药明康德
WuXi AppTec

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

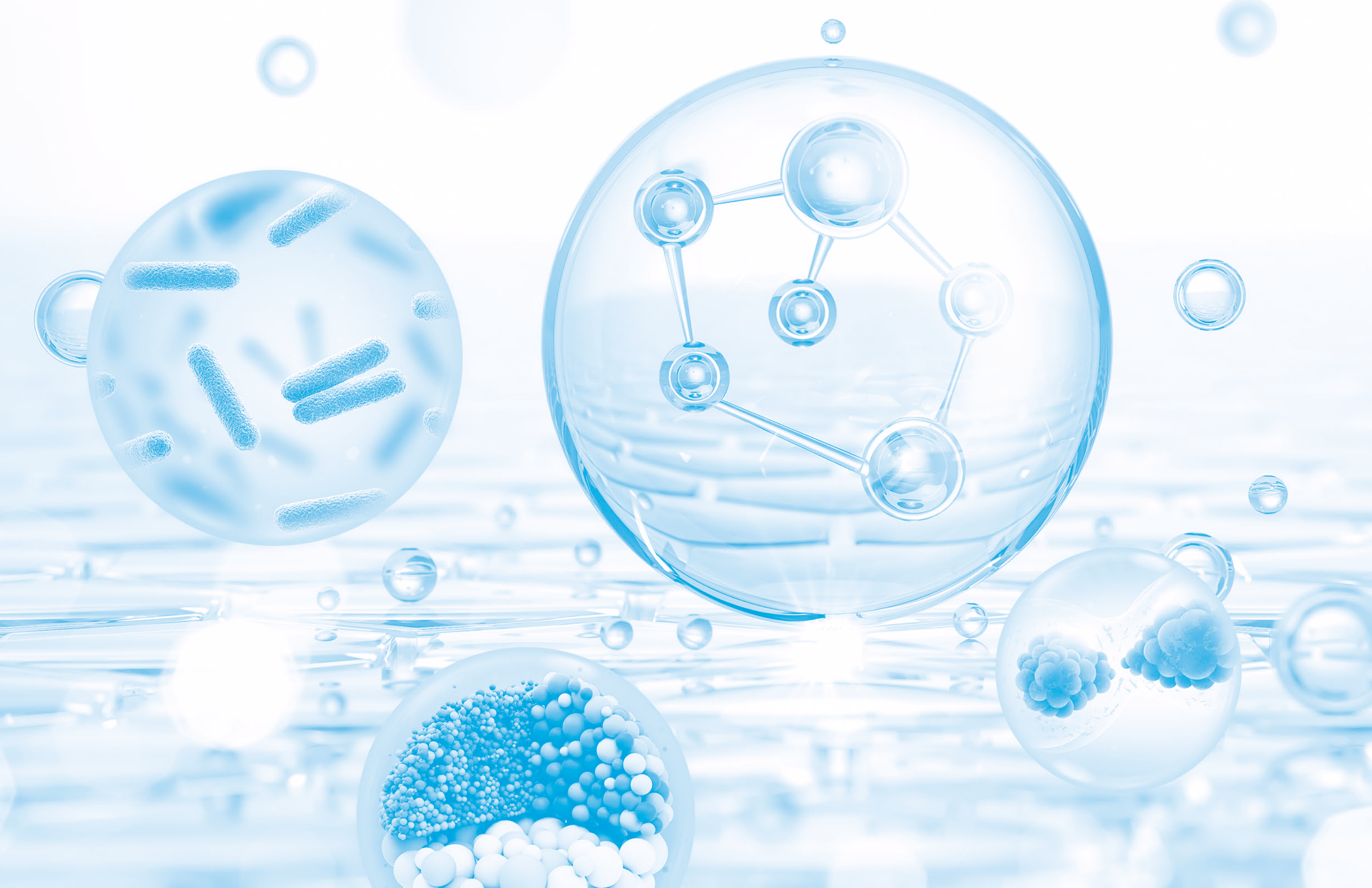
(A joint stock company incorporated in the People's Republic of China with limited liability)

Stock Code : 2359

ANNUAL REPORT
2022

*For identification purpose only

CONTENTS



Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

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

Independent Non-executive Directors

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

JOINT COMPANY SECRETARIES

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

AUTHORISED REPRESENTATIVES

Mr. Edward Hu (胡正國)
Mr. Chi Yao (姚馳)

STRATEGY COMMITTEE

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

AUDIT COMMITTEE

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

REMUNERATION AND APPRAISAL COMMITTEE

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

NOMINATION COMMITTEE

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

AUDITOR

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Shanghai
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China Securities Depository & Clearing
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Pudong District, Shanghai
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H SHARE REGISTRAR

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17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

STOCK CODE

A Share: 603259
H Share: 02359

COMPANY'S WEBSITE

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Chairman's Statement

We achieved record growth for 2022. Our revenue increased by 71.8% year-over-year and our adjusted non-IFRS net profit attributable to owners of the Company increased by 83.2% year-over-year. Our third-quarter revenue reached the milestone of over RMB10 billion for the first time in our history. WuXi AppTec's performance during 2022 demonstrated that our Company's unique CRDMO and CTDMO business models allow us to better meet growing demands from customers worldwide and continue to drive rapid growth for the Company.

In 2022, while COVID-19 continued to create uncertainty for many around the world, we effectively implemented our business continuity plan and leveraged our robust supply chain network to support our customers' lifesaving work. We remain committed to prioritizing our customers' needs. Our Company will further enhance our capacity and capabilities and continuously improve our operating efficiency, to support our partners in their efforts to bring groundbreaking therapies to patients around the world. Driven by CRDMO and CTDMO business models, our Company is full of confidence to continue to grow and maintain our leading position as a global pharmaceutical R&D service platform.

In 2022, we continued to integrate ESG into every aspect of our business operations and achieved excellent results. Our Company remains steadfast in 'doing the right thing and doing it right'. We will keep prioritizing our ESG commitments while enabling our customers' discovery, development and manufacturing of innovative medical solutions for those in need.

Dr. Ge Li
Chairman and Chief Executive Officer

Hong Kong, March 20, 2023

Financial Highlights

	For the Year Ended December 31, 2022 RMB million	2021 RMB million
Operating results		
Revenue	**39,354.8**	22,902.4
Gross profit	**14,506.5**	8,265.5
Net profit attributable to the owners of the Company	**8,813.7**	5,097.2
Adjusted Non-IFRS net profit attributable to the owners of the Company	**9,399.3**	5,131.3
EBITDA	**12,692.8**	7,623.9
Adjusted EBITDA	**13,299.8**	7,591.6
Profitability		
Gross profit margin	**36.9%**	36.1%
Margin of net profit attributable to the owners of the Company	**22.4%**	22.3%
Margin of adjusted Non-IFRS net profit attributable to the owners of the Company	**23.9%**	22.4%
EBITDA margin	**32.3%**	33.3%
Adjusted EBITDA margin	**33.8%**	33.1%
Earnings per share (RMB)		
— Basic	**3.01**	1.75
— Diluted	**2.82**	1.73
Adjusted earnings per share (RMB)		
— Basic	**3.21**	1.76
— Diluted	**3.18**	1.75

	As of December 31, 2022 RMB million	2021 RMB million
Financial position		
Total assets	**64,690.3**	55,127.4
Equity attributable to the owners of the Company	**46,590.0**	38,491.5
Total liabilities	**17,763.7**	16,369.9
Bank balances and cash	**7,983.9**	8,175.3
Gearing ratio	**27.5%**	29.7%

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

A. Analysis on Principal Operations

For the Reporting Period, the Company realized revenue of RMB39,354.8 million, representing a YoY growth of 71.8%. During the Reporting Period, we realized net profit attributable to the owners of the Company of RMB8,813.7 million, representing a YoY increase of 72.9%.

During the Reporting Period, the Company had over 1,400 new customers and provided services to over 5,950 active customers in over 30 countries and regions through its 32 operating bases and subsidiaries worldwide. Always adhering to the highest international quality control standards, we have maintained outstanding service records and comprehensive protection system for intellectual property rights since our establishment and gained high recognition and reputation in the global pharmaceutical research and development industry. The service data developed by us have a high degree of recognition and credibility in the industry. The Company continued to optimize cross-platform synergies to better serve our customers worldwide, further strengthen our unique integrated CRDMO (Contract Research, Development and Manufacturing Organization) and CTDMO (Contract Testing, Development and Manufacturing Organization) business models, and provide one-stop services for our clients from discovery to development and manufacturing.

During the Reporting Period, revenue from US-based customers grew 113% YoY to RMB25,884 million; revenue from China-based customers grew 30% YoY to RMB7,526 million; revenue from Europe-based customers grew 19% YoY to RMB4,432 million; and revenue from other regions grew 23% YoY to RMB1,512 million. We remain focused on delivering high quality services with great efficiency to retain loyal customers for the long term. Our existing customers contributed RMB37,781 million in revenue, representing a YoY growth of 77%. Our new customers contributed RMB1,573 million in revenue. Benefiting from our unique CRDMO and CTDMO business models and global "long-tail customer" strategy, the penetration rate of customers increased, the top 20 global pharmaceutical companies contributed RMB18,421 million in revenue, representing a YoY growth of 174%; other global customers contributed RMB20,934 million in revenue, representing a YoY growth of 30%. Our unique positioning across the pharmaceutical development value chain drove our "follow-the-customer" and "follow-the-molecule" strategies and enhanced synergies across our business segments. Customers using services from multiple business units contributed RMB36,736 million in revenue, representing a YoY growth of 87%.

Revenue

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

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

	2022 Revenue *RMB million*	2021 Revenue *RMB million*	Revenue Change
WuXi Chemistry	**28,849.7**	14,087.2	104.8%
WuXi Testing	**5,718.7**	4,525.1	26.4%
WuXi Biology	**2,475.1**	1,985.1	24.7%
WuXi ATU	**1,308.0**	1,026.4	27.4%
WuXi DDSU	**969.6**	1,251.0	(22.5)%
Others	**33.6**	27.5	22.1%
Total	**39,354.8**	22,902.4	71.8%

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

During the Reporting Period, the Company realized revenue of RMB39,354.8 million, representing an increase of 71.8% as compared with 2021. The increase was mainly due to the following factors:

(1) WuXi Chemistry

Our chemistry business (WuXi Chemistry) realized revenue of RMB28,849.7 million, representing a YoY growth of 104.8% as compared to the revenue of RMB14,087.2 million in the same period of 2021. Revenue from discovery chemistry services ("R") amounted to RMB7,213.2 million, representing a YoY growth of 31.3%, and revenue from development and manufacturing (D&M) services amounted to RMB21,636.5 million, representing a YoY growth of 151.8%. Excluding the COVID-19 commercial projects, revenue from chemistry business grew strongly by 39.7% YoY. The revenue from new modalities-related services (TIDES) grew by 158.3% to RMB2.04 billion. We fully leveraged our technology advantage in process development and pushed forward the strategy of "follow the molecule". In terms of discovery chemistry services ("R"), our industry-leading small molecule drug discovery platform delivered more than 400,000 custom synthesized new compounds to our clients in the past twelve months. Through our small molecule discovery services, we enabled our customers to accelerate their research while generating opportunities for our downstream business units. As part of our "follow-the-customer" and "follow-the-molecule" strategies, we established trusted partnerships with our global customers, supporting the rapid and sustainable growth of our CRDMO business.

We continued executing our "long-tail" strategy. Demand from "long-tail" customers in small molecule and new modality-related discovery services continued to grow. During the Reporting Period, we won 973 new molecules to our D&M pipeline, including 1 new molecule at the commercial stage. To date, our D&M pipeline consists of 2,341 molecules, including 50 in commercial stage, 57 in Phase III, 293 in Phase II, and 1,941 in Phase I and pre-clinical stages. D&M services for new modalities is gaining strong momentum. During the Reporting Period, the number of TIDES (mainly oligo and peptides) D&M clients increased 81% YoY to 103 customers. The number of TIDES molecules increased 91% YoY to 189 molecules. Revenue from TIDES D&M business grew 337% YoY to RMB1.58 billion. Our TIDES business has a unique end to end CRDMO platform, enabling R&D and production of multiple complex conjugates. By Feb 2023, we have in total 27 oligo production lines, over 10,000 liter peptide solid-phase synthesizers, and an R&D team of over 1,000 people. Our late-stage and commercial project delivery capabilities are favored by customers, supporting large scale production with industry leading speed. Furthermore, our integrated API plus drug product (DP) platform have completed 16 Chemical Manufacturing and Control (CMC) projects in 2022. We continued our capacity expansion of WuXi Chemistry to meet customer demands. During the Reporting Period, we began operations in Changzhou Phase 3 facility, Changshu facility and Wuhan campus, which further enhanced our global integrated CRDMO platform capabilities and capacities. We continued the design and construction of facilities in Changzhou and Wuxi city in China, Delaware in the U.S. and Tuas in Singapore, aiming to better serve our global customers' future needs. Three sites located in Changzhou, Shanghai Waigaoqiao and Wuxi city were awarded the latest sustainability rating by EcoVadis, all of which have obtained "Silver" sustainability ratings by EcoVadis with excellent results, representing a leading position in the industry.

(2) *WuXi Testing*

Our testing business (WuXi Testing) realized revenue of RMB5,718.7 million in 2022, representing a YoY growth of 26.4% as compared to the revenue of RMB4,525.1 million in the same period of 2021. Revenue from lab analysis and testing services amounted to RMB4,144.0 million, representing a YoY growth of 36.1%, and revenue from clinical CRO and SMO amounted to RMB1,574.6 million, representing a YoY growth of 6.4%. The Company provides a full range of laboratory testing services for our customers, including drug metabolism and pharmacokinetics (DMPK), toxicology, and bioanalysis for drug development testing as well as medical device testing. We provide customers with high-quality services, realize "one report for global submission", and enable customers to save time, reduce costs and increase efficiency. By maintaining close collaborative relationships with our customers based on our "follow-the molecule" and "follow-the-customer" strategies, existing customers account for over 60% of our customer base. We leveraged our integrated platform through the WIND service platform, and integrated pre-clinical pharmacodynamics, pharmacokinetics, safety evaluation, and application writing and filing to provide a one-stop service for customers in respect of new drug R&D and filing globally so as to accelerate their process of new drug R&D. In respect of drug safety evaluation business, revenue maintained significant growth momentum as compared to the same period of 2021 and achieved strong revenue growth of 46% YoY. We maintained our industry-leading position in Asia-Pacific for drug safety evaluation services that meet the highest global regulatory requirements. Our largely US-based medical device testing business has turned around and recorded a YoY growth of 33% in 2022. On the capacity expansion side, 55,000 square meters laboratory are under construction in Suzhou and Qidong for 2023 delivery. The revenue growth of our clinical CRO and SMO service was slowed, due in part to the impacts of COVID-19 in many cities across China in 2022. In respect of clinical CRO services, despite challenges in 2022, the Company provided services to approximately 200 projects, enabling our customers to obtain 15 IND approvals. For clinical SMO services, the Company maintained No.1 leadership position in China and continued to grow. SMO business maintained strong growth amid multiple rounds of lockdown in 2022, and continued to gain market share in multiple therapeutic areas (lung cancer, breast cancer, dermatology, cardiovascular disease, ophthalmology, rheumatology, and nervous system etc.). During the Reporting Period, revenue from SMO business grew 23.5% and backlog grew 35.6% YoY. As at the end of 2022, the SMO business maintained approximately 4,700 staff across around 150 cities in China, providing services at more than 1,000 hospitals. In 2022, SMO supported 35 new drug approvals for clients. Meanwhile, our clinical CRO and SMO businesses leverage the strength of our Lab Testing platform to drive conversion. By leveraging our strong pre-clinical testing services, we have successfully converted 17 pre-clinical projects to clinical projects in 2022.

(3) *WuXi Biology*

Our biology business (WuXi Biology) realized revenue of RMB2,475.1 million in 2022, representing a YoY growth of 24.7% as compared to the revenue of RMB1,985.1 million in the same period of 2021. Although revenue growth in the second quarter was temporarily impacted by the ongoing effects of the COVID-19 epidemic in Shanghai, business recovered in the second half due to the dedication of our employees. The Company has one of the largest discovery biology enabling platform, with more than 3,000 experienced scientists who provide comprehensive biology services and solutions covering all major stages and therapeutic areas of drug discovery. The Company has established three centers of excellence for non-alcoholic steatohepatitis (NASH), anti-viral, neuroscience and aging. Both our cancer discovery service and our rare and immune disease service continued to grow, providing customers with integrated high-quality services from target discovery to clinical biomarker detection. The Company has a leading DNA Encoded Library (DEL) and hit compound generation platform with over 90 billion compounds, 6,000 unique proprietary scaffolds and 35,000 building blocks, providing service for more than 1,500 customers. A customer advanced a project into clinical stage in 2022 based on the hits generated using our DEL screening technology. This was the first reported clinical candidate from our DEL hits, which is also an important validation of our platform. The Company continues to build its biology capabilities for new modalities, including target protein degradation, nucleic acid based and conjugated modalities, oncolytic virus, vector platforms, and novel drug delivery vehicles. In 2022, revenue from new modalities grew strongly by 90% YoY, and its revenue contribution grew to 22.5% in 2022 from 14.6% in 2021, suggesting that new modalities-related biology services have become an increasingly important growth driver.

(4) *WuXi ATU*

Our cell and gene therapy CTDMO business (WuXi ATU) realized revenue of RMB1,308.0 million in 2022, representing a YoY increase of 27.4% as compared to the revenue of RMB1,026.4 million in the same period of 2021. Revenue from Testing service grew 36%, and revenue from development service grew 43%. During the Reporting Period, the Company focused on improving our CTDMO integrated enabling platform and strengthened capabilities and capacities. We provided development and manufacturing services for 68 projects, including 50 pre-clinical and Phase I projects, 10 Phase II projects, and 8 Phase III projects (2 projects have filed biological license application (BLA), and 2 projects are in BLA preparation stage). For the 2 projects filed for BLA, one is a Tumor Infiltrating Lymphocyte (TIL) product for a US client, which is the world's first innovative TIL-based therapy to be approved by FDA, and the other one is Lentiviral Vector (LVV) used in a CAR-T product in China for a Chinese client. If they proceed as planned, we expect to have commercial stage projects in the second half of 2023. Our unique CTDMO platform has driven us to capture significant business opportunities. In 2022, we signed a technology transfer agreement to manufacture a blockbuster commercial CAR-T product. In August, we signed a Licensing Agreement with Janssen for TESSA™.

(5) *WuXi DDSU*

Our domestic new drug discovery services business (WuXi DDSU) realized revenue of RMB969.6 million in 2022, representing a YoY decrease of 22.5% as compared to RMB1,251.0 million in the same period of 2021. The revenue decline was mainly due to our business transition to focus on fewer but more innovative projects to meet customers' demand for novel drug candidates. The future revenue growth will gradually come from royalty income. In 2022, our success-based drug discovery service unit filed INDs for 28 drug candidates and obtained 34 Clinical Trial Approvals (CTAs). As at the end of 2022, we have cumulatively submitted 172 new chemical entity IND filings and obtained 144 CTAs, with 1 project in new drug application (NDA) review stage, 7 projects in Phase III, 24 projects in Phase II, and 75 projects in Phase I. And by March 20, 2023, we have 2 projects in NDA review stage. We will begin receiving royalty income once our customers launch these products in the market. We expect to start receiving royalty income from approved products beginning 2023, which is estimated to grow with about 50% CAGR over the next 10 years as more and more products commercialized by DDSU customers. Currently, we support 15 pre-clinical projects for customers in new modalities that include Peptide/Peptide-Drug-Conjugation (PDC), protein degraders and oligo. Several of these projects have filed IND in 2022, and multiple other projects are expected to file IND in early 2023.

On top of an exceptionally strong year of 2022, the Company expects revenue growth of 5–7% in 2023. Excluding COVID-19 commercial revenue, revenue of WuXi Chemistry is expected to grow by 36–38%, and TIDES (new modalities business in WuXi Chemistry) is expected to grow as twice the speed of overall WuXi Chemistry. Other business segments (WuXi Testing, WuXi Biology, WuXi ATU) are expected to grow by 20–23%. WuXi DDSU will continue business transition, and is expected to be down more than 20%.

The abovementioned operating performance forecast for the full year of 2023 is made based on the current order backlog of the Company. In addition, such operating performance forecast is subject to various prerequisites, including the stable development of the global pharmaceutical industry, the stability of the international trade environment and regulatory environment of the countries where the main operations of the Company are located. Further, such operating performance forecast does not constitute a profit forecast by the management of the Company for the full year of 2023 nor a substantive undertaking by the Company to investors. Its realization is subject to various factors including but not limited to changes in internal and external environment, where greater uncertainty exists.

Gross Profit

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

	2022		2021		
	Gross Profit *RMB million*	**Gross Profit Margin**	Gross Profit *RMB million*	Gross Profit Margin	Gross Profit Change
WuXi Chemistry	**11,404.3**	**39.5%**	5,528.2	39.2%	106.3%
WuXi Testing	**1,984.0**	**34.7%**	1,427.5	31.5%	39.0%
WuXi Biology	**955.9**	**38.6%**	768.8	38.7%	24.3%
WuXi ATU	**(106.1)**	**(8.1)%**	(21.3)	(2.1)%	N/A
WuXi DDSU	**252.7**	**26.1%**	549.2	43.9%	(54.0)%
Gross profit of core business	**14,490.8**	**36.9%**	8,252.4	36.1%	75.6%
Gross profit of other business	**15.7**	**46.7%**	13.1	47.6%	19.9%
Comprehensive gross profit	**14,506.5**	**36.9%**	8,265.5	36.1%	75.5%

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

During the Reporting Period, the Company realized a gross profit of RMB14,506.5 million, representing an increase of 75.5% as compared with the same period of 2021. The gross profit of core business and other businesses during the Reporting Period were RMB14,490.8 million and RMB15.7 million, respectively. The gross profit margin of core business during the Reporting Period was 36.9%, representing an increase of 0.8 percentage points as compared with the same period of 2021.

(1) WuXi Chemistry

During the Reporting Period, the gross profit was RMB11,404.3 million and the gross profit margin increased by 0.3 percentage points as compared with the same period of 2021, mainly due to the improvement in operating efficiency driven by increased commercial orders and optimized manufacturing process.

(2) WuXi Testing

During the Reporting Period, the gross profit was RMB1,984.0 million and the gross profit margin increased by 3.2 percentage points as compared with the same period of 2021. The Company shortened the project cycle through digital project platform and automated schedule management system while improving the automation of lab analysis equipment and utilization efficiency. This has greatly offset the negative impact of the COVID-19 outbreak on staff utilization.

(3) WuXi Biology

During the Reporting Period, the gross profit was RMB955.9 million and the gross profit margin remained stable compared to that of the same period of 2021.

(4) *WuXi ATU*

During the Reporting Period, the gross loss was RMB106.1 million and the gross profit margin dropped by 6.0 percentage points as compared with the same period of 2021, mainly due to under-utilized capacities of the newly built Shanghai Lingang site.

(5) *WuXi DDSU*

During the Reporting Period, the gross profit was RMB252.7 million and the gross profit margin dropped by 17.8 percentage points as compared with the same period of 2021, mainly due to the decrease of revenue resulted from business evolution.

Other Income

Other income increased from RMB468.6 million for the year 2021 to RMB644.3 million for the year 2022, representing a YoY growth of 37.5%. The increase in other income was due primarily to: (1) increase in R&D grants of RMB194.4 million, offset by (2) decrease in dividend income arising from financial assets at FVTPL of RMB17.8 million, and (3) decrease in interest income of RMB0.8 million.

Other Gains and Losses

Other gains and losses decreased from gains of RMB1,453.6 million for the year 2021 to gains of RMB1,211.7 million for the year 2022. The decrease in other gains and losses was due primarily to: (1) decrease in gain of financial assets of RMB1,661.3 million; partially offset by (2) turn-around from loss to gain in derivate financial instruments of RMB1,104.6 million mainly due to fair value change from the derivative component of the Convertible Bonds; (3) other increase of RMB314.8 million mainly foreign exchange gain.

Administrative Expenses

Administrative expenses increased from RMB2,253.6 million for the year 2021 to RMB2,943.8 million for the year 2022, representing a YoY growth of 30.6%. The increase in administrative expenses was primarily due to increase in staff members leading to the increase in personnel and operation costs.

R&D Expenses

R&D expenses of the Company increased from RMB942.2 million for the year 2021 to RMB1,614.0 million for the year 2022, representing a YoY growth of 71.3%. During the Reporting Period, the Company continued to invest substantially in further improving service capabilities for new molecule types, such as PROTAC, oligonucleotide, peptide, conjugate, bi-specific antibody, cell and gene therapies.

Share of Results of Associates

Losses from share of results of associates decreased from RMB92.2 million for the year 2021 to RMB52.5 million for the year 2022, primarily due to: (1) increase in equity pick-up gain of RMB81.4 million from WuXi XDC Cayman Inc. and other associates, partially offset by (2) increase in equity pick-up losses of RMB41.8 million from WuXi Healthcare Ventures II L.P. and other associates.

Share of Results of Joint Ventures

Share of results of joint ventures increased from losses of RMB25.1 million for the year 2021 to gains of RMB6.3 million for the year 2022. The turnaround from losses to gains was primarily due to performance improvement at the joint ventures during the Reporting Period.

Finance Costs

Finance costs increased from RMB128.3 million for the year 2021 to RMB159.8 million for the year 2022, representing a YoY growth of 24.5%, primarily due to increase in: (1) interest expense on borrowings of RMB55.7 million, offset by decrease in (2) effective interest expense on the Convertible Bonds of RMB16.3 million along with the conversion and (3) interest on lease liabilities of RMB7.9 million.

Income Tax Expenses

Income tax expenses increased from RMB879.7 million for the year 2021 to RMB1,715.9 million for the year 2022, representing a YoY growth of 95.1%. The increase in income tax expenses was primarily due to the increase in assessable profit of subsidiaries along with the rise of performance results.

Profit for the Year

Profit for the year increased from RMB5,135.9 million for the year 2021 to RMB8,902.6 million for the year 2022, representing a YoY increase of 73.3%. Net profit margin increased from 22.4% to 22.6% primarily due to strong revenue growth leading to profit increase during the year.

Cash Flows

	2022 *RMB million*	2021 *RMB million*
Net cash from operating activities	**10,229.7**	4,378.7
Net cash used in investing activities	**(9,311.2)**	(4,628.4)
Net cash used in financing activities	**(1,270.6)**	(1,723.9)

For the year 2022, net cash flows from operating activities of the Company amounted to RMB10,229.7 million, representing a growth of 133.6% as compared with the year 2021. The increase was primarily due to the strong growth in revenue during the Reporting Period and continuous improvement on operating process, leading to a higher turnover efficiency of working capital.

For the year 2022, net cash flows used in investing activities of the Company amounted to RMB9,311.2 million, representing a growth of 101.2% when compared with the year 2021. The increase was primarily due to increasing capital investments in constructions in Changzhou, Wuhan, Wuxi, Changshu, Taixing and other sites, as well as equity investments in associates WuXi XDC Cayman Inc. during the Reporting Period.

For the year 2022, net cash flows used in financing activities of the Company amounted to RMB1,270.6 million, representing a decrease of 26.3% when compared with the year 2021. The decrease was mainly due to an increase in net cash inflow from loan financing of RMB596.6 million and a decrease in share repurchase for share-based compensation for employees of RMB709.2 million compared to 2021, resulting in higher cash inflows, partially offset by an increase in cash dividend payments of RMB636.5 million in 2022.

Indebtedness

As at December 31, 2022, total liabilities of the Company amounted to RMB17,763.7 million (December 31, 2021: RMB16,369.9 million), the composition of which was 40.8% being trade and other payables, 23.4% being bank borrowings, 14.1% being contract liabilities and 21.7% being other items.

(1) Borrowings (current and non-current)

As at December 31, 2022, the Company had aggregated borrowings of RMB4,153.2 million. Among the total borrowings, RMB3,874.1 million will be due within one year and RMB279.1 million will be due after one year. Floating interest rate borrowings amounted to RMB1,497.4 million and fixed interest rate borrowings amounted to RMB2,655.8 million. USD borrowings amounted to RMB2,193.8 million (equivalent to USD315.0 million) and RMB borrowings amounted to RMB1,959.4 million.

(2) Charges on Assets

As at December 31, 2022, the Company pledged bank deposits with an amount of RMB1.8 million, which decreased by 97.1% from RMB63.4 million as at December 31, 2021. The balance mainly represented deposits in restricted bank balance related to vested share incentives yet to be settled with employees and collateral for letters of guarantee for the purchase of raw materials and plant and equipment by the Group.

(3) Contingent Liabilities

As at December 31, 2022, the Company has no significant contingent liabilities.

(4) Gearing Ratio

As at December 31, 2022, the gearing ratio, calculated as total liabilities over total assets, was 27.5%, as compared with 29.7% as at December 31, 2021. The lower ratio was primarily due to increasing revenue and net profit to growth in retained earnings and net assets.

Treasury Policies

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

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

B. Non-IFRS Measure

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

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

Adjusted EBITDA

	Year Ended December 31, 2022 RMB Million (except for percentages)	Year Ended December 31, 2021 RMB Million (except for percentages)
Profit before tax	**10,618.5**	6,015.6
Add:		
Interest expense	**157.6**	128.3
Depreciation and amortization	**1,916.7**	1,479.9
EBITDA	**12,692.8**	7,623.9
EBITDA margin	**32.3%**	33.3%
Add:		
Share-based compensation expenses	**820.6**	648.5
Issuance expenses of Convertible Bonds	**2.2**	3.7
Fair value (gain) loss from derivative component of Convertible Bonds	**(508.6)**	1,000.6
Foreign exchange related losses	**136.0**	134.3
Goodwill impairment	**131.3**	—
Realized and unrealized gains from venture capital investments	**(50.2)**	(1,570.8)
Realized and unrealized share of (gains) losses from joint ventures	**(6.3)**	25.1
Talent incentives and retention expenses funded by cash donation from shareholders	**82.0**	—
Net disposal gain on sale of assets/business	**—**	(273.7)
Adjusted EBITDA (Note)	**13,299.8**	7,591.6
Adjusted EBITDA margin	**33.8%**	33.1%

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

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

	Year Ended December 31, 2022 *RMB Million*	Year Ended December 31, 2021 *RMB Million*
Net profit attributable to the owners of the Company	**8,813.7**	5,097.2
Add:		
Share-based compensation expenses	**684.2**	539.9
Issuance expenses of Convertible Bonds	**1.7**	2.8
Fair value (gain) loss from derivative component of Convertible Bonds	**(508.6)**	1,000.6
Foreign exchange related losses	**136.1**	113.4
Amortization of acquired intangible assets from merge and acquisition	**56.7**	55.7
Goodwill impairment	**131.3**	—
Talent incentive and retention expenses funded by cash donation from shareholders	**69.7**	—
Non-IFRS net profit attributable to the owners of the Company	**9,384.7**	6,809.6
Add:		
Realized and unrealized losses (gains) from venture capital investments	**20.8**	(1,474.7)
Realized and unrealized share of (gains) losses from joint ventures	**(6.3)**	25.1
Net disposal gain on sale of assets/business	**—**	(228.7)
Adjusted non-IFRS net profit attributable to the owners of the Company (Note)	**9,399.3**	5,131.3
Adjusted non-IFRS gross profit	**15,227.9**	8,703.5
Adjusted non-IFRS gross profit margin	**38.7%**	38.0%

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

The adjustments made to the adjusted non-IFRS gross profit mentioned above are the same as those made to the adjusted non-IFRS net profit attributable to owners of the Company at the gross profit level.

The Company will focus on continuous improvement of operating efficiency in 2023 to drive profitability growth. Adjusted non-IFRS gross profit is expected to increase by 12–14%, and the operating efficiency is expected to be further improved, which will be conducive to the growth of adjusted non-IFRS net profit attributable to owners of the Company.

The above mentioned adjusted non-IFRS gross profit growth does not constitute a profit forecast by the management of the Company for the full year of 2023 nor a substantive undertaking by the Company to investors, the realization of which is subject to various factors including but not limited to changes in internal and external environment, where greater uncertainty exists.

C. Assets and Liabilities Analysis

Items	Amount as at December 31, 2022 *(In RMB million)*	Percentage of the amount to the total assets as at December 31, 2022 *(%)*	Amount as at December 31, 2021 *(In RMB million)*	Percentage of the amount the total assets as at December 31, 2021 *(%)*	Ratio of change for the amount as at December 31, 2022 as compared with the amount as at December 31, 2021 *(%)*	Reasons
Assets						
Property, plant and equipment	23,444.9	36.2	15,848.7	28.7	47.9	Primarily due to increasing investment in plants and equipment for Changzhou, Wuhan, Wuxi, Nantong, Taixing and other sites during the Reporting Period.
Interests in associates	1,135.7	1.8	619.4	1.1	83.4	Primarily due to the investment in WuXi XDC Cayman Inc. during the Reporting Period.
Other non-current assets	1,054.9	1.6	2,182.4	4.0	(51.7)	Primarily due to the reclassification of certificates of deposits due in one year to current assets.
Biological assets (current)	1,037.3	1.6	755.5	1.4	37.3	Primarily due to the increase in quantities and fair value change of biological assets during the Reporting Period.

Items	Amount as at December 31, 2022 *(In RMB million)*	Percentage of the amount to the total assets as at December 31, 2022 *(%)*	Amount as at December 31, 2021 *(In RMB million)*	Percentage of the amount the total assets as at December 31, 2021 *(%)*	Ratio of change for the amount as at December 31, 2022 as compared with the amount as at December 31, 2021 *(%)*	Reasons
Amounts due from related parties	123.0	0.2	343.3	0.6	(64.2)	Primarily due to collection of receivables from the sales of small molecule payload and linker business and relevant assets in Changzhou STA.
Contract assets	1,048.2	1.6	773.4	1.4	35.5	Primarily due to the expansion of business and revenue growth during the Reporting Period.
Income tax recoverable	16.0	0.0	0.2	0.0	7,006.2	Primarily due to increasing prepayment of income tax during the Reporting Period.
Financial assets at FVTPL (current)	2.0	0.0	527.3	1.0	(99.6)	Primarily due to redemption of structured deposits during the Reporting Period.
Derivative financial instruments	135.6	0.2	229.1	0.4	(40.8)	Primarily due to the settlement and fair value change of forward foreign exchange contracts.

Items	Amount as at December 31, 2022 *(In RMB million)*	Percentage of the amount to the total assets as at December 31, 2022 *(%)*	Amount as at December 31, 2021 *(In RMB million)*	Percentage of the amount the total assets as at December 31, 2021 *(%)*	Ratio of change for the amount as at December 31, 2022 as compared with the amount as at December 31, 2021 *(%)*	Reasons
Pledged bank deposits	1.8	0.0	63.4	0.1	(97.1)	Primarily due to payment to employees for settling the vested and sold shares related to share-based compensations.
Other current assets	1,427.8	2.2	—	—	N/A	Primarily due to the reclassification of certificates of deposits due in one year from non-current assets.
Liabilities						
Amounts due to related parties	14.5	0.0	21.4	0.0	(32.4)	Primarily due to the vesting and trading of several tranches of the Restricted A Share-based compensation plans.
Derivative financial instruments	115.4	0.2	3.7	0.0	3,061.1	Primarily due to the settlement and fair value change of forward foreign exchange contracts.
Borrowings (current)	3,874.1	6.0	2,261.5	4.1	71.3	Primarily due to the increased borrowings for daily operations.

Items	Amount as at December 31, 2022 *(In RMB million)*	Percentage of the amount to the total assets as at December 31, 2022 *(%)*	Amount as at December 31, 2021 *(In RMB million)*	Percentage of the amount the total assets as at December 31, 2021 *(%)*	Ratio of change for the amount as at December 31, 2022 as compared with the amount as at December 31, 2021 *(%)*	Reasons
Other current liabilities	22.1	0.0	176.2	0.3	(87.5)	Primarily due to the settlement of previous equity acquisition payments.
Borrowings (non-current)	279.1	0.4	—	—	N/A	Primarily due to the increased borrowings for daily operations and capital expenditure.
Convertible bonds-embedded derivative component	147.9	0.2	657.3	1.2	(77.5)	Primarily due to bond conversions and fair value change along with the fluctuation of stock price during the Reporting Period.
Deferred tax liabilities	440.5	0.7	324.1	0.6	35.9	Primarily due to increasing taxable temporary difference from long-term assets depreciation and biological assets fair value gains.

D. Analysis on Investments

Investment on wealth management product

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

As at December 31, 2022, the balance of current-financial assets at FVTPL amounted to RMB2 million which was invested in structured deposits.

Investment in companies

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

During the Reporting Period, investments in joint ventures and associates amounted to a total of RMB529.4 million. The Company continues to make investment in joint ventures and associates, so as to strengthen the Company's synergy and promote the development of core business, access a broader customer base and enhance service ability.

During the Reporting Period, investment in other equities aside from joint ventures and associates amounted to a total of RMB366.4 million. Our investments of financial assets at FVTPL mainly include three categories, the movements of which during the Reporting Period are listed below:

In RMB million

	Listed companies	Fund investments	Non-listed companies	Total
Opening Balance	2,110.8	832.0	5,771.4	**8,714.1**
Addition	—	213.9	152.4	**366.4**
Fair value change during the Reporting Period	(1,196.5)	61.1	702.9	**(432.4)**
Disposal of shares	(44.1)	(0.9)	(341.8)	**(386.8)**
Dividends	—	(23.7)	—	**(23.7)**
Foreign exchange effects	89.3	53.0	387.2	**529.5**
Others (Note 1)	20.1	—	167.1	**187.2**
Ending Balance	**979.7**	**1,135.5**	**6,839.2**	**8,954.3**

Note:

(1) The amount of others in non-listed companies was fair value of interest retained after deemed disposal of Boomray Pharmaceuticals Co., Ltd. ("**Boomray**", formerly known as "Suzhou Yao Ming Bo Rui Biotechnology Co., Ltd."). During the Reporting Period, the Group lost its control on Boomray and evaluated that Boomray was no longer its subsidiary. As of the transfer date, the equity interest listed in financial assets at FVTPL was amounted to RMB167.1 million.

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

We primarily invest using self-owned funds through our venture capital arm, WuXi PharmaTech Healthcare Fund I L.P., which plays a significant role in contributing to the ecosystem. The following are some of our major investments across several different areas in the healthcare industry as at December 31, 2022.

Genesis Medtech Group Limited ("Genesis")

Genesis provides high-quality research, production and sales services on medical device. As at December 31, 2022, the fair value of the equity interests held by our Group in Genesis amounted to RMB1,567.4 million (representing 2.4% of our total assets).

Genesis aspires to become China's largest medical technology company, an integrated platform with comprehensive product portfolio and extensive sales network with a business focus in the high-value medical device area. As at December 31, 2022, Genesis has over 1,800 employees and covers 2,000 hospitals, of which more than 50% are Class III Grade A hospitals in China.

iKang Healthcare Group ("iKang")

iKang is a leading medical examination and health management group in China, providing high-quality medical services including medical examination, disease detection, dental services, private doctors, vaccination and anti-aging. As at December 31, 2022, the fair value of equity interests held by our Group in iKang amounted to RMB464.6 million (representing 0.7% of our total assets).

iKang was formerly listed on the National Association of Securities Dealers Automated Quotations ("NASDAQ") Stock Exchange and subsequently privatized in January 2019. As at December 31, 2022, iKang operated 157 medical examination centers in 59 cities. iKang also cooperated with over 700 medical institutions in over 200 cities in China to provide one-stop countrywide medical examination and health management services.

Jiangsu Hanbon Science and Technology Co., Ltd. ("Hanbon")

Hanbon, a national key high-tech enterprise focusing on the chromatography-related products, contributes on providing professional chromatographic technology products and services for the biomedical industry. As at December 31, 2022, the fair value of the equity interests held by our Group in Hanbon amounted to RMB289.0 million (representing 0.4% of our total assets).

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

Shanghai BioEngine Sci-Tech Co., Ltd. ("BioEngine")

BioEngine is committed to empowering the development and production of innovative biopharmaceuticals such as antibodies, vaccines and cell therapies with consistent and reliable high-quality culture media products and services for the benefit of human health worldwide. As at December 31, 2022, the fair value of the equity interests held by our Group in BioEngine amounted to RMB259.4 million (representing 0.4% of our total assets).

BioEngine specializes in providing high-quality and cost-effective cell culture media and related technical services in antibody, vaccine, and cell and gene therapy fields. As at the date of this annual report, BioEngine has supported more than 80 clinical projects in the biopharma industry, and has provided nearly 100 cell culture technology services, with many breakthrough project achievements. BioEngine's products meet the requirements of culture media for U.S. FDA certification and EU product registration, declaration and other related regulations.

Hua Medicine (stock code: 2552.HK) ("Hua Medicine")

Hua Medicine is an innovative drug development and commercialization company based in Shanghai, China. Hua Medicine focused on developing novel therapies for patients worldwide with unmet medical needs. Based on global resources, Hua Medicine teams up with global high-caliber people to develop breakthrough technologies and products, which contribute a global innovation in diabetes care. As at December 31, 2022, the fair value of the equity interests held by our Group in Hua Medicine amounted to RMB237.5 million (representing 0.4% of our total assets).

The Hua Medicine's cornerstone product, HuaTangNing (dorzagliatin tablets, HMS5552), targeting the glucose sensor, glucokinase, restores glucose sensitivity in T2D patients and stabilizes the imbalance of blood glucose levels in patients, it has been approved by the National Medical Products Administration (NMPA) of China on October 8, 2022. It can be used as a monotherapy or in combination with metformin hydrochloride-tolerated T2D patients. For those patients with chronic kidney disease (CKD) and Type 2 diabetes (i.e., diabetes kidney disease), no dose adjustment is required. Hua Medicine is partnering with Bayer, a leading global pharmaceutical company, to commercialize HuaTangNing in China, benefiting diabetic patients and their families.

Significant Investment Held

As at December 31, 2022, the Group did not hold significant investments with a value of 5% or more of the Company's total assets and none of the above mentioned investment constituted such significant investment to our Group. As at the date of this annual report, the Group does not have any plan for material investments or purchase of capital assets.

E. Core Competence Analysis

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

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

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

(2) Enabling innovation through leading advantages in the industry based on latest scientific and technological discoveries

We are committed to leveraging the latest scientific and technological discoveries to enable medical innovation in an effort to assist our customers in transforming new drug ideas into reality. With our leading service capability and scale in the industry, we are enabled to anticipate technological development and emerging R&D trend of the industry in the future and seize new development opportunities. In the past few years, with the continuous breakthroughs of new technologies, new mechanisms and new molecular types, the medical industry at home and abroad has developed rapidly. Looking forward, we will continue to increase our investment in the service capabilities of new molecular types, such as PROTAC, oligonucleotide, peptide, conjugate, cell and gene therapies, to capture new business opportunities and enable global medical innovation.

Moreover, we put efforts in exploring technologies such as medical big data and laboratory automation for application in R&D of new drugs as early as possible to improve our operational efficiency and help our customers increase their R&D efficiency, while minimizing the entry barrier of pharmaceutical R&D. Leveraging our deep insights into industrial trends and emerging technologies, we enable our customers to understand and study the latest scientific and technological discoveries and convert them into potential products.

(3) *Strengthening our platform through enhancing our capacities and expanding the scale by leveraging our knowledge of the industry and customer needs*

We have accumulated extensive industry experience after 20 years of rapid growth. We provide services to leading global pharmaceutical companies, and establish deep partnerships with them. Throughout the cooperation, we keep abreast of the latest industry trends and accumulate experience in meeting customer needs. Through continuous strengthening of capabilities and expansion of scale, as well as strategic mergers and acquisitions to enhance our business services, we provide customers with more premium and comprehensive services.

We continue to enhance our capacities and scale globally. During the Reporting Period, STA, a subsidiary of the Company, commenced operations of its Changzhou Phase III facility, including one R&D center and five production workshops, for GMP production. In July 2022, a new oligonucleotide and peptide production building was put into operation at the Changzhou site, which further enhanced large-scale production capabilities and met the increasing demand for oligonucleotide and peptide drug development from global partners. The sterile lipid nanoparticle formulation platform at the Wuxi site commenced operations, ramping up the global CRDMO platform capabilities. The first highly-active oral drug production workshop was also put into operation in September 2022 at the Wuxi site. Meanwhile, with the completion of the central China headquarters base in Wuhan, the capacity of its drug discovery services continued to expand. In an effort to expand its global footprint, the Company announced the construction plan of its Singapore base during the Reporting Period. The construction of a new production base in Middletown, Delaware, the U.S., also started, which will better meet the needs of global partners in the future.

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

We have a strong, diverse and loyal customer base. In 2022, we had over 1,400 new customers and provided services to more than 5,950 active customers in over 30 countries, including all of the top 20 global pharmaceutical companies. During the Reporting Period, the top 20 global pharmaceutical companies contributed to approximately 46.8% of our overall revenue. As our service offerings and platform capabilities continue to expand, the number of new and existing customers grows further. Our enabling platform helps reduce the entry barrier for new drug R&D, improve R&D efficiency, and assist partners in achieving success, attracting more participants to join the new drug R&D industry. In this process, we continue to drive the development of new knowledge and technologies, improve R&D efficiency and reduce R&D costs, and the innovative capabilities of the platform continue to grow, forming a virtuous cycle of healthcare ecosystem.

As the global pandemic continues unabated, we have enhanced our online communication and cooperation with global customers during the pandemic lockdown where they stayed at home and facilitated the advancement of our new drug R&D programs. During the Reporting Period, we organized 7 online activities, including WuXi Global Forum, WuXi Healthy Aging Forum, WuXi Healthy Industry Forum, rare disease non-profit concerts, disease series forums and others, where over 160 industry KOLs, and nearly 100 patients and volunteers in aggregate were invited. The forums focused on future major challenges and opportunities in the industry, discussed global innovation and cooperation, and shared the latest breakthroughs in the industry. A total of over 28,000 people registered for the online forums of the Company. During the Reporting Period, we also launched the "WuXi AppTec Live Studio" online activities, completing 77 live broadcasts involving 17 series across five major business segments of the Company, reaching more than 20 countries and regions and 34 provincial administrative regions of China, with a total number of over 220,000 viewers.

(5) Experienced management team with vision and ambition

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

F. Other Events

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

2018 A Share Incentive Plan

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

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

2019 A Share Incentive Plan

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

On March 17, 2022, the Board resolved to approve the resolution in relation to fulfilment of the conditions for unlocking the Restricted A Shares granted under the 2019 Reserved Grant for the first unlocking period. As a result, a total of 16 incentive participants have satisfied the conditions for unlocking the Restricted A Shares granted under the 2019 Reserved Grant for the first unlocking period and a total of 175,891 Restricted A Shares were unlocked, representing approximately 0.0060% of the then total issued share capital of the Company and approximately 0.0069% of the then total number of issued A Shares of the Company, respectively. The listing of and trading in the aforementioned Restricted A Shares to be unlocked commenced on March 23, 2022. Please refer to the relevant announcement of the Company dated March 17, 2022 for further details.

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

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

Following the fulfillment of the exercise conditions for the first vesting period of the Share Options granted under the 2019 Adjusted Initial Grant and the implementation of the 2020 Profit Distribution Plan, the first vesting period of the Share Options granted under the 2019 Adjusted Initial Grant shall be from June 9, 2021 to May 25, 2022. The number of Share Options which will become vested to the 376 incentive participants during the first vesting period shall be 2,868,385 units at the exercise price of RMB38.62 per unit. Please refer to the relevant announcement of the Company dated June 3, 2021 for further details. Following the fulfillment of the exercise conditions for the second vesting period of the Share Options granted under the 2019 Adjusted Initial Grant, the second vesting period of the Share Options granted under the 2019 Adjusted Initial Grant shall be from June 16, 2022 to May 25, 2023. The number of Share Options which will become vested to the 334 incentive participants during the second vesting period shall be 1,905,840 units at the exercise price of RMB38.62 per unit. Please refer to the relevant announcement of the Company dated June 10, 2022 for further details.

As at December 31, 2022, 375 incentive participants have exercised an aggregate 2,864,656 units of Share Options granted under the 2019 Adjusted Initial Grant for the first vesting period and 268 incentive participants have exercised an aggregate 1,418,645 units of Share Options granted under the 2019 Adjusted Initial Grant for the second vesting period. The underlying shares of the exercised Share Options are ordinary A Shares to be issued by the Company to the incentive participants. The Company has completed the registration of the underlying A Shares with the Shanghai Branch of the China Securities Depository and Clearing Corporation Limited. The underlying A Shares were credited to the respective securities accounts of the incentive participants on the first trading day (T + 1) after the date of exercise of the Share Options (T), while trading in the underlying A Shares shall commence on the trading day thereafter (T + 2). Please refer to the relevant announcements of the Company dated July 3, 2022 and January 3, 2023 for further details.

(3) *Adjustment to the repurchase price of the Restricted A Shares granted under the 2018 A Share Incentive Plan and the 2019 A Share Incentive Plan*

2018 A Share Incentive Plan

The "Proposal on the Adjustment to the Repurchase Price of Restricted A Shares Granted under the Initial Grant and the Reserved Grant of the Restricted A Shares and Stock Option Incentive Plan of 2018 of the Company" was approved at the thirtieth meeting of the second session of the Board. Following the implementation of the 2021 Profit Distribution Plan and pursuant to the relevant adjustment mechanism: (i) the repurchase price of Restricted A Shares granted under the 2018 Initial Grant shall be adjusted to RMB18.17 per A Share; and (ii) the repurchase price of Restricted A Shares granted under the 2018 Reserved Grant shall be adjusted to RMB18.34 per A Share. Please refer to the relevant announcement of the Company dated June 27, 2022 for further details.

2019 A Share Incentive Plan

The "Proposal on the Adjustment to the Repurchase Price of Restricted A Shares Granted under the Initial Grant and the Reserved Grant of the Restricted A Shares and Stock Option Incentive Plan of 2019 of the Company" was approved at the thirtieth meeting of the second session of the Board. Following the implementation of the 2021 Profit Distribution Plan and pursuant to the relevant adjustment mechanism: (i) the repurchase price of Restricted A Shares granted under the 2019 Initial Grant shall be adjusted to RMB18.34 per A Share; and (ii) the repurchase price of Restricted A Shares granted under the 2019 Reserved Grant shall be adjusted to RMB33.04 per A Share. Please refer to the relevant announcement of the Company dated June 27, 2022 for further details.

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

2018 A Share Incentive Plan

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

The "Proposal on the Repurchase and Cancellation of Part of the Restricted A Shares and Cancellation of Part of the Share Options Granted under the Restricted A Shares and Stock Option Incentive Plan of 2018 of the Company" was approved at the thirtieth meeting of the second session of the Board. Pursuant to the above proposal, due to the implementation of the 2021 Profit Distribution Plan, and: (i) due to the departure of 3 incentive participants of the 2018 A Share Incentive Plan before the expiry of the lock-up period of the Restricted A Shares, the Company shall repurchase a total of 4,517 Restricted A Shares granted under the 2018 Initial Grant at the repurchase price of RMB18.17 per A Shares; (ii) due to the departure of 3 incentive participants of the 2018 A Share Incentive Plan before the expiry of the lock-up period of the Restricted A Shares, the Company shall repurchase a total of 24,084 Restricted A Shares granted under the 2018 Reserved Grant at the repurchase price of RMB18.34 per A Share; and (iii) due to the departure of 1 incentive participant of the 2018 A Share Incentive Plan before the expiry of the vesting period of the Share Options, the Company shall cancel a total of 56,448 units of Share Options granted under the 2018 Reserved Grant. The repurchase and cancellation of such Restricted A Shares were completed on January 5, 2023. Please refer to the relevant announcements of the Company dated June 27, 2022 and December 30, 2022 for further details.

The "Proposal on the Repurchase and Cancellation of Part of the Restricted A Shares and Cancellation of Part of the Share Options Granted under the Restricted A Shares and Stock Option Incentive Plan of 2018 of the Company" was approved at the thirty-third meeting of the second session of the Board. Pursuant to the above proposal, due to the implementation of the 2021 Profit Distribution Plan, and: (i) due to the departure of 1 incentive participant of the 2018 A Share Incentive Plan, the Company shall repurchase a total of 11,188 Restricted A Shares granted under the 2018 Reserved Grant at the repurchase price of RMB18.34 per A Shares; and (ii) due to the departure of 1 incentive participant of the 2018 A Share Incentive Plan, the Company shall cancel a total of 176,400 units of Share Options granted under the 2018 Reserved Grant. The repurchase and cancellation of such Restricted A Shares were completed on January 5, 2023. Please refer to the relevant announcements of the Company dated October 26, 2022 and December 30, 2022 for further details.

2019 A Share Incentive Plan

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

The "Proposal on the Cancellation of Part of the Share Options Granted under the Restricted A Shares and Stock Option Incentive Plan of 2019 of the Company" was approved at the twenty-ninth meeting of the second session of the Board. Pursuant to the above proposal, due to the departure of 13 incentive participants before the expiry of the withholding period of the Share Options, the Company shall cancel 113,613 units of Share Options granted under the 2019 Adjusted Initial Grant. Please refer to the relevant announcement of the Company dated May 25, 2022 for further details.

The "Proposal on the Repurchase and Cancellation of Part of the Restricted A Shares and the Cancellation of Part of the Share Options Granted under the Restricted A Shares and Stock Option Incentive Plan of 2019 of the Company" was approved at the thirtieth meeting of the second session of the Board. Pursuant to the above proposal, due to the implementation of the 2021 Profit Distribution Plan, and: (i) due to the departure of 73 incentive participants of the 2019 A Share Incentive Plan either departing before the expiry of the lock-up period of the Restricted A Shares or being unable to satisfy the performance appraisal target at the individual level for 2021, the Company shall repurchase a total of 332,977 Restricted A Shares granted under the 2019 Initial Grant at the repurchase price of RMB18.34 per A Share; (ii) due to the departure of 2 incentive participants of the 2019 A Share Incentive Plan before the expiry of lock-up period of the Restricted A Shares, the Company shall repurchase a total of 30,845 Restricted A Shares granted under the 2019 Reserved Grant at the repurchase price of RMB33.04 per A Share; and (iii) due to the departure of 1 incentive participant of the 2019 A Share Incentive Plan, the Company shall cancel a total of 3,729 units of Share Options granted and the validity period for the exercise of which has expired under the 2019 Initial Grant. The repurchase and cancellation of such Restricted A Shares were completed on January 5, 2023. Please refer to the relevant announcements of the Company dated June 27, 2022 and December 30, 2022 for further details.

The "Proposal on the Repurchase and Cancellation of Part of the Restricted A Shares and the Cancellation of Part of the Share Options Granted under the Restricted A Shares and Stock Option Incentive Plan of 2019 of the Company" was approved at the thirty-third meeting of the second session of the Board. Pursuant to the above proposal, due to the implementation of the 2021 Profit Distribution Plan, and: (i) due to the departure of 52 incentive participants of the 2019 A Share Incentive Plan, the Company shall repurchase a total of 243,497 Restricted A Shares granted under the 2019 Initial Grant at the repurchase price of RMB18.34 per A Share; (ii) due to the departure of 1 incentive participant of the 2019 A Share Incentive Plan, the Company shall repurchase a total of 15,120 Restricted A Shares granted under the 2019 Reserved Grant at the repurchase price of RMB33.04 per A Share; and (iii) due to the departure of 14 incentive participant of the 2019 A Share Incentive Plan, the Company shall cancel a total of 162,573 units of Share Options granted under the 2019 Initial Grant. The repurchase and cancellation of such Restricted A Shares were completed on January 5, 2023. Please refer to the relevant announcements of the Company dated October 26, 2022 and December 30, 2022 for further details.

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

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

(6) *2021 Profit Distribution Plan*

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

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

During the Reporting Period, awards in an aggregate value of HK$20,996,000 were further granted to 46 2020 Independent Selected Participants, and the number of 2020 Award Shares underlying the relevant 2020 Awards represents 160,894 H Shares, accounting for approximately 0.0410% of the then total number of issued H Shares and approximately 0.0054% of the then total issued share capital of the Company. Please refer to the relevant announcement of the Company dated January 21, 2022 for further details.

(8) *Further grant of 2021 Awards under the 2021 H Share Award and Trust Scheme*

During the Reporting Period, awards in an aggregate value of HK$15,245,000 were further granted to 30 2021 Independent Selected Participants, and the number of 2021 Award Shares underlying the relevant 2021 Awards represents 152,780 H Shares, accounting for approximately 0.0387% of the then total number of issued H Shares and approximately 0.0052% of the then total issued share capital of the Company. Please refer to the relevant announcement of the Company dated September 19, 2022 for further details.

(9) Adoption of and the grant of 2022 Awards under the 2022 H Share Award and Trust Scheme

The adoption of the 2022 H Share Award and Trust Scheme was approved at the extraordinary general meeting of the Company held on October 13, 2022. The source of the 2022 Award Shares under the 2022 Scheme shall be H Shares to be acquired by the trustee through on-market transactions at the prevailing market price in accordance with the instructions of the Company and the relevant provisions of the 2022 Scheme Rules.

As at December 31, 2022, awards with the number of underlying 2022 Award Shares being 12,622,067 H Shares have been granted to 3,696 2022 Selected Participants (including the 2022 Connected Selected Participants), accounting for approximately 3.1933% of the then total number of issued H Shares and approximately 0.4263% of the then total issued share capital of the Company.

Please refer to the relevant announcements of the Company dated August 15, 2022 and December 30, 2022, the circular of the Company dated August 18, 2022 and supplemental circular of the Company dated September 21, 2022 and poll results announcement dated October 13, 2022 for further details.

(10) Early redemption of the US$300 million zero coupon convertible bonds due 2024

On February 16, 2023, in accordance with the terms and conditions of the Bonds, the Company issued a notice through the relevant clearing systems to all holders of Bonds, the Trustee and the Principal Agent in connection with the early redemption of all outstanding Bonds.

The Company has exercised its option to redeem all the outstanding Bonds in full on April 4, 2023 at the price of U.S.$104,519.38 for each U.S.$100,000 principal amount in accordance with the terms and conditions of the Bonds. Accordingly, there are no outstanding Bonds in issue following the abovementioned redemption as at April 4, 2023. The Company has applied to the Stock Exchange for the withdrawal of the listing of the Bonds. Such withdrawal of listing became effective upon the closure of business on April 17, 2023. For further details, please refer to the announcements of the Company dated March 15, 2023 and April 4, 2023.

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

A. Industry Landscape and Trends

We are closely related to the development of global pharmaceutical industry and investment in the new drug R&D. With the joint promotion of the vigorous development and industry development direction of the global pharmaceutical industry, our main business has great development opportunities:

Firstly, the global pharmaceutical market is expected to grow further with the development of the global economy, the growth of the global population, the increase of the aging population, the advancement of technology, the rise of healthcare expenditures, and the increasing public awareness of health.

Secondly, the global pharmaceutical research and production service industry is expected to maintain rapid growth, driven by higher proportion of outsourcing in large pharmaceutical companies and the increasing demands from small and medium pharmaceutical companies. On the one hand, the innovative drug R&D industry has the characteristics of large investment, long cycle and high risk. As a result of the low R&D returns together with the "patent cliff" faced by drug manufacturers, large pharmaceutical companies are expected to promote R&D projects through external R&D institutes in order to improve R&D efficiency and reduce R&D costs. On the other hand, small pharmaceutical companies, including small and medium biotechnology companies, virtual companies, and individual entrepreneurs, have become a major driving force of pharmaceutical innovation. These small and medium pharmaceutical companies do not have time or sufficient capital to build the laboratory and production facilities needed for their own R&D projects, but they need a variety of different services to meet the needs of R&D projects in a short period of time. Therefore, they will seek R&D and production outsourcing services, especially integrated end-to-end R&D service to meet their R&D service needs from concept verification to product launch. According to the latest Frost & Sullivan report published in July 2022, global pharmaceutical industry R&D investment will increase from US$243.7 billion in 2022 to US$328.8 billion in 2026, with a CAGR of approximately 7.8%.

In addition, with the strategic shift from generics to innovation in the pharmaceutical industry of China, it is expected that R&D investment will continue to grow rapidly. The continuous promotion of a series of policies such as the reform of the drug and medical device evaluation and approval system, the market authorization holder (MAH), consistency evaluation of generic drugs, and volume-based procurement, as well as medical insurance negotiations on innovative medicines, will drive the continuous growth of the innovative drug R&D and production market demand. According to the Frost & Sullivan report, R&D investment of the pharmaceutical industry in China is expected to increase from US$32.7 billion in 2022 to US$52.9 billion in 2026, with a CAGR of approximately 12.8%.

Pharmaceutical R&D service industry in China, especially platform companies with global new drug R&D and production service capabilities, are expected to benefit from the rapid growth of China and global new drug R&D investment and outsourcing rates. According to the Frost & Sullivan report, the outsourcing ratio of pharmaceutical R&D investment in China is expected to increase from 42.6% in 2022 to 52.2% in 2026, and the outsourcing ratio of the global pharmaceutical R&D investment is expected to increase from 46.5% in 2022 to 55.0% in 2026. The report also predicts that the market for global outsourcing services provided by pharmaceutical R&D service companies in China (excluding large-molecule CDMO) will increase from RMB131.2 billion in 2022 to RMB336.8 billion in 2026, with an average annual growth rate of approximately 26.6%.

B. Development Strategies

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

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

C. Operation Plan

In 2023, we will continue to focus on capacity and scale building, based on the cutting-edge technology, and continuously improve our integrated empowerment platform, so that anyone or any company can realize their own innovative dreams through the WuXi AppTec platform.

(1) Platform Building

On the one hand, we will continue to enhance the capabilities and scale of our R&D service platform. We are building a laboratory service platform in Nantong, which will be put into use gradually in 2023. We continued the design and construction of facilities in Changzhou, Wuxi city, U.S. and Singapore, aiming to better serve our global customers' future needs.

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

(2) Customer Strategy

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

(3) Quality and Compliance

We have always adhered to the highest international quality standard and attached great importance to our compliance with relevant laws and regulations. We have developed management systems concerning quality control, safety in production, intellectual property protection, sales management, financial & accounting management, business continuity plan, etc. In 2023, we will continue to refine and implement our standard operating procedure to prevent occurrence of accidents and facilitate sound growth of all segments.

(4) Innovation and Development

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

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

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

(5) Team of Talents

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

(6) Corporate Culture

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

D. Potential Risks

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

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

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

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

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

Currently, competition in the global drug R&D services market is getting increasingly intense. Our competitors in particular segments mainly include specialized CROs/CDMOs and in-house R&D department of large pharmaceutical companies, among which, most are large global pharmaceutical companies or R&D organizations, which may enjoy advantages over us in terms of financial strength, technological capabilities and customer base. Aside from the aforementioned incumbents, we also face competition from new entrants, which either have more capital, more business accesses or stronger R&D expertise in respective segment. We will face risk resulted from heightened competition in the pharmaceutical market and weakened competitive edge in case we fail to enhance our overall R&D strength and other strengths in business competition.

(4) Business compliance risk

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

(5) Risk of global operation and change of international policy

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

(6) *Risk of loss of key scientific staff*

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

(7) *Risk of failure in business expansion*

We anticipate that our customers' outsourcing demands on drug R&D, commercial manufacturing and clinical development will increase on an ongoing basis. In order to continuously meet market demands and seize the growth opportunity, we need to invest a great deal of capital and resources and continue to push forward strengthening of our capabilities and expansion of scale globally. Adverse impact might be caused to our business, financial and operating performances and outlook in case our entry into new segment suffers unforeseeable delay due to delay in construction and regulatory issues, or we fail to achieve our growth targets.

(8) *Exchange Rate risk*

Most of the revenue of our main business was settled in USD. If RMB appreciates significantly in the future, a portion of cost denominated in foreign currencies might be increased and the size of our customers' orders might be contracted due to the increase of price. In addition, the USD assets we hold might cause foreign exchange loss when exchanged for RMB funds, which may directly impact our profitability as a result.

(9) *Risk of material impact on value of our assets at fair value by market fluctuation*

Value of our assets or liabilities measured at fair value, such as equity interests in listed companies and non-listed underlying investment interests, derivative financial instrument component of the Convertible Bonds, and biological assets, are measured at the fair value at the end of each reporting period, with the changes in fair value recognized in current profit and loss. Among which, our equity interests in listed companies and other non-listed underlying interests are recorded as other non-current financial assets measured at fair value, the value of which could be greatly affected by market fluctuations. We pay close attention to the trend of the share price on the investee listed companies with a view to making timely investment decisions with these investee companies. As we mark-to-market the fair value of certain of our investments on a periodic basis, we expect the fair value of our financial assets at fair value, especially the value of shares in publicly-traded companies held by us, may be significantly changed by capital market fluctuations which may cause significant fluctuations on our net profit and further affect our results.

(10) Risks of impact of emergencies and force majeure on our operation

Emergent public health emergencies, earthquakes, typhoons and other force majeure events may affect our operation. In response to these situations, we have developed business continuity plans to timely and systematically facilitate the resumption of the critical operations, functions, and technology in the pre- and post-crisis periods and during the crisis, ensuring that our business can continue to develop feasibly and steadily. However, if our business continuity plans fail to cope with the impact of relevant emergencies and force majeure events, it may have an adverse impact on our business, finance, operational performance and prospects.

	For the Year Ended December 31,				
	2018	2019	2020	2021	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***
Operating results					
Revenue	9,613,684	12,872,206	16,535,431	22,902,385	**39,354,778**
Gross profit	3,776,919	5,006,148	6,255,044	8,265,515	**14,506,521**
Operating profit	2,596,400	2,485,704	3,656,161	6,261,233	**10,824,585**
Profit for the year	2,333,681	1,911,409	2,986,250	5,135,947	**8,902,611**
Profit attributable to the owners of the Company	2,260,523	1,854,551	2,960,235	5,097,155	**8,813,713**
Profitability					
Gross profit margin	39.3%	38.9%	37.8%	36.1%	**36.9%**
Operating profit margin	27.0%	19.3%	22.1%	27.3%	**27.5%**
Margin of net profit attributable to the owners of the Company	23.5%	14.4%	17.9%	22.3%	**22.4%**
Earnings per share (RMB) *(Note)*					
— Basic	0.94	0.68	1.06	1.75	**3.01**
— Diluted	0.94	0.67	1.05	1.73	**2.82**

	As at December 31,				
	2018	2019	2020	2021	**2022**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***
Financial position					
Total assets	22,667,202	29,239,134	46,291,166	55,127,388	**64,690,327**
Equity attributable to the owners of the Company	17,688,021	17,312,255	32,493,743	38,491,509	**46,589,953**
Total liabilities	4,501,971	11,829,424	13,572,675	16,369,926	**17,763,654**
Bank balances and cash	5,757,691	5,223,293	10,228,057	8,175,336	**7,983,904**
Gearing ratio	19.9%	40.5%	29.3%	29.7%	**27.5%**

Note:

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

Profiles of Directors, Supervisors and Senior Management

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

DIRECTORS

As of the date of this annual report, the Board comprises 13 Directors, of which 6 are executive Directors, 2 are non-executive Directors and 5 are independent non-executive Directors. The following table sets forth information regarding the Directors.

Name	Age	Position	Date of Appointment as Director/Role
Executive Directors			
Dr. Ge Li (李革)	56	chairman, chief executive officer and executive Director	March 1, 2017
Mr. Edward Hu (胡正國)	60	vice chairman, global chief investment officer	May 21, 2020
		executive Director	March 1, 2017
Dr. Steve Qing Yang (楊青)	54	executive Director	May 15, 2020
		co-chief executive officer	May 21, 2020
Dr. Minzhang Chen (陳民章)	53	executive Director	May 6, 2022
		co-chief executive officer	August 2, 2021
Mr. Zhaohui Zhang (張朝暉)	53	executive Director, vice president	March 1, 2017
Dr. Ning Zhao (趙寧)	56	executive Director, vice president	March 1, 2017
Non-executive Directors			
Mr. Xiaomeng Tong (童小幪)	49	non-executive Director	March 1, 2017
Dr. Yibing Wu (吳亦兵)	55	non-executive Director	March 1, 2017
Independent non-executive Directors			
Dr. Jiangnan Cai (蔡江南)	65	independent non-executive Director	March 1, 2017
Ms. Yan Liu (劉艷)	50	independent non-executive Director	March 1, 2017
Dr. Hetong Lou (婁賀統)	60	independent non-executive Director	March 1, 2017
Mr. Xiaotong Zhang (張曉彤)	54	independent non-executive Director	March 1, 2017
Mr. Dai Feng (馮岱)	47	independent non-executive Director	August 22, 2018 (effective from the Listing Date)

SUPERVISORS

As of the date of this annual report, our Supervisory Committee consists of 3 Supervisors, including the chairman of the Supervisory Committee and an employee representative Supervisor.

Name	Age	Position	Date of Appointment as Supervisor
Mr. Harry Liang He (賀亮)	56	chairman of the Supervisory Committee	March 1, 2017
Mr. Baiyang Wu (吳柏楊)	58	Supervisor	August 31, 2020
Ms. Minfang Zhu (朱敏芳)	51	employee representative Supervisor	March 1, 2017

EXECUTIVE DIRECTORS

Dr. Ge Li (李革), aged 56, is the chairman and chief executive officer of the Company. From 1993 to 2000, Dr. Li was a founding scientist and director of research at Pharmacopeia Inc. in the United States. Since 2000, he has been serving in the Company (including its predecessor), and has served in roles including the chairman, president and chief executive officer of the Company. He also concurrently serves as the chairman and non-executive director of WuXi Biologics (Cayman) Inc. (stock code: 2269.HK).

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

Dr. Li is the spouse of Dr. Zhao.

Mr. Edward Hu (胡正國), aged 60, is the vice chairman and global chief investment officer of the Company, the chairman and chief executive officer of WuXi Advanced Therapies. From 1983 to 1985, Mr. Hu worked as an engineer at the scientific instrument factory of Hangzhou University. From 1988 to 1989, he was a manager at China Daheng Group, Inc. (中國大恒公司). From 1989 to 1990, he worked as an engineer at Jurid Bremsbrag GmbH in Germany. From 1996 to 1998, he served as a senior financial analyst of Merck in the United States. From 1998 to 2000, he was a business planning manager at Biogen Inc. (stock code: BIIB. NASDAQ) in the United States. From 2000 to 2007, he held various positions at Tanox, Inc. (stock code: TNOX.NASDAQ) in the United States, including chief financial officer, vice president of operations, senior vice president and chief operating officer. Since 2007, he has been serving in the Company (including its predecessor), and has served in roles including standing vice president and chief operating officer, chief financial officer, co-chief executive officer, vice chairman, global chief investment officer of the Company, and the chairman and chief executive officer of WuXi Advanced Therapies. Mr. Hu also serves as a non-executive director of CStone Pharmaceuticals (stock code: 2616.HK) and a non-executive director of CANbridge Pharmaceuticals Inc. (stock code: 1228.HK). In the past three years, Mr. Hu was a director of WuXi Biologics (Cayman) Inc. (stock code: 2269.HK), Viela Bio, Inc. (stock code: VIE.NASDAQ) and Ambrx Biopharma Inc. (stock code: AMAM.NYSE).

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

Dr. Steve Qing Yang (楊青), aged 54, is an executive Director and co-chief executive officer of the Company. From 1997 to 1999, Dr. Yang worked as a senior strategic consulting advisor of Strategic Decisions Group, a strategic consulting firm based in the United States. From 1999 to 2001, he served as a senior director of the corporate strategy and development at IntraBiotics, a United States biotech company. From 2001 to 2006, he was the head of the global research and development strategic management department and executive officer of Pfizer Inc. in the United States. From 2007 to 2010, he served as the president of research and development in Asia and vice president of global research and development of Pfizer Inc. (stock code: PFE.NYSE) in the United States. From 2011 to 2014, he was the vice president of Asia and Emerging Markets iMed Research and Development (亞洲及新興市場創新醫藥研發) of AstraZeneca (stock code: AZR.NYSE) in the United Kingdom. Since 2014, he has been serving in the Company (including its predecessor), and has served as vice president and chief operating officer, chief business officer and chief strategy officer, co-chief executive officer and executive Director of the Company.

Dr. Yang obtained a bachelor's degree from Michigan Technological University in the United States and a Ph.D. degree in pharmaceutical chemistry from University of California, San Francisco in the United States.

Dr. Minzhang Chen (陳民章), aged 53, is an executive Director and co-chief executive officer of the Company. Dr. Chen has over 20 years of experience in new drug research and development and production management. Prior to joining the Company, he served as the chief researcher of the chemistry department of Schering-Plough Research Institute (先靈葆雅研究所) and the head of the technical operation department of Vertex Pharmaceuticals Inc. Since 2008, he has been serving in the Company (including its predecessor), and has served as a director and chief executive officer of SynTheAll Pharmaceutical, a subsidiary controlled by the Company, and as vice president, co-chief executive officer and executive Director of the Company.

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

Mr. Zhaohui Zhang (張朝暉), aged 53, is an executive Director, vice president and China chief operating officer of the Company. From 1991 to 1993, he worked as an engineer at Wuxi Grinder Machinery Research Institute (無錫磨床機械研究所). From 1993 to 1995, he served as assistant to general manager of Jiangsu Yinling Group (江蘇省銀鈴集團). From 1995 to 1998, he was the vice president of Yinling Group (銀鈴集團), a United States company. From 1998 to 2000, he was the chief executive officer of Wuxi Qingye Investment Consultancy Limited (無錫青葉企業投資諮詢有限責任公司). Since 2000, he has been serving in the Company (including its predecessor), and has served in roles including senior vice president of operations and domestic market, China chief operating officer and executive Director of the Company.

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

Dr. Ning Zhao (趙寧), aged 56, is an executive Director and vice president of the Company. From 1995 to 1996, Dr. Zhao worked as a scientist at Wyeth Pharmaceuticals, Inc. From 1996 to 1999, she served as a senior scientist and research supervisor at Pharmacopeia Inc. From 1999 to 2004, she worked as a senior scientist and department head at Bristol-Myers Squibb Co. (美國施貴寶製藥公司). Since 2004, she has been serving in the Company (including its precedessor), and has served as the person-in-charge and vice president of the analytical business department, chief advisor of analytical operation platform, senior vice president of operations and human resources and executive Director of the Company. Dr. Zhao has concurrently been serving as a non-executive director of WuXi Biologics (Cayman) Inc. (stock code: 2269.HK).

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

Dr. Zhao is the spouse of Dr. Li.

NON-EXECUTIVE DIRECTORS

Mr. Xiaomeng Tong (童小幪), aged 49, is a non-executive Director of the Company. From 1998 to 2000, he served as an investment analyst at Morgan Stanley & Co. International plc. From 2000 to 2008, he served as a managing director and joint head of Greater China District of General Atlantic. From 2008 to 2011, he served as a managing director and head of Greater China District of Providence Equity Partners. Since May 2011, he has been serving as a managing partner of Boyu Capital Advisory Company Limited (博裕投資顧問有限公司). Mr. Tong has concurrently been serving as an independent non-executive director of Alibaba Pictures Group Limited (stock code: 1060.HK).

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

Dr. Yibing Wu (吳亦兵), aged 55, is a non-executive director of the Company. From 1996 to 2008, he worked with McKinsey & Company, where he was a global senior director, senior partner, the head of Asia Pacific M&A practice and general manager of Beijing office. From 2008 to 2009, he served as the standing vice president of Legend Holdings Co., Ltd. From 2009 to 2013, he served as the president of CITIC Private Equity Funds Management Co., Ltd. Since October 2013, he has been serving as a member of the global executive committee, joint head of technology & consumer department, joint head of enterprise development group (China) and the head of China of Temasek International Pte. Ltd. Since January 2014, he has been serving as a director and general manager of Temasek Holdings Advisors (Beijing) Co., Ltd. Dr. Wu has concurrently been serving as a non-executive director of WuXi Biologics (Cayman) Inc. (stock code: 2269.HK).

Dr. 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 and a Ph.D. degree in biochemistry and molecular biology from Harvard University in the United States.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Jiangnan Cai (蔡江南), aged 65, is an independent non-executive Director of our Company. From 1985 to 1987, Dr. Cai served as a teaching assistant of the Development of Economics in Fudan University (復旦大學). From July 1987 to 1990, he served as the director and a lecturer of the Institute of Economic Development in East China University of Science and Technology (華東理工大學經濟研究所). From 1999 to 2012, he served as a senior researcher of health policies in Massachusetts Department of Public Health in America (美國麻省衛生廳). From 2006 to 2009, he served as the head and a professor of the Department of Public Economics of School of Economics of Fudan University. From 2012 to 2019, he served as the director of Center for Healthcare Management and Policy of the China Europe International Business School (中歐國際工商學院衛生管理與政策研究中心). From January 2020, he has been serving as a Chairman of the Academy of China Healthcare Innovation Platform (CHIPA). Dr. Cai has also been serving as an independent director of Shanghai Pharmaceuticals Holding Co., Ltd. (上海醫藥集團股份有限公司) (stock codes: 601607.SH, 2607.HK), Betta Pharmaceuticals Co., Ltd. (貝達藥業股份有限公司) (stock code: 300558.SZ) and Vazyme Biotech Co., Ltd (南京諾唯贊生物科技股份有限公司) (688105.SH). In past three years, he served as an independent director of Zhejiang DIAN Diagnostics Co., Ltd. (浙江迪安診斷技術股份有限公司) (stock code: 300244.SZ) and Harmonicare Medical Holdings Limited (和美醫療控股有限公司) (stock code: 1509.HK).

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

Ms. Yan Liu (劉艷), aged 50, is an independent non-executive Director of the Company. Since 1995, Ms. Liu has been working with Beijing Tian Yuan Law Firm (北京市天元律師事務所), and serving as a lawyer and a partner. In past three years, she served as an independent director of Huatai Securities Co., Ltd. (華泰證券股份有限公司) (stock code: 601688.SH, 6886.HK) and Huaxin Cement Co., Ltd. (華新水泥股份有限公司) (stock codes: 600801.SH, 6655.HK).

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

Dr. Hetong Lou (婁賀統), aged 60, is an independent non-executive Director of our Company. From 1984 to 1990, Dr. Lou served as a teaching assistant in Fudan University. From 1990 to 2008, he served as a lecturer in Fudan University. Since 2008, he has been serving as an associate professor of Department of Accounting in Fudan University. Dr. Lou has also been serving as an independent director of Neway Valve (Suzhou) Co., Ltd. (蘇州紐威閥門股份有限公司) (stock code: 603699.SH) and Shandong Hualu Hengsheng Chemical Co., Ltd. (山東華魯恒升化工股份有限公司) (stock code: 600426.SH). In past three years, Dr. Lou served as an independent director of Shanghai LongYun Media Group Co., Ltd. (上海龍韻傳媒集團股份有限公司) (stock code: 603729.SH).

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

Mr. Xiaotong Zhang (張曉彤), aged 54, is an independent non-executive Director of our Company. From 1990 to 1994, Mr. Zhang worked with Beijing Chemical and Light Industrial Materials Corporation (北京市化工輕工總公司). Since 1994, he has been serving as a partner and a lawyer of Beijing Finance and Commercial Law Offices (北京市通商律師事務所). In past three years, Mr. Zhang served as an independent director of Limin Chemical Co., Ltd. (利民化工股份有限公司) (stock code: 002734.SZ) and Wuhan DR Laser Technology Co., Ltd. (武漢帝爾激光科技股份有限公司) (stock code: 300776.SZ).

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

Mr. Dai Feng (馮岱), aged 47, has years of investment experience in the field of healthcare. Since March 2015, Mr. Feng has been serving as the managing director of CareCapital Advisors Limited, focusing on investment and operations in the dental industry. Mr. Feng is also the chairman of Angelalign Technology Inc. (stock code: 6699.HK), the vice chairman of Carestream Dental LLC, director of several regional dental chain groups in China, director of the Forsyth Institute of the Harvard School of Dental Medicine and director of the International Orthodontics Foundation. From April 2004 to December 2014, he served as manager, principal and managing director of Warburg Pincus Asia LLC (華平投資集團). Mr. Feng is currently serving as an independent non-executive Director of the Company, and also serving as an independent non-executive director of Sling Group Holdings Limited (stock code: 8285.HK).

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

SUPERVISORS

Mr. Harry Liang He (賀亮), aged 56, is currently the executive director of the chief operating officer's office and has been serving as the chairman of the Supervisory Committee since March 2017. From 1991 to 1995, Mr. He served as a chemical analyst in the GTI Environmental Laboratory in California, United States. From 1996 to 2005, he served as a senior chemical testing engineer, data management manager and as an acting manager of the public works environment laboratory at Shaw Environmental & Infrastructure Inc in the State of California of the United States. Since 2005, he has been serving in the Company (including its predecessor), and has served in roles including an assistant president, an executive director of the president's office, the deputy director of the operation department and the head of operations management of the Waigaoqiao site of the Company, the head of supply chain risk control management team of the Company's China risk control department, an executive director of the chief operating officer's office of the Company.

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

Mr. Baiyang Wu (吳柏楊), aged 58, has been serving as a Supervisor since August 2020. From 2000 to 2019, Mr. Wu served in the Company (including its predecessor), as a senior manager of commercial development team, a senior manager of government affairs and policy research department of the Company.

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

Ms. Minfang Zhu (朱敏芳), aged 51, has been serving as a Supervisor since March 2017. Since 2001, she has been serving in the Company (including its predecessor), and has served in roles including a finance assistant manager, a finance manager, a finance senior manager, a human resources director of the Company.

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

SENIOR MANAGEMENT

Dr. Ge Li (李革), see the section headed "Executive Directors" for details.

Mr. Edward Hu (胡正國), see the section headed "Executive Directors" for details.

Dr. Steve Qing Yang (楊青), see the section headed "Executive Directors" for details.

Dr. Minzhang Chen (陳民章), see the section headed "Executive Directors" for details.

Mr. Zhaohui Zhang (張朝暉), see the section headed "Executive Directors" for details.

Dr. Ning Zhao (趙寧), see the section headed "Executive Directors" for details.

Ms. Ming Shi (施明), aged 48, is the chief financial officer of the Company with effect from January 1, 2022. She joined the Group in April 2021 and has since then served as the senior vice president in finance of the Company. She has had over 20 years of management experience in the fields of finance, business development and operations. Prior to joining the Group, Ms. Shi was the managing director of business development and chief financial officer of General Electric ("GE") China. During her 15-year career at GE, she held several senior management roles in GE's various divisions including the healthcare and advanced materials divisions. Ms. Shi has also previously worked at other multinational corporations earlier in her career, including at Ernst & Young Hua Ming LLP from 1997 to 2002.

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

Dr. Shuhui Chen (陳曙輝), aged 59, is a vice president, chief scientific officer and head of WuXi DDSU of our Company. From 1990 to 1995, Dr. Shuhui Chen served as a senior scientist at BMS. From 1995 to 1997, he served as a director of the chemistry department at Vion Pharma. From 1998 to 2004, he served as a research advisor at Eli Lilly and Company. Since 2004, he has been serving in the Company (including its predecessor), and has served in roles including an executive vice president and chief research officer, executive vice president, chief scientific officer, and head of WuXi DDSU of our Company.

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

Mr. Chi Yao (姚馳), aged 39, is the board secretary and joint company secretary of our Company. From 2011 to 2012, he served as a legal consultant at King & Wood Mallesons (金杜律師事務所) in Beijing. From 2012 to 2016, he served as a legal consultant at DLA Piper (歐華律師事務所). Since 2016, he has been serving in the Company (including its predecessor), and has served in roles including the executive director of legal affairs department, board secretary and joint company secretary of our Company.

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

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

CORPORATE GOVERNANCE CULTURE

The Company is committed to ensuring that its affairs are conducted in accordance with high ethical standards. This reflects its belief that, in the achievement of its long-term objectives, it is imperative to act with probity, transparency and accountability. By so acting, the Company believes that Shareholder wealth will be maximised in the long term and that its employees, those with whom it does business and the communities in which it operates will all benefit.

Corporate governance is the process by which the Board instructs management of the Group to conduct its affairs with a view to ensuring that its objectives are met. The Board is committed to maintaining and developing robust corporate governance practices that are intended to ensure:

— satisfactory and sustainable returns to Shareholders;

— that the interests of those who deal with the Company are safeguarded;

— that overall business risk is understood and managed appropriately;

— the delivery of high-quality products and services to the satisfaction of customers; and

— that high standards of ethics are maintained.

CORPORATE GOVERNANCE PRACTICES

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

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

The Company's corporate governance practices are based on the principles as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules.

The Board is of the view that throughout the year ended December 31, 2022, the Company has complied with all the code provisions as set out in the CG Code, except for code provision C.2.1 as explained in the paragraph headed "Chairman and Chief Executive Officer" below.

DIRECTORS' SECURITIES TRANSACTIONS

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

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Code of Conduct throughout the year ended December 31, 2022.

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

BOARD OF DIRECTORS

The Company is headed by an effective Board which assumes responsibility for its leadership and control and be collectively responsible for promoting the Company's success by directing and supervising the Company's affairs. Directors take decisions objectively in the best interests of the Company.

The Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business and regularly reviews the contribution required from a Director to perform his responsibilities to the Company and whether the Director is spending sufficient time performing them that are commensurate with their role and the Board responsibilities. The Board includes a balanced composition of executive Directors and non-executive Directors (including independent non-executive Directors) so that there is a strong independent element on the Board, which can effectively exercise independent judgement.

Board Composition

During the year ended December 31, 2022, the Board comprised 13 Directors, consisting of 6 executive Directors, 2 non-executive Directors and 5 independent non-executive Directors as follows:

Executive Directors

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

Non-executive Directors

Mr. Xiaomeng Tong
Dr. Yibing Wu

Independent Non-executive Directors

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

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

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

Chairman and Chief Executive Officer

Code provision C.2.1 stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual.

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

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

Independent Non-executive Directors

During the year ended December 31, 2022, the Board at all times exceeded the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors representing one-third of the board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

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

Board Independence Evaluation

The Company has established a complete set of effective policies to ensure that the Board can obtain independent views and opinions. The particulars are as follows: the Board consists of six executive Directors, two non-executive Directors and five independent non-executive Directors. The number of independent non-executive Directors accounts for more than one-third of the Board's composition in compliance with the requirements of the laws and regulations of the place where the shares of the Company are listed. The Board has established the Audit Committee, the Remuneration and Appraisal Committee, the Strategy Committee and the Nomination Committee, each of which has at least one independent non-executive Director as a committee member, with the chairman of the Audit Committee, the Remuneration and Appraisal Committee and the Nomination Committee being independent non-executive Directors. Independent non-executive Directors oversee the development strategy of the Company and acquire a thorough understanding of the operation conditions of the Company through the above positions. They also actively participate in the shareholders' general meetings, Board meetings and committee meetings to carefully consider and approve various proposals, and express independent opinions on major issues of the Company. Independent non-executive Directors are not entitled to equity-based compensation linked to their performance-related factors, but are paid fixed allowances for independent non-executive Directors in accordance with the Directors' remuneration plan adopted at the shareholders' general meeting. The Company actively creates conditions for independent non-executive Directors to perform their duties, such as arranging separate meetings between independent non-executive Directors and the chairman of the Company each year to fully understand the ideas of the management and communicate and exchange independent opinions. The Company also arranges two separate meetings each year between the Audit Committee consisting entirely of independent non-executive Directors and the internal audit department of the Company and the external audit firm to fully understand the internal control risks of the Company and express independent opinions. In addition, the Company also allows independent non-executive Directors to engage intermediaries or professionals to provide professional opinions on the discharge of their duties, and the reasonable fees required are borne by the Company. Through the above effective mechanisms, the Company ensures that the Board can obtain independent views and opinions.

Appointment and Re-election of Directors

Code Provision B.2.2 states that every director, including those appointed for a specific term, shall be subject to retirement by rotation at lease once every three years. According to the Articles of Association of the Company, Directors (including non-executive Directors and independent non-executive Directors) shall be elected or replaced at general meetings and their term of office shall be three years. Directors are eligible for re-election upon expiry of their term of office, while the renewed term of office of independent non-executive Directors shall not exceed six years. Subject to the relevant laws, regulations and regulatory rules of the place where the Company is listed, if the Board appoints a new director to fill any casual vacancy on the Board or as an addition to the existing Board, the term of office of such appointed director shall end upon the next annual general meeting of the Company and he/she is eligible for re-election and renewal thereat. All the directors appointed to fill causal vacancies shall accept shareholder election at the first general meeting after acceptance of the appointment.

Responsibilities, 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 judgement on corporate actions and operations.

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

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

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

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

Continuous Professional Development of Directors

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

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

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

During the year ended December 31, 2022, all Directors attended training sessions on the respective obligations of the Directors and senior management. In addition, relevant reading materials including legal and regulatory update have been provided to the Directors for their reference and studying.

The record of continuous professional development relating to director's duties and regulatory and business development that have been received by the Directors for the year ended December 31, 2022 is summarized as follows:

Directors	Type of Training [1]
Executive Directors	
Dr. Ge Li	A/B
Mr. Edward Hu	A/B
Dr. Steve Qing Yang	A/B
Dr. Minzhang Chen[2]	A/B
Mr. Zhaohui Zhang	A/B
Dr. Ning Zhao	A/B
Non-Executive Directors	
Mr. Xiaomeng Tong	A/B
Dr. Yibing Wu	A/B
Independent Non-Executive Directors	
Dr. Jiangnan Cai	A/B
Ms. Yan Liu	A/B
Dr. Hetong Lou	A/B
Mr. Xiaotong Zhang	A/B
Mr. Dai Feng	A/B

Notes:

1. Types of Training
   A: Attending training sessions, including but not limited to, briefings, seminars, conferences and workshops
   B: Reading relevant news alerts, newspapers, journals, magazines and relevant publications
2. Dr. Minzhang Chen was elected as an executive Director with effect from May 6, 2022.

Board Diversity Policy

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

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

An analysis of the Board's current composition based on the measurable objectives is set out below:

Gender

Male:	11 Directors
Female:	2 Directors

Age Group

41–50:	3 Directors
51–60:	9 Directors
61–70:	1 Director

Designation

Executive Directors:	6 Directors
Non-executive Directors:	2 Directors
Independent Non-executive Directors:	5 Directors

Educational Background

Biology/Chemistry:	6 Directors
Economics:	2 Directors
Law:	2 Directors
Engineering science:	1 Director
Accounting:	1 Director
Business administration:	1 Director

Education Degree

Bachelor:	2 Directors
Master:	4 Directors
Doctorate:	7 Directors

Nationality

Chinese:	6 Directors
American:	7 Directors

Business Experience

Biology/Chemistry:	6 Directors
Accounting:	1 Director
Economics & Finance:	2 Directors
Legal:	2 Directors
Business management:	2 Directors

The Nomination Committee and the Board are of the view that the current composition of the Board has achieved the objectives set in the Board Diversity Policy.

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

Gender Diversity

The Company values gender diversity across all levels of the Group. The following table sets out the gender ratio in the workforce of the Group, including the Board and senior management as at the date of this Annual Report:

	Female	Male
Board	15%	85%
Senior Management	22%	78%
Other employees	54%	46%
Overall workforce	54%	46%

The Nomination Committee and the Board are of the view that the current gender diversity is satisfactory and achieve the objectives set in the Board Diversity Policy.

Nomination Policy

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

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

The nomination process and criteria set out in the Nomination Policy is as follows:

(1) The Unit shall actively communicate with relevant departments of the Company to understand the demand for new directors and senior management and shall record the results in writing;

(2) The Unit may conduct reference check of each candidate from the Company, its subsidiaries and investees as well as the market;

(3) The Unit shall collect information of the candidates, such as profession, academic qualifications, working experience (and titles) and all part-time jobs, skills, gender and other necessary information and shall record the results in writing. The selection of directorship shall take into account the skills, experience and diversity required for the operation of the Company;

(4) In respect of independent non-executive directors, the Unit shall:

    (a) consider the reasons for selection and the independence of the candidates;

    (b) if a proposed candidate will be holding directorship of seven (or more) listed companies, consider whether the candidate would be able to devote sufficient time to the Board;

    (c) the perspective, skills and experience that the individual can bring to the Board; and

    (d) how the individual contributes to the diversity of the Board;

(5) The Unit shall seek consent from the nominees before they are proposed for nomination as director or senior management;

(6) The Nomination Committee shall convene a meeting upon receiving sufficient information from the Unit to examine the qualification of the candidates according to the criteria for the appointment of director and senior management;

(7) The Nomination Committee shall advise the Board to appoint the appropriate candidates for directorship and/or senior management prior the proposed election of new directors and the appointment of senior management;

(8) The Nomination Committee shall perform other duties pursuant to the decisions and feedbacks of the Board.

During the year ended December 31, 2022, the Nomination Committee recommended to the Board the appointment of a new executive Director, namely Dr. Minzhang Chen. The appointment was subject to a stringent nomination process in accordance with the Nomination Policy and the Board Diversity Policy, to ensure the Board possesses the necessary skills, experience and knowledge in alignment with the Company's strategy.

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

BOARD COMMITTEES

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

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

Audit Committee

The Audit Committee consists of 3 independent non-executive Directors, namely Dr. Hetong Lou, Mr. Xiaotong Zhang and Dr. Jiangnan Cai. Dr. Hetong Lou is the chairperson of the Audit Committee.

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

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

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

During the Reporting Period, the Audit Committee held 4 meetings to review, in respect of the year ended December 31, 2022, the annual financial results and reports and significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems and internal audit function, appointment of external auditors and engagement of audit services and relevant scope of works and, connected transactions and cash dividend policy and other related matters.

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

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

Remuneration and Appraisal Committee

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

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

The main duties and responsibilities of the Remuneration and Appraisal Committee are:

- to formulate remuneration plans or proposals based on the main function scope, duties and importance of the management positions taken by directors and senior management and the remuneration level of the corresponding positions in other comparable enterprises, and to make recommendations to the Board on the establishment of a formal and transparent formulation procedure of the remuneration policy;

- to determine such remuneration plans or proposals that mainly include, but without limitation to, standards and procedures for performance assessment and the principal assessment system, as well as the principal plan and system of rewards and punishments;

- to review and advise on the share incentive schemes to be implemented by the Company, and to review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules;

- to manage the share incentive schemes, including but not limited to reviewing the qualifications, granting conditions and vesting conditions of personnel under the share incentive schemes;

- to review the performance of duties by the directors (non-independent directors) and senior management of the Company, and assess their performance;

- to oversee the implementation of the remuneration system of the Company;

- to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives;

- to determine, with delegated responsibility by the Board, the remuneration packages of individual non-independent directors and senior management; or to make recommendations to the Board on the remuneration packages of individual non-independent directors and senior management. This should include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their offices or appointment;

- to make recommendations to the Board on the remuneration of independent directors;
- to consider salaries paid by comparable companies, time commitment and responsibilities, and employment conditions for other positions of the Company;
- to review and approve compensation payable to non-independent directors and senior management for any loss or termination of their offices or appointment to ensure that such arrangements are consistent with the contractual terms. In case of any inconsistency, such compensation shall be otherwise reasonable and appropriate without being excessive;
- to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;
- to ensure that no director or any of his/her associates is involved in deciding his/her own remuneration; and
- to deal with other matters authorized by the Board.

The Remuneration and Appraisal Committee held 7 meetings during the Reporting Period to review and advise on the share incentive schemes to be implemented by the Company. The attendance records of the Remuneration and Appraisal Committee are set out under "Attendance Records of Directors and Committee Members".

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

Remuneration	Number of persons
HK$3,000,001 to HK$4,000,000	1
HK$5,000,001 to HK$6,000,000	1
HK$6,000,001 to HK$7,000,000	1
HK$13,000,001 to HK$14,000,000	1
HK$15,000,001 to HK$16,000,000	1
HK$18,000,001 to HK$19,000,000	1
HK$20,000,001 to HK$21,000,000	1
HK$21,000,001 to HK$22,000,000	1
HK$65,000,001 to HK$66,000,000	1

Nomination Committee

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

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

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

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

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

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

During the Reporting Period, the Nomination Committee held 1 meeting to identify individuals suitably qualified to become Directors and make recommendation to the Board on selection of individuals nominated for directorships. The attendance records of the Nomination Committee are set out under "Attendance Record of Directors and Committee Members".

Strategy Committee

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

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

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

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

During the Reporting Period, the Strategy Committee held 3 meetings to review matters including the annual financial budget and the current business development and investment projects of the Company and the external guarantees for subsidiaries and foreign exchange hedging limit and cash management and issuance of H shares and other related matters. The attendance records of the Strategy Committee are set out under "Attendance Records of Directors and Committee Members".

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision A.2.1 of the CG Code.

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

ATTENDANCE RECORDS OF DIRECTORS AND COMMITTEE MEMBERS

The attendance record of each director during their tenure of office at the Board and Board Committee meetings and the general meetings of the Company held during the year ended December 31, 2022 is set out in the table below:

	Attendance/Number of Meetings						
Name of Director	Board	Audit Committee	Remuneration and Appraisal Committee	Nomination Committee	Strategy Committee	Annual General Meeting	Other General Meetings and A Share Class Meeting and H Share Class meeting
Dr. Ge Li	11/11	NA	NA	1/1	3/3	1/1	3/3
Mr. Edward Hu	11/11	NA	NA	NA	3/3	1/1	3/3
Dr. Steve Qing Yang	11/11	NA	NA	NA	NA	1/1	3/3
Dr. Minzhang Chen[1]	6/6	NA	NA	NA	NA	NA	1/1
Mr. Zhaohui Zhang	11/11	NA	NA	NA	NA	1/1	3/3
Dr. Ning Zhao	11/11	NA	NA	NA	NA	1/1	3/3
Mr. Xiaomeng Tong	11/11	NA	NA	NA	3/3	1/1	3/3
Dr. Yibing Wu	11/11	NA	NA	NA	3/3	1/1	3/3
Dr. Jiangnan Cai	11/11	4/4	NA	1/1	3/3	1/1	3/3
Ms. Yan Liu	11/11	NA	7/7	1/1	NA	1/1	3/3
Dr. Hetong Lou	11/11	4/4	7/7	NA	NA	1/1	3/3
Mr. Xiaotong Zhang	11/11	4/4	NA	NA	NA	1/1	3/3
Mr. Dai Feng	11/11	NA	7/7	NA	NA	1/1	3/3

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.

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

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

Note:

1. Dr. Minzhang Chen was elected as an executive Director since May 6, 2022.

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- The Company has also in place the Anti-Corruption Policy to safeguard against corruption and bribery within the Company. The Company has an internal reporting channel that is open and available for employees of the Company to report any suspected corruption and bribery. Employees can also make anonymous reports to the Internal Audit, Anti-corruption and Compliance Department which is responsible for investigating the reported incidents and taking appropriate measures. The Company continues to carry out anti-corruption and anti-bribery activities to cultivate a culture of integrity, and actively organizes anti-corruption training and inspections to ensure the effectiveness of anti-corruption and anti-bribery.

- During the year ended December 31, 2022, the Company held 1 anti-corruption training and briefing to all employees. There were no non-compliance cases in relation to bribery and corruption.

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

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

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

For the year ended December 31, 2022, the Board, through a review, considered that the risk management and internal control system of the Group was effective and adequate.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended December 31, 2022.

The Directors have prepared the financial statements in accordance with the International Financial Reporting Standards issued by the International Accounting Standards Board. Appropriate accounting policies have also been used and applied consistently except the adoption of revised standards, amendments to standards and interpretation.

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

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

AUDITORS' REMUNERATION

The remuneration paid or payable to the Company's external auditors of the Group in respect of audit services and non-audit services for the year ended December 31, 2022 amounted to RMB7.6 million and RMB3.7 million respectively.

An analysis of the remuneration paid to the external auditors of the Group, in respect of audit services and non-audit services for the year ended December 31, 2022 is set out below:

Service Category	**Fees Paid/ Payable** *RMB'000*
Audit Services	7,559
Non-audit Services	
— Taxation	3,740
— Due Diligence	—
	11,299

JOINT COMPANY SECRETARIES

With effect from May 25, 2022, Ms. Cheung Yuet Fan of Tricor Services Limited (an external service provider), was appointed as the joint company secretary of the Company in place of Ms. Siu Wing Kit, and Mr. Chi Yao has continued with the role and act as the other joint company secretary of the Company. Mr. Yao and Ms. Cheung have complied with Rule 3.29 of the Listing Rules by taking no less than 15 hours of the relevant professional training during the year.

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

SHAREHOLDERS' RIGHTS

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

Convening an Extraordinary General Meeting

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

- the number of Directors is less than the minimum number stipulated by the Company Law of the People's Republic of China or less than two-thirds of the number specified in the Articles of Association;

- the unrecovered losses of the Company amounted to one-third of the Company's total paid-in share capital;

- Shareholders severally or jointly holding more than 10% or more of the Company's Shares request in writing to hold such meeting;

- the Board deems it necessary;

- the Supervisory Committee proposes to hold such a meeting; or

- any other circumstances as provided for in the laws, administrative regulations, departmental rules, regulatory documents, the Listing Rules, the Rules Governing the Listing of Stocks on Shanghai Stock Exchange, or the Articles of Association.

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

Putting Forward Proposals at General Meetings

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

Putting Forward Enquiries to the Board

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

Contact Details

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

Address:	5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong (For the attention of the Board of Directors/Company Secretary)
Fax:	+86(21) 50463093
Email:	ir@wuxiapptec.com

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

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

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

During the year ended December 31, 2022, the Company has amended its Articles of Association. An up-to-date version of the Company's Articles of Association is also available on the Company's website and the Stock Exchange's website.

Shareholders' Communication Policy

The Company has in place a Shareholders' Communication Policy to ensure that Shareholders' views and concerns are appropriately addressed. The Board reviewed the implementation and effectiveness of the Shareholders' Communication Policy and the results were satisfactory.

Dividend Policy

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

Significant Changes in Constitutional Documents

On May 6, 2022, a special resolution was passed at the 2021 AGM approving certain amendments to the Articles of Association. Please refer to the circular of the Company dated March 31, 2022 for further details of the amendments.

Subsequently, on October 13, 2022, a special resolution was passed at the first extraordinary general meeting approving certain amendments to the Articles of Association. Please refer to the circular of the Company dated August 18, 2022 for further details of the amendments.

An up to date version of the Company's Articles of Association is available on the Company's website and the Stock Exchange's website.

The Board is pleased to present this annual report together with the audited consolidated financial statements of the Group for the year ended December 31, 2022.

PRINCIPAL ACTIVITIES

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

The activities and particulars of the Company's principal subsidiaries are shown under Note 51 to the consolidated financial statements. An analysis of the Group's revenue and operating profit for the year by principal activities is set out in the section headed "Management Discussion and Analysis" in this annual report and Note 5 to the consolidated financial statements.

BUSINESS REVIEW

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

RESULTS AND DIVIDEND

The consolidated results of the Group for the year ended December 31, 2022 are set out on pages 135 to 299 of this annual report.

Subsequent to the end of the Reporting Period, the Board of the Company proposes the 2022 Profit Distribution Plan, pursuant to which a cash dividend of RMB8.9266 (2021: RMB5.1740) (inclusive of tax) per 10 shares is proposed to be paid to Shareholders on the record date for determining the Shareholders' entitlement to 2022 Profit Distribution plan which amounts to an aggregate amount of RMB2,644,137,750.80 (2021: RMB1,529,441,704.14) (inclusive of tax) based on the total issued share capital of the Company as at March 20, 2023.

FUND RAISING

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

FINANCIAL SUMMARY

A summary of the published results, assets and liabilities of the Group for the last five financial years is set out on page 47 of this annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property and equipment of the Group during the Reporting Period are set out in Note 17 to the consolidated financial statements on pages 205 to 206 of this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is highly aware of the importance of environment protection and has not noted any material non-compliance with all relevant laws and regulations in relation to its business including health and safety, workplace conditions, employment and the environment. The Group has implemented environmental protection measures and has also encouraged staff to be environmentally friendly at work by consuming the electricity and paper according to actual needs, so as to reduce energy consumption and minimize unnecessary waste. Further details of the Group's environmental policies and performance are disclosed in the environmental, social and governance report of the Company for the Reporting Period published on April 20, 2023.

SHARE CAPITAL

Details of the movements in share capital of the Company during the Reporting Period are set out in Note 42 to the consolidated financial statements on page 240 to 241 of this annual report.

RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 139 to 140 of this annual report. Details of the movement in the reserves of the Company during the Reporting Period is set out in Note 52 to the consolidated financial statements on pages 296 to 298 of this annual report.

DISTRIBUTABLE RESERVES

As at December 31, 2022, the Company's distributable reserves, calculated in accordance with PRC rules and regulation, were RMB2,655.49 million.

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

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

The "Proposal on the Repurchase and Cancellation of Part of the Restricted A Shares Granted under the Restricted A Shares and Stock Option Incentive Plan of 2018 of the Company" was approved at the twentieth meeting of the second session of the Board. Pursuant to the above proposal, due to the departure of 17 incentive participants of the 2018 A Share Incentive Plan before the expiry of the lock-up period of the initial grant of the 2018 A Share Incentive Plan, the Company shall repurchase a total of 57,044 Restricted A Shares granted under the initial grant of the 2018 A Share Incentive Plan at the repurchase price of RMB18.69 per A Share.

The "Proposal on the Repurchase and Cancellation of Part of the Restricted A Shares and the Cancellation of Part of the Share Options Granted under the Restricted A Shares and Stock Option Incentive Plan of 2018 of the Company" was approved at the thirtieth meeting of the second session of the Board. Pursuant to the above proposal, due to the implementation of the 2021 Profit Distribution Plan, and (i) due to the departure of 3 incentive participants of the 2018 A Share Incentive Plan before the expiry of the lock-up period of the Restricted A Shares, the Company shall repurchase a total of 4,517 Restricted A Shares granted under the 2018 Initial Grant at the repurchase price of RMB18.17 per A Shares; and (ii) due to the departure of 3 incentive participants before the expiry of the lock-up period of the Restricted A Shares, the Company shall repurchase a total of 24,084 Restricted A Shares granted under the 2018 Reserved Grant at the repurchase price of RMB18.34 per A Shares.

The "Proposal on the Repurchase and Cancellation of Part of the Restricted A Shares and the Cancellation of Part of the Share Options Granted under the Restricted A Shares and Stock Option Incentive Plan of 2018 of the Company" was approved at the thirty-third meeting of the second session of the Board. Pursuant to the above proposal, due to the implementation of the 2021 Profit Distribution Plan, and due to the departure of 1 incentive participant, the Company shall repurchase a total of 11,188 Restricted A Shares granted under the 2018 Reserved Grant at the repurchase price of RMB18.34 per A Shares.

The repurchase and cancellation of such Restricted A Shares were completed on January 14, 2022 and January 5, 2023. Please refer to the relevant announcements of the Company dated October 29, 2021, January 11, 2022, January 14, 2022, June 27, 2022, October 26, 2022 and December 30, 2022 for further details.

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

The "Proposal on the Repurchase and Cancellation of Part of the Restricted A Shares and the Cancellation of Part of the Share Options Granted under the Restricted A Shares and Stock Option Incentive Plan of 2019 of the Company" was approved at the twentieth meeting of the second session of the Board. Pursuant to the above proposal, due to the departure of 29 incentive participants before the expiry of the lock-up periods of the Restricted A Shares granted under the 2019 Initial Grant and the 2019 Reserved Grant, the Company shall (i) repurchase a total of 145,219 Restricted A Shares granted under the 2019 Initial Grant at the repurchase price of RMB18.85 per A Share; and (ii) repurchase a total of 15,120 Restricted A Shares granted under the 2019 Reserved Grant at the repurchase price of RMB33.55 per A Share.

The "Proposal on the Repurchase and Cancellation of Part of the Restricted A Shares and the Cancellation of Part of the Share Options Granted under the Restricted A Shares and Stock Option Incentive Plan of 2019 of the Company" was approved at the thirtieth meeting of the second session of the Board. Pursuant to the above proposal, due to the implementation of the 2021 Profit Distribution Plan, and (i) due to 73 incentive participants either departing before the expiry of lock-up period of the Restricted A Shares or being unable to satisfy the performance appraisal target at the individual level for 2021, the Company shall repurchase a total of 332,977 Restricted A Shares granted under the 2019 Initial Grant at the repurchase price of RMB18.34 per A Share; and (ii) due to the departure of 2 incentive participants before the expiry of lock-up period of the Restricted A Shares, the Company shall repurchase a total of 30,845 Restricted A Shares granted under the 2019 Reserved Grant at the repurchase price of RMB33.04 per A Share.

The "Proposal on the Repurchase and Cancellation of Part of the Restricted A Shares and the Cancellation of Part of the Share Options Granted under the Restricted A Shares and Stock Option Incentive Plan of 2019 of the Company" was approved at the thirty-third meeting of the second session of the Board. Pursuant to the above proposal, due to (i) the implementation of the 2021 Profit Distribution Plan, (ii) to the departure of 52 incentive participants, the Company shall repurchase a total of 243,497 Restricted A Shares granted under the 2019 Initial Grant at the repurchase price of RMB18.34 per A Share; and (iii) the departure of 1 incentive participant, the Company shall repurchase a total of 15,120 Restricted A Shares granted under the 2019 Reserved Grant at the repurchase price of RMB33.04 per A Share.

The repurchase and cancellation of such Restricted A Shares were completed on January 14, 2022 and January 5, 2023. Please refer to the relevant announcements of the Company dated October 29, 2021, January 11, 2022, January 14, 2022, June 27, 2022, October 26, 2022 and December 30, 2022 for further details.

Early redemption of the US$300 million zero coupon convertible bonds due 2024

On February 16, 2023, in accordance with the terms and conditions of the Bonds, the Company issued a notice through the relevant clearing systems to all holders of Bonds, the Trustee and the Principal Agent in connection with the early redemption of all outstanding Bonds.

The Company has exercised its option to redeem all the outstanding Bonds in full on April 4, 2023 at the price of U.S.$104,519.38 for each U.S.$100,000 principal amount in accordance with the terms and conditions of the Bonds. Accordingly, there are no outstanding Bonds in issue following the abovementioned redemption as at April 4, 2023. The Company has applied to the Stock Exchange for the withdrawal of the listing of the Bonds. Such withdrawal of listing became effective upon the closure of business on April 17, 2023. For further details, please refer to the announcements of the Company dated March 15, 2023 and April 4, 2023.

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

PRE-EMPTIVE RIGHTS

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

USE OF NET PROCEEDS FROM THE A SHARE LISTING

The total net proceeds from the issue of A Shares by the Company in its A Share Listing amounted to approximately RMB2,130.3 million, and the balance of unutilized net proceeds from the A Share Listing is approximately RMB269.2 million as at the year ended December 31, 2022.

The net proceeds from the A Share Listing have been and will be utilized in accordance with the purpose set out in the A Share Prospectus. The table below sets out the planned applications of the net proceeds from the A Share Listing and actual usage up to the year ended December 31, 2022:

Use of proceeds from the A Share Listing	Percentage of net proceeds from the A Share Listing	Allocation of net proceeds as disclosed in the A Share Prospectus (RMB million)	Balance of the utilized amount from the A Share Listing (as at the year ended December 31, 2022) (RMB million)	Balance of the unutilized amount from the A Share Listing (as at the year ended December 31, 2022) (RMB million)	Actual and expected timeline for utilizing the remaining balance of net proceeds from the A Share Listing[1]
Suzhou and Nantong drug safety evaluation centre expansion project (the "Suzhou and Nantong Project") [2]	34%	727.2	661.8	65.4	Have been completed and the surplus net proceeds will be used to permanently replenish the working capital of the Company with effect from March 20, 2023
Tianjin chemical R&D laboratory expansion and upgrade project (the "Tianjin Project") [3]	26%	564.0	360.1	203.9	Have been completed and the surplus net proceeds have been used to permanently replenish the working capital of the Company with effect from May 6, 2022
Company's headquarter and analytical diagnostic service R&D centre [4]	9%	200.0	200.0	—	Have been fully utilized as at May 31, 2018
Working capital uses	30%	639.1	639.1	—	N/A
Total [5]	100%	2,130.3	1,861.0	269.2	

Notes:

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

(2) The Company has obtained the Shareholders' approval at the 2021 AGM to change the implementation entity and implementation location of the Suzhou drug safety evaluation centre expansion project (the "Suzhou Project") by applying a portion of the net proceeds from the A Share Listing originally allocated to the Suzhou Project to the Nantong drug safety evaluation centre project. On December 31, 2021, the Board resolved to extend the expected date on which the Suzhou and Nantong Project will be completed and become available for use from December 31, 2021 to December 31, 2022. For further details, please refer to the relevant announcements of the Company dated December 31, 2021 and May 6, 2022, and the circular of the Company dated March 31, 2022.

On March 20, 2023, as the projects under the A Share Listing have been fully implemented, and in order to further improve the efficiency of the use of the proceeds and meet the needs of the Company's daily production and operation activities, the Board approved the proposal to permanently replenish its working capital with the surplus net proceeds from the A Share Listing. As at December 31, 2022, the surplus net proceeds amounted to RMB146.9 million (including interest income and wealth management income net off bank charges and others of RMB81.5 million). It can be exempted from Shareholders' approval procedures under the Self-regulation and Supervision Guidelines for Listed Companies of Shanghai Stock Exchange No. 1 — Standardized Operation (《上海證券交易所上市公司自律監管指引第1號 — 規範運作》) since the total surplus net proceeds from the A Share Listing are less than 10% of the total net proceeds. For further details, please refer to the announcement of the Company dated March 20, 2023.

(3) The Company has obtained the Shareholders' approval at the 2021 AGM to use the surplus net proceeds from the A Share Listing allocated for the Tianjin Project in the amount of RMB242.2 million (including interest income and wealth management income net off bank charges of RMB38.3 million) to permanently replenish the working capital of the Company subsequent to completion of the Tianjin Project. For further details, please refer to the relevant announcements of the Company dated March 23, 2022 and May 6, 2022, and the circular of the Company dated March 31, 2022.

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

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

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

The total net proceeds from the Non-public Issuance of A Shares by the Company amounted to approximately RMB6,461.2 million, and the balance of unutilized net proceeds from the Non-public Issuance of A Shares is approximately RMB289.2 million as at the year ended December 31,2022.

The table below sets out the planned applications of the net proceeds from the Non-public Issuance of A Shares and the actual usage up to the year ended December 31, 2022:

Use of proceeds from the Non-public Issuance of A Shares	Percentage of net proceeds from the Non-public Issuance of A Shares	Allocation of net proceeds from the Non-public Issuance of A Shares (RMB million)	Revised allocation of net proceeds from the Non-public Issuance of A Shares (RMB million)	Balance of the utilized amount from the Non-public Issuance of A Shares (as at the year ended December 31, 2022) (RMB million)	Balance of the unutilized amount from the Non-public Issuance of A Shares (as at the year ended December 31, 2022) (RMB million)	Actual and expected timeline for utilizing the remaining balance of net proceeds from the Non-public Issuance of A Shares [(1)]
Phase I new drug development services and drug manufacturing project of WuXi STA Pharmaceutical Co., Ltd. (the "WuXi STA Project") [(2)]	11%	736.3	725.2	725.2	—	Have been completed and the surplus net proceeds have been used for the Changzhou STA Integrated Project with effect from August 15, 2022
Global research and development centre and ancillary facilities project of Shanghai STA Pharmaceutical Co., Ltd. (the "Shanghai STA Project") [(2)]	8%	491.8	396.9	396.9	—	Have been completed and the surplus net proceeds have been used for the Changzhou STA Integrated Project with effect from August 15, 2022
New drug manufacturing and research and development centre project of Changzhou SynTheAll Pharmaceutical Co., Ltd. (the "Changzhou STA Centre Project") [(3)]	10%	660.6	660.6	600.7	60.0	Have been completed and the surplus net proceeds have been used to permanently replenish the working capital of the Company with effect from May 6, 2022
New drug manufacturing and research and development integrated project of Changzhou SynTheAll Pharmaceutical Co., Ltd. (the "Changzhou STA Integrated Project") [(4)]	28%	1,789.3	2,238.9	2,013.2	225.7	Expected to be fully utilized by December 31, 2023

Use of proceeds from the Non-public Issuance of A Shares	Percentage of net proceeds from the Non-public Issuance of A Shares	Allocation of net proceeds from the Non-public Issuance of A Shares (RMB million)	Revised allocation of net proceeds from the Non-public Issuance of A Shares (RMB million)	Balance of the utilized amount from the Non-public Issuance of A Shares (as at the year ended December 31, 2022) (RMB million)	Balance of the unutilized amount from the Non-public Issuance of A Shares (as at the year ended December 31, 2022) (RMB million)	Actual and expected timeline for utilizing the remaining balance of net proceeds from the Non-public Issuance of A Shares (1)
Small molecule new drug manufacturing skill platform technical capability upgrade project of Shanghai STA Pharmaceutical R&D Co., Ltd. (the "Shanghai STA R&D Project") (2)	5%	300.0	167.2	167.2	—	Have been completed and the surplus net proceeds have been used for the Changzhou STA Integrated Project with effect from August 15, 2022
Research and development platform technical capability upgrade project of WuXi AppTec (Shanghai) Co., Ltd. (the "WuXi AppTec (Shanghai) Project") (2)	9%	600.0	389.2	389.2	—	Have been completed and the surplus net proceeds have been used for the Changzhou STA Integrated Project with effect from August 15, 2022
Replenishing the working capital of the Company (5)	29%	1,883.3	1,883.3	1,879.7	3.6	N/A
Total (6)	100%	6,461.2	6,461.2	6,172.0	289.2	

Notes:

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

(2) On August 15, 2022, the Board resolved to use the surplus net proceeds from the Non-public Issuance of A Share allocated for the Wuxi STA Project, Shanghai STA Project, Shanghai STA R&D Project, WuXi AppTec (Shanghai) Project to the Changzhou STA Integrated Project after completion of those Projects. For further details, please refer to the relevant announcement of the Company dated August 15, 2022.

(3) The Company has obtained the Shareholders' approval at the 2021 AGM to use the surplus net proceeds from the Non-public Issuance of A Shares allocated for the Changzhou STA Centre Project in the amount of RMB68.3 million (including interest income and wealth management income net of bank charges of RMB8.3 million) to permanently replenish the working capital of the Company subsequent to completion of the Changzhou STA Centre Project. For further details, please refer to the relevant announcements of the Company dated March 23, 2022 and May 6, 2022, and the circular of the Company dated March 31, 2022.

(4) On August 15, 2022, the Board resolved to extend the expected date on which the Changzhou STA Integrated Project is completed and become available for use from August 31, 2022 to December 31, 2023. For further details, please refer to the relevant announcement of the Company dated August 15, 2022.

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

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

USE OF NET PROCEEDS FROM THE H SHARE LISTING

The total net proceeds from the issue of H Shares by the Company in its H Share Listing (after deducting the underwriting fees and related H Share Listing expenses) amounted to approximately RMB7,032.6 million[1], and the balance of unutilized net proceeds from the H Share Listing is approximately RMB166.0 million as at the year ended December 31, 2022.

The net proceeds from the H Share Listing (adjusted on a pro rata basis based on the actual net proceeds) have been and will be utilized in accordance with the purposes set out in the Prospectus. The table below sets out the planned applications of the net proceeds and actual usage up to the year ended December 31, 2022:

Use of proceeds from the H Share Listing	Percentage of net proceeds from the H Share Listing	Original allocation of net proceeds from the H Share Listing (HKD million)	Original allocation of net proceeds from the H Share Listing (RMB million)	Revised allocation of net proceeds from the H Share Listing (RMB million)[2]	Balance of utilized amount from the H Share Listing (as at the year ended December 31, 2022) (RMB million)	Balance of unutilized amount from the H Share Listing (as at the year ended December 31, 2022) (RMB million)	Actual and expected timeline for utilizing the remaining balance of net proceeds from the H Share Listing[3]
To expand our capacity and capabilities across all business units globally	37%	2,798.0	2,462.2	2,602.1	2,436.1	166.0	
— invest in PRC projects [4]	22%	1,663.1	1,463.5	1,547.2	1,547.2	—	Have been fully utilized as at December 31, 2021
— invest in U.S. projects [5]	8%	570.1	501.7	562.6	562.6	—	Have been fully utilized as at December 31, 2020
— invest in Lingang Shanghai project [6]	7%	564.8	497.0	492.3	326.3	166.0	Have been completed and the surplus net proceeds will be used to permanently replenish the working capital of the Company with effect from December 31, 2022
To fund the acquisition of CRO and CDMO companies	27%	2,000.0	1,759.9	1,863.6	1,863.6	—	Have been fully utilized as at December 31, 2019

Use of proceeds from the H Share Listing	Percentage of net proceeds from the H Share Listing	Original allocation of net proceeds from the H Share Listing (HKD million)	Original allocation of net proceeds from the H Share Listing (RMB million)	Revised allocation of net proceeds from the H Share Listing (RMB million)[2]	Balance of utilized amount from the H Share Listing (as at the year ended December 31, 2022) (RMB million)	Balance of unutilized amount from the H Share Listing (as at the year ended December 31, 2022) (RMB million)	Actual and expected timeline for utilizing the remaining balance of net proceeds from the H Share Listing[3]
To invest in our ecosystem	4%	300.0	264.0	281.3	281.3	—	Have been fully utilized as at June 30, 2019
To develop cutting-edge technology	3%	200.0	176.0	182.8	182.8	—	Have been fully utilized as at June 30, 2020
To repay our bank loans	20%	1,500.0	1,320.0	1,399.5	1,399.5	—	Have been fully utilized as at December 31, 2018
Working capital and general corporate uses	10%	755.3	664.6	703.3	703.3	—	Have been fully utilized as at June 30, 2019
Total [7]	100%	7,553.3	6,646.7	7,032.6	6,866.6	166.0	

Notes:

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

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

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

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

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

(6) Invest in Lingang Shanghai project, including building an innovation center in Lingang Shanghai of gene therapy product development services and enlarge services. As at December 31, 2022, as a result of the completion of the Lingang Shanghai project and for the purpose of improving the utilization efficiency of the funds, the Company has resolved to use the total surplus net proceeds from the H Share Listing in the amount of RMB166.0 million to permanently replenish the working capital of the Company, which can be exempted from approval procedures under the Self-regulation and Supervision Guidelines for Listed Companies of Shanghai Stock Exchange No. 1 — Standardized Operation (《上海證券交易所上市公司自律監管指引第1號 — 規範運作》), since the total surplus net proceeds from the H Share Listing are less than 5% of the total net proceeds.

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

USE OF NET PROCEEDS FROM THE PLACING OF NEW H SHARES

The total net proceeds from the placing of new H Shares by the Company which completed on August 5, 2020 (after deducting the underwriting fees and related Listing expenses) amounted to approximately RMB6,558.6 million, and the balance of unutilized net proceeds from the placing of new H Shares is approximately RMB1,827.3 million as at the year ended December 31, 2022.

The table below sets out the planned applications of the net proceeds from the placing of new H Shares and the actual usage up to the year ended December 31, 2022:

Use of proceeds from the placing of new H Shares	Percentage of net proceeds from the placing of new H Shares	Allocation of net proceeds from the placing of new H Shares (HKD million)	Allocation of net proceeds from the placing of new H Shares (RMB million)	Balance of utilized amount from the placing of new H Shares (as at December 31, 2022) (RMB million)	Balance of unutilized amount from the placing of new H Shares (as at December 31, 2022) (RMB million)	Actual and expected timeline for utilizing balance of net proceeds from the placing of new H shares[1]
Mergers and acquisitions including, but not limited to, expansion of the Group's presence in the US, Europe and Asia Pacific	35%	2,550.5	2,295.5	1,072.9	1,222.6	Expected to be fully utilized by December 31, 2023
Expansion of the Group's overseas operation	20%	1,457.5	1,311.7	899.6	412.1	Expected to be fully utilized by December 31, 2023
Construction of Changshu R&D Integrated Project	15%	1,093.1	983.8	791.2	192.6	Expected to be fully utilized by December 31, 2023
Repaying bank loans and other borrowings [2]	10%	728.7	655.9	655.9	—	Have been utilized as at December 31, 2020
Replenish the working capital of the Company [3]	20%	1,457.5	1,311.7	1,311.7	—	Have been utilized as at June 30, 2021
Total [4]	100%	7,287.3	6,558.6	4,731.3	1,827.3	

Notes:

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

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

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

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

THE CONVERTIBLE BONDS

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

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

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

As at December 31, 2022, the principal amount of the Convertible Bonds which are outstanding is US$72,100,000. During the Reporting Period, Convertible Bonds with a nominal value of USD26,700,000 (equivalent to RMB185,955,000) (2021: RMB1,282,791,000) have been converted to 3,165,059 H Shares (2021: 22,020,731 H Shares) of the Company by the bondholders at the Further Adjusted Conversion Price of HK$66.17.

On February 16, 2023, in accordance with the terms and conditions of the Bonds, the Company issued a notice through the relevant clearing systems to all holders of Bonds, the Trustee and the Principal Agent in connection with the early redemption of all outstanding Bonds.

The Company has exercised its option to redeem all the outstanding Bonds in full on April 4, 2023 at the price of U.S.$104,519.38 for each U.S.$100,000 principal amount in accordance with the terms and conditions of the Bonds. Accordingly, there are no outstanding Bonds in issue following the abovementioned redemption as at April 4, 2023. The Company has applied to the Stock Exchange for the withdrawal of the listing of the Bonds. Such withdrawal of listing became effective upon the closure of business on April 17, 2023. For further details, please refer to the announcement of the Company dated March 15, 2023 and April 4, 2023.

The following table sets out the shareholding structure of the Company immediately prior to the full redemption of the Bonds on April 4, 2023, with reference to the shareholding structure of the Company as at December 31, 2022 and assuming no further issuance of Shares by the Company:

		As at December 31, 2022		Immediately prior to the full redemption of the Bonds on April 4, 2023	
Shareholder	**Class of Shares**	**Number of Shares**	**Approximate percentage of the total issued share capital**	Number of Shares	Approximate percentage of the total issued share capital
Subscribers of the Convertible Bonds	H	**25,185,790**	**0.85%**	32,464,234	1.09%
Other Shareholders	A	**2,565,261,491**	**86.65%**	2,565,261,491	86.44%
	H	**370,079,416**	**12.50%**	370,079,416	12.47%
Total		**2,960,526,697**	**100.00%**	2,967,805,141	100.00%

Notes:

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

For the principal terms of the Convertible Bonds, please refer to the relevant announcements dated September 3, 2019, September 4, 2019, September 5, 2019 and September 17, 2019 published by the Company on the websites of the Shanghai Stock Exchange and the Stock Exchange. For the adjustments of conversion price, please refer to the announcements of the Company dated June 3, 2020 and June 7, 2021 published by the Company on website of the Stock Exchange.

Use of Net Proceeds from the Issuance of the Convertible Bonds

The net proceeds raised from the Convertible Bonds, after the deduction of fees, commissions and expenses payable, being approximately US$294 million (or approximately RMB2,079.5 million based on an exchange rate on the date of issue of the Convertible Bonds, being September 17, 2019), have been fully utilized by the Company as at December 31, 2022 for, among others, (i) mergers and acquisitions and business expansion; and (ii) working capital and general corporate purposes.

DIRECTORS

The Board currently consists of the following 13 Directors:

Executive Directors

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

Non-executive Directors

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

Independent Non-executive Directors

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

SUPERVISORS

The Company currently has the following 3 Supervisors:

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

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

Biographical details of the Directors, the Supervisors and the senior management of the Group as at the date of this annual report are set out on pages 48 to 55 in the section headed "Profiles of Directors, Supervisors and Senior Management" of this annual report.

CHANGE OF INFORMATION OF DIRECTORS AND SUPERVISORS

Changes in information of the Directors since the publication of the interim report of the Company for the six months ended June 30, 2022, which are required to be disclosed pursuant to Rule 13.51B (1) of the Listing Rules, are set out below:

(1) Mr. Edward Hu has resigned as a director of Ambrx Biopharma Inc., a company listed on NYSE (stock code: AMAM) in February 2023.

(2) Dr. Yibing Wu was appointed as a director of Vansek Management Pte. Ltd. with effect from July 2022.

(3) Ms. Yan Liu has resigned as an independent director of Huatai Securities Co., Ltd. (華泰證券股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 601688) and the Main Board of the Stock Exchange (stock code: 6886) with effect from December 2022.

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

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

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

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

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

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

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

CONTRACT WITH CONTROLLING SHAREHOLDERS

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

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

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

COMPENSATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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

Details of the Directors' emoluments and emoluments of the five highest paid individuals in the Group are set out in Note 14 to the consolidated financial statements on pages 200 to 202 of this annual report.

For the year ended December 31, 2022, no emoluments were paid by the Group to any Director, Supervisors or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors or Supervisors has waived any emoluments for the year ended December 31, 2022.

Except as disclosed above, no other payments have been made or are payable, for the year ended December 31, 2022, by our Group to or on behalf of any of the Directors.

DIRECTORS' AND SUPERVISORS' INTERESTS IN COMPETING BUSINESS

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

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

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

NON-COMPETITION ARRANGEMENTS

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

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

MANAGEMENT CONTRACTS

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

EQUITY-LINKED AGREEMENTS

During the Reporting Period, other than (i) the share incentive arrangements as set out in the section under "Share Incentive Schemes" set out on pages 94 to 118 and Note 45 to the consolidated financial statements on pages 253 to 276 of this annual report and (ii) the issuance of the Convertible Bonds, the Company has not entered into any equity-linked agreement.

MATERIAL LEGAL PROCEEDINGS

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

LOAN AND GUARANTEE

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

SHARE INCENTIVE SCHEMES

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

1. Overview

The number of A Shares that may be issued in respect of the share options granted under all A share incentive schemes of the Company during the Reporting Period divided by the weighted average number of Shares of the A Shares in issue for the Reporting Period was 0.0870%, respectively. The H Share Incentive Schemes adopted by the Company do not involve the issuance of new H Shares.

2. 2018 A Share Incentive Plan

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

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

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

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

As at December 31, 2022, there are no Shares available for issue under the 2018 A Share Incentive Plan. As at the date of this annual report, the remaining life of the 2018 A Share Incentive Plan is approximately one month.

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

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

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

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

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

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

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

The exercise price of the cancelled Share Options is RMB38.62.

Fair value of the Share Options

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

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

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

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

	Subject to lock-up as at January 1, 2022	Granted during the Reporting Period	Capitalization during the Reporting Period	Unlocked and commenced trading during the Reporting Period	Cancelled during the Reporting Period	Subject to lock-up as at December 31, 2022
Restricted A Shares						
Mr. Edward Hu	64,210	—	—	64,210	—	—
Ms. Wendy J. Hu [(1)]	9,526	—	—	9,526	—	—
Dr. Steve Qing Yang	45,722	—	—	45,722	—	—
Other employees	4,061,391	—	—	3,833,230	57,044	171,117
Total	**4,180,849**	**—**	**—**	**3,952,688**	**57,044**	**171,117**

	Unexercised as at January 1, 2022	Granted during the Reporting Period	Capitalization during the Reporting Period	Exercised during the Reporting Period	Cancelled during the Reporting Period	Unexercised as at December 31, 2022
Share Options						
Other employees	232,848	—	—	—	232,848	—
Total	**232,848**	**—**	**—**	**—**	**232,848**	**—**

Note:

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

3. 2019 A Share Incentive Plan

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

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

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

As at December 31, 2022, the total number of Shares available for issue under the 2019 A Share Incentive Plan was 2,232,120 (options had been granted and were outstanding), representing approximately 0.0754% of the Shares in issue as at December 31, 2022, and approximately 0.0752% of the Shares in issue as at the date of the annual report. As at the date of this annual report, the remaining life of the 2019 A Share Incentive Plan is approximately one year.

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

	Vesting Period	Proportion of Vesting
First Vesting Period	From the first trading day after 18 months from the date of the 2019 Initial Grant to the last trading day within 30 months from the date of the 2019 Initial Grant	40%
Second Vesting Period	From the first trading day after 30 months from the date of the 2019 Initial Grant to the last trading day within 42 months from the date of the 2019 Initial Grant	30%
Third Vesting Period	From the first trading day after 42 months from the date of the 2019 Initial Grant to the last trading day within 54 months from the date of the 2019 Initial Grant	30%

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

	Vesting Period	Proportion of Vesting
First Vesting Period	From the first trading day after 18 months from the date of the 2019 Reserved Grant to the last trading day within 30 months from the date of the 2019 Reserved Grant	40%
Second Vesting Period	From the first trading day after 30 months from the date of the 2019 Reserved Grant to the last trading day within 42 months from the date of the 2019 Reserved Grant	30%
Third Vesting Period	From the first trading day after 42 months from the date of the 2019 Reserved Grant to the last trading day within 54 months from the date of the 2019 Reserved Grant	30%

Such options shall only be exercised by the participants of the 2019 A Share Incentive Plan within the vesting period.

The exercise price of the Share Options under the 2019 Initial Grant is RMB64.88 per Share and shall not be lower than the par value of the Shares, and shall not be lower than the highest of the following:

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

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

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

The exercise price of the Share Options under the 2019 Reserved Grant is RMB81.17 and shall not be lower than the par value of the A Shares, and shall be the higher of the following:

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

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

The weighted average closing price of the A Shares immediately before the dates on which the Share Options were exercised was approximately RMB95.62. The exercise price of the cancelled Share Options is RMB38.62.

Fair value of the Share Options

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

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

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

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

	Subject to lock-up as at January 1, 2022	Granted during the Reporting Period	Unlocked and commenced trading during the Reporting Period	Cancelled during the Reporting Period	Capitalization during the Reporting Period	Subject to lock-up as at December 31, 2022
Restricted A Shares						
Mr. Edward Hu	126,000	—	63,000	—	—	63,000
Ms. Wendy J. Hu [(1)]	19,656	—	9,828	—	—	9,828
Dr. Steve Qing Yang	115,920	—	57,960	—	—	57,960
Dr. Minzhang Chen	115,920	—	57,960	—	—	57,960
Other employees	12,294,328	—	5,945,698	160,339	—	6,188,291
Total	**12,671,824**	**—**	**6,134,446**	**160,339**	**—**	**6,377,039**

	Unexercised as at January 1, 2022	Granted during the Reporting Period	Exercised during the Reporting Period	Cancelled during the Reporting Period	Capitalization during the Reporting Period	Unexercised as at December 31, 2022
Share Options						
Other employees	4,264,157	—	1,752,122	279,915	—	2,232,120
Total	**4,264,157**	**—**	**1,752,122**	**279,915**	**—**	**2,232,120**

Note:

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

4. 2019 Share Appreciation Scheme

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

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

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

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

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

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

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

	Outstanding at January 1, 2022	Exercised during the Reporting Period	Forfeited during the Reporting Period	Outstanding at December 31, 2022
2019 Share Appreciation Scheme	1,343,735	720,285	45,447	578,003

5. STA Share Units and Options Incentive Scheme

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

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

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

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

STA Share Units and Options Incentive Scheme	Outstanding at January 1, 2022	Granted during the Reporting Period	Exercised during the Reporting Period	Forfeited during the Reporting Period	Outstanding at December 31, 2022
STA Overseas Employees Incentive Scheme — 2nd batch	166,043	—	37,369	—	128,674
STA Overseas Employees Incentive Scheme — 3rd batch	192,000	—	171,769	—	20,231
STA Share Option Incentive Scheme (2016) — 2nd batch	143,568	—	142,416	1,152	—
Sub-total	501,611	—	351,554	1,152	148,905
Exercisable at the end of the year	—				—
Weighted average exercise price	RMB3.57	N/A	RMB4.31	RMB8.00	RMB 1.71

6. STA Share Appreciation Incentive Scheme

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

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

As at the date of this annual report, the remaining life of the STA Share Appreciation Incentive Scheme is approximately four years.

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

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

7. 2020 H Share Award and Trust Scheme

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

During the Reporting Period, relevant 2020 Awards with the number of underlying 2020 Award Shares being 160,894 H Shares have been further granted to 46 2020 Independent Selected Participants, accounting for approximately 0.0407% of the total number of issued H Shares and approximately 0.0054% of the total issued share capital of the Company as at December 31, 2022. Details of which are set out in the announcement of the Company dated January 21, 2022. The closing price of the H Shares immediately before the date on which the 2020 Awards were further granted was HK$125.70.

During the Reporting Period, relevant 2020 Awards with the number of underlying 2020 Award Shares being 1,401,601 H Shares have been vested to 2,103 2020 Selected Participants (which comprise 10 2020 Connected Selected Participants and 2,093 2020 Independent Selected Participants), accounting for approximately 0.3546% of the total number of issued H Shares and approximately 0.0473% of the total issued share capital of the Company as at December 31, 2022.

The number of 2020 Awards which lapsed in accordance with the scheme rules of the 2020 Scheme during the Reporting Period was 500,082 H Shares. The numbers of unvested 2020 Awards as at the beginning and at the end of the Reporting Period were 4,784,127 and 3,042,198, respectively. The weighted average closing price of the Shares immediately before the dates on which the 2020 Awards were vested is HK$126.65.

As at the date of this annual report, the remaining life of the 2020 Scheme is approximately seven years.

The Directors (including the independent non-executive Directors) are of the view that the grant of 2020 Awards to the 2020 Selected Participants (including the 2020 Connected Selected Participants) is conducted on normal commercial terms, and is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

2020 Selected Participants under the 2020 Scheme

As at December 31, 2022, there are a total of 2,154 2020 Selected Participants under the 2020 H Share Award and Trust Scheme, which comprise 10 2020 Connected Selected Participants and 2,144 2020 Independent Selected Participants. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the 2020 Independent Selected Participants are parties not connected with the Company within the meaning of the Listing Rules.

For further details in relation to the grant of 2020 Awards under the 2020 H Share Award and Trust Scheme, please refer to the announcements of the Company dated December 15, 2020, July 2, 2021, November 10, 2021 and January 21, 2022 and the circular of the Company dated August 12, 2020.

The details of the 2020 Selected Participants with 2020 Awards granted under the 2020 H Share Award and Trust Scheme comprising both vested and unvested 2020 Awards as at December 31, 2022 are set out as follows:

Name	Position	Number of 2020 Award Shares underlying the 2020 Award[(1)(2)]	Approximate percentage to the total number of H Shares as at December 31, 2022	Approximate percentage to the total issued share capital of the Company as at December 31, 2022
2020 Connected Selected Participants				
Dr. Ge Li	Executive Director, chairman and chief executive officer	127,738 H Shares	0.0323%	0.0043%
Mr. Edward Hu	Executive Director, vice chairman and global chief investment officer	63,868 H Shares	0.0162%	0.0022%
Dr. Steve Qing Yang	Executive Director, co-chief executive officer	63,868 H Shares	0.0162%	0.0022%
Dr. Minzhang Chen	Executive Director, co-chief executive officer	42,579 H Shares	0.0108%	0.0014%
Mr. Zhaohui Zhang	Executive Director, vice president	28,386 H Shares	0.0072%	0.0010%
Dr. Ning Zhao	Executive Director, vice president	28,386 H Shares	0.0072%	0.0010%
Dr. Shuhui Chen	Vice president	42,579 H Shares	0.0108%	0.0014%
Mr. Harry Liang He	Chairman of the Supervisory Committee	9,462 H Shares	0.0024%	0.0003%
Ms. Minfang Zhu	Employee representative Supervisor	3,153 H Shares	0.0008%	0.0001%
Ms. Wendy J. Hu[(3)]	Senior director of human resources	6,307 H Shares	0.0016%	0.0002%
Sub-total		416,326 H Shares	0.1053%	0.0141%
2020 Independent Selected Participants				
2,144 senior management, mid-level managers, basic-level managers, backbone members of technicians and other technicians		5,389,293 H Shares	1.3635%	0.1820%
Sub-total		5,389,293 H Shares	1.3635%	0.1820%
Total		**5,805,619 H Shares**	**1.4688%**	**0.1961%**

Notes:

1. The number of 2020 Award Shares underlying the 2020 Award is fixed based on the number of 2020 Award Shares acquired by the 2020 Trustee through on-market transactions from time to time at prevailing market price and apportioned to the corresponding value of the relevant 2020 Award based on the volume-weighted average price at the 2020 Trustee acquired such 2020 Award Shares pursuant to the 2020 Scheme.

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

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

4. During the Reporting Period, none of the 2020 Awards have been granted to the five highest paid individuals of the Company and none of the 2020 Awards granted to them lapsed.

   During the Reporting Period, 2020 Awards with the number of underlying 2020 Award Shares being 81,608 H Shares have been vested to the five highest paid individuals of the Company.

Vesting schedule

The vesting periods of the Awards under the 2020 H Share Award and Trust Scheme are as follows:

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

Vesting conditions

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

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

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

8. 2021 H Share Award and Trust Scheme

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

During the Reporting Period, relevant 2021 Awards with the number of underlying 2021 Award Shares being 152,780 H Shares have been further granted to 30 2021 Independent Selected Participants, accounting for approximately 0.0387% of the total number of issued H Shares and approximately 0.0052% of the total issued share capital of the Company as at December 31, 2022. Details of which are set out in the announcement of the Company dated September 19, 2022. The closing price of the H Shares immediately before the date on which the 2021 Awards were further granted was HK$81.80.

During the Reporting Period, relevant 2021 Awards with the number of underlying 2021 Award Shares being 2,659,501 H Shares have been vested to 2,982 2021 Selected Participants (which comprise 11 2021 Connected Selected Participants and 2,971 2021 Independent Selected Participants), accounting for approximately 0.6728% of the total number of issued H Shares and approximately 0.0898% of the total issued share capital of the Company as at December 31, 2022.

The number of 2021 Awards which lapsed in accordance with the scheme rules of the 2021 Scheme during the Reporting Period was 1,020,358 H Shares. The numbers of unvested 2021 Awards as at beginning and at the end of the Reporting Period were 11,612,033 and 8,081,179, respectively. The weighted average closing price of H Shares immediately before the dates on which the 2021 Awards were vested is HK$79.45.

As at the date of this annual report, the remaining life of the 2021 Scheme is approximately eight years.

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

2021 Selected Participants under the 2021 Scheme

As at December 31, 2022, there are a total of 2,999 2021 Selected Participants under the 2021 H Share Award and Trust Scheme, which comprise 11 2021 Connected Selected Participants and 2,988 2021 Independent Selected Participants. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the 2021 Independent Selected Participants are parties not connected with the Company within the meaning of the Listing Rules.

For further details in relation to the grant of 2021 Awards under the 2021 Scheme (the "**2021 Grant**"), please refer to the announcements of the Company dated December 15, 2021, September 19, 2022 and January 13, 2023.

The details of the 2021 Selected Participants with 2021 Awards made under the 2021 Grant comprising both vested and unvested 2021 Awards as at December 31, 2022 are set out as follows:

Name	Position	Number of 2021 Award Shares underlying the 2021 Award granted(1)	Approximate percentage to the total number of H Shares as at December 31, 2022	Approximate percentage to the total issued share capital of the Company as at December 31, 2022
2021 Connected Selected Participants				
Dr. Ge Li	Executive Director, chairman and chief executive officer	157,729 H Shares	0.0399%	0.0053%
Mr. Edward Hu	Executive Director, vice chairman and global chief investment officer	70,563 H Shares	0.0179%	0.0024%
Dr. Steve Qing Yang	Executive Director, co-chief executive officer	75,423 H Shares	0.0191%	0.0025%
Dr. Minzhang Chen	Executive Director, co-chief executive officer	99,709 H Shares	0.0252%	0.0034%
Mr. Zhaohui Zhang	Executive Director, vice president	52,576 H Shares	0.0133%	0.0018%
Dr. Ning Zhao	Executive Director, vice president	35,051 H Shares	0.0089%	0.0012%
Dr. Shuhui Chen	Vice president	74,609 H Shares	0.0189%	0.0025%
Ms. Hui Xu	President of subsidiaries of the Company which do not amount to insignificant subsidiaries in terms of their aggregate profits	22,909 H Shares	0.0058%	0.0008%
Ms. Wendy J. Hu(2)	Senior director of human resources	8,199 H Shares	0.0021%	0.0003%
Mr. Harry Liang He	Chairman of the Supervisory Committee	11,684 H Shares	0.0030%	0.0004%
Ms. Minfang Zhu	Employee representative Supervisor	4,100 H Shares	0.0010%	0.0001%
Sub-total		612,552 H Shares	0.1550%	0.0207%
2021 Independent Selected Participants				
2,988 senior management, mid-level managers, basic-level managers, backbone members of technicians and other technicians		10,116,988 H Shares	2.5595%	0.3417%
Sub-total		10,116,988 H Shares	2.5595%	0.3417%
Total		**10,729,540 H Shares**	**2.7145%**	**0.3624%**

Notes:

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

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

3. During the Reporting Period, none of the 2021 Awards have been granted to the five highest paid individuals of the Company and none of the 2021 Awards granted to them lapsed.

   During the Reporting Period, 2021 Awards with the number of underlying 2021 Award Shares being 113,997 H Shares have been vested to the five highest paid individuals of the Company.

Vesting schedule

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

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

Note:

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

Vesting conditions

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

According to the relevant performance management rules adopted by the Company, the Board or the 2021 Delegatee shall carry out annual comprehensive appraisal on the 2021 Selected Participants and determine the actual vesting amount of the 2021 Awards granted under the 2021 H Share Award and Trust Scheme accordingly. The actual vesting amount of the 2021 Award granted to a 2021 Selected Participant for the respective vesting periods shall be equal to the standard coefficient × the planned vesting amount for the respective vesting periods. The coefficient for individual performance appraisal results of grade B (or its equivalent appraisal result such as "meets expectations") or above is 100% whereas the coefficient for individual performance appraisal results below grade B is 0. If the 2021 Selected Participant fails to fulfil such individual performance indicators, all the Award Shares underlying the relevant 2021 Awards which may otherwise be vested during the respective vesting periods shall not be vested and shall be held by the 2021 Trustee as returned Shares.

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

9. 2021 Shareholder Alignment Incentive H Share Scheme

In order to retain, reward and incentivize the SAI Selected Participants comprising employees who have made and are expected to continue to make significant and particular contributions to the Group's business development and growth, with incentives highly correlated to and directly driven by the overall business performance and stock price of the H Shares of the Company, the Board has considered and approved, on August 2, 2021, a resolution to adopt the 2021 Shareholder Alignment Incentive H Share Scheme. Subject to the 2021 Shareholder Alignment Incentive H Share Scheme Rules, the 2021 Shareholder Alignment Incentive H Share Scheme shall have four (4) individual scheme limits for each of the four (4) SAI Award Pools. The amounts of the four (4) scheme limits are linked to the monetary value of the corresponding SAI Award Pool. The aggregate amount of the four (4) individual scheme limits is HK$7.5 billion. The Board or the SAI Delegatee may grant SAI Awards to SAI Selected Participants during the SAI Award Period only in the event that (i) the relevant SAI Award Pool has been released upon the fulfillment of the conditions in connection with the target closing price of the H Shares of the Company at the corresponding milestone; and (ii) the fulfilment of the terms and conditions of the SAI Awards and performance targets as the Board or the SAI Delegatee determines from time to time (if any). SAI Eligible Employees who may qualify to participate in the 2021 Shareholder Alignment Incentive H Share Scheme include any individual, being any individual, being an executive Director, a supervisor who is an employee of the Company, senior management member, and personnel at the grade of director or above that made high performance contributions and are critical company middle to senior management personnel, who is a full-time PRC or non-PRC employee of any members of the Group, and whose performance appraisal results for the most recent two consecutive years are A-or above for any one year and B (excluding B-) or above for the other year. The SAI Connected Selected Participants include Dr. Ge Li, Mr. Edward Hu, Dr. Steve Qing Yang, Mr. Zhaohui Zhang, Dr. Shuhui Chen, Dr. Minzhang Chen, Dr. Ning Zhao, Mr. Guodong Tong (resigned during the Reporting Period), Mr. Ellis Bih-Hsin Chu (resigned during the Reporting Period), Ms. Hui Xu, Ms. Wendy J. Hu, Mr. Harry Liang He and Ms. Minfang Zhu. As at the date of this annual report, the conditions for the release of the SAI Award Pools have not yet been fulfilled and as a result, no grant of SAI Awards (including the conditional grant of SAI Awards to the SAI Connected Selected Participants) has taken place yet.

Vesting schedule

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

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

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

Vesting conditions

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

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

For further details of the 2021 Shareholder Alignment Incentive Scheme (including but not limited to the conditions of release of the SAI Award Pools and the conditional grant of SAI Awards to the SAI Connected Selected Participants, please refer to the sections headed "Letter from the Board — V. Proposed Adoption of the 2021 Shareholder Alignment Incentive H Share Scheme" and "Appendix II — Rules of the 2021 Shareholder Alignment Incentive H Share Scheme" in the circular of the Company dated August 10, 2021.

10. 2022 H Share Award and Trust Scheme

In order to attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of the Group by providing them with the opportunity to be further incentivized by equity interests in the Company, more directly associated with the equity performance of the Company; modernize the Company's remuneration practices and to better align with the interests of the Shareholders, while seeking a balanced approach in the operational and executive management oversight; (i) recognize the contribution of the prudent leadership of the Company including the Directors; (ii) encourage, motivate and retain the leadership of the Company whose collective contribution are beneficial to the continual operation, development and long-term growth of the Company by aligning the interests of the leadership of the Company to that of the Shareholders and the Group as a whole, the Board has considered and approved, on August 15, 2022, a resolution to adopt the 2022 H Share Award and Trust Scheme. The 2022 scheme limit shall be the maximum number of H Shares that will be acquired by the 2021 Trustee through on-market transactions from time to time at the prevailing market price with funds in the amount of not more than HK$2 billion. The Board or the 2022 Delegatee may grant the 2022 Awards to the 2022 Selected Participants during the 2022 Award Period conditional upon fulfilment of terms and conditions of the 2022 Awards and performance targets as the Board or the 2022 Delegatee determines from time to time. 2021 Eligible Employees who may participate in the 2022 H Share Award and Trust Scheme include any individual, being a Director, supervisor, senior management, mid-level manager, basic-level manager, backbone member of the technicians, other technician, who is a full-time PRC or non-PRC employee of any members of the Group. The Company has granted the 2022 Awards representing a maximum of 1,418,760 2022 Award Shares to 14 2022 Connected Selected Participants including, Dr. Ge Li, Mr. Edward Hu, Dr. Steve Qing Yang, Dr. Minzhang Chen, Dr. Shuhui Chen, Mr. Zhaohui Zhang, Dr. Ning Zhao, Ms. Ming Shi, Ms. Hui Xu, Ms. Wendy J. Hu, Mr. Harry Liang He, Ms. Minfang Zhu, Mr. Hongping Wan and Mr. Huitian Lv. The adoption of the 2022 H Share Award and Trust Scheme and the grant of 2022 Awards to the 2022 Connected Selected Participants has been approved by the Shareholders at the extraordinary general meeting of the Company held on August 30, 2022. Details of which are set out in the announcements of the Company dated August 15, 2022, August 30, 2022 and December 30, 2022, the circular of the Company dated August 18, 2022, and the supplemental circular of the Company dated September 21, 2022. The closing price of the H Shares immediately before the date on which the 2022 Award Shares were granted was HK$74.60.

During the Reporting Period, none of the relevant 2022 Awards have been vested to any 2022 Selected Participants. The number of 2022 Award Shares which lapsed in accordance with the scheme rules of the 2022 Scheme during the Reporting Period was H Shares 7,234. The number of unvested 2022 Award Shares as at the end of the Reporting Period was 12,614,833.

As at the date of this annual report, the remaining life of the 2022 Scheme is approximately nine years.

The Directors (including the independent non-executive Directors) are of the view that the grant of 2022 Awards to the 2022 Selected Participants (including the 2022 Connected Selected Participants) is conducted on normal commercial terms, and is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

2022 Selected Participants under the 2022 Scheme

As at December 31, 2022, there are a total of 3,692 2022 Selected Participants under grant of 2022 Awards under the 2022 Scheme (the "**2022 Grant**"), which comprise 14 2022 Connected Selected Participants and 3,678 2022 Independent Selected Participants. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the 2022 Independent Selected Participants are parties not connected with the Company within the meaning of the Listing Rules.

The details of the 2022 Selected Participants with 2022 Awards made under the 2022 Grant comprising both vested and unvested 2022 Awards as at December 31, 2022 are set out as follows:

Name	Position	Number of 2022 Award Shares underlying the 2022 Award granted	Approximate percentage to the total number of H Shares as at December 31, 2022	Approximate percentage to the total issued share capital of the Company as at December 31, 2022
2022 Connected Selected Participants				
Dr. Ge Li	Executive Director, chairman and chief executive officer	399,683 H Shares	0.1011%	0.0135%
Mr. Edward Hu	Executive Director, vice chairman and global chief investment officer	189,849 H Shares	0.0480%	0.0064%
Dr. Steve Qing Yang	Executive Director, co-chief executive officer	201,565 H Shares	0.0510%	0.0068%
Dr. Minzhang Chen	Executive Director, co-chief executive officer	307,596 H Shares	0.0778%	0.0104%
Mr. Zhaohui Zhang	Executive Director, vice president	99,921 H Shares	0.0253%	0.0034%
Dr. Ning Zhao	Executive Director, vice president	39,968 H Shares	0.0101%	0.0014%
Dr. Shuhui Chen	Vice president	72,846 H Shares	0.0184%	0.0025%
Ms. Ming Shi	Chief financial officer	46,990 H Shares	0.0119%	0.0016%
Ms. Hui Xu	President of subsidiaries of the Company which do not amount to insignificant subsidiaries in terms of their aggregate profits	31,798 H Shares	0.0080%	0.0011%
Ms. Wendy J. Hu[(1)]	Senior director of human resources	6,245 H Shares	0.0016%	0.0002%
Mr. Harry Liang He	Chairman of the Supervisory Committee	9,992 H Shares	0.0025%	0.0003%
Ms. Minfang Zhu	Employee representative Supervisor	3,122 H Shares	0.0008%	0.0001%
Mr. Hongping Wan	Supervisor of principal subsidiaries of the Company	3,312 H Shares	0.0008%	0.0001%
Mr. Huitian Lv	Director of principal subsidiaries of the Company	5,873 H Shares	0.0015%	0.0002%
Sub-total		1,418,760 H Shares	0.3589%	0.0479%
2022 Independent Selected Participants				
3,678 senior management, mid-level managers, basic-level managers, backbone members of technicians and other technicians		11,196,073 H Shares	2.8325%	0.3782%
Sub-total		11,196,073 H Shares	2.8325%	0.3782%
Total		**12,614,833 H Shares**	**3.1915%**	**0.4261%**

Note:

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

2. During the Reporting Period, 2022 Awards with the number of underlying 2022 Award Shares being 1,198,614 H Shares have been granted to the five highest paid individuals of the Company.

   During the Reporting Period, none of the 2022 Awards have been vested to the five highest paid individuals of the Company and none of the 2022 awards granted to them lapsed.

Vesting schedule

The vesting dates of the Awards under the 2022 Grant are as follows [Note]:

	Vesting Dates	Proportion of Vesting
First vesting period	December 2, 2023	25%
Second vesting period	December 2, 2024	25%
Third vesting period	December 2, 2025	25%
Fourth vesting period	December 2, 2026	25%

Note:

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

Vesting conditions

Vesting of the 2022 Awards under the 2022 Grant is subject to conditions of the individual performance indicators of the 2022 Selected Participants, and any other applicable vesting conditions as set out in the award letter.

According to the relevant performance management rules adopted by the Company, the Board or the 2022 Delegatee shall carry out annual comprehensive appraisal on the 2022 Selected Participants and determine the actual vesting amount of the 2022 Awards granted under the 2022 H Share Award and Trust Scheme accordingly. The actual vesting amount of the 2022 Award granted to a 2022 Selected Participant for the respective vesting periods shall be equal to the standard coefficient × the planned vesting amount for the respective vesting periods. The coefficient for individual performance appraisal results of grade B (or its equivalent appraisal result such as "meets expectations") or above is 100% whereas the coefficient for individual performance appraisal results below grade B is 0. If the 2022 Selected Participant fails to fulfil such individual performance indicators, all the 2022 Award Shares underlying the relevant 2022 Awards which may otherwise be vested during the respective vesting periods shall not be vested and shall be held by the 2022 Trustee as returned Shares.

For further details on the vesting conditions of the 2022 Awards (including the conditions of the individual performance indicators of the 2022 Selected Participants), please refer to the section headed "Letter from the Board — II. Proposed Adoption of the 2022 H Share Award and Trust Scheme — Vesting of the Awards — Vesting Conditions" in the circular of the Company dated August 18, 2022.

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

As at December 31, 2022, the interests or short positions of the Directors, Supervisors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Interest in Shares or Underlying Shares of our Company

Name of Director and Chief Executive	Nature of Interest	Number and class of shares interested (1)	Approximate percentage of the Company's issued share capital(7)
Dr. Ge Li	Interests held jointly with another person; interests of spouse; interests of controlled corporation	698,167,152 A Shares (2) (L)	23.5825%
	Beneficial owner; interests of spouse	770,172 H Shares (3) (L)	0.0260%
Dr. Ning Zhao	Interests held jointly with another person; interests of spouse; interests of controlled corporation	698,167,152 A Shares (2) (L)	23.5825%
	Beneficial owner; interests of spouse	770,172 H Shares (4) (L)	0.0260%
Mr. Zhaohui Zhang	Interests held jointly with another person; interests of controlled corporation	698,167,152 A Shares (2) (L)	23.5825%
	Beneficial owner	170,992 H Shares (L)	0.0058%
Mr. Edward Hu	Beneficial owner; interests of spouse	283,314 A Shares (5) (L)	0.0096%
	Beneficial owner; interests of spouse	327,488 H Shares (5) (L)	0.0111%
Dr. Steve Qing Yang	Beneficial owner	213,554 A Shares (L)	0.0072%
	Beneficial owner	306,757 H Shares (L)	0.0104%
Dr. Minzhang Chen	Beneficial owner	146,180 A Shares (L)	0.0049%
	Beneficial owner	439,240 H Shares (L)	0.0148%
Ms. Ming Shi	Beneficial owner	2,000 A Shares (L)	0.0001%
	Beneficial owner; interests of spouse	67,614 H Shares (6) (L)	0.0023%

Notes:

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

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

(3) Dr. Ning Zhao, spouse of Dr. Ge Li, was interested in 101,081 H Shares. Dr. Ge Li was deemed to be interested in his spouse's interest.

(4) Dr. Ge Li, spouse of Dr. Ning Zhao, was interested in 669,091 H Shares. Dr. Ning Zhao was deemed to be interested in her spouse's interest.

(5) Ms. Wendy J. Hu, spouse of Mr. Edward Hu, is interested in 29,182 A Shares (which includes Restricted A Shares granted to her pursuant to the 2018 A Share Incentive Plan and the 2019 A Share Incentive Plan) and 19,175 H Shares (being the underlying H Share of the Awards granted under the 2020 H Share Award and Trust Scheme, the 2021 H Share Award and Trust Scheme and the 2022 H Share Award and Trust Scheme). Mr. Edward Hu is deemed to be interested in his spouse's interest.

(6) Mr. Weimin Jiang, spouse of Ms. Ming Shi, is interested in 1,060 H Shares. Ms. Ming Shi is deemed to be interested in her spouse's interest.

(7) As at December 31, 2022, the number of issued shares of the Company was 2,960,526,697, which has been used for the calculation of the approximate percentage.

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

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

Save as disclosed above and in the section headed "Share Incentive Schemes" and to the best knowledge of the Directors, as at December 31, 2022, none of the Directors, Supervisors or the chief executive of the Company has any interests and/or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

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

As at December 31, 2022, so far as it was known to the Directors or chief executive of the Company, the following persons (other than the Directors and chief executive of the Company) had interests and/or short positions in the Shares or underlying Shares which are required to be notified to the Company under Divisions 2 and 3 of Part XV of the SFO, or had interests or short positions in 5% or more of the respective type of Shares which were recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of substantial shareholder	Nature of interest	Number and class of Shares interested(1)	Approximate percentage of Shares in relevant class of Shares(12)	Approximate percentage of the Company's issued share capital(12)
Dr. Ge Li (2)(3)	Interests held jointly with another person; interests of spouse; interests of controlled corporation	698,167,152 A Shares (L)	27.22%	23.58%
Dr. Ning Zhao (2)(3)	Interests held jointly with another person; interests of spouse; interests of controlled corporation	698,167,152 A Shares (L)	27.22%	23.58%
Mr. Zhaohui Zhang (2)(4)	Interests held jointly with another person; interests of controlled corporation	698,167,152 A Shares (L)	27.22%	23.58%
Mr. Xiaozhong Liu (劉曉鐘) (2)(5)	Interests held jointly with another person; interests of controlled corporation	698,167,152 A Shares (L)	27.22%	23.58%
Ms. Lei Zhang (張蕾) (4)	Interests of spouse	698,167,152 A Shares (L)	27.22%	23.58%
Ms. Guolian Zhang (張國連) (5)	Interests of spouse	698,167,152 A Shares (L)	27.22%	23.58%
G&C VI Limited (6)	Beneficial owner	176,643,475 A Shares (L)	6.89%	5.97%
G&C I Limited (6)	Interests of controlled corporation	176,643,475 A Shares (L)	6.89%	5.97%
G&C Limited (6)	Interests of controlled corporation	223,396,016 A Shares (L)	8.71%	7.55%
G&C IV Hong Kong Limited (7)	Beneficial owner	129,224,314 A Shares (L)	5.04%	4.36%
G&C VIII Limited (7)	Interests of controlled corporation	129,224,314 A Shares (L)	5.04%	4.36%
G&C IV Limited (7)	Interests of controlled corporation	129,224,314 A Shares (L)	5.04%	4.36%
Summer Bloom Investments (I) Pte. Ltd. (8)	Beneficial owner	159,160,073 A Shares (L)	6.20%	5.38%
Summer Bloom Investments (II) Pte. Ltd. (8)	Interests of controlled corporation	159,160,073 A Shares (L)	6.20%	5.38%
Summer Bloom Investments Pte. Ltd. (8)	Interests of controlled corporation	159,160,073 A Shares (L)	6.20%	5.38%
Pavilion Capital International Pte. Ltd. (8)	Interests of controlled corporation	159,160,073 A Shares (L)	6.20%	5.38%
Pavilion Capital Holdings Pte. Ltd. (8)	Interests of controlled corporation	159,160,073 A Shares (L)	6.20%	5.38%
Linden Investments Pte. Ltd. (8)	Interests of controlled corporation	159,160,073 A Shares (L)	6.20%	5.38%

Name of substantial shareholder	Nature of interest	Number and class of Shares interested[1]	Approximate percentage of Shares in relevant class of Shares[12]	Approximate percentage of the Company's issued share capital[12]
Fullerton Fund Investments Pte Ltd [8]	Interests of controlled corporation	159,160,073 A Shares (L)	6.20%	5.38%
Temasek Holdings (Private) Limited [8]	Interests of controlled corporation	159,160,073 A Shares (L)	6.20%	5.38%
Qatar Investment Authority [9]	Interest in corporation	46,548,000 H Shares (L)	11.78%	1.57%
Al Rayyan Holding LLC[9]	Beneficial owner	31,832,000 H Shares (L)	8.05%	1.08%
Qatar Holding LLC[9]	Interest in corporation	31,832,000 H Shares (L)	8.05%	1.08%
JPMorgan Chase & Co	Interest in corporation	29,176,971 H Shares (L)	7.38%	0.99%
		13,689,252 H Shares (S)	3.46%	0.46%
	Investment manager	6,533,361 H Shares (L)	1.65%	0.22%
	Person having a security interest in shares	104,385 H Shares (L)	0.03%	0.00%
	Approved lending agents	8,251,749 H Shares (P)	2.09%	0.28%
BlackRock, Inc.	Interest in corporation	28,157,438 H Shares (L)	7.12%	0.95%
		87,664 H Shares (S)	0.02%	0.00%
Computershare Hong Kong Trustees Limited[10]	Trustee	27,551,911 H Shares (L)	6.97%	0.93%
Citigroup Inc.	Interest in corporation controlled	2,716,368 H Shares (L)	0.69%	0.09%
		2,328,524 H Shares (S)	0.59%	0.08%
	Approved lending agent	21,295,414 H Shares (P)	5.39%	0.72%
Morgan Stanley Capital Management, LLC[11]	Interest in corporation controlled	23,209,216 H Shares (L)	5.87%	0.78%
		17,750,000 H Shares (S)	4.49%	0.60%
Morgan Stanley Domestic Holdings, Inc.[11]	Interest in corporation controlled	23,209,216 H Shares (L)	5.87%	0.78%
		17,750,000 H Shares (S)	4.49%	0.60%
Morgan Stanley & Co. International plc[11]	Underwriter	23,040,000 H Shares (L)	5.83%	0.78%
		17,750,000 H Shares (S)	4.49%	0.60%

Name of substantial shareholder	Nature of interest	Number and class of Shares interested[1]	Approximate percentage of Shares in relevant class of Shares[12]	Approximate percentage of the Company's issued share capital[12]
Morgan Stanley International Holdings Inc.[11]	Interest in corporation controlled	23,040,000 H Shares (L)	5.83%	0.78%
		17,750,000 H Shares (S)	4.49%	0.60%
Morgan Stanley International Incorporated[11]	Interest in corporation controlled	23,040,000 H Shares (L)	5.83%	0.78%
		17,750,000 H Shares (S)	4.49%	0.60%
Morgan Stanley International Limited[11]	Interest in corporation controlled	23,040,000 H Shares (L)	5.83%	0.78%
		17,750,000 H Shares (S)	4.49%	0.60%
Morgan Stanley Investments (UK)[11]	Interest in corporation controlled	23,040,000 H Shares (L)	5.83%	0.78%
		17,750,000 H Shares (S)	4.49%	0.60%
MSDW Investment Holdings (US) LLC[11]	Interest in corporation controlled	23,040,000 H Shares (L)	5.83%	0.78%
		17,750,000 H Shares (S)	4.49%	0.60%

Notes:

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

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

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

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

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

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

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

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

(9) DIC Holding LLC directly held 8,349,600 H Shares of the Company. Qatar Investment Authority is the investment manager of DIC Holding LLC. AL Rayyan Holding LLC directly held 38,198,400 H Shares of the Company. AL Rayyan Holding LLC was wholly controlled by Qatar Holding LLC. Qatar Holding LLC was wholly controlled by Qatar Investment Authority.

(10) Computershare Hong Kong Trustees Limited was the Scheme Trustee for 2020 Scheme, 2021 Scheme and 2022 Scheme.

(11) Morgan Stanley & Co. LLC is wholly controlled by Morgan Stanley Domestic Holdings, Inc., which is controlled by Morgan Stanley International Incorporated and Morgan Stanley International Holdings Inc. each as to 10% of interest. Morgan Stanley & Co. International plc is wholly controlled by Morgan Stanley Investments (UK), which is wholly controlled by Morgan Stanley International Limited, which is wholly controlled by Morgan Stanley International Holdings Inc, which is controlled by MSDW Investment Holdings (US) LLC, and Morgan Stanley International Incorporated as to 18% of interest and by Morgan Stanley Domestic Holdings, Inc. as to 10% of interest. MSDW Investment Holdings (US) LLC is wholly controlled by Morgan Stanley International Incorporated, which is 10% controlled by Morgan Stanley Domestic Holdings, Inc., which is wholly controlled by Morgan Stanley Capital Management, LLC.

(12) As at December 31, 2022, the number of issued shares of the Company was 2,960,526,697 (comprised of 2,565,261,491 A Shares and 395,265,206 H Shares), which has been used for the calculation of the approximate percentage.

Save as disclosed above, to the best knowledge of the Company, as at December 31, 2022, no person (other than the Directors, Supervisors and chief executives) had informed the Company that he/she had interests or short positions in the Shares or underlying Shares of equity derivatives of the Company which were required to be notified to the Company under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under section 336 of the SFO, or held any interests or short position in 5% or more of the respective types of capital in issue of the Company.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the share incentive schemes set out under the section "Share Incentive Schemes" on pages 94 to 118 of this annual report, at no time during the Reporting Period was the Company, its holding company, or any of its subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debt securities including debentures of, the Company or any other body corporate.

MAJOR SUPPLIERS AND CUSTOMERS

In the Reporting Period, the Group's largest customers accounted for 26.27% of the Group's total revenue. The Group's five largest customers accounted for 36.26% of the Group's total revenue.

In the Reporting Period, the Group's largest suppliers accounted for 6.83% of the Group's total purchase. The Group's five largest suppliers accounted for 14.30% of the Group's total purchase.

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

RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

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

TAX RELIEF AND EXEMPTION OF HOLDERS OF LISTED SECURITIES

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

HUMAN RESOURCES

As at December 31, 2022, the Group had 44,361 employees. The Group enters into employment contracts with its employees to cover matters such as position, term of employment, wage, employee benefits and liabilities for breaches and grounds for termination.

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

The Group also has in place incentive schemes for its employees, the details of which are set out in the section headed "Share Incentive Schemes".

RETIREMENT BENEFITS SCHEME

The employees of the Group's subsidiaries in the PRC are required to contribute a certain percentage of their payroll to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to this retirement benefits schemes is to make the specified contributions. The Group has a defined contribution plan in the U.S. where participating employees may contribute to the plan 1% to 99% of their eligible annual compensation as defined in the plan, up to the Internal Revenue Service contribution (the "IRS contribution") limit of USD20,500 for the year ended December 31, 2022. The Group makes a matching contribution of participants' elective deferral contribution of 100% of the first 2% and 50% for the next 4% of eligible participant contributions, with a maximum matching contribution of 4.0% of eligible participant compensation.

Details of the pension obligations of the Company are set out in Note 48 to the consolidated financial statements in this annual report.

CONNECTED TRANSACTIONS

Details on related party transactions for the Reporting Period are set out in Note 50 to the consolidated financial statements. Details of any related party transactions which also constitute connected transactions or continuing connected transactions not fully exempted under Rule 14A.73 of the Listing Rules are disclosed below.

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

Connected transaction in relation to the grant of the 2022 Awards to the 2022 Connected Selected Participants under the 2022 H Share Award and Trust Scheme

Please refer to the section headed "Share Incentive Schemes" in this annual report for further details.

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

RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group for the Reporting Period are set out in Note 50 to the consolidated financial statements contained herein.

Save as disclosed in the paragraph headed "Connected Transactions" in this annual report, the related party transactions disclosed in Note 50 were not regarded as connected transactions or were exempt from reporting, announcement and shareholders' approval requirements under the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

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

INDEMNITY OF DIRECTORS

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

CORPORATE GOVERNANCE

As at December 31, 2022, the Company recognizes the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of the shareholders as a whole. The Company has adopted corporate governance practices based on the principles and code provisions as set out in the CG Code as its own code of corporate governance practices.

The Board is of the view that, the Company has complied with the relevant code provisions contained in the CG Code during the Reporting Period, save for deviation from code provision C.2.1 of the CG Code.

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

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

Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 56 to 77 of this annual report.

DONATIONS

During the Reporting Period, the Company made donations of RMB1.50 million.

AUDITOR

The H Shares were only listed on the Stock Exchange on December 13, 2018, and there has been no change in auditors since the Listing Date. The consolidated financial statements for the Reporting Period have been audited by Deloitte Touche Tohmatsu, Certified Public Accountants, who are proposed for reappointment at the forthcoming 2022 AGM.

COMPLIANCE WITH LAWS AND REGULATIONS

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

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

Hong Kong, March 20, 2023

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

Opinion

We have audited the consolidated financial statements of WuXi AppTec Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 135 to 299, which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

Key Audit Matters

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

* *For identification purpose only*

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment of goodwill arising on business combinations	
As disclosed in Notes 19 and 21 to the consolidated financial statements, the carrying amount of goodwill is RMB1,822,102,000 as at December 31, 2022. Management of the Group performed impairment test of goodwill at least on an annual basis. In performing the impairment test, management identified cash-generating units ("CGUs") first and then allocated goodwill to the corresponding CGUs. The management of the Group determined the impairment loss at the amount by which the carrying amount of the CGU to which the goodwill is allocated exceeds its recoverable amount. The recoverable amount of each CGU is the higher of the value in use or fair value less costs of disposal. The assumptions applied in determining the recoverable amount of CGUs would require significant management estimates, including cash flow forecast, discount rate and long-term average growth rate. Therefore, we identify the impairment of goodwill as a key audit matter.	Our procedures in relation to the impairment of goodwill included: • Understanding the key internal controls over impairment test of goodwill and evaluating the design and operating effectiveness of these controls; • Examining the supporting of allocation of goodwill to individual CGUs and evaluating its reasonableness; • Evaluating the reasonableness of the cash flow forecast model and the management's key assumptions including cash flow projections, discount rate and long-term average growth rate in relation to impairment test of goodwill, on a sampling basis; • Checking the cash flow projections to determine whether it conforms with historical data and supporting evidence, on a sampling basis.

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Revenue recognition for Fee-For-Service ("FFS") revenue	
The Group primarily earn revenue by providing research and development ("R&D") services through its WuXi Chemistry, WuXi Testing, WuXi Biology, WuXi ATU, WuXi DDSU and other services segments. The revenue is recognised at a point in time or over time. As disclosed in Note 5 to the consolidated financial statements, for the year ended December 31, 2022, revenue of the Group recognized over time is RMB16,125,690,000, within which RMB10,020,884,000 is derived from FFS model, representing 62% of revenue recognized over time. The management of the Group identified the goods or services promised in the R&D service contracts as performance obligations and recognised revenue when control of the services transferred to the customers. Inappropriate application of the judgements in measurement of progress towards completion could result in material misstatement in the revenue recognition. Therefore, we identify occurrence and accuracy assertion of revenue recognized over time under FFS model as a key audit matter.	Our procedures in relation to the revenue recognition for FFS revenue included: • Understanding the key controls related to occurrence and accuracy assertion of revenue recognition under FFS model and evaluating the design and operating effectiveness of these controls; • Inquiring of the management of the Group about the accounting policies of revenue recognition and inspecting the terms of R&D services contracts on sample basis to evaluate whether accounting policy on the identification of performance obligations and the revenue recognition of the Group under FFS model complies with IFRS 15 Revenue from Contracts with Customers. • Selecting samples from recorded FFS sales transactions recognized over time and evaluating if the performance obligations have been met in the contract by obtaining evidence of the timing of satisfaction of the performance obligation and if the appropriate accounting treatment has been carried out: (a) Evaluating the entity's documentation supporting its conclusions whether any of the "over time" criteria have been met and whether the selected method to measure progress using either input method or output method faithfully depicts the progress of the contract; (b) Testing the accuracy of the measurement of progress used by the management in their calculations.

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
March 20, 2023

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2022

	NOTES	**Year ended 31/12/2022 RMB'000**	Year ended 31/12/2021 RMB'000
Revenue	5	**39,354,778**	22,902,385
Cost of services		**(24,848,257)**	(14,636,870)
Gross profit		**14,506,521**	8,265,515
Other income	7	**644,270**	468,568
Other gains and losses	8	**1,211,731**	1,453,591
Impairment losses under expected credit losses ("ECL") model, net of reversal	9	**(117,279)**	(31,615)
Impairment losses of goodwill	21	**(131,285)**	—
Selling and marketing expenses		**(731,587)**	(698,970)
Administrative expenses		**(2,943,833)**	(2,253,614)
R&D expenses		**(1,613,953)**	(942,242)
Operating profit		**10,824,585**	6,261,233
Share of results of associates		**(52,532)**	(92,162)
Share of results of joint ventures		**6,261**	(25,129)
Finance costs	10	**(159,837)**	(128,333)
Profit before tax		**10,618,477**	6,015,609
Income tax expense	11	**(1,715,866)**	(879,662)
Profit for the year	12	**8,902,611**	5,135,947
Other comprehensive income (expense) for the year			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**467,611**	(216,654)
Fair value loss on			
— hedging instrument designated in cash flow hedges		**(174,503)**	(294,234)
Other comprehensive income (expense) for the year, net of income tax		**293,108**	(510,888)
Total comprehensive income for the year		**9,195,719**	4,625,059

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2022

	NOTES	Year ended 31/12/2022 RMB'000	Year ended 31/12/2021 RMB'000
Profit for the year attributable to:			
Owners of the Company		**8,813,713**	5,097,155
Non-controlling interests		**88,898**	38,792
		8,902,611	5,135,947
Total comprehensive income for the year attributable to:			
Owners of the Company		**9,109,138**	4,588,790
Non-controlling interests		**86,581**	36,269
		9,195,719	4,625,059
		RMB	*RMB*
Earnings per share			
— Basic	15	**3.01**	1.75
— Diluted	15	**2.82**	1.73

	NOTES	31/12/2022 RMB'000	31/12/2021 RMB'000
Non-current Assets			
Property, plant and equipment	17	**23,444,883**	15,848,703
Right-of-use assets	18	**1,857,486**	1,779,500
Goodwill	19	**1,822,102**	1,925,563
Other intangible assets	20	**926,331**	889,822
Interests in associates	22	**1,135,669**	619,382
Interests in joint ventures	23	**67,262**	58,923
Deferred tax assets	24	**492,111**	389,846
Financial assets at fair value through profit or loss ("FVTPL")	31	**8,954,330**	8,714,098
Other non-current assets	25	**1,054,942**	2,182,393
Biological assets	26	**937,985**	733,510
		40,693,101	33,141,740
Current Assets			
Inventories	27	**3,952,560**	4,554,577
Contract costs	28	**678,759**	594,912
Biological assets	26	**1,037,275**	755,517
Amounts due from related parties	50	**122,955**	343,310
Trade and other receivables	29	**7,590,361**	5,968,471
Contract assets	29	**1,048,155**	773,433
Income tax recoverable		**15,989**	225
Financial assets at FVTPL	31	**2,000**	527,288
Derivative financial instruments	33	**135,636**	229,142
Other current assets	34	**1,427,795**	—
Pledged bank deposits	32	**1,837**	63,437
Bank balances and cash	32	**7,983,904**	8,175,336
		23,997,226	21,985,648
Current Liabilities			
Trade and other payables	35	**7,253,439**	6,855,964
Amounts due to related parties	50	**14,498**	21,439
Derivative financial instruments	33	**115,443**	3,652
Contract liabilities	36	**2,496,637**	2,986,379
Borrowings	38	**3,874,120**	2,261,480
Lease liabilities	39	**205,335**	220,183
Income tax payables		**517,797**	459,256
Other current liabilities	41	**22,092**	176,241
		14,499,361	12,984,594

Consolidated Statement of Financial Position

At December 31, 2022

	NOTES	31/12/2022 RMB'000	31/12/2021 RMB'000
Net Current Assets		**9,497,865**	9,001,054
Total Assets Less Current Liabilities		**50,190,966**	42,142,794
Non-current Liabilities			
Borrowings	38	**279,086**	—
Deferred tax liabilities	24	**440,462**	324,125
Deferred income	37	**910,922**	770,601
Lease liabilities	39	**983,819**	1,018,979
Convertible bonds-debt component	40	**501,990**	607,140
Convertible bonds-embedded derivative component	40	**147,934**	657,317
Other long-term liabilities		**80**	7,170
		3,264,293	3,385,332
Net Assets		**46,926,673**	38,757,462
Capital and Reserves			
Share capital	42	**2,960,527**	2,955,827
Reserves		**43,629,426**	35,535,682
Equity attributable to owners of the Company		**46,589,953**	38,491,509
Non-controlling interests		**336,720**	265,953
Total Equity		**46,926,673**	38,757,462

The consolidated financial statements on pages 135 to 299 were approved and authorized for issue by the board of directors on March 20, 2023 and are signed on its behalf by:

Ge LI	**Edward HU**
DIRECTOR	*DIRECTOR*

Consolidated Statement of Changes in Equity

For the year ended December 31, 2022

	Attributable to owners of the Company												
	Share capital RMB'000	Share premium RMB'000	Treasury shares RMB'000	Capital reserve RMB'000	Share-based payment reserve RMB'000	Cash flow hedging reserve RMB'000	Foreign currency translation reserve RMB'000	Statutory reserve RMB'000	Other reserve RMB'000	Retained earnings RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total RMB'000
Balance at January 1, 2021	2,441,685	23,690,163	(1,189,921)	(2,454,164)	1,043,958	481,759	(244,815)	238,896	398,216	8,087,966	32,493,743	224,748	32,718,491
Profit for the year	—	—	—	—	—	—	—	—	—	5,097,155	5,097,155	38,792	5,135,947
Other comprehensive expense for the year	—	—	—	—	—	(292,149)	(216,216)	—	—	—	(508,365)	(2,523)	(510,888)
Total comprehensive (expense) income for the year	—	—	—	—	—	(292,149)	(216,216)	—	—	5,097,155	4,588,790	36,269	4,625,059
Transferred to statutory reserve (Note a)	—	—	—	—	—	—	—	169,462	—	(169,462)	—	—	—
Repurchase and cancellation of restricted A shares (Note 42)	(691)	(12,601)	13,292	—	—	—	—	—	—	—	—	—	—
Share premium transferred to share capital (Note 42)	490,127	(490,127)	—	—	—	—	—	—	—	—	—	—	—
Recognition of share-based payments (Note b)	—	—	—	—	552,659	—	—	—	—	—	552,659	3,964	556,623
Restricted A shares vested (Note 45)	—	—	239,468	320,906	(320,906)	—	—	—	—	—	239,468	—	239,468
2018 Option vested (Note 42&45)	154	6,567	—	3,020	(3,020)	—	—	—	—	—	6,721	—	6,721
2019 Option vested (Note 42&45)	2,531	95,223	—	50,538	(50,538)	—	—	—	—	—	97,754	—	97,754
Conversion of convertible bonds	22,021	3,092,290	—	—	—	—	—	—	—	—	3,114,311	—	3,114,311
2020 H Share Award vested (Note 45)	—	(125,004)	125,004	128,728	(128,728)	—	—	—	—	—	—	—	—
Impact of Change of non-controlling interests	—	—	—	(65,292)	—	—	—	—	—	—	(65,292)	4,372	(60,920)
Repurchase of H shares under 2020 H Share Awards	—	—	(1,651,663)	—	—	—	—	—	—	—	(1,651,663)	—	(1,651,663)
Payment of dividends	—	—	4,598	—	—	—	—	—	—	(889,580)	(884,982)	(3,400)	(888,382)
Balance at December 31, 2021	2,955,827	26,256,511	(2,459,222)	(2,016,264)	1,093,425	189,610	(461,031)	408,358	398,216	12,126,079	38,491,509	265,953	38,757,462

Consolidated Statement of Changes in Equity

For the year ended December 31, 2022

	Attributable to owners of the Company											Non-controlling interests	Total
	Share capital	Share premium	Treasury shares	Capital reserve	Share-based payment reserve	Cash flow hedging reserve	Foreign currency translation reserve	Statutory reserve	Other reserve	Retained earnings	Subtotal		
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Profit for the year	–	–	–	–	–	–	–	–	–	8,813,713	8,813,713	88,898	8,902,611
Other comprehensive (expense) income for the year	–	–	–	–	–	(172,654)	468,079	–	–	–	295,425	(2,317)	293,108
Total comprehensive (expense) income for the year	–	–	–	–	–	(172,654)	468,079	–	–	8,813,713	9,109,138	86,581	9,195,719
Transferred to statutory reserve (Note a)	–	–	–	–	–	–	–	294,322	–	(294,322)	–	–	–
Repurchase and cancellation of restricted A shares (Note 42)	(217)	(4,094)	4,311	–	–	–	–	–	–	–	–	–	–
Share premium transferred to share capital (Note 42)	–	–	–	–	–	–	–	–	–	–	–	–	–
Recognition of share-based payments (Note b)	–	–	–	–	854,071	–	–	–	–	–	854,071	5,015	859,086
Restricted A shares vested (Note 45)	–	–	192,122	258,714	(258,714)	–	–	–	–	–	192,122	–	192,122
2019 Option vested (Note 42&45)	1,752	65,915	–	37,432	(37,432)	–	–	–	–	–	67,667	–	67,667
Conversion of convertible bonds	3,165	236,972	–	–	–	–	–	–	–	–	240,137	–	240,137
2020 H Share Award vested (Note 45)	–	(112,468)	112,468	115,819	(115,819)	–	–	–	–	–	–	–	–
2021 H Share Award vested (Note 45)	–	(359,088)	359,088	337,179	(337,179)	–	–	–	–	–	–	–	–
Impact of Change of non-controlling interests	–	–	–	(50,612)	–	–	–	–	–	–	(50,612)	(29,302)	(79,914)
Repurchase of H shares under 2022 H Share Awards	–	–	(956,880)	–	–	–	–	–	–	–	(956,880)	–	(956,880)
Deemed disposal of subsidiaries	–	–	–	(18,936)	–	–	–	–	–	20,447	1,511	8,210	9,721
Payment of dividends	–	–	2,868	–	–	–	–	–	–	(1,529,442)	(1,526,574)	–	(1,526,574)
Tax deduction of restricted shares and options exceeds the related cumulative remuneration expense	–	–	–	85,864	–	–	–	–	–	–	85,864	263	86,127
Shareholder contribution	–	–	–	82,000	–	–	–	–	–	–	82,000	–	82,000
Balance at December 31, 2022	2,960,527	26,083,748	(2,745,245)	(1,168,804)	1,198,352	16,956	7,048	702,680	398,216	19,136,475	46,589,953	336,720	46,926,673

Notes:

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

b. The amount represents share-based payment reserve as disclosed in Note 45.

Consolidated Statement of Cash Flows

For the year ended December 31, 2022

	NOTE	Year ended 31/12/2022 RMB'000	Year ended 31/12/2021 RMB'000
OPERATING ACTIVITIES			
Profit before tax		**10,618,477**	6,015,609
Adjustments for:			
Interest income		**(190,846)**	(191,693)
Income from R&D grants and others related to assets		**(100,207)**	(69,888)
Finance costs		**159,837**	128,333
Dividends received from financial assets at FVTPL		**(10,542)**	(28,343)
Depreciation of property, plant and equipment		**1,555,405**	1,138,145
Depreciation of right-of-use assets		**216,394**	224,157
Amortization of other intangible assets and other non-current assets		**144,866**	117,641
Impairment loss, net of reversal			
— inventories		**42,297**	33,056
— financial assets and other items under ECL model		**117,279**	31,615
Impairment losses of goodwill		**131,285**	—
Write-off of trade receivables		**—**	(2,760)
Share of results of joint ventures		**(6,261)**	25,129
Share of results of associates		**52,532**	92,162
Share-based payment expenses		**859,086**	556,623
Net foreign exchange (gain) loss		**(263,513)**	139,235
Loss (gain) on disposal of plant and equipment and right-of-use assets		**20,995**	(258,960)
Gain on financial assets at FVTPL (realized)		**(496,551)**	(1,451,453)
Loss (gain) on financial assets at FVTPL (unrealized)		**433,013**	(273,396)
(Gain) loss on financial liabilities at FVTPL		**(20,004)**	7,844
Gain on biological assets		**(674,523)**	(630,465)
(Gain) loss on derivative financial instruments		**(109,005)**	995,642
Gain on deemed disposal of subsidiaries	13	**(125,445)**	—
Operating cash flows before movements in working capital		**12,354,569**	6,598,233

Consolidated Statement of Cash Flows

For the year ended December 31, 2022

	NOTE	Year ended 31/12/2022 RMB'000	Year ended 31/12/2021 RMB'000
Movements in working capital elements:			
Decrease (increase) in inventories		**559,720**	(2,650,966)
Increase in contract costs		**(83,847)**	(344,567)
Decrease in biological assets		**22,990**	3,857
Increase in trade and other receivables		**(1,655,805)**	(1,638,831)
Decrease in income tax recoverable		**—**	18,832
Increase in contract assets		**(277,189)**	(234,284)
Increase in other non-current assets		**(1,335)**	(3,135)
Increase in amounts due from related parties		**(59,645)**	(6,426)
Decrease in amounts due to related parties		**(6,941)**	(2,406)
Increase in trade and other payables		**1,402,371**	1,958,326
(Decrease) increase in contract liabilities		**(489,742)**	1,402,559
Increase (decrease) in other long-term liabilities		**31**	(42,122)
(Decrease) increase in deferred income		**(1,524)**	88,566
Cash generated from operations		**11,763,653**	5,147,636
Income taxes paid		**(1,533,948)**	(768,931)
NET CASH FROM OPERATING ACTIVITIES		**10,229,705**	4,378,705
INVESTING ACTIVITIES			
Interests received		**107,672**	113,251
Proceeds from disposal of financial assets at FVTPL		**1,550,290**	5,689,827
Purchases of financial assets at FVTPL		**(522,855)**	(2,038,128)
Purchases of other non-current assets		**—**	(700,000)
Proceeds from disposal of other intangible assets		**1,508**	433
Proceeds from disposal of property, plant and equipment and business		**296,131**	1,376
Acquisition of interests in/capital injection to associates		**(529,416)**	(56,016)
Acquisition of interests in/capital injection to joint ventures		**—**	(26,326)
Purchases of property, plant and equipment		**(9,798,268)**	(6,758,192)
Payments for rental deposits		**(7,224)**	(6,111)
Purchases of other intangible assets		**(3,987)**	(6,853)
Payments for right-of-use assets		**(163,433)**	(39,825)
Purchases of biological assets		**—**	(131,216)
Withdraw/(Placement) of pledged bank deposits		**61,600**	(54,324)
Net cash outflow on acquisition of subsidiaries		**(161,477)**	(857,690)
Dividends received from financial assets at FVTPL		**29,492**	35,906
Dividends received from associates		**32,480**	41,971
(Payments)/Proceeds on derivative financial instruments		**(399,558)**	5,780
R&D grants and others received related to assets		**217,052**	157,768
Net cash outflow on deemed disposal of subsidiaries	13	**(21,193)**	—
NET CASH USED IN INVESTING ACTIVITIES		**(9,311,186)**	(4,628,369)

	NOTE	Year ended 31/12/2022 RMB'000	Year ended 31/12/2021 RMB'000
FINANCING ACTIVITIES			
Payments of dividends		**(1,529,442)**	(892,980)
New borrowings raised		**3,332,004**	2,280,862
Repayments of borrowings		**(1,664,046)**	(1,209,544)
Repayments of lease liabilities		**(235,454)**	(245,935)
Prepayment of land premium		**(214,128)**	—
Net proceeds from exercise of stock option		**67,634**	104,297
Payments on repurchase and cancellation of restricted A shares		**(3,367)**	(9,091)
Interests paid		**(68,991)**	(23,164)
Acquisition of partial interest of subsidiaries from non-controlling shareholders		**(79,914)**	(60,921)
Payments on repurchase of H shares		**(956,880)**	(1,666,120)
Issue cost paid		**—**	(1,318)
Shareholder contribution		**82,000**	—
NET CASH USED IN FINANCING ACTIVITIES		**(1,270,584)**	(1,723,914)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(352,065)**	(1,973,578)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR		**8,175,336**	10,228,057
Effects of exchange rate changes		**160,633**	(79,143)
CASH AND CASH EQUIVALENTS AT THE END OF YEAR		**7,983,904**	8,175,336

1. GENERAL INFORMATION

WuXi AppTec Co., Ltd. (the "Company") was incorporated in the PRC on March 1, 2017 as a joint stock limited liability company under the PRC laws upon the conversion of 無錫藥明康德新藥開發有限公司 WuXi AppTec Ltd. (formerly known as 無錫藥明康德組合化學有限公司 WuXi PharmaTechs Co., Ltd.), a company with limited liability incorporated in the PRC in December 2000. The Company completed its initial public offering and listing of 104,198,556 ordinary shares of the Company ("A Shares") on The Shanghai Stock Exchange (stock code: 603259.SH) on May 2, 2018. The Company completed its public offering and listing of 116,474,200 ordinary shares of the Company ("H Shares") on the Main Board of The Stock Exchange of Hong Kong Limited ("The Hong Kong Stock Exchange") (stock code: 2359.HK) on December 13, 2018.

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

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

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

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

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board (the "IASB") for the first time, which are mandatorily effective for the Group's annual periods beginning on or after January 1, 2022 for the preparation of the consolidated financial statements:

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

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)

New and amendments to IFRSs in issue but not yet effective

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

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	Insurance Contracts (Note i)
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Note iii)
Amendment to IFRS 16	Lease Liability in a Sale and Leaseback (Note ii)
Amendments to IAS 1	Classification of Liabilities as Current or Non-current (Note ii)
Amendments to IAS 1	Non-current Liabilities with Covenants (Note ii)
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies (Note i)
Amendments to IAS 8	Definition of Accounting Estimates (Note i)
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Note i)

Notes:

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

ii: Effective for annual periods beginning on or after January 1, 2024.

iii: Effective for annual periods beginning on or after a date to be determined.

Except for the new and amendments to IFRSs mentioned below, the directors of the Company anticipate that application of all other new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to IAS 1 Classification of Liabilities as Current or Non-current

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

  (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and

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

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

Amendments to IAS 1 Classification of Liabilities as Current or Non-current (continued)

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying IAS 32 Financial Instruments: Presentation.

As at December 31, 2022, the Group's outstanding convertible instruments include counterparty conversion options that do not meet equity instruments classification by applying IAS 32 Financial Instruments: Presentation, and the Group classified the convertible instruments as current or non-current based on the earliest date in which the Group has the obligation to redeem these instruments through cash settlement. The host debt component is measured at amortised cost with carrying amount of RMB501,990,000 (December 31, 2021: RMB607,140,000) and the derivative component (including the conversion options) is measured at fair value with carrying amount of RMB147,934,000 as at December 31, 2022 (December 31, 2021: RMB657,317,000), both of which are classified as non-current as set out in Note 40. Upon the application of the amendments, in addition to the obligation to redeem through cash settlement, the transfer of equity instruments upon the exercise of the conversion options that do not meet equity instruments classification also constitute settlement of the convertible instruments. The host liability and the derivative component would be reclassified to current liabilities as the holders have the option to convert within twelve months.

Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of IAS 12 Income Taxes so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

As disclosed in Note 3 to the consolidated financial statements, for leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to the relevant assets and liabilities as a whole. Temporary differences relating to relevant assets and liabilities are assessed on a net basis.

Upon the application of the amendments, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

The amendments are effective for the Group's annual reporting periods beginning on January 1, 2023 with early application permitted. As at December 31, 2022, the carrying amounts of right-of-use assets and lease liabilities which are subject to the amendments amounted to RMB998,985,000 and RMB1,189,154,000 respectively. If there is any cumulative effect of initially applying the amendments, it will be recognised as an adjustment to the opening balance of retained earnings at the beginning of the earliest comparative period presented.

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

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

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments and biological assets that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 Share-based Payment, leasing transactions that are accounted for in accordance with IFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial instruments and biological assets which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

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

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial information of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the reporting period are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All 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)

Basis of consolidation (continued)

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 Financial Instruments or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations or asset acquisitions

Optional concentration test

The Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Asset acquisitions

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets and financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

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

Business combinations or asset acquisitions (continued)

Business combination

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organised workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

Acquisitions of businesses, other than business combination under common control, are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition related costs are generally recognised in profit or loss as incurred.

For business combinations in which the acquisition date is on or after January 1, 2022, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the *Conceptual Framework for Financial Reporting* issued by IASB in March 2018 (the "Conceptual Framework") except for transactions and events within the scope of IAS 37 or IFRIC 21, in which the Group applies IAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

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

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquire are measured in accordance with IFRS 2 at the acquisition date;

- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and

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

Business combinations or asset acquisitions (continued)

Business combination (continued)

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in IFRS 16) as if the acquired leases were new leases at the acquisition date except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after reassessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition date fair value and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised other comprehensive income and measured under IFRS 9 would be accounted for on the same basis as would be required if the Group had disposed directly of the previously held equity interest.

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

Merger accounting for business combination involving entities under common control

The consolidated financial statements incorporate the financial statements items of the combining businesses in which the common control combination occurs as if they had been consolidated from the date when the combining businesses first came under the control of the controlling party.

The net assets of the combining businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

The consolidated statements of profit or loss and other comprehensive income includes the results of each of the combining businesses from the earliest date presented or since the date when the combining businesses first came under the common control, where this is a shorter period.

The comparative amounts in the consolidated financial statements are presented as if the businesses had been consolidated at the end of the previous reporting period or when they first came under common control, whichever is shorter.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

The Group's policy for goodwill arising on the acquisition of an associate and a joint venture is described below.

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

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in the consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate/joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognizing its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

When an investment in an associate or a joint venture is held by, or is held indirectly through, venture capital organisation or similar entities of the Group, the Group may irrevocably elect to measure that investment at fair value through profit or loss in accordance with IFRS 9 and presented as financial assets at FVTPL. Such election is made separately for initial recognition of each associate or joint venture.

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

Investments in associates and joint ventures (continued)

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset within the scope of IFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal/partial disposal of the relevant associate or joint venture.

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Changes in the Group's interests in associates and joint ventures

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

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

Investments in associates and joint ventures (continued)

Changes in the Group's interests in associates and joint ventures (continued)

Acquisition of additional interests in associates or joint ventures

When the Group increases its ownership interest in an associate or a joint venture but the Group continues to use the equity method, goodwill is recognised at acquisition date if there is excess of the consideration paid over the share of carrying amount of net assets attributable to the additional interests in associates or joint ventures acquired. Any excess of share of carrying amount of net assets attributable to the additional interests in associates or joint ventures acquired over the consideration paid are recognised in the profit or loss in the period in which the additional interest are acquired.

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

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

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

Revenue from contracts with customers (continued)

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

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

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

The selection of the method to measure progress towards completion requires judgment and is based on the nature of the products or services to be provided. Depending on which better depicts the transfer of value to the customer, the Group generally measures its progress using either cost-to-cost (input method) or units produced/services transferred to the customer to date (output method). The Group uses the known cost measure of progress when it best depicts the transfer of value to the customer which occurs as the Group incurs costs on its contract, generally related to fixed fee service contracts. Under the cost-to-cost measure of progress, the extent of progress towards completion is measured based on the ratio of costs incurred to date to the total estimated costs at completion of the performance obligation. Revenue is recorded proportionally as costs are incurred. The units produced/services transferred to the customer to date measure of progress is generally related to rate per unit contracts or contracts for the delivery of services, as the extent of progress towards completion is measured based on discrete service or time-based increments, such as samples tested or services transferred.

As a practical expedient, if the Group has a right to consideration in an amount that corresponds directly with the value of the Group's performance completed to date (for example, service contracts in which the Group bills a fixed amount for each hour of service provided), the Group recognises revenue in the amount to which the Group has the right to invoice.

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

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

Revenue from contracts with customers (continued)

Principal versus agent (continued)

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Contract costs

The Group incurs costs to fulfill a contract in its business. The Group first assess whether these costs qualify for recognition as an asset in terms of other relevant standards, failing which it recognises an asset for these costs only if they meet all of the following criteria:

- the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;
- the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- the costs are expected to be recovered.

Costs to fulfill a contract of the Group mainly consists of cost of materials consumed (determined on a weighted average method), cost of labor and other costs of personnel directly engaged in providing the chemical discovery, development and manufacturing service, including supervisory personnel, and attributable overheads.

The asset recognised is subsequently amortized to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate. The asset is subject to impairment review.

Variable consideration

For contracts that contain variable consideration, the Group estimates the amount of consideration to which it will be entitled using the expected value method or the most likely amount, which better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND 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 of IFRS 16, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Allocation of consideration to components of a contract

The Group applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of equipment and office premises that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight- line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

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.

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

Leases (continued)

The Group as a lessee (continued)

Right-of-use assets (continued)

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

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

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

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

Leases (continued)

The Group as a lessee (continued)

Lease liabilities (continued)

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

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.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use assets. When the modified contract contains one or more additional lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component. The associated non-lease components are included in the respective lease components.

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

Leases (continued)

The Group as a lessee (continued)

Covid-19-related rent concessions

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

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 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 recognised in the profit or loss in the period in which the event occurs.

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognised as receivables at commencement date at amounts equal to net investments in the leases, measured using the interest rate implicit in the respective leases. Initial direct costs (other than those incurred by manufacturer or dealer lessors) are included in the initial measurement of the net investments in the leases. Interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term.

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

Leases (continued)

The Group as a lessor

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies IFRS 15 to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted for under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchanges prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. When a fair value gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is also recognised in profit or loss. When a fair value gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is also recognised in other comprehensive income. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve (attributed to non-controlling interests as appropriate).

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

Foreign currencies (continued)

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non- controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets acquired arising on an acquisition of a foreign operation are treated as assets and liabilities of that foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

Borrowing costs

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 remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation 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 capitalisation.

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

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expense the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

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

Government grants (continued)

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

Retirement benefit costs

The Group participates in two defined contribution schemes:

a) A state-managed retirement benefit scheme in the PRC, pursuant to which the Group pays a fixed percentage of its qualifying staff's wages as contributions to the scheme.

b) A defined contribution plan in the United States of America ("USA"), pursuant to which the Group makes a matching contribution of participants' elective deferral contribution of 100% of the first 2% and 50% for the next 4% of eligible participant contributions. The maximum match is 4% of eligible participant compensation.

Payments to such retirement benefit schemes are charged as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

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

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

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before tax" as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

Taxation (continued)

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

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

Taxation (continued)

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities results in net deductible temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment 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 are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets is functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Sale proceeds of items that are produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the asset is functioning properly), and the related costs of producing those items are recognised in the profit or loss. The cost of those items are measured in accordance with the measurement requirements of IAS 2. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as "right-of-use assets" in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

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

Property, plant and equipment (continued)

Depreciation is recognised so as to write off the cost of assets other than construction in progress less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognised in profit or loss when the asset is derecognised.

Internally-generated intangible assets — research and development expenditure

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

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

Intangible assets (continued)

Internally-generated intangible assets — research and development expenditure (continued)

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible assets so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses (if any) on the same basis as intangible assets that are acquired separately.

Impairment of property, plant and equipment, right-of-use assets, intangible assets and contract costs other than goodwill (see the accounting policy in respect of goodwill above)

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives and contract costs to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

Impairment of property, plant and equipment, right-of-use assets, intangible assets and contract costs other than goodwill (see the accounting policy in respect of goodwill above) (continued)

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 recognises an impairment loss for assets capitalised as contract costs under IFRS 15, the Group assesses and recognises any impairment loss on other assets related to the relevant contracts in accordance with applicable standards. Then, impairment loss, if any, for assets capitalised as contract costs is recognised to the extent the carrying amounts exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services that have not been recognised as expenses. The assets capitalised as contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

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

Impairment of property, plant and equipment, right-of-use assets, intangible assets and contract costs other than goodwill (see the accounting policy in respect of goodwill above) (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

(a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

(b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts which are repayable on demand and form an integral part of the Group's cash management. Such overdrafts are presented as short-term borrowings in the consolidated statement of financial position.

Biological assets

The biological assets of the Group are cynomolgous non-human primates, including cynomolgous monkeys for Contract Research Organization ("CRO") experiment, which are classified as current assets, and cynomolgous monkeys for breeding, which is classified as non-current assets of the Group.

Cynomolgous monkeys are measured on initial recognition and at the end of each reporting period at its fair value less costs to sell. The change in fair value less costs to sell of the cynomolgous monkeys shall be included in profit or loss for the period in which it arises.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND 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 recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Contingent liabilities

A contingent liability is a present obligation arising from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Where the Group is jointly and severally liable for an obligation, the part of the obligation that is expected to be met by other parties is treated as a contingent liability and it is not recognised in the consolidated financial statements.

The Group assesses continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously dealt with as a contingent liability, a provision is recognised in the consolidated financial statements in the reporting period in which the change in probability occurs, except in the extremely rare circumstances where no reliable estimate can be made.

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

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributed to the acquirer of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortized cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

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

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 Business Combinations applies.

Amortized cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortized cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortized cost of the financial asset from the next reporting period. If the credit risk on the credit impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

Interest income is recognised in profit or loss and is included in the “other income” line item.

Financial assets at FVTPL

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

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains and losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the “other gains and losses” line item.

Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. For financial assets measured at amortized cost, exchange differences are recognised in profit or loss in the ‘other gains and losses’ line item (Note 8).

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

Financial instruments (continued)

Financial assets (continued)

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

The Group performs impairment assessment under ECL model on financial assets (including trade and other receivables, amounts due from related parties, cash and cash equivalents and pledged bank deposits) and contract assets, which are subject to impairment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables, contract assets and amounts due from related parties of trade nature. The ECL on these financial assets are assessed collectively using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

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

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

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

Financial instruments (continued)

Financial assets (continued)

Significant increase in credit risk (continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor; or

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definition.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

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

Financial instruments (continued)

Financial assets (continued)

Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

a) significant financial difficulty of the issuer or the borrower;

b) a breach of contract, such as a default or past due event;

c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization;

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

f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

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

Financial instruments (continued)

Financial assets (continued)

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience and forward looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis to cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

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

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortized cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

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

Financial instruments (continued)

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which IFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IFRS 9 permits the entire combined contract to be designated as at FVTPL.

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

Financial instruments (continued)

Financial liabilities and equity instruments (continued)

Financial liabilities at amortized cost

Other financial liabilities including borrowings, trade and other payables and amount due to related parties are subsequently measured at amortized cost, using the effective interest method.

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortized cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortized cost of the instruments. These foreign exchange gains and losses are recognised in the "other gains and losses" line item in profit or loss (Note 8).

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform

For changes in the basis for determining the contractual cash flows of a financial asset or financial liability to which the amortised cost measurement applies as a result of interest rate benchmark reform, the Group applies the practical expedient to account for these changes by updating the effective interest rate, such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if and only if, both these conditions are met:

- the change is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (i.e. the basis immediately preceding the change).

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

Financial instruments (continued)

Treasury shares

Own equity instruments which held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in the statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

Embedded derivatives

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of IFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured in its entirety as either amortised cost or fair value as appropriate.

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of IFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Generally, multiple embedded derivatives in a single instrument that are separated from the host contracts are treated as a single compound embedded derivative unless those derivatives relate to different risk exposures and are readily separable and independent of each other.

Convertible bonds

Convertible bonds issued by the Group that contain both debt and multiple embedded derivatives (including conversion options that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments and redemption options) are classified separately into respective items on initial recognition. At the date of issue, both the debt component and the derivative component are recognised at fair value. In subsequent periods, the debt component of the convertible bonds is carried at amortised cost using the effective interest method. The derivative component is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that relate to the issue of the convertible bonds are allocated to the debt and derivative components in proportion to their relative fair values. Transaction costs relating to the derivative component are charged to profit or loss immediately. Transaction costs relating to the debt component are included in the carrying amount of the debt portion and amortised over the period of the convertible bonds using the effective interest method.

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

Financial instruments (continued)

Hedge accounting

The Group designates certain derivatives as hedging instruments for cash flow hedges.

At the inception of the hedging relationship the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

For the purpose of determining whether a forecast transaction (or a component thereof) is highly probable, the Group assumes that the interest rate benchmark on which the hedged cash flows (contractually or non-contractually specified) are based is not altered as a result of interest rate benchmark reform.

Assessment of hedging relationship and effectiveness

For hedge effectiveness assessment, the Group considers whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulate under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the "other gains and losses" line item.

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

Financial instruments (continued)

Hedge accounting (continued)

Cash flow hedges (continued)

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income. Furthermore, if the Group expects that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

The Group discontinues hedge accounting prospectively only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. Discontinuing hedge accounting can either affect a hedging relationship in its entirety or only a part of it (in which case hedge accounting continues for the remainder of the hedging relationship).

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

Share-based payment transactions

Equity-settled share-based transactions

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payment reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payment reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

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

Share-based payment transactions (continued)

Equity-settled share-based transactions (continued)

When the share options are exercised or when the restricted shares are vested, the amount previously recognised in the share-based payment reserve will be transferred to share premium. When the share options or restricted shares are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payment reserve will continue to be held in share-based payment reserve.

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgment, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Judgments in determining the timing of satisfaction of performance obligations

The Group has different contractual arrangements with different customers. In determining the timing of satisfaction of perform obligations, the management review the contract term of each individual contract. The recognition of FFS revenue under IFRS 15 requires management to apply critical judgements in determining whether the timing of satisfaction of performance obligations is at a point in time or over time.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Critical judgements in applying accounting policies (continued)

Judgments in determining the timing of satisfaction of performance obligations (continued)

Satisfaction of Performance Obligations:

For certain types of revenue under FFS model, the directors of the Company have determined that performance obligations are satisfied over time. Significant judgment is required in determining whether the terms of the Group's contracts with customers in relation to certain type of revenue under FFS model create an enforceable right to payment for the Group. The Group has considered the relevant local laws that are applicable to those relevant contracts and opinion from external legal counsel (if needed).

Depending on which better depicts the transfer of value to the customer, the directors of the Company make judgement to measure the progress of the projects using either cost-to-cost (input method) or units produced/services transferred to the customer to date (output method).

For certain services under FFS method, the directors of the Company have assessed that the Group has a present right to payment from the customers for the services performed at a point in time upon finalization, delivery and acceptance of the deliverable units. Therefore, the directors of the Company have satisfied that the performance obligation of FFS is satisfied at a point in time and recognised FFS revenue at a point in time.

Key sources of estimation uncertainty

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

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. The assumptions applied in determining the value in use of cash-generating units would require significant management estimates, including cash flow forecast, discount rate and long-term average growth rate. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss/further impairment loss may arise. As at December 31, 2022, the carrying amount of goodwill is RMB1,822,102,000 (December 31, 2021: RMB1,925,563,000), net of accumulated impairment loss of RMB220,761,000 (December 31, 2021: RMB140,366,000). Details of the recoverable amount calculation are disclosed in Note 21.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

Impairment on property, plant and equipment and other intangible assets

The Group regularly reviews whether there are any indications of impairment and recognises an impairment loss if the carrying amount of an asset is lower than its recoverable amount. The Group tests for impairment for property, plant and equipment and other intangible assets whenever there is an indication that the asset may be impaired. The recoverable amounts have been determined based on the higher of the fair value less costs of disposal and value in use. The use of estimates are required in these calculations. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the recoverable amounts.

Fair value measurements of financial instruments

Certain of the Group's financial assets, unquoted equity instruments amounting to RMB6,839,202,000 as at December 31, 2022 (December 31, 2021: RMB5,771,360,000) are measured at fair values with fair values being determined based on unobserved inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could affect the reported fair values of these instruments. Further disclosures are detailed in Notes 31 and 44.

Valuation of the embedded derivatives in convertible bonds

The fair value for the embedded derivatives in convertible bonds are established by using valuation techniques. The valuation model is sensitive to changes in certain key inputs including volatility of share prices, risk-free rate and dividend yield that require significant management estimates. Any changes in the estimates and assumptions will affect the fair values of the embedded derivatives in convertible bonds. The carrying amount of embedded derivatives is disclosed in Note 40.

Fair value of share-based compensation

The share-based compensation expense is measured based on the fair value of the share rewards as calculated under the Black-Scholes or binomial option pricing model. Management is responsible for determining the fair value of the share options or restricted shares granted to employees. The key assumptions used to determine the fair value of the share unit awards at the grant date and the re-measure dates include share price on measurement date, expected volatility and risk-free interest rate. Changes in these assumptions could significantly affect the fair value of share awards and hence the amount of compensation expenses the Group recognise in our consolidated financial statements.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

Fair value of biological assets

The Group's biological assets are measured at fair values being determined based on unobserved inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and the relevant inputs thereof. Changes in assumptions relating to these factors could affect the reported fair values of these biological assets. Further disclosures are detailed in Note 26.

Deferred tax assets

As at December 31, 2022, a deferred tax asset of RMB188,056,000 (December 31, 2021: RMB126,215,000) in relation to unused tax losses for certain operating subsidiaries has been recognised in the Group's consolidated statement of financial position. No deferred tax asset has been recognised on the tax losses of RMB1,240,119,000 for non-operating subsidiaries or certain loss making companies due to the unpredictability of future profit streams. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

Provision of ECL for trade receivables and contract assets

The Group uses provision matrix to calculate ECL for the trade receivables and contract assets. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables and contract assets are disclosed in Note 30.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty (continued)

Inventories and contract costs

The Group assesses periodically if cost of inventories and contract cost may not be recoverable based on an assessment of the net realizable value of inventories and contract cost. Allowances are applied to inventories and contract cost where events or changes in circumstances indicate that the net realizable value is lower than the cost of inventories or contract cost. The identification of obsolete inventories requires the use of judgment and estimates on the conditions and usefulness of the inventories and in the case of contract cost, the net realizable value has been determined based on the contracted selling price to be recognised upon the completion of the contract cost less all estimated remaining costs to completion and costs necessary to provide the service. Where the expectation is different from the original estimate, such difference will impact the carrying value of the inventories and contract cost in the year in which such estimate changes.

As at December 31, 2022, the carrying amounts of inventories were approximately RMB3,952,560,000 (December 31, 2021: RMB4,554,577,000), net of write down of inventories of approximately RMB106,785,000 (December 31, 2021: RMB64,488,000).

As at December 31, 2022, the carrying amounts of contract cost were approximately RMB678,759,000 (December 31, 2021: RMB594,912,000).

5. REVENUE

The Group's revenue streams are categorized as follows:

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

Disaggregation of revenue

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

5. REVENUE (continued)

Disaggregation of revenue (continued)

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

	Year ended 31/12/2022 RMB'000	Year ended 31/12/2021 RMB'000
Revenue		
— WuXi Chemistry	**28,849,732**	14,087,220
— WuXi Testing	**5,718,653**	4,525,111
— WuXi Biology	**2,475,147**	1,985,093
— WuXi ATU	**1,308,002**	1,026,401
— WuXi DDSU	**969,629**	1,251,040
— Others	**33,615**	27,520
	39,354,778	22,902,385

Timing of revenue recognition

	Year ended 31/12/2022 RMB'000	Year ended 31/12/2021 RMB'000
Over time		
— WuXi Chemistry	**5,638,627**	4,557,338
— WuXi Testing	**5,718,653**	4,525,111
— WuXi Biology	**2,475,147**	1,985,093
— WuXi ATU	**1,301,078**	1,023,845
— WuXi DDSU	**969,629**	1,251,040
— Others	**22,556**	17,841
	16,125,690	13,360,268
At a point in time		
— WuXi Chemistry	**23,211,105**	9,529,882
— WuXi ATU	**6,924**	2,556
— Others	**11,059**	9,679
	23,229,088	9,542,117

The aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) are RMB32,816 million as at December 31, 2022 (December 31, 2021: RMB29,099 million). The expected amount of revenue recognized in 2023 is RMB24,445 million. The management of the Group expects the majority of the transaction price allocated to the unsatisfied contracts as of each reporting date during the reporting period will be recognised as revenue within two years from the reporting date.

6. SEGMENT INFORMATION

Operating segments are determined based on the Group's internal reports which are submitted to Chief Executive Officer, being the chief operating decision maker ("CODM") of the Group for the purpose of performance assessment and resources allocation. This is also the basis upon which the Group is organized and managed. As a result of this evaluation, the Group determined that it has operating segments as follows:

— WuXi Chemistry

— WuXi Testing

— WuXi Biology

— WuXi ATU

— WuXi DDSU

— Others

6. SEGMENT INFORMATION (continued)

Segment revenue and results

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

	Year ended December 31, 2022						
	WuXi Chemistry *RMB'000*	WuXi Testing *RMB'000*	Wuxi Biology *RMB'000*	Wuxi ATU *RMB'000*	Wuxi DDSU *RMB'000*	Others *RMB'000*	Total *RMB'000*
Segment revenue	28,849,732	5,718,653	2,475,147	1,308,002	969,629	33,615	39,354,778
Segment results	11,404,292	1,983,992	955,886	(106,059)	252,703	15,707	14,506,521
Unallocated amount:							
Other income							644,270
Other gains and losses							1,211,731
Impairment losses under ECL model, net of reversal							(117,279)
Impairment losses of goodwill							(131,285)
Selling and marketing expenses							(731,587)
Administrative expenses							(2,943,833)
R&D expenses							(1,613,953)
Share of results of associates							(52,532)
Share of results of joint ventures							6,261
Finance costs							(159,837)
Profit before tax							10,618,477

6. SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

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

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. The CODM makes decisions according to operating results of each segment. No analysis of segment asset and liability is presented as the CODM does not regularly review such information for the purposes of resources allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

6. SEGMENT INFORMATION (continued)

Entity-wide disclosure

Geographical information

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

	Year ended 31/12/2022 ***RMB'000***	Year ended 31/12/2021 *RMB'000*
Revenue		
— PRC	**7,526,171**	5,802,236
— USA	**25,884,323**	12,146,429
— Europe	**4,432,016**	3,719,295
— Rest of the world	**1,512,268**	1,234,425
	39,354,778	22,902,385

One single customer of WuXi Chemistry contributed more than 10 per cent to the Group's revenue in 2022.

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

	31/12/2022 ***RMB'000***	31/12/2021 *RMB'000*
— PRC	**24,890,891**	17,508,049
— Rest of the world	**5,599,453**	4,428,849
	30,490,344	21,936,898

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

7. OTHER INCOME

	Year ended 31/12/2022 RMB'000	Year ended 31/12/2021 RMB'000
Interest income on bank balances	**190,846**	191,693
R&D grants and others related to		
— asset (i)	**100,207**	69,888
— income (ii)	**342,675**	178,644
Dividend income arising from financial assets at FVTPL	**10,542**	28,343
	644,270	468,568

Notes:

(i) The Group has received certain R&D grants and others to invest in laboratory equipment. The grants and subsidies were recognised in profit or loss over the useful lives of the relevant assets. Details of the grants and subsidies are set out in Note 37.

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

8. OTHER GAINS AND LOSSES

	Year ended 31/12/2022 RMB'000	Year ended 31/12/2021 RMB'000
Net foreign exchange gain (loss)	**263,513**	(139,235)
Gain on financial assets at FVTPL (realized)	**496,551**	1,451,453
(Loss) gain on financial assets at FVTPL (unrealized)	**(433,013)**	273,396
Gain on deemed disposal of subsidiaries	**125,445**	—
Gain on biological assets	**674,523**	630,465
Gain (loss) on financial liabilities at FVTPL	**20,004**	(7,844)
Loss on derivative financial instruments (realized)	**(399,558)**	(6,011)
Gain (loss) on derivative financial instruments (unrealized)	**508,563**	(989,631)
(Loss) gain on disposal of plant and equipment and right-of-use assets	**(20,995)**	258,960
Others	**(23,302)**	(17,962)
	1,211,731	1,453,591

9. IMPAIRMENT LOSSES UNDER ECL MODEL, NET OF REVERSAL

	Year ended 31/12/2022 RMB'000	Year ended 31/12/2021 RMB'000
Impairment losses under ECL model on		
— trade receivables	**114,910**	28,810
— contract assets	**2,369**	2,805
	117,279	31,615

10. FINANCE COSTS

	Year ended 31/12/2022 RMB'000	Year ended 31/12/2021 RMB'000
Interest expense on borrowings	**79,381**	23,653
Interest on lease liabilities	**52,340**	60,220
Effective interest expense on convertible bonds	**21,636**	37,897
Imputed interest expense on payable for acquisition of a subsidiary	**6,480**	6,563
	159,837	128,333

11. INCOME TAX EXPENSE

	Year ended 31/12/2022 RMB'000	Year ended 31/12/2021 RMB'000
Current tax:		
— PRC	**1,457,377**	772,650
— Hong Kong	**154,176**	92,386
— USA	**26,026**	19,728
— Rest of world	**8,671**	18,379
	1,646,250	903,143

11. INCOME TAX EXPENSE (continued)

	Year ended 31/12/2022 RMB'000	Year ended 31/12/2021 RMB'000
Under (over) provision in respect of prior years:		
— PRC	**25,172**	7,978
— Hong Kong	**(3,862)**	8,495
	21,310	16,473
Deferred tax:		
— Current year	**48,306**	(39,954)
	1,715,866	879,662

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

Under the two-tiered profits tax rates regime, the first HK$2,000,000 of profits of qualifying corporations will be taxed at 8.25%, and profits above HK$2,000,000 will be taxed at 16.5%. Only one subsidiary of the Group can be nominated to benefit the regime according to the policy, and WuXi AppTec (HongKong) Limited is subject to the two-tiered profits tax rates regime.

The federal corporate tax rate remains at 21% for both years.

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

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

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

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

11. INCOME TAX EXPENSE (continued)

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

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

	Year ended 31/12/2022 *RMB'000*	Year ended 31/12/2021 *RMB'000*
Profit before tax	**10,618,477**	6,015,609
Tax at the applicable tax rate of 25%	**2,654,619**	1,503,902
Tax effect of expenses not deductible for tax purpose	**114,301**	289,974
Tax effect of income that is exempt from taxation	**(218,401)**	(117,609)
Under provision in respect of prior years	**21,310**	16,473
Effect of unused tax losses and other deductible temporary differences not recognised as deferred tax assets	**196,491**	73,959
Utilization of tax losses and other deductible temporary differences previously not recognised as deferred tax assets	**(4,314)**	(39,402)
Effect on opening deferred tax assets or liabilities resulting from change in applicable tax rate	**19,367**	1,928
Effect of different tax rate of subsidiaries operating in other jurisdictions and tax concession	**(1,059,251)**	(871,584)
Others	**(8,256)**	22,021
Income tax expense	**1,715,866**	879,662

12. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	Year ended 31/12/2022 *RMB'000*	Year ended 31/12/2021 *RMB'000*
Depreciation for property, plant and equipment	**1,555,405**	1,138,145
Depreciation of right-of-use assets	**216,394**	224,157
Amortization of other intangible assets and other non-current assets	**144,866**	117,641
Expense relating to short-term leases	**3,765**	4,041
Expense relating to leases of low-value assets that are not shown above as short-term leases	**3,439**	2,772
Staff cost (including directors' emoluments):		
— Salaries and other benefits	**9,304,841**	6,787,535
— Retirement benefit scheme contributions	**1,072,702**	719,616
— Equity-settled share-based payments	**859,086**	556,623
— Cash-settled share-based payments	**(18,487)**	84,329
Less: capitalised in inventories and contract costs	**(1,499,984)**	(1,399,164)
	11,642,027	8,235,695
Auditor's remuneration	**7,559**	7,619

13. DEEMED DISPOSAL OF SUBSIDIARIES

In May 2022, third-party investors entered into an agreement with Boomray and its subsidiary, subsidiaries of the Group, to inject capital contribution into Boomray. As a result, the Group's equity interest in Boomray was diluted from 70.00% to 41.07%. According to the Amended Articles of Association of Boomray, the Group lost control of Boomray. The deemed disposal of Boomray was completed on May 31, 2022.

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

	At May 31, 2022 *RMB'000*
Net assets disposed of:	
Property, plant and equipment	**4,654**
Right-of-use assets	**3,309**
Other intangible assets	**2,617**
Other non-current assets	**4,214**
Inventories	**133**
Trade and other receivables	**3,581**
Bank balances and cash	**21,193**
Trade and other payables	**(909)**
Lease liabilities — current	**(1,884)**
Lease liabilities — non-current	**(2,065)**
Non-controlling interests	**6,836**
	41,679

	RMB'000
Net assets disposed	41,679
Gain on disposal (Note 8)	125,445
Total consideration	167,124
Satisfied by:	
Fair value of the 41.07% investment retained	167,124
Net cash outflow arising on disposal:	
Bank balances and cash disposed of	21,193

14. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Details of the emoluments paid or payable to the directors and the Chief Executive of the Company for the service provided to the Group during the reporting period are as follows:

	Fees RMB'000	Salaries RMB'000	Performance related bonuses RMB'000	Retirement benefit scheme contribution RMB'000	Share-based compensation RMB'000	Total RMB'000
For the year ended December 31, 2022						
Chief Executive and executive director						
Dr. Ge LI	—	23,969	18,000	69	13,951	55,989
Dr. Steve Qing YANG	—	5,423	3,131	—	7,356	15,910
Dr. Minzhang CHEN (Note)	—	5,502	4,463	—	8,734	18,699
Executive directors						
Mr. Zhaohui ZHANG	—	4,502	2,863	158	4,243	11,766
Dr. Ning ZHAO	—	2,302	—	—	2,960	5,262
Mr. Edward HU	—	7,482	3,064	135	7,065	17,746
Non-executive directors						
Mr. Xiaomeng TONG	—	—	—	—	—	—
Dr. Yibing WU	—	—	—	—	—	—
Independent non-executive directors						
Dr. Jiangnan CAI	400	—	—	—	—	400
Dr. Hetong LOU	400	—	—	—	—	400
Mr. Xiaotong ZHANG	400	—	—	—	—	400
Ms. Yan LIU	400	—	—	—	—	400
Mr. Dai FENG	400	—	—	—	—	400
Total	2,000	49,180	31,521	362	44,309	127,372

Note: Dr. Minzhang CHEN has been appointed as Chief Executive and executive director of the Company since May 2022.

14. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (continued)

	Fees	Salaries	Performance related bonuses	Retirement benefit scheme contribution	Share-based compensation	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
For the year ended December 31, 2021						
Chief Executive and executive director						
Dr. Ge LI	—	7,903	16,800	61	6,155	30,919
Dr. Steve Qing YANG	—	4,572	3,066	—	4,757	12,395
Executive directors						
Mr. Zhaohui ZHANG	—	3,740	2,283	100	1,454	7,577
Dr. Ning ZHAO	—	2,300	936	—	1,368	4,604
Mr. Edward HU	—	4,938	2,772	61	4,935	12,706
Non-executive directors						
Mr. Xiaomeng TONG	—	—	—	—	—	—
Dr. Yibing WU	—	—	—	—	—	—
Independent non-executive directors						
Dr. Jiangnan CAI	363	—	—	—	—	363
Dr. Hetong LOU	363	—	—	—	—	363
Mr. Xiaotong ZHANG	363	—	—	—	—	363
Ms. Yan LIU	363	—	—	—	—	363
Mr. Dai FENG	363	—	—	—	—	363
Total	1,815	23,453	25,857	222	18,669	70,016

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

No emolument of non-executive director was recognized during the year 2022 (2021: Nil).

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

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

14. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (continued)

Five highest paid individuals' emoluments

The five individuals with the highest emoluments in the Group for the year ended December 31, 2022 include four directors (2021: three directors) disclosed above, details of whose remuneration are set out as above. The emoluments of the remaining one highest paid individual for the year ended December 31, 2022 (2021: two) were as follows:

	Year ended 31/12/2022 ***RMB'000***	Year ended 31/12/2021 *RMB'000*
Salaries and other benefits	**4,422**	8,223
Performance-based bonus	**2,318**	6,727
Share-based compensation	**6,466**	7,746
Total	**13,206**	22,696

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

	Number of individuals	
	Year ended 31/12/2022	Year ended 31/12/2021
HK$12,500,001 to HK$13,000,000	**—**	1
HK$14,500,001 to HK$15,000,000	**—**	2
HK$15,000,001 to HK$15,500,000	**1**	1
HK$18,500,001 to HK$19,000,000	**1**	—
HK$20,500,001 to HK$21,000,000	**1**	—
HK$21,500,001 to HK$22,000,000	**1**	—
HK$37,000,001 to HK$37,500,000	**—**	1
HK$65,000,001 to HK$65,500,000	**1**	—
Total	**5**	5

During the year of 2022, H shares under 2022 WuXi AppTec H Share Award and Trust Scheme were awarded to three chief executive and executive directors and three executive directors in respect of their services to the Group (2021: two chief executive and executive directors and three executive directors), further details of which are included in the disclosures in Note 45 to the consolidated financial statements. The fair value of these H shares, which has been recognised in the consolidated statement of profit or loss over the lock-up period, was determined as at the date of grant and the amount included in the consolidated financial statements for the current year is included in the above executive directors' remuneration disclosures.

15. EARNINGS PER SHARE

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

	Year ended 31/12/2022 ***RMB'000***	Year ended 31/12/2021 *RMB'000*
Earnings:		
Profit attributable to owner of the Company	**8,813,713**	5,097,155
Less: Cash dividends attribute to the shareholders of restricted shares expected to be unlocked in the future	**(2,868)**	(4,598)
Earnings for the purpose of calculating basic earnings per share	**8,810,845**	5,092,557
Effect of dilutive potential ordinary shares:		
Add: Cash dividends attribute to the shareholders of restricted shares expected to be unlocked in the future	**2,868**	4,598
Effect of share options issued by a subsidiary	**(1,224)**	(4,915)
Effect of convertible bonds after tax interest	**(487,482)**	—
Earnings for the purpose of calculating diluted earnings per share	**8,325,007**	5,092,240

	Year ended 31/12/2022	Year ended 31/12/2021
Number of Shares ('000):		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**2,931,932**	2,914,820
Effect of dilutive potential ordinary shares:		
Effect of restricted shares and share options issued by the Company	**13,686**	22,897
Effect of the conversion of the convertible bonds	**8,547**	—
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**2,954,165**	2,937,717

15. EARNINGS PER SHARE (continued)

The computation of diluted earnings per share for the year ended December 31, 2022 is based on weighted average number of shares assumed to be in issue after taking into account the effect of restricted shares, share option and the Convertible Bonds (the year ended December 31, 2021: restricted shares and share option) issued by the Company.

The earnings for the purpose of calculating diluted earnings per share for the year ended December 31, 2022 has been adjusted on the effect of share options issued by a subsidiary and the conversion of the Convertible Bonds (the year ended December 31, 2021: share options issued by a subsidiary).

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

16. DIVIDENDS

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

	Year ended 31/12/2022 ***RMB'000***	Year ended 31/12/2021 *RMB'000*
2021 Final-RMB0.5174 (inclusive of tax) per ordinary share (2020: RMB0.363)	**1,529,442**	889,580

Subsequent to the end of the reporting period, the directors of the Company proposes the 2022 profit distribution plan ("2022 Profit Distribution Plan") as follows: a dividend in an aggregate amount of RMB2,644,137,750.80 (2021: RMB1,529,441,704.14) (inclusive of tax) to be paid to shareholders on the record date for determining the shareholders' entitlement to 2022 Profit Distribution plan which amounts to a dividend of RMB0.89266 (2021: RMB0.5174) (inclusive of tax) per ordinary share to all shareholders of the Company. The 2022 Profit Distribution Plan is subject to, amongst others, approval by Shareholders at the forthcoming general meeting.

17. PROPERTY, PLANT AND EQUIPMENT

	Building RMB'000	Machinery RMB'000	Furniture, fixtures and equipment RMB'000	Transportation equipment RMB'000	Others RMB'000	Leasehold improvement RMB'000	Construction in progress ("CIP") RMB'000	Total RMB'000
COST								
At January 1, 2021	2,850,282	1,916,257	4,511,327	20,428	7,549	1,882,182	3,086,115	14,274,140
Additions	85,550	72,591	56,378	21	—	20,928	7,006,788	7,242,256
Transfers from CIP	945,758	996,476	1,656,970	1,112	—	354,257	(3,954,573)	—
Acquisition of a subsidiary	—	—	17,541	—	—	4,125	—	21,666
Transfer to right-of-use assets	—	—	—	—	—	—	(272,684)	(272,684)
Transfer to other intangible assets	—	—	—	—	—	—	(86,212)	(86,212)
Disposals	(10,276)	(14,319)	(85,112)	(763)	(2,956)	—	—	(113,426)
Effect of foreign currency exchange difference	(1,005)	(14,547)	(1,854)	—	(35)	(23,246)	(7,644)	(48,331)
At December 31, 2021	3,870,309	2,956,458	6,155,250	20,798	4,558	2,238,246	5,771,790	21,017,409
Additions	**3,566**	**3,937**	**93,427**	**19**	**—**	**3,829**	**9,064,065**	**9,168,843**
Transfers from CIP	**2,002,441**	**980,567**	**3,861,527**	**9,593**	**—**	**397,771**	**(7,251,899)**	**—**
Transfer to other intangible assets	**—**	**—**	**—**	**—**	**—**	**—**	**(162,418)**	**(162,418)**
Disposals	**(88,855)**	**(36,613)**	**(102,614)**	**(1,361)**	**(61)**	**—**	**—**	**(229,504)**
Disposal of subsidiaries	**—**	**—**	**(3,777)**	**—**	**—**	**—**	**(1,669)**	**(5,446)**
Effect of foreign currency exchange difference	**7,170**	**62,794**	**29,586**	**—**	**79**	**106,269**	**53,436**	**259,334**
At December 31, 2022	**5,794,631**	**3,967,143**	**10,033,399**	**29,049**	**4,576**	**2,746,115**	**7,473,305**	**30,048,218**
DEPRECIATION								
At January 1, 2021	937,062	837,662	1,806,133	12,795	2,123	541,303	—	4,137,078
Provided for the year	196,596	160,428	598,984	2,327	505	179,305	—	1,138,145
Eliminated on disposals	(10,091)	(11,679)	(66,194)	(714)	(2,335)	—	—	(91,013)
Effect of foreign currency exchange difference	(26)	(9,586)	(467)	—	(28)	(5,397)	—	(15,504)
At December 31, 2021	1,123,541	976,825	2,338,456	14,408	265	715,211	—	5,168,706
Provided for the year	**280,577**	**196,435**	**871,050**	**2,535**	**3**	**204,805**	**—**	**1,555,405**
Eliminated on disposals	**(88,033)**	**(19,801)**	**(83,209)**	**(1,274)**	**(61)**	**—**	**—**	**(192,378)**
Disposal of subsidiaries	**—**	**—**	**(324)**	**—**	**—**	**—**	**—**	**(324)**
Effect of foreign currency exchange difference	**346**	**43,580**	**2,094**	**—**	**50**	**25,856**	**—**	**71,926**
At December 31, 2022	**1,316,431**	**1,197,039**	**3,128,067**	**15,669**	**257**	**945,872**	**—**	**6,603,335**
CARRYING VALUE								
At December 31, 2021	2,746,768	1,979,633	3,816,794	6,390	4,293	1,523,035	5,771,790	15,848,703
At December 31, 2022	**4,478,200**	**2,770,104**	**6,905,332**	**13,380**	**4,319**	**1,800,243**	**7,473,305**	**23,444,883**

17. PROPERTY, PLANT AND EQUIPMENT (continued)

The above items of property, plant and equipment except for construction in progress are depreciated on a straight-line basis after taking into account of the residual value as follows:

Building	4.5%–20% per annum
Machinery	9%–20% per annum
Furniture, fixtures and equipment	9%–20% per annum
Transportation equipment	9%––20% per annum
Others	18%–33.33% per annum
Leasehold improvement	over the shorter of the lease term or the expected useful life

18. RIGHT-OF-USE ASSETS

	Leasehold lands *RMB'000*	Land and buildings *RMB'000*	Total *RMB'000*
As at January 1, 2022			
Carrying amount	**709,934**	**1,069,566**	**1,779,500**
As at December 31, 2022			
Carrying amount	**858,501**	**998,985**	**1,857,486**
For the year ended December 31, 2022			
Depreciation charge	**(17,322)**	**(199,072)**	**(216,394)**
Expense relating to short-term leases			**3,765**
Expense relating to leases of low-value assets, excluding short-term leases of low value assets			**3,439**
Total cash outflow for leases (Note)			**627,443**
Additions to right-of-use assets			**280,654**

18. RIGHT-OF-USE ASSETS (continued)

Note:

Amount includes payments of principal and interest portion of lease liabilities, short-term leases, low value assets and payments of lease payments on or before lease commencement date (include leasehold lands). These amounts could be presented in operating, investing or financing cash flows.

The Group leases various offices for its operations. Lease contracts are entered into for fixed term of 1 year to 58 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group regularly entered into short-term leases for warehouse. As at December 31, 2022, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

The amounts of the Group's lease liabilities and interest expense on lease liabilities are disclosed in Note 39 and Note 10, respectively. For the year ended December 31, 2022, the lease agreements do not impose any covenants other than the security interests in the leased assets except for leasehold lands that are held by the lessor. Leased land and buildings may not be used as security for borrowing purposes.

19. GOODWILL

	31/12/2022 *RMB'000*	31/12/2021 *RMB'000*
COST		
At the beginning of year	**2,065,929**	1,533,308
Effect of foreign currency exchange difference	**33,213**	(39,339)
Acquisition of subsidiaries	**—**	571,960
Deregistration of a subsidiary	**(56,279)**	—
At the end of year	**2,042,863**	2,065,929
IMPAIRMENT		
At the beginning of year	**140,366**	141,549
Additions	**131,285**	—
Effect of foreign currency exchange difference	**5,389**	(1,183)
Deregistration of a subsidiary	**(56,279)**	—
At the end of year	**220,761**	140,366
CARRYING VALUES		
At the end of year	**1,822,102**	1,925,563

Particulars regarding impairment assessment on goodwill are disclosed in Note 21.

20. OTHER INTANGIBLE ASSETS

	Trademark RMB'000	Software and others RMB'000	Customer relationship RMB'000	Patent and proprietary technology RMB'000	Total RMB'000
COST					
At January 1, 2021	36,143	277,772	397,917	255,452	967,284
Additions	—	6,853	—	—	6,853
Acquisition of subsidiaries	154,687	3,234	—	175,492	333,413
Transfer from CIP	—	86,212	—	—	86,212
Disposals	—	(11,794)	—	—	(11,794)
Effect of foreign currency exchange difference	(8,225)	(2,720)	(5,065)	(8,767)	(24,777)
At December 31, 2021	182,605	359,557	392,852	422,177	1,357,191
AMORTIZATION					
At January 1, 2021	9,270	151,085	95,831	33,016	289,202
Charge for the year	14,298	40,192	15,381	32,891	102,762
Eliminated on disposals	—	(11,360)	—	—	(11,360)
Effect of foreign currency exchange difference	(533)	(1,632)	(1,313)	(399)	(3,877)
At December 31, 2021	23,035	178,285	109,899	65,508	376,727
IMPAIRMENT					
At January 1, 2021	17,762	—	75,001	—	92,763
Eliminated on disposals	—	—	—	—	—
Effect of foreign currency exchange difference	(406)	—	(1,715)	—	(2,121)
At December 31, 2021	17,356	—	73,286	—	90,642
CARRYING VALUES					
At December 31, 2021	142,214	181,272	209,667	356,669	889,822
At January 1, 2021	9,111	126,687	227,085	222,436	585,319

20. OTHER INTANGIBLE ASSETS (continued)

	Trademark RMB'000	Software and others RMB'000	Customer relationship RMB'000	Patent and proprietary technology RMB'000	Total RMB'000
COST					
At January 1, 2022	182,605	359,557	392,852	422,177	1,357,191
Additions	—	3,987	—	—	3,987
Transfer from CIP	—	162,418	—	—	162,418
Disposals	—	(24,990)	—	—	(24,990)
Disposal/deregistration of subsidiaries	(19,378)	(5,059)	—	—	(24,437)
Effect of foreign currency exchange difference	(2,626)	1,618	19,994	(3,176)	15,810
At December 31, 2022	160,601	497,531	412,846	419,001	1,489,979
AMORTIZATION					
At January 1, 2022	23,035	178,285	109,899	65,508	376,727
Charge for the year	15,626	54,789	21,927	34,145	126,487
Eliminated on disposals	—	(23,482)	—	—	(23,482)
Disposal/deregistration of subsidiaries	(2,022)	(2,336)	—	—	(4,358)
Effect of foreign currency exchange difference	339	1,983	5,427	470	8,219
At December 31, 2022	36,978	209,239	137,253	100,123	483,593
IMPAIRMENT					
At January 1, 2022	17,356	—	73,286	—	90,642
Eliminated on deregistration	(17,356)	—	—	—	(17,356)
Effect of foreign currency exchange difference	—	—	6,769	—	6,769
At December 31, 2022	—	—	80,055	—	80,055
CARRYING VALUES					
At December 31, 2022	123,623	288,292	195,538	318,878	926,331
At January 1, 2022	142,214	181,272	209,667	356,669	889,822

20. OTHER INTANGIBLE ASSETS (continued)

The above intangible assets have finite useful lives. Such intangible assets are amortized on a straight-line basis over the following periods:

Items	Periods
Trademark	10–30 years
Software and others	5–10 years
Customer relationship	10–15 years
Patent and proprietary technology	5–18 years

21. IMPAIRMENT ASSESSMENT ON GOODWILL

The cash flows generated from each subsidiary acquired are independent from those of the other subsidiaries of the Group. Therefore, each of these acquired subsidiaries is a separate cash-generating unit. Management of the Group considered that the synergies arising from each acquisition mainly benefited the corresponding acquired subsidiary. Therefore, for the purposes of impairment assessment, goodwill set out in Note 19 has been allocated to corresponding subsidiaries acquired (eleven individual cash generating units (CGUs)), comprising Unit A — DMPK/ADME Services (XenoBiotic Laboratories, Inc), Unit B — SMO Services (Shanghai MedKey Med-Tech Development Co., Ltd), Unit C — Cell and Gene Therapies Services and Medical Device Testing Services (WuXi AppTec, Inc), Unit D — Structure-based Drug Discovery Services (Crelux GmbH), Unit E — Test Analysis-Drug Evaluation and Test (HD Biosciences Co., Ltd.), Unit F — Clinical Research Services (WuXi Clinical Development, Inc.), Unit G — Statistical Analysis of Clinical Research Data Services (Pharmapace, Inc), Unit H — Laboratory-used Biological Assets Cultivation Business (Suzhou Kanglu Biotechnology Co., Ltd.), Unit I — Lab CRO Services (Abgent Inc.) and Unit J — Drug Quality Analysis and Production Release Solution Services (Nanjing Milestone Pharma Co., Ltd.), Unit K — Cell Theray and Gene Theray Solution Services (Oxford Genetics Limited). The carrying amounts of goodwill allocated to these units are as follows:

	31/12/2022 *RMB'000*	31/12/2021 RMB'000
Unit A	**37,168**	37,168
Unit B	**933**	933
Unit C	**166,841**	152,734
Unit D	**32,078**	29,365
Unit E	**688,722**	688,722
Unit F (Note ii)	**48,316**	164,094
Unit G	**105,489**	96,569
Unit H	**106,300**	106,300
Unit I (Note i)	**—**	—
Unit J	**105,513**	105,513
Unit K	**530,742**	544,165
	1,822,102	1,925,563

Notes:

(i) The Group had recognized full impairment loss in relation to goodwill in Unit I in 2016 and cancelled in 2022.

(ii) During the year ended December 31, 2022, impairment losses of goodwill amounting to RMB131,285,000 allocated to Unit F is recognized.

21. IMPAIRMENT ASSESSMENT ON GOODWILL (continued)

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarized below:

		Unit A	Unit B	Unit C	Unit D	Unit E	Unit F	Unit G	Unit H	Unit J	Unit K
2021	Growth rate	3%	3%	3%	3%	3%	3%	3%	3%	2%	3%
	Discount rate	21%	15%	16%	14%	14%	15%	16%	13%	16%	14%
2022	**Growth rate**	**3%**	**3%**	**3%**	**3%**	**3%**	**3%**	**3%**	**3%**	**2%**	**3%**
	Discount rate	**21%**	**16%**	**16%**	**17%**	**14%**	**15%**	**16%**	**13%**	**16%**	**15%**

The recoverable amounts of these units have been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-7 year period. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the unit's past performance and management's expectations for the market development.

The management of the Group assessed that any reasonably possible change in any of these assumptions would not cause the carrying amounts of Unit A, B, C, D, E, G, H, J and K to exceed their respective recoverable amounts as at December 31, 2022. No impairment loss in relation to goodwill in Unit A, B, C, D, E, G, H, J and K is recognised for the year ended December 31, 2022.

22. INTERESTS IN ASSOCIATES

	31/12/2022 *RMB'000*	31/12/2021 RMB'000
At the beginning of the year	**619,382**	712,337
Addition (Note)	**529,416**	56,016
Share of post-acquisition losses	**(52,532)**	(92,162)
Dividends	**(32,480)**	(41,971)
Exchange effect	**71,883**	(14,838)
At the end of the year	**1,135,669**	619,382

Note:

In May 2021, the Group established WuXi XDC Cayman Inc. ("**XDC Cayman**") with WuXi Biologics (Cayman) Inc., the ultimate controlling shareholders of XDC Cayman. During 2022, the Group injected USD80,000,000 (equivalent to RMB529,416,000) to XDC Cayman. The Group is able to exercise significant influence over XDC Cayman because two of five directors are appointed by the Group according to XDC Cayman's articles of association.

22. INTERESTS IN ASSOCIATES (continued)

These interests in associates are assessed for impairment loss at the end of each reporting period. No impairment loss was recognised during the reporting period for these interests in associates as their present value of the estimated future cash flows discounted at the current market rate of return for similar assets exceed their carrying values.

Details of each of the Group's associates at the end of the reporting period are as follow:

Name of entities	Country of incorporation/ registration	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activity
		December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021	
Jing Medicine Technology (Shanghai), Ltd.	PRC	**30%**	30%	**30%**	30%	Consulting services in pharmaceutical science and technology
WuXi Healthcare Ventures II, L.P. (Fund II) (Note)	Cayman	**17.31%**	17.31%	**17.31%**	17.31%	Investment platform
PICA Health Technologies Limited	Cayman	**32.78%**	32.78%	**32.78%**	32.78%	Investment holding company
Clarity Medical Group Limited	Cayman	**20.83%**	20.83%	**20.83%**	20.83%	Professional ophthalmic services
Clarity Medical Group Holding Limited	Cayman	**14.79%**	20.83%	**14.79%**	20.83%	Professional ophthalmic services
VW Clinical Innovations Limited	Hong Kong	**33.33%**	33.33%	**33.33%**	33.33%	E-Clinical technology company
Suzhou WuXi Huiju Private Equity Fund Management Co., Ltd. ("WuXi Huiju")	PRC	**45%**	45%	**45%**	45%	Investment holding company
Dalian Elite Analytical Instruments Co., Ltd	PRC	**48.44%**	48.44%	**48.44%**	48.44%	Manufacture of high performance liquid chromatography instruments, columns and accessories
WuXi XDC Cayman Inc.	Cayman	**40%**	N/A	**40%**	N/A	Investment holding company

Note:

The Group is able to exercise significant influence over Fund II because two of five general partners of Fund II are appointed by the Group who manage the funds' day to day investment and disposition activities on behalf of the fund under the Article of Association of Fund II.

No additional disclosure of financial information of associates as there is no individually material associate.

22. INTERESTS IN ASSOCIATES (continued)

Aggregate information of associates that are not individually material

	31/12/2022 RMB'000	31/12/2021 RMB'000
The Group's share of loss from continuing operations	**(52,532)**	(92,162)
The Group's share of other comprehensive income (expense)	**71,883**	(14,838)
The Group's share of total comprehensive income (expense)	**19,351**	(107,000)
Aggregate carrying amount of the Group's interests in these associates	**1,135,669**	619,382

23. INTERESTS IN JOINT VENTURES

	31/12/2022 RMB'000	31/12/2021 RMB'000
At the beginning of the year	**58,923**	52,496
Addition	**—**	31,731
Share of post-acquisition gains (losses)	**6,261**	(25,129)
Exchange effect	**2,078**	(175)
At the end of the year	**67,262**	58,923

These interests in joint ventures are assessed for impairment loss at the end of each reporting period. No impairment loss was recognised during the reporting period for these interests in joint ventures as their present value of the estimated future cash flows discounted at the current market rate of return for similar assets exceed their carrying values.

23. INTERESTS IN JOINT VENTURES (continued)

Details of each of the Group's joint ventures at the end of the reporting period are as follows:

Name of entities	Country of incorporation/ registration	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activity
		December 31, 2022	December 31, 2021	**December 31, 2022**	December 31, 2021	
WuXi MedImmune Biopharmaceutical Co. Limited	Hong Kong	**50%**	50%	**50%**	50%	Investment holding company
Shanghai Waigaoqiao WuXi AppTec Incubator Management Co., Ltd.	PRC	**70%**	70%	**50%**	50%	Property leasing of medicine innovation industrial park
CW Data Technologies (Chengdu) Limited	PRC	**39.31%**	40.63%	**35.82%**	37.09%	Data analysis
Faxian Therapeutics, LLC	USA	**50%**	50%	**50%**	50%	Accelerated Drug Discovery
SEA HC Co-GP Limited	Cayman	**50%**	50%	**50%**	50%	Fund management company

No additional disclosure of financial information of joint ventures as there is no individually material joint venture.

Aggregate information of joint ventures that are not individually material

	31/12/2022 *RMB'000*	31/12/2021 *RMB'000*
The Group's share of gain (loss) from continuing operations	**6,261**	(25,129)
The Group's share of other comprehensive income (expense)	**2,078**	(175)
The Group's share of total comprehensive income (expense)	**8,339**	(25,304)
Aggregate carrying amount of the Group's interests in these joint ventures	**67,262**	58,923

24. DEFERRED TAXATION

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

	31/12/2022 *RMB'000*	31/12/2021 *RMB'000*
Deferred tax assets	**492,111**	389,846
Deferred tax liabilities	**(440,462)**	(324,125)
	51,649	65,721

24. DEFERRED TAXATION (continued)

	Deferred Assets								Deferred Liabilities						
	Tax losses	Impairment allowance	Share-based payment	Accrual expenses	Deferred income	Depreciation difference	Derivative financial instruments	Others	Intangible assets arising from acquisition of subsidiaries	Depreciation difference	Financial assets at FVTPL	Biological assets FV change	Derivative financial instruments	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2021	81,238	16,408	127,367	17,574	67,134	127,549	23	25,319	(88,330)	(163,210)	(21,420)	(85,897)	(84,938)	(903)	17,914
Credit (charge) to profit or loss	46,213	8,584	74,980	14,034	18,875	(10,634)	–	42,981	11,045	(16,726)	(80,080)	(51,891)	–	(121)	57,260
Credit to other comprehensive income	–	–	–	–	–	–	525	–	–	–	–	–	50,052	–	50,577
Acquisitions of subsidiaries	–	–	–	–	–	–	–	–	(62,734)	–	–	–	–	–	(62,734)
Exchange differences	(371)	(553)	(408)	(331)	–	(350)	–	95	2,940	2,745	–	–	–	94	3,861
Effect of change in tax rate	(865)	(14)	(387)	(363)	–	–	–	–	–	–	–	–	472	–	(1,157)
At December 31, 2021	126,215	24,425	201,552	30,914	86,009	116,565	548	68,395	(137,079)	(177,191)	(101,500)	(137,788)	(34,414)	(930)	65,721
Credit (charge) to profit or loss	**57,319**	**21,097**	**(73,994)**	**21,237**	**32,624**	**(23,295)**	**–**	**56,443**	**14,754**	**(62,634)**	**(27,848)**	**(59,892)**	**–**	**197**	**(43,992)**
Credit to other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**16,769**	**–**	**–**	**–**	**–**	**–**	**14,042**	**–**	**30,811**
Exchange differences	**4,522**	**397**	**1,942**	**3,631**	**(290)**	**78**	**–**	**3,537**	**(1,174)**	**(13,536)**	**–**	**–**	**27**	**(25)**	**(891)**
At December 31, 2022	**188,056**	**45,919**	**129,500**	**55,782**	**118,343**	**93,348**	**17,317**	**128,375**	**(123,499)**	**(253,361)**	**(129,348)**	**(197,680)**	**(20,345)**	**(758)**	**51,649**

24. DEFERRED TAXATION (continued)

Balances of deductible temporary differences and unused tax losses for which no deferred tax assets have been recognised due to the unpredictability of future profits stream are as follows:

	31/12/2022	31/12/2021
	RMB'000	*RMB'000*
Accrual expenses	**2,078**	575
Impairment allowance	**19,383**	13,818
Deferred income	**40,984**	33,891
Share-based payment	**54,286**	37,235
Tax losses	**1,240,119**	487,723
	1,356,850	573,242

The Group had unrecognised tax losses of RMB1,240,119,000 as at December 31, 2022 (December 31, 2021: RMB487,723,000). These tax losses will be carried forward and expire in years as follows:

	31/12/2022	31/12/2021
	RMB'000	*RMB'000*
2022	**—**	7,140
2023	**38,002**	11,361
2024	**47,449**	17,012
2025	**60,089**	36,403
2026	**50,388**	96,870
2027 and later	**1,044,191**	318,937
	1,240,119	487,723

At the end of each of the reporting period, no deferred tax liability has been recognised in respect of the temporary differences associated with undistributed earnings of oversea subsidiaries because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

25. OTHER NON-CURRENT ASSETS

	31/12/2022 RMB'000	31/12/2021 RMB'000
Rental deposits	**44,989**	43,321
Prepaid expenses (non-current)	**10,610**	16,418
Certificates of deposits	**756,315**	2,100,898
Prepaid land premium (Note)	**214,128**	—
Others	**28,900**	21,756
	1,054,942	2,182,393

Note: The amount represents the lease payment for a 30-year land lease signed by STA Pharmaceutical Singapore Pte. Ltd in December 2022 and the start date of lease term will be March 1, 2023. As at 31 December 2022, the Group has prepaid the full amount of the land lease.

26. BIOLOGICAL ASSETS

Nature of the Group's agricultural activities

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

Carrying value of the Group's biological assets

	Cynomolgous monkeys for breeding RMB'000	Cynomolgous monkeys for experiment RMB'000	Total RMB'000
Carrying value at January 1, 2022	**733,510**	**755,517**	**1,489,027**
Add: Purchases	**34,559**	**38,048**	**72,607**
Breeding costs	**—**	**56,667**	**56,667**
Decrease due to mortality	**(13,674)**	**(9,993)**	**(23,667)**
Decrease due to experiments	**—**	**(293,897)**	**(293,897)**
Gain arising from changes in fair value less costs to sell of biological assets	**369,776**	**304,747**	**674,523**
Transfer among group of monkeys	**(186,186)**	**186,186**	**—**
Carrying value at December 31, 2022	**937,985**	**1,037,275**	**1,975,260**

26. BIOLOGICAL ASSETS (continued)

Carrying value of the Group's biological assets (continued)

Analysed for reporting purposes as:

	31/12/2022 *RMB'000*
Current	**1,037,275**
Non-current	**937,985**
Total	**1,975,260**

Fair value measurement

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

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

Changes in fair value less costs to sell of biological assets include changes in the fair value of the monkeys at the end of each reporting period.

27. INVENTORIES

	31/12/2022 *RMB'000*	31/12/2021 *RMB'000*
Raw material and consumables	**1,331,810**	1,088,137
Work in progress	**1,565,928**	2,195,128
Finished goods	**1,054,822**	1,271,312
	3,952,560	4,554,577

The inventories are net of a write-down of approximately RMB106,785,000 as at December 31, 2022 (December 31, 2021: RMB64,488,000).

28. CONTRACT COSTS

	31/12/2022 RMB'000	31/12/2021 RMB'000
Costs to fulfill contracts	**678,759**	594,912

29. TRADE AND OTHER RECEIVABLES/CONTRACT ASSETS

29.1 TRADE AND OTHER RECEIVABLES

	31/12/2022 RMB'000	31/12/2021 RMB'000
Trade receivables		
— third parties	**6,021,006**	4,690,024
Less: Allowance for credit losses	**(160,253)**	(102,526)
	5,860,753	4,587,498
Other receivables	**141,066**	16,525
Note receivable	**74,621**	48,000
Prepayments	**290,613**	302,910
Interest receivables	**—**	38
Prepaid expenses	**33,280**	27,721
Value added tax recoverable	**1,172,714**	858,760
Rental deposits	**17,314**	11,759
Others (Note)	**—**	115,260
	1,588,542	1,364,448
Total trade and other receivables	**7,590,361**	5,968,471

Note: In September 2020, the Group entered into collar option contract with HSBC Bank (China) Company Limited, the expiry date and the settlement date are December 31, 2021 and January 5, 2022, respectively. The cash settlement of the collar option contract was received during the reporting period.

29. TRADE AND OTHER RECEIVABLES/CONTRACT ASSETS (continued)

29.1 TRADE AND OTHER RECEIVABLES (continued)

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

	31/12/2022	31/12/2021
	RMB'000	*RMB'000*
Within 180 days	**5,273,918**	4,214,825
181 days to 1 year	**363,683**	217,129
1 year to 2 years	**232,599**	170,466
More than 2 years	**65,174**	33,078
	5,935,374	4,635,498

In determining the recoverability of the trade receivables, the Group considers any change in the credit quality of the trade receivables from the date on which the credit was initially granted up to the reporting date. Details of impairment assessment of trade and other receivables are set out in Note 30.

29.2 CONTRACT ASSETS

	31/12/2022	31/12/2021
	RMB'000	*RMB'000*
Contract assets	**1,056,154**	778,965
Less: Allowance for credit losses	**(7,999)**	(5,532)
	1,048,155	773,433

As at January 1, 2021, contract assets amounted to RMB541,953,000.

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

30. OVERVIEW OF THE GROUP'S EXPOSURE TO CREDIT RISK

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. At the end of each reporting period, the Group's maximum exposure to credit risk which cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of the financial position.

Credit terms are granted to customers who are in good credit reputation. In order to minimize the credit risk, the Group reviews the recoverable amount of each individual trade debt periodically and the management also has monitoring procedures to ensure the follow-up action is taken to recover overdue debts. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

In order to minimize credit risk, the Group has also tasked its finance team to develop and maintain the Group's credit risk grading to categorize exposures according to their degree of risk of default. Management uses publicly available financial information and the Group's own historical repayment records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

At December 31, 2022, the Group had concentration of credit risk from the five largest customers as 12.21% (December 31, 2021: 18.71%) of the total gross trade receivables (including those contract assets and amounts due from related parties of trade nature).

The aggregate carrying amount of the Group's trade receivables, contract assets and amounts due from related parties of trade nature as at December 31, 2022 is RMB7,189,185,000 (December 31, 2021: RMB5,501,041,000).

For trade receivables, contract assets and amounts due from related parties of trade nature under IFRS 9, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on these items by using a provision matrix and categorizes its customers into three types: strategic type customers, normal risk type customers, and high risk type customers, based on the reputation, external credit rating, financial quality of debtors and historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions.

30. OVERVIEW OF THE GROUP'S EXPOSURE TO CREDIT RISK (continued)

The following table details the risk profile of trade receivables, contract assets and amounts due from related parties of trade nature:

High risk type customers

	At December 31, 2022	At December 31, 2021
Weighted average expected credit loss rate	**100.00%**	100.00%
Total carrying amount (RMB'000)	**5,716**	11,990
Lifetime ECL (RMB'000)	**(5,716)**	(11,990)
	—	—

Strategic type customers

	At December 31, 2022	At December 31, 2021
Weighted average expected credit loss rate	**0.86%**	0.48%
Total carrying amount (RMB'000)	**4,455,779**	3,364,493
Lifetime ECL (RMB'000)	**(38,277)**	(16,046)
	4,417,502	3,348,447

Normal risk type customers

	At December 31, 2022	At December 31, 2021
Weighted average expected credit loss rate	**4.56%**	3.77%
Total carrying amount (RMB'000)	**2,727,690**	2,124,558
Lifetime ECL (RMB'000)	**(124,259)**	(80,022)
	2,603,431	2,044,536

30. OVERVIEW OF THE GROUP'S EXPOSURE TO CREDIT RISK (continued)

Carrying amount of trade receivables and amounts due from related parties of trade nature by ECL stages

At December 31, 2022

	Lifetime ECL (not credit impaired) *RMB'000*	**Lifetime ECL (credit impaired)** *RMB'000*	**Total** *RMB'000*
Weighted average expected credit loss rate	**1.44%**	**20.63%**	**2.61%**
Total carrying amount (RMB'000)	**5,757,843**	**375,188**	**6,133,031**
Lifetime ECL (RMB'000)	**(82,839)**	**(77,414)**	**(160,253)**
	5,675,004	**297,774**	**5,972,778**

At December 31, 2021

	Lifetime ECL (not credit impaired) *RMB'000*	Lifetime ECL (credit impaired) *RMB'000*	Total *RMB'000*
Weighted average expected credit loss rate	1.16%	19.92%	2.17%
Total carrying amount (RMB'000)	4,467,902	254,174	4,722,076
Lifetime ECL (RMB'000)	(51,896)	(50,630)	(102,526)
	4,416,006	203,544	4,619,550

30. OVERVIEW OF THE GROUP'S EXPOSURE TO CREDIT RISK (continued)

Carrying amount of contract assets by ECL stages

At December 31, 2022

	Lifetime ECL (not credit impaired) *RMB'000*	Lifetime ECL (credit impaired) *RMB'000*	Total *RMB'000*
Weighted average expected credit loss rate	**0.76%**	**—**	**0.76%**
Total carrying amount (RMB'000)	**1,056,154**	**—**	**1,056,154**
Lifetime ECL (RMB'000)	**(7,999)**	**—**	**(7,999)**
	1,048,155	**—**	**1,048,155**

At December 31, 2021

	Lifetime ECL (not credit impaired) *RMB'000*	Lifetime ECL (credit impaired) *RMB'000*	Total *RMB'000*
Weighted average expected credit loss rate	0.71%	—	0.71%
Total carrying amount (RMB'000)	778,965	—	778,965
Lifetime ECL (RMB'000)	(5,532)	—	(5,532)
	773,433	—	773,433

30. OVERVIEW OF THE GROUP'S EXPOSURE TO CREDIT RISK (continued)

Carrying amount of contract assets by ECL stages (continued)

Movement in lifetime ECL that has been recognised for trade receivables and contract assets in accordance with the simplified approach set out in IFRS 9 at December 31, 2022 and 2021.

	Trade receivables (non-credit impaired) *RMB'000*	Trade receivables (credit impaired) *RMB'000*	Contract assets (non-credit impaired) *RMB'000*	Contract assets (credit-impaired) *RMB'000*	Total *RMB'000*
At December 31, 2020	(63,249)	(14,136)	(2,267)	(479)	(80,131)
—Impairment losses (recognized) reversed	(11,676)	(17,134)	(3,284)	479	(31,615)
—Transfers	2,504	(2,504)	—	—	—
—Write-offs	—	2,760	—	—	2,760
—Exchange adjustment	20,525	(19,616)	19	—	928
At December 31, 2021	(51,896)	(50,630)	(5,532)	—	(108,058)
—Impairment losses recognized	**(27,951)**	**(86,959)**	**(2,369)**	**—**	**(117,279)**
—Transfers	**2,963**	**(2,963)**	**—**	**—**	**—**
—Write-offs	**—**	**63,138**	**—**	**—**	**63,138**
—Exchange adjustment	**(5,955)**	**—**	**(98)**	**—**	**(6,053)**
At December 31, 2022	**(82,839)**	**(77,414)**	**(7,999)**	**—**	**(168,252)**

30. OVERVIEW OF THE GROUP'S EXPOSURE TO CREDIT RISK (continued)

Movement in ECL

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Customer category	Trade receivables/ contract assets	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past due amounts.	Strategic	Lifetime ECL	12-months ECL
Watch list	Debtors frequently repays after due date but usually settle after due date	Normal risk	Lifetime ECL	12-months ECL
Doubtful	There has been a significant increase in credit risk since initial recognition through information developed internally or external resources	Normal risk	Lifetime ECL	Lifetime ECL
Loss	There is evidence indicating the asset is credit-impaired	High risk	Lifetime ECL	Lifetime ECL
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	High risk	Amount is written off	Amount is written off

For the purposes of impairment assessment, other receivables and amounts due from related parties of non-trade nature are considered to have low credit risk as the counterparties to these financial assets are mainly related parties and other parties with good reputation. Accordingly, for the purpose of impairment assessment for these financial assets, the loss allowance is measured at an amount equal to 12-months ECL. In determining the ECL for other receivables and amounts due from related parties of non-trade nature, the directors of the Company have taken into account the historical default experience and the future prospects of the industries and/or considering various external sources of actual and forecast economic information, as appropriate, in estimating the probability of default of each of the other receivables occurring within their respective loss assessment time horizon, as well as the loss upon default in each case. The directors of the Company considered that the 12-months ECL allowance is insignificant at the end of each reporting period.

The Group also expects that there is no significant credit risk associated with pledged bank deposits and cash deposits at banks since they are substantially deposited at state-owned banks and other medium or large-sized listed banks. The management of the Group does not expect that there will be any significant losses from non-performance by these counterparties. The credit risk on notes receivable is also assessed as limited because the counterparties are reputable banks with high credit ratings assigned by national credit agencies.

31. FINANCIAL ASSETS AT FVTPL

	31/12/2022 RMB'000	31/12/2021 RMB'000
Current asset		
Structured deposits and financial products	**2,000**	527,288
	2,000	527,288
Non-current assets		
Listed equity securities	**979,673**	2,110,784
Unlisted equity investments (Note i)	**6,839,202**	5,771,360
Unlisted fund investments (Note ii)	**1,135,455**	831,954
	8,954,330	8,714,098

Notes:

(i) As at December 31, 2022, the Group has irrevocably elected to measure investments amounted to RMB40,818,000 in associates held through venture capital organization of the Group at fair value through profit or loss in accordance with IFRS 9.

(ii) The fair values of the unlisted investment funds are based on the net asset values of the investment funds reported to the limited partners by the general partners at the end of the reporting period.

32. BANK BALANCES AND CASH/PLEDGED BANK DEPOSITS

At the end of each reporting period, bank balances and cash of the Group comprised of cash and short term bank deposits with an original maturity of three months or less. The short term bank deposits carry interest at market rates which range from 0.00% to 5.30% per annum as at December 31, 2022 (December 31, 2021: 0.00% to 3.20%)

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

33. DERIVATIVE FINANCIAL INSTRUMENTS

	31/12/2022 RMB'000	31/12/2021 RMB'000
Current assets		
Derivatives under hedge accounting		
Cash flow hedges — Foreign currency forward contracts	**135,636**	216,468
Cash flow hedges — Foreign currency collar option contracts	**—**	12,674
	135,636	229,142
Current liabilities		
Derivatives under hedge accounting		
Cash flow hedges — Foreign currency forward contracts	**115,443**	3,652
	115,443	3,652

Derivatives under hedge accounting

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

	Average strike rate as at December 31, 2022	Notional value as at December 31, 2022 USD'000	Fair value assets as at December 31, 2022 RMB'000
Sell USD			
Less than 3 months	**6.9518**	**247,000**	**4,596**
3 to 6 months	**6.9235**	**136,610**	**2,307**
7 to 12 months	**6.9989**	**732,640**	**128,733**

33. DERIVATIVE FINANCIAL INSTRUMENTS (continued)

Derivatives under hedge accounting (continued)

	Average strike rate as at December 31, 2022	Notional value as at December 31, 2022 USD'000	Fair value liabilities as at December 31, 2022 RMB'000
Sell USD			
Less than 3 months	**6.9278**	**361,000**	**5,734**
3 to 6 months	**6.7364**	**400,960**	**61,263**
7 to 12 months	**6.7334**	**398,630**	**48,446**

	Year ended December 31, 2022		
	Fair value change of derivative financial instruments recognised in other comprehensive income RMB'000	Reclassification from other comprehensive income into profit or loss RMB'000	Profit or loss items
Cash flow hedges			
Anticipated future sales	**(1,016,341)**	**811,043**	**Revenue**
	(1,016,341)	**811,043**	

It is anticipated that the sales will take place within next 12 months at which time the amount recognised in other comprehensive income will be reclassified to profit or loss.

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

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

34. OTHER CURRENT ASSETS

	31/12/2022 RMB'000	31/12/2021 RMB'000
Certificates of deposits	**1,427,795**	—
	1,427,795	—

35. TRADE AND OTHER PAYABLES

	31/12/2022 RMB'000	31/12/2021 RMB'000
Trade payables	**1,630,634**	1,923,298
Salary and bonus payables	**1,913,154**	1,580,452
Payables for acquisition of plant and equipment	**2,309,727**	2,229,717
Accrued expenses	**650,895**	539,691
Other taxes payable	**364,252**	76,753
Interest payable	**3,409**	1,338
Note payable	**18,620**	—
Others	**238,550**	190,623
Considerations received from employees for subscribing restricted A shares of the Company under the WuXi AppTec A Share Incentive Scheme (Note 45)	**124,198**	314,092
	7,253,439	6,855,964

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

	31/12/2022 RMB'000	31/12/2021 RMB'000
Within one year	**1,612,932**	1,901,748
1 year to 2 years	**21,986**	10,877
2 years to 3 years	**8,223**	4,280
More than 3 years	**6,113**	6,393
	1,649,254	1,923,298

36. CONTRACT LIABILITIES

	31/12/2022 RMB'000	31/12/2021 RMB'000
Amounts received in advance for delivery of services	**2,496,637**	2,986,379

As at January 1, 2021, contract liabilities amounted to RMB1,580,980,000.

Revenue of RMB2,301,096,000 was recognised during the year ended December 31, 2022 (December 31, 2021: RMB1,175,154,000) that was included in the contract liabilities at the beginning of the relevant year.

37. DEFERRED INCOME

	31/12/2022 RMB'000	31/12/2021 RMB'000
R&D grants and others related to property, plant and equipment (Note i)	**904,416**	762,571
Other subsidies (Note ii)	**6,506**	8,030
	910,922	770,601

Notes:

i. The Group received R&D grants for capital expenditure incurred for the acquisition of plant and machines. The amounts are deferred and amortized over the estimated useful lives of the respective assets.

ii. Other subsidies are generally provided in relation to the R&D activities of the Group. The grants were recognised in profit or loss as other income upon the Group complied with the conditions attached to the grants and the acknowledged acceptance of compliance.

38. BORROWINGS

	31/12/2022 RMB'000	31/12/2021 RMB'000
Analyzed as:		
Unsecured and unguaranteed	**4,153,206**	2,261,480
	4,153,206	2,261,480

	31/12/2022 RMB'000	31/12/2021 RMB'000
Analyzed as:		
Fixed interest rate	**2,655,817**	1,770,551
Variable interest rate	**1,497,389**	490,929
	4,153,206	2,261,480

38. BORROWINGS (continued)

	31/12/2022 *RMB'000*	31/12/2021 *RMB'000*
Analyzed as:		
Current	**3,874,120**	2,261,480
Non-current	**279,086**	—
	4,153,206	2,261,480

	31/12/2022 *RMB'000*	31/12/2021 *RMB'000*
Analyzed as:		
Borrowings from banks	**4,153,206**	2,261,480
	4,153,206	2,261,480

38. BORROWINGS (continued)

	31/12/2022 RMB'000	31/12/2021 RMB'000
The carrying amounts of the above borrowings are repayable:		
Within one year	**3,874,120**	2,261,480
Within a period of more than one year but not exceeding two years	**9,116**	—
Within a period of more than two years but not exceeding five years	**250,501**	—
Exceeding five years	**19,469**	—
	4,153,206	2,261,480
Less: Amounts due within one year shown under current liabilities	**(3,874,120)**	(2,261,480)
Amounts shown under non-current liabilities	**279,086**	—

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

	31/12/2022	31/12/2021
Effective interest rate:		
Fixed rate borrowings	**2.00%–5.43%**	0.61%–4.50%
Variable rate borrowings	**4.60%–4.90%**	1.13%

39. LEASE LIABILITIES

	31/12/2022	31/12/2021
	RMB'000	*RMB'000*
Lease liabilities payable:		
Within one year	**205,335**	220,183
Within a period of more than one year but not more than five years	**609,167**	593,599
Within a period of more than five years	**374,652**	425,380
	1,189,154	1,239,162
Less: Amount due for settlement with 12 months shown under current liabilities	**(205,335)**	(220,183)
Amount due for settlement after 12 months shown under non-current liabilities	**983,819**	1,018,979

The weighted average incremental borrowing rates applied to lease liabilities range from 3.80% to 4.65% (2021: from 3.85% to 4.65%).

Lease obligations that are denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	USD
	RMB equivalent'000
As at December 31, 2022	**642,244**
As at December 31, 2021	613,369

40. CONVERTIBLE BONDS

On September 17, 2019 (the "Issue Date"), the Company issued a five-year zero coupon convertible bonds (the "Convertible Bonds") in an aggregate principal amount of USD300,000,000. The conversion period is on or after October 28, 2019 up to the close of business on the date falling 10 working days prior to September 17, 2024 (the "Maturity Date") and the price of H shares to be issued in exercise of the right of conversion is initially HK$111.80 per H share. The conversion price is subject to adjustment for, among other things, capital distributions and capitalisation of profits or reserves made by the Company. The conversion price has been adjusted to HK$79.85 per H Share as a result of the approval of the payment of the Profit Distribution and the Capitalisation of Reserve by the Shareholders at the 2019 annual general meeting of the Company with effect from June 4, 2020. The conversion price has been further adjusted to HK$66.17 per H Share as a result of the approval of the payment of the Profit Distribution and the Capitalisation of Reserve by the Shareholders at the 2020 annual general meeting of the Company with effect from June 8, 2021.

The Convertible Bonds comprise two components:

(a) Debt component was initially measured at fair value. It is subsequently measured at amortised cost using the effective interest method after considering the effect of the transaction costs.

(b) Derivative component comprises conversion options and early redemption options (not closely related to the debt component), which was initially measured at fair value.

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

40. CONVERTIBLE BONDS (continued)

The total transaction costs relating to the derivative component were charged to profit or loss. Transaction costs relating to the debt component are included in the carrying amount of the debt portion and amortised over the period of the Convertible Bonds using the effective interest method.

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

	Debt component *RMB'000*	Embedded derivative component *RMB'000*	Total *RMB'000*
Balance at January 1, 2022	**607,140**	**657,317**	**1,264,457**
Interest charge	**21,636**	**—**	**21,636**
Exchange adjustments	**59,979**	**52,552**	**112,531**
Gain arising on changes of fair value	**—**	**(508,563)**	**(508,563)**
Conversion of convertible bonds into shares	**(186,765)**	**(53,372)**	**(240,137)**
As at December 31, 2022	**501,990**	**147,934**	**649,924**

40. CONVERTIBLE BONDS (continued)

During the Reporting Period, convertible bonds with a nominal value of USD26,700,000 (equivalent to RMB185,955,000) (2021: RMB1,282,791,000) have been converted to 3,165,059 shares (2021: 22,020,731 shares) of the Company by the bond holders, as a result, the debt component of the convertible bonds of RMB186,765,000 (2021: RMB1,223,678,000) and the embedded derivative component of the convertible bonds of RMB53,372,000 (2021: RMB1,890,633,000) have been transferred to equity upon the conversion.

No redemption of the Convertible Bonds has occurred up to December 31, 2022.

As at December 31, 2022, the derivative component was measured at fair value with reference to valuation report issued by third-party appraisal agency. And the changes in fair value are recognised in profit or loss during the year.

41. OTHER CURRENT LIABILITIES

	31/12/2022 ***RMB'000***	31/12/2021 *RMB'000*
Payable for acquisition of subsidiaries (Note)	**22,092**	176,241

Note:

In November 2019, the Group acquired a subsidiary at a cash consideration of RMB803,838,000. Amount of RMB147,221,000 will be paid in 3 years after the signing of contract. The payables are measured at amortized cost with imputed interest of 4.30% per annum. This amount will be due in 2023, so it is classified to other current liabilities.

42. SHARE CAPITAL/TREASURY SHARES

Share Capital

	RMB'000
Ordinary shares of RMB1.00 each	
At December 31, 2020 and January 1, 2021	2,441,685
Share premium transferred to share capital (Note)	490,127
Conversion of convertible bonds	22,021
Issue of A shares under 2019 WuXi AppTec A Share Incentive Scheme- Stock Options	2,531
Issue of A shares under 2018 WuXi AppTec A Share Incentive Scheme-Reserved Options	154
Repurchase and cancellation of restricted A shares	(691)
At December 31, 2021 and January 1, 2022	**2,955,827**
Conversion of convertible bonds	**3,165**
Issue of A shares under 2019 WuXi AppTec A Share Incentive Scheme- Stock Options	**1,752**
Repurchase and cancellation of restricted A shares	**(217)**
At December 31, 2022	**2,960,527**

Note:

Pursuant to the written resolutions of the shareholders of the Company passed on May 13, 2021, 2 new shares for every 10 existing shares of the Company were issued out of reserve to all shareholders. As a result, RMB490,126,719 was transferred from share premium to share capital in 2021.

42. SHARE CAPITAL/TREASURY SHARES (continued)

Treasury Shares

	RMB'000
At December 31, 2020 and January 1, 2021	1,189,921
Repurchase and cancellation of restricted A shares	(13,292)
WuXi AppTec A Share Incentive Scheme-Restricted Shares vested	(239,468)
2020 WuXi AppTec H Share Award and Trust Scheme vested	(125,004)
Repurchase of H shares under 2021 H Share Awards	1,651,663
Effects of payments of dividend	(4,598)
At December 31, 2021 and January 1, 2022	**2,459,222**
Repurchase and cancellation of restricted A shares	**(4,311)**
WuXi AppTec A Share Incentive Scheme-Restricted Shares vested	**(192,122)**
2020 WuXi AppTec H Share Award and Trust Scheme vested	**(112,468)**
2021 WuXi AppTec H Share Award and Trust Scheme vested	**(359,088)**
Repurchase of H shares under 2022 H Share Awards	**956,880**
Effects of payments of dividend	**(2,868)**
At December 31, 2022	**2,745,245**

43. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concern while maximizing the return to shareholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged throughout the reporting period.

The capital structure of the Group consists of debts, which includes borrowings and non-trade nature amounts due to related parties, Convertible Bonds, net of bank balances and cash and equity attributable to owners of the Company, comprising share capital and reserves.

The management of the Group regularly reviews the capital structure on a continuous basis taking into account the cost of capital and the risk associated with the capital. The Group will balance its overall capital structure through the payment of dividends and new shares issues as well as the issue of new debts and redemption of existing debts.

44. FINANCIAL INSTRUMENTS

Categories of financial instruments

	31/12/2022 *RMB'000*	31/12/2021 *RMB'000*
Financial assets		
Financial assets measured at fair value	**9,091,966**	9,470,528
Financial assets measured at amortized cost	**14,800,385**	15,318,517
	23,892,351	24,789,045
Financial liabilities		
Financial liabilities measured at fair value	**263,377**	660,969
Financial liabilities measured at amortized cost	**10,206,078**	8,971,651
	10,469,455	9,632,620

Financial risk management objectives and policies

The Group's major financial assets and liabilities include financial assets and liabilities at FVTPL, trade and other receivables, amounts due from related parties, pledged bank deposits, bank balances and cash, certificates of deposits, trade and other payables, amounts due to related parties, derivative financial instruments, debt component of Convertible Bonds and borrowings. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

The Group's activities expose it primarily to currency risk, interest rate risk and other price risk. There has been no change in the Group's and the Company's exposure to these risks or the manner in which it managed and measured the risks during the reporting period.

Currency risk

It is the policy of the Group to enter into foreign exchange forward contracts to manage the risk associated with anticipated sales and purchase transactions denominated in USD up to 12 months (as detailed in Note 33).

44. FINANCIAL INSTRUMENTS (continued)

Market risk (continued)

Currency risk (continued)

The carrying amounts of the Group's main foreign currency denominated monetary assets (trade and other receivables, bank balances and cash, pledged bank deposits and amounts due from related parties) and liabilities (trade and other payables, borrowings, Convertible Bonds and amount due to related parties) at the end of each reporting period are summarized as follows:

	31/12/2022 *RMB'000*	31/12/2021 *RMB'000*
Assets		
USD	**4,217,678**	1,852,559
Liabilities		
USD	**646,525**	2,829,088
Inter-company balances		
USD	**11,075,971**	2,190,742

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in USD against RMB, the foreign currency with which the Group may have a material exposure. 5% represents management's assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis uses outstanding foreign currency denominated monetary items as a base and adjusts their translation at the end of each reporting period for a 5% change in foreign currency rate. A positive number below indicates an increase in profit where USD strengthens 5% against RMB. For a 5% weakening of USD against RMB, there would be an equal and opposite impact on profit.

	Year ended 31/12/2022 *RMB'000*	Year ended 31/12/2021 *RMB'000*
Impact on profit or loss		
USD	**591,016**	47,501

In the opinion of the directors of the Company, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

44. FINANCIAL INSTRUMENTS (continued)

Market risk (continued)

Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances. The directors of the Company consider that the exposure of cash flow interest rate risk arising from variable-rate bank balances is insignificant, therefore no sensitivity analysis on such risk has been prepared.

For the other variable rate borrowing without hedging interest rate risk, the balance are RMB104,469,000 at the year ended December 31, 2022 (December 31, 2021: RMB490,929,000). If the interest rate had been 50 basis points higher/lower and all other variables were held constant, the Group's profit would decrease/increase by RMB522,000 for the year ended December 31, 2022 (2021: RMB919,000).

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

Other price risk

The Group is also exposed to equity price risk arising from financial assets at FVTPL and embedded derivative component of Convertible Bonds.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risk at the reporting date for financial assets at FVTPL and embedded derivative component of Convertible Bonds.

If the prices of the respective equity instruments had been changed based on the 5% higher/lower, the profit for the year ended December 31, 2022 would increase/decrease by RMB447,716,000 (2021: RMB435,705,000), as a result of the changes in fair value of financial assets at FVTPL.

Embedded derivative component of Convertible Bonds:

(1) Changes in share price

If the share price of the Company had been 5% higher/lower while all other input variables of the valuation models were held constant, the Group's profit for the year would have (decrease)/increase as follows:

	31/12/2022 ***RMB'000***
Higher by 5%	**(31,422)**
Lower by 5%	**31,422**

44. FINANCIAL INSTRUMENTS (continued)

Market risk (continued)

Other price risk (continued)

Sensitivity analysis (continued)

(2) Changes in volatility
If the volatility to the valuation model had been 5% higher/lower while all other variables were held constant, the Group's profit for the year would have (decrease)/increase as follows:

	31/12/2022 ***RMB'000***
Higher by 5%	—
Lower by 5%	—

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents and unused banking facilities deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities based on the agreed repayment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash outflows on derivative instruments that settle on a net basis. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual settlement dates as the management of the Group considers that the settlement dates are essential for an understanding of the timing of the cash flows of derivatives.

44. FINANCIAL INSTRUMENTS (continued)

Liquidity risk (continued)

Liquidity and interest risk tables

	Weighted average interest rate %	On demand or less than one year RMB'000	One to five years RMB'000	Over five years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
As at December 31, 2022						
Trade and other payables	N/A	4,325,138	—	—	4,325,138	4,325,138
Amounts due to related parties	N/A	14,498	—	—	14,498	14,498
Borrowings						
— Fixed interest rate	3.01	2,410,012	295,781	24,079	2,729,872	2,655,817
— Variable interest rate	4.68	1,502,567	—	—	1,502,567	1,497,389
Lease liabilities	3.80-4.65	223,930	641,124	401,520	1,266,574	1,189,154
Convertible bonds	1.25	—	521,279	—	521,279	501,990
Payable for acquisition of subsidiaries	4.28	22,092	—	—	22,092	22,092
Total		8,498,237	1,458,184	425,599	10,382,020	10,206,078
Derivatives — net settlement						
Foreign currency forward contracts	N/A	115,443	—	—	115,443	115,443
Total		115,443	—	—	115,443	115,443
As at December 31, 2021						
Trade and other payables	N/A	4,659,068	—	—	4,659,068	4,659,068
Amounts due to related parties	N/A	21,439	—	—	21,439	21,439
Borrowings						
— Fixed interest rate	1.30	1,775,082	—	—	1,775,082	1,770,551
— Variable interest rate	1.13	493,584	—	—	493,584	490,929
Lease liabilities	3.85-4.65	243,155	646,651	445,206	1,335,012	1,239,162
Convertible bonds	1.25	—	653,919	—	653,919	607,140
Payable for acquisition of subsidiaries	4.28	176,241	7,288	—	183,529	183,362
Total		7,368,569	1,307,858	445,206	9,121,633	8,971,651
Derivatives — net settlement						
Foreign currency forward contracts	N/A	3,652	—	—	3,652	3,652
Total		3,652	—	—	3,652	3,652

44. FINANCIAL INSTRUMENTS (continued)

Fair value measurement

This note provides information about how the Group determines fair value of the following financial assets that are measured at fair value on a recurring basis.

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

Financial assets	Fair value as at 12/31/2022 RMB'000	Fair value as at 12/31/2021 RMB'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Structured deposits	**2,000**	527,288	Level 2	Discounted cash flow — Future cash flows are estimated based on expected return	N/A	N/A
Investment in listed companies securities at fair value	**979,673**	1,368,696	Level 1	Active market quoted transaction price	N/A	N/A
Investment in listed companies securities with lock-up period at fair value	**–**	742,088	Level 3	Option Pricing models	Expected volatility	The higher the expected volatility within lock–up period, the lower the fair value
Investment in unlisted funds at fair value (Note)	**1,135,455**	831,954	Level 3	Net asset value of underlying investments value	Net assets	The higher net asset value, the higher the fair value
Unlisted equity investment at fair value	**6,839,202**	5,771,360	Level 3	Back–solve from recent transaction price Market multiple method	IPO/Redemption/ Liquidation probability/ risk – free rate/ expected volatility/ recent transaction price/ liquidity discount	The higher the expected volatility, the higher the fair value. The lower the risk – free rate, the higher the fair value
Foreign currency forward contracts	**135,636**	216,468	Level 2	Discounted cash flow – Future cash flows are estimated based on observable forward exchange rates and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties	N/A	N/A
Collar option contracts	**–**	12,674	Level 3	Option pricing model with forward exchange rates and expected volatility as key inputs	Expected volatility forward exchange rates	The higher the expected volatility, the higher the fair value

44. FINANCIAL INSTRUMENTS (continued)

Fair value measurement (continued)

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

Financial liabilities	Fair value as at 12/31/2022 RMB'000	Fair value as at 12/31/2021 RMB'000	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Foreign currency forward contracts	**115,443**	3,652	Level 2	Discounted cash flow – Future cash flows are estimated based on observable forward exchange rates and contracted forward rates, discounted at a rate that reflects the credit risk of various counterparties	N/A	N/A
Convertible bonds – embedded derivative component	**147,934**	657,317	Level 3	Binominal option pricing with the volatilities and risk-free rates as key inputs	Expected volatility Risk-free rate	The higher the expected volatility, the higher the fair value. The lower risk-free rate the higher the fair value

There were no transfers between level 1 and level 2 during the year.

44. FINANCIAL INSTRUMENTS (continued)

Fair value measurement (continued)

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

Note:

A slight increase in the net asset value of underlying investments of unlisted funds used in isolation would result in a slight increase in the fair value of unlisted funds. A 5% increase/decrease in the net assets while holding all other variables constant would increase the fair value of the unlisted funds by RMB56,773,000 (December 31, 2021: RMB41,598,000) or decrease the fair value of the unlisted funds by RMB56,773,000 (December 31, 2021: RMB41,598,000) as at December 31, 2022.

(ii) Reconciliation of level 3 fair value measurements

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

	Unlisted fund investments at fair value *RMB'000*
At January 1, 2021	391,466
Acquisitions	420,432
Changes in fair value	50,444
Disposal	(1,886)
Dividend	(20,833)
Effect of exchange rate change	(7,669)
At December 31, 2021	**831,954**
Acquisitions	**213,940**
Changes in fair value	**61,144**
Disposal	**(888)**
Dividend	**(23,674)**
Effect of exchange rate change	**52,979**
At December 31, 2022	**1,135,455**

44. FINANCIAL INSTRUMENTS (continued)

Fair value measurement (continued)

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

	Unlisted equity investments at fair value RMB'000
At January 1, 2021	4,489,915
Transferred to level 1 (Note i)	(1,762,994)
Transferred from unlisted equity investments at fair value to listed pharmaceutical companies within lock-up period at fair value (Note i)	(400,261)
Changes in fair value	1,879,342
Acquisition	1,758,072
Disposal	(100,188)
Effect of exchange rate change	(92,526)
At January 1, 2022	**5,771,360**
Changes in fair value	**702,889**
Acquisition	**319,537**
Disposal	**(341,832)**
Effect of exchange rate change	**387,248**
At December 31, 2022	**6,839,202**

	Listed equity securities within lock-up period at fair value RMB'000
At January 1, 2022	**742,088**
Transferred from level 3 to level 1 (Note ii)	**(538,368)**
Changes in fair value	**(209,023)**
Effect of exchange rate change	**5,303**
At December 31, 2022	**—**

44. FINANCIAL INSTRUMENTS (continued)

Fair value measurement (continued)

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

	Collar options *RMB'000*
At December 31, 2021	12,674
Changes in fair value	(12,674)
At December 31, 2022	—

	Convertible bonds — embedded derivative component *RMB'000*
At January 1, 2022	657,317
Changes in fair value	(508,563)
Effect of exchange rate change	52,552
Settlement	(53,372)
At December 31, 2022	147,934

44. FINANCIAL INSTRUMENTS (continued)

Fair value measurement (continued)

(ii) ***Reconciliation of level 3 fair value measurements*** (continued)

Note i: Suzhou Nanomicro Technology Co., Limited ("Suzhou Nanomicro") was listed on The Shanghai Stock Exchange on June 23, 2021, Ambrx Biopharma Inc. was listed on The New York Stock Exchange on June 18, 2021, Adagene Inc., Immunocore Limited, Lyell Immunopharma, Inc. and NRX Pharmaceuticals Inc. were listed on NASDAQ on February 9, 2021, February 5, 2021, June 17, 2021 and June 25, 2021, respectively, Canbridge Pharmaceuticals Inc ("Canbridge") was listed on The Hongkong Stock Exchange on December 10, 2021. Since then, their open market transaction prices can be obtained from the active market. However, since the fair value of Suzhou Nanomicro and Canbridge was measured based on the open market transaction prices multiplied with a liquidity discount due to the lock up period, the Group classify the fair value hierarchy of these investments as level 3.

Note ii: As set out in Note i above, Suzhou Nanomicro and Canbridge were listed during 2021. The lock-up period of both investments was lifted during 2022, thus the Group classify the fair value hierarchy of both investments from level 3 to level 1.

Fair value gains or losses on financial assets and liabilities at FVTPL are included in "other gains and losses" of the total gains or losses for the year ended December 31, 2022, RMB1,314,591,000 (2021: RMB1,729,681,000) was unrealized fair value gains related to financial assets and liabilities at FVTPL on Level 3 fair value measurement held at December 31, 2022.

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

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

45. SHARE-BASED COMPENSATION

STA Share Units and Options Incentive Scheme

STA, as a listed company on NEEQ, has also adopted different employee incentive schemes to provide incentives for its eligible employees since 2015. STA Group has established equity-settled share units and options incentive schemes including the (i) STA Share Option Incentive Scheme (2015); (ii) STA Overseas Employees Incentive Scheme and (iii) STA Share Option Incentive Scheme (2016). None of the eligible STA employees are the Chief Executive or directors of the Company.

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

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

STA Share Units and Options Incentive Scheme	Date of grant	Number of options shares	Exercise price
STA Share Option Incentive Scheme (2015)	May 13, 2015	16,200,000	RMB8.00
STA Overseas Employees Incentive Scheme			
— 1st batch	June 2, 2015	6,330,000	RMB1.79
— 2nd batch	May 23, 2019 and October 13, 2019	186,843	RMB1.79
— 3rd batch	August 8, 2020	192,000	RMB1.79
STA Share Option Incentive Scheme (2016)			
— 1st batch	May 23, 2016	889,200	RMB8.00
— 2nd batch	July 17, 2017	635,940	RMB8.00

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

45. SHARE-BASED COMPENSATION (continued)

STA Share Units and Options Incentive Scheme (continued)

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

STA Share Unites and Options Incentive Scheme	**Outstanding at 1/1/2022**	**Granted during the year**	**Exercised during the year**	**Forfeited during the year**	**Outstanding at 12/31/2022**
STA Share Option Incentive Scheme (2015)	**—**	**—**	**—**	**—**	**—**
STA Overseas Employees Incentive Scheme — 1st batch	**—**	**—**	**—**	**—**	**—**
STA Overseas Employees Incentive Scheme — 2nd batch	**166,043**	**—**	**37,369**	**—**	**128,674**
STA Overseas Employees Incentive Scheme — 3rd batch	**192,000**	**—**	**171,769**	**—**	**20,231**
STA Share Option Incentive Scheme (2016) — 1st batch	**—**	**—**	**—**	**—**	**—**
STA Share Option Incentive Scheme (2016) — 2nd batch	**143,568**	**—**	**142,416**	**1,152**	**—**
Total	**501,611**	**—**	**351,554**	**1,152**	**148,905**
Exercisable at the end of the year	**—**				**—**
Weighted average exercise price	**RMB3.57**	**N/A**	**RMB4.31**	**RMB8.00**	**RMB1.71**

STA Share Unites and Options Incentive Scheme	Outstanding at 1/1/2021	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 12/31/2021
STA Share Option Incentive Scheme (2015)	—	—	—	—	—
STA Overseas Employees Incentive Scheme — 1st batch	—	—	—	—	—
STA Overseas Employees Incentive Scheme — 2nd batch	166,043	—	—	—	166,043
STA Overseas Employees Incentive Scheme — 3rd batch	192,000	—	—	—	192,000
STA Share Option Incentive Scheme (2016) — 1st batch	167,040	—	159,840	7,200	—
STA Share Option Incentive Scheme (2016) — 2nd batch	233,136	—	73,788	15,780	143,568
Total	758,219	—	233,628	22,980	501,611
Exercisable at the end of the year	—				—
Weighted average exercise price	RMB5.07	N/A	RMB8.00	RMB8.00	RMB3.57

45. SHARE-BASED COMPENSATION (continued)

STA Share Units and Options Incentive Scheme (continued)

The fair value of the incentive scheme granted was determined using the Binomial model. These fair values and corresponding inputs into the model were as follows:

	STA Share Incentive Option Scheme (2015)	STA Overseas Employees Incentive Scheme – 1st batch	STA Overseas Employees Incentive Scheme – 2nd batch	STA Overseas Employees Incentive Scheme – 3rd batch	STA Share Option Incentive Scheme (2016) – 1st batch	STA Share Option Incentive Scheme (2016) – 2nd batch
Grant date option fair value per STA share (RMB)	6.32-10.04	20.94	37.78-41.90	42.02- 42.43	47.23-48.09	109.18-111.88
Grant date STA Shares Price (RMB)	25.28	25.28	48.09-49.94	50.12	69.65	132.50
Grant date exercise price (RMB)	26.04	5.38	1.79	1.79	26.04	26.04
Expected volatility	33.48%–36.77%	42.07%	24.60%–29.75%	33.45%–37.75%	32.53%–35.30%	29.90%–34.40%
Expected life (years)	3-6	10	10	2-4	3-6	3-6
Risk-free interest rate	3.08%–3.67%	3.67%	1.58%–1.82%	0.13%–0.19%	2.61%–2.91%	3.50%–3.55%

Expected volatility was determined by using the historical volatility of the comparable companies. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of behavioral considerations. The Group recognised share-based compensation expense of RMB3,172,000 during the year ended December 31, 2022 (2021: RMB7,085,000), in relation to STA Share Option Incentive Scheme.

STA Share Appreciation Incentive Scheme

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

45. SHARE-BASED COMPENSATION (continued)

STA Share Appreciation Incentive Scheme (continued)

(1) Details of specific categories of STA Share Appreciation Incentive Scheme are as follows:

STA Share Appreciation Incentive Scheme	Date of grant	Number of units	Exercise price
STA Share Appreciation Incentive Scheme (2016)			
— 1st batch	May 23, 2016	1,071,000	RMB8.00
— 2nd batch	July 7, 2017	279,000	RMB8.00
STA Share Appreciation Incentive Scheme (2017)	July 7, 2017	123,000	RMB8.00

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

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

STA Share Appreciation Incentive Scheme	Outstanding at 1/1/2022	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at 12/31/2022
STA Share Appreciation Incentive Scheme (2016)					
— 1st batch	—	—	—	—	—
— 2nd batch	31,200	—	31,200	—	—
STA Share Appreciation Incentive Scheme (2017)	18,000	—	14,400	3,600	—
Total	49,200	—	45,600	3,600	—
Exercisable at the end of the year	—				—
Weighted average exercise price	RMB8.00	N/A	RMB8.00	RMB8.00	N/A

45. SHARE-BASED COMPENSATION (continued)

STA Share Appreciation Incentive Scheme (continued)

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

The fair value of the units granted under STA Share Appreciation Incentive Scheme at each reporting date was determined using the Binomial model. These fair values and corresponding inputs into the model were as follows:

STA Share Appreciation Incentive Scheme (2016) — 2nd batch and STA Appreciation Incentive Scheme (2017)	**December 31, 2022**	December 31, 2021
STA Share price (RMB)	**67.44**	53.59
Exercise price (RMB)	**8.00**	8.00
Expected volatility	**29.86%–39.25%**	27.21%–29.18%
Expected life (years)	**0.05–1.05**	0.54-1.54
Risk-free interest rate	**1.90%–1.92%**	0.22%–0.59%

The Group recognised share-based compensation expense of RMB574,000 during the year ended 2022 (2021: RMB2,583,000) in relation to STA Scheme Appreciation Incentive Scheme.

45. SHARE-BASED COMPENSATION (continued)

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

On August 22, 2018, the shareholders' meeting of the Company passed a resolution to issue up to 8,856,900 A Shares of the Company under the 2018 WuXi AppTec A Share Incentive Scheme. On August 28, 2018, 7,085,500 restricted A shares of the Company were approved for a director of the Company and eligible employees to subscribe at the price of RMB45.53 per A Share ("2018 WuXi AppTec A Share Incentive Scheme — First Batch Restricted Shares") and the remaining 1,771,400 A shares will be reserved for future distribution. In October 2018, 6,281,330 number of A Shares were subscribed by directors of the Company and eligible employees and RMB285,989,000 consideration were received by the Company. These granted restricted A Shares have a contractual term of no more than four years and unlock over a three-year period, with 40%, 30% and 30% of the awards unlocking on the first, second and third anniversary date of the A Shares registration date upon meeting certain annual performance conditions. Pursuant to the black-out period provisions of the 2018 WuXi AppTec A Share Incentive Scheme, directors and employees shall not transfer the A Shares which fulfill the unlocking conditions to any third party in any form within the six months from each unlocking anniversary date.

Details of specific categories of restricted shares are as follows:

Categories	Date of grant	Number of restricted A shares	Subscribe price per share
Mr. Edward HU	October 31, 2018	91,000	RMB45.53
Dr. Steve Qing YANG	October 31, 2018	64,800	RMB45.53
Employees	October 31, 2018	6,125,530	RMB45.53

45. SHARE-BASED COMPENSATION (continued)

2018 WuXi AppTec A Share Incentive Scheme — First Batch Restricted Shares (continued)

The fair value of the restricted A shares granted under 2018 WuXi AppTec A Share Incentive Scheme-First Batch Restricted Shares as at the grant date was determined using the Black-Scholes model by factoring the black-out period into the option pricing model. The fair value and corresponding inputs into the model were as follows:

	2018 WuXi AppTec A Share Incentive Scheme First Batch Restricted Shares
Grant date A Share price (RMB)	87.15
Subscribe price (RMB)	45.53
Expected volatility in the black-out period	39.80%–57.50%
Black-out period (year)	0.5
Expected life (years)	2-4
Risk-free interest rate	2.81%–3.26%

The Group did not recognise share-based compensation expense during the year ended December 31, 2022 (2021: RMB14,125,000) in relation to 2018 WuXi AppTec A Share Incentive Scheme — First Batch Restricted Shares.

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

On July 19, 2019, Board of Directors of the Company passed a resolution to grant 542,017 A Shares of the Company to eligible employees to subscribe at the price of RMB32.44 per A Share under the reserved part of 2018 WuXi AppTec A Share Incentive Scheme ("2018 WuXi AppTec A Share Incentive Scheme-Second Batch Restricted Shares") under the authorization of the shareholders' meeting. In September 2019, 478,822 number of A Shares were subscribed by eligible employees and RMB15,533,000 consideration were received by the Company. These granted restricted A Shares have a contractual term of no more than four years and unlock over a three-year period, with 40%, 30% and 30% of the awards unlocking on the first, second and third anniversary date of the A Shares registration date upon meeting certain annual performance conditions. Pursuant to the black-out period provisions of the 2018 WuXi AppTec A Share Incentive Scheme-Second Batch Restricted Shares, employees shall not transfer the A Shares which fulfill the unlocking conditions to any third party in any form within the six months from each unlocking anniversary date.

45. SHARE-BASED COMPENSATION (continued)

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

Details of specific categories of restricted shares are as follows:

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

Set out below are details of the movements of the outstanding restricted A shares granted under the 2018 WuXi AppTec A Share Incentive Scheme-Second Batch Restricted Shares throughout the reporting period:

	Outstanding at January 1, 2022	Granted during the year	Vested during the year	Forfeited during the year	Outstanding at December 31, 2022
2018 WuXi AppTec A Share Incentive Scheme- Second Batch Restricted Shares	154,948	—	131,328	23,620	—
Total	154,948	—	131,328	23,620	—

The fair value of the restricted A shares granted under 2018 WuXi AppTec A Share Incentive Scheme — Second Batch Restricted Shares as at the grant date was determined using the Black-Scholes model by factoring the black-out period into the option pricing model. The fair value and corresponding inputs into the model were as follows:

	2018 WuXi AppTec A Share Incentive Scheme Second Batch Restricted Shares
Grant date A Share price (RMB)	86.70
Subscribe price (RMB)	32.44
Expected volatility in the black-out period	42.00%–46.20%
Black-out period (year)	0.5
Expected life (years)	2-4
Risk-free interest rate	2.54%–2.84%

45. SHARE-BASED COMPENSATION (continued)

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

For the year ended December 31, 2022, the Group has recorded share-based expenses of RMB777,000 (2021: RMB3,505,000) in relation to 2018 WuXi AppTec A Share Incentive Scheme-Second Batch Restricted Shares.

2018 WuXi AppTec A Share Incentive Scheme — Reserved Options

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

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

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

(1) Details of options are as follows:

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

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

45. SHARE-BASED COMPENSATION (continued)

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

Set out below are details of the movements of the outstanding units granted under the 2018 WuXi AppTec A Share Incentive Scheme- Reserved Options throughout the reporting period:

	Outstanding at January 1, 2022	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at December 31, 2022
2018 WuXi AppTec A Share Incentive Scheme- Reserved Options	232,848	—	232,848	—	—
Total	232,848	—	232,848	—	—

The fair value of the restricted A shares granted under 2018 WuXi AppTec A Share Options Incentive Scheme — Reserved Options as at the grant date was determined using the Black-Scholes model. The fair value and corresponding inputs into the model were as follows:

	2018 WuXi AppTec A Share Option Incentive Scheme
Grant date A Share price (RMB)	86.70
Subscribe price (RMB)	64.88
Expected volatility	43.23%–47.09%
Expected life (years)	2-4
Risk-free interest rate	2.70%–2.86%
Dividend yield rate	0.95%

For the year ended December 31, 2022, the Group has recorded share-based expenses of RMB (2,390,000) (2021: RMB1,852,000) in relation to 2018 WuXi AppTec A Share Options Incentive Scheme — Reserved Options.

45. SHARE-BASED COMPENSATION (continued)

2019 WuXi AppTec A Share Incentive Scheme — Restricted Shares

In November 2019, the shareholders' meeting of the Company passed a resolution to issue up to 18,949,977 A Shares of the Company under the 2019 WuXi AppTec A Share Incentive Scheme. On November 25, 2019, 13,400,273 restricted A shares of the Company were approved by the Board of Directors of the Company for a director of the Company and eligible employees to subscribe at the price of RMB32.44 per A Share ("2019 WuXi AppTec A Share Incentive Scheme — Restricted Shares"). In December 2019, 12,942,744 number of A Shares were subscribed by directors of the Company and eligible employees and RMB419,976,000 consideration were received by the Company. These granted restricted A Shares have a contractual term of no more than four years and unlock over a three year period, with 40%, 30% and 30% of the awards unlocking on the first, second and third anniversary date of the A Shares registration date upon meeting certain annual performance conditions. Pursuant to the black-out period provisions of the 2019 WuXi AppTec A Share Incentive Scheme — Restricted Shares, director and employees shall not transfer the A Shares which fulfill the unlocking conditions to any third party in any form within the six months from each unlocking anniversary date.

Details of specific categories of restricted shares are as follows:

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

Set out below are details of the movements of the outstanding units granted under the 2019 WuXi AppTec A Share Incentive Scheme- Restricted Shares throughout the reporting period:

	Outstanding at January 1, 2022	Granted during the year	Vested during the year	Forfeited during the year	Outstanding at December 31, 2022
2019 WuXi AppTec A Share Incentive Scheme- Restricted Shares	6,081,698	—	5,444,870	511,387	125,441
Total	6,081,698	—	5,444,870	511,387	125,441

45. SHARE-BASED COMPENSATION (continued)

2019 WuXi AppTec A Share Incentive Scheme — Restricted Shares (continued)

The fair value of the restricted A shares granted under 2019 WuXi AppTec A Share Incentive Scheme — Restricted Shares as at the grant date was determined using the Black-Scholes model by factoring the black-out period into the option pricing model. The fair value and corresponding inputs into the model were as follows:

	2019 WuXi AppTec A Share Incentive Scheme Restricted Shares
Grant date A Share price (RMB)	64.95
Subscribe price (RMB)	32.44
Expected volatility in the black-out period	42.90%–48.20%
Black-out period (year)	0.5
Expected life (years)	2-4
Risk-free interest rate	2.67%–2.86%
Dividend yield rate	0.95%

For the year ended December 31, 2022, the Group has recorded share-based expenses of RMB52,307,000 (2021: RMB156,485,000) in relation to 2019 WuXi AppTec A Share Incentive Scheme — Restricted Shares.

2019 WuXi AppTec A Share Incentive Scheme — Stock Option

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

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

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

45. SHARE-BASED COMPENSATION (continued)

2019 WuXi AppTec A Share Incentive Scheme — Stock Option (continued)

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

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

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

Set out below are details of the movements of the outstanding units granted under the 2019 WuXi AppTec A Share Incentive Scheme- Stock Option throughout the reporting period:

	Outstanding at January 1, 2022	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at December 31, 2022
2019 WuXi AppTec A Share Incentive Scheme- Stock Option	4,210,571	—	1,905,840	580,100	1,724,631
Total	4,210,571	—	1,905,840	580,100	1,724,631

45. SHARE-BASED COMPENSATION (continued)

2019 WuXi AppTec A Share Incentive Scheme — Stock Option (continued)

The fair value of the restricted A shares granted under 2019 WuXi AppTec A Share Options Incentive Scheme — Stock Option as at the grant date was determined using the Black-Scholes model. The fair value and corresponding inputs into the model were as follows:

	2019 WuXi AppTec A Share Option Incentive Scheme Stock Option
Grant date A Share price (RMB)	89.90
Subscribe price (RMB)	64.88
Expected volatility	43.44%–45.85%
Expected life (years)	1.5-4.5
Risk-free interest rate	2.81%–2.91%
Dividend yield rate	0.95%

For the year ended December 31, 2022, the Group has recorded share-based expenses of RMB18,720,000 (2021 RMB42,614,000) in relation to 2019 WuXi AppTec A Share Options Incentive Scheme — Stock Option.

2019 WuXi AppTec H Share Appreciation Incentive Scheme

On September 20, 2019, 2019 WuXi AppTec H Share Appreciation Incentive Scheme was approved at the shareholders' meeting. Stock appreciation rights have been awarded in units, with each unit representing the value of one H Share of the Company. The total number of units granted under the WuXi AppTec H Share Appreciation Incentive Scheme to eligible employees were 2,901,172 ("2019 WuXi AppTec H Share Appreciation Incentive Scheme"). Upon the exercise of stock appreciation rights, exercising recipients will receive payments in RMB from the Company, subject to any withholding tax, equal to the number of stock appreciation rights exercised times the difference between the subscribe price and market price of the H Share of the Company on the exercise day.

On May 15, 2020, the shareholders' meeting approved to capitalize 4 shares for every 10 shares standing to the credit of the share premium account and distribute RMB3.37 for every 10 shares ("profit distribution plan"). As a result, the number of shares granted under the 2019 WuXi AppTec H Share Appreciation Incentive Scheme has been adjusted to reflect the profit distribution plan and exercise price per share has been adjusted from HKD72.00 to HKD51.43.

On May 13, 2021, the shareholders' meeting approved to capitalize 2 shares for every 10 shares standing to the credit of the share premium account and distribute RMB3.63 for every 10 shares ("2020 profit distribution plan"). As a result, the number of shares granted under the 2019 WuXi AppTec H Share Appreciation Incentive Scheme has been adjusted to reflect the 2020 profit distribution plan and exercise price per share has been adjusted from HKD51.43 to HKD42.86.

45. SHARE-BASED COMPENSATION (continued)

2019 WuXi AppTec H Share Appreciation Incentive Scheme (continued)

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

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

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

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

	Outstanding at January 1, 2022	Granted during the year	Exercised during the year	Forfeited during the year	Outstanding at December 31, 2022
2019 WuXi AppTec H Share Appreciation Incentive Scheme	1,343,735	—	720,285	45,447	578,003
Total	1,343,735	—	720,285	45,447	578,003

45. SHARE-BASED COMPENSATION (continued)

2019 WuXi AppTec H Share Appreciation Incentive Scheme (continued)

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

	December 31, 2022	December 31, 2021
H Share price (HKD)	**82.45**	135.00
Subscribe price (HKD)	**66.17**	42.86
Expected volatility in the black-out period	**43.93%**	55.46%
Expected life (years)	**—**	0.92
Risk-free interest rate	**2.45%**	0.28%
Dividend yield rate	**0.20%**	0.20%

For the year ended December 31, 2022, the Group has recorded share-based expenses of RMB (19,060,000) (2021: RMB81,746,000) in relation to 2019 WuXi AppTec H Share Appreciation Incentive Scheme.

2019 WuXi AppTec A Share Incentive Scheme — Reserved Restricted Shares

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

Details of specific categories of restricted shares are as follows:

	Date of grant	**Number of restricted A shares**	**Subscribe price per share**
2019 WuXi AppTec A Share Incentive Scheme — Reserved Restricted Shares	June 10, 2020	427,000	RMB40.59

45. SHARE-BASED COMPENSATION (continued)

2019 WuXi AppTec A Share Incentive Scheme — Reserved Restricted Shares (continued)

Set out below are details of the movements of the outstanding units granted under the 2019 WuXi AppTec A Share Incentive Scheme-Reserved Restricted Shares throughout the reporting period:

	Outstanding at January 1, 2022	Granted during the year	Vested during the year	Forfeited during the year	Outstanding at December 31, 2022
2019 WuXi AppTec A Share Incentive Scheme-Reserved Restricted Shares	248,717	—	101,376	45,965	101,376
Total	248,717	—	101,376	45,965	101,376

The fair value of the restricted A shares granted under 2019 WuXi AppTec A Share Incentive Scheme-Reserved Restricted Shares as at the grant date was determined using the Black-Scholes model by factoring the black-out period into the option pricing model. The fair value and corresponding inputs into the model were as follows:

	2019 WuXi AppTec A Share Incentive Scheme-Reserved Restricted Shares
Grant date A Share price (RMB)	81.31
Grant date subscribe price (RMB)	40.59
Expected volatility in the black-out period	44.27%- 48.08%
Black-out period (year)	0.5
Expected life (years)	2-4
Risk-free interest rate	1.72%- 2.42%
Dividend yield rate	0.41%

For the year ended December 31, 2022, the Group has recorded share-based expenses of RMB1,264,000 (2021: RMB5,667,000) in relation to 2019 WuXi AppTec A Share Incentive Scheme-Reserved Restricted Shares.

45. SHARE-BASED COMPENSATION (continued)

2020 WuXi AppTec H Share Award and Trust Scheme

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

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

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

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

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

45. SHARE-BASED COMPENSATION (continued)

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

Details of specific categories of restricted shares are as follows:

Categories	Date of grant	Number of Awarded H shares
Dr. Ge Li	02/12/2020	106,449
Mr. Edward Hu	02/12/2020	53,224
Dr. Steve Qing Yang	02/12/2020	53,224
Mr. Zhaohui Zhang	02/12/2020	23,655
Dr. Ning Zhao	02/12/2020	23,655
Mr. Ellis Bih-Hsin Chu	02/12/2020	23,655
Dr. Minzhang Chen	02/12/2020	35,483
Dr. Shuhui Chen	02/12/2020	35,483
Mr. Harry Liang He	02/12/2020	7,885
Ms. Minfang Zhu	02/12/2020	2,628
Ms. Wendy J. Hu	02/12/2020	5,256
Ms. Cuiping Hu	02/12/2020	1,555
Employees	02/12/2020	5,126,514
Employees	02/07/2021	134,654
Employees	10/11/2021	93,677
Employees	21/01/2022	160,894

Set out below are details of the movements of the outstanding units granted under the 2020 WuXi AppTec H Share Award and Trust Scheme throughout the reporting period:

	Outstanding at January 1, 2022	Granted during the year	Vested during the year	Forfeited during the year	Outstanding at December 31, 2022
2020 WuXi AppTec H Share Award and Trust Scheme	4,784,127	160,894	1,403,624	499,199	3,042,198
Total	4,784,127	160,894	1,403,624	499,199	3,042,198

45. SHARE-BASED COMPENSATION (continued)

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

The fair value of the awarded shares was calculated based on the market price of the Company's H shares at the respective grant date. The fair value of awarded shares granted on December 2, 2020 was HKD119.40 per share (equivalent to approximately RMB101.05 per share). The fair value of awarded shares granted on July 2, 2021 was HKD176.60 per share (equivalent to approximately RMB147.17 per share). The fair value of awarded shares granted on November 10, 2021 was HKD157.00 per share (equivalent to approximately RMB128.88 per share). The fair value of awarded shares granted on January 17, 2022 was HKD130.50 per share (equivalent to approximately RMB106.59 per share).

For the year ended December 31, 2022, the Group has recorded share-based expenses of RMB123,694,000 (2021: RMB250,976,000) in relation to 2020 WuXi AppTec H Share Award and Trust Scheme.

2021 WuXi AppTec H Share Award and Trust Scheme

On August 30, 2021, the first extraordinary general meeting of 2021 approved the resolution in relation to the proposed adoption of the 2021 WuXi AppTec H Share Award and Trust Scheme ("2021 H Share Award Scheme") and authorized Board of Directors of the Company to handle related matters. Under 2021 H Share Award Scheme, the Company has signed a trust deed with Computershare Hong Kong Trustees Limited (the "Trustee") and provided Trustee with funds in the amount of not more than HK$2 Billion to purchase H shares of the Company through on-market transactions from time to time at the prevailing market price. On December 15, 2021, Board of Directors of the Company passed a resolution to grant 11,664,074 H Shares of the Company (equivalent to HKD1,907,060,804) to 3,261 eligible employees. These granted awarded H Shares have four vesting period, with 25%, 25%, 25% and 25% of the awards within the year immediately following the first, second, third and fourth anniversary date of the grant date upon meeting certain annual performance conditions.

On September 19, 2022, Board of Directors of the Company passed a resolution to grant 152,780 H Shares of the Company (equivalent to HKD15,245,000) to 30 eligible employees. These granted awarded H Shares have four vesting period, with 0%, 25%, 25% and 50% of the awards within the year immediately following the first, second, third and fourth anniversary date of the employed date upon meeting certain annual performance conditions.

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

45. SHARE-BASED COMPENSATION (continued)

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

Details of specific categories of restricted shares are as follows:

Categories	Date of grant	Number of Awarded H shares
Dr. Ge Li	15/12/2021	157,729
Mr. Edward Hu	15/12/2021	70,563
Dr. Steve Qing Yang	15/12/2021	75,423
Mr. Zhaohui Zhang	15/12/2021	52,576
Dr. Ning Zhao	15/12/2021	35,051
Mr. Ellis Bih-Hsin Chu	15/12/2021	27,946
Dr. Minzhang Chen	15/12/2021	99,709
Dr. Shuhui Chen	15/12/2021	74,609
Mr. Harry Liang He	15/12/2021	11,684
Ms. Minfang Zhu	15/12/2021	4,100
Ms. Wendy J. Hu	15/12/2021	8,199
Mr. Guodong Tong	15/12/2021	35,051
Ms. Hui Xu	15/12/2021	22,909
Employees	15/12/2021	10,988,525
Employees	19/09/2022	152,780

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

	Outstanding at January 1, 2022	Granted during the year	Vested during the year	Forfeited during the year	Outstanding at December 31, 2022
2021 WuXi AppTec H Share Award and Trust Scheme	11,612,033	152,780	2,659,501	1,024,133	8,081,179
Total	11,612,033	152,780	2,659,501	1,024,133	8,081,179

The fair value of the awarded shares was calculated based on the market price of the Company's shares at the respective grant date. The fair value of awarded shares granted on December 15, 2021 was HKD154.50 per share (equivalent to approximately RMB126.78 per share). The fair value of awarded shares granted on September 19, 2022 was HKD68.80 per share (equivalent to approximately RMB60.83 per share).

For the year ended December 31, 2022, the Group has recorded share-based expenses of RMB629,006,000 (2021: RMB72,405,000) in relation to 2021 WuXi AppTec H Share Award and Trust Scheme.

45. SHARE-BASED COMPENSATION (continued)

2022 WuXi AppTec H Share Award and Trust Scheme

On October 13, 2022, the first extraordinary general meeting of 2022 approved the resolution in relation to the proposed adoption of the 2022 WuXi AppTec H Share Award and Trust Scheme ("2022 H Share Award Scheme") and authorized Board of Directors of the Company to handle related matters. Under 2022 H Share Award Scheme, the Company has signed a trust deed with Computershare Hong Kong Trustees Limited (the "Trustee") and provided Trustee with funds in the amount of not more than HK$2 Billion to purchase H shares of the Company through on-market transactions from time to time at the prevailing market price, and in any event the maximum number of H Shares to be so acquired by the Trustee shall be determined by the Board and/or the Delegatee (pursuant to the authorization to be granted by the Shareholders) which shall not exceed 10% (including 10%) above the total number of H Shares acquired by the trustee of the 2021 Scheme in accordance with the instructions of the Company for the purpose of satisfying the awards granted thereunder. On December 20, 2022, Board of Directors of the Company passed a resolution to grant 12,622,067 H Shares of the Company (equivalent to HKD1,040,689,424) to 3,696 eligible employees. These granted awarded H Shares have four vesting period, with 25%, 25%, 25% and 25% of the awards within the year immediately following the first, second, third and fourth anniversary date of the grant date upon meeting certain annual performance conditions.

The employees shall have no right to any dividend underlying the non-vested Awarded Shares or any of the returned shares or any dividend, right to any cash or non-cash income, distribution, sale proceeds of non-cash and non-scrip distributions underlying the returned shares, all of which shall be retained by the Trustee for the benefit of the 2022 H Share Award Scheme.

45. SHARE-BASED COMPENSATION (continued)

2022 WuXi AppTec H Share Award and Trust Scheme (continued)

Details of specific categories of restricted shares are as follows:

Categories	Date of grant	Number of Awarded H shares
Dr. Ge Li	20/12/2022	399,683
Mr. Edward Hu	20/12/2022	189,849
Dr. Steve Qing Yang	20/12/2022	201,565
Dr. Minzhang Chen	20/12/2022	307,596
Dr. Shuhui Chen	20/12/2022	72,846
Mr. Zhaohui Zhang	20/12/2022	99,921
Dr. Ning Zhao	20/12/2022	39,968
Ms. Ming Shi	20/12/2022	46,990
Ms. Hui Xu	20/12/2022	31,798
Ms. Wendy J. Hu	20/12/2022	6,245
Mr. Harry Liang He	20/12/2022	9,992
Ms. Minfang Zhu	20/12/2022	3,122
Mr. Hongping Wan	20/12/2022	3,312
Mr. Huitian Lv	20/12/2022	5,873
Employees	20/12/2022	11,203,307

45. SHARE-BASED COMPENSATION (continued)

2022 WuXi AppTec H Share Award and Trust Scheme (continued)

Set out below are details of the movements of the outstanding units granted under the 2022 WuXi AppTec H Share Award and Trust Scheme throughout the reporting period:

	Outstanding at January 1, 2022	Granted during the year	Vested during the year	Forfeited during the year	Outstanding at December 31, 2022
2022 WuXi AppTec H Share Award and Trust Scheme	—	12,622,067	—	7,234	12,614,833
Total	—	12,622,067	—	7,234	12,614,833

The fair value of the awarded shares was calculated based on the market price of the Company's shares at the respective grant date. The fair value of awarded shares granted on December 20, 2022 was HKD79.30 per share (equivalent to approximately RMB66.36 per share).

For the year ended December 31, 2022, the Group has recorded share-based expenses of RMB31,444,000 (2021: Nil) in relation to 2022 WuXi AppTec H Share Award and Trust Scheme.

46. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statements of cash flows as cash flows from financing activities.

	Dividends payable	Payable for issue cost	Convertible bonds	Lease liabilities	Considerations received for subscribing restricted A shares	Borrowings	Interest payable	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At January 1, 2021	—	—	3,401,089	1,244,539	580,135	1,230,011	848	6,456,622
Financing cash flows	(892,980)	(1,318)	—	(245,935)	(9,091)	1,071,318	(23,164)	(101,170)
Non-cash changes								
— Accrued interest expense	—	—	37,897	60,220	—	—	30,216	128,333
— Dividends declared	892,980	—	—	—	(4,598)	—	—	888,382
— Restricted A shares vested	—	—	—	—	(239,468)	—	—	(239,468)
— Issue costs	—	1,318	—	—	—	—	—	1,318
— Right-of-use assets addition	—	—	—	183,584	—	—	—	183,584
— Right-of-use assets disposal	—	—	—	(9,678)	—	—	—	(9,678)
— Acquisition of a subsidiary	—	—	—	7,006	—	740	—	7,746
— Conversion of convertible bonds into shares	—	—	(3,114,311)	—	—	—	—	(3,114,311)
— Fair value loss	—	—	1,000,599	—	—	—	—	1,000,599
— Foreign exchange effects	—	—	(60,817)	(574)	—	(40,589)	(6,562)	(108,542)
At December 31, 2021	—	—	1,264,457	1,239,162	326,978	2,261,480	1,338	5,093,415
Financing cash flows	**(1,529,442)**	**—**	**—**	**(235,454)**	**(3,367)**	**1,667,958**	**(68,991)**	**(169,296)**
Non-cash changes								
— Accrued interest expense	**—**	**—**	**21,636**	**52,340**	**—**	**—**	**85,861**	**159,837**
— Dividends declared	**1,529,442**	**—**	**—**	**—**	**(2,868)**	**—**	**—**	**1,526,574**
— Restricted A shares vested	**—**	**—**	**—**	**—**	**(192,122)**	**—**	**—**	**(192,122)**
— Right-of-use assets addition	**—**	**—**	**—**	**117,221**	**—**	**—**	**—**	**117,221**
— Right-of-use assets disposal	**—**	**—**	**—**	**(39,197)**	**—**	**—**	**—**	**(39,197)**
— Conversion of convertible bonds into shares	**—**	**—**	**(240,137)**	**—**	**—**	**—**	**—**	**(240,137)**
— Fair value gain	**—**	**—**	**(508,563)**	**—**	**—**	**—**	**—**	**(508,563)**
— Foreign exchange effects	**—**	**—**	**112,531**	**58,391**	**—**	**223,768**	**(14,799)**	**379,891**
— Deemed disposal of subsidiaries	**—**	**—**	**—**	**(3,309)**	**—**	**—**	**—**	**(3,309)**
At December 31, 2022	**—**	**—**	**649,924**	**1,189,154**	**128,621**	**4,153,206**	**3,409**	**6,124,314**

47. CAPITAL COMMITMENTS

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

	31/12/2022	31/12/2021
	RMB'000	*RMB'000*
Commitments for the acquisition of property, plant and equipment	**4,080,590**	4,238,978
Commitments for the investments in associates and joint ventures	**2,612**	2,391
	4,083,202	4,241,369

48. RETIREMENT BENEFIT PLANS

The employees of the Group's subsidiaries in the PRC are members of the state-managed retirement benefits schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of payroll costs to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the specified contributions.

The total cost charged to profit or loss in respect of the above-mentioned schemes amounted to approximately RMB1,028,906,000 for the year ended December 31, 2022 (2021: RMB683,731,000).

The Group has a defined contribution plan in the USA where participating employees may contribute to the plan 1% to 99% of their eligible annual compensation as defined in the Plan, up to the Internal Revenue Service contribution (the "IRS contribution") limit of USD20,500 for the year ended December 31, 2022.

The Group makes a matching contribution of participants' elective deferral contribution of 100% of the first 2% and 50% for the next 4% of eligible participant contributions, with a maximum matching contribution of 4.0% of eligible participant compensation.

The total cost charged to expense in respect to the above-mentioned defined contribution plan amounted to approximately USD6,516,000, equivalent to RMB43,796,000 (2021: USD5,563,000, equivalent to RMB35,885,000) for the year ended December 31, 2022.

49. CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at December 31, 2022 (December 31, 2021: nil).

50. RELATED PARTY TRANSACTIONS AND BALANCES

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

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

(1) Names and relationships with related parties

The following companies are significant related parties of the Group that had transactions and/or balances with the Group during the reporting period.

Companies	Relationship
Faxian Therapeutics, LLC.	Joint venture
Shanghai Waigaoqiao WuXi AppTec Incubator Management Co., Ltd.	Joint venture
WuXi MedImmune Biopharmaceutical Co. Limited	Joint venture
SEA HC GP Pte. Ltd	Joint venture
Jing Medicine Technology (Shanghai) Ltd.	Associate
PhageLux Inc.	Associate
WuXi XDC Cayman Inc	Associate
WuXi XDC Hong Kong Limited	Associate
WuXi XDC (Changzhou) Co., Ltd.	Associate
WuXi XDC (Shanghai) Co., Ltd.	Associate
WuXi XDC Co., Ltd.	Associate
Chengdu Kangde Renze Real Estate Co., Ltd.	Fellow subsidiary
Shanghai Housheng Investment Center LP	Fellow subsidiary
WuXi NextCode Genomics (Shanghai) Co., Ltd. (Note a)	Fellow subsidiary
WuXi Biologics Biosafety Testing (Suzhou) Co., Ltd.	Entity or subsidiaries of the entity having director by ultimate Controlling Shareholder of the Company
WuXi Biologics (Zhejiang) Co., Ltd.	Entity or subsidiaries of the entity having director by ultimate Controlling Shareholder of the Company
WuXi Biopharmaceuticals (Shanghai) Co., Ltd.	Entity or subsidiaries of the entity having director by ultimate Controlling Shareholder of the Company
WuXi Biologics Co., Ltd.	Entity or subsidiaries of the entity having director by ultimate Controlling Shareholder of the Company
WuXi Biologics USA, LLC	Entity or subsidiaries of the entity having director by ultimate Controlling Shareholder of the Company

50. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(1) Names and relationships with related parties (continued)

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

Note:

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

50. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(2) Related party transactions:

(a) Provision of R&D service

	Year ended 31/12/2022 ***RMB'000***	Year ended 31/12/2021 *RMB'000*
Associates	**126,590**	12,901
Joint ventures	**10**	10,729
Entities significantly influenced by a Controlling Shareholder	**25,679**	24,000
Entity or subsidiaries of the entity having director by ultimate Controlling Shareholder of the Company	**38,132**	41,504
Fellow subsidiaries	**—**	406
	190,411	89,540

(b) R&D service received

	Year ended 31/12/2022 ***RMB'000***	Year ended 31/12/2021 *RMB'000*
Associates	**2,323**	—
Entity or subsidiaries of the entity having director by ultimate Controlling Shareholder of the Company	**724**	8,120
Fellow subsidiaries	**—**	4,261
	3,047	12,381

50. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(2) Related party transactions: (continued)

(c) Provision of administrative service

	Year ended 31/12/2022 RMB'000	Year ended 31/12/2021 RMB'000
Associates	**1,046**	—
Joint ventures	**5,539**	2,795
Entity or subsidiaries of the entity having director by ultimate Controlling Shareholder of the Company	**4,191**	4,386
Entities significantly influenced by a Controlling Shareholder	**—**	2,354
Fellow subsidiaries	**—**	9
	10,776	9,544

(d) Sales of raw materials

	Year ended 31/12/2022 RMB'000	Year ended 31/12/2021 RMB'000
Associates	**4,236**	—
Entity or subsidiaries of the entity having director by ultimate Controlling Shareholder of the Company	**—**	3,569
	4,236	3,569

50. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(2) Related party transactions: (continued)

(e) Provision of premises leasing services

	Year ended 31/12/2022 RMB'000	Year ended 31/12/2021 RMB'000
Associates	**3,865**	—
Entity or subsidiaries of the entity having director by ultimate Controlling Shareholder of the Company	**1,229**	2,383
	5,094	2,383

(f) Sequencing service received

	Year ended 31/12/2022 RMB'000	Year ended 31/12/2021 RMB'000
Fellow subsidiaries	**—**	1,081
	—	1,081

(g) Disposal of business

	Year ended 31/12/2022 RMB'000	Year ended 31/12/2021 RMB'000
Entity or subsidiaries of the entity having director by ultimate Controlling Shareholder of the Company	**—**	280,000
	—	280,000

50. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(2) Related party transactions: (continued)

(h) Sales of property and equipment

	Year ended 31/12/2022 *RMB'000*	Year ended 31/12/2021 *RMB'000*
Entity or subsidiaries of the entity having director by ultimate Controlling Shareholder of the Company	**3**	162
Fellow subsidiaries	**7**	5
	10	167

(i) Purchase of property and equipment

	Year ended 31/12/2022 *RMB'000*	Year ended 31/12/2021 *RMB'000*
Entity or subsidiaries of the entity having director by ultimate Controlling Shareholder of the Company	**—**	3,849
Fellow subsidiaries	**13**	1
	13	3,850

50. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(2) Related party transactions: (continued)

(j) Administrative service received

	Year ended 31/12/2022 *RMB'000*	Year ended 31/12/2021 *RMB'000*
A fellow subsidiary	**—**	219
A joint venture	**682**	—
	682	219

(k) Rental expenses

	Year ended 31/12/2022 *RMB'000*	Year ended 31/12/2021 *RMB'000*
A joint venture	**—**	266
	—	266

Note: Instead of applying the recognition requirements of IFRS 16, the Group elects to account for lease payments as an expense on a straight-line basis over the lease term for leases with a lease term of 12 months or less and containing no purchase options or leases where the underlying asset has a low value.

50. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(2) Related party transactions: (continued)

(l) *Purchase of raw materials*

	Year ended 31/12/2022 RMB'000	Year ended 31/12/2021 RMB'000
Entity or subsidiaries of the entity having director by ultimate Controlling Shareholder of the Company	**2,200**	3,057
Fellow subsidiaries	**—**	2
	2,200	3,059

(m) *Interest expenses on lease liabilities*

	Year ended 31/12/2022 RMB'000	Year ended 31/12/2021 RMB'000
A fellow subsidiary	**—**	472
A joint venture	**458**	465
	458	937

(n) *Depreciation charge on right-of-use assets*

	Year ended 31/12/2022 RMB'000	Year ended 31/12/2021 RMB'000
A fellow subsidiary	**—**	3,639
A joint venture	**3,833**	2,383
	3,833	6,022

50. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(2) Related party transactions: (continued)

(o) Disposal of the equity investment

	Year ended 31/12/2022 *RMB'000*	Year ended 31/12/2021 *RMB'000*
Entities significantly influenced by a subsidiary of the Company	**—**	24,257
	—	24,257

(p) Capital contribution

	Year ended 31/12/2022 *RMB'000*	Year ended 31/12/2021 *RMB'000*
An associate	**529,416**	—
	529,416	—

(q) Donations from related parties

In 2022, the Group received a cash donation of RMB82,000,000 from Shanghai Housheng Investment Center LP. No obligation or consideration was attached to this donation and the fund was used as general operating bonus.

50. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(3) Related party balances

AMOUNTS DUE FROM RELATED PARTIES

	31/12/2022	31/12/2021
	RMB'000	*RMB'000*
Trade receivables		
Associates	**98,412**	1,652
Entity or subsidiaries of the entity having director by ultimate Controlling Shareholder of the Company	**11,113**	25,900
Entities significantly influenced by a Controlling Shareholder	**2,500**	4,500
	112,025	32,052
Non-trade related		
Other receivables		
Associates	**5,322**	—
A joint venture	**3,081**	2,795
Entity or subsidiaries of the entity having director by ultimate Controlling Shareholder of the Company	**2,527**	284,200
Entity significantly influenced by a subsidiary of the Company	**—**	24,257
Fellow subsidiaries	**—**	6
Other receivables	**10,930**	311,258
Other non-current assets	**—**	—
Total amounts due from related parties	**122,955**	343,310

50. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(3) Related party balances (continued)

AMOUNTS DUE FROM RELATED PARTIES (continued)

The Group

The Group allows a credit period within 90 days to its customers. The following is an aging analysis of trade related amounts due from related parties (net of allowance for impairment losses) presented based on the invoice dates, at the end of each year in the reporting period:

	31/12/2022	31/12/2021
	RMB'000	*RMB'000*
Within 90 days	**112,025**	32,052

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

As at December 31, 2022, included in the contract assets of the Group is RMB2,667,000 (December 31, 2021: RMB7,523,000) due from joint ventures and entity or subsidiaries of the entity having director by ultimate Controlling Shareholder of the Company.

As at December 31, 2022, included in the right-of-use assets of the Group is RMB7,780,000 due from a joint venture of the Group (December 31, 2021: RMB8,877,000 due to a joint venture of the Group).

The Group entered into several leases with related parties during the year 2022, the total amount of cost of right-of-use assets recognized in 2022 is RMB2,736,000.

50. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(3) Related party balances (continued)

AMOUNTS DUE TO RELATED PARTIES

	31/12/2022	31/12/2021
	RMB'000	*RMB'000*
Considerations received from key management personnel for subscribing restricted A shares of the Company under the 2019 and 2018 WuXi AppTec A Share Incentive Scheme (Note 45)	**4,423**	12,886
Trade payables		
Associates	**9,711**	—
Entity or subsidiaries of the entity having director by ultimate Controlling Shareholder of the Company	**349**	7,708
Other payables		
Fellow subsidiaries	**15**	845
	14,498	21,439

As at December 31, 2022, included in the contract liabilities of the Group is RMB12,024,000 (December 31, 2021: RMB22,854,000) received from associates, a joint venture, an entity significantly influenced by a Controlling Shareholder and an entity or subsidiary of the entity having director by ultimate Controlling Shareholder of the Company in advance of delivery of services.

As at December 31, 2022, nil is included in the prepayment of the Group (December 31, 2021: RMB98,000) to entity or subsidiaries of the entity having director by ultimate Controlling Shareholder of the Company.

As at December 31, 2022, included in the lease liabilities of the Group is RMB7,879,000 due to a joint venture of the Group (December 31, 2021: RMB9,562,000 due to a joint venture of the Group).

50. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(4) Compensation of key management personnel

The remuneration of the directors of the Company and other members of key management of the Group during the reporting period were as follows:

	Year ended 31/12/2022 *RMB'000*	Year ended 31/12/2021 *RMB'000*
Director Fee	**2,000**	1,966
Salaries and other benefits	**62,740**	41,167
Performance-based bonus	**36,143**	34,773
Share-based compensation	**53,700**	30,255
	154,583	108,161

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

51. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

51.1 General information of subsidiaries

Details of the subsidiaries directly and indirectly held by the Company at the end of the reporting period are set out below.

Full Name of subsidiaries	Place and date of Incorporation/ establishment	Type of legal entity under PRC law	Authorized share capital/ Registered capital	Attributable equity interest held by the Company as at December 31, 2022		December 31, 2021		Principal activities
				Direct	Indirect	Direct	Indirect	
WXAT Shanghai (上海藥明康德新藥開發有限公司)	PRC/April 2, 2002	Limited liability company	RMB12,457,200,000	**100.00%**	**—**	—	100.00%	—Discovery, research and development of small molecule
Shanghai SynTheAll Pharmaceutical Co., Ltd. (上海合全藥業股份有限公司) ("STA")	PRC/January 23, 2003	Limited liability company	RMB531,338,000	**—**	**98.56%**	—	98.29%	Process development, improvement and production services for small molecule drugs
Shanghai STA Pharmaceutical R&D Co., Ltd. (上海合全藥物研發有限公司) ("STARD")	PRC/April 15, 2011	Limited liability company	RMB330,000,000	**—**	**98.56%**	—	98.29%	Process development, services for small molecule drugs
Changzhou SynTheAll Pharmaceutical Co., Ltd. (常州合全藥業有限公司) ("STACZ")	PRC/ September 29, 2013	Limited liability company	RMB4,049,900,000	**—**	**98.56%**	—	98.29%	Process development, improvement and production services for small molecule drugs
WuXi AppTec (Wuhan) Co., Ltd (武漢藥明康德新藥開發有限公司) ("WXAT Wuhan")	PRC/ November 12, 2010	Limited liability company	RMB196,239,000	**60.00%**	**40.00%**	60.00%	40.00%	Discovery, research and development of small molecule drugs
WuXi AppTec (Nantong) Co., Ltd (南通藥明康德醫藥科技有限公司) ("WXAT Nantong")	PRC/ April 26,2018	Limited liability company	RMB875,000,000	**—**	**100.00%**	—	100.00%	Pharmaceutical research and development
WuXi AppTec (Suzhou) Co., Ltd. (蘇州藥明康德新藥開發有限公司) ("WXAT Suzhou")	PRC/October 8, 2006	Limited liability company	RMB1,050,000,000	**80.06%**	**19.94%**	80.06%	19.94%	Pharmacology, toxicology and safety evaluation research services
WuXi AppTec (Tianjin) Co., Ltd. (天津藥明康德新藥開發有限公司) ("WXAT Tianjin")	PRC/March 26, 2012	Limited liability company	RMB800,000,000	**100.00%**	**—**	100.00%	—	Discovery, research and development of small molecule drugs
WuXi AppTec (Chengdu) Co., Ltd. (成都藥明康德新藥開發有限公司)	PRC/ September 20, 2017	Limited liability company	RMB550,000,000	**100.00%**	**—**	100.00%	—	Discovery, research and development of small molecule drugs

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the year.

51. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

51.2 Details of non-wholly subsidiaries that have material non-controlling interests

	Principal place of business and place of incorporation	Proportion of ownership interests as at		Profit allocated to non-controlling interests for the year ended		Accumulated non-controlling interests as at	
		31/12/2022	31/12/2021	31/12/2022 RMB'000	31/12/2021 RMB'000	31/12/2022 RMB'000	31/12/2021 RMB'000
STA Group	PRC	**98.56%**	98.29%	**97,982**	37,937	**266,425**	195,399
Individually immaterial subsidiaries with non-controlling interests				**(9,084)**	855	**70,295**	70,554
Total				**88,898**	38,792	**336,720**	265,953

Summarized financial information in respect of STA Group is set out below. The summarized information below represents amounts before intragroup eliminations.

STA Group

	31/12/2022 RMB'000	31/12/2021 RMB'000
Current assets	**18,025,883**	10,104,815
Non-current assets	**10,462,980**	7,926,813
Current liabilities	**9,390,637**	6,201,957
Non-current liabilities	**598,608**	441,262
Equity attributable to owners of the Company	**18,233,193**	11,193,010
Non-controlling interests	**266,425**	195,399

51. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

51.2 Details of non-wholly subsidiaries that have material non-controlling interests (continued)

STA Group (continued)

	31/12/2022 RMB'000	31/12/2021 RMB'000
Revenue	**21,450,839**	8,086,665
Expenses	**(15,292,044)**	(5,985,484)
Profit attributable to owners of the Company	**6,060,813**	2,063,244
Profit attributable to the non-controlling interests of STA Group	**97,982**	37,937
Profit for the year	**6,158,795**	2,101,181
Other comprehensive expense attributable to owners of the Company	**(72,827)**	(131,324)
Other comprehensive expense attributable to the non-controlling interests of STA Group	**(2,317)**	(2,523)
Other comprehensive expense for the year	**(75,144)**	(133,847)
Total comprehensive income attributable to owners of the Company	**5,987,986**	1,931,920
Total comprehensive income attributable to the non-controlling interests	**95,665**	35,414
Total comprehensive income for the year	**6,083,651**	1,967,334
Dividends paid to non-controlling interests of STA Group	**—**	—
Net cash inflow from operating activities	**9,261,486**	970,605
Net cash outflow from investing activities	**(11,134,986)**	(3,858,050)
Net cash inflow from financing activities	**1,737,147**	2,774,380
Net cash outflow	**(136,353)**	(113,065)

51. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (continued)

51.3 Change in ownership interest in subsidiaries

For the year ended December 31, 2022

During the year, STA issued totalling 14,602,400 ordinary Shares to WXAT Shanghai, which increased the Company's indirect equity interest in STA.

In addition during the year, totalling 1,214,530 non-controlling ordinary STA Shares were purchased by WXAT Shanghai, which increased the Company's indirect equity interest in STA.

After the transactions as above, the Group increased its equity interest in STA from 98.29% at the beginning of the year to 98.56% at the end of the year. The difference of RMB50,612,000 between aggregate increase in the non-controlling interests and the consideration paid by the Group has been adjusted to decrease capital reserve.

For the year ended December 31, 2021

During the year, STA issued totalling 41,453,626 ordinary Shares to WXAT Shanghai, which increased the Company's indirect equity interest in STA.

In addition during the year, totalling 1,154,390 non-controlling ordinary STA Shares were purchased by WXAT Shanghai, which increased the Company's indirect equity interest in STA.

After the transactions as above, the Group increased its equity interest in STA from 97.90% at the beginning of the year to 98.29% at the end of the year. The difference of RMB65,007,000 between aggregate increase in the non-controlling interests and the consideration paid by the Group has been adjusted to decrease capital reserve.

In March 2021, WXAT Shanghai increased its capital by RMB2,000,000 in Boomray, a partially-owned subsidiary of the Group.

52. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	31/12/2022 RMB'000	31/12/2021 RMB'000
Non-current Assets		
Interests in subsidiaries	**24,858,380**	21,581,541
Right-of-use assets	**83,894**	86,224
Property, plant and equipment	**3,098**	2,953
Other non-current assets	**756,315**	727,167
	25,701,687	22,397,885
Current Assets		
Amounts due from subsidiaries	**7,638,223**	6,306,825
Trade and other receivables	**9,307**	9,517
Financial assets at FVTPL	**—**	318,121
Bank balances and cash	**4,018,640**	2,506,863
	11,666,170	9,141,326
Current Liabilities		
Amounts due to related parties	**—**	12,886
Trade and other payables	**4,910,899**	347,816
Income tax payables	**—**	3,527
	4,910,899	364,229
Net Current Assets	**6,755,271**	8,777,097
Total Assets Less Current Liabilities	**32,456,958**	31,174,982
Non-Current Liabilities		
Convertible bonds-debt component	**501,990**	607,140
Convertible bonds-embedded derivative component	**147,934**	657,317
	649,924	1,264,457
Net Assets	**31,807,034**	29,910,525
Capital and Reserves		
Share capital	**2,960,527**	2,955,827
Reserves	**28,846,507**	26,954,698
Total Equity	**31,807,034**	29,910,525

52. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)

Movement in the Company's reserves

	Share premium RMB'000	Treasury shares RMB'000	Statutory reserve RMB'000	Other reserve RMB'000	Share-based reserve payment RMB'000	Retained earnings RMB'000	Total RMB'000
At January 1, 2021	23,775,835	(1,189,922)	238,896	(59,241)	638,853	900,457	24,304,878
Profit and total comprehensive income for the year	—	—	—	—	—	1,694,623	1,694,623
Share premium transferred to share capital	(490,127)	—	—	—	—	—	(490,127)
Repurchase and cancellation of restricted A shares	(12,601)	13,292	—	—	—	—	691
Repurchase of H shares under 2021 H Share Awards	—	(1,651,663)	—	—	—	—	(1,651,663)
Restricted A shares Tranche vested	320,906	239,468	—	—	(320,906)	—	239,468
Conversion of convertible bonds	3,092,290	—	—	—	—	—	3,092,290
2018 Option vested	9,587	—	—	—	(3,020)	—	6,567
2019 Option vested	145,762	—	—	—	(50,538)	—	95,224
2020 H Share Award vested	3,724	125,004	—	—	(128,728)	—	—
Transferred to statutory reserve	—	—	169,462	—	—	(169,462)	—
Equity-settled share-based payment	—	—	—	—	547,729	—	547,729
Payment for dividends	—	4,598	—	—	—	(889,580)	(884,982)
At December 31, 2021	26,845,376	(2,459,223)	408,358	(59,241)	683,390	1,536,038	26,954,698

52. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (continued)

Movement in the Company's reserves (continued)

	Share premium RMB'000	Treasury shares RMB'000	Statutory reserve RMB'000	Other reserve RMB'000	Share-based reserve payment RMB'000	Retained earnings RMB'000	Total RMB'000
Profit and total comprehensive income for the year	—	—	—	—	—	2,943,216	2,943,216
Repurchase and cancellation of restricted A shares	(4,094)	4,311	—	—	—	—	217
Repurchase of H shares under 2022 H Share Awards	—	(956,880)	—	—	—	—	(956,880)
Restricted A shares Tranche vested	258,714	192,122	—	—	(258,714)	—	192,122
Conversion of convertible bonds	236,972	—	—	—	—	—	236,972
2018 Option vested	—	—	—	—	—	—	
2019 Option vested	103,347	—	—	—	(37,432)	—	65,915
2020 H Share Award vested	—	—	—	—	—	—	
Transferred to statutory reserve	—	—	294,322	—	—	(294,322)	—
2020 ESOP Vested	3,351	112,468	—	—	(115,819)	—	—
2021 ESOP vested	(21,909)	359,088	—	—	(337,179)	—	—
Equity-settled share-based payment	—	—	—	—	854,821	—	854,821
Payment for dividends	—	2,868	—	—	—	(1,529,442)	(1,526,574)
Shareholder contribution	82,000	—	—	—	—	—	82,000
At December 31, 2022	27,503,757	(2,745,246)	702,680	(59,241)	789,067	2,655,490	28,846,507

53. SUBSEQUENT EVENTS

The Group has the following events taken place subsequent to December 31, 2022.

Proposal of Profit Distribution Plan

Subsequent to the end of the reporting period, the Board proposes the 2022 Profit Distribution Plan as follows: a cash dividend of RMB8.9266 (inclusive of tax) for every 10 shares (representing an aggregate amount of RMB2,644,137,750.80 (inclusive of tax) based on the total issued shares of the Company) all shareholders. In the event of change in total issued Shares of the Company before the record date for payment of the cash dividend, dividends will be distributed according to the original dividend amount per share and the total distribution amount will be adjusted accordingly. The 2022 Profit Distribution Plan is subject to, amongst others, approval by shareholders of the Company at the forthcoming annual general meeting.

Final Reminder on early redemption of the Convertible Bonds

In September 2019, the Company issued the Convertible Bonds, details of which are set out in Note 40.

In accordance with the terms and conditions of the Convertible Bonds, on February 16, 2023, the Company issued a notice through the relevant clearing systems to all bondholders, the Trustee and the Principal Agent in connection with the early redemption of all outstanding bonds (the "Redemption Notice"). A reminder notice in this regard has also been issued to all bondholders through the relevant clearing systems on March 14, 2023 (the "Reminder Notice"). The Redemption Notice and the Reminder Notice set out details of the early redemption as follows, redemption date is April 4, 2023, early redemption amount is USD104,519.38 for each USD100,000 principal amount of the bonds, end of the conversion period is March 21, 2023, last day on which the bondholders may exercise the conversion rights attaching to the bonds is no later than 3:00 p.m. on March 20, 2023.

Definitions

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

"2018 A Share Incentive Plan"	the Restricted A Shares and Stock Option Incentive Plan of 2018 adopted by the Company on August 22, 2018
"2018 Initial Grant"	the initial grant of Restricted A Shares and Share Options pursuant to the 2018 A Share Incentive Plan
"2018 Profit Distribution Plan"	the profit distribution plan of the Company for the year ended December 31, 2018 including the Capitalization of Reserve and Profit Distribution as defined in the circular of the Company dated April 18, 2019
"2018 Reserved Grant"	the grant of reserved interests subsequent to the initial grant under the 2018 A Share Incentive Plan
"2019 A Share Incentive Plan"	the Restricted A Shares and Stock Option Incentive Plan of 2019 adopted by the Company on September 20, 2019
"2019 Adjusted Initial Grant"	the adjusted initial grant of Restricted A Shares and Share Options pursuant to the 2019 A Share Incentive Plan
"2019 Capitalization of Reserve"	the issuance of 4 2019 Capitalization Shares for every 10 Shares by way of capitalization of reserve under the 2019 Profit Distribution Plan
"2019 Capitalization Share"	the new shares to be allotted and issued under the 2019 Capitalization of Reserve by the Company
"2019 Initial Grant"	the initial grant of Restricted A Shares and Share Options upon adoption of the 2019 A Share Incentive Plan
"2019 Profit Distribution Plan"	the profit distribution plan of the Company for the year ended December 31, 2019 including the Capitalization of Reserve and Profit Distribution as defined in the circular of the Company dated March 31, 2020 therein
"2019 Reserved Grant"	grant of reserved interests subsequent to the initial grant under the 2019 A Share Incentive Plan
"2019 Share Appreciation Scheme"	the Share Appreciation Incentive Scheme adopted by the Company on September 20, 2019
"2019 Special Grant"	the special grant of the 2019 A Share Incentive Plan

"2020 AGM"	the annual general meeting of the Company held on May 13, 2021
"2020 Award"	an award granted by the Board to a 2020 Selected Participant, which may vest in the form of 2020 Award Shares or the actual selling price of the 2020 Award Shares in cash, as the Board may determine in accordance with the terms of the 2020 Scheme Rules
"2020 Award Shares"	the H Shares granted to a 2020 Selected Participant in a 2020 Award
"2020 Capitalization of Reserve"	the issuance of 2 2020 Capitalization Shares for every 10 Shares by way of capitalization of reserve under the 2020 Profit Distribution Plan
"2020 Capitalization Shares"	the new Shares allotted and issued under the 2020 Capitalization of Reserve by the Company
"2020 Connected Selected Participants"	2020 Selected Participants who are connected persons of the Group
"2020 Delegatee"	the management committee or person(s) or board committee(s) to which the Board will delegate its authority in connection with matters pertaining to the 2020 Scheme
"2020 Eligible Employee(s)"	eligible employees of the 2020 Scheme pursuant to the respective Scheme Rules
"2020 H Share Award and Trust Scheme" or "2020 Scheme"	the H Share award and trust scheme adopted by the Company in accordance with the 2020 Scheme Rules on August 31, 2020
"2020 Independent Selected Participant(s)"	2020 Selected Participants who are not connected persons of the Group
"2020 Profit Distribution"	the proposed distribution of cash dividend of RMB3.63 for every 10 Shares (inclusive of tax) under the 2020 Profit Distribution Plan
"2020 Profit Distribution Plan"	the profit distribution plan of the Company for the year ended December 31, 2020 which includes the 2020 Capitalization of Reserve and the 2020 Profit Distribution as defined in the circular of the Company dated April 9, 2021
"2020 Scheme Limit"	the maximum size of the 2020 H Share Award and Trust Scheme
"2020 Scheme Rules"	the rules of the 2020 Scheme (as amended from time to time)

"2020 Selected Participants"	any 2020 Eligible Employee who is approved for participation in the 2020 Scheme and has been granted any 2020 Award in accordance with the 2020 Scheme rules
"2020 Trustee"	the trustee appointed by the Company for the purpose of the trust to service the 2020 Scheme, and initially, Computershare Hong Kong Trustees Limited, a company incorporated in Hong Kong and having its registered office at 46th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
"2021 Actual Selling Price"	the actual price at which the 2021 Award Shares are sold (net of brokerage, stamp duty, any taxes, Stock Exchange trading fee, SFC transaction levy and any other applicable costs) on vesting of a 2021 Award pursuant to the 2021 Scheme or in the case of a vesting when there is an event of change in control or privatization of the Company pursuant to the 2021 Scheme Rules, the consideration receivable under the related scheme or Offer
"2021 AGM"	the annual general meeting of the Company held on May 6, 2022
"2021 Award"	an award granted by the Board to a 2021 Selected Participant, which may vest in the form of 2021 Award Shares or the 2021 Actual Selling Price of the 2021 Award Shares in cash, as the Board may determine in accordance with the terms of the 2021 Scheme Rules
"2021 Award Period"	the period commencing on the date on which the Shareholders approved the 2021 H Share Award and Trust Scheme, and ending on the Business Day immediately prior to the 10th anniversary of the date on which the Shareholders approved the 2021 H Share Award and Trust Scheme
"2021 Award Shares"	the H Shares granted to a 2021 Selected Participant in a 2021 Award
"2021 Connected Selected Participants"	2021 Selected Participants who are connected persons of the Group
"2021 Delegatee(s)"	the management committee or person(s) or board committee(s) to which the Board will delegate its authority in connection with matters pertaining to the 2021 Scheme
"2021 Eligible Employee(s)"	eligible employees of the 2021 Scheme pursuant to the 2021 Scheme Rules
"2021 H Share Award and Trust Scheme" or "2021 Scheme"	the H Share award and trust scheme adopted by the Company in accordance with the 2021 Scheme Rules on August 30, 2021

"2021 Independent Selected Participants"	2021 Selected Participants who are not connected persons of the Group
"2021 Profit Distribution"	the proposed distribution of cash dividend of RMB5.1740 for every 10 Shares (inclusive of tax) under the 2021 Profit Distribution Plan
"2021 Profit Distribution Plan"	the profit distribution plan of the Company for the year ended December 31, 2021 which includes the 2021 Profit Distribution
"2021 Scheme Limit"	the maximum size of the 2021 Scheme, being the maximum number of H Shares that will be acquired by the 2021 Trustee through on-market transactions from time to time at the prevailing market price with funds in the amount of not more than HK$2 billion
"2021 Scheme Rules"	the rules governing the operation of the 2021 Scheme as well as the implementation procedures (as amended from time to time)
"2021 Selected Participant(s)"	any 2021 Eligible Employee who is approved for participation in the 2021 Scheme and has been granted any 2021 Award in accordance with the 2021 Scheme Rules
"2021 Shareholder Alignment Incentive H Share Scheme"	the 2021 shareholder alignment incentive H Share scheme adopted by the Company in accordance with the 2021 Shareholder Alignment Incentive H Share Scheme Rules on August 30, 2021
"2021 Shareholder Alignment Incentive H Share Scheme Rules"	the rules governing the operation of the 2021 Shareholder Alignment Incentive H Share Scheme as well as the implementation procedures (as amended from time to time)
"2021 Trustee"	the trustee appointed by the Company for the purpose of the trust to service the 2021 Scheme, and initially, Computershare Hong Kong Trustees Limited, a company incorporated in Hong Kong and having its registered office at 46th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
"2022 Actual Selling Price"	the actual price at which the 2022 Award Shares are sold (net of brokerage, stamp duty, any taxes, Stock Exchange trading fee, SFC transaction levy and any other applicable costs) on vesting of a 2022 Award pursuant to the 2022 Scheme or in the case of a vesting when there is an event of change in control or privatisation of the Company pursuant to the 2022 Scheme Rules, the consideration receivable under the related scheme or Offer

"2022 Award"	an award granted by the Board to a 2022 Selected Participant, which may vest in the form of 2022 Award Shares or the 2022 Actual Selling Price of the 2022 Award Shares in cash, as the Board may determine in accordance with the terms of the 2022 Scheme Rules
"2022 Award Period"	the period commencing on the date on which the Shareholders approved the 2022 H Share Award and Trust Scheme, and ending on the Business Day immediately prior to the 10th anniversary of the date on which the Shareholders approved the 2022 H Share Award and Trust Scheme
"2022 Award Shares"	the H Shares granted to a 2022 Selected Participant in a 2022 Award
"2022 Connected Selected Participants"	2022 Selected Participants under the 2022 Scheme who are connected persons of the Group
"2022 Delegatee(s)"	the management committee or person(s) or board committee(s) to which the Board will delegate its authority in connection with matters pertaining to the 2022 Scheme
"2022 Eligible Employee(s)"	eligible employees of the 2022 Scheme pursuant to the 2022 Scheme Rules
"2022 H Share Award and Trust Scheme" or "2022 Scheme"	the H Share award and trust scheme adopted by the Company in accordance with the 2022 Scheme Rules on August 18, 2022
"2022 Independent Selected Participants"	2022 Selected Participants who are not connected persons of the Group
"2022 Profit Distribution"	the proposed distribution of cash dividend of RMB8.9266 for every 10 Shares (inclusive of tax) under the 2022 Profit Distribution Plan
"2022 Profit Distribution Plan"	the profit distribution plan of the Company for the year ended December 31, 2022 which includes the 2022 Profit Distribution
"2022 Scheme Limit"	the maximum size of the 2022 Scheme, being the maximum number of H Shares that will be acquired by the 2022 Trustee through on-market transactions from time to time at the prevailing market price with funds in the amount of not more than HK$2 billion, and in any event the maximum number of H Shares to be so acquired by the 2022 Trustee shall be determined by the Board and/or the 2022 Delegatee (pursuant to the authorization granted by the Shareholders) which shall not exceed 10% (including 10%) above the total number of H Shares acquired by the trustee of the 2021 Scheme in accordance with the instructions of the Company for the purpose of satisfying the awards granted thereunder

"2022 Scheme Rules"	the rules governing the operation of the 2022 Scheme as well as the implementation procedures (as amended from time to time)
"2022 Selected Participant(s)"	any 2022 Eligible Employee who is approved for participation in the 2022 Scheme and has been granted any 2022 Award in accordance with the 2022 Scheme Rules
"2022 Trustee"	the trustee appointed by the Company for the purpose of the trust to service the 2022 Scheme, and initially, Computershare Hong Kong Trustees Limited, a company incorporated in Hong Kong and having its registered office at 46th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
"A Share(s)"	domestic shares of our Company, with a nominal value of RMB1.00 each, which are listed for trading on the Shanghai Stock Exchange and traded in RMB
"A Share Listing"	issuance of 104,198,556 A Shares by the Company to the public on April 13, 2018, which were listed on Shanghai Stock Exchange on May 8, 2018
"A Share Prospectus"	the prospect issued by the Company under the A Share Listing
"Actual Selling Price"	the actual price at which the Award Shares are sold (net of brokerage, Stock Exchange trading fee, Securities and Futures Commission transaction levy and any other applicable costs) on vesting of an Award pursuant to the Scheme or in the case of a vesting when there is an event of change in control or privatisation of the Company pursuant to the Scheme Rules, the consideration receivable under the related scheme or offer
"ADME"	adsorption, distribution, metabolism, and excretion
"AGM"	annual general meeting of the Company
"API"	active pharmaceutical ingredient
"Articles" or "Articles of Association"	the articles of association of the Company as amended from time to time
"Audit Committee"	the audit committee of the Board
"Board of Directors" or "Board"	our board of Directors
"Business Day"	any day on which the Stock Exchange is open for the business of dealing in securities
"CAGR"	compound annual growth rate

"CDMO"	Contract Development and Manufacturing Organization, a CMO that in addition to comprehensive drug manufacturing services, also provide process development and other drug development services in connection with its manufacturing services
"CG Code"	the "Corporate Governance Code" as contained in Appendix 14 to the Listing Rules
"cGMP"	Current Good Manufacturing Practice regulations, regulations enforced by the FDA on pharmaceutical and biotech firms to ensure that the products produced meet specific requirements for identity, strength, quality and purity
"Changzhou STA"	Changzhou STA Pharmaceutical Co., Ltd.* (常州合全藥業有限公司)
"Changzhou STA Centre Project"	New drug manufacturing and research and development centre project of Changzhou SynTheAll Pharmaceutical Co., Ltd.
"Changzhou STA Integrated Project"	New drug manufacturing and research and development integrated project of Changzhou SynTheAll Pharmaceutical Co., Ltd.
"China" or "PRC"	the People's Republic of China, which for the purpose of this annual report and for geographical reference only, excludes Hong Kong, Macau and Taiwan
"CMO"	Contract Manufacturing Organization, a company that serves other companies in the pharmaceutical industry on a contract basis to provide comprehensive drug manufacturing services
"Company", "our Company", "WuXi AppTec", "We", " our", "us"	WuXi AppTec Co., Ltd.* (無錫藥明康德新藥開發股份有限公司), a joint stock limited company incorporated under the laws of the PRC, the predecessor of which, WuXi AppTec Ltd. (無錫藥明康德新藥開發有限公司) (formerly known as WuXi PharmaTech Co., Ltd. (無錫藥明康德組合化學有限公司)) was established under the laws of the PRC as an enterprise legal person in December 2000, the A Shares of which are listed on the Shanghai Stock Exchange (stock code: 603259) and the H shares of which are listed on the Hong Kong Stock Exchange (stock code:02359) and if the context requires, includes its predecessor
"Conversion Price"	the price per H Share(s) to be issued upon conversion of the Convertible Bonds pursuant to the relevant agreements (subject to adjustments) at which the Convertible Bonds may be converted into H Shares

"Convertible Bonds"	US$300 million zero coupon convertible bonds due 2024 convertible at the option of the holder thereof into fully paid ordinary H Shares of the Company of par value RMB1.00 each at the initial Conversion Price of HK$111.80 per H Share, adjusted to the Conversion Price of HK$79.85 per H Share, and further adjusted to the Conversion Price of HK$66.17 per H Share
"COVID-19"	novel coronavirus pneumonia
"CRDMO"	Contract Research Development and Manufacturing Organization
"CRO"	Contract Research Organization
"CTA"	Clinical Trial Authorization
"CTDMO"	Contract Testing Development and Manufacturing Organization
"DEL"	DNA-encoded library
"Director(s)"	the director(s) of the Company or any one of them
"DMPK"	Drug Metabolism and Pharmacokinetics, refers to studies designed to determine the absorption and distribution of an administered drug, the rate at which a drug takes effect, the duration a drug maintains its effects and what happens to the drug after being metabolized by the body
"EBITDA"	earnings before interest, taxes, depreciation, and amortization
"FDA"	Food and Drug Administration in the U.S.
"Founding Individuals"	Dr. Ge. Li, Dr Ning Zhao, Mr. Xiaozhong Liu and Mr. Zhaohui Zhang
"FVTPL"	fair value through profit or loss
"GMP"	Good Manufacturing Practice, a quality system imposed on pharmaceutical firms to ensure that products produced meet specific requirements for identity, strength, quality and purity, and enforced by public agencies, for example the U.S. FDA
"Group", "our Group"	the Company and its subsidiaries

"H Share(s)"	Overseas listed foreign shares in the share capital of our Company with nominal value of RMB1.00 each, which are listed on the Stock Exchange
"HKD"	Hong Kong dollars and cents, both are the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IFRS"	International Financial Reporting Standards
"IND"	Investigational New Drug
"Listing" or "IPO"	the listing of the H Shares on the Main Board of the Stock Exchange on December 13, 2018
"Listing Date"	December 13, 2018, on which the H Shares were listed and from which dealings therein were permitted to take place on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
"M&A"	merger and acquisition
"Model Code"	the "Model Code for Securities Transactions by Directors of Listed Issuers" set out in Appendix 10 to the Listing Rules
"NASDAQ"	National Association of Securities Dealers Automated Quotations
"NASH"	Nonalcoholic steatohepatitis is liver inflammation and damage caused by a buildup of fat in the liver
"NDA"	New Drug Application
"NMPA"	National Medical Products Administration
"Nomination Committee"	the nomination committee of the Board
"Non-public Issuance of A Shares"	the non-public issuance of 62,690,290 A Shares by the Company to specific subscribers
"NYSE"	The New York Stock Exchange
"Prospectus"	the prospectus issued by the Company dated December 3, 2018

"PROTAC"	the proteolysis Targeting chimera
"R&D"	research & development
"Remuneration and Appraisal Committee"	the remuneration and appraisal committee of the Board
"Reporting Period"	the year ended December 31, 2022
"Reserved Interests"	reserved interests of 2,105,553 units, representing 10% of the total interests to be granted under the 2019 A Share Incentive Plan, which may be granted as Restricted A Shares or Share Options for further distribution
"Restricted A Shares"	the restricted A Shares granted by the Company under the 2018 WuXi AppTec A Share Incentive Scheme and 2019 A Share Incentive Plan
"Returned Shares"	such Award Shares that are not vested and/or are forfeited in accordance with the terms of the Scheme, or such H Shares being deemed to be Returned Shares under the Scheme Rules
"RMB"	Renminbi, the lawful currency of the PRC
"SAI Award"	an award granted by the Board to a SAI Selected Participant under any of the SAI Award Pools which may vest in the form of SAI Award Shares or the actual selling price of the SAI Award Shares in cash, as the Board may determine in accordance with the terms of the 2021 Shareholder Alignment Incentive H Share Scheme Rules
"SAI Award Letter"	a letter issued by the Company to each SAI Selected Participant in such form as the Board or the SAI Delegatee may from time to time determine
"SAI Award Pools"	the four (4) award pools under the 2021 Shareholder Alignment Incentive H Share Scheme with monetary values of HK$1 billion, HK$1.5 billion, HK$2 billion and HK$3 billion, respectively, which may be released upon the fulfilment of relevant release conditions for the grant of SAI Awards to the SAI Selected Participants under these award pools
"SAI Award Shares"	the H Shares granted to a SAI Selected Participant in a SAI Award granted under any of the SAI Award Pools
"SAI Connected Selected Participants"	SAI Selected Participants who are connected persons of the Group

"SAI Delegatee"	the SAI Management Committee or person(s) or board committee(s) to which the Board will delegate its authority in connection with matters pertaining to the 2021 Shareholder Alignment Incentive H Share Scheme
"SAI Eligible Employees"	eligible employees of the 2021 Shareholder Alignment Incentive H Share Scheme pursuant to the rules of the 2021 Shareholder Alignment Incentive H Share Scheme
"SAI Management Committee"	the management committee of the 2021 Shareholder Alignment Incentive H Share Scheme
"SAI Returned Shares"	such SAI Award Shares that are not vested and/or are forfeited in accordance with the terms of the 2021 Shareholder Alignment Incentive H Share Scheme Rules, or such H Shares being deemed to be SAI Returned Shares under the 2021 Shareholder Alignment Incentive H Share Scheme Rules
"SAI Selected Participant(s)"	any eligible employee who is approved for participation in the 2021 Shareholder Alignment Incentive H Share Scheme and has been granted any SAI Award under any of the SAI Award Pools in accordance with the 2021 Shareholder Alignment Incentive H Share Scheme Rules
"SAI Vesting Period(s)"	the vesting period(s) of the SAI Awards granted under the 2021 Shareholder Alignment Incentive H Share Scheme
"SFO"	Securities and Futures Ordinance (Chapter 571 of The Laws of Hong Kong)
"Shanghai STA Project"	Global research and development centre and ancillary facilities project of Shanghai STA Pharmaceutical Co., Ltd.
"Shanghai STA R&D Project"	Small molecule new drug manufacturing skill platform technical capability upgrade project of Shanghai STA Pharmaceutical R&D Co., Ltd.
"Shanghai Stock Exchange"	The Shanghai Stock Exchange (上海證券交易所)
"Share(s)"	Ordinary shares in the capital of our Company with a nominal value of RMB1.00 each, comprising A Shares and H Shares
"Share Options"	share options granted under the initial grant of the 2019 A Share Incentive Plan
"Shareholder(s)"	holder(s) of Shares
"SMO"	Site Management Organization

"STA"	Shanghai SynTheAll Pharmaceutical Co., Ltd* (上海合全藥業股份有限公司)
"STA Equity Transfer Agreement"	an equity transfer agreement entered into among WXAT Shanghai, Dr. Ge Li, Mr. Edward Hu, Mr. Xiaozhong Liu, Mr. Zhaohui Zhang, Dr. Minzhang Chen, Mr. Harry Liang He and Ms. Xiangli Liu on July 2, 2019
"STA Pharmaceutical"	STA Pharmaceutical Hong Kong Investment Limited (合全藥業香港投資有限公司), a limited liability company incorporated under the laws of Hong Kong
"STA Shares"	Shares of STA
"Stock Exchange" or "Hong Kong Stock Exchange"	the Stock Exchange of Hong Kong Limited
"Strategy Committee"	the strategy committee of the Board
"Supervisor(s)"	member(s) of our Supervisory Committee
"Supervisory Committee"	the supervisory committee of our Company
"TESSA"	Tetracycline-Enabled Self-Silencing Adenovirus
"U.S."	the United States of America, its territories, its possession and all areas subject to its jurisdiction
"USD"	United States dollars, the lawful currency of the United States
"WIND"	WuXi IND
"WuXi AppTec (Shanghai) Project"	Research and development platform technical capability upgrade project of WuXi AppTec (Shanghai) Co., Ltd.
"WuXi ATU"	CTDMO business of the Company
"Wuxi Biologics"	WuXi Biologics (Cayman) Inc. (藥明生物技術有限公司) (stock code: 2269), a company incorporated under the laws of Cayman Islands with limited liability on February 27, 2014, the shares of which were listed on the Main Board of the Stock Exchange on June 13, 2017
"WuXi Biology"	biology business of the Company
"WuXi Chemistry"	chemistry business of the Company

"WuXi DDSU"	domestic new drug discovery service unit of the Company
"Wuxi STA"	Wuxi STA Pharmaceutical Co., Ltd. (無錫合全藥業有限公司)
"WuXi STA Project"	Phase I new drug development services and drug manufacturing project of WuXi STA Pharmaceutical Co., Ltd.
"WuXi Testing"	testing business of the Company
"WXAT Shanghai"	WuXi AppTec (Shanghai) Co., Ltd. (上海藥明康德新藥開發有限公司)
"YoY"	year-over-year
"%"	Percentage

* *For identification purpose only*

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