial assets		—	1,551,000
Placement of other financial assets		—	(1,093,000)
Withdrawal of financial assets at FVTPL		56,965,048	16,571,311
Placement of financial assets at FVTPL		(58,135,876)	(16,786,266)
Receipt of interest from banks		67,992	78,635
Withdrawal of time deposits		1,261,582	1,077,789
Placement of time deposits		(1,164,244)	(2,474,185)
Net settlement of derivative financial instruments		17,269	49,978
Loan to an associate		—	(50,000)
Repayment for loan to an associate		50,000	—
NET CASH USED IN INVESTING ACTIVITIES		(9,601,670)	(7,216,283)
FINANCING ACTIVITIES			
Proceeds from bank borrowings		675,284	1,171,239
Repayments of bank borrowings		(728,267)	(300,781)
Interest paid		(83,200)	(82,544)
Repayments of lease liabilities		(93,843)	(49,078)
Proceeds from issue of ordinary shares		10,977,738	5,584,750
Transaction costs attributable to issue of shares		(78,709)	(38,959)
Proceeds from exercise of pre-IPO share options		57,571	64,125
Capital injection by non-controlling shareholders		—	216,892
Payment on repurchase of shares		(2,517,115)	—
NET CASH FROM FINANCING ACTIVITIES		8,209,459	6,565,644
Effect of foreign exchange rate changes		(131,502)	(340,398)
NET INCREASE IN CASH AND CASH EQUIVALENTS		1,907,545	890,239
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		7,095,735	6,205,496
CASH AND CASH EQUIVALENTS AT END OF YEAR, represented by bank balances and cash		9,003,280	7,095,735

1. GENERAL INFORMATION

The Company was established in the Cayman Islands as an exempted company with limited liability on February 27, 2014, and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since June 13, 2017. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report. The Company is an investment holding company. The Group is principally engaged in provision of discovery, development of biologics services and manufacturing of biologics products.

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

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 period beginning on or after January 1, 2021 for the preparation of the consolidated financial statements:

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform — Phase 2*

In addition, the Group has early applied the Amendment to IFRS 16 *Covid-19-Related Rent Concessions beyond June 30, 2021*.

In addition, the Group also 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 realizable value of inventories.

Except as described below, 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.

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

Amendments to IFRSs that are mandatorily effective for the current year (Continued)

2.1 Impacts on early application of Amendment to IFRS 16 Covid-19-Related Rent Concessions beyond June 30, 2021

The Group has early applied the amendment in the current year. The amendment extends the availability of the practical expedient in paragraph 46A of IFRS 16 *Leases* ("IFRS 16") by one year so that the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2022, provided the other conditions for applying the practical expedient are met.

The application of this amendment has had no material impact on the Group's financial positions and performance for the current and prior years.

2.2 Impacts on application of Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform — Phase 2

The Group has applied the amendments for the first time in the current year. The amendments relate to changes in the basis for determining the contractual cash flows of financial assets, financial liabilities and lease liabilities as a result of interest rate benchmark reform, specific hedge accounting requirements and the related disclosure requirements applying IFRS 7 *Financial Instruments: Disclosures* ("IFRS 7").

As at January 1, 2021, the Group has several financial liabilities and derivative financial liabilities, the interests of which are indexed to benchmark rates that will or may be subject to interest rate benchmark reform. The following table shows the total amounts of these outstanding contracts. The amounts of financial assets and liabilities are shown at their carrying amounts and derivatives are shown at their notional amounts.

	London Interbank Offered Rate ("LIBOR") '000
Financial liabilities	
Bank loans	
— United States Dollars ("US$")	350,000
Derivatives	
Interest rate swaps	
— US$	256,720

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

Amendments to IFRSs that are mandatorily effective for the current year (Continued)

2.2 Impacts on application of Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform — Phase 2 (Continued)

The amendments have had no impact on the consolidated financial statements as none of the relevant contracts has been transitioned to the relevant replacement rates during the year. The Group will apply the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for bank loans and interest rate swaps. Additional disclosures as required by IFRS 7 are set out in Note 37.

2.3 Impacts on application of the agenda decision of the Committee — Cost necessary to sell inventories (IAS 2 Inventories)

In June 2021, the Committee, through its agenda decision, clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realizable value of inventories. In particular, whether such costs should be limited to those that are incremental to the sale. The Committee concluded that the estimated costs necessary to make the sale should not be limited to those that are incremental but should also include costs that an entity must incur to sell its inventories including those that are not incremental to a particular sale.

The Group's accounting policy prior to the Committee's agenda decision was to determine the net realizable value of inventories taking into consideration incremental costs only. Upon application of the Committee's agenda decision, the Group changed its accounting policy to determine the net realizable value of inventories taking into consideration both incremental costs and other cost necessary to sell inventories. The new accounting policy has been applied retrospectively.

The application of the Committee's agenda decision has had no material impact on the Group's financial positions and performance.

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

New and amendments to IFRSs in issue but not yet effective

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

IFRS 17	*Insurance Contracts and the related Amendments*[2]
Amendments to IFRS 3	*Reference to the Conceptual Framework*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[2]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[2]
Amendments to IAS 8	*Definition of Accounting Estimates*[2]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[2]
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[1]
Amendments to IAS 37	*Onerous Contracts — Cost of Fulfilling a Contract*[1]
Amendments to IFRS Standards	*Annual Improvements to IFRS Standards 2018–2020*[1]

1 Effective for annual periods beginning on or after 1 January 2022.
2 Effective for annual periods beginning on or after 1 January 2023.
3 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 the 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 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.

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 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Continued)

Upon the application of the amendments, the Group will recognize 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 utilized) 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 RMB1,690,301,000 and RMB1,532,879,000 respectively. The Group is still in the process of assessing the full impact of the application of the amendments. 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

3.1 Basis of preparation of consolidated financial statements

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

The directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.1 Basis of preparation of consolidated financial statements (Continued)

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments 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 the 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*.

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)

3.2 Significant accounting policies

Basis of consolidation

The consolidated financial statements incorporate the financial statements 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 Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group 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 in line with the Group's accounting policies.

All intragroup 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)

3.2 Significant accounting policies (Continued)

Basis of consolidation (Continued)

Changes in the Group's interests in existing subsidiaries

Changes in the Group's 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 recognized 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 derecognized. A gain or loss is recognized 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 recognized 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 ("IFRS 9") or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Business combinations or asset acquisitions

Optional concentration test

Effective from January 1, 2020, 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 recognizes the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets/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.

Business combinations

Acquisitions of businesses 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 recognized 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* (replaced by the *Conceptual Framework for Financial Reporting* issued in September 2010).

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Business combinations or asset acquisitions (Continued)

Business combinations (Continued)

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized 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 acquiree are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below);

- 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 recognized 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 the lease term ends within 12 months of the acquisition date. Right-of-use assets are recognized 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 re-assessment, the net amount 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 recognized immediately in profit or loss as a bargain purchase gain.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Business combinations or asset acquisitions (Continued)

Business combinations (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 recognized amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period (which cannot exceed one year from the acquisition date), and additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

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 group 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Goodwill (Continued)

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 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 is described below.

Investments in subsidiaries

Investments in subsidiaries are stated at cost less than any identified impairment loss on the statement of financial position of the Company.

Investment in an associate measured at FVTPL

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Revenue from contracts with customers

The Group recognizes 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 recognized 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 or 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 recognized 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Revenue from contracts with customers (Continued)

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations (i.e. fee-for-service ("FFS") and commercial manufacturing organization ("CMO") contracts usually have multiple deliverable units, which are generally in the form of technical laboratory reports, samples and/or goods), the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis, except for the allocation of discounts and variable consideration.

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 judgement 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 measures its progress using either units produced/services transferred to the customer to date (output method) or cost-to-cost (input method).

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Revenue from contracts with customers (Continued)

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation (Continued)

Output method:

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognize revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

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 recognizes revenue in the amount to which the Group has the right to invoice.

Input method:

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognize revenue on the basis of the Group's costs incurred to date to the satisfaction of a performance obligation relative to the total expected costs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

Variable consideration

For contracts that contain variable consideration (usually in the form of a milestone bonus when the service provided to the customer has reached into a certain stage or delivered a certain result), the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Revenue from contracts with customers (Continued)

Variable consideration (Continued)

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.

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.

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

For advance payments received from customers before the transfer of the associated goods or services in which the Group adjusts for the promised amount of consideration for a significant financing component, the Group applies a discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. The relevant interest expenses during the period between the advance payments were received and the transfer of the associated goods and services are accounted for on the same basis as other borrowing costs.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Revenue from contracts with customers (Continued)

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.

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 recognizes 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

Costs to fulfil a contract

The Group incurs costs to fulfil a contact in its service contracts. The Group first assesses whether these costs qualify for recognition as an asset in terms of other relevant standards, failing which it recognizes an asset for these costs only if they meet all of the following criteria:

(a) the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;

(b) 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

(c) the costs are expected to be recovered.

The asset so recognized 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 also subject to impairment review.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

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, 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

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component on the basis of their relative stand-alone prices and are accounted for by applying other applicable standards.

Short-term leases

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognized as expense on a straight-line basis or another systematic basis over the lease term.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee (Continued)

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, unless those costs are incurred to produce inventories.

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.

When the Group obtains ownership of the underlying leased assets at the end of the lease term, upon exercising purchase options, the cost of the relevant right-of-use assets and the related accumulated depreciation and impairment loss are transferred to property, plant and equipment.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee (Continued)

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 recognizes 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.

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognized as expense in the period in which the event or condition that triggers the payment occurs.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 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 market rental rates following a market rent review, 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

Except for Covid-19-related rent concessions in which the Group applied the practical expedient, 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Lease modifications (Continued)

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 a lease component and one or more additional lease or non-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 and the aggregate stand-alone price of the non-lease components.

Covid-19-related rent concessions

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

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

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 IFRS 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 recognized in the profit or loss in the period in which the event occurs.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Leases (Continued)

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 recognized 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 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 recognized 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 recognized as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than functional currency of that entity (foreign currencies) are recognized at the rates of exchanges prevailing on the dates of the transactions. At the end of the 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Foreign currencies (Continued)

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized 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 foreign operations are translated into the presentation currency of the Group (i.e. Renminbi) using exchange rate prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Any specific borrowing that remains outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalization rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Research and other grants

Research and other grants are accounted for in accordance with IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*. Research and other grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Research and other grants (Continued)

Research and other grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, research and other grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized 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.

Research and 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 recognized in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

Employee benefits

Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

Pension obligations

The Group participates in state-managed retirement benefit schemes, which are defined contribution schemes, pursuant to which the Group pays a fixed percentage of its qualifying staff's wages as contributions to the schemes. Payments to such retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognized at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognized as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Employee benefits (Continued)

Short-term employee benefits (Continued)

A liability is recognized for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Share-based payments

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees (including directors of the Company) 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 (equity-settled share-based compensation 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 recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled share-based compensation reserve.

When the share options are exercised, the amount previously recognized in equity-settled share-based compensation reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognized in equity-settled share-based compensation reserve will continue to be held in equity-settled share-based compensation reserve.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Share-based payments (Continued)

Equity-settled share-based payment transactions (Continued)

Equity instruments granted by the then ultimate holding company to employees of the Group

The grant by the then ultimate holding company of equity instruments under its employee stock incentive plan to the employees of the Group (including directors of the Company) is treated as equity-settled share-based payments in the consolidated financial statements. An expense for the grant date fair value of the equity instruments under the employee stock incentive plan is recognized over the vesting period of the instruments, with a corresponding increase in equity. The increase in equity is treated as a deemed capital contribution into the Group and is included in equity-settled share-based compensation reserve.

Restricted share award payment transactions

For shares of the Group granted under Restricted Share Award Scheme and Global Partner Program Share Scheme ("Restricted Shares"), the fair value of the employee services received is determined by reference to the fair value of the Restricted Shares granted at the grant date and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (equity-settled share-based compensation reserve). At the end of each reporting period, the Group revises its estimates of the number of Restricted Shares that are expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the estimates, if any, is recognized in the profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity-settled share-based compensation reserve.

When the Restricted Shares vested, the amount previously recognized in equity-settled share-based compensation reserve will be transferred to share premium.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

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 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 recognized 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 recognized for all taxable temporary differences. Deferred tax assets are generally recognized 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 recognized 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 recognized if the temporary differences arises from the initial recognition of goodwill.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates 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 are only recognized 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Taxation (Continued)

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.

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 recognizes 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 transaction in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 *Income Taxes* 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 resulting 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 recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Taxation (Continued)

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be use by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment other than assets under construction in progress are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Freehold lands are not depreciated and are measured at cost less subsequent accumulated impairment losses.

Property, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized 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 capitalized in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other assets, commences when the assets are ready for their intended use.

Depreciation is recognized so as to write off the cost of assets other than property, plant and equipment in the course of construction 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 the 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)

3.2 Significant accounting policies (Continued)

Property, plant and equipment (Continued)

An item of property, plant and equipment is derecognized 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 property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortization and any accumulated impairment losses. Amortization for intangible assets with finite useful lives is recognized 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.

Internally-generated intangible asset — research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities is recognized if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset 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;
- how 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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Intangible assets (Continued)

Internally-generated intangible asset — research and development expenditure (Continued)

- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized 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 recognized, development expenditure is recognized 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.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognized separately from goodwill and are initially recognized 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 with finite useful lives are reported at costs less accumulated amortization and any accumulated impairment losses on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognized 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 recognized in profit or loss when the asset is derecognized.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Impairment on property, plant and equipment, right-of-use assets, contract costs and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets, intangible assets with finite useful lives and contract costs to determine whether there is any indication that these 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.

Before the Group recognizes an impairment loss for assets capitalized as contract costs under IFRS 15, the Group assesses and recognizes any impairment loss on other assets related to the relevant contracts in accordance with applicable standards. Then, impairment loss, if any, for assets capitalized as contract costs is recognized 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 recognized as expenses. The assets capitalized 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Impairment on property, plant and equipment, right-of-use assets, contract costs and intangible assets other than goodwill (Continued)

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 recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) 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 recognized for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

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 recognized 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 recognized 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).

Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognized and derecognized 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 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 attributable to the acquisition of financial assets at FVTPL are recognized immediately in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

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 collect contractual cash flows; 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.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial assets is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; 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.

All other financial assets are subsequently measured at FVTPL, except that at 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 ("OCI") if that equity investment is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 *Business Combinations* applies.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a 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 that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that is required to be measured at the amortized cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

(i) Amortized cost and interest income

Interest income is recognized 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 recognized 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 recognized 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognized in OCI and accumulated in FVTOCI reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity instruments, and will be transferred to retained earnings.

Dividends from these investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other gains and losses" line item in profit or loss.

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortized cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets as FVTPL are measured at fair value at the end of each reporting, with any fair value gains or losses recognized in profit or loss. The net gain or loss recognized in profit or loss includes any interest earned on the financial asset and is included in the "other gains and losses" line item.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 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 expected credit loss ("ECL") model on financial assets (including trade receivables, loan receivables, receivables for purchase of raw materials on behalf of customers, other receivables, other financial assets, other long-term deposits, bill receivables, time deposits, pledged bank deposits and bank balances) and other items (finance lease receivables and contract assets) which are subject to impairment assessment 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 recognizes lifetime ECL for trade receivable, contract assets and finance lease receivables.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognizes lifetime ECL. The assessment of whether lifetime ECL should be recognized is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (Continued)

(i) 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.

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, 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;
- 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (Continued)

(i) Significant increase in credit risk (Continued)

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 60 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

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.

(ii) 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 analysis, the Group considers that default has occurred when a financial asset is more than 180 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (Continued)

(iii) 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; or

e) the disappearance of an active market for that financial asset because of financial difficulties.

(iv) 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. 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 recognized in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (Continued)

(v) 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 and 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, adjusted for 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 the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with IFRS 16.

Lifetime ECL for certain trade receivables/contract assets/finance lease receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (Continued)

(v) Measurement and recognition of ECL (Continued)

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 recognizes an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables, finance lease receivables, receivables for purchase of raw materials on behalf of customers and contract assets where the corresponding adjustment is recognized through a loss allowance account.

Derecognition/modification of financial assets

The Group derecognizes 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 entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

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 recognized in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Derecognition/modification of financial assets (Continued)

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is not reclassified to profit or loss, but is transferred to retained earnings.

A modification of a financial asset occurs if the contractual cash flows are renegotiated or otherwise modified.

When the contractual terms of a financial asset are modified, the Group assesses whether the revised terms result in a substantial modification from original terms taking into account all relevant facts and circumstances including qualitative factors. If qualitative assessment is not conclusive, the Group considers the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial asset.

For non-substantial modifications of financial assets that do not result in derecognition, the carrying amount of the relevant financial assets will be calculated at the present value of the modified contractual cash flows discounted at the financial assets' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial assets and are amortized over the remaining term. Any adjustment to the carrying amount of the financial asset is recognized in profit or loss at the date of modification.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

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 recognized at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognized and deducted directly in equity. No gain or loss is recognized in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities at amortized cost

Financial liabilities including borrowings and trade and other payables are subsequently measured at amortized cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognizes 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 derecognized and the consideration paid and payable is recognized in profit or loss.

Derivative financial instruments

Derivatives are initially recognized 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 recognized 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Hedge accounting

The Group designates certain derivatives as hedging instruments for fair value hedges and 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Hedge accounting (Continued)

Assessment of hedging relationship and effectiveness (Continued)

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.

For changes made to the hedged risk, hedged item or hedging instrument required by interest rate benchmark reform, the Group amends the formal designation of a hedging relationship to reflect the changes by the end of the reporting period during which the relevant changes were made. Such an amendment to the formal designation of the hedging relationship constitutes neither the discontinuation of the hedging relationship nor the designation of a new hedging relationship.

Fair value hedges

The fair value change on qualifying hedging instruments is recognized in profit or loss.

The carrying amount of a hedged item not already measured at fair value is adjusted for the fair value change attributable to the hedged risk with a corresponding entry in profit or loss.

Where hedging gains or losses are recognized in profit or loss, they are recognized in the same line as the hedged item.

The Group separates the intrinsic value and time value of certain forward extra contracts and designates as the hedging instrument only the change in intrinsic value and not the change in its time value. The change in fair value of the time value shall be recognized in other comprehensive income to the extent that it relates to the hedged item and shall be accumulated in a separate component of equity.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Hedge accounting (Continued)

Cash flow hedges

The effective portion of changes in the fair value of derivatives instruments that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated 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 recognized immediately in profit or loss, and is included in the "other gains and losses" line item.

When a hedged item in a cash flow hedge is amended to reflect the changes that are required by the interest rate benchmark reform, the amount accumulated in the cash flow hedge reserve is deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined.

Amounts previously recognized 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 recognized 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 recognized 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

3.2 Significant accounting policies (Continued)

Financial instruments (Continued)

Hedge accounting (Continued)

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 recognized in other comprehensive income and accumulated in equity at that time remains in equity and is recognized when the forecast transactions is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

4. CRITICAL ACCOUNTING JUDGEMENTS 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 judgements, estimates and assumptions about the carrying amounts of assets that are not readily apparent from other sources. The estimates and underlying 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 assumption are reviewed on an on-going basis. Revisions to accounting estimates are recognized 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 revision affects both current and future periods.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations, 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 recognized in the consolidated financial statements.

Performance obligation determination

For contracts that contain more than one performance obligations (i.e. FFS and CMO contracts usually have multiple deliverable units, which are generally in the form of technical laboratory reports, samples and/or goods), the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis, except for the allocation of discounts and variable consideration.

A performance obligation represents a good and service that is distinct or a series of distinct goods or services that are substantially the same. In certain sales contracts, the Group is required to fulfil multiple promised goods and/or services. In determining performance obligations, the management of the Group used judgements and interpretation of the contracts in identification of contractual components and related performance obligations, based on which the management of the Group concluded those goods and/or services as single or combined performance obligations.

Judgement in identifying whether a contract includes a lease — a contract manufacturing agreement for certain vaccine products with an independent third party customer

The Group entered into a contract manufacturing agreement pursuant to which the Group shall build an integrated vaccine manufacturing facility in Ireland, and manufacture for, and supply to, an independent global vaccine leader (the "Vaccine Partner") certain vaccine products for a 20-year period. The Group has only one manufacturing facility and the related plant and machinery that can meet the needs of the Vaccine Partner and is unable to source the vaccine products from other third party supplier. The Group makes substantially all decisions about the operations in order to fulfill the performance obligations in the contracts.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Critical judgements in applying accounting policies (Continued)

Judgement in identifying whether a contract includes a lease — a contract manufacturing agreement for certain vaccine products with an independent third party customer (Continued)

The directors of the Company assessed whether the Vaccine Partner has the right to direct the use of the manufacturing facility and whether contract with the Vaccine Partner contains a lease. After assessing the right to direct the use of the identified assets, the directors of the Company have considered that the Vaccine Partner does not have the right to direct how and for what purpose the manufacturing facility is designed and constructed throughout the construction and production period. As a result, the directors of the Company concluded that the Vaccine Partner does not have the right to direct the use of the manufacturing facility, and therefore the contract does not contain a lease.

Determination on lease term of contracts with renewal options

The Group applies judgement to determine the lease term for lease contracts in which it is a lessee that include renewal option. The assessment of whether the Group is reasonably certain to exercise renewal options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized. Re-assessment is performed upon the occurrence of either a significant event or a significant change in circumstances that is within the control of lessee and that affects the assessment.

When assessing reasonable certainty, the Group considers all relevant facts and circumstances including economic incentives/penalties for exercising or not exercising the options. Factors considered include:

- contractual terms and conditions for the optional periods compared with market rates (e.g. whether the amount of payments in the optional periods is below the market rates);
- costs relating to termination of the lease (e.g. relocation costs, costs of identifying another underlying asset suitable for the Group's needs).

During the year ended December 31, 2021 the Group entered into several lease contracts in which the Group is a lessee that include renewal option. The Group determines that it is reasonably certain to exercise the renewal option based on facts and circumstances for the lease, resulted in an additional amount of RMB202,678,000 (2020: RMB150,879,000) of right-of-use assets and lease liabilities recognized.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Provision of ECL for trade receivables and contract assets

The Group uses practical expedient in estimating ECL on trade receivables and contract assets which are not assessed individually using a provision matrix. The provision rates are based on internal credit ratings as groupings of various debtors taking into consideration the Group's historical default rates and 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 management of the Group has considered the impact of Covid-19 pandemic on the average loss rate used in the ECL model as at December 31, 2021. The information about the ECL and the Group's trade receivables and contract assets and are disclosed in Note 37(b).

As at December 31, 2021, the carrying amounts of trade receivables and contract assets are RMB3,123,755,000 and RMB132,545,000 respectively (2020: RMB2,332,698,000 and RMB24,069,000).

Fair value measurements of unlisted equity investments

As at December 31, 2021, certain of the Group's investments in unlisted equity instruments accounted under financial assets at FVTPL, equity instruments at FVTOCI and investment of an associate measured at FVTPL amounting to RMB599,262,000 (2020: RMB373,229,000), RMB94,413,000 (2020: RMB127,167,000) and RMB752,275,000 (2020: RMB187,520,000) respectively are measured at fair value being determined based on direct or indirect observable inputs or significant unobservable inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and relevant inputs thereof. Changes in assumption relating to these factors could affect the fair values of these instruments. Details of the fair value measurement are disclosed in Note 37(c).

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Estimated 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 (or a group of cash-generating units) and an appropriate discount rate in order to calculate the present value. 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 may arise.

As at December 31, 2021, the carrying amount of goodwill is RMB1,529,914,000 (2020: RMB185,408,000). Details of the recoverable amount calculation are disclosed in Note 16.

Estimated impairment of property, plant and equipment, right-of-use assets and intangible assets

Property, plant and equipment, right-of-use assets and intangible assets are stated at costs less accumulated depreciation/amortization and impairment, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash-generating unit to which the assets belongs, including allocation of corporate assets when a reasonable and consistent basis of allocation can be established, otherwise recoverable amount is determined at the smallest group of cash-generating units, for which the relevant corporate assets have been allocated. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect recoverable amounts.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Estimated impairment of property, plant and equipment, right-of-use assets and intangible assets (Continued)

During the year ended December 31, 2021, the management of the Group assessed whether an event, including but not limited to the Covid-19 pandemic impacts, has occurred or any indicators that may affect the asset value and concluded no event has occurred or any indicators that may affect the asset value thus no further impairment assessment on property, plant and equipment, right-of-use assets and intangible assets performed.

Impairment of contract costs

The Group assesses periodically if contract costs may not be recoverable based on an assessment of the remaining amount of consideration the Group expects to receive in exchange of goods or services. Impairment are applied to contract costs where events or changes in circumstances indicate that the remaining amount of consideration to receive less the costs directly related to providing goods or services that have not been recognized as expense is lower than the carrying amount of contract costs. The remaining amount of consideration to receive has been determined based on the remaining amount of consideration expected to be recognized upon the completion of the contract. Where the expectation is different from the original estimate, such difference will impact the carrying value of contract costs in the year in which such estimate changes.

As at December 31, 2021, the carrying amounts of contract costs was RMB1,005,470,000 (2020: RMB392,123,000) (net of write downs of RMB103,923,000 (2020: RMB13,266,000)).

5. REVENUE

(i) Disaggregation of revenue from contracts with customers

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

	2021 RMB'000	2020 RMB'000
Type of goods or services		
Services		
— Research services on FFS basis	**8,035,344**	5,359,823
— Research services on full-time-equivalent ("**FTE**") basis	**240,513**	131,749
— Project management organization ("**PMO**") services	**17,975**	2,051
	8,293,832	5,493,623
Sales of goods		
— Sales of goods on CMO basis	**1,649,289**	33,524
— Sales of other Biologics Products (as defined in (iii))	**346,929**	85,237
	1,996,218	118,761
Total	**10,290,050**	5,612,384

	2021 RMB'000	2020 RMB'000
Timing of revenue recognition		
A point in time		
— Research services on FFS basis	**8,002,518**	5,343,713
— Sales of goods on CMO basis	**1,649,289**	33,524
— Sales of other Biologics Products	**346,929**	85,237
Over time		
— Research services on FFS basis	**32,826**	16,110
— Research services on FTE basis	**240,513**	131,749
— PMO services	**17,975**	2,051
Total	**10,290,050**	5,612,384

5. REVENUE (Continued)

(ii) Transaction price allocated to the remaining performance obligation for contracts with customers

The aggregate amount of the transaction price allocated to performance obligations of goods or services that are unsatisfied (or partially unsatisfied) are approximately RMB87,710 million as at December 31, 2021 (December 31, 2020: RMB73,888 million) including no variable consideration. The management of the Group expects the transaction price allocated to the unsatisfied contracts will be recognized as revenue with approximately RMB8,607 million within one year (December 31, 2020: RMB6,101 million), approximately RMB21,559 million in 2–5 years (December 31, 2020: RMB18,038 million), approximately RMB26,835 million in 5–10 years (December 31, 2020: RMB31,711 million) and the remaining approximately RMB30,709 million will be recognized as revenue over 10 years from the year ended December 31, 2021 (December 31, 2020: RMB18,038 million).

For the purpose of resources allocation and performance assessment, the chief operating decision maker (i.e. the chief executive officer of the Company) reviews the overall results and financial position of the Group as a whole prepared based on the same accounting policies as set out in Note 3. Accordingly, the Group has only one single operating and reportable segment and no further analysis of this single segment is presented.

Geographical information

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

	2021 RMB'000	2020 RMB'000
Revenue		
— North America	**5,228,865**	2,479,155
— PRC	**2,510,740**	2,464,118
— Europe	**2,276,262**	446,604
— Rest of the world	**274,183**	222,507
	10,290,050	5,612,384

As at December 31, 2021, the Group's non-current assets located in Ireland, Germany, USA and Singapore amount to RMB7,743,261,000, RMB2,388,062,000, RMB1,078,688,000 and RMB3,954,000 respectively (2020: RMB5,835,495,000, RMB962,725,000, RMB452,971,000 and nil respectively), the remaining of the non-current assets are located in the PRC.

5. REVENUE (Continued)

(ii) Transaction price allocated to the remaining performance obligation for contracts with customers (Continued)

Information about major customers

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

	2021 RMB'000	2020 RMB'000
Customer A *(note)*	**1,520,777**	N/A

Note: N/A: not disclosed as amount less than 10% of total revenue.

(iii) Performance obligations for contracts with customers

Research services on FFS basis

The Group primarily earns revenue by providing research services to its customers through FFS contracts. Contract duration ranges from few months to years.

Typical FFS contracts

Majority of FFS contracts entered by the Group contain multiple deliverable units, which are generally in the form of technical laboratory reports and/or samples, each with individual selling price specified in the contract. Usually, the Group identifies each deliverable unit as a separate performance obligation, and recognizes FFS revenue of contractual elements at the point upon acceptance of the deliverable units or after the end of a confirmation period. The contracts include payment schedules which require stage payments over the research period once certain specified milestones are reached. The Group's performance does not create an asset with alternative future use since the Group cannot redirect the asset for use on another customer, and at the same time the Group has a present right to payment from the customers for services performed only upon acceptance of the deliverable units, therefore, the directors of the Company have concluded that the performance obligation of such FFS contract is satisfied at a point in time and recognized the FFS revenue at a point in time.

5. REVENUE (Continued)

(iii) Performance obligations for contracts with customers (Continued)

Research services on FFS basis (Continued)

Typical FFS contracts (Continued)

In addition, usually there is a performance obligation embedded in the abovementioned FFS contracts namely project management service for which the directors of the Company have assessed that the customers simultaneously receive and consume benefit provided by the Group's performances. As such, the directors of the Company concluded that the performance obligation of the project management service is satisfied over time and the associated revenue is recognized over the service period using input method.

Other FFS contracts

For certain type of FFS contracts, services are delivered to the customers based on the extent of progress towards completion of the performance obligation as the Group's performance does not create an asset with an alternative future use and the contract terms specify that the Group has an enforceable right to payment for performance completed to date. Therefore, revenue generated from such FFS contracts is recognized over time using input method.

Research services on FTE basis

For the research services provided on a FTE basis, the Group provides its customer with a project team of employees dedicated to the customer's studies for a specific period of time and charges the customer at a fixed hourly/daily rate per employee. For the services under FTE model, the directors of the Company have assessed that the customers simultaneously receive and consume benefit provided by the Group's performances. Therefore, the performance obligation of FTE services is satisfied over time and FTE revenue is recognized over the service period. The customers shall pay the Group a prorated amount for the service based on the fixed rate per employee.

5. REVENUE (Continued)

(iii) Performance obligations for contracts with customers (Continued)

Sales of goods on CMO basis and other Biologics Products

The Group engages in production and sales of drug substance and/or drug products on CMO basis or biologics purification medium and chromatographic column ("other Biologics Products") under customers' specific order. The directors of the Company have determined that performance obligations are satisfied upon customers' acceptance of the deliverable goods. Therefore, the performance obligations of CMO contracts and other Biologics Products are satisfied at a point in time and the associated revenue is recognized at a point in time upon customers' acceptance of the deliverable goods.

PMO services

The Group engages in PMO by providing its customers with the construction project management service on facilities. For PMO services, the directors of the Company have assessed that the customers simultaneously receive and consume benefit provided by the Group's performances. Therefore, the management of the Group have concluded that the performance obligation on PMO services is satisfied over time and the associated revenue is recognized over the service period using input method.

6. OTHER INCOME

	2021 RMB'000	2020 RMB'000
Interest income from banks and other financial assets at amortized cost	**58,026**	80,864
Research and other grants related to		
— Asset *(note i)*	**26,292**	10,953
— Income *(note ii)*	**111,638**	127,201
Others	**649**	1,119
	196,605	220,137

Notes:

i. The Group has received certain research and other grants for investing in laboratory equipment. The grants were recognized in profit or loss over the useful lives of the relevant assets. Details of the grants are set out in Note 34.

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

7. OTHER GAINS AND LOSSES

	2021 RMB'000	2020 RMB'000
Net foreign exchange loss	**(32,584)**	(91,298)
Gain on derivative financial instruments	**32,593**	—
Fair value gain on		
— listed equity securities at FVTPL	**164,106**	341,595
— unlisted equity investments at FVTPL	**74,428**	3,030
— investment of an associate measured at FVTPL	**366,053**	—
— wealth management products	**60,853**	26,812
Others	**188**	3,265
	665,637	283,404

8. FINANCING COSTS

	2021 RMB'000	2020 RMB'000
Interest expense on financing component of an advance payment received from a customer	**9,752**	8,377
Interest expense on bank borrowings	**53,509**	57,143
Interest expense on lease liabilities	**39,966**	20,901
Less: amounts capitalized in the cost of qualifying assets	**(64,036)**	(43,689)
	39,191	42,732

During the current year, borrowing cost arose on the certain general borrowings were capitalized to expenditure on qualifying assets at rates varying from 1.29% to 2.31% (2020: 1.5% to 3.68%) per annum.

9. PROFIT BEFORE TAX

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

	2021 RMB'000	2020 RMB'000
Depreciation for property, plant and equipment	**528,558**	358,754
Depreciation for right-of-use assets	**126,871**	68,234
Amortization of intangible assets	**47,669**	32,049
	703,098	459,037
Staff cost (including directors' emoluments):		
— Salaries and other benefits	**3,572,689**	1,787,662
— Retirement benefits scheme contributions	**208,076**	102,849
— Share-based payment expenses	**577,952**	284,177
	4,358,717	2,174,688
Less: Capitalized in contract costs and property, plant and equipment	**(1,325,201)**	(773,472)
	3,736,614	1,860,253
Impairment losses, under expected credit loss model, net of reversal		
— Trade receivables	**129,664**	116,679
— Contract assets	**2,712**	(567)
— Receivables for purchase of raw materials on behalf of customers	**24,291**	4,950
	156,667	121,062
Covid-19-related rent concessions	**(188)**	(484)
Auditors' remuneration	**6,010**	4,280
Write-down of inventories (included in cost of sales and services)	**235,217**	29,609
Reversals of write-down of inventories (included in cost of sales and services)	**(14,656)**	(10,268)
Write-down of contract costs (included in cost of sales and services)	**90,488**	13,266
Loss on disposal of property, plant and equipment	**870**	2,660
Cost of inventories recognized as an expense	**2,338,374**	943,839

10. INCOME TAX EXPENSE

	2021 RMB'000	2020 RMB'000
Current tax:		
— PRC Enterprise Income Tax ("EIT")	**664,266**	272,590
— Hong Kong Profits Tax	**123,519**	36,061
Over provision in prior years	**(137,255)**	(108,805)
	650,530	199,846
Deferred tax:		
— Current year	**(165,992)**	73,220
	484,538	273,066

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the EIT rate of the PRC subsidiaries is 25%, with the exception of WuXi Biologics Co., Ltd. ("WuXi Co."), WuXi Biologics (Shanghai) Co., Ltd. ("Shanghai Biologics"), WuXi XDC Co., Ltd ("Wuxi XDC"), Bestchrom (Zhejiang) Biosciences Co., Ltd. ("Bestchrom Zhejiang", formerly known as Pinghu U-Pure Biosciences Co., Ltd.), WuXi Biologics (Beijing) Co., Ltd. ("Beijing Biologics"), WuXi Vaccines Co., Ltd. ("Wuxi Vaccines"), WuXi XDC (Shanghai) Co., Ltd. ("Shanghai XDC"), WuXi Biologics New Tech Co., Ltd. ("WuXi New Tech"), WuXi Yakang Investments Co., Ltd. ("WuXi Yakang"), WuXi Biologics Biosafety Testing (Shanghai) Co., Ltd. ("Shanghai Testing"), and WuXi Kangze Investments Management Co., Ltd. ("WuXi Kangze") which are eligible for a lower tax rate as detailed below.

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

According to PRC tax laws, WuXi Co., Shanghai Biologics and Bestchrom Zhejiang were accredited as a "High and New Technology Enterprise" and were therefore entitled to a preferential EIT rate of 15% for a period of three years starting from 2019 which is renewable upon expiry in year 2021.

According to PRC tax laws, Wuxi XDC was accredited as a "High and New Technology Enterprise" and was therefore entitled to a preferential EIT rate of 15% for a period of three years starting from 2020 which is renewable upon expiry in year 2022.

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

10. INCOME TAX EXPENSE (Continued)

Beijing Biologics, Wuxi Vaccines, Shanghai XDC, WuXi New Tech, WuXi Yakang, Shanghai Testing and WuXi Kangze are eligible for "Micro and Small Enterprise" tax preference for the current year.

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

	2021 RMB'000	2020 RMB'000
Profit before tax	**3,993,119**	1,965,760
Tax charge at the EIT rate of 25%	**998,280**	491,440
Tax effect of income that is exempt from taxation	**(134,435)**	(148,316)
Tax effect of expenses not deductible for tax purpose	**183,947**	254,347
Over provision in respect of prior years	**(137,255)**	(108,805)
Effect of research and development expenses that are additionally deducted	**(82,347)**	(45,124)
Effect of unused tax losses not recognized as deferred tax assets	**129,285**	10,501
Utilization of tax losses previously not recognized as deferred tax assets	**(1,076)**	(41,619)
Tax at concessionary rates	**(413,749)**	(163,065)
Increase in opening deferred tax assets resulting from an increase in applicable tax rates	**(560)**	—
Effect of different tax rate of operating entities in other jurisdiction	**(57,552)**	23,707
Income tax expense	**484,538**	273,066

11. 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 years ended December 31, 2021 and 2020 are as follows:

	2021 RMB'000	2020 RMB'000
Chief Executive and executive director:		
Dr. Zhisheng Chen *(note i)*		
— director's fee	—	—
— salaries and other benefits	3,027	3,000
— performance-based bonus *(note iv)*	1,500	1,500
— retirement benefits scheme contributions	—	—
— share-based compensation	46,267	26,865
	50,794	31,365

	2021 RMB'000	2020 RMB'000
Executive director:		
Dr. Weichang Zhou		
— director's fee	—	—
— salaries and other benefits	1,815	1,670
— performance-based bonus *(note iv)*	717	668
— retirement benefits scheme contributions	85	71
— share-based compensation	11,587	4,668
	14,204	7,077

The executive directors' emoluments shown above were for their service in connection with the management of the affairs of the Company and the Group.

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

	2021 RMB'000	2020 RMB'000
Non-executive directors:		
Dr. Ge Li		
— director's fee	—	—
— salaries and other benefits	—	—
— performance-based bonus	—	—
— retirement benefits scheme contributions	—	—
— share-based compensation	—	—
	—	—
Mr. Edward Hu *(note ii)*		
— director's fee	—	—
— salaries and other benefits	—	—
— performance-based bonus	—	—
— retirement benefits scheme contributions	—	—
— share-based compensation	194	409
	194	409
Mr. Yibing Wu		
— director's fee	—	—
— salaries and other benefits	—	—
— performance-based bonus	—	—
— retirement benefits scheme contributions	—	—
— share-based compensation	—	—
	—	—
Mr. Yanling Cao		
— director's fee	—	—
— salaries and other benefits	—	—
— performance-based bonus	—	—
— retirement benefits scheme contributions	—	—
— share-based compensation	—	—
	—	—
Dr. Ning Zhao *(note ii)*		
— director's fee	206	—
— salaries and other benefits	—	—
— performance-based bonus	—	—
— retirement benefits scheme contributions	—	—
— share-based compensation	—	—
	206	—

The non-executive directors' emoluments shown above were for their services as directors of the Company or its subsidiaries.

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

	2021 RMB'000	2020 RMB'000
Independent non-executive directors:		
Mr. William Robert Keller		
— director's fee	187	200
— salaries and other benefits	—	—
— performance-based bonus	—	—
— retirement benefits scheme contributions	—	—
— share-based compensation	206	204
	393	404
Mr. Teh-Ming Walter Kwauk		
— director's fee	—	198
— salaries and other benefits	—	—
— performance-based bonus	—	—
— retirement benefits scheme contributions	—	—
— share-based compensation	413	268
	413	466
Mr. Kenneth Walton Hitchner III *(note iii)*		
— director's fee	167	203
— salaries and other benefits	—	—
— performance-based bonus	—	—
— retirement benefits scheme contributions	—	—
— share-based compensation	219	—
	386	203
Mr. Wo Felix Fong *(notes iii)*		
— director's fee	—	—
— salaries and other benefits	—	—
— performance-based bonus	—	—
— retirement benefits scheme contributions	—	—
— share-based compensation	—	141
	—	141

The independent non-executive directors' emoluments shown above were for their services as directors of the Company or its subsidiaries.

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

Notes:

i. Dr. Zhisheng Chen is the Chief Executive of the Group and his emoluments disclosed above included those for services rendered by him as the Chief Executive.

ii. On June 16, 2021, Mr. Edward Hu resigned as non-executive director of the Company and Dr. Ning Zhao was appointed as non-executive director of the Company.

iii. On June 9, 2020, Mr. Wo Felix Fong resigned as independent non-executive director of the Company. On the same day, Mr. Kenneth Walton Hitchner III was appointed as independent non-executive director of the Company instead.

iv. The performance-based bonus is discretionary based on the Group's financial results and the directors' performance as reviewed by the remuneration committee of the board of the directors of the Company and approved by the board of the directors of the Company.

Five highest paid individuals' emoluments

The five individuals with the highest emoluments in the Group include two (2020: two) directors disclosed above. The emoluments of the five highest paid individuals (including directors) for the years ended December 31, 2021 and 2020 were as follows:

	2021 **RMB'000**	2020 RMB'000
Salaries and other benefits	**13,013**	10,839
Performance-based bonus	**5,467**	4,105
Retirement benefits scheme contributions	**168**	137
Share-based compensation	**84,126**	44,918
	102,774	59,999

11. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (Continued)

Five highest paid individuals' emoluments (Continued)

The emoluments of the five highest paid individuals were within the following bands:

	Number of individuals 2021	Number of individuals 2020
HK$4,500,001 to HK$5,000,000	—	1
HK$5,500,001 to HK$6,000,000	—	1
HK$6,500,001 to HK$7,000,000	1	—
HK$7,500,001 to HK$8,000,000	—	1
HK$13,500,001 to HK$14,000,000	1	—
HK$14,000,001 to HK$14,500,000	—	1
HK$17,000,001 to HK$17,500,000	1	—
HK$25,000,001 to HK$25,500,000	1	—
HK$35,000,001 to HK$35,500,000	—	1
HK$61,000,001 to HK$61,500,000	1	—
	5	5

During the year ended December 31, 2021, no emoluments (2020: nil) were paid by the Group to the directors of the Company or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company have waived any emoluments during the year ended December 31, 2021 (2020: nil).

12. EARNINGS PER SHARE

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

	2021 RMB'000	2020 RMB'000
Earnings:		
Earnings for the purpose of calculating basic and diluted earnings per share	**3,388,478**	1,688,886

	2021	2020
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**4,173,681,127**	3,952,963,529
Effect of dilutive potential ordinary shares:		
Share options	**214,224,668**	231,435,303
Restricted shares	**33,891,139**	24,770,504
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**4,421,796,934**	4,209,169,336

The weighted average number of ordinary shares shown above have been arrived at after deducting the weighted average effect on 42,721,312 shares (December 31, 2020: 42,434,881 shares) held by a trustee under Restricted Share Award Scheme as set out in Note 35 for the year ended December 31, 2021.

The effect of dilutive potential ordinary shares (i.e. share options and restricted shares) shown above and basic and diluted earnings per share were stated after taking into account the effect of the Share Subdivision as defined in Note 35.

13. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended December 31, 2021, nor has any dividend been proposed since the end of the reporting period (2020: nil).

14. PROPERTY, PLANT AND EQUIPMENT

	Machinery RMB'000	Furniture fixtures and equipment RMB'000	Transportation equipment RMB'000	Land, buildings and staff living quarters RMB'000 *(Note)*	Leasehold improvement RMB'000	Construction in progress ("CIP") RMB'000	Total RMB'000
COST							
As at January 1, 2020	2,003,802	191,016	1,921	–	1,153,207	3,817,710	7,167,656
Additions	6,214	7,242	–	9,787	16,197	6,084,361	6,123,801
Transfer from CIP	329,258	130,160	–	484,712	135,272	(1,079,402)	–
Disposals	(4,940)	(2,637)	(125)	(193,344)	–	(1,266)	(202,312)
Exchange alignment	–	–	–	–	–	89,586	89,586
At December 31, 2020	2,334,334	325,781	1,796	301,155	1,304,676	8,910,989	13,178,731
Acquisition of Subsidiaries *(Note 41)*	285,083	17,490	680	305,713	180,301	44,214	833,481
Additions	21,268	4,894	349	3,524	9,701	6,454,298	6,494,034
Transfer from CIP	1,799,588	225,031	1,101	1,598,021	307,671	(3,931,412)	–
Disposals	(16,804)	(1,527)	–	(99,606)	(4,039)	–	(121,976)
Exchange alignment	(2,042)	–	–	(11,516)	(3,556)	(605,448)	(622,562)
At December 31, 2021	4,421,427	571,669	3,926	2,097,291	1,794,754	10,872,641	19,761,708
DEPRECIATION AND IMPAIRMENT							
As at January 1, 2020	(558,122)	(54,655)	(716)	–	(215,706)	–	(829,199)
Provided for the year	(235,596)	(35,100)	(343)	(4,842)	(82,873)	–	(358,754)
Eliminated on disposals	3,726	1,587	80	–	–	–	5,393
At December 31, 2020	(789,992)	(88,168)	(979)	(4,842)	(298,579)	–	(1,182,560)
Provided for the year	(365,354)	(60,760)	(929)	(35,645)	(65,870)	–	(528,558)
Eliminated on disposals	10,471	1,267	–	661	1,164	–	13,563
Exchange alignment	87	–	–	255	1,000	–	1,342
At December 31, 2021	(1,144,788)	(147,661)	(1,908)	(39,571)	(362,285)	–	(1,696,213)
CARRYING VALUES							
At December 31, 2020	1,544,342	237,613	817	296,313	1,006,097	8,910,989	11,996,171
At December 31, 2021	3,276,639	424,008	2,018	2,057,720	1,432,469	10,872,641	18,065,495

Note: During the year ended December 31, 2020 and 2021, the Group disposed the staff living quarters in Shanghai to eligible employees as part of employees' benefits, certain of which are under finance lease arrangement. Details are set out in Note 22.

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

Except for freehold land and CIP, the above items of property, plant and equipment are depreciated on a straight-line basis after taking into account of the residual value as follows:

Machinery	9%–18% per annum
Furniture, fixtures and equipment	9%–18% per annum
Transportation equipment	18% per annum
Land, buildings and staff living quarters	1.4%–4.5% per annum
Leasehold improvement	Over the shorter of the lease term or twenty years

15. RIGHT-OF-USE ASSETS

	Leasehold lands RMB'000	Leased properties RMB'000	Machinery RMB'000	Total RMB'000
As at December 31, 2021				
Carrying amount	223,045	1,341,414	125,842	1,690,301
As at December 31, 2020				
Carrying amount	188,413	685,740	—	874,153
For the year ended December 31, 2021				
Depreciation charge	3,915	116,263	6,693	126,871
Capitalized in contract cost	—	(24,224)	—	(24,224)
Capitalized in property, plant and equipment	—	(66,519)	(6,587)	(73,106)
	3,915	25,520	106	29,541
For the year ended December 31, 2020				
Depreciation charge	3,368	64,866	—	68,234
Capitalized in contract cost	—	(7,419)	—	(7,419)
Capitalized in property, plant and equipment	—	(26,721)	—	(26,721)
	3,368	30,726	—	34,094

15. RIGHT-OF-USE ASSETS (Continued)

	2021 RMB'000	2020 RMB'000
Expense relating to short-term leases	**9,759**	2,507
Total cash outflow for leases	**155,658**	72,486
Additions to right-of-use assets	**960,468**	490,865

For both years, the Group leases various offices, laboratories, plant and equipment for its operations. Lease contracts are entered into for a fixed term of two to ten years, but may have extension options as described in Note 4. 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.

Leasehold lands mainly represent upfront payments for leasehold lands in the PRC, for which the Group has obtained the land use right certificates.

The Group regularly entered into short-term leases for equipment and offices. As at December 31, 2021 and 2020, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expenses are disclosed above.

Restrictions or covenants on leases

In addition, lease liabilities of RMB1,532,879,000 are recognized with related right-of-use assets of RMB1,467,256,000 as at December 31, 2021 (2020: lease liabilities of RMB727,224,000 and related right-of-use assets of RMB685,740,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Rent concessions

During the year ended December 31, 2021, the lessor of an office provided rent concessions to the Group through rent reductions of one month (2020: two months). These rent concessions occurred as a direct consequence of Covid-19 pandemic and met of all of the conditions in IFRS 16.46B, and the Group applied the practical expedient for not to assess whether the changes constitute lease modifications. The effects on changes in lease payments due to forgiveness or waiver by the lessors for the relevant leases of RMB188,000 (2020: RMB484,000) were recognized as negative variable lease payments.

16. GOODWILL

As at December 31, 2021, goodwill amounting to RMB1,529,914,000 was arising from acquisition of (a) Bestchrom Zhejiang and Bestchrom (Shanghai) Biosciences Ltd. ("Bestchrom Shanghai", together with Bestchrom Zhejiang referred to as "Bestchrom"), (b) CMAB Biopharma Limited ("CMAB BVI") and its subsidiaries (together referred to as "CMAB Group"), and (c) Payload and Linker Business (as described in Note 41(c)), respectively.

	Acquisition of Bestchrom RMB'000	Acquisition of CMAB Group RMB'000	Acquisition of Payload and Linker Business RMB'000	Total RMB'000
COST				
At December 31, 2020	185,408	—	—	185,408
Arising on acquisition of subsidiaries/ business	—	1,129,313	215,193	1,344,506
At December 31, 2021	185,408	1,129,313	215,193	1,529,914
CARRYING VALUES				
At December 31, 2021	185,408	1,129,313	215,193	1,529,914
At December 31, 2020	185,408	—	—	185,408

(a) Acquisition of Bestchrom

The goodwill amounted to RMB185,408,000 was arising from the acquisition of 50.1% equity interest in Bestchrom Zhejiang and Bestchrom Shanghai by the Group during the year ended December 31, 2019.

For the purposes of impairment testing, Bestchrom Zhejiang and Bestchrom Shanghai are allocated as an individual cash-generating unit (the "Bestchrom Unit"). The recoverable amount of the Bestchrom Unit has 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, and pre-tax discount rate of 17% (2020: 17%). Pre-tax discount rate applied reflects the current market assessments of the time value of money and the risks specific to the Bestchrom Unit. The Bestchrom Unit's cash flows beyond the 5-year period are extrapolated using a steady 3% (2020: 3%) growth rate. Other key assumptions for the value in use calculations related to the estimation of cash inflows/outflows which include revenue growth rate, such estimation is based on the Bestchrom Unit's past performance and management's expectation for the market development.

16. GOODWILL (Continued)

(a) Acquisition of Bestchrom (Continued)

Based on the above assessment, the management of the Group determines that there is no impairment on the Bestchrom Unit during and at the end of both reporting periods.

The recoverable amount is significantly above the carrying amount of the Bestchrom Unit, the management of the Group believes that any reasonably possible change in any of these assumptions would not result in impairment.

(b) Acquisition of CMAB Group

The goodwill amounted to RMB1,129,313,000 was arising from the Group's acquisition of 100% equity interest in CMAB Group during the year ended December 31, 2021. Details of the acquisition are disclosed in Note 41.

For the purposes of impairment testing, CMAB Group are allocated as an individual cash-generating unit (the "CMAB Unit"). The recoverable amount of the CMAB Unit has 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.

The following table sets out the key assumptions for the value in use calculation of the CMAB Unit:

	December 31, 2021
Pre-tax discount rate *(note i)*	15%
Expected annual growth rate till 2026 *(note ii)*	3.6%–163.7%

Notes:

i. Pre-tax discount rate applied reflects the current market assessments of the time value of money and the risks specific to the CMAB Unit.

ii. The compound growth rate calculated based on the expected annual growth rates till 2026 was 36% as at December 31, 2021. Based on the estimate made by the management with reference to revenue backlog and market development, the year-on-year growth rate of year 2022 was expected to be 163.7% as the production commissioning stage had been completed in the fourth quarter of year 2021, as such, the production capacity of the CMAB Unit would be normalized commencing year 2022.

16. GOODWILL (Continued)

(b) Acquisition of CMAB Group (Continued)

The cash flows beyond the 5-year period are extrapolated using a growth rate based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry.

Based on the above assessment, the management of the Group determines that there is no impairment on the CMAB Unit at the end of the reporting period.

The recoverable amount is significantly above the carrying amount of the CMAB Unit, the management of the Group believes that any reasonably possible change in any of these assumptions would not result in impairment.

(c) Acquisition of Payload and Linker Business

The goodwill amounted to RMB215,193,000 was arising from the Group's acquisition of Payload and Linker Business during the year ended December 31, 2021. Details of the acquisition are disclosed in Note 41.

For the purposes of impairment testing, the acquired Payload and Linker Business as disclosed in Note 41 is allocated as an individual cash-generating unit (the "Payload and Linker Unit"). The recoverable amount of the Payload and Linker Unit has 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.

The following table sets out the key assumptions for the value in use calculation of the Payload and Linker Unit:

	December 31, 2021
Pre-tax discount rate *(note i)*	16%
Expected annual growth rate till 2026 *(note ii)*	10.0%–30.0%

Notes:

i. Pre-tax discount rate applied reflects the current market assessments of the time value of money and the risks specific to the Payload and Linker Unit.

ii. The estimation of expected annual growth rate is based on the revenue backlog and management's expectation for the market development.

16. GOODWILL (Continued)

(c) Acquisition of Payload and Linker Business (Continued)

The cash flows beyond the 5-year period are extrapolated using a growth rate based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry.

Based on the above assessment, the management of the Group determines that there is no impairment on the Payload and Linker Unit during and at the end of the reporting period.

As the acquisition date of Payload and Linker business was near the end of the reporting period, the management of the Group considers recoverable amount approximates the carrying amount as at December 31, 2021. The management of the Group performed the sensitivity test by increasing 1% of discount rate or decreasing 5% of revenue growth rate, which are the key assumptions determine the recoverable amount of the goodwill, with all other variables held constant. The impacts on the amount by which the goodwill's recoverable amount above its carrying amount (headroom) are as below:

	RMB'000
Increasing discount rate by 1%	(26,373)
Decreasing revenue growth rate by 5%	(45,513)

17. INVESTMENT OF AN ASSOCIATE MEASURED AT FVTPL

Details of the Group's associate at the end of the reporting period are as follows:

Name of entity	Country of registration	Principal place of business	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activity
			2021	2020	2021	2020	
Shanghai Duoning Biotechnology Co., Ltd. ("Duoning")	PRC	PRC	18.44%	15.86%	20%	20%	Sales of serum-free media and disposable products, formulation production and services

In December 2020, the Group entered into an investment agreement together with a series of share transfer agreements, pursuant to which, the Group would increase its shareholding in Duoning from 8.13% to 21.78% for a total consideration of RMB354,526,000. As at December 31, 2020, the Group had increased its shareholding in Duoning to 15.86% with consideration payable amounting to RMB154,526,000 recognized in "trade and other payables". As at June 30, 2021, the aforementioned transaction has been completed and the Group's shareholding in Duoning has been increased to 21.78% with consideration paid in full. Up to December 31, 2021, other investors further invested in Duoning and the Group's shareholding in Duoning was diluted to 18.44%.

Details of the fair value measurement of the investment of an associate measured at FVTPL are set out in Note 37.

18. 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:

	2021 RMB'000	2020 RMB'000
Deferred tax assets	220,787	80,136
Deferred tax liabilities	(124,211)	(180,885)
	96,576	(100,749)

18. DEFERRED TAXATION (Continued)

The following are the major deferred tax assets and liabilities recognized and movements thereon before offsetting during the reporting periods:

	Deferred income RMB'000	Allowance on inventories and credit losses RMB'000	Accrued expenses RMB'000	Accelerated tax depreciation RMB'000	Deferred rental under IFRS 16 RMB'000	Fair value adjustment arising from acquisition of subsidiaries RMB'000	Unrealized exchange gain RMB'000	Derivative financial instruments RMB'000	Deductible loss RMB'000	Others RMB'000	Total RMB'000
At January 1, 2020	19,178	13,292	7,590	(8,097)	4,053	(24,734)	–	–	–	27	11,309
Credited (charged) to profit or loss	12,723	20,228	6,334	2,658	2,219	7,061	(124,375)	–	–	(68)	(73,220)
Charged to OCI	–	–	–	–	–	–	–	(38,447)	–	–	(38,447)
Exchange alignment	–	–	–	–	–	–	(391)	–	–	–	(391)
At December 31, 2020	31,901	33,520	13,924	(5,439)	6,272	(17,673)	(124,766)	(38,447)	–	(41)	(100,749)
Credited (charged) to profit or loss	3,351	40,580	4,883	2,058	2,148	6,922	119,582	–	22,883	(36,415)	165,992
Credited to OCI	–	–	–	–	–	–	–	20,266	–	–	20,266
Exchange alignment	–	–	–	–	–	–	5,184	–	–	(35)	5,149
Acquisition of subsidiaries *(Note 41)*	–	–	–	–	–	(56,926)	–	–	62,844	–	5,918
At December 31, 2021	35,252	74,100	18,807	(3,381)	8,420	(67,677)	–	(18,181)	85,727	(36,491)	96,576

As at December 31, 2021, the Group had unused tax losses of RMB882,113,000 (2020: RMB47,182,000) available to offset against future profits. A deferred tax asset has been recognized in respect of RMB342,908,000 (2020: nil) of such losses. No deferred tax asset has been recognized in respect of the remaining RMB539,205,000 (2020: RMB47,182,000) due to the unpredictability of future profit streams.

Apart from unused tax losses as mentioned above, at December 31, 2021, the Group had other deductible temporary differences of RMB809,219,000 (2020: RMB504,630,000), available to offset against future profits. As at December 31, 2021 and 2020, all the deductible temporary differences had been recognized in deferred tax assets.

18. DEFERRED TAXATION (Continued)

The unrecognized tax losses as at December 31, 2021 include RMB302,386,000 (December 31, 2020: RMB41,601,000) of the losses arising from subsidiaries located in Hong Kong, Cayman Islands, USA, UK, Germany and Ireland which will be carried forward indefinitely until it's fully offset. The remaining unrecognized tax losses will be carried forward and expire in years as follows:

	2021 RMB'000	2020 RMB'000
2022	537	673
2023	512	89
2024	3,870	3,818
2025	710	1,001
2026	231,190	—
	236,819	5,581

Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB6,476,650,000 as at December 31, 2021 (December 31, 2020: RMB3,280,000,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not be reversed in the foreseeable future.

19. INTANGIBLE ASSETS

	Technology RMB'000 *(note i)*	Customer relationship RMB'000 *(note i)*	Patent and license RMB'000 *(note ii)*	Total RMB'000
Cost				
At January 1, 2020	57,600	47,400	341,628	446,628
Exchange alignment	—	—	9,125	9,125
At December 31, 2020	57,600	47,400	350,753	455,753
Acquisition of subsidiaries/ business *(Note 41)*	24,285	261,817	—	286,102
Exchange alignment	—	—	(35,115)	(35,115)
At December 31, 2021	81,885	309,217	315,638	706,740
Amortization				
At January 1, 2020	(1,309)	(2,370)	(27,104)	(30,783)
Charge for the year	(5,236)	(9,480)	(17,333)	(32,049)
Exchange alignment	—	—	(1,064)	(1,064)
At December 31, 2020	(6,545)	(11,850)	(45,501)	(63,896)
Charge for the year	(6,248)	(24,592)	(16,829)	(47,669)
Exchange alignment	—	—	5,479	5,479
At December 31, 2021	**(12,793)**	**(36,442)**	**(56,851)**	**(106,086)**
Carrying Values				
At December 31, 2020	51,055	35,550	305,252	391,857
At December 31, 2021	**69,092**	**272,775**	**258,787**	**600,654**

Notes:

i. Technology and customer relationship were recognized as a result of the acquisitions of subsidiaries/business in 2019 and 2021. The amounts represented the intellectual property and existing customer relationships which have finite useful life and are amortized on a straight-line basis over their estimated useful lives of 11 to 16 and 5 to 10 years, respectively.

ii. On June 25, 2018, the Group entered into a platform license agreement with Open Monoclonal Technology, Inc. ("OMT"), an independent third party not connected to the Group, under which OMT has granted the Group a non-exclusive, non-transferable, non-sublicensable license to use certain animals, namely, OmniRat, OmniMouse and OmniFlic, for the purpose of researching, developing, and making antibodies, for a cash consideration of US$51 million (equivalent to approximately RMB333,254,000). The Group has estimated the useful life of this license based on the management's understanding of the technology and market, and determined the useful life in accordance with the estimation of the vendor, Ligand Pharmaceuticals Incorporated, for period of 18 years from 2018 to 2035. Accordingly, the license payment is amortized over 18 years on a straight-line basis.

20. EQUITY INSTRUMENTS AT FVTOCI

Movement of equity instruments at FVTOCI are as follows:

	RMB'000
Unlisted equity instruments	
As at January 1, 2020	138,826
Fair value change	(2,686)
Exchange alignment	(8,973)
As at December 31, 2020	127,167
Fair value change	(29,819)
Exchange alignment	(2,935)
As at December 31, 2021	**94,413**

Details of the fair value measurement of the equity instrument at FVTOCI are set out in Note 37(c).

21. FINANCIAL ASSETS AT FVTPL

	2021 RMB'000	2020 RMB'000
Current assets		
Listed equity securities	**—**	112,403
Wealth management products *(note)*	**975,578**	66
Financial assets at FVTPL	**975,578**	112,469
Non-current assets		
Listed equity securities	**756,872**	385,584
Unlisted equity investments	**599,262**	373,229
Financial assets at FVTPL	**1,356,134**	758,813

Note: During the year ended December 31, 2021, the Group entered into several contracts of wealth management products with banks under which the maturity terms are within 12 months. For the wealth management products, returns are determined by reference to the performance of the underlying instruments in the currency market, the interbank market, the bond market, the security and equity market and the derivative financial assets, and as such they are recognized as financial assets at FVTPL. The expected return rates vary from 0.11% to 4.53% (December 31, 2020: 0.06 % to 1.77 %) per annum.

21. FINANCIAL ASSETS AT FVTPL (Continued)

During the year ended December 31, 2021, the Group managed and evaluated the unlisted investments in accordance with the Group's investment strategy.

Details of the fair value measurement of the financial assets at FVTPL are set out in Note 37(c).

Financial assets at FVTPL that are denominated in currencies other than the functional currency of the respective group entities are set out below:

	2021 RMB'000	2020 RMB'000
Hong Kong dollars ("HK$")	142,017	7,211
RMB	32,900	30,000
Swiss Francs ("CHF")	16,664	16,603

22. FINANCE LEASE RECEIVABLES

During the year ended December 31, 2020 and 2021, the Group entered into finance lease arrangements as lessor in connection with the disposal of certain staff living quarters of the Group to eligible employees. The average terms of finance leases entered is 10 years, upon the end of the finance lease period, the purchase option owned by the eligible employees will become exercisable. All interest rates inherent in the leases are 4.9% at the contract date over the lease terms.

	Minimum lease payments 31/12/2021 RMB'000	Present value of minimum lease payments 31/12/2021 RMB'000	Minimum lease payments 31/12/2020 RMB'000	Present value of minimum lease payments 31/12/2020 RMB'000
Finance lease receivables comprise:				
Within one year	20,542	13,564	12,987	8,615
Within a period of more than one year but not exceeding two years	20,620	14,248	13,115	9,120
Within a period of more than two years but not exceeding five years	61,860	46,683	39,345	29,808
Within a period of more than five years	73,471	63,554	55,140	48,744
	176,493	138,049	120,587	96,287
Less: unearned finance income	(38,444)	N/A	(24,300)	N/A
Present value of minimum lease payment receivables	138,049	138,049	96,287	96,287
Analyzed as:				
Current	13,564	13,564	8,615	8,615
Non-current	124,485	124,485	87,672	87,672
	138,049	138,049	96,287	96,287

Finance lease receivables are secured over the related staff living quarters. The Group is not permitted to sell or pledge the collateral in the absence of default by the lessees.

Details of impairment assessment are set out in Note 37(b).

23. OTHER LONG-TERM DEPOSITS AND PREPAYMENTS

Other long-term deposits represent rental deposits paid for certain lease arrangements of office premises and deposits paid to guarantee certain milestones of construction projects.

Prepayments represent payments to the banks for banking facilities granted to the Group which will be amortized over the facility period as well as prepaid insurance fee.

24. INVENTORIES

	2021 **RMB'000**	2020 RMB'000
Raw material and consumables	**1,663,332**	1,060,196
Work in progress	**7,824**	11,621
Finished goods	**16,219**	12,375
Total	**1,687,375**	1,084,192

Raw materials and consumables are net of a write-down of approximately RMB251,329,000 as at December 31, 2021 (2020: RMB29,608,000).

25. CONTRACT COSTS

	2021 **RMB'000**	2020 RMB'000
Costs to fulfil contracts	**1,005,470**	392,123

The contract costs are net of a write-down of approximately RMB103,923,000 as at December 31, 2021 (2020: RMB13,266,000).

26. TRADE AND OTHER RECEIVABLES

	2021 RMB'000	2020 RMB'000
Trade receivables from contracts with customers		
— related parties	**2,367**	6,113
Less: allowance for credit losses	**(76)**	(20)
— third parties	**3,424,757**	2,504,003
Less: allowance for credit losses	**(303,293)**	(177,398)
	3,123,755	2,332,698
Bills receivable from contracts with customers	**3,247**	5,160
Receivables for purchase of raw materials on behalf of customers	**616,961**	321,987
Less: allowance for credit losses	**(30,378)**	(6,087)
	586,583	315,900
Advances to suppliers		
— related parties	**12,607**	—
— third parties	**70,600**	35,718
	83,207	35,718
Other receivables *(note i)*	**278,026**	42,996
Prepayments	**12,362**	6,629
Value added tax recoverable	**620,584**	303,222
Receivable arising from payment for potential acquisition *(note ii)*	**149,555**	149,555
Loan receivable from an associate	**—**	50,000
	1,060,527	552,402
Total trade and other receivables	**4,857,319**	3,241,878

Notes:

i. Included in other receivables at December 31, 2021, an amount of RMB216,338,000 is the receivable from bank in relation to the settled derivative financial instruments.

ii. In October 2020, the Group entered into a letter of intent with independent vendors pursuant to which the Group conditionally agreed to acquire not less than 75% equity interest of a target company from the vendors. In November 2020, the first installment of RMB149,555,000 was paid to one of the vendors in accordance with the terms of the letter of intent. During the year ended December 31, 2021, the Group is in negotiation with the vendor to terminate the potential acquisition due to delay of closing of the shares transfer for which the first installment had been paid. The first installment being paid was accounted for as receivable from the vendor as at December 31, 2021.

26. TRADE AND OTHER RECEIVABLES (Continued)

Details of the trade and other receivables due from related parties are set out in Note 42(b).

As at January 1, 2020, the carrying amount of trade receivables from contracts with customers is RMB1,334,640,000 (net of allowance for credit losses of RMB64,400,000).

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

	2021 RMB'000	2020 RMB'000
Not past due	**2,075,079**	1,517,790
Overdue:		
— Within 90 days	**719,662**	446,644
— 91 days to 1 year	**281,206**	286,697
— Over 1 year	**47,808**	81,567
	3,123,755	2,332,698

As at December 31, 2021, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB1,048,676,000 (2020: RMB814,908,000) which are past due as at the reporting date. Out of the past due balances, RMB329,014,000 (2020: RMB368,264,000) has been past due 90 days or more and is not considered as in default as the management of the Group believed that the amounts will be settled by the customers based on the customers' committed promise and historical experience. The Group does not hold any collateral over these balances.

Details of impairment assessment of trade receivables, other receivables, bills receivable and receivables for purchase of raw materials on behalf of customers are set out in Note 37(b).

Trade and other receivables that are denominated in currencies other than the functional currency of the respective group entities are set out below:

	2021 RMB'000	2020 RMB'000
US$	**2,283,908**	1,477,146
HK$	**15,813**	—
Euro ("EUR")	**1,331**	—

27. CONTRACT ASSETS

	2021 RMB'000	2020 RMB'000
Contract assets		
— related parties	7,685	—
Less: allowance for credit losses	(2)	—
— third parties	135,357	31,854
Less: allowance for credit losses	(10,495)	(7,785)
	132,545	24,069

As at January 1, 2020, carrying amount of contract assets amounted to RMB39,981,000.

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

Typical payment terms which impact on the amount of contract assets recognized are as follows:

— Revenue on FFS basis and CMO basis

The Group's FFS and CMO contracts include payment schedules which require stage payments over the research or manufacturing period once certain specified milestones are reached or control of goods are transferred to customers. The Group requires certain customers to pay 20%–50% of total contract value as project start-up cost as part of its credit risk management policies.

The Group classifies these contract assets as current because the Group expects to realize these contracts assets in their normal operating cycle.

Details of the impairment assessment of contract assets are set out in Note 37(b).

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

Bank balances and cash of the Group comprised of cash and short term bank deposits with an original maturity of three months or less. The short term bank deposits are carried interests at market rates which ranged from 0% to 2.1% per annum as at December 31, 2021 (2020: 0% to 2.38%).

Certain deposits are pledged to banks as collateral for the letter of guarantee for facility construction in Ireland.

Time deposits as at December 31, 2021 are carried fixed interest rate from 0.3% to 0.6% per annum and have original maturity over three months (2020: 1.25% to 1.70%).

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

Bank balances and cash, pledged bank deposits and time deposits that are denominated in currencies other than the functional currency of the respective group entities are set out below:

	2021 **RMB'000**	2020 RMB'000
US$	**5,556,014**	4,708,663
HK$	**752,749**	310,114
EUR	**94,757**	64

29. TRADE AND OTHER PAYABLES

	2021 RMB'000	2020 RMB'000
Trade payables		
— related parties	**62,214**	33,212
— third parties	**555,570**	612,790
	617,784	646,002
Other payables and accrual		
— related parties	**8,857**	450
— third parties *(note)*	**1,206,705**	655,299
	1,215,562	655,749
Payable for purchase of property, plant and equipment	**750,420**	717,100
Payable for acquisition of investment of an associate measured at FVTPL	**—**	154,526
Consideration payables for acquisition of subsidiaries	**4,008**	23,018
Consideration payable to a related party for acquisition of business *(Note 41 (c))*	**280,000**	—
Salary and bonus payables	**781,009**	500,993
Other taxes payable	**49,036**	31,155
Trade and other payables	**3,697,819**	2,728,543

Note: Included in the other payables, an amount of RMB820,634,000 represented the payables to employees arising from exercise of share options as at December 31, 2021 (2020: RMB321,967,000).

Details of the trade and other payables due to related parties are set out in Note 42(b).

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

	2021 RMB'000	2020 RMB'000
Within three months	561,455	620,291
Over three months but within one year	37,408	25,031
Over one year but within five years	18,921	680
	617,784	646,002

Trade and other payables that are denominated in currencies other than the functional currency of the respective group entities are set out below:

	2021 RMB'000	2020 RMB'000
HK$	770,949	262,589
US$	247,679	172,817
EUR	12,841	32,239
CHF	2,572	2,833
Japan Yen ("JPY")	103	9,892

30. CONTRACT LIABILITIES

	2021 RMB'000	2020 RMB'000
Contract liabilities		
— related parties	98	—
— third parties	2,386,299	1,324,812
	2,386,397	1,324,812
Less: amounts shown under current liabilities	(1,733,799)	(664,863)
Amounts shown under non-current liabilities *(note)*	652,598	659,949

30. CONTRACT LIABILITIES (Continued)

Note: In February 2020, the Group entered into a contract manufacturing agreement pursuant to which the Group shall build an integrated vaccine manufacturing facility in Ireland, and manufacture for, and supply to the Vaccine Partner with certain vaccine products. As of December 31, 2020, the Group received total instalments of US$100 million (equivalent to RMB652,490,000) from the Vaccine Partner, which represents the Group's obligation to provide services to the Vaccine Partner and is recognized as contract liabilities. The contract liabilities are classified as non-current due to the related services will be provided beyond twelve months. The non-current contract liabilities amounted to RMB652,598,000 at December 31, 2021 (December 31, 2020: RMB659,949,000) after considering the financing components and the recognition of revenue during the reporting period.

As at January 1, 2020, contract liabilities amounted to RMB336,395,000.

Revenue of RMB508,933,000 was recognized during the year ended December 31, 2021 that was included in the contract liabilities at the beginning the year of 2021 (2020: RMB266,896,000).

Typical payment terms which impact on the amount of contract liabilities recognized are as follows:

— Revenue on FFS basis

Except for the amount received in advance from the Vaccine Partner as disclosed above, the Group normally requires certain customers to pay a percentage of total contract value as down payment as project start-up cost as part of its credit risk management policies. The advance payment schemes result in contract liabilities which represent the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

— Revenue on CMO basis

The Group shall invoice client for products and services upon commencement thereof, which will give rise to contracts liability at the start of a contract. The Group normally invoices its clients a percentage of the price on acceptance of manufacturing orders to commence work.

— Revenue from other Biologics Products

The Group normally invoices its clients a percentage of the price on acceptance of other Biologics Products orders to commence work, which will give rise to contract liability at the start of a contract.

31. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

	Assets		Liabilities	
	December 31, 2021 RMB'000	December 31, 2020 RMB'000	**December 31, 2021 RMB'000**	December 31, 2020 RMB'000
Derivatives under hedge accounting				
Fair value hedges				
— Forward extra and European vanilla option contracts	**319,584**	148,330	**24,191**	25,722
Cash flow hedges				
— Foreign currency forward, cross currency swap, interest rate swap contracts and structured foreign exchange swap	**170,915**	313,537	**16,699**	7,649
Total	**490,499**	461,867	**40,890**	33,371
Less: current portion	**(479,557)**	(440,997)	**(40,890)**	(26,112)
Non-current portion	**10,942**	20,870	**—**	7,259

Derivatives not under hedge accounting

During the current year, the Group entered into several HK$/US$ cap forward contracts with banks in order to manage the Group's currency risk. Under the cap contracts, the Group will pay to the bank notional amount of HK$ and receive from the bank an amount in US$ equal to the product of the relevant notional amount of HK$ along with the relevant forward rate as specified within the respective contracts.

During the current year, the Group did not elect to adopt hedge accounting for these contracts and therefore the gains from settlement of foreign currency forward contracts of RMB23,132,000 was recognized as "gain on derivative financial instruments" in other gains and losses.

31. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES (Continued)

Derivatives under hedge accounting

In view of the management of the Group, the respective foreign currency forward contracts, cross currency swap contracts, interest rate swap contracts, structured foreign exchange swap contracts, forward extra contracts and European vanilla option contracts are highly effective hedging instruments and qualified as cash flow or fair value hedges.

(i) The Group entered into foreign currency forward contracts with banks to eliminate the exposure to fluctuations in foreign currency exchange rate arising from anticipated foreign currency sales transactions and repayment of borrowings, in particular, the exchange rate between US$ and RMB for foreign currency sales transactions as well as US$ and EUR for repayment of borrowings which are designated as cash flow hedges. The major terms of these contracts on a net settlement basis as at December 31, 2021 presented are as follows:

	Average strike/ forward rate	Foreign currency US$'000	Total outstanding notional value RMB'000	Fair value assets RMB'000
Sell US$				
Less than 3 months	6.5995–6.7465	214,200	1,432,123	59,973
4 to 6 months	6.5175–6.7115	281,000	1,852,710	41,339
7 to 12 months	6.5080–6.6502	467,000	3,050,989	13,541

	Average strike/ forward rate	Foreign currency US$'000	Total outstanding notional value EUR'000	Fair value liabilities RMB'000
Sell US$				
Less than 3 months	1.1911	50,000	41,978	(15,529)

31. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES (Continued)

Derivatives under hedge accounting (Continued)

(ii) The Group entered into an EUR/US$ structured cross currency swap contract with a bank for interest rate exchange and periodical principal exchange to eliminate the exposure to variable interest rate and exchange rate associated with a variable-rate long-term bank borrowing denominated in US$, for the purpose of financing the Group's construction of manufacturing facilities in Europe. The strike rate of EUR/US$ is 1.19 and cap rate is 1.23. The fair value assets of the principle exchange part was RMB4,100,000. The major terms of the interest rate swaps are as follows:

Notional amount EUR'000	Notional amount US$'000	Contract date	Maturity date	Receive	Pay	Fair value liabilities RMB'000
82,800	96,048	March 20, 2020	Every three months from March 2020 to September 2022	LIBOR+1.20%	1.10%	(481)

(iii) The Group uses interest rate swaps to minimize its exposure to interest rate fluctuation on its variable-rate bank borrowings. The major terms of the interest rate swaps are as follows:

Notional amount US$'000	Contract date	Maturity date	Receive	Pay	Fair value assets RMB'000
100,000	August 11, 2021	December 18, 2023	LIBOR+1.1%	EUR Variable Rate	10,943

Notional amount US$'000	Contract date	Maturity date	Receive	Pay	Fair value liabilities RMB'000
90,000	March 24, 2020	September 26, 2022	LIBOR+1.20%	1.77%	(689)

31. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES (Continued)

Derivatives under hedge accounting (Continued)

(iv) The Group entered into a structured foreign exchange swap contract with banks to eliminate the exposure to fluctuations in foreign currency exchange rate arising from anticipated foreign currency sales transactions which is designated as cash flow hedge. The major terms of the structured foreign exchange swap contract are as follows:

	Average strike rate	Knock-in barrier	Notional amount US$'000	Fair value assets RMB'000	Fair value liabilities RMB'000
Sell US$					
1 to 3 months	6.5000	6.6500	370,000	41,019	—

(v) The Group entered into forward extra contracts with a bank to manage its foreign exchange rate risk arising from net exposure which are denominated in currencies at US$ up to 3 months, which is designated as fair value hedge. The major terms of the forward extra contracts are as follows:

	Average strike rate	Knock-in barrier	Notional amount US$'000	Fair value assets RMB'000	Fair value liabilities RMB'000
Sell US$					
1 month	6.4950–6.5090	6.7010–6.7210	375,000	50,904	—
3 months	6.5430	6.7050	100,000	16,730	(1,573)

(vi) The Group entered into European vanilla option contracts with a bank to manage its foreign exchange rate risk arising from net exposure which are denominated in currencies at US$ and EUR up to 2 months, which is designated as fair value hedge. The major terms of the European vanilla option contracts are as follows:

	Average strike rate	Spot rate	Notional amount US$'000	Fair value assets RMB'000	Fair value liabilities RMB'000
Sell US$					
1 month	6.4400–6.5380	6.3757	300,000	39,032	(5,189)

	Average strike rate	Spot rate	Notional amount EUR'000	Fair value assets RMB'000	Fair value liabilities RMB'000
Sell EUR					
2 months	7.8000–7.8650	7.2197	340,000	212,918	(17,429)

31. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES (Continued)

Derivatives under hedge accounting (Continued)

As at December 31, 2021, the aggregate amount of gains after tax under foreign currency forward contracts, cross currency swap contracts, interest rate swap contracts, structured foreign exchange swap contract, forward extra contracts and European vanilla option contracts recognized in other comprehensive income relating to the exposure on anticipated future sales transactions, repayment of borrowings and net exposure denominated in US$ and EUR is RMB125,214,000 (December 31, 2020: RMB241,720,000 gains). The Group separates the intrinsic value and time value of forward extra contracts and European vanilla option contracts, designating only the intrinsic value as the hedging instrument. The time value, including any gains or losses, is recognized in other comprehensive income until the hedged transaction occurs and is recognized in profit or loss. It is anticipated that the sales, bank borrowings repayment and net exposure denominated in US$ and EUR related to foreign currency forward contracts, cross currency swap contracts, interest rate swap contracts, structured foreign exchange swap contract and European vanilla option contracts will take place within next 12 months (December 31, 2020: 21 months) at which time the amount deferred in equity will be recycled to profit or loss.

During the current year, gains relating to the ineffective hedge portion of RMB9,461,000 (2020: RMB52,650,000 gains) is recognized immediately in profit or loss, and is included as "gain on derivative financial instruments" in other gains and losses.

During the current year, the aggregated amount of gains previously recognized in comprehensive income and accumulated in equity of RMB419,809,000 (2020: credit RMB85,795,000) are reclassified to revenue when the hedged item affects profit or loss.

32. BORROWINGS

	2021 RMB'000	2020 RMB'000
Secured bank loans	**75,900**	85,100
Unsecured bank loans	**2,686,508**	2,519,649
	2,762,408	2,604,749
The carrying amounts of the above borrowings are repayable*:		
Within one year	**2,121,895**	767,126
Within a period of more than one year but not exceeding two years	**583,013**	1,770,923
Within a period of more than two years but not exceeding five years	**27,600**	27,600
Within a period of more than five years	**29,900**	39,100
	2,762,408	2,604,749
Less: amounts due within one year shown under current liabilities	**(2,121,895)**	(767,126)
Amounts shown under non-current liabilities	**640,513**	1,837,623

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

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

	2021 RMB'000	2020 RMB'000
Fixed-rate borrowings	**75,900**	85,100
Variable-rate borrowings	**2,686,508**	2,519,649
	2,762,408	2,604,749

The Group's variable-rate borrowings carry interest at LIBOR plus 1.1% to 2.5%, European Central Bank Rate plus 1.5% and EURIBOR plus 0.75% and 0.8%. Interest is reset each one to three months based on the contracts.

32. BORROWINGS (Continued)

The ranges of effective interest rates before the interest rate swap disclosed in Note 31 (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

	2021	2020
Effective interest rate:		
Fixed-rate borrowings	**3.85% to 4.90%**	3.70% to 4.90%
Variable-rate borrowings	**0.75% to 2.69%**	1.25% to 3.68%

The Group's bank borrowings that are denominated in currencies other than the functional currencies of the respective group entities are set out below:

	2021 RMB'000	2020 RMB'000
US$	**2,359,009**	2,283,715
EUR	**302,789**	—

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

	2021 RMB'000	2020 RMB'000
Floating rate		
— expiring within one year	**468,386**	331,061
— expiring beyond one year	**—**	652,490
	468,386	983,551

At December 31, 2021, the Group's borrowings were secured against the Group's property, plant and equipment as collaterals with carrying amounts of RMB10,597,000 (December 31, 2020: in the process of securing the property, plant and equipment as collaterals with carrying amount of RMB42,147,000).

32. BORROWINGS (Continued)

In respect of bank loans with carrying amount of RMB2,359,009,000 as 2021 (2020: RMB1,957,470,000), the Group is required to comply with the following financial covenants throughout the continuance of the relevant loans and/or as long as the loans are outstanding:

(i) Bank loan with carrying amount of RMB1,721,439,000 (USD270,000,000)

In relation to the Group:

- Earnings before interest, taxes, depreciation and amortization ("EBITDA") during each year shall not be less than 5 times interest expense on bank borrowings at the last day of the first half of the financial year and the last day of the financial year;
- Total equity after deducting goodwill, intangible assets and deferred tax assets (together referred to as "Tangible Net Worth") shall not at any time be less than RMB6,000,000,000; and
- Total Debt less the Cash and Cash Equivalents ("Net debt") at the end of each year shall not exceed 2.5 times EBITDA during the same year.

In relation to the WuXi Biologics (Hong Kong) Limited ("BIOHK"), a wholly-owned subsidiary of the Company:

- Tangible Net Worth shall not at any time be less than RMB20,000,000.

(ii) Bank loan with carrying amount of RMB637,570,000 (USD100,000,000)

In relation to the Group:

- EBITDA during each year shall not be less than 5 times interest expense on bank borrowings at the last day of the first half of the financial year and the last day of the financial year;
- Tangible Net Worth shall not at any time be less than RMB9,000,000,000; and
- Net debt at the end of each year shall not exceed 2.5 times EBITDA during the same year.

In relation to BIOHK:

- Tangible Net Worth shall not at any time be less than RMB20,000,000.

The Group has complied with these covenants throughout the reporting period.

33. LEASE LIABILITIES

	2021 RMB'000	2020 RMB'000
Lease liabilities payable:		
Within one year	**103,561**	60,711
Within a period of more than one year but not exceeding two years	**114,639**	61,172
Within a period of more than two year but not exceeding five years	**557,950**	188,031
Within a period of more than five years	**756,729**	417,310
	1,532,879	727,224
Less: amounts due within one year shown under current liabilities	**(103,561)**	(60,711)
Amounts shown under non-current liabilities	**1,429,318**	666,513

The weighted average incremental borrowing rates applied to lease liabilities range from 1.5% to 4.9% (2020: from 1.5% to 4.9%).

34. DEFERRED INCOME

	2021 RMB'000	2020 RMB'000
Assets related research and other grants	**213,225**	211,949
Income related research and other grants	**10,903**	1,791
	224,128	213,740

34. DEFERRED INCOME (Continued)

Movements of research and other grants:

	Assets related RMB'000	Income related RMB'000	Total RMB'000
At January 1, 2020	146,524	2,361	148,885
Research and other grants received	75,368	126,631	201,999
Credited to profit or loss *(Note 6)*	(10,953)	(127,201)	(138,154)
Exchange alignment	1,010	—	1,010
At December 31, 2020	**211,949**	**1,791**	**213,740**
Research and other grants received	**32,302**	**120,750**	**153,052**
Credited to profit or loss *(Note 6)*	**(26,292)**	**(111,638)**	**(137,930)**
Exchange alignment	**(4,734)**	**—**	**(4,734)**
At December 31, 2021	**213,225**	**10,903**	**224,128**

During the year ended December 31, 2021, the Group received research and other grants of RMB32,302,000 (2020: RMB75,368,000) for its investment in laboratory equipment. The grants were recognized in profit or loss over the useful lives of the relevant assets.

35. SHARE CAPITAL

AUTHORIZED:

	Number of shares	Par value US$	Authorized share capital US$
At January 1, 2020	2,000,000,000	0.000025	50,000
Share subdivision *(note iii)*	4,000,000,000		—
At December 31, 2020 and December 31, 2021	6,000,000,000	1/120,000	50,000

35. SHARE CAPITAL (Continued)

ISSUED AND FULLY PAID:

	Number of shares	Amount US$	Shown in the financial statements as RMB'000
At January 1, 2020	1,294,525,986	32,364	214
Issue of new shares *(notes i and ii)*	51,882,141	1,296	9
Exercise of pre-IPO share options prior to the Share Subdivision	14,317,347	358	1
Share subdivision *(note iii)*	2,721,450,948	—	—
Exercise of pre-IPO share options after the Share Subdivision	2,586,638	22	1
At December 31, 2020	**4,084,763,060**	**34,040**	**225**
Issue of new shares *(notes iv and v)*	**128,354,126**	**1,070**	**7**
Exercise of pre-IPO share options	**45,886,428**	**382**	**3**
At December 31, 2021	**4,259,003,614**	**35,492**	**235**

Notes:

i. On June 1, 2020, before the Share Subdivision (as defined in note iii), the Company issued and allotted 6,882,141 new ordinary shares at nil consideration to trustee under the Restricted Share Award Scheme. Details of the Restricted Share Award Scheme are set out in Note 43.

ii. On July 8, 2020, before the Share Subdivision (as defined in note iii), the Company issued 45,000,000 new ordinary shares of US$0.000025 each through placement to certain independent third parties at a price of HK$137.00 per share. The net cash proceed was HK$6,121,994,000 (equivalent to approximately RMB5,545,791,000), after deducting the issue cost of HK$43,006,000 (equivalent to approximately RMB38,959,000).

iii. Pursuant to a shareholders' resolution passed at an extraordinary general meeting on November 12, 2020, the authorized and issue shares of the Company were subdivided on the basis that every one issued share is subdivided into three subdivided shares (the "Share Subdivision"). The Share Subdivision became effective on November 16, 2020.

35. SHARE CAPITAL (Continued)

ISSUED AND FULLY PAID: (Continued)

Notes: (Continued)

iv. On February 10, 2021, after the Share Subdivision, the Company issued 118,000,000 new ordinary shares of US$1/120,000 each through placement to certain independent third parties at a price of HK$112.00 per share. The net cash proceed of this placement was HK$13,121,243,000 (equivalent to approximately RMB10,899,029,000), after deducting the issue cost of HK$94,757,000 (equivalent to approximately RMB78,709,000) from the gross cash proceed of HK$13,216,000,000 (equivalent to approximately RMB10,977,738,000).

v. On June 10, 2021, after the Share Subdivision, the Company issued and allotted 10,354,126 new ordinary shares at nil consideration to trustee under the Restricted Share Award Scheme. Details of the Restricted Share Award Scheme are set out in Note 43.

36. CAPITAL RISK 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 capital structure of the Group consists of net debt, which includes borrowings and lease liabilities disclosed in Notes 32 and 33 respectively, net of cash and cash equivalents, and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure on a continuous basis taking into account the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the issue of new shares as well as the issue of new debts or the redemption of existing debts.

37. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2021 RMB'000	2020 RMB'000
Financial assets		
Financial assets at amortized cost	**14,402,724**	11,671,943
Financial assets at FVTPL	**2,331,712**	871,282
Investment of an associate measured at FVTPL	**752,275**	187,520
Equity instruments at FVTOCI	**94,413**	127,167
Derivative financial assets	**490,499**	461,867
Financial liabilities		
Derivative financial liabilities	**40,890**	33,371
Financial liabilities at amortized cost	**5,391,952**	4,590,977
Lease liabilities	**1,532,879**	727,224

b. Financial risk management objectives and policies

The Group's major financial assets and liabilities include trade and other receivables, bill receivables, other long-term deposits, financial assets at FVTPL, investment of an associate measured at FVTPL, equity instruments at FVTOCI, derivative financial assets, time deposits, pledged bank deposits, bank balances and cash, derivative financial liabilities, borrowings, trade and other payables and lease liabilities. 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 had been no change in the Group's exposure to these risks or the manner in which it managed and measured the risks during the year ended December 31, 2021.

37. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

Currency risk

Certain group entities have foreign currency transactions, including sales and purchases, which expose the Group to foreign currency risk. Certain of the Group's bank balances and cash, time deposits, pledged bank deposits, trade and other receivables, trade and other payables and borrowings are denominated in currencies other than the functional currency of the relevant group entities and expose to such foreign currency risk. The carrying amounts of relevant group entities' foreign currency denominated monetary assets and liabilities other than their functional currency are disclosed in the respective notes.

The Group mainly exposes to foreign currency of US$, EUR, HK$, JPY and CHF. The Group entered into several foreign currency forward contracts, cross currency swap contracts with banks in order to manage the Group's currency risk associated with anticipated sales transactions and repayment of bank borrowings up to 12 months (2020: 21 months). During the year ended December 31, 2021, the Group also entered into several forward extra contracts and European vanilla option contracts with banks in order to manage the Group's currency risk associated with the net exposure denominated in currencies at US$ and EUR up to 12 months (see Note 31 for details).

Before considering the hedging activities, the carrying amounts of the Group's foreign currency denominated monetary assets (trade and other receivables, pledged bank deposits, time deposits and bank balances and cash) and liabilities (trade and other payables and bank borrowings) at the end of the reporting period are as follows:

	2021 **RMB'000**	2020 RMB'000
Assets		
US$	**7,839,922**	6,185,809
HK$	**768,562**	310,114
EUR	**96,088**	64
Liabilities		
US$	**2,606,688**	2,456,532
HK$	**770,949**	262,589
EUR	**315,630**	32,239
CHF	**2,572**	2,833
JPY	**103**	9,892

37. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

Currency risk (Continued)

In current year, the Group entered into several forward extra contracts, European vanilla option contracts in relation to the net exposure to US$ with notional amount of US$775,000,000 (equivalent to RMB4,941,168,000) which are designated as effective hedging relationship. In addition, the Group also entered into several forward extra contracts in relation to the net exposure to EUR for intra-group borrowings with notional amount of EUR340,000,000 (equivalent to RMB2,454,698,000) which are designated as effective hedging relationship. It is the Group's policy to negotiate the terms of the hedge derivatives, to the extent possible, to match or approximate the terms of the hedged items to maximize hedge effectiveness.

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against US$, HK$ and EUR, the foreign currencies with which the Group may have a material exposure. No sensitivity analysis has been disclosed for the JPY and CHF denominated assets/liabilities as the impact on profit is immaterial. 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 the reporting period for a 5% change in foreign currency rate. A negative number below indicates a decrease in post-tax profit where RMB strengthens 5% against US$, while a positive number indicates an increase in post-tax profit where RMB strengthens 5% against HK$ and EUR.

	2021 RMB'000	2020 RMB'000
Impact on profit or loss before hedging sensitivity:		
US$	**(229,922)**	(160,350)
HK$	**105**	(2,043)
EUR	**9,645**	1,384

37. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

Currency risk (Continued)

Sensitivity analysis (Continued)

After considering that the net exposure to US$ are hedged through several forward extra contracts and European vanilla option contracts with notional amount of US$775,000,000 (equivalent to RMB4,941,168,000), if the RMB strengthens 5% against US$, the Group's post-tax profit would decrease by RMB12,833,000 for the year ended December 31, 2021 (2020: RMB76,183,000).

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings (see Note 32 for details) and fixed-rate pledged bank deposits (see Note 28 for details) and lease liabilities (see Note 33 for details). The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances (see Note 28 for details) and variable-rate bank borrowings (see Note 32 for details). The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rate on bank balances, LIBOR, European Central Bank Rate and EURIBOR arising from the Group's bank borrowings. The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. The management will review the proportion of borrowings in fixed and floating rates and ensure they are within reasonable range. During the year ended December 31, 2021, the Group entered into interest rate swaps with banks to minimize its exposure to interest rate fluctuation on its variable-rate bank borrowings.

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates ("IBORs") with alternative nearly risk-free rates. Details of the impacts on the Group's risk management strategy arising from the interest rate benchmark reform and the progress towards implementation of alternative benchmark interest rates are set out under "interest rate benchmark reform" in this note.

37. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

Interest rate risk (Continued)

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for its floating-rate borrowings before hedging activity. The analysis is prepared assuming the floating rate borrowings outstanding at the end of the reporting period were outstanding for the whole year. 50 basis points (2020: 50 basis points) increase or decrease are used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. If interest rates had been 50 basis points (2020: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit would have decreased/increased approximately by RMB11,803,000 (2020: decrease/increase approximately by RMB10,848,000). This is mainly attributable to the Group's exposure to interest rates on its floating-rate borrowings

Bank balances and pledged bank deposits are excluded from sensitivity analysis as the directors of the Company consider that the exposure of cash flow interest rate arising from variable-rate bank balances and pledged bank deposits is insignificant.

Other price risk

The Group is exposed to other price risk through its equity instruments measured at FVTOCI and financial assets at FVTPL. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise. The directors of the Company consider that the exposure of other price risk arising from equity instruments measured at FVTOCI is insignificant, therefore no sensitivity analysis on such risk has been prepared.

Sensitivity analysis

The sensitivity analysis have been determined based on the exposure to equity price risk at the reporting date.

37. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

Other price risk (Continued)

Sensitivity analysis (Continued)

If the prices of the respective financial assets at FVTPL had been 10% (2020:10%) higher/lower, the post-tax profit for the year ended December 31, 2021 would increase/decrease by RMB23,853,000 (2020: RMB34,463,000) as a result of the changes in fair value of listed and unlisted financial assets at FVTPL and the post-tax profit would increase/decrease by RMB36,605,000 (2020: Nil) as a result of the changes in fair value of investment of an associate measured at FVTPL.

Credit risk and impairment assessment

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 recognized financial assets as stated in the consolidated statement of the financial position.

In order to minimize credit risk, the Group has developed and maintained 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 reviewed at the end of the reporting period to ensure the adequate impairment losses are made for irrecoverable amount.

37. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The Group's current credit risk grading framework comprises the following categories:

Internal credit rating	Description	Trade receivables/ contract assets/ finance lease receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past due amounts	Lifetime ECL-not credit-impaired	12-month ECL
Watch list	Debtor frequently repays after due dates but usually settle after due date in full	Lifetime ECL-not credit-impaired	12-month ECL
Doubtful	There has been a significant increase in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL-not credit-impaired	Lifetime ECL-not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	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	Amount is written off	Amount is written off

37. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The tables below detail the credit risk exposures of the Group's financial assets, contract assets and finance lease receivables which are subject to ECL assessment:

	Internal credit rating	12-month or lifetime ECL RMB'000	2021 Gross carrying amount RMB'000	2020 Gross carrying amount RMB'000
Financial assets at amortized cost				
Time deposits	Low risk	12-month ECL	**1,147,626**	1,272,356
Pledged bank deposits	Low risk	12-month ECL	**217,991**	528,787
Bank balances	Low risk	12-month ECL	**9,003,280**	7,095,735
Other receivables	Low risk	12-month ECL	**278,026**	42,996
Loan receivables	*(note iv)*	12-month ECL	**—**	50,000
Receivables for purchase of raw materials on behalf of customers	*(note i)*	12-month ECL	**349,404**	184,692
Receivables for purchase of raw materials on behalf of customers	*(note i)*	Lifetime ECL (not credit-impaired)	**254,413**	137,295
Receivables for purchase of raw materials on behalf of customers	*(note i)*	Lifetime ECL (credit-impaired)	**13,144**	—
Trade receivables	*(note ii)*	Lifetime ECL (collective assessment)	**3,293,000**	2,200,522
Trade receivables	*(note ii)*	Lifetime ECL (individual assessment)	**134,125**	309,594
Bill receivables	*(note iii)*	12-month ECL	**3,247**	5,160
Other long-term deposits	Low risk	12-month ECL	**42,216**	28,310
Other items				
Contract assets	*(note ii)*	Lifetime ECL (collective assessment)	**143,042**	31,854
Finance lease receivables	*(note v)*	Lifetime ECL (collective assessment)	**138,049**	96,287

37. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Notes:

i. For the purposes of internal credit risk management, the Group has applied the general approach in IFRS 9 to measure the loss allowance equal to 12m ECL for those current exposure at default of the debtors being assessed as not having significant increase in credit risk since initial recognition. For those having significant increase in credit risk since initial recognition, the Group recognized lifetime ECL.

ii. For trade receivables and contract assets, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. Except for the customers which are assessed individually, the Group determines the ECL on these items by using a provision matrix and meanwhile categorizes its customers into three types: low credit risk customers, normal credit risk customers and high credit risk customers, based on the financial quality of debtors and their historical credit loss experience according to the past due status adjusted, as appropriate, to reflect current conditions and estimates of future economic conditions.

iii. For bills receivable issued by banks, the Group assessed impairment loss individually and concluded that the probability of defaults of the counterparty banks are insignificant. Accordingly, no allowance for credit losses is provided.

iv. For loan receivables from an associate, the Group assessed the impairment loss by reviewing the financial position and performance of the associate and concluded that the probability of defaults of an associate is insignificant and accordingly, no allowance for credit losses is provided.

v. For finance lease receivables, no allowance for credit losses is provided as the finance lease receivables are secured by the related staff living quarters, the probability of defaults by the employees are insignificant and accordingly.

37. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Trade receivables and contract assets

The Group performs impairment assessment under ECL model on trade receivables with significant balances and different credit risk characteristics individually and/or collectively using provision matrix with appropriate groupings. Except for items which are assessed for impairment individually, the remaining trade receivables and contract assets are grouped based on shared credit risk characteristics by reference to the Group's internal credit ratings. As of December 31, 2021, the Group provided RMB261,849,000 and RMB10,497,000 (2020: RMB57,113,000 and RMB7,785,000) impairment allowance for trade receivables and contract assets respectively, based on the provision matrix. Impairment allowance of RMB41,520,000 (2020: RMB120,305,000) was assessed individually on trade receivables with gross carrying amount of RMB134,125,000. No impairment allowance on contract assets was recognized based on individual assessment.

The following table provides information about the exposure to credit risk for trade receivables and contract assets which are assessed based on provision matrix as at December 31, 2021 within lifetime ECL:

Gross carrying amount	2021			2020		
Internal credit rating	Average loss rate	Trade receivables RMB'000	Contract assets RMB'000	Average loss rate	Trade receivables RMB'000	Contract assets RMB'000
Grade A: Low risk and watch list	0.07%	1,849,524	106,317	0.04%	1,533,125	20,473
Grade B: Doubtful	4.13%	1,233,822	27,467	4.17%	637,432	3,802
Grade C: Loss	100.00%	209,654	9,258	100.00%	29,965	7,579
		3,293,000	143,042		2,200,522	31,854

37. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Trade receivables and contract assets (Continued)

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by the management of the Group to ensure relevant information about specific debtors is updated. The contract assets have substantially the same risk characteristics as the trade receivables for the same type of contracts. The Group has therefore concluded that the loss rates for trade receivables are a reasonable approximation of the loss rates for contract assets. The management of the Group has considered the impact of Covid-19 pandemic for the average loss rate used in the ECL model.

37. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Trade receivables and contract assets (Continued)

The following table shows the movement in lifetime ECL that has been recognized for trade receivables and contract assets under the simplified approach.

	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
As at January 1, 2020	(15,261)	(57,489)	(72,750)
Changes due to financial instruments recognized as at January 1, 2020:			
— Transfer to credit-impaired	969	(969)	—
— Impairment losses reversed	3,060	22,080	25,140
— Write-offs	3,139	—	3,139
New financial assets originated or purchased	(62,352)	(78,900)	(141,252)
Exchange alignment	520	—	520
As at December 31, 2020	**(69,925)**	**(115,278)**	**(185,203)**
Changes due to financial instruments recognized as at January 1, 2021:			
— Transfer to credit-impaired	**1,667**	**(1,667)**	**—**
— Impairment losses reversed	**54,905**	**55,503**	**110,408**
— Write-offs	**—**	**—**	**—**
New financial assets originated or purchased	**(85,314)**	**(157,470)**	**(242,784)**
Exchange alignment	**3,713**	**—**	**3,713**
As at December 31, 2021	**(94,954)**	**(218,912)**	**(313,866)**

37. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Trade receivables and contract assets (Continued)

The following table shows the reconciliation of loss allowances that has been recognized for receivables for purchase of raw materials on behalf of customers.

	12-month ECL RMB'000	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
As at January 1, 2020	(1,137)	—	—	(1,137)
Changes due to financial instruments recognized as at January 1, 2020:				
— Transfer to lifetime ECL	584	(584)	—	—
— Impairment losses reversed	466	248	—	714
New financial assets originated or purchased	(686)	(4,978)	—	(5,664)
As at December 31, 2020	**(773)**	**(5,314)**	**—**	**(6,087)**
Changes due to financial instruments recognized as at January 1, 2021:				
— Transfer to credit-impaired	**79**	**—**	**(79)**	**—**
— Impairment losses recognized	**(199)**	**(506)**	**(585)**	**(1,290)**
New financial assets originated or purchased	**(1,016)**	**(9,505)**	**(12,480)**	**(23,001)**
As at December 31, 2021	**(1,909)**	**(15,325)**	**(13,144)**	**(30,378)**

37. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Trade receivables and contract assets (Continued)

For the purposes of impairment assessment, other financial assets are considered to have low credit risk. Accordingly, for the purpose of impairment assessment for these financial assets, the loss allowance is measured at an amount equal to 12-month ECL. In determining the ECL for these financial assets at amortized cost, 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 financial assets at amortized cost 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-month ECL allowance is insignificant at the end of each reporting period.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of bank balances and cash 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 management of the Group monitors the utilization of bank borrowings and ensures compliance with loan covenants.

Bank borrowing is one of the sources of liquidity of the Group. As at December 31, 2021, the Group has available unutilized bank loan facilities of approximately RMB468,386,000 (2020: RMB983,551,000). Details of which are set out in Note 32.

The following table details the Group's remaining contractual maturity for its financial liabilities and derivative instrument. The table has been drawn up based on the undiscounted cash flows of financial liabilities according to the earliest date on which the Group is 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.

37. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

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 (inflows) and outflows on derivative instruments that settle on a net basis. When the amount payable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the end of the reporting period. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual settlement dates as the management consider that the settlement dates are essential for an understanding of the timing of the cash flows of derivatives.

	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
2021						
Trade and other payables	N/A	2,610,628	18,916	—	2,629,544	2,629,544
Bank borrowings						
— fixed rate	3.85% to 4.90%	12,674	46,192	32,220	91,086	75,900
— variable rate	0.75% to 2.69%	2,135,674	581,372	—	2,717,046	2,686,508
Total financial liabilities		4,758,976	646,480	32,220	5,437,676	5,391,952
Lease liabilities	1.5% to 4.9%	148,986	814,209	843,450	1,806,645	1,532,879
		4,907,962	1,460,689	875,670	7,244,321	6,924,831
Derivative — gross settlement						
Interest rate swap		481	—	—	481	481
Derivative — net settlement						
Foreign currency forward, interest rate swap, forward extra contracts and European vanilla option contracts		40,409	—	—	40,409	40,409

37. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

	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
2020						
Trade and other payables	N/A	1,985,548	680	—	1,986,228	1,986,228
Bank borrowings						
— fixed rate	3.70% to 4.90%	13,126	47,995	43,091	104,212	85,100
— variable rate	1.25% to 3.68%	812,814	1,784,468	—	2,597,282	2,519,649
Total financial liabilities		2,811,488	1,833,143	43,091	4,687,722	4,590,977
Lease liabilities	1.5% to 4.9%	84,056	318,683	475,064	877,803	727,224
		2,895,544	2,151,826	518,155	5,565,525	5,318,201
Derivative — gross settlement						
Interest rate swap contract		—	3,358	—	3,358	3,358
Derivative — net settlement						
Interest rate swap and forward extra contracts		26,112	3,901	—	30,013	30,013

Interest rate benchmark reform

As listed in Note 32, several of the Group's LIBOR/European Central Bank Rate/EURIBOR bank loans will or may be subject to the interest rate benchmark reform. The Group is closely monitoring the market and managing the transition to new benchmark interest rates, including announcements made by the relevant IBOR regulators.

LIBOR

The Financial Conduct Authority ("FCA") has confirmed all LIBOR settings will either cease to be provided by any administrator or no longer be representative:

- immediately after 31 December 2021, in the case of all sterling, euro, Swiss franc and Japanese yen settings, and the 1-week and 2-month US dollar settings; and
- immediately after 30 June 2023, in the case of the remaining US dollar settings.

37. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Interest rate benchmark reform (Continued)

(i) Risks arising from the interest rate benchmark reform

The following are the key risks for the Group arising from the transition:

Interest rate related risks

For contracts which have not been transitioned to the relevant alternative benchmark rates and without detailed fallback clauses, if the bilateral negotiations with the Group's counterparties are not successfully concluded before the cessation of LIBOR, European Central Bank Rate and EURIBOR, there are significant uncertainties with regard to the interest rate that would apply. This gives rise to additional interest rate risk that was not anticipated when the contracts were entered into.

There are fundamental differences between IBORs and the various alternative benchmark rates. IBORs are forward looking term rates published for a period (e.g. 3 months) at the beginning of that period and include an inter-bank credit spread, whereas alternative benchmark rates are typically risk-free overnight rates published at the end of the overnight period with no embedded credit spread. These differences will result in additional uncertainty regarding floating rate interest payments.

Interest rate basis risk

Interest rate basis risk may arise if a non-derivative instrument and the derivative instrument held to manage the interest risk on the non-derivative instrument transition to alternative benchmark rates at different times. This risk may also arise where back-to-back derivatives transition at different times. The Group will monitor this risk against its risk management policy which has been updated to allow for temporary mismatches of up to 12 months and transact additional basis interest rate swaps if required.

37. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Interest rate benchmark reform (Continued)

(ii) *Progress towards implementation of alternative benchmark interest rates*

As at December 31, 2021, the Group was exposed to the LIBOR, European Central Bank Rate and EURIBOR, which are subject to interest rate benchmark reform.

The Group has closely monitored the market and the output from the various industry working groups managing the transition to new benchmark interest rates. This includes announcements made by LIBOR regulators (including the FCA and the US Commodity Futures Trading Commission) regarding the transition away from LIBOR to the Secured Overnight Financing Rate ("SOFR").

In response to the announcements, the Group's treasury team monitors where LIBOR exposures are within the business and prepare and deliver on an action plan to enable a smooth transition to alternative benchmark rates.

None of the Group's current LIBOR, European Central Bank Rate or EURIBOR linked contracts include adequate and robust fall back provisions for a cessation of the referenced benchmark interest rate. Different working groups in the industry are working on fall back language for different instruments and different IBORs, which the Group is monitoring closely and will look to implement these when appropriate.

The Group will continue to apply the amendments to IFRS 9 until the uncertainty arising from the interest rate benchmark reforms with respect to the timing and the amount of the underlying cash flows that the Group is exposed ends. The Group has assumed that this uncertainty will not end until the Group's contracts that reference IBORs are amended to specify the date on which the interest rate benchmark will be replaced, the cash flows of the alternative benchmark rate and the relevant spread adjustment. This will, in part, be dependent on the introduction of fall back clauses which have yet to be added to the Group's contracts and the negotiation with lenders.

37. FINANCIAL INSTRUMENTS (Continued)

c. Fair value measurements of financial instruments

Some of the Group's financial instruments are measured at fair value for financial reporting purposes. The directors of the Company have set up a valuation committee, which is headed up by the Chief Financial Officer of the Company, to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value, the Group uses market-observable data to the extent it is available. For instruments under Level 2 and Level 3, the Group engages third party qualified valuers to perform the valuation. The valuation committee works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The Chief Financial Officer reports the valuation committee's findings to the directors of the Company every quarter to explain the cause of fluctuations in the fair value.

37. FINANCIAL INSTRUMENTS (Continued)

c. Fair value measurements of financial instruments (Continued)

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

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/financial liabilities	Fair value as at		Fair value hierarchy	Valuation technique and key inputs
	December 31, 2021	December 31, 2020		
Financial assets at FVTPL	**Listed equity securities: RMB756,872,000**	Listed equity securities: RMB497,987,000	Level 1	Active market quoted transaction price *(note i)*
	Unlisted equity investments: nil	Unlisted equity investments: RMB267,247,000	Level 2	Recent transaction price *(note ii)*
	Unlisted equity investments: RMB130,280,000	Unlisted equity investments: RMB75,982,000	Level 3	Back-solve from recent transaction price
	Unlisted equity investments: RMB360,982,000	Unlisted equity investments: RMB30,000,000	Level 3	Comparable company method
	Unlisted equity investments: RMB108,000,000	N/A	Level 3	Discounted cash flows method and option pricing model
	Wealth management products: RMB975,578,000	Wealth management products: RMB66,000	Level 2	Discounted cash flows method, estimated based on expected return and market interest rate.
Equity instruments at FVTOCI	**Unlisted equity investments: RMB94,413,000**	Unlisted equity investments: RMB127,167,000	Level 3	Comparable company method
Investment of an associate measured at FVTPL	**Investment of an associate measured at FVTPL: RMB752,275,000**	Investment of an associate measured at FVTPL: RMB187,520,000	Level 3 (2020: Level 2)	Back-solve from recent transaction price and option pricing model (2020: recent transaction price)
Foreign currency forward contracts, collars contracts, cross currency swap contracts, interest rate swap contracts and forward extra contracts classified as derivative financial assets and liabilities	**Derivative financial assets: RMB490,499,000** **Derivative financial liabilities: RMB40,890,000**	Derivative financial assets: RMB461,867,000 Derivative financial liabilities: RMB33,371,000	Level 2	Discounted cash flows. Future cash flows are estimated based on forward exchange rates and contracted forward rates, and forward variable interest rates and contracted fixed interest rate, discounted at a rate that reflects the credit risk of the banks.

37. FINANCIAL INSTRUMENTS (Continued)

c. Fair value measurements of financial instruments (Continued)

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

Notes:

i. An unlisted equity investment as at December 31, 2020 became listed on The Stock Exchange of Hong Kong Limited in 2021, with the shares traded in an active market. Therefore, the fair value of these investments as at December 31, 2021 was determined based on the market price and classified as Level 1 of the fair value hierarchy.

ii. The investments were either acquired or re-invested by the Group recently. The management of the Group assessed that since there was no significant milestone achieved in each of the investments since their respectively acquisitions or reinvestment if applicable, the most recent transaction price is used as the best estimate of the fair value.

(ii) Reconciliation of Level 3 fair value measurements of financial assets

	Equity instruments at FVTOCI RMB'000	Financial assets at FVTPL RMB'000	Investment of an associate measured at FVTPL RMB'000
At January 1, 2020	138,826	77,003	—
Total gains (losses)			
— in profit or loss	—	2,620	—
— in other comprehensive income	(2,686)	—	—
Purchases	—	30,000	—
Exchange alignment	(8,973)	(3,641)	—
At December 31, 2020	**127,167**	**105,982**	**—**
Total gains (losses)			
— in profit or loss	**—**	**18,214**	**366,053**
— in other comprehensive income	**(29,819)**	**—**	**—**
Purchases	**—**	**207,652**	**200,000**
Transfers into level 3	**—**	**343,731**	**187,520**
Transfers out of level 3	**—**	**(75,982)**	**—**
Exchange alignment	**(2,935)**	**(335)**	**(1,298)**
At December 31, 2021	**94,413**	**599,262**	**752,275**

37. FINANCIAL INSTRUMENTS (Continued)

c. Fair value measurements of financial instruments (Continued)

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

The management of the Group considers the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the consolidated financial statements approximate their fair value.

The fair values of these financial assets and financial liabilities at amortized cost are determined in accordance with generally accepted pricing models based on discounted cash flow analysis with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

38. CAPITAL COMMITMENTS

The Group had capital commitments for land, equipment purchase and building construction, acquisition of an associate and investments accounted as financial assets at FVTPL under non-cancellable contracts as follows:

	2021 **RMB'000**	2020 RMB'000
Contracted but not provided for		
— Land, property, plant and equipment	**3,035,768**	3,622,219
— Acquisition of an associate	**—**	200,000
— Financial assets at FVTPL	**95,363**	97,874
	3,131,131	3,920,093

39. RETIREMENT BENEFIT PLANS

The employees of the Group's subsidiaries are members of the state-managed retirement benefits schemes operated by government. The 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 RMB208,076,000 for the year ended December 31, 2021 (2020: RMB102,849,000).

40. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both the 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 statement of cash flows as cash flows from financing activities.

	Bank borrowings RMB'000	Interest prepayments and payable RMB'000	Lease liabilities RMB'000	Total RMB'000
At January 1, 2020	1,901,347	(24,471)	292,601	2,169,477
Financing cash flows	870,458	(61,643)	(69,979)	738,836
Interest expenses	—	65,520	20,901	86,421
New leases entered	—	—	490,865	490,865
Covid-19-related rent concessions	—	—	(484)	(484)
Early terminated lease	—	—	(6,680)	(6,680)
Exchange alignment	(167,056)	(27)	—	(167,083)
At December 31, 2020	**2,604,749**	**(20,621)**	**727,224**	**3,311,352**
Financing cash flows	**(52,983)**	**(43,234)**	**(133,809)**	**(230,026)**
Interest expenses	**—**	**53,509**	**39,966**	**93,475**
New leases entered	**—**	**—**	**940,630**	**940,630**
Covid-19-related rent concessions	**—**	**—**	**(188)**	**(188)**
Acquisition of subsidiaries	**301,136**	**—**	**14,364**	**315,500**
Early terminated lease	**—**	**—**	**(2,113)**	**(2,113)**
Exchange alignment	**(90,494)**	**625**	**(53,195)**	**(143,064)**
At December 31, 2021	**2,762,408**	**(9,721)**	**1,532,879**	**4,285,566**

The financing cash flows of bank borrowings represent the proceeds from and repayment of bank borrowings and interest paid in the consolidated statement of cash flows.

41. ACQUISITION OF SUBSIDIARIES/BUSINESS

During the year ended December 31, 2021, the Group has completed the following three acquisitions of subsidiaries/business.

(a) Acquisition of CMAB Group

WuXi Biologics Investments Limited ("Bio Investment") and WuXi Biologics Co., Ltd, the subsidiaries of the Group, entered into a series of agreements with independent third parties not connected to the Group to acquire 100% shares of CMAB BVI and its subsidiaries as well as all non-controlling interests (31.9190%) of WuXi Biologics (Suzhou) Co., Ltd. (formerly known as CMAB Biopharma (Suzhou) Inc.), a subsidiary of CMAB BVI, for a total consideration of RMB1,591,201,000. CMAB Group are primarily engaged in biological contract development and manufacturing organization based in Suzhou, China. The Group acquired CMAB Group so as to expand the capacities for liquid and lyophilization within its global manufacturing network.

The acquisition has been accounted for as acquisition of business using the acquisition method. Acquisition-related costs were not material and have been expensed as incurred as part of administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

Assets acquired and liabilities recognized at the date of acquisition

	RMB'000
Property, plant and equipment	382,776
Right-of-use assets	14,416
Intangible assets	227,702
Deferred tax assets	5,918
Other long-term deposits and prepayments	1,413
Inventories	31,366
Trade and other receivables	66,256
Contract assets	13,484
Contract costs	30,895
Bank balances and cash	103,776
Trade and other payables	(73,421)
Borrowings	(301,136)
Contract liabilities	(27,193)
Lease liabilities	(14,364)
	461,888

The fair value of trade and other receivables at the date of acquisition amounted to RMB66,256,000, which is equivalent to the gross contractual amounts. None of the contractual cash flows are not expected to be collected at acquisition date.

41. ACQUISITION OF SUBSIDIARIES/BUSINESS (Continued)

(a) Acquisition of CMAB Group (Continued)

Goodwill arising on acquisition

	RMB'000
Consideration transferred	1,591,201
Less: recognized amounts of net assets acquired	(461,888)
Goodwill arising on acquisition	1,129,313

Goodwill arose on the acquisition of CMAB Group because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies from, including but not limited to, revenue growth, future market development and the assembled workforce of CMAB Group. These benefits are not recognized separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on the acquisitions is expected to be deductible for tax purposes.

Net cash outflow arising on acquisition of CMAB Group

	RMB'000
Cash consideration paid	1,591,201
Less: bank balances and cash acquired	(103,776)
	1,487,425

Impact of acquisition on the results of the Group

Included in the profit of the Group for the period is a loss of RMB52,834,000 attributable to the post-acquisition results of CMAB Group. Revenue for the period includes RMB132,856,000 generated from CMAB Group.

Had the acquisition been completed on January 1, 2021, revenue for the period of the Group would have been RMB10,327,933,000, and profit for the period of the Group would have been RMB3,460,958,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations 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.

41. ACQUISITION OF SUBSIDIARIES/BUSINESS (Continued)

(a) Acquisition of CMAB Group (Continued)

Net cash outflow arising on acquisition of CMAB Group (Continued)

Impact of acquisition on the results of the Group (Continued)

In determining the 'pro-forma' revenue and profit of the Group had CMAB Group been acquired at the beginning of the current year, the directors of the Company have calculated amortization of intangible assets acquired on the basis of the fair values arising from the initial accounting for the business combination rather than the carrying amounts recognized in the pre-acquisition financial statements.

(b) Acquisition of Pfizer Hangzhou (as defined below)

Bio Investment, the wholly-owned subsidiary of the Group, entered into an agreement with independent third parties not connected to the Group to acquire 100% equity interest in Pfizer Biologics (Hangzhou) Company Limited ("Pfizer Hangzhou"), which holds the state-of-the-art biologics manufacturing facilities in Hangzhou, China, for consideration of US$106,893,000 (equivalent to approximately RMB691,299,000). As the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognizes the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets/financial liabilities at the respective fair values, with remaining balance of the purchase price allocated to other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. The Group acquired Pfizer Hangzhou so as to boost the commercial capacities of the Group to address surging manufacturing demands.

Assets and liabilities recognized at the date of acquisition

	RMB'000
Property, plant and equipment	450,705
Right-of-use assets	26,136
Inventories	8,638
Other receivables	202,742
Bank balances and cash	17,130
Trade and other payables	(14,052)
	691,299

41. ACQUISITION OF SUBSIDIARIES/BUSINESS (Continued)

(b) Acquisition of Pfizer Hangzhou (as defined below) (Continued)

Net cash outflows arising on acquisition of Pfizer Hangzhou

	RMB'000
Cash consideration paid	691,299
Less: bank balances and cash acquired	(17,130)
	674,169

(c) Acquisition of Payload and Linker Business

WuXi XDC (Changzhou) Co., Ltd., a subsidiary of the Group, entered into an agreement with Changzhou SynTheAll Pharmaceutical Co., Ltd. ("STA Changzhou"), an indirect subsidiary of WuXi AppTec Co., Ltd., which is ultimately controlled by the Shareholders (as defined in Note 42(b)) of the Company, to acquire the payload and linker business (the "Payload and Linker Business") for consideration of RMB280,000,000. The purpose of the acquisition was to reinforce the Group's capabilities of end-to-end contract development and manufacturing of bioconjugates including antibody-drug conjugates ("ADC").

The acquisition has been accounted for as acquisition of business using the acquisition method. Acquisition-related costs were not material and have been expensed as incurred as part of administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

Assets acquired at the date of acquisition

	RMB'000
Property, plant and equipment	6,407
Intangible assets	58,400
	64,807

41. ACQUISITION OF SUBSIDIARIES/BUSINESS (Continued)

(c) Acquisition of Payload and Linker Business (Continued)

Goodwill arising on acquisition (determined on a provisional basis)

	RMB'000
Consideration payable	280,000
Less: recognized amounts of net assets acquired	(64,807)
Goodwill arising on acquisition	215,193

Goodwill arose on the acquisition of Payload and Linker Business because the acquisition included the assembled workforce as well as ongoing and potential projects from existing customers as at the date of acquisition. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on the acquisitions is expected to be deductible for tax purposes.

Impact of acquisition on the results of the Group

The acquisition of the Payload and Linker Business has had no material impact on the financial performance of the Group for the year ended December 31, 2021 as the post-acquisition revenue and profit or loss generated by the Payload and Linker Business were not material. Had the acquisition been completed on January 1, 2021, revenue and profit for the year of the Group would not be materially impacted.

42. RELATED PARTY TRANSACTIONS AND BALANCES

In addition to the balances disclosed in Notes 26, 27, 29, 30 and 41, the Group had the following significant transactions and balances with related parties:

(a) Related party transactions

Provision of research and development service to related parties

	2021 RMB'000	2020 RMB'000
STA Changzhou	7,250	—
Duoning *(note i)*	1,765	—
WuXi MedImmune Biopharmaceutical Co., Ltd. ("WX MedImmune") *(note ii)*	756	5,580
WuXi AppTec (Shanghai) Co., Ltd. ("WXAT Shanghai")	720	1,498
WuXi Zekang Biotechnology (Suzhou) Co., Ltd.	425	264
Shanghai STA Pharmaceutical R&D Co., Ltd. ("STA R&D")	108	—
WuXi AppTec (Wuhan) Co., Ltd. ("WXAT Wuhan")	26	—
Shanghai SynTheAll Pharmaceutical Co., Ltd. ("STA")	17	—
WuXi AppTec (Suzhou) Co., Ltd. ("WASZ")	—	42
Hejing Pharmaceutical Technology (Shanghai) Co., Ltd. *(note iii)*	—	22
	11,067	7,406

Notes:

i. As disclosed in Note 17, Duoning is an investment of an associate measured at FVTPL of the Group.

ii. WX MedImmune is a joint venture held by WuXi AppTec (Hong Kong) Limited ("WAHK"), an indirect wholly-owned subsidiary of WuXi AppTec Co., Ltd.

iii. Hejing Pharmaceutical Technology (Shanghai) Co., Ltd. is an associate held by WXAT Shanghai, an indirect wholly-owned subsidiary of WuXi AppTec Co., Ltd and was no longer the related party of the Group since May 21, 2020. The transactions for the previous year disclosed above represented the transactions between January 1, 2020 and May 20, 2020. Details of related party relationship change are disclosed in Note 42(b).

42. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(a) Related party transactions (Continued)

Sales of materials to related parties

	2021 RMB'000	2020 RMB'000
WuXi ATU Co., Ltd. ("WuXi ATU")	3,045	1,393
WXAT Shanghai	12	—
Duoning	10	—
	3,067	1,393

Sales of property, plant and equipment to related parties

	2021 RMB'000	2020 RMB'000
WXAT Shanghai	3,849	—

Provision of other services to related parties

	2021 RMB'000	2020 RMB'000
Shanghai Lianghei Technology Co., Ltd. ("Lianghei") *(note)*	88	—

Note: Lianghei is a subsidiary of Duoning since June 2020.

42. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(a) Related party transactions (Continued)

Testing service received

	2021 RMB'000	2020 RMB'000
STA Pharmaceutical Hong Kong Limited ("STA HK")	**19,479**	—
WASZ	**13,585**	45,444
WXAT Shanghai	**7,269**	1,273
WuXi NextCode Genomics (Shanghai) Co., Ltd. ("NextCode Shanghai") *(note i)*	**3,529**	2,502
WuXi Clinical Development Services (Shanghai) Co., Ltd.	**534**	—
WuXi Diagnostic Medical Testing Institute (Shanghai) Co., Ltd. ("WuXi Diagnostic")	**295**	78
XenoBiotic Laboratories, Inc. ("XBL")	**257**	—
WuXi AppTec (Tianjin) Co., Ltd.	**62**	—
WuXi AppTec (Nantong) Co., Ltd.	**43**	37
Shanghai MedKey Med-Tech Development Co., Ltd. ("MedKey") *(note ii)*	**26**	—
Duoning	**20**	—
STA R&D	**—**	87
Abgent Biotechnology (Suzhou) Co., Ltd.	**—**	28
	45,099	49,449

Notes:

i. NextCode Shanghai was no longer ultimately controlled by the Shareholders of the Company as defined in Note 42(b) and thus was no longer a related party of the Group since September 2, 2021. The transactions for the current year disclosed represented the transactions from January 1, 2021 to September 1, 2021.

ii. The amounts of transactions with MedKey represented the transactions between MedKey and Pfizer Hangzhou since acquisition date.

42. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(a) Related party transactions (Continued)

Other services received

	2021 RMB'000	2020 RMB'000
WXAT Shanghai	**2,479**	4,809
WuXi AppTec Korea Co., Ltd.	**1,616**	1,710
Shanghai Waigaoqiao WuXi AppTec Incubator Management Co., Ltd. ("WXAT Incubator") *(note)*	**1,280**	—
STA Changzhou	**294**	—
NextCode Shanghai	**231**	—
WuXi AppTec Sales LLC ("Sales LLC")	**—**	3,764
Chengdu Kangde Renze Real Estate Co., Ltd.	**—**	189
	5,900	10,472

Note: WXAT Incubator is a joint venture held by WXAT Shanghai, an indirect wholly-owned subsidiary of WuXi AppTec Co., Ltd.

Purchase of materials

	2021 RMB'000	2020 RMB'000
Duoning	**116,173**	43,821
Lianghei	**8,603**	4,593
STA	**3,569**	—
	128,345	48,414

Purchase of property, plant and equipment

	2021 RMB'000	2020 RMB'000
Duoning	**3,216**	148
WXAT Shanghai	**162**	238
Lianghei	**76**	—
STA	**—**	73
STA R&D	**—**	4
	3,454	463

42. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(a) Related party transactions (Continued)

Interest expenses on lease liabilities

	2021 RMB'000	2020 RMB'000
WXAT Shanghai	**141**	32
NextCode Shanghai	**101**	300
WXAT Incubator	**50**	135
	292	467

Expenses relating to short-term leases

	2021 RMB'000	2020 RMB'000
STA Changzhou	**1,154**	—
Shijiazhuang MingMa Medical Laboratory Co., Ltd. *(note)*	**—**	57
	1,154	57

Note: Shijiazhuang MingMa Medical Laboratory Co., Ltd. was disposed by the Shareholders of the Company since September 2020 and is not a related party of the Company since then.

Loan and related interest income

Duoning, an associate of the Group, borrowed a loan amounting to RMB50,000,000 from the Group in the year ended December 31, 2020 and repaid in full in the current year. The interest income recognized by the Group was RMB54,000 for the year ended December 31, 2021 (2020: RMB112,000). The transactions were carried out in accordance with the terms agreed with the counterparties.

42. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(b) Related party balances

As at December 31, 2021 and 2020, the Group had balances with related parties as follows:

	2021 RMB'000	2020 RMB'000
Amounts due from related parties		
Trade related		
Duoning	1,944	—
Less: Allowance for credit losses	(76)	—
WX MedImmune	399	5,346
Less: Allowance for credit losses	—	(20)
WXAT Shanghai	15	767
STA	9	—
	2,291	6,093

	2021 RMB'000	2020 RMB'000
Contract assets		
STA Changzhou	7,685	—
Less: Allowance for credit losses	(2)	—
	7,683	—

	2021 RMB'000	2020 RMB'000
Advances to suppliers		
WASZ	12,526	—
MedKey	67	—
WXAT Incubator	14	—
	12,607	—

42. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(b) Related party balances (Continued)

	2021 RMB'000	2020 RMB'000
Loan and interest receivables		
Duoning	—	50,112

	2021 RMB'000	2020 RMB'000
Amounts due to related parties		
Trade related		
Duoning	36,908	15,023
STA HK	19,498	—
WASZ	2,318	15,748
STA	2,148	—
WXAT Shanghai	1,003	138
XBL	253	—
STA R&D	61	92
Lianghei	25	1,808
WuXi AppTec (Nantong) Co., Ltd.	—	39
NextCode Shanghai	—	364
	62,214	33,212
Non-trade related		
Duoning	2,878	—
WXAT Shanghai	2,500	—
WASZ	1,660	—
STA Changzhou	1,570	—
WuXi Diagnostic	249	—
Sales LLC	—	450
	8,857	450

	2021 RMB'000	2020 RMB'000
Contract liabilities		
STA R&D	46	—
WuXi ATU	52	—
	98	—

42. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(b) Related party balances (Continued)

	2021 RMB'000	2020 RMB'000
Lease liabilities		
WXAT Shanghai	**2,334**	—
WXAT Incubator	**—**	1,615
NextCode Shanghai	**—**	4,141
	2,334	5,756

During the year ended December 31, 2021, the Group entered into a new lease agreement with WXAT Shanghai for three years. The Group has recognized an addition of right-of-use assets and lease liabilities of RMB3,422,000 and RMB3,422,000 respectively.

	2021 RMB'000	2020 RMB'000
Consideration payable for acquisition of business		
STA Changzhou	**280,000**	—

Except for loan receivables and lease liabilities, all the above balances with related parties are unsecured, interest free and repayable on demand.

On May 20, 2020, WuXi Biologics Holdings Limited ("Biologics Holdings"), the immediate and ultimate holding company of the Company, entered into a block trade agreement with a placing agent pursuant to which the placing agent has agreed to place 60,000,000 existing shares of the Company (representing approximately 4.61% of the total issued share capital of the Company as at May 21, 2020) held by Biologics Holdings to parties independent of and not connected with the Company at a price of HK$127.18 each (the "Transaction"). Immediately after the Transaction completed on May 20, 2020, the shareholding held by Biologics Holdings in the Company decreased from approximately 31.49% to 26.89% of the total issued share capital of the Company and Biologics Holdings ceased to be a controlling shareholder of the Company. Since then, Dr. Ge Li; Dr. Ning Zhao, the spouse of Dr. Ge Li; Mr. Xiaozhong Liu and Mr. Zhaohui Zhang (collectively referred to as "Shareholders"), who were all acting in concert and ultimately controlled Biologics Holdings, ceased to be the controlling shareholders and became the substantial shareholders of the Company.

42. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(b) Related party balances (Continued)

Except for WX MedImmune, Hejing Pharmaceutical Technology (Shanghai) Co., Ltd., Duoning, WXAT Incubator, Lianghei and NextCode Shanghai of which the relationship with the Group have been disclosed separately as above, all of the other related parties mentioned above are considered as related parties of the Group throughout the entire reporting period, because they are the fellow subsidiaries of the Group under the common control of the Shareholders of the Company from January 1, 2020 to May 20, 2020 before the Transaction completed. After the Transaction completed on May 20, 2020 to the end of the reporting period, they are ultimately controlled by the Shareholders of the Company who, in the opinion of the directors of the Company, have been able to exercise significant influence over the Group.

(c) Compensation of key management personnel

The remuneration of the directors of the Company and other members of key management of the Group during the year was as follows:

	2021 **RMB'000**	2020 RMB'000
Director's fee	**559**	601
Salaries and other benefits	**13,013**	10,839
Performance-based bonus	**5,467**	4,105
Retirement benefits scheme contributions	**168**	137
Share-based compensation	**85,158**	45,940
	104,365	61,622

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

43. SHARE-BASED COMPENSATION

(a) Equity instruments granted by WuXi PharmaTech to employees of the Group

WuXi PharmaTech was once listed on the New York Stock Exchange and used to have an employee stock incentive plan ("WuXi PharmaTech Stock Units and Options"). Pursuant to the WuXi PharmaTech Stock Units and Options, certain directors of the Company and employees of the Group were issued shares of WuXi PharmaTech which are subject to vesting term of one to five years ("WX RSUs"). The share restriction will be released when vested.

43. SHARE-BASED COMPENSATION (Continued)

(a) Equity instruments granted by WuXi PharmaTech to employees of the Group (Continued)

WuXi PharmaTech was privatized and delisted from the New York Stock Exchange on December 10, 2015, and was taken control by New WuXi Life Science Holdings Limited ("Life Science Holdings"), a company controlled by the Shareholders. As part of the privatization process, the terms and conditions of WuXi PharmaTech Stock Units and Options were modified.

Under the modified WuXi PharmaTech Stock Units and Options, the total number of the outstanding WX RSUs remained unchanged, but all outstanding WX RSUs as at December 10, 2015 would be settled by cash consideration based on the closing price of WuXi PharmaTech on December 10, 2015 (US$5.75 per share). Part of the cash consideration was paid out immediately to some of the designated employees of the Group ("Designated Employees") holding outstanding WX RSUs as their WX RSUs were deemed to be immediately vested. For remaining employees of the Group ("Non-designated Employees") holding outstanding WX RSUs, an escrow arrangement was made by Life Science Holdings to put aside the cash consideration in an escrow account and the cash consideration would be paid out to the Non-designated Employees when the original vesting conditions of the WX RSUs are met.

Because the fair values of the outstanding WX RSUs under both the original and modified WuXi PharmaTech Stock Units and Options as measured at the date of modification are determined to be the same, therefore, the outstanding WX RSUs would continue to be measured at the original grant-date fair value. For those Designated Employees, because their outstanding WX RSUs were deemed to be immediately vested, the Group recognized the share-based compensation expense related to this acceleration of vesting immediately in the profit and loss of the year ended December 31, 2015. For the Non-designated Employees, the Group continued to recognize the corresponding share-based compensation expense of their outstanding WX RSUs in the profit and loss of the Group over the original vesting periods.

By the end of December 31, 2020, all share-based compensation expense in relation to the outstanding WX RSUs has been recognized in the profit and loss of the Group, hence, no share-based compensation expense in relation to WuXi PharmaTech Stock Units and Options was recognized for the year ended December 31, 2021 (December 31, 2020: RMB136,000).

43. SHARE-BASED COMPENSATION (Continued)

(b) Pre-IPO Share Option Scheme

The Company's Pre-IPO Share Option Scheme was adopted pursuant to resolutions passed on January 5, 2016 for the primary purpose of attracting, retaining and motivating employees and directors. Under the Pre-IPO Share Option Scheme, the directors of the Company may grant up to 144,600,000 (before the effect of the Share Subdivision) share options to eligible employees, including the directors of the Company and its subsidiaries, to subscribe for shares in the Company. Grantee accepting an option grant offered by the Company has to sign an acceptance letter and pay to the Company an amount of HK$1.00 (before the effect of the Share Subdivision) as consideration for the grant.

Upon the Share Subdivision became effective, pro-rata adjustments were made to the exercise prices and the number of share options outstanding, so as to give the eligible employees the same proportion of the equity capital as that they were entitled to before the effect of the Share Subdivision.

Each option granted under the Pre-IPO Share Option Scheme can only be exercised in the following manners (each date on which any portion of option granted shall be vested is hereinafter referred to as a "Vesting Date" and each tranche on which any portion of option granted shall be vested is hereinafter referred to as a "Tranche"):

Tranche	Vesting Date
twenty percent (20%) of the shares subject to an option so granted	second (2nd) anniversary of the offer date for an Option
twenty percent (20%) of the shares subject to an option so granted	third (3rd) anniversary of the offer date for an Option
twenty percent (20%) of the shares subject to an option so granted	fourth (4th) anniversary of the offer date for an Option
forty percent (40%) of the shares subject to an option so granted	fifth (5th) anniversary of the offer date for an Option

43. SHARE-BASED COMPENSATION (Continued)

(b) Pre-IPO Share Option Scheme (Continued)

Set out below are details of the movements of the outstanding options granted under the Pre-IPO Share Option Scheme during the year ended December 31, 2021 and 2020:

Option batch	Outstanding as at January 1, 2021	Granted	Exercised	Forfeited	Outstanding as at December 31, 2021
January 7, 2016	167,037,100	–	35,135,774	–	131,901,326
March 28, 2016	2,254,075	–	855,350	–	1,398,725
August 10, 2016	9,433,200	–	1,810,600	187,200	7,435,400
November 11, 2016	8,508,500	–	3,544,897	28,800	4,934,803
March 15, 2017	46,300,500	–	3,906,907	760,800	41,632,793
May 12, 2017	6,331,530	–	632,900	–	5,698,630
	239,864,905	–	45,886,428	976,800	193,001,677
Exercisable at the end of the year	89,823,673				167,686,477
Weighted average exercise price (US$)	0.22	–	0.20	0.31	0.22

Option batch	Outstanding as at January 1, 2020 (Before the effect of Share Subdivision)	Granted	Exercised before the Share Subdivision	Exercised after the Share Subdivision	Forfeited before the Share Subdivision	Forfeited after the Share Subdivision	Effect of Share Subdivision	Outstanding as at December 31, 2020 (After the effect of Share Subdivision)
January 7, 2016	67,220,659	–	11,255,763	776,588	27,000	–	111,875,792	167,037,100
March 28, 2016	929,700	–	177,675	2,000	–	–	1,504,050	2,254,075
August 10, 2016	3,929,769	–	668,919	66,750	94,200	–	6,333,300	9,433,200
November 11, 2016	3,560,800	–	252,800	1,415,500	–	–	6,616,000	8,508,500
March 15, 2017	17,252,400	–	1,573,000	304,800	144,300	–	31,070,200	46,300,500
May 12, 2017	2,518,700	–	389,190	21,000	12,000	–	4,235,020	6,331,530
	95,412,028	–	14,317,347	2,586,638	277,500	–	161,634,362	239,864,905
Exercisable at the end of the year	22,261,563							89,823,673
Weighted average exercise price (US$)	0.65	–	0.61	0.24	0.88	–	N/A	0.22

43. SHARE-BASED COMPENSATION (Continued)

(b) Pre-IPO Share Option Scheme (Continued)

The estimated fair value of the Pre-IPO share options at the date of grant were approximately US$20,489,000, US$555,000, US$1,773,000, US$2,227,000, US$9,430,000 and US$2,974,000 for the January 7, 2016, March 28, 2016, August 10, 2016, November 11, 2016, March 15, 2017 and May 12, 2017 option batch, respectively. The fair value was calculated using the Binomial model. The major inputs into the model are as follows:

Grant date	January 7, 2016	March 28, 2016	August 10, 2016	November 11, 2016	March 15, 2017	May 12, 2017
Share price (US$) *(note)*	0.1600	0.1600	0.2167	0.2500	0.3167	0.5500
Exercise price (US$) *(note)*	0.1667	0.1667	0.2200	0.2633	0.3400	0.6000
Expected volatility	40.80%	40.80%	40.92%	40.87%	40.65%	40.46%
Expected life (years)	10	10	10	10	10	10
Risk-free interest rate	2.92%	2.92%	2.72%	2.83%	3.39%	3.67%
Forfeiture rate	7.70%	7.70%	7.70%	7.70%	7.70%	7.70%

Note: The share price and exercise price represents the prices after the effect of the Share Subdivision effected on November 16, 2020.

Share price is determined as the total fair value of the Company's equity divided by the total number of shares. To determine the grant date fair values of the Company's equity prior to the Company's Initial Public Offering on May 31, 2017, the Company used primarily the discounted cash flow method under the income approach, using cash flow projections based on financial forecasts approved by management covering a five-year period as appropriate and a discount rate of 13%. Cash flow beyond that five-year period has been extrapolated using a steady 5% growth rate. This growth rate does not exceed the long-term average growth rate for the market in which the Group operates. The result from the income approach was cross checked with the market approach, which incorporates certain assumptions, including the market performance of comparable listed companies, as well as the financial results and growth trends of the Company, to derive the total equity of the Group.

The risk-free interest rate was based on market yield rate of China government bonds with the term corresponding to the contractual life of the options. Expected volatility was determined by using the historical volatility of the comparable companies. Changes in variables and assumptions may result in changes in the fair values of the share options.

43. SHARE-BASED COMPENSATION (Continued)

(b) Pre-IPO Share Option Scheme (Continued)

The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

The Group recognized total expense of approximately RMB7,341,000 for the year ended December 31, 2021 (2020: RMB23,700,000) in relation to share options granted by the Company under the Pre-IPO Share Option Scheme.

In respect of the share options exercised during the year, the weighted average share price at the dates of exercise was HK$109.14 (2020: HK$49.8 after the effect of the Share Subdivision).

(c) Restricted Share Award Scheme

On January 15, 2018, the Company adopted the Restricted Share Award Scheme for the primary purpose of (i) recognize the contributions by certain employees of the Group and directors of the Company (the "Selected Participants under Restricted Share Award Scheme"); (ii) encourage, motivate and retain the Selected Participants under Restricted Share Award Scheme, whose contributions are beneficial to the continual operation, development and long-term growth of the Group; and (iii) provide additional incentive for the Selected Participants under Restricted Share Award Scheme to achieve performance goals, with a view to achieving the objectives of increasing the value of the Group and aligning the interests of the Selected Participants under Restricted Share Award Scheme to the shareholders of the Company through ownership of Shares. The total number of the restricted shares underlying all grants made pursuant to the Restricted Share Award Scheme shall not exceed three percent of the issued share capital of the Company as at the adoption date (i.e. 34,953,032 shares before the effect of the Share Subdivision).

The Company will issue and allot to trustee new shares under the general mandate granted by the shareholders of the Company from time to time. The new shares so issued will be held on trust until the end of each vesting period and will be transferred to the Selected Participants under Restricted Share Award Scheme upon satisfaction of the relevant original vesting conditions.

The fair value of the restricted shares awarded was determined based on the market value of the Company's shares at the grant date.

43. SHARE-BASED COMPENSATION (Continued)

(c) Restricted Share Award Scheme (Continued)

Upon the Share Subdivision became effective, pro-rata adjustments have been made to the number of outstanding restricted shares, so as to give the Selected Participants under Restricted Share Award Scheme the same proportion of the equity capital as that they were entitled to before the effect of the Share Subdivision.

Except for 14,138 (before the effect of the Share Subdivision) restricted shares granted on June 5, 2019, 11,400 (before the effect of the Share Subdivision) restricted shares granted on June 9, 2020 and 12,335(after the effect of the Share Subdivision) restricted shares granted on June 16, 2021 with vesting period of one year, and 56,018 (after the effect of the Share Subdivision) restricted shares granted on March 24, 2021 with forty percent of such restricted shares were vested during the year ended December 31, 2021, and twenty and forty percent of such restricted shares shall be vested in the following two years, respectively, each other restricted share granted under the Restricted Share Award Scheme can only be vested in the following manners (each date on which any portion of restricted share granted shall be vested is hereinafter referred to as a "Vesting Date of Restricted Share Award Scheme" and each tranche on which any portion of restricted share granted shall be vested is hereinafter referred to as a "Batch under Restricted Share Award Scheme"):

Batch under Restricted Share Award Scheme	Vesting Date of Restricted Share Award Scheme
twenty percent (20%) of the restricted shares so granted	second (2nd) anniversary of the grant date for a restricted share
twenty percent (20%) of the restricted shares so granted	third (3rd) anniversary of the grant date for a restricted share
twenty percent (20%) of the restricted shares so granted	fourth (4th) anniversary of the grant date for a restricted share
forty percent (40%) of the restricted shares so granted	fifth (5th) anniversary of the grant date for a restricted share

43. SHARE-BASED COMPENSATION (Continued)

(c) Restricted Share Award Scheme (Continued)

Set out below are details of the movements of the outstanding restricted shares granted under the Restricted Share Award Scheme during the years ended December 31, 2021 and 2020:

Batch	Outstanding as at January 1, 2021	Granted	Vested	Forfeited	Outstanding as at December 31, 2021	Fair value per share at the date of grant *(note)*
January 15, 2018	5,066,760	–	1,266,690	671,292	3,128,778	HK$18.333
March 20, 2018	3,554,628	–	883,515	214,086	2,457,027	HK$25.233
June 13, 2018	1,254,174	–	308,613	58,920	886,641	HK$29.500
August 21,2018	2,727,846	–	664,425	134,364	1,929,057	HK$23.500
November 20, 2018	1,941,925	–	469,361	136,042	1,336,522	HK$21.850
March 19, 2019	137,910	–	27,580	–	110,330	HK$27.783
June 5, 2019	12,546,804	–	2,474,188	544,351	9,528,265	HK$23.900
August 20, 2019	4,212,252	–	808,304	255,804	3,148,144	HK$27.667
November 20, 2019	1,293,948	–	246,799	77,343	969,806	HK$29.800
March 27, 2020	4,892,280	–	–	415,302	4,476,978	HK$33.333
June 9, 2020	1,864,962	–	34,200	55,077	1,775,685	HK$41.900
August 18, 2020	1,799,517	–	–	218,601	1,580,916	HK$58.600
November 12, 2020	6,359,703	–	–	387,558	5,972,145	HK$77.133
March 24, 2021	–	4,736,220	22,408	231,436	4,482,376	HK$87.950
June 16, 2021	–	1,493,141	–	–	1,493,141	HK$116.900
June 17, 2021	–	13,128,486	–	593,610	12,534,876	HK$120.800
August 24, 2021	–	4,869,545	–	286,124	4,583,421	HK$121.700
November 23, 2021	–	3,944,640	–	97,871	3,846,769	HK$101.300
	47,652,709	28,172,032	7,206,083	4,377,781	64,240,877	
Weighted average fair value per share (HK$)	34.04	112.50	24.08	55.65	68.09	

43. SHARE-BASED COMPENSATION (Continued)

(c) Restricted Share Award Scheme (Continued)

Batch	Outstanding as at January 1, 2020 (Before the effect of Share Subdivision)	Granted before the Share Subdivision	Vested before the Share Subdivision	Vested after the Share Subdivision	Forfeited before the Share Subdivision	Forfeited after the Share Subdivision	Effect of Share Subdivision	Outstanding as at December 31, 2020 (After the effect of Share Subdivision)	Fair value per share at the date of grant *(note)*
January 15, 2018	2,507,660	–	501,532	–	317,208	–	3,377,840	5,066,760	HK$18.333
March 20, 2018	1,651,730	–	328,194	–	138,660	–	2,369,752	3,554,628	HK$25.233
June 13, 2018	647,437	–	128,448	–	100,931	–	836,116	1,254,174	HK$29.500
August 21,2018	1,187,586	–	231,649	–	46,655	–	1,818,564	2,727,846	HK$23.500
November 20, 2018	883,499	–	–	500,951	69,207	–	1,628,584	1,941,925	HK$21.850
March 19, 2019	55,121	–	–	–	9,151	–	91,940	137,910	HK$27.783
June 5, 2019	4,357,657	–	14,138	–	161,251	–	8,364,536	12,546,804	HK$23.900
August 20, 2019	1,563,441	–	–	–	154,912	13,335	2,817,058	4,212,252	HK$27.667
November 20, 2019	535,674	–	–	–	94,534	29,472	882,280	1,293,948	HK$29.800
March 27, 2020	–	1,770,631	–	–	137,196	8,025	3,266,870	4,892,280	HK$33.333
June 9, 2020	–	645,146	–	–	23,492	–	1,243,308	1,864,962	HK$41.900
August 18, 2020	–	620,002	–	–	20,163	–	1,199,678	1,799,517	HK$58.600
November 12, 2020	–	2,137,316	–	–	–	52,245	4,274,632	6,359,703	HK$77.133
	13,389,805	5,173,095	1,203,961	500,951	1,273,360	103,077	32,171,158	47,652,709	
Weighted average fair value per share (HK$)	71.44	166.58	67.40	21.85	77.40	53.79	N/A	34.04	

Note: The fair value per share at the date of grant represents the prices after the effect of the Share Subdivision effected on November 16, 2020.

The Group recognized total expense of approximately RMB552,508,000 for the year ended December 31, 2021 (2020: RMB260,341,000) in relation to restricted shares granted by the Company under the Restricted Share Award Scheme.

43. SHARE-BASED COMPENSATION (Continued)

(d) Global Partner Program Share Scheme

On June 16, 2021, the Company adopted a global partner program share scheme to further reward and incentivize the Group's top employees and attract key talents (the "Selected Participants under Global Partner Program Share Scheme") to ensure the continuous business development and growth of the Company and to further align the interests of the top employees and the shareholders of the Company. The Selected Participants under Global Partner Program Share Scheme who have significant contributions to the Group's business development and growth will be granted restricted shares under the Global Partner Program Share Scheme. The number of restricted shares to be granted will be determined based on various performance-related considerations, such as the fulfilment by the respective Selected Participants under Global Partner Program Share Scheme of their individual performance targets as well as the overall business performance of the Group as a whole. The total number of the restricted shares underlying all grants made pursuant to the Global Partner Program Share Scheme shall not exceed three percent of the total number of shares of the Company in issue as at the adoption date (i.e. 126,982,689 shares).

The Company will issue and allot to trustee new shares under the general mandate granted by the shareholders of the Company from time to time. The new shares so issued will be held on trust until the end of each vesting period and will be transferred to the Selected Participants under Global Partner Program Share Scheme upon satisfaction of the relevant original vesting conditions.

The fair value of the restricted shares awarded was determined based on the market value of the Company's share at the grant date.

The restricted share granted under the Global Partner Program Scheme can only be vested in the following manners (each date on which any portion of restricted share granted shall be vested is hereinafter referred to as a "Vesting Date of Global Partner Program Share Scheme" and each tranche on which any portion of restricted share granted shall be vested is hereinafter referred to as a "Batch under Global Partner Program Share Scheme"):

43. SHARE-BASED COMPENSATION (Continued)

(d) Global Partner Program Share Scheme (Continued)

Batch under Global Partner Program Share Scheme	Vesting Date of Global Partner Program Share Scheme
fifty percent (50%) of the restricted shares so granted	first (1st) anniversary of the grant date for a restricted share
fifty percent (50%) of the restricted shares so granted	second (2nd) anniversary of the grant date for a restricted share

Besides, the restricted shares can only be vested when the share price is no less than HK$97.80.

Set out below are details of the movements of the outstanding restricted shares granted under the Global Partner Program Share Scheme as of December 31, 2021:

Batch	Outstanding as at January 1, 2021	Granted	Vested	Forfeited	Outstanding as at December 31, 2021	Fair value per share at the date of grant
November 23, 2021	–	2,723,830	–	–	2,723,830	HK$101.30
Weighted average fair value per share (HK$)	–	101.30	–	–	101.30	

The Group recognized total expense of approximately RMB18,103,000 for the year ended December 31, 2021 (2020: Nil) in relation to restricted shares granted by the Company under the Global Partner Program Share Scheme.

44. DETAILS OF SUBSIDIARIES

The direct and indirect interests in the following subsidiaries held by the Company during the years ended December 31, 2021 and 2020 are as follows:

Name of subsidiaries	Place of Incorporation/ operation, date of incorporation	Authorized share capital/ Registered capital	Paid up capital	Attributable equity interests held by the Company as at December 31 2021 %	2020 %	Principal activities
Directly held:						
WuXi Biologics Investments Limited ("Biologics Investments")	Hong Kong November 18, 2010	Not applicable	RMB2,065,376,000	**100**	100	Investment holding
無錫明德生物醫藥有限公司 (WuXi Medi Biologics, Inc.) # *(note ii)*	The PRC September 26, 2016	RMB3,000,000,000	RMB1,049,789,371	**100**	100	Investment holding
WuXi Biologics HealthCare Venture (Cayman) Inc.	Cayman Islands April 10, 2018	US$50,000	–	**100**	100	Investment holding
WuXi Biologics HealthCare Venture Hong Kong Holding Limited	Hong Kong April 25, 2018	Not applicable	–	**100**	100	Investment holding
WuXi Biologics Alliance Limited	Hong Kong June 27, 2019	Not applicable	–	**100**	100	Investment holding
WuXi Vaccines (Cayman) Inc.	Cayman Islands September 18, 2020	US$50,000	US$50,000	**70**	100	Investment holding
WuXi XDC (Cayman) Inc.	Cayman Islands December 14, 2020	US$50,000	–	**100**	100	Investment holding
Indirectly held:						
無錫藥明康德企業管理有限公司 (WuXi Biologics Holdings Co., Ltd.)# *(note ii)*	The PRC August 14, 2014	RMB4,911,180,000	RMB4,911,180,000	**100**	100	Investment holding
無錫藥明生物技術股份有限公司. (WuXi Co.)# *(note i)*	The PRC May 25, 2010	RMB8,915,770,000	RMB7,760,770,000	**100**	100	Development of, and the provision of consultation services in relation to, the biopharmaceutical technology

44. DETAILS OF SUBSIDIARIES (Continued)

Name of subsidiaries	Place of Incorporation/ operation, date of incorporation	Authorized share capital/ Registered capital	Paid up capital	Attributable equity interests held by the Company as at December 31 2021 %	2020 %	Principal activities
Indirectly held: (Continued)						
WuXi Biologics (Hong Kong) Limited	Hong Kong May 12, 2014	Not applicable	HK$1	**100**	100	International sales contracting service
蘇州藥明檢測檢驗有限責任公司 (WuXi Biologics Biosafety Testing (Suzhou) Co., Ltd.)# *(note iii)*	The PRC May 30, 2012	RMB42,860,000	RMB42,860,000	**100**	100	Testing and development of testing technologies
上海藥明生物技術有限公司 (Shanghai Biologics)# *(note iii)*	The PRC January 6, 2015	RMB1,330,000,000	RMB1,330,000,000	**100**	100	Research and development in relation to biologics
WuXi Biologics Ireland Limited ("Biologics Ireland")	Ireland March 8, 2018	EUR681,496,881	EUR681,496,881	**100**	100	Biologics discovery, development and manufacturing service
WuXi Biologics USA, LLC. ("USA Biologics")	The United States of America April 21, 2016	US$110,000,000	US$109,200,100	**100**	100	Sales and marketing services in US, biologics clinical and manufacturing service
WuXi Biologics UK Ltd. ("UK Biologics")	The United Kingdom December 2, 2016	Pound Sterling 1,000	Pound Sterling 1,000	**100**	100	Sales and marketing services in Europe
上海藥明生物醫藥有限公司 (WuXi Biopharmaceuticals (Shanghai) Co., Ltd)# *(note i)*	The PRC April 7, 2017	US$50,000,000	US$27,500,000	**100**	100	Production and sales of medicals, and provision of services in relation to the biopharmaceutical technology

44. DETAILS OF SUBSIDIARIES (Continued)

Name of subsidiaries	Place of Incorporation/ operation, date of incorporation	Authorized share capital/ Registered capital	Paid up capital	Attributable equity interests held by the Company as at December 31 2021 %	2020 %	Principal activities
Indirectly held: (Continued)						
成都藥明生物技術有限公司 (WuXi Biologics (Chengdu) Co., Ltd) # *(note i)*	The PRC December 4, 2017	US$90,000,000	US$36,318,000	**100**	100	Research and development in relation to biologics
上海藥明海德生物科技有限公司 (Shanghai Vaccines Co., Ltd.)# *(note i)*	The PRC August 1, 2018	RMB500,000,000	RMB8,200,000	**70**	70	Biologics manufacturing service
無錫藥明合聯生物技術有限公司 (WuXi XDC Co., Ltd.)# *(notes ii)*	The PRC March 13, 2018	US$200,000,000	US$50,000,000	**100**	100	Biologics discovery, development and manufacturing service
河北藥明生物技術有限公司 (WuXi Biologics (Hebei) Co., Ltd.)# *(note i)*	The PRC June 19, 2018	US$17,000,000	US$17,000,000	**100**	100	Biologics discovery, development and manufacturing service
WuXi Biologics HealthCare Venture	Hong Kong May 29, 2018	Not applicable	–	**100**	100	Investment holding
杭州明德生物醫藥技術有限公司 (WuXi Biologics (Hangzhou) Co., Ltd.)# *(note i)*	The PRC September 16, 2019	US$110,000,000	US$97,374,562	**100**	100	Biologics discovery, development and manufacturing service
WuXi Biologics Singapore Private Limited	Singapore February 1, 2019	US$1	US$1,000,000	**100**	100	Biologics manufacturing service
WuXi Vaccines (Hong Kong) Limited	Hong Kong May 24, 2019	Not applicable	US$107,000,000	**70**	70	International sales contracting service
WuXi Vaccines Ireland Limited	Ireland June 20, 2019	EUR1,000	EUR1,000	**70**	70	Vaccine CDMO and related business

44. DETAILS OF SUBSIDIARIES (Continued)

Name of subsidiaries	Place of Incorporation/ operation, date of incorporation	Authorized share capital/ Registered capital	Paid up capital	Attributable equity interests held by the Company as at December 31		Principal activities
				2021 %	2020 %	
Indirectly held: (Continued)						
博格隆(浙江)生物技術有限公司 (Bestchrom (Zhejiang) Biosciences Co., Ltd.)# *(note i)*	The PRC June 18, 2013	RMB240,000,000	RMB102,000,000	**50.1**	50.1	Biologics manufacturing service and material supplier
博格隆(上海)生物技術有限公司 (Bestchrom (Shanghai) Biosciences Co., Ltd.)# *(note i)*	The PRC July 1, 2008	US$150,000	US$150,000	**50.1**	50.1	Biologics manufacturing service and material supplier
WuXi Biologics Germany GmbH	The Federal Republic of Germany December 20, 2019	EUR25,000	EUR240,064,271	**100**	100	Biologics manufacturing service
杭州明德生物新技術開發有限公司 (WuXi Biologics (Hangzhou FTZ) Co., Ltd.)# *(note i)*	The PRC April 30, 2020	US$20,000,000	US$20,000,000	**100**	100	Biologics discovery, development and manufacturing service
無錫博格隆生物技術有限公司 (WuXi Bestchrom Biosciences Co., Ltd.)# *(note i)*	The PRC September 15, 2020	RMB20,000,000	—	**50.1**	50.1	Biologics discovery, development and manufacturing service
北京藥明生物技術有限公司 (Beijing Biologics)# *(note iii)*	The PRC September 18, 2020	RMB30,000,000	RMB5,000,000	**100**	100	Biologics discovery, development and manufacturing service
無錫元康投資管理有限公司 (WuXi Yuankang Investments Co., Ltd.)# *(note iii)*	The PRC November 10, 2020	RMB2,500,000,000	RMB235,020,000	**100**	100	Investment activity
無錫藥明海德生物技術有限公司 (WuXi Vaccines Co., Ltd)# *(note i)*	The PRC March 8, 2021	RMB50,000,000	—	**70**	N/A	Biologics manufacturing service

44. DETAILS OF SUBSIDIARIES (Continued)

Name of subsidiaries	Place of Incorporation/ operation, date of incorporation	Authorized share capital/ Registered capital	Paid up capital	Attributable equity interests held by the Company as at December 31		Principal activities
				2021 %	2020 %	
Indirectly held: (Continued)						
WuXi XDC Hong Kong Limited	Hong Kong June 7, 2021	Not applicable	–	100	N/A	International sales contracting service
CMAB Biopharma Limited	British Virgin Islands June 15, 2017	Not applicable	US$50,000	100	N/A	Investment holding
CMAB Biopharma (HK) Limited	Hong Kong December 1, 2016	Not applicable	HK$10,000	100	N/A	Investment holding
CMAB Biopharma (US) Inc.	The United States June 9, 2020	US$1	US$1	100	N/A	Development, production and distribution of biotechnological products
CMAB Biopharma (Switzerland) Inc.	Switzerland March 26, 2018	CHF100,000	CHF100,000	100	N/A	Development, production and distribution of biotechnological products
蘇州藥明生物技術有限公司 (WuXi Biologics (Suzhou) Co., Ltd.)# *(note i)*	The PRC June 23, 2017	US$69,364,416	US$69,364,416	100	N/A	Biologics discovery, development and manufacturing service
浙江藥明生物醫藥有限公司 (WuXi Biologics (Zhejiang) Co., Ltd)# *(note ii)*	The PRC November 2, 2015	US$325,000,000	US$321,000,000	100	N/A	Biologics discovery, development and manufacturing service
上海藥明合聯生物技術有限公司 (WuXi XDC (Shanghai) Co., Ltd.)# *(notes iii)*	The PRC March 31, 2021	RMB30,000,000	RMB3,500,000	100	N/A	Biologics discovery, development and manufacturing service

44. DETAILS OF SUBSIDIARIES (Continued)

Name of subsidiaries	Place of Incorporation/ operation, date of incorporation	Authorized share capital/ Registered capital	Paid up capital	Attributable equity interests held by the Company as at December 31 2021 %	2020 %	Principal activities
Indirectly held: (Continued)						
常州藥明合聯生物技術有限公司 (WuXi XDC (Changzhou) Co., Ltd.)# *(notes iii)*	The PRC July 2, 2021	RMB300,000,000	RMB4,500,000	100	N/A	Biologics discovery, development and manufacturing service
無錫藥明新創生物技術有限公司 (WuXi Biologics New Tech Co., Ltd.)# *(note ii)*	The PRC April 29, 2021	RMB100,000,000	—	100	N/A	Biologics discovery, development and manufacturing service
無錫雅康實業投資有限公司 (WuXi Yakang Investments Co., Ltd.)# *(note iii)*	The PRC June 30, 2021	RMB300,000,000	—	100	N/A	Investment activity
無錫啟盛投資合夥企業(有限合夥) (WuXi Qisheng Investments Partnership (Limited Partnership))# *(note i)*	The PRC June 30, 2021	RMB1,000,000,000	RMB60,000,000	100	N/A	Investment activity
上海藥明檢測有限公司 (WuXi Biologics Biosafety Testing (Shanghai) Co., Ltd.)# *(note i)*	The PRC July 22, 2021	RMB100,000,000	—	100	N/A	Testing and development of testing technologies
無錫康澤投資管理有限公司 (WuXi Kangze Investments Management Co., Ltd.)# *(note ii)*	The PRC July 21, 2021	RMB400,000,000	—	100	N/A	Investment activity

44. DETAILS OF SUBSIDIARIES (Continued)

Name of subsidiaries	Place of Incorporation/ operation, date of incorporation	Authorized share capital/ Registered capital	Paid up capital	Attributable equity interests held by the Company as at December 31 2021 %	2020 %	Principal activities
Indirectly held: (Continued)						
無錫康悅投資合夥企業(有限合夥) (WuXi Kangyue Investments Partnership (Limited Partnership))# *(note i)*	The PRC August 6, 2021	RMB500,000,000	—	100	N/A	Investment activity
無錫啟源投資合夥企業 (有限合夥) (WuXi Qiyuan Investments Partnership (Limited Partnership))# *(note i)*	The PRC October 12, 2021	RMB1,000,000,000	—	100	N/A	Investment activity
Wuxi Biologics Biopharmaceuticals Singapore Private Limited	Singapore December 30, 2021	US$1	—	100	N/A	Biologics manufacturing service

\# *English name is for identification purpose only.*

Notes:

i. This Company is a sino-foreign joint venture.

ii. This Company is a wholly-foreign owned enterprise.

iii. This Company is a wholly-domestic owned enterprise.

None of the subsidiaries had issued any debt securities at the end of the year.

45. FINANCIAL POSITION OF THE COMPANY

	2021 RMB'000	2020 RMB'000
Non-current Asset		
Investments in subsidiaries	**4,890,970**	2,834,140
	4,890,970	2,834,140
Current Assets		
Other receivables and prepayments	**223,150**	13,390
Amounts due from subsidiaries	**17,130,198**	7,640,210
Financial assets at FVTPL	**64**	66
Time deposits	**1,147,626**	1,272,356
Pledged bank deposits	**127,050**	441,487
Bank balances and cash	**3,617,126**	4,919,577
Derivative financial assets	**360,603**	186,166
	22,605,817	14,473,252
Current Liabilities		
Trade and other payables	**791,260**	277,139
Amounts due to subsidiaries	**884,521**	593,499
Derivative financial liabilities	**39,719**	25,722
Income tax payables	**53,299**	6,562
	1,768,799	902,922
Net Current Assets	**20,837,018**	13,570,330
Total Assets less Current Liabilities	**25,727,988**	16,404,470
Non-current Liabilities	**—**	—
Net Assets	**25,727,988**	16,404,470
Capital and Reserves		
Share capital	**235**	225
Reserves	**25,727,753**	16,404,245
Total Equity attributable to the Owners of the Company	**25,727,988**	16,404,470

46. RESERVES MOVEMENT OF THE COMPANY

The movement of the reserves of the Company are as follows:

	Treasury stock RMB'000	Share premium RMB'000	Equity-settled share-based compensation reserve RMB'000	Cash flow and fair value hedging reserve RMB'000	Accumulated profit (loss) RMB'000	Total reserves RMB'000
At January 1, 2020	–	10,217,257	426,277	–	150,832	10,794,366
Total comprehensive income (expense) for the year	–	–	–	12,114	(296,177)	(284,063)
Issue of new shares, net of transaction costs	–	5,545,782	–	–	–	5,545,782
Exercise of equity-settled share-based compensation	–	64,194	–	–	–	64,194
Recognition of equity-settled share-based compensation	–	–	283,966	–	–	283,966
At December 31, 2020	–	15,827,233	710,243	12,114	(145,345)	16,404,245
Total comprehensive income for the year	–	–	–	2,568	304,184	306,752
Issue of new shares, net of transaction costs	–	10,899,022	–	–	–	10,899,022
Exercise of equity-settled share-based compensation	–	57,568	–	–	–	57,568
Recognition of equity-settled share-based compensation	–	–	577,281	–	–	577,281
Repurchase of shares	(2,517,115)	–	–	–	–	(2,517,115)
At December 31, 2021	(2,517,115)	26,783,823	1,287,524	14,682	158,839	25,727,753

47. INVESTMENTS IN SUBSIDIARIES

	2021 RMB'000	2020 RMB'000
Unlisted shares, at cost		
Biologics Investments *(note i)*	**2,065,376**	2,065,376
WuXi Medi Biologics, Inc.	**1,049,789**	60,010
WuXi Vaccines (Cayman) Inc.	**491,029**	—
Deemed capital contributions to *(note ii)*:		
WuXi Co.	**664,927**	352,952
Shanghai Biologics	**374,994**	279,112
USA Biologics	**62,203**	29,806
WuXi Biologics Biosafety Testing (Suzhou) Co., Ltd.	**27,285**	14,584
UK Biologics	**5,361**	1,709
Biologics Ireland	**19,914**	7,158
Wuxi XDC	**11,758**	3,326
WuXi Biologics (Hebei) Co., Ltd.	**3,954**	1,291
WuXi Biopharmaceuticals (Shanghai) Co., Ltd.	**81,220**	16,112
WuXi Biologics (Chengdu) Co., Ltd.	**824**	263
WuXi Vaccines Ireland Limited	**3,757**	11
WuXi Biologics Germany GmbH	**6,784**	5
Beijing Biologics	**2,453**	344
Shanghai Vaccines Co., Ltd.	**847**	546
WuXi Biologics (Hangzhou) Co., Ltd.	**11,364**	1,422
WuXi Biologics (Hangzhou FTZ) Co., Ltd.	**3,199**	113
WuXi XDC (Changzhou) Co., Ltd.	**876**	—
WuXi Biologics (Zhejiang) Co., Ltd.	**328**	—
Shanghai XDC	**727**	—
WuXi Biologics (Suzhou) Co., Ltd.	**1,940**	—
WuXi Biologics Singapore Private Limited	**61**	—
	4,890,970	2,834,140

Notes:

i. The amount represents the cost of investment amounting to HK$2,357,188,000 (equivalent to approximately RMB2,065,376,000) in Biologics Investments, a wholly owned subsidiary of the Company incorporated in Hong Kong.

ii. The amounts represent the equity-settled share-based compensation in respect of the respective share options and restricted shares granted by the Company to certain employees of the specified subsidiaries for employees' services rendered to the respective subsidiaries under the Company's Pre-IPO Share Option Scheme and Restricted Share Award Scheme as disclosed in Note 43. Since the subsidiaries have no obligation to reimburse such expense, the amounts are treated as deemed capital contribution by the Company to the subsidiaries and included in the Company's cost of investments in subsidiaries.

48. SUBSEQUENT EVENTS

Save as disclosed elsewhere in the consolidated financial statements, the Group has the following events taken place subsequent to December 31, 2021:

(1) From January 4, 2022 to January 5, 2022, the Company repurchased an aggregate of 10,435,500 shares on The Stock Exchange of Hong Kong Limited at the highest and lowest prices of HK$82.90 and HK$78.45 per share, respectively. The aggregate purchase price paid for the share repurchase was approximately HK$842.67 million.

(2) On February 8, 2022, the Bureau of Industry and Security in the Department of Commerce of the United States of America (the "U.S. Commerce Department") added two of the Group's subsidiaries, namely, WuXi Co. and Shanghai Biologics to the unverified list ("UVL"). For details of the aforesaid matter, please refer to "KEY EVENTS AFTER THE REPORTING PERIOD" in the annual report.

"AGM"	the annual general meeting of the Company
"Audit Committee"	the audit committee of the Board
"Biologics Holdings"	WuXi Biologics Holdings Limited, a company incorporated under the laws of the British Virgin Islands on December 17, 2015 with limited liability, and a substantial shareholder of the Company. Our Directors, Dr. Ge Li, Dr. Ning Zhao, Mr. Yibing Wu and Mr. Yanling Cao serve as the directors of Biologics Holdings
"Board" or "Board of Directors"	the board of Directors of the Company
"CDMO"	Contract Development and Manufacturing Organization
"CG Code"	the Corporate Governance Code as set out in Appendix 14 to the Listing Rules
"cGMP"	Current Good Manufacturing Practice regulations, regulations enforced by the Food and Drug Administration of the United States on pharmaceutical and biotech firms to ensure that the products produced meet specific requirements for identity, strength, quality and purity
"Chairman"	the Chairman of the Board
"China" or the "PRC"	the People's Republic of China excluding, for the purpose of this annual report, Hong Kong, Macau Special Administrative Region and Taiwan
"China NMPA"	China National Medical Products Administration
"Company"	WuXi Biologics (Cayman) Inc. (藥明生物技術有限公司*), an exempted company incorporated in the Cayman Islands with limited liability on February 27, 2014
"Director(s)"	the director(s) of the Company
"DNA"	a molecule that carries most of the genetic instructions used in the development, functioning and reproduction of all known living organisms and many viruses

Definitions

"EU"	a politico-economic union of 27 member states that are located primarily in Europe
"EU EMA"	European Medicines Agency
"EUR"	Europe currency
"Global Partner Program Share Scheme"	the share award scheme for global partner program adopted by the Company on June 16, 2021
"GMP"	Good Manufacturing Practice
"Group" " or "we" or "our" or "us"	the Company and its subsidiaries
"H.K. dollar(s)" or "HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"HKEX"	Hong Kong Exchanges and Clearing Limited
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IFRS"	International Financial Reporting Standards
"IND"	investigational new drug, an experimental drug for which a pharmaceutical company obtains permission to ship across jurisdictions (usually to clinical investigators) before a marketing application for the drug has been approved
"IPO"	the listing of the Shares on the Main Board of the Stock Exchange on June 13, 2017
"Italy AIFA"	Italian Medicines Agency
"Japan PMDA"	Pharmaceuticals and Medical Devices Agency of Japan
"Life Science Holdings"	New WuXi Life Science Holdings Limited, a company incorporated under the laws of the Cayman Islands on July 2, 2015 with limited liability, which holds 100% issued share capital of Life Science Limited. Our Directors, Mr. Yibing Wu and Mr. Yanling Cao serve as the directors of Life Science Holdings

"Life Science Limited"	New WuXi Life Science Limited, a company incorporated under the laws of the Cayman Islands on July 2, 2015 with limited liability, which holds 100% issued share capital of WuXi PharmaTech. Our Directors, Mr. Yibing Wu and Mr. Yanling Cao serve as the directors of Life Science Limited
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
"Main Board"	Main Board of the Stock Exchange
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
"NYSE"	The New York Stock Exchange
"Pre-IPO Share Option Scheme"	the pre-IPO share option scheme adopted by the Company on January 5, 2016, and amended on August 10, 2016, the principal terms of which are summarized in "Statutory and General Information — E. Pre-IPO Share Option Scheme" in Appendix IV to the Prospectus
"Prospectus"	the prospectus issued by the Company dated May 31, 2017
"Remuneration Committee"	the remuneration committee of the Board
"Renminbi" or "RMB"	Renminbi Yuan, the lawful currency of the PRC
"Reporting Period"	the one-year period from January 1, 2021 to December 31, 2021
"Restricted Share Award Scheme"	the restricted share award scheme adopted by the Company on January 15, 2018
"Shareholder(s)"	holder(s) of Share(s)
"Share(s)"	ordinary share(s) in the capital of the Company with nominal value of US$1/120,000 each
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Strategy Committee"	the strategy committee of the Board

Definitions

"U.S. dollar(s)" or "US$" or "USD"	United States dollar(s), the lawful currency of the United States of America
"U.S. FDA"	The Food and Drug Administration of the United States of America
"Written Guidelines"	the Written Guidelines for Securities Transactions by Directors adopted by the Company
"WuXi AppTec"	WuXi AppTec Co., Ltd. (無錫藥明康德新藥開發股份有限公司), a company incorporated in the PRC on December 1, 2000 and the shares of which are listed on Shanghai Stock Exchange (Stock code: 603259) and the Main Board of the Stock Exchange (Stock code: 2359)
"WuXi PharmaTech"	WuXi PharmaTech (Cayman) Inc., a company incorporated under the laws of the Cayman Islands on March 16, 2007 with limited liability. Its shares were listed on the New York Stock Exchange (stock code: WX), and were delisted from the New York Stock Exchange on December 10, 2015. Our Directors, Mr. Yibing Wu and Mr. Yanling Cao serve as the directors of WuXi PharmaTech
"WuXi Vaccines"	WuXi Vaccines (Cayman) Inc., a company incorporated under the laws of the Cayman Islands and a non-wholly owned subsidiary of the Company
"WuXi XDC"	WuXi XDC Cayman Inc., a company incorporated under the laws of the Cayman Islands with limited liability and a non-wholly owned subsidiary of the Company

In this annual report, unless otherwise indicated, the terms "associate", "associated corporation", "connected person", "subsidiary" and "substantial shareholder" shall have the meanings given to such terms in the Listing Rules.