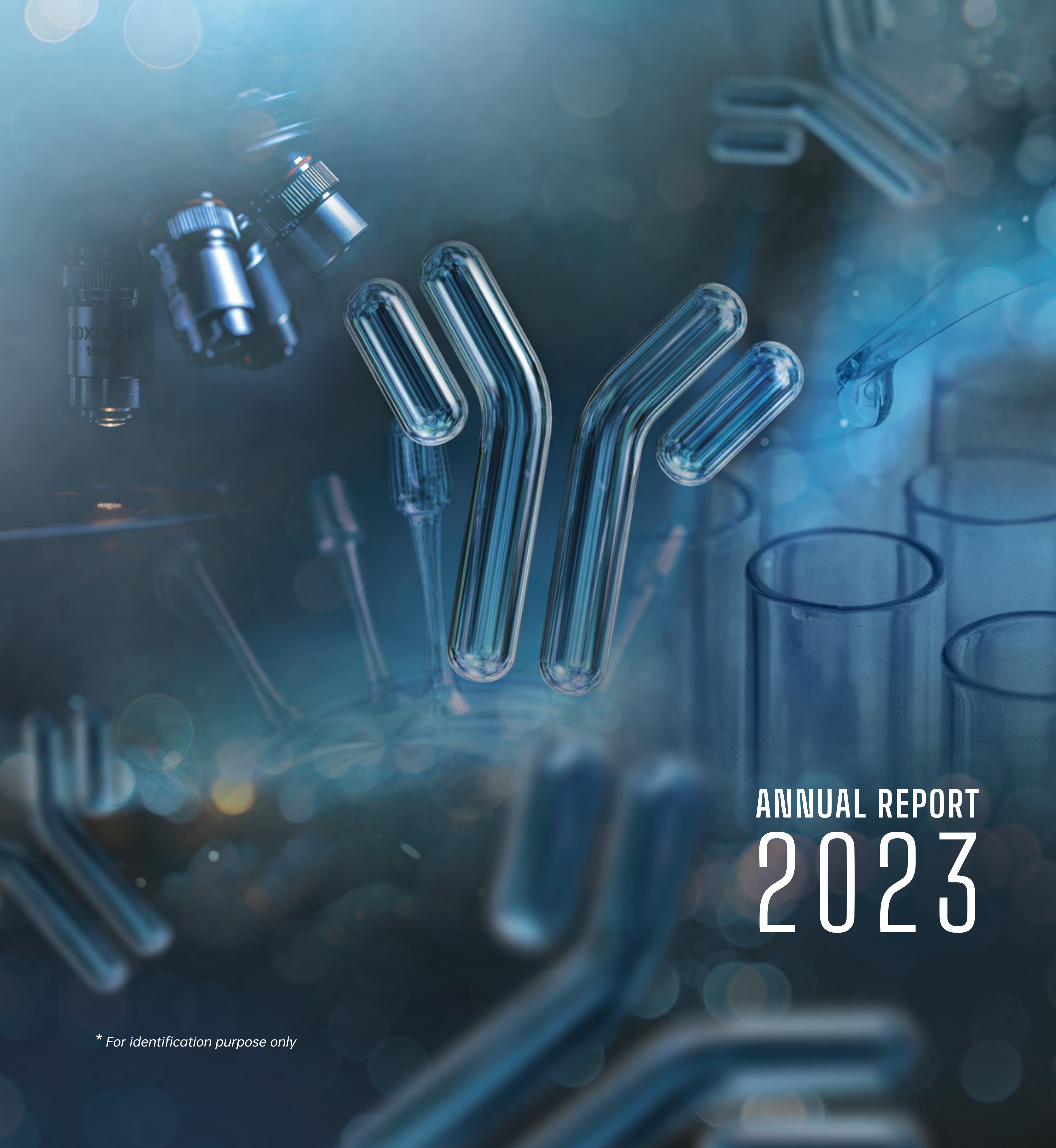
WuXi Biologics
Global Solution Provider

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

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



ANNUAL REPORT 2023

* *For identification purpose only*

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Corporate Information

BOARD OF DIRECTORS

Executive Director

Dr. Zhisheng Chen *(Chief Executive Officer)*

Non-executive Directors

Dr. Ge Li *(Chairman)*
Dr. Weichang Zhou
(Re-designated on March 31, 2024)
Dr. Yibing Wu
Mr. Yanling Cao

Independent Non-executive Directors

Mr. William Robert Keller
Mr. Kenneth Walton Hitchner III
Mr. Jackson Peter Tai
Dr. Jue Chen

AUDIT COMMITTEE

Mr. Jackson Peter Tai *(Chairman)*
Mr. William Robert Keller
Mr. Kenneth Walton Hitchner III

REMUNERATION COMMITTEE

Mr. William Robert Keller *(Chairman)*
Mr. Kenneth Walton Hitchner III
Mr. Jackson Peter Tai

NOMINATION COMMITTEE

Dr. Ge Li *(Chairman)*
Mr. William Robert Keller
Mr. Jackson Peter Tai

STRATEGY COMMITTEE

Dr. Zhisheng Chen *(Chairman)*
Dr. Ge Li
Dr. Yibing Wu
Dr. Weichang Zhou
Mr. William Robert Keller
Mr. Kenneth Walton Hitchner III
Dr. Jue Chen

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

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

AUTHORISED REPRESENTATIVES

Dr. Zhisheng Chen
Ms. Sham Ying Man

JOINT COMPANY SECRETARIES

Mr. Huang Yue
Ms. Sham Ying Man

REGISTERED OFFICE

PO Box 309
Ugland House
Grand Cayman KY1-1104
Cayman Islands

CORPORATE HEADQUARTER

No. 108, Meiliang Road
Mashan
Wuxi
China

Corporate Information

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

5/F, Manulife Place
348 Kwun Tong Road
Kowloon
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

HONG KONG LEGAL ADVISER

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

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants
Registered Public Interest Entity Auditors
35/F One Pacific Place
88 Queensway
Hong Kong

STOCK CODE

2269

COMPANY WEBSITE

www.wuxibiologics.com

Chairman and CEO Statement

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of WuXi Biologics (Cayman) Inc. (the "**Company**") and its subsidiaries (collectively the "**Group**"), we are pleased to present you the Group's 2023 Annual Report.

Despite the unprecedented challenges of 2023, the Group's resilience and unwavering commitment to the healthcare community fueled sustained growth. Through our outstanding capabilities and capacity, we continued to earn the enduring trust of our clients and partners. In 2023, the Group added 132 new integrated projects, bringing the total number of projects to 698. The number of late-phase and commercial manufacturing projects increased to 75, laying a solid foundation for our future revenue stream. Our "Win-the-Molecule" strategy further propelled the project pipeline by contributing 18 external projects, including a record high nine late-phase and commercial manufacturing projects, which will boost near-term revenue growth and elevate long-term growth prospects. The Group's total backlog increased to US$20,592 million as of December 31, 2023. The Group's revenue increased by 11.6% year-on-year to RMB17,034.3 million with an impressive year-on-year 37.7% growth in non-COVID revenue and a year-on-year 101.7% surge in non-COVID late-phase and commercial manufacturing revenue, showcasing our continued growth momentum in the post-COVID era. Of note, the Group maintained positive free cash flow during the Reporting Period, solidifying a strong financial foundation to support the Group's ongoing capacity enhancement and continuous investment in cutting-edge technologies.

In addition, the Group reached various milestones in 2023 in pursuit of the "Follow and Win the Molecule" and "Global Dual Sourcing" strategies:

- Research ("**R**"), Development ("**D**") and Manufacturing ("**M**") in our unique CRDMO business model all achieved exciting advancements:

  - In Research, our technology platforms including WuXiBody™, SDArBodY™, TCE platform and single B cell cloning platform continued to gain industry recognition. Notably, we granted 45 WuXiBody™ projects to external partners as of the end of the Reporting Period. Empowered by these platforms, we reached research service agreements with a number of clients and partners, including GSK plc (LSE/NYSE: GSK) and BioNTech SE (Nasdaq: BNTX).

  - In Development, we enabled 110 Investigational New Drugs (INDs) during the Reporting Period and launched new technology platforms, including ultra-intensified intermittent-perfusion fed-batch bioprocessing platform WuXiUI™, high concentration drug product development platform WuXiHigh™ — in addition to our established cell line development platform WuXia™ and continuous bioprocessing platform WuXiUP™ — to expedite biologics development and manufacturing.

- In Manufacturing, our late-phase and commercial manufacturing projects have experienced remarkable growth with 24 commercial manufacturing projects as of the end of the Reporting Period. We also continued to enhance the manufacturing network under the "Global Dual Sourcing" strategy.

- We continue to adhere to the highest quality standards and have completed 33 regulatory inspections conducted by the U.S. FDA, EU EMA, China NMPA and other global regulatory agencies with no critical issues identified and zero data integrity findings since 2017. The Group has completed more than 1,200 Good Manufacturing Practice (GMP) audits by global clients, and more than 120 audits by EU Qualified Persons.

- Throughout our years-long collaboration, the Group has enabled Amicus Therapeutics, Inc. (NASDAQ: FOLD, "**Amicus Therapeutics**") to develop and secure approval in the U.S., U.K. and EU for Pombiliti™, an innovative treatment for patients diagnosed with Pompe disease. Our support for this groundbreaking treatment exemplifies our "Follow and Win the Molecule" strategies and demonstrates our remarkable capabilities and robust development and manufacturing network. We are excited to continue our efforts towards a healthier world where every patient has a chance for a better life.

- Our new growth drivers have also thrived. WuXi XDC, our leading CRDMO focused on the global ADC and broader bioconjugate market, was listed on the Main Board of the Stock Exchange on November 17, 2023 (HKEX stock code: 2268). As at December 31, 2023, WuXi XDC had secured 143 integrated projects for ADCs and other bioconjugates globally. The Group's vaccine CRDMO, WuXi Vaccines, launched its first standalone vaccine integrated site in Suzhou, China. WuXi Vaccines increased the number of projects to 59, including 25 integrated projects. Our microbial platform's signed microbial projects and the microbial molecules also surged during the Reporting Period.

- We continue to grow our operations in various regions, including the U.S., Ireland, Germany and Singapore. In the U.S., we launched the Boston research service center to offer discovery services to clients of all sizes. Moreover, the Group's facility in Worcester, Massachusetts, will increase to 36,000L of commercial capacity. In Ireland, the facilities have been ramping up since their GMP release, supported by substantial commercial manufacturing demand from global clients. We also announced manufacturing capacity increase in Germany. The Singapore site's groundbreaking recently took place.

- We accomplished many notable ESG achievements and earned recognition from notable ESG rating agencies and institutional investors, such as member of Dow Jones Sustainability™ World Index and Emerging Markets Index, the highest MSCI AAA rating, and the highest Platinum Medal by EcoVadis.

Chairman and CEO Statement

On behalf of the Board and the Group's management team, we would like to give our heartfelt thanks to our valuable clients, partners and shareholders for your support throughout the years. The trust you place in us is a constant reminder of our responsibility to strive for excellence. We are proud of, and grateful to, our over 12,000 employees worldwide for your unwavering dedication, great resilience and continued commitment.

Looking ahead to 2024, we remain committed to serving and contributing to the global healthcare community while adhering to the highest standards of compliance and operational excellence. We will continue to improve efficiency through WBS practices, uphold global ESG and quality standards, and build capabilities and capacity to enable our clients and partners to ultimately benefit patients worldwide.

Dr. Ge Li
Chairman
March 26, 2024

Dr. Zhisheng Chen
CEO
March 26, 2024

Financial Highlights

	For the year ended December 31,				
	2019 RMB'000	2020 RMB'000	2021 RMB'000	2022 RMB'000	**2023** **RMB'000**
Operating results					
Revenue	3,983,687	5,612,384	10,290,050	15,268,660	**17,034,255**
Gross profit	1,658,829	2,532,966	4,828,897	6,724,014	**6,827,901**
Profit before tax	1,126,633	1,965,760	3,993,119	5,357,771	**4,173,803**
Net profit	1,010,337	1,692,694	3,508,581	4,549,906	**3,570,624**
Net profit attributable to owners of the Company	1,013,805	1,688,886	3,388,478	4,420,286	**3,399,729**
Adjusted net profit[(1)]	1,201,449	1,715,838	3,435,908	5,053,941	**4,950,380**
Adjusted net profit attributable to owners of the Company	1,204,917	1,721,990	3,316,388	4,925,313	**4,698,894**
Profitability					
Gross margin (%)	41.6%	45.1%	46.9%	44.0%	**40.1%**
Net profit margin (%)	25.4%	30.2%	34.1%	29.8%	**21.0%**
Margin of adjusted net profit (%)	30.2%	30.6%	33.4%	33.1%	**29.1%**
Margin of net profit attributable to owners of the Company (%)	25.4%	30.1%	32.9%	29.0%	**20.0%**

	As at December 31,				
	2019 RMB'000	2020 RMB'000	2021 RMB'000	2022 RMB'000	**2023** **RMB'000**
Financial position					
Total assets	17,602,269	28,963,613	44,032,623	49,564,385	**56,575,726**
Total liabilities	4,706,169	8,064,217	11,326,457	13,351,308	**12,557,844**
Total equity	12,896,100	20,899,396	32,706,166	36,213,077	**44,017,882**
Equity attributable to owners of the Company	12,784,363	20,564,445	32,278,593	35,047,407	**40,331,597**
Bank balances and cash	6,205,496	7,095,735	9,003,280	6,395,222	**9,669,839**

(1) Details are set out in "Non-IFRS Measures" on pages from 31 to 33.

Management Discussion and Analysis

BUSINESS REVIEW

Overall Performance

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

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

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

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

Notes:

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

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

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

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

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

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

Management Discussion and Analysis

Business Highlights

CRDMO Platform — Research (R)

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

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

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

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

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

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

CRDMO Platform — Development (D)

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

Management Discussion and Analysis

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

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

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

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

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

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

CRDMO Platform — Manufacturing (M)

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

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

Management Discussion and Analysis

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

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

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

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

New Growth Drivers

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

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

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

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

Quality

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

ESG

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

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

Geographic Footprint

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

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

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

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

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

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

WBS (WuXi Biologics Business System)

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

Management Discussion and Analysis

Company Awards

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

Member of
Dow Jones Sustainability Indices
Powered by the S&P Global CSA

MSCI ESG RATINGS AAA
CCC B BB BBB A AA AAA
RATING ACTION DATE: October 26, 2023
LAST REPORT UPDATE: October 26, 2023

CDMO LEADERSHIP AWARDS 2023

PLATINUM Top 1%
2023
ecovadis
Sustainability Rating

Future Outlook

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

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

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

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

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

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

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

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

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

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

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

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

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

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

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

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

Management Discussion and Analysis

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

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

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

Cost of Sales

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

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

Gross Profit and Gross Profit Margin

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

Other Income

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

Other Gains and Losses

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

Impairment Losses Under Expected Credit Loss Model, Net of Reversal

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

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

Selling and Marketing Expenses

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

Administrative Expenses

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

R&D Expenses

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

Other Expenses

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

Financing Costs

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

Income Tax Expense

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

Net Profit and Net Profit Margin

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

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

Management Discussion and Analysis

Basic and Diluted Earnings Per Share

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

Property, Plant and Equipment

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

Right-of-Use Assets

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

Goodwill

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

Intangible Assets

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

Investment of an Associate Measured at FVTPL

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

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

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

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

Inventories

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

Contract Costs

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

Trade and Other Receivables

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

Contract Assets

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

Trade and Other Payables

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

Contract Liabilities (Current Portion & Non-current Portion)

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

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

Lease Liabilities (Current Portion & Non-current Portion)

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

Liquidity and Capital Resources

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

Treasury Policy

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

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

Significant Investments, Material Acquisitions and Disposals

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

Indebtedness

Borrowings

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

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

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

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

Contingent Liabilities and Guarantees

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

Charges of Assets

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

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

Gearing Ratio

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

Non-IFRS Measures

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

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

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

Adjusted Net Profit

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

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

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

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

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

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

EBITDA and Adjusted EBITDA

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

Employee and Remuneration Policies

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

Management Discussion and Analysis

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

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

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

KEY EVENTS AFTER THE REPORTING PERIOD

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

Directors and Senior Management

DIRECTORS

Executive Director

Dr. Zhisheng Chen (陳智勝), aged 51, was appointed as an executive Director and chief executive officer in February 2014 and January 2016, respectively. He joined the Group in June 2011 and also serves as a director of most subsidiaries of the Company. Dr. Chen has been serving as a director of WuXi XDC since December 2020 and was re-designated as a non-executive director since June 2023. He has been appointed as the chairman of the board of WuXi XDC since May 2021. From June 2011 to January 2016, Dr. Chen served as a senior vice president of WuXi AppTec (Shanghai) Co., Ltd. (上海藥明康德新藥開發有限公司), and was responsible for the management of biologics development and manufacturing. From August 2008 to June 2011, Dr. Chen served as the chief operating officer of Shanghai Celgen Bio-Pharmaceutical Co., Ltd. (上海賽金生物醫藥有限公司), and was responsible for the development, manufacturing and quality control of biologics. From November 2005 to August 2008, Dr. Chen served as a director and senior engineering consultant of Eli Lilly and Company, a global pharmaceutical company listed on NYSE (stock code: LLY) ("**Eli Lilly**"), and was responsible for running a clinical manufacturing facility and providing technical guidance to biologics development and manufacturing. From June 2000 to November 2005, Dr. Chen served as a process engineer and manager of Merck & Co. Inc., a pharmaceutical company listed on NYSE (stock code: MRK) ("**Merck**"), and was responsible for providing technical support and trouble-shooting manufacturing issues of biologics and recombinant vaccines. Dr. Chen obtained a bachelor's degree in chemical engineering from Tsinghua University in 1994 and a Ph.D. degree in chemical engineering from University of Delaware in 2000.

Non-executive Directors

Dr. Ge Li (李革), aged 57, was appointed as the Chairman and non-executive Director in February 2014. Dr. Li is primarily responsible for providing overall guidance on the business, strategy and corporate development of the Group. He founded the Group in May 2010. Dr. Li has been serving as the chairman and the chief executive officer since December 2000 of WuXi AppTec, and has been responsible for the overall management of its business, strategy and corporate development. From May 1993 to December 2000, Dr. Li was one of the founding scientists and latest served as a research manager of Pharmacopeia Inc. Dr. Li obtained a Ph.D. degree in organic chemistry from Columbia University in the United States in February 1994.

Directors and Senior Management

Dr. Weichang Zhou (周偉昌), aged 60, was appointed as an executive Director, Chief Technology Officer and President of Global Biologics Development and Operations in May 2016, November 2016 and October 2022, respectively, until his retirement as senior management of the Company and re-designation as a non-executive Director in March 2024. He was primarily responsible for overseeing the development and manufacturing of biologics. He was also responsible for several global operational functions such as Global Information and Technology (GIT), Global Automation Integrated Service (GAIS), and Environment and Health and Safety (EHS) from October 2022 to March 2024. He joined the Group in December 2012 as the vice president, and has had responsibilities for the management of biologics development and manufacturing function teams at increased scales. Since December 2020, Dr. Zhou has been serving as a director of WuXi XDC, and was re-designated as a non-executive director of WuXi XDC in June 2023, where he is primarily responsible for providing guidance on corporate strategy and governance. Prior to joining the Group, Dr. Zhou served as a senior director of Genzyme Corporation (now part of Sanofi) from March 2008 to December 2012, and was responsible for commercial cell culture process development. From October 2002 to February 2008, Dr. Zhou served as a senior director of PDL BioPharma Inc., a biopharmaceutical company listed on NASDAQ (stock code: PDLI), and was responsible for process sciences and engineering functions. From May 1994 to October 2002, Dr. Zhou served as up to an associate director of Merck, and was responsible for fermentation and cell culture process development. Dr. Zhou obtained a Ph.D. degree in Chemical Engineering from the University of Hannover in 1989 and conducted postdoctoral research at the German Association of Chemical Engineering and Biotechnology, Swiss Federal Institute of Technology Zurich, and the University of Minnesota.

Dr. Yibing Wu (吳亦兵), aged 56, was appointed as a non-executive Director in May 2016. He joined the Group in May 2016. Prior to joining the Group, Dr. Wu has been serving as a director of WuXi AppTec since March 2016. Since November 2015, Dr. Wu has been serving as a director of Summer Bloom Investments Pte. Ltd. Since October 2013, Dr. Wu has been working with Temasek International Pte. Ltd. and is currently Global Executive Council Member, the joint head of Technology & Consumer, the head of Enterprise Development Group (China) and the president of China. From April 2011 to April 2014, Dr. Wu served as a director of Neptune Orient Lines Limited, a company listed on the Singapore Exchange Limited (stock code: RE2). From December 2009 to September 2013, Dr. Wu served as the president of CITIC Private Equity Funds Management Co., Ltd. From January 2012 to September 2013, Dr. Wu served as the chairman and chief executive officer of CITIC Goldstone Investment Co. Ltd. From May 2009 to July 2013, Dr. Wu served as a non-executive director of Lenovo Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 0992). From September 2008 to November 2009, Dr. Wu served as the executive vice president of Legend Holdings Co., Ltd. From August 2004 to August 2008, Dr. Wu was seconded from McKinsey & Company as the chief strategy officer, chief integration officer, chief transformation officer and chief information officer of Lenovo Group Ltd. From September 1996 to August 2008, he worked with McKinsey & Company, where he was a senior partner, the head of Asia Pacific M&A practice and general manager of Beijing office. 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 in July 1989 and a Ph.D. degree in biochemistry and molecular biology from Harvard University in the United States in June 1996.

Mr. Yanling Cao (曹彥凌), aged 40, was appointed as a non-executive Director in May 2016. He is primarily responsible for providing guidance on corporate strategy and governance to the Group. He joined the Group in May 2016. Prior to joining the Group, Mr. Cao has been serving as the managing director of Boyu Capital Advisory Co. Limited since March 2011 and currently serves as a partner, mainly responsible for investments in the healthcare industry. From December 2007 to January 2011, Mr. Cao served as an investment professional of General Atlantic LLC, and was responsible for private equity and venture capital investment. From July 2006 to November 2007, Mr. Cao served as an investment banker of Goldman Sachs Asia LLC, and was responsible for providing investment banking advisory services to clients in Asia. In addition, Mr. Cao served as a director of CStone Pharmaceuticals (基石藥業), a company listed on the Main Board of the Stock Exchange (stock code: 2616), from April 2016 to March 2017 and a non-executive director from May 2019 to January 2023. From June 2019 to March 2021, Mr. Cao served as a director and then a non-executive director of Hygeia Healthcare Holdings Co., Limited (海吉亞醫療控股有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 6078). Mr. Cao has been serving as a non-executive director of Ocumension Therapeutics (歐康維視生物), a company listed on the Main Board of the Stock Exchange (stock code: 1477), since June 2019. From February 2018 to March 15, 2021, Mr. Cao served as a non-executive director of Viela Bio Inc., a company listed on NASDAQ and delisted in 2021. From February 2019 to December 2021, Mr. Cao served as a director and then a non-executive director of Antengene Corporation Limited (德琪醫藥有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 6996). From May 2020 to December 2021, Mr. Cao served as an independent non-executive director of JW (Cayman) Therapeutics Co. Ltd (藥明巨諾(開曼)有限公司), a company listed on the Main Board of the Stock Exchange (stock code: 2126). Mr. Cao obtained a bachelor's degree in economics and mathematics from Middlebury College in the United States in June 2006.

Directors and Senior Management

Independent Non-Executive Directors

Mr. William Robert Keller, aged 76, was appointed as an independent non-executive Director on May 17, 2017. He joined the Group in May 2017. From December 2010 to November 2020, he served as the chairman of Coland Pharmaceutical Co., Ltd. (康聯藥業有限公司), a company previously listed on Taiwan Stock Exchange (stock code: 4144), and was responsible for providing business advice to the company. From September 2014 to December 2015, Mr. Keller served as an independent director of WuXi PharmaTech and was responsible for providing independent advice to the board of the company. From December 2009 to May 2015, Mr. Keller served as a director of Alexion Pharmaceuticals, Inc., a company listed on NASDAQ (stock code: ALXN), and was responsible for providing independent advice to the board of the company. From February 2003 to June 2014, Mr. Keller served as the founder and principal of Keller Pharma Consultancy (Shanghai) Co. Ltd. (凱樂醫藥諮詢(上海)有限公司) and was responsible for market entry and strategy consulting. From March 2003 to June 2014, Mr. Keller served as the deputy general manager of Shanghai Zhangjiang Biotech and Pharmaceutical Base Development Co., Ltd. (上海張江生物醫藥基地開發有限公司) and was responsible for consulting of pharmaceutical and biotechnological startups' industry development in the park. From May 2007 to April 2010, Mr. Keller served as the chairman of HBM Biomed China Partners Ltd. and was responsible for investment in biotechnology companies. From December 2007 to December 2014, Mr. Keller served as a director and later a supervisor of TaiGen Biopharmaceuticals Holding Limited (太景醫藥研發控股股份有限公司), a company listed on Taiwan Stock Exchange (stock code: 4157), and was responsible for overseeing financial matters. From June 1997 to December 2013, Mr. Keller served as the deputy chairman of the Shanghai Association of Enterprises with Foreign Investment (上海市外商投資企業協會), and was responsible for supporting foreign invested companies as a business advisor. From March 2003 to December 2013, Mr. Keller served as a senior consultant of the Shanghai Foreign Investment Development Board (上海市外國投資促進中心) and was responsible for providing advice regarding foreign investment development. From March 2021 to May 2022, Mr. Keller served as an independent non-executive director of Artisan Acquisition Corp., a company listed on NASDAQ (stock code: ARTAU). Since September 14, 2018, Mr. Keller has been serving as an independent non-executive director of Hua Medicine (華領醫藥), a company listed on the Main Board of the Stock Exchange (stock code: 2552) ("**Hua Medicine**"). Mr. Keller has been serving as a director of Cathay Biotech Inc. (上海凱賽生物技術股份有限公司), a company listed on Shanghai STAR Market (stock code: 688065) in August 2020. Mr. Keller obtained a bachelor of science's degrees from the School of Economics and Business Administration in Zurich, Switzerland in July 1972.

Directors and Senior Management

Mr. Kenneth Walton Hitchner III, aged 64, was appointed as an independent non-executive Director on June 9, 2020. He has more than 30 years of experience in corporate finance. He served as the Chairman and Chief Executive Officer of The Goldman Sachs Group, Inc. in Asia Pacific Ex-Japan before his retirement in 2019. He was also a member of Goldman Sachs' Management Committee and co-chaired its Asia Pacific Management Committee. Previously, Mr. Hitchner served as President of Goldman Sachs in Asia Pacific Ex-Japan from 2013 to 2017. Prior to relocating to Hong Kong, he was global head of Goldman Sachs' Healthcare Banking Group and global co-head of its Technology, Media and Telecom Group. He was named managing director in 2000 and partner in 2002. He became head of the global medical device banking practice in 1998 and head of the global pharmaceutical banking practice in 2001. He began his career with Goldman Sachs' Corporate Finance Department in 1991. Mr. Hitchner has been serving as a director of the alternative investment management firm Elements Advisors SPV since May 2020. He has joined Global Advisory Board of the global early-stage venture capitalist Antler since January 2021. He has also been serving as a senior advisor of WuXi AppTec since February 2020. From January 2021 to October 2022, Mr. Hitchner served as an independent non-executive director of Provident Acquisition Corp., a company listed on NASDAQ and delisted in October 2022. Since February 11, 2021, Mr. Hitchner has also been serving as the chairman of the board of HH&L Acquisition Co., a company listed on NYSE (stock code: HHLA) and delisted in 2024. Mr. Hitchner has been serving as a non-executive director of CStone Pharmaceuticals since December 10, 2021. Mr. Hitchner obtained a bachelor's degree in arts from the University of Colorado in 1982 and a master's degree in business administration (MBA) as a merit fellow from Columbia University Business School in 1992.

Directors and Senior Management

Mr. Jackson Peter Tai, aged 73, was appointed as an independent non-executive Director on May 6, 2023. Mr. Tai has almost 50 years of subject matter and governance experience in finance and risk management in the banking and pharmaceutical industries. Most recently, he retired as independent non-executive director for three publicly listed companies — Eli Lilly after for 10 years of service, Mastercard Incorporated, a company listed on the New York Stock Exchange (stock symbol: MA) after 15 years of service, and HSBC Holdings plc, a company listed on the London Stock Exchange (stock symbol: HSBA) and the Main Board of the Stock Exchange (stock symbol: 0005) after 7 years of service including as Chairman of the Group Risk Committee. Mr. Tai has served as independent non-executive director on other publicly listed companies, including Royal Philips NV, the Bank of China, NYSE Euronext, ING Groep NV, DBS Group, Singapore Airlines, CapitaLand, and Singapore Telecommunications. He was also a director of privately held Canada Pension Plan Investment Board and Russell Reynolds Associates. In terms of management experience, Mr. Tai was Chief Financial Officer in 1999, later President and Chief Operating Officer in 2001, and then Vice Chairman and CEO for DBS Bank and DBS Holdings till 2007. Before that he was an investment banker for J.P. Morgan & Co. Incorporated for 25 years from 1974 to 1999, during which he laterally held management responsibilities including as Chairman of the Western US Management Committee (1995, in San Francisco), Chairman of Asia-Pacific Management Committee (1992, in Tokyo), Global Head of Real Estate Investment Banking (1986, in New York), and Head of Japan Capital Markets (1983, in Tokyo). On the not-for-profit side, Mr. Tai is a currently a member of the Harvard Business School Asia-Pacific Advisory Board, and of the boards of The Metropolitan Opera, New York Philharmonic, and Rensselaer Polytechnic Institute. Mr. Tai obtained a bachelor of science degree in management from Rensselaer Polytechnic Institute in 1972 and a master's degree in business administration (MBA) from Harvard University in 1974.

Dr. Jue Chen, aged 54, was appointed as an independent non-executive Director on August 16, 2023. Dr. Chen is a biologist and possesses decades of experience in the biology related sectors. Dr. Chen is currently the William E. Ford Professor at The Rockefeller University, where she has joined since 2014. Dr. Chen has also been serving as an investigator at Howard Hughes Medical Institute since 2008. Prior to such, Dr. Chen joined Purdue University as an assistant professor in 2002, then promoted to an associate professor in 2007 and subsequently served as a professor from 2011 to 2014. Dr. Chen was elected to the National Academy of Sciences in 2019. Dr. Chen obtained her bachelor of science's degree in chemistry from Ohio University in 1993 and Ph.D. degree in biochemistry from Harvard University in 1998. She completed her postdoctoral work at Harvard University from 1998 to 1999 and at Baylor College of Medicine from 1999 to 2001.

Directors and Senior Management

SENIOR MANAGEMENT

For the biographies of Dr. Zhisheng Chen (陳智勝), please refer to "Directors — Executive Director".

Mr. Ming Tu (屠鳴), aged 55, is Chief Financial Officer ("**CFO**") of the Company. Serving as Co-CFO and then CFO since August 23, 2021, Mr. Tu is responsible for overseeing the Group's financial strategies, performance, reporting and business planning, as well as functional support, such as treasury, tax, controllership and investor relations.

Mr. Tu has more than 29 years of experience in management and corporate finance. Prior to joining the Group, Mr. Tu had served as the CFO of General Electric ("**GE**") China and other senior management positions within GE group for around 24 years at different business units in China, the United States, Japan and other global locations. Since August 2019, he had served as the CFO of the Home Credit China, one of the largest consumer finance companies in China. Mr. Tu obtained a bachelor's degree in computer science from Fudan University, attended Wake Forest University and University of Akron, and obtained a master of business administration degree in finance and a master of science degree in information systems management. He is a graduate of GE's Executive Financial Leadership Program (EFLP) and a certified Six Sigma black belt.

Dr. Jijie Gu (顧繼傑), aged 58, serves as President of Global Biologics Research and Chief Scientific Officer of the Company. Dr. Gu brings more than 20 years of drug research and development expertise and extensive management experience to the firm. He has significant expertise in target discovery, therapeutic design, protein engineering, preclinical drug discovery and early clinical development.

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

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

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

Directors and Senior Management

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

Mr. Jian Dong (董健), aged 60, joined the Company in 2014 and has since been named Senior Vice President of Global Biomanufacturing. In this role, he oversees global clinical and commercial biologics manufacturing and new facility development.

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

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

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

Mr. Keqiang (Peter) Shen (沈克強), aged 60, joined the Group in 2012. He led multiple teams in Bioprocess Development and Manufacturing business unit as Senior Director, Executive Director and Vice President from 2012 to 2023. He was appointed as Executive Vice President and Chief Manufacturing Officer in July 2023. In this role, he manages and oversees the operation, development of manufacturing platform and late phase & commercial manufacturing of all global commercial sites.

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

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

Directors and Senior Management

Dr. Sherry Gu, aged 53, is Chief Technology Officer and Executive Vice President of Global Biologics Development Department of the Company. She joined the Company in 2017 as the Vice President of CMC Management for the West Coast of the United States, and expanded her responsibilities to include the East Coast of the United States in 2019 and Europe in 2021. During such period, she led numerous early and late-stage CMC projects directly and achieved several project IND, PPQ and approval milestones, including from DNA to EUA (Emergency Use Authorization) approval of Sotrovimab through the VIR-GSK collaboration in the combat of the worldwide COVID-19 pandemic.

Dr. Gu received her Ph.D. in Biochemical Engineering from Massachusetts Institute of Technology and has been working in the biopharmaceutical field for over 25 years, including 2 years at Bristol Myers Squibb and 18 years at Eli Lilly prior to joining the Company.

Dr. William Aitchison, aged 69, joined the Group in 2020 as Senior Vice President of Global Manufacturing. In this capacity he oversees all manufacturing operations outside of China.

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

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

Mr. Angus Scott Marshall Turner, aged 56, is Senior Vice President of Global business development and Alliance Management at the Company. Mr. Turner, who joined the Company in 2016, is responsible for business development, strategic alliances and partnerships.

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

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

Directors and Senior Management

Mr. Ing Hou Loh (羅仁豪), aged 52, is senior Vice President and Head of Global Quality Department of the Company. He joined the Company as Senior Director of Quality Assurance in August 2018. He advanced to the position of Vice President in 2020 and was designated as Head of Quality Assurance for the Mashan facilities. His responsibilities further expanded when he became the QA Head for China Manufacturing, Suzhou Biosafety lab, Singapore and US (KOP and MFG18) in 2021. Over the years, under his guidance, the Company's facilities have successfully passed numerous regulatory evaluations conducted by entities such as the U.S. FDA, EU EMA, China NMPA, PMDA, MFDS, COFEPRIS, and others.

With over 25 years of professional experience in the bio-pharmaceutical sector, Mr. Loh carries a wealth of expertise from various esteemed organizations, including Schering-Plough, Genentech/Roche (Singapore), and CMAB Biopharma (Suzhou).

Mr. Loh holds a Bachelor of Science Degree majoring in Medical Technology from National Yang Ming University in Taiwan. In 2012, he further enhanced his qualifications by completing the Quality Professional Certification Program (QCP) provided by Roche.

Directors' Report

The Directors are pleased to present this annual report and the audited consolidated financial statements of the Group for the year ended December 31, 2023.

PRINCIPAL ACTIVITIES

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

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

BUSINESS REVIEW

A review of the business of the Group during the year, a discussion and analysis on the Group's future business development and the financial and operational key performance indicators employed by the Directors in measuring the performance of the Group's business are set out in the sections headed "Chairman and CEO Statement" on pages 4 to 6 of this annual report, "Financial Highlights" on page 7 of this annual report, and "Management Discussion and Analysis" on pages 8 to 34 of this annual report. The financial risk management objectives and policies of the Group are set out in note 38 to the consolidated financial statements in this annual report. Significant events that have an effect on the Group subsequent to the financial year ended December 31, 2023 are set out in note 48 to the consolidated financial statements in this annual report. All the above sections shall form an integral part of this directors' report.

DIRECTORS

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

Executive Directors

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

Non-executive Directors

Dr. Ge Li *(Chairman)*
Dr. Ning Zhao *(passed away on May 16, 2023)*
Dr. Yibing Wu
Mr. Yanling Cao

Independent non-executive Directors

Mr. William Robert Keller
Mr. Kenneth Walton Hitchner III
Mr. Jackson Peter Tai *(appointed on May 6, 2023)*
Dr. Jue Chen *(appointed on August 16, 2023)*

BIOGRAPHIES OF THE DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and the senior management of the Company are set out in the section headed "Directors and Senior Management" on pages 35 to 44 of this annual report.

SERVICE CONTRACTS OF THE DIRECTORS

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

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

REMUNERATION OF THE DIRECTORS AND FIVE INDIVIDUAL WITH HIGHEST EMOLUMENTS

Details of the Directors' remuneration and the five highest paid individuals in the Group are set out in note 12 to the consolidated financial statements in this annual report.

No Director has waived or has agreed to waive any emoluments during the year ended December 31, 2023.

CHANGES IN INFORMATION IN RESPECT OF DIRECTORS

Pursuant to Rule 13.51B of the Listing Rules, the changes in Directors' information after the publication of the 2023 interim report are set out below:

- Dr. Weichang Zhou retired from his roles as Chief Technology Officer and President of Global Biologics Development and Operations of the Company, and has been re-designated as a non-executive Director and Honorary President of Global Biologics Development and Operations and Senior Advisor to Chief Executive Officer to continue to support the Company's development, in March 2024. For details, please refer to the Company's announcement dated March 31, 2024.

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

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

Saved as disclosed in this annual report, as at December 31, 2023, none of the Directors or their respective associates had engaged in or had any interest in any business which competes or may compete with the business of the Group.

DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACT OF SIGNIFICANCE

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

CONNECTED TRANSACTIONS

Details on related party transactions for the year ended December 31, 2023 are set out in note 42 to the consolidated financial statements. None of the related party transactions constitute "connected transactions" or "continuing connected transactions" under Chapter 14A of the Listing Rules.

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

RISK MANAGEMENT

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

Regulatory Risk

The biologics industry, being a division of the pharmaceutical and healthcare industry, has experienced drastic changes in recent years. On one hand, the China NMPA has introduced certain measures to improve the standards of the approval of pharmaceutical research and development and the efficiency of the approval of drug applications. On the other hand, while government policies toward the pharmaceutical industry are expected to remain stable and the government is expected to remain committed to increasing innovation as well as overall healthcare spending which is in line with the "Healthy China 2030" goals set by the State Council of the PRC, it is also observed that the companies of this industry are to comply with more stringent regulations which are closer to international standards, the punishment becomes much stricter and supervision and inspection from government will become more frequent.

In response to all of the above, the Group sticks to the "Globalization" strategy to handle the keep-changing regulations. The Group has a dedicated regulatory affairs team which comprises professionals with years of experience and diversified backgrounds in both domestic and overseas markets. The team members are responsible for actively monitoring and following new legislation, regulations and guidelines published by global regulatory agencies and promoting improvements in compliance with such legislation, regulations and guidelines.

Risks related to Global Politics, International Trade and Regulations

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

We fully support due regulatory review of its industry. The Company has always abided and will continue to abide by the principles of compliant operations and the laws and regulations of the relevant jurisdictions where it conducts its operations and businesses. We would like to reiterate that the Company has not, does not and will not pose any national security risk to the U.S. or any other country.

Interest Rate Risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings and fixed-rate pledged bank deposits and lease liabilities. The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank deposits and variable-rate bank borrowings. The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. The management will review the proportion of borrowings in fixed and floating rates and ensure they are within reasonable range. In addition, the Company actively utilized interest rate swap agreements with select banks as a proactive measure to manage and mitigate risks associated with interest rate fluctuations.

Credit Risk

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

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

Currency Risk

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

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

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

Data Privacy and Data Security Risk

Data is heavily regulated and data compliance has become an essential topic, especially for companies who operate globally. We have to comply with all applicable data laws and regulations in different jurisdictions where we operate. Such data rules are fast evolving and government authorities have become more aggressive on enforcement actions.

We attach great importance to data protection and data compliance and have established our data compliance program to monitor the relevant risk. The Company has established solid policies and practices for protecting local data and trade secrets.

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

Natural Disasters, Outbreaks of Epidemics and Other Force Majeure Events

Natural disasters, outbreaks of epidemics and other force majeure events could endanger our personnel and even cause negative business impact like interrupting business services. Along the years, the Company has been investing a lot to build up a sophisticated business continuity management system, specifically, with respect to sound governance processes handling various kinds of emergencies and disasters, industry outstanding facilities, top industry people talents, super strong supply chain network, insurance policies, etc., which could assure the Company's business continuity to the most extent.

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

As at December 31, 2023, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept pursuant to Section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Interests in Shares and underlying Shares of the Company

Names of Directors	Capacity/ Nature of Interest	Number of Shares[1]	Number of Underlying Shares	Aggregate Interest[1]	Approximate Percentage of Shareholding Interest[2]
Dr. Ge Li	Interests of controlled corporations	584,191,133 (L)[3][4]	–	584,191,133 (L)	13.72%
Dr. Zhisheng Chen	Beneficial owner and founder of a discretionary trust	13,193,017 (L)[5]	7,012,366 restricted shares (L)[6] 102,532,000 share options (L)[7]	122,737,383 (L)	2.88%
Dr. Weichang Zhou	Beneficial owner	247,139 (L)	2,338,966 restricted shares (L)[6] 13,089,000 share options (L)[7]	15,675,105 (L)	0.37%
Mr. William Robert Keller	Beneficial owner	21,899 (L)	–	21,899 (L)	0.00%
Mr. Kenneth Walton Hitchner III	Beneficial owner	103,205 (L)	–	103,205 (L)	0.00%

Notes:

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

(2) As at December 31, 2023, the total number of Shares in issue was 4,257,500,616 Shares.

(3) Dr. Ge Li held approximately 19.66% of the total issued share capital of Biologics Holdings and controlled approximately 55.03% of the total voting power at general meetings of Biologics Holdings. Hence, he was indirectly interested in approximately 2.70% of the total issued Shares, and controlled the voting power attached to 584,191,133 Shares held by Biologics Holdings, representing approximately 13.72% of the total issued Shares.

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

(5) Among the 13,193,017 Shares, 10,706,254 Shares were held by Dr. Zhisheng Chen through a trust of which Dr. Zhisheng Chen is the settlor (founder) and his spouse and child are the beneficiaries.

(6) Interests in restricted shares granted pursuant to the Restricted Share Award Scheme and/or Global Partner Program Share Scheme.

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

Interests in associated corporation(s) of the Company

Name of Director	Name of Associated Corporation	Capacity/ Nature of Interest	Number of shares[1]	Approximate Percentage of Shareholding Interest
Dr. Zhisheng Chen	WuXi XDC[2]	Beneficial owner and founder of a discretionary trust	418,878 (L)[3]	0.03%[4]

Notes:

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

(2) WuXi XDC is a subsidiary of the Company, and therefore, is an associated corporation of the Group within the meaning of Part XV of the SFO.

(3) Among the 418,878 shares, 415,636 shares were held by Dr. Zhisheng Chen through a trust of which Dr. Zhisheng Chen is the settlor (founder) and his spouse and child are the beneficiaries.

(4) As at December 31, 2023, the total number of shares of WuXi XDC in issue was 1,197,604,500 shares.

Save as disclosed above, as at December 31, 2023, so far as it was known to the Directors or chief executive of the Company, none of the Directors or chief executive of the Company had interests or short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations as recorded in the register required to be kept, pursuant to Section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OF THE COMPANY

As at December 31, 2023, so far as it was known to the Directors or chief executive of the Company, the following persons (other than the Directors and chief executive of the Company) had interests and/or short positions in the Shares or underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO.

Interests in Shares and underlying Shares of the Company

Names of Shareholders	Capacity/ Nature of Interest	Number of Shares[1]	Approximate Percentage of Shareholding Interest[2]
Dr. Ge Li	Interests of controlled corporations	584,191,133 (L)[3][4]	13.72%
Mr. Zhaohui Zhang	Interests of parties acting in concert	584,191,133 (L)[4]	13.72%
Mr. Xiaozhong Liu	Interests of parties acting in concert	584,191,133 (L)[4]	13.72%
Life Science Holdings	Interests of controlled corporations	584,191,133 (L)[5]	13.72%
Life Science Limited	Interests of controlled corporations	584,191,133 (L)[5]	13.72%
WuXi PharmaTech	Interests of controlled corporations	584,191,133 (L)[5]	13.72%
Biologics Holdings	Beneficial owner	584,191,133 (L)[5]	13.72%
JPMorgan Chase & Co.	Interests of controlled corporations; Investment manager; Person having a security interest in shares; Trustee; Approved lending agent	254,517,383 (L)[6] 37,098,369 (S)[6] 102,925,149 (P)[6]	5.98% 0.87% 2.42%
Brown Brothers Harriman & Co.	Approved lending agent	213,080,909 (L) 213,080,909 (P)	5.00% 5.00%

Notes:

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

(2) As at December 31, 2023, the total number of Shares in issue was 4,257,500,616 Shares.

(3) Dr. Ge Li held approximately 19.66% of the total issued share capital of Biologics Holdings and controlled approximately 55.03% of the total voting power at general meetings of Biologics Holdings. Hence, he was indirectly interested in approximately 2.70% of the total issued Shares, and controlled the voting power attached to 584,191,133 Shares held by Biologics Holdings, representing approximately 13.72% of the total issued Shares.

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

(5) Life Science Holdings wholly owned Life Science Limited, which wholly owned WuXi PharmaTech, which in turn controlled 44.97% of the voting power at general meetings of Biologics Holdings. Biologics Holdings directly owned 584,191,133 Shares. Life Science Holdings, Life Science Limited and WuXi PharmaTech are deemed to be interested in the Shares held by Biologics Holdings.

(6) The Shares held by JPMorgan Chase & Co. were held via different entities in the following capacities:

No. of Shares	Capacity
42,233,152 (L)	Interests of controlled corporations
37,098,369 (S)	
107,406,362 (L)	Investment manager
1,949,564 (L)	Person having a security interest in shares
3,156 (L)	Trustee
102,925,149 (L)	Approved lending agent

PRE-IPO SHARE OPTION SCHEME

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

The purpose of the Pre-IPO Share Option Scheme is to attract, retain and motivate employees, Directors and such other participants of the Group, to provide a means of compensating them through the grant of options under the Pre-IPO Share Option Scheme for their contribution to the growth and profits of the Group, and to allow them to participate in the growth and profitability of the Group. Participants of the Pre-IPO Share Option Scheme include (a) any employee (whether full-time or part-time) of the Company or its subsidiaries, including any executive Director, (b) any non-executive Director or independent non-executive Director of the Company appointed or proposed to be appointed prior to the Listing Date, or any director of any of the subsidiaries, and (c) any other person who in the sole opinion of the Board, will contribute or have contributed to the Group. No further option would be granted under the Pre-IPO Share Option Scheme on or after the Listing Date. The life of the Pre-IPO Share Option Scheme is 10 years from the date of adoption. There are no more securities available for grant under the Pre-IPO Share Option Scheme on or after the date on which the Shares of the Company are listed. As at the date of this annual report, the total number of Shares available for issue under the Pre-IPO Share Option Scheme is 155,223,409 Shares, representing approximately 3.64% of the total issued Shares.

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

Category of Participants	Date of Grant	Exercise Price	Outstanding as at January 1, 2023	Granted during the Reporting Period	Exercised during the Reporting Period	Lapsed/ Forfeited/ Cancelled during the Reporting Period	Outstanding as at December 31, 2023	Exercise Period
Directors								
Dr. Zhisheng Chen	January 7, 2016	US$0.1667	85,000,000	–	–	–	85,000,000	10 years
	March 15, 2017	US$0.3400	17,532,000	–	–	–	17,532,000	10 years
			102,532,000	**–**	**–**	**–**	**102,532,000**	
Dr. Weichang Zhou	January 7, 2016	US$0.1667	12,596,000	–	2,000,000	–	10,596,000	10 years
	March 15, 2017	US$0.3400	2,493,000	–	–	–	2,493,000	10 years
			15,089,000	**–**	**2,000,000**	**–**	**13,089,000**	
Sub-total			**117,621,000**	**–**	**2,000,000**	**–**	**115,621,000**	
Employees in aggregate								
230 employees	January 7, 2016	US$0.1667	25,023,901	–	6,315,143	–	18,708,758	10 years
24 employees	March 28, 2016	US$0.1667	951,725	–	206,900	–	744,825	10 years
102 employees	August 10, 2016	US$0.2200	6,219,550	–	719,200	–	5,500,350	10 years
92 employees	November 11, 2016	US$0.2633	2,383,103	–	810,300	48,000[4]	1,524,803	10 years
321 employees	March 15, 2017	US$0.3400	13,672,583	–	2,346,135	–	11,326,448	10 years
74 employees	May 12, 2017	US$0.6000	5,046,405	–	2,198,730	–	2,847,675	10 years
Sub-total			**53,297,267**	**–**	**12,596,408**	**48,000**	**40,652,859**	
Total			**170,918,267**	**–**	**14,596,408**	**48,000**	**156,273,859**	

Notes:

(1) In respect of the options exercised during the Reporting Period, the weighted average closing price of the Shares immediately before the dates on which the options were exercised was HK$46.27.

(2) The options granted are exercisable subject to the vesting schedule of 20% on each of the second, third and fourth anniversaries, and 40% on the fifth anniversary, of the date of grant, save as otherwise determined by the Board at its sole discretion.

(3) The options granted shall be exercisable during a period from the vesting date of the option until the expiry of 10 years from the date of the grant of the option.

(4) 48,000 options lapsed in accordance with the terms of the Pre-IPO Share Option Scheme during the Reporting Period.

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

The options granted under the Pre-IPO Share Option Scheme shall be exercisable during a period from the vesting date of the option until the expiry of 10 years from the date of the grant of the option. Subject to the other terms of the Pre-IPO Share Option Scheme, save as determined otherwise by the Board at its sole discretion, the vesting schedule of the options under the Pre-IPO Share Option Scheme is as follows: (i) 20% of the options shall be vested on the date falling on the second anniversary of the date of grant; (ii) 20% of the options shall be vested on the date falling on the third anniversary of the date of grant; (iii) 20% of the options shall be vested on the date falling on the fourth anniversary of the date of grant; and (iv) 40% of the options shall be vested on the date falling on the fifth anniversary of the date of grant. Participants accepting options granted under Pre-IPO Share Option Scheme has to sign an acceptance letter and pay to the Company an amount of HK$1.00 as consideration for the grant. Details of the terms and movement of the options granted during the Reporting Period and the impact of options granted under the Pre-IPO Share Option Scheme on the financial statements are set out in the Prospectus and under note 43 to the consolidated financial statements in this annual report.

RESTRICTED SHARE AWARD SCHEME

The Company has adopted the Restricted Share Award Scheme on January 15, 2018, which was amended and restated on June 27, 2023. The purposes of the Restricted Share Award Scheme are to (i) recognize the contributions by the selected participants; (ii) encourage, motivate and retain the selected participants, whose contributions are beneficial to the continual operation, development and long-term growth of the Group; and (iii) provide additional incentive for the selected participants to achieve performance goals, with a view to achieving the objectives of increasing the value of the Group and aligning the interests of the selected participants to the Shareholders through ownership of Shares. The Restricted Share Award Scheme became effective on January 15, 2018. Participants of the Restricted Share Award Scheme include any Director or employee of the Company or any of its subsidiaries. The total number of Shares issued and to be issued pursuant to grant of restricted shares to each participant (including any Shares where the right to acquire such Shares has been vested or lapsed) in any 12-month period shall not exceed 1% of the Shares in issue unless approved by the Shareholders. Vesting shall only occur upon satisfaction (or where applicable, wavier by the Board) of the conditions imposed by the Board as set forth in the notice of award. Participants are not required to pay for the acceptance of the restricted shares. For the purpose of determining the share price of each restricted share under the Restricted Share Award Scheme, it shall be the average closing price of the Company's Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of granting the restricted shares. Subject to earlier termination by the Board, the Restricted Share Award Scheme shall be valid and effective for a period of 10 years from the adoption date. The maximum number of Shares which can be awarded under the Restricted Share Award Scheme is limited to 3% (i.e. 127,452,353 Shares) of the issued Shares as at June 27, 2023 (the date on which the proposed amendments to the Restricted Share Award Scheme were approved by Shareholders). The number of Shares available for grant under the Restricted Share Award Scheme was 465,370 and 109,687,717 as of January 1, 2023 and December 31, 2023, respectively. As at the date of this annual report, the total number of Shares available for issue under the Restricted Share Award Scheme is 90,664,648 Shares, representing approximately 2.13% of the total issued Shares. During the Reporting Period, the number of Shares that may be issued in respect of restricted shares granted under the Restricted Share Award Scheme divided by the weighted average number of total Shares in issue during the Reporting Period is 0.42%.

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

The table below shows details of the movements in the restricted shares granted under the Restricted Share Award Scheme during the Reporting Period which shall be satisfied by the issuance of new Shares.

Category of Participants	Date of Grant	Closing Price of the Shares immediately before the Date of Grant	Outstanding as at January 1, 2023	Granted during the Reporting Period	Vested during the Reporting Period	Lapsed/ Forfeited during the Reporting Period	Cancelled during the Reporting Period	Outstanding as at December 31, 2023	Vesting Period
Directors									
Dr. Zhisheng Chen	June 5, 2019	HK$23.75	1,775,700	–	591,900	–	–	1,183,800	5 years
	November 12, 2020	HK$74.47	943,037	–	235,759	–	–	707,278	5 years
	June 16, 2021	HK$121.00	945,200	–	189,040	–	–	756,160	5 years
	June 10, 2022	HK$71.10	1,324,333	–	–	–	–	1,324,333	5 years
	August 24, 2023	HK$41.10	–	522,478	–	–	–	522,478	5 years
			4,988,270	**522,478**	**1,016,699**	**–**	**–**	**4,494,049**	
Dr. Weichang Zhou	June 5, 2019	HK$23.75	284,112	–	94,704	–	–	189,408	5 years
	November 12, 2020	HK$74.47	282,910	–	70,727	–	–	212,183	5 years
	June 16, 2021	HK$121.00	263,679	–	52,735	–	–	210,944	5 years
	June 10, 2022	HK$71.10	450,281	–	–	–	–	450,281	5 years
	August 24, 2023	HK$41.10	–	241,642	–	–	–	241,642	5 years
	November 21, 2023	HK$48.00	–	132,484	–	–	–	132,484	5 years
			1,280,982	**374,126**	**218,166**	**–**	**–**	**1,436,942**	
Mr. William Robert Keller	June 10, 2022	HK$71.10	4,145	–	4,145	–	–	–	1 year
Mr. Teh-Ming Walter Kwauk (passed away on November 24, 2022)	June 10, 2022	HK$71.10	4,145	–	4,145	–	–	–	1 year
Mr. Kenneth Walton Hitchner III	June 10, 2022	HK$71.10	8,291	–	8,291	–	–	–	1 year
Sub-total			**6,285,833**	**896,604**	**1,251,446**	**–**	**–**	**5,930,991**	

Category of Participants	Date of Grant	Closing Price of the Shares immediately before the Date of Grant	Outstanding as at January 1, 2023	Granted during the Reporting Period	Vested during the Reporting Period	Lapsed/ Forfeited during the Reporting Period	Cancelled during the Reporting Period	Outstanding as at December 31, 2023	Vesting Period
Employees in aggregate									
259 employees	January 15, 2018	HK$17.78	1,954,272	–	1,934,568	–	19,704	–	5 years
540 employees	March 20, 2018	HK$23.73	1,440,276	–	1,425,192	1,104	13,980	–	5 years
170 employees	June 13, 2018	HK$31.08	544,209	–	525,855	14,898	3,456	–	5 years
202 employees	August 21, 2018	HK$21.55	1,148,685	–	1,103,577	14,688	30,420	–	5 years
124 employees	November 20, 2018	HK$22.57	854,285	–	848,696	–	5,589	–	5 years
6 employees	March 19, 2019	HK$27.00	82,750	–	27,580	–	–	55,170	5 years
846 employees	June 5, 2019	HK$23.75	4,524,423	–	1,472,789	190,474	165,501	2,695,659	5 years
335 employees	August 20, 2019	HK$27.47	2,161,513	–	682,127	97,075	74,467	1,307,844	5 years
67 employees	November 20, 2019	HK$29.50	688,272	–	195,062	26,477	79,661	387,072	5 years
383 employees	March 27, 2020	HK$34.60	2,990,928	–	739,080	70,496	97,259	2,084,093	5 years
77 employees	June 9, 2020	HK$41.67	1,335,518	–	330,438	18,734	10,215	976,131	5 years
126 employees	August 18, 2020	HK$56.33	1,109,910	–	269,764	17,867	12,851	809,428	5 years
1,391 employees	November 12, 2020	HK$74.47	3,190,261	–	731,110	173,042	140,780	2,145,329	5 years
1,617 employees	March 24, 2021	HK$87.40	4,009,552	–	830,894	168,729	139,412	2,870,517	5 years
3 employees	June 16, 2021	HK$121.00	115,725	–	23,145	–	–	92,580	5 years
1,752 employees	June 17, 2021	HK$116.90	11,078,195	–	2,146,632	452,408	443,562	8,035,593	5 years
745 employees	August 24, 2021	HK$113.00	3,914,921	–	742,276	361,299	74,150	2,737,196	5 years
486 employees	November 23, 2021	HK$105.70	3,371,719	–	762,381	269,704	42,637	2,296,997	5 years
2,458 employees	March 23, 2022	HK$58.35	17,409,885	–	–	1,585,688	569,859	15,254,338	5 years
725 employees	June 10, 2022	HK$71.10	6,739,534	–	–	371,232	136,095	6,232,207	5 years
151 employees	August 18, 2022	HK$69.75	1,720,764	–	–	111,034	47,044	1,562,686	5 years
681 employees	November 28, 2022	HK$47.75	7,252,833	–	–	459,300	71,435	6,722,098	5 years
1,852 employees	August 24, 2023	HK$41.10	–	14,494,409	–	414,602	33,685	14,046,122	5 years
455 employees	November 21, 2023	HK$48.00	–	2,904,725	–	82,815	–	2,821,910	5 years
Sub-total			77,638,430	17,399,134	14,791,166	4,901,666	2,211,762	73,132,970	
Total			83,924,263	18,295,738	16,042,612	4,901,666	2,211,762	79,063,961	

Notes:

(1) During the Reporting Period, certain employees of the Group were offered and agreed to join the subsidiary share option schemes, i.e. the WuXi XDC Share Option Scheme or the WuXi Vaccines Share Option Scheme ("**Subsidiary Share Option Schemes**"). Upon participating in the Subsidiary Share Option Schemes, share options under the Subsidiary Share Option Schemes were granted to the employees while the outstanding restricted shares granted under the Restricted Share Award Scheme held by the respective employees were cancelled accordingly.

(2) In respect of the restricted shares vested during the Reporting Period, the weighted average closing price of the Shares immediately before the dates on which the restricted shares were vested was HK$49.05.

(3) For details of the fair value of the restricted shares at the date of grant and the accounting standard and policy adopted, please refer to note 43 to the consolidated financial statements of this annual report.

(4) The unvested restricted shares are subject to a time-based vesting schedule of 20% on each of the second, third and fourth anniversaries, and 40% on the fifth anniversary, of the date of grant with no performance target attached.

(5) The purchase price for the restricted shares transferred or to be transferred to the participants upon vesting is nil.

Details of the restricted shares granted under the Restricted Share Award Scheme during the Reporting Period are set out in the Company's announcements dated August 24, 2023 and November 21, 2023 and under note 43 to the consolidated financial statements in this annual report. For more details of the Restricted Share Award Scheme, please refer to the Company's announcements dated January 15, 2018 and January 18, 2018 and the Company's circular dated May 23, 2023.

GLOBAL PARTNER PROGRAM SHARE SCHEME

The Company has adopted the Global Partner Program Share Scheme on June 16, 2021, which was amended and restated on June 27, 2023. The purposes of the Global Partner Program Share Scheme are to further reward and incentivize the Group's top employees and attract key talents to ensure the continuous business development and growth of the Company. The Global Partner Program Share Scheme became effective on June 16, 2021. Participants of the Global Partner Program Share Scheme include any Director or employee of the Company or any of its subsidiaries, or any joint venture or other business arrangement of the Group, who, in the opinion of the Board, has significant contribution to the business development and growth of the Group. The total number of Shares issued and to be issued pursuant to grant of restricted shares to each participant (including any Shares where the right to acquire such Shares has been vested or lapsed) in any 12-month period shall not exceed 1% of the Shares in issue unless approved by the Shareholders. Vesting shall only occur upon satisfaction (or where applicable, wavier by the Board) of the conditions imposed by the Board as set forth in the notice of award. Participants are not required to pay for the acceptance of the restricted shares. For the purpose of determining the share price of each restricted share under the Global Partner Program Share Scheme, it shall be the average closing price of the Company's Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of granting the restricted shares. Subject to earlier termination by the Board, the Global Partner Program Share Scheme shall be valid and effective for a period of 10 years from the adoption date. The maximum number of Shares which can be awarded under the Global Partner Program Share Scheme is limited to 3% (i.e. 127,452,353 Shares) of the issued Shares as at June 27, 2023 (the date on which the proposed amendments to the Global Partner Program Share Scheme were approved by Shareholders). The number of Shares available for grant under the Global Partner Program Share Scheme was 116,407,638 and 118,243,527 as of January 1, 2023 and December 31, 2023, respectively. As at the date of this annual report, the total number of Shares available for issue under the Global Partner Program Share Scheme is 118,350,439 Shares, representing approximately 2.78% of the total issued Shares. During the Reporting Period, the number of Shares that may be issued in respect of restricted shares granted under the Global Partner Program Share Scheme divided by the weighted average number of total Shares in issue during the Reporting Period is 0.21%.

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

The table below shows details of the movements in the restricted shares granted under the Global Partner Program Share Scheme during the Reporting Period which shall be satisfied by the issuance of new Shares.

Category of Participants	Date of Grant	Closing Price of the Shares immediately before the Date of Grant	Outstanding as at January 1, 2023	Granted during the Reporting Period	Vested during the Reporting Period	Lapsed/ Forfeited during the Reporting Period	Cancelled during the Reporting Period	Outstanding as at December 31, 2023	Vesting Period
Directors									
Dr. Zhisheng Chen	June 10, 2022	HK$71.10	877,694	–	–	–	–	877,694	2 years
	August 24, 2023	HK$41.10	–	957,015	–	–	–	957,015	2 years
	November 21, 2023	HK$48.00	–	683,608	–	–	–	683,608	2 years
			877,694	**1,640,623**	**–**	**–**	**–**	**2,518,317**	
Dr. Weichang Zhou	June 10, 2022	HK$71.10	298,416	–	–	–	–	298,416	2 years
	August 24, 2023	HK$41.10	–	325,385	–	–	–	325,385	2 years
	November 21, 2023	HK$48.00	–	278,223	–	–	–	278,223	2 years
			298,416	**603,608**	**–**	**–**	**–**	**902,024**	
Sub-total			**1,176,110**	**2,244,231**	**–**	**–**	**–**	**3,420,341**	
Employees in aggregate									
198 employees	November 23, 2021	HK$105.70	2,582,758	–	–	44,448	117,481	2,420,829	2 years
2 employees	June 10, 2022	HK$71.10	47,037	–	–	–	–	47,037	2 years
234 employees	November 28, 2022	HK$47.75	6,769,146	–	–	166,441	203,273	6,399,432	2 years
2 employees	August 24, 2023	HK$41.10	–	61,224	–	–	–	61,224	2 years
253 employees	November 21, 2023	HK$48.00	–	6,927,598	–	24,227	–	6,903,371	2 years
Sub-total			**9,398,941**	**6,988,822**	**–**	**235,116**	**320,754**	**15,831,893**	
Total			**10,575,051**	**9,233,053**	**–**	**235,116**	**320,754**	**19,252,234**	

Notes:

(1) During the Reporting Period, certain employees of the Group were offered and agreed to join the Subsidiary Share Option Schemes. Upon participating in the Subsidiary Share Option Schemes, share options under the Subsidiary Share Option Schemes were granted to the employees while the outstanding restricted shares granted under the Global Partner Program Share Scheme held by the respective employees were cancelled accordingly.

(2) For details of the fair value of the restricted shares at the date of grant and the accounting standard and policy adopted, please refer to note 43 to the consolidated financial statements of this annual report.

(3) The restricted shares under the Global Partner Program Share Scheme are subject to, amongst other vesting conditions and performance targets, the vesting schedule of 50% on each of the first and second anniversaries of the date of grant. For further details, please refer to note 43 to the consolidated financial statements of this annual report.

(4) The purchase price for the restricted shares transferred or to be transferred to the participants upon vesting is nil.

Details of the restricted shares granted under the Global Partner Program Share Scheme during the Reporting Period are set out in the Company's announcements dated August 24, 2023 and November 21, 2023 and under note 43 to the consolidated financial statements in this annual report. For more details of the Global Partner Program Share Scheme, please refer to the Company's announcements dated June 16, 2021 and the Company's circular dated May 23, 2023.

The Scheme Mandate Limit was approved by Shareholders, and adopted by the Company, on June 27, 2023 (the "**Adoption Date**"), pursuant to which the maximum number of Shares which may be issued and allotted in respect of all restricted shares to be granted under the Restricted Share Award Scheme and the Global Partner Program Share Scheme and all share options and share awards to be granted under any other share option schemes and/or share award schemes involving issuance of new Shares adopted and to be adopted by the Company from time to time would be 6% of the issued Shares at the Adoption Date (i.e. 254,904,706 Shares). The number of restricted shares available for grant under the Scheme Mandate Limit was 227,931,244 as of December 31, 2023.

MAJOR CUSTOMERS AND SUPPLIERS

Major Customers

For the year ended December 31, 2023, the Group's sales to its five largest customers accounted for 35.6%, as compared to 30.7% of the Group's total revenue for the year ended December 31, 2022, and the Group's sales to the largest customer accounted for 11.4%, as compared to 11.2% of the Group's total revenue for the year ended December 31, 2022.

Major Suppliers

For the year ended December 31, 2023, the Group's five largest suppliers accounted for 31%, as compared to 34.2% of the Group's total purchases for the year ended December 31, 2022. The Group's single largest supplier accounted for 12%, as compared to 13.6% of the Group's total purchases for the year ended December 31, 2022.

Except for STA, being among the Group's five largest suppliers, during the year ended December 31, 2023, none of the Directors or any of their close associates or any Shareholders (which, to the knowledge of the Directors, own more than 5% of the number of issued shares of the Company) had any interest in the Group's five largest customers and suppliers. For details of related party transactions, please refer to note 42 to the consolidated financial statements in this annual report.

Relationship with Employees, Suppliers and Customers

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

Management Contracts

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

Directors' Permitted Indemnity Provision

Each Director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he may sustain or incur in or about the execution of the duties of his office or otherwise in relation thereto in accordance with the Articles of Association. The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group during the year ended December 31, 2023, which is still in force.

Directors' Report

Results and Dividends

The results of the Group for the Reporting Period are set out in the consolidated statement of profit or loss and other comprehensive income on pages 104 to 105 of this annual report. The Board does not recommend any payment of final dividend for the year ended December 31, 2023.

Share Capital

Details of movements in share capital of the Company during the Reporting Period are set out in note 36 to the consolidated financial statements in this annual report.

Reserves

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

Details of the Company's reserves available for distribution to the Shareholders as at December 31, 2023 are set out in note 46 to the consolidated financial statements in this annual report.

Donations

During the Reporting Period, charitable and other donations made by the Group amounted to RMB1,013,000 (2022: RMB554,000).

Property, Plant and Equipment

Details of movements in property, plant and equipment of the Group during the Reporting Period are set out in note 15 to the consolidated financial statements in this annual report.

Use of Net Proceeds from Placing

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

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

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

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

Purchase, Sale or Redemption of the Listed Securities of the Company

During the Reporting Period, the Company had repurchased, a total of 34,769,000 Shares on the Stock Exchange at an aggregate purchase price of approximately HK$1,005.19 million. For more details including but not limited to the reasons for making the repurchases of Shares, please refer to the Company's announcement dated December 6, 2023. As at the date of this annual report, the repurchased Shares had not been cancelled by the Company.

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

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

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

Arrangement to Purchase Shares or Debentures

Save for the Pre-IPO Share Option Scheme, at no time during the year ended December 31, 2023 did the Company or any of its holding companies, subsidiaries or fellow subsidiaries a part to any arrangements that would enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Equity-Linked Agreements

Save for the share incentive arrangements as disclosed in the Directors' Report of this annual report, no equity-linked agreements were entered into by the Company, or existed during the Reporting Period.

AGM AND CLOSURE OF REGISTER OF MEMBERS

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

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

CORPORATE GOVERNANCE

A report on the principle corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 71 to 97 of this annual report.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

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

SUFFICIENCY OF PUBLIC FLOAT

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

TAX RELIEF AND EXEMPTION

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

PRE-EMPTIVE RIGHTS

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

AUDITOR

The Company has appointed Deloitte Touche Tohmatsu as the auditor of the Company for the year ended December 31, 2023. A resolution will be proposed for approval by Shareholders at the forthcoming AGM to re-appoint Deloitte Touche Tohmatsu as the auditor of the Company.

On behalf of the Board

Dr. Ge Li
Chairman
Hong Kong, March 26, 2024

Corporate Governance Report

The Board is pleased to present the Corporate Governance Report for the year ended December 31, 2023.

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 maximized 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 is committed to maintaining high corporate governance standards.

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

The Company has adopted the principles and code provisions in Part 2 of the CG Code as the basis of the Company's corporate governance practices.

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

Corporate Governance Report

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Written Guidelines on terms no less exacting than the Model Code as set out in Appendix C3 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors.

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

The Company has also established the Guidelines for Securities Transactions by Employees (the "**Employees' Written Guidelines**") on terms no less exacting than the Model Code for securities transactions by employees who are likely to be in possession of inside information of the Company. No incident of non-compliance of the Employees' Written Guidelines by the employees was noted by the Company.

BOARD OF DIRECTORS

The Board 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/her 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.

The Directors during the Reporting Period and up to the date of this Corporate Governance Report (March 26, 2024) were:

Executive Directors

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

Non-executive Directors

Dr. Ge Li *(Chairman)*
Dr. Ning Zhao *(passed away on May 16, 2023)*
Dr. Yibing Wu
Mr. Yanling Cao

Independent Non-executive Directors

Mr. William Robert Keller
Mr. Kenneth Walton Hitchner III
Mr. Jackson Peter Tai
Dr. Jue Chen

Mr. Jackson Peter Tai and Dr. Jue Chen, who have been appointed as the independent non-executive Directors during the Reporting Period, have obtained the legal advice on Hong Kong law as regards the requirements under the Listing Rules that are applicable to each of them as a director of a listed issuer and the possible consequences of making a false declaration or giving false information to the Stock Exchange on May 6, 2023 and August 16, 2023, respectively, and they have confirmed they understood their obligations as a director of a listed issuer.

The biographical information of the Directors are set out in the section headed "Directors and Senior Management" on pages 35 to 40 of this annual report.

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

Board Meetings and Directors' Attendance Records

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

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

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

Names of Directors	Attendance
Dr. Ge Li	9/9
Dr. Zhisheng Chen	9/9
Dr. Weichang Zhou	8/9
Dr. Ning Zhao (passed away on May 16, 2023)	2/3
Dr. Yibing Wu	7/9
Mr. Yanling Cao	8/9
Mr. William Robert Keller	9/9
Mr. Kenneth Walton Hitchner III	5/9
Mr. Jackson Peter Tai (appointed on May 6, 2023)	6/6
Dr. Jue Chen (appointed on August 16, 2023)	4/4

Corporate Governance Report

Chairman and Chief Executive Officer

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

Independent Non-executive Directors

Rules 3.10(1) and 3.10(2) of the Listing Rules require every board of directors of a listed issuer must include at least three independent non-executive directors and at least one of the independent non-executive directors must have appropriate professional qualifications or accounting or related financial management expertise. Rule 3.10A of the Listing Rules requires an issuer must appoint independent non-executive directors representing at least one-third of the board.

Following the passing away of Mr. Teh-Ming Walter Kwauk, a former independent non-executive Director who has appropriate professional qualifications, on November 24, 2022, the Company had two independent non-executive Directors, less than one-third of the Board.

During the Reporting Period, Mr. Jackson Peter Tai, who has appropriate professional qualifications, was appointed as an independent non-executive Director on May 6, 2023. Following the aforesaid appointment of Mr. Tai, the Board has met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his/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 Board Independence Evaluation Mechanism since 2022 which sets out the processes and procedures to ensure a strong independent element on the Board, which allows the Board effectively exercises independent judgment to better safeguard Shareholders' interests.

The objectives of the evaluation are to improve Board effectiveness, maximize strengths, and identify the areas that need improvement or further development. The evaluation process also clarifies what actions of the Company need to be taken to maintain and improve the Board performance, for instance, addressing individual training and development needs of each Director.

Pursuant to the Board Independence Evaluation Mechanism, the Board will conduct annual review on its independence. The Board Independence Evaluation Report will be presented to the Board which will collectively discuss the results and the action plan for improvement, if appropriate.

During the Reporting Period, the Directors have completed the independence evaluation questionnaire. Based on the answers from the Directors, the evaluation results were satisfactory.

Appointment and Re-election of Directors

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

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

The Company's Articles of Association also provides that all Directors appointed to fill a casual vacancy or as an addition to the Board shall hold office only until the first annual general meeting of the Company after his/her appointment and shall then be eligible for re-election at that meeting.

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, approves and monitors all notifiable and connected transactions of the Group in accordance with the Listing Rules, and ensures that sound internal control and risk management systems are in place.

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

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

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

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

Continuous Professional Development of Directors

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

Every newly appointed Director will receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements. Besides, meetings with senior management of the Company will also be arranged. Comprehensive and tailored induction was provided to each of Mr. Jackson Peter Tai and Dr. Jue Chen, the newly appointed independent non-executive Directors during the Reporting Period.

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

During the Reporting Period, the Company organized training sessions conducted by the legal advisers for all Directors. The training sessions covered a wide range of relevant topics including Listing Rules and regulatory updates and anti-corruption policy. In addition, relevant reading materials including legal and regulatory updates have been provided to the Directors for their reference and studying.

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

Directors	Type of Training[Note]
Executive Directors	
Dr. Zhisheng Chen	A & B
Dr. Weichang Zhou	A & B
Non-executive Directors	
Dr. Ge Li	A & B
Dr. Ning Zhao (passed away on May 16, 2023)	B
Dr. Yibing Wu	A & B
Mr. Yanling Cao	A & B
Independent Non-executive Directors	
Mr. William Robert Keller	A & B
Mr. Kenneth Walton Hitchner III	A & B
Mr. Jackson Peter Tai (appointed on May 6, 2023)	A & B
Dr. Jue Chen (appointed on August 16, 2023)	A & B

Note:

Types of Training

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

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

BOARD COMMITTEES

The Board has established five committees, namely, the Audit Committee, Remuneration Committee, Nomination Committee, Strategy Committee, and Environmental, Social and Governance Committee for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Audit Committee, Remuneration Committee and Nomination Committee are posted on the websites of the Company and Hong Kong Exchanges and Clearing Limited ("**HKEX**") and are available to Shareholders upon request.

Audit Committee

Rule 3.21 of the Listing Rules requires the Audit Committee to comprise non-executive directors only, with a minimum of three members with independent non-executive directors in majority and at least one independent non-executive director with appropriate professional qualifications or accounting or related financial management expertise.

Following the passing away of Mr. Teh-Ming Walter Kwauk, a former independent non-executive Director and the former chairman of the Audit Committee, on November 24, 2022, the Audit Committee comprised only two members.

During the Reporting Period, Mr. Jackson Peter Tai, an independent non-executive Director who has appropriate professional qualifications, was appointed as the chairman of the Audit Committee on May 6, 2023. Following the aforesaid appointment of Mr. Tai, the Audit Committee consists of three independent non-executive Directors, namely Mr. Jackson Peter Tai, Mr. William Robert Keller and Mr. Kenneth Walton Hitchner III, with Mr. Jackson Peter Tai as its chairman.

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

The Audit Committee is also responsible for performing the functions set out in code provision in Part 2 of the CG Code. These include developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board; reviewing and monitoring the training and continuous professional development of Directors and senior management of the Company; reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements; developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to employees and directors of the Company; and reviewing the Company's compliance with the CG Code from time to time adopted by the Company and the disclosure in the corporate governance report to be contained in the Company's annual report.

During the Reporting Period, the Audit Committee held four meetings to review and consider annual financial results and report and corporate governance report in respect of the year ended December 31, 2022, the interim financial results and report in respect of the six months ended June 30, 2023, and significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems and internal audit function, appointment of external auditors and engagement of non-audit services and relevant scope of works, connected transactions, the reported case and investigation progress in accordance with the Whistleblowing & Investigation Policy, and evaluate and assess the adequacy of the terms of reference of the Audit Committee.

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

During the Reporting Period, the chairman of the Audit Committee met with the external auditors, including their partner, without the presence of the executive Directors and the management, in advance of each Audit Committee meeting to review the findings of the external auditors and to update the external auditors' audit plan for the Group. Notably, the chairman of the Audit Committee met the senior partners of the external auditors (including the China Chairlady of Deloitte Touche Tohmatsu) to review the external auditors' audit plan for the Group and the availability of seasoned subject matter experts (both within the external auditors' China and global senior leadership) to further raise the Audit Committee's understanding of market best practices and financial reporting and control developments.

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

Names of Members of the Audit Committee	Attendance
Mr. Jackson Peter Tai (appointed on May 6, 2023)	3/3
Mr. William Robert Keller	4/4
Mr. Kenneth Walton Hitchner III	4/4

Remuneration Committee

The Remuneration Committee consists of three independent non-executive Directors, namely Mr. William Robert Keller, Mr. Kenneth Walton Hitchner III and Mr. Jackson Peter Tai, with Mr. William Robert Keller as its chairman.

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code. The primary functions of the Remuneration Committee include making recommendations to the Board on the remuneration packages of individual executive Directors and senior management, the remuneration policy and structure for all Directors and senior management, establishing a formal and transparent procedure for developing remuneration policy and ensuring that no Director or any of his/her associates is involved in deciding his/her own remuneration, as well as reviewing and/or approving matters relating to share schemes under Chapter 17 of the Listing Rules.

During the Reporting Period, the Remuneration Committee held four meetings to review and make recommendation to the Board on the remuneration policy and structure of the Company, the remuneration packages of the executive Directors, independent non-executive Directors and senior management, evaluate and assess the adequacy of the terms of reference of the Remuneration Committee, consider and make recommendation to the Board on key terms of the new director's service agreement entered with the two newly appointed independent non-executive Directors and other related matters as well as to make recommendation to the Board on the proposed amendments to the Restricted Share Award Scheme and Global Partner Program Share Scheme, and to consider the grant of restricted shares under the Restricted Share Award Scheme and Global Partner Program Share Scheme.

The grant of restricted shares under the Restricted Share Award Scheme during Reporting Period did not have performance targets attached. In view that (i) the grant of restricted shares under the Restricted Share Award Scheme will give the grantees an opportunity to have a personal stake in the Company and will help motivate the grantees in optimizing their performance and efficiency; and (ii) the number of restricted shares granted is based on the work performance and potential of the grantees and no additional performance target is imposed before the restricted shares are vested to the grantees, and in line with the previous customary practice of the Company in terms of equity-based remuneration, the Remuneration Committee considered the grant of restricted shares without performance targets are in alignment with the purposes of the Restricted Share Award Scheme.

Pursuant to code provision in Part 2 of the CG Code, details of the remuneration of the senior management (other than Directors) by bands for the year ended December 31, 2023 is as follows:

	Number of employees
HKD30,000,001 to HKD40,000,000	1
HKD20,000,001 to HKD30,000,000	1
HKD10,000,001 to HKD20,000,000	3
HKD3,000,001 to HKD10,000,000	3

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

Names of Members of the Remuneration Committee	Attendance
Mr. William Robert Keller	4/4
Dr. Ning Zhao (passed away on May 16, 2023)	1/1
Mr. Kenneth Walton Hitchner III	4/4
Mr. Jackson Peter Tai (appointed on August 16, 2023)	2/2

The Company's remuneration policy is to ensure that the remuneration offered to employees, including Directors and senior management, is based on skill, knowledge, responsibilities and involvement in the Company's affairs. The remuneration packages of executive Directors are also determined with reference to the Company's performance, the prevailing market conditions and the performance of each executive Director. The remuneration for the executive Directors comprises basic salary and discretionary bonus. Executive Directors shall receive restricted shares to be granted under the Company's Restricted Share Award Scheme and Global Partner Program Share Scheme. The remuneration policy for non-executive Directors and independent non-executive Directors is to ensure that non-executive Directors and independent non-executive Directors are adequately compensated for their efforts and time dedicated to the Company's affairs, including their participation in Board committees. The remuneration for the non-executive Directors and independent non-executive Directors mainly comprises Director's fee which is determined with reference to the prevailing market conditions, their performance, time commitment and responsibilities with the Company. Individual Directors and senior management have not been involved in deciding their own remuneration.

Nomination Committee

Rule 3.27A of the Listing Rules requires an issuer to establish a Nomination Committee chaired by the Chairman of the Board or an independent non-executive director and comprising a majority of independent non-executive directors.

Following the passing away of Mr. Teh-Ming Walter Kwauk, a former independent non-executive Director and a former member of the Nomination Committee, on November 24, 2022, the Nomination Committee comprised only two members.

During the Reporting Period, Mr. Jackson Peter Tai, an independent non-executive Director, was appointed as a member of the Nomination Committee on May 6, 2023. Following the aforesaid appointment of Mr. Tai, the Nomination Committee consists of one non-executive Director and two independent non-executive Directors, namely Dr. Ge Li, Mr. William Robert Keller and Mr. Jackson Peter Tai, with Dr. Ge Li as its chairman.

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

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board Diversity Policy. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's relevant criteria as set out in the Director Nomination Policy that are necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

During the Reporting Period, the Nomination Committee met once to review the structure, size and composition of the Board and the independence of the independent non-executive Directors, to consider the qualifications of the retiring Directors standing for election at the 2023 annual general meeting, to consider and recommend the Board on the election as new independent non-executive Directors for replacement, and evaluate and assess the adequacy of the terms of reference of the Nomination Committee.

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

Names of Members of the Nomination Committee	Attendance
Dr. Ge Li	1/1
Mr. William Robert Keller	1/1
Mr. Jackson Peter Tai (appointed on May 6, 2023)	N/A

Board Diversity Policy

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

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

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

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

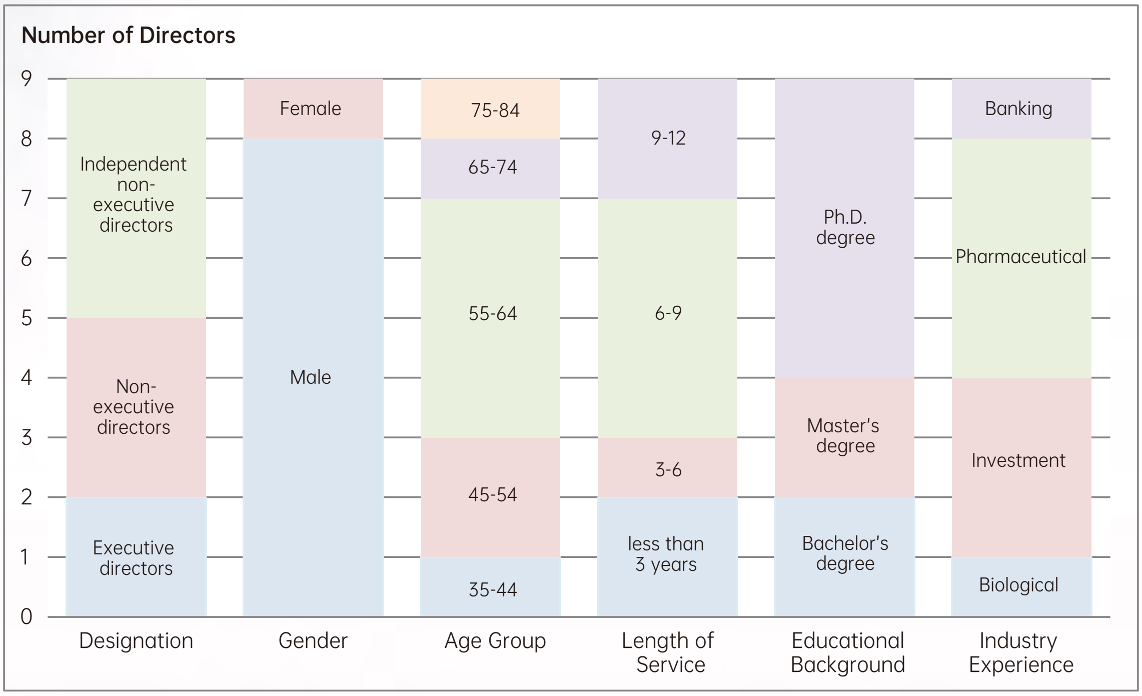
At present, the Nomination Committee considered that the Board is sufficiently diverse and the Board has not set any measurable objectives.

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

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

Corporate Governance Report

The following chart shows the diversity profile of the Board as at December 31, 2023:



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 December 31, 2023:

	Female	Male
Board	11.11%	88.89%
Senior Management (as listed in the "Directors and Senior Management" section)	11.11%	88.89%
Other employees	53.54%	46.46%
Overall workforce	53.51%	46.49%

The Board considers that the above current gender diversity is satisfactory.

The Board will continue, taking into account the business needs of the Company and changes from time to time that may affect the Company's business plans, to ensure the gender diversity when recruiting staff at senior level, so that the qualified female senior management and potential successors may join the Board in due course to ensure gender diversity of the Board. The Company will continue to focus on training talent in different gender and providing long-term development opportunities for different gender.

Director Nomination Policy

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

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

a) The Nomination Committee may adopt any procedures and process it deems appropriate in identifying or selecting suitable candidates and evaluating the suitability of the candidates;

b) Upon considering a candidate suitability for the directorship, the Nomination Committee will hold a meeting and/or by way of written resolutions to, if thought fit, approve the recommendation to the Board for appointment;

c) The Nomination Committee will provide the relevant information of the selected candidate to the Remuneration Committee for consideration of remuneration package of such selected candidate;

d) The Nomination Committee will thereafter make the recommendation to the Board in relation to the proposed appointment, and where a non-executive Director is considered, the Remuneration Committee will make the recommendation to the Board on the proposed remuneration package;

e) The Board will thereafter deliberate and decide the appointment as the case may be; and

f) Upon Directors' appointment, relevant documents shall be duly filed with registration offices and other authorities including but not limited to the Companies Registry of the Cayman Islands and Hong Kong.

The Director Nomination Policy sets out the criteria for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

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

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

During the Reporting Period, the Nomination Committee recommended to the Board the appointment of two new independent non-executive Directors, namely Mr. Jackson Peter Tai and Dr. Jue Chen. The appointment were subject to a stringent nomination process in accordance with the Director 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 Director Nomination Policy, as appropriate, to ensure its effectiveness.

Strategy Committee

As of the end of the Reporting Period, the Strategy Committee consists of two executive Directors, two non-executive Directors and three independent non-executive Directors, namely Dr. Zhisheng Chen, Dr. Weichang Zhou, Dr. Ge Li, Dr. Yibing Wu, Mr. William Robert Keller, Mr. Kenneth Walton Hitchner III and Dr. Jue Chen, with Dr. Zhisheng Chen as its chairman.

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

During the Reporting Period, the Strategy Committee met once to review and consider the implementation of the "Follow and Win the Molecule" and "Global Dual Sourcing" strategies.

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

Names of Members of the Strategy Committee	Attendance
Dr. Zhisheng Chen	1/1
Dr. Ge Li	1/1
Dr. Yibing Wu	1/1
Dr. Weichang Zhou	1/1
Mr. William Robert Keller	1/1
Mr. Kenneth Walton Hitchner III	1/1
Dr. Jue Chen (appointed on August 16, 2023)	N/A

Environmental, Social and Governance Committee

The Environmental, Social and Governance Committee ("**ESG Committee**") consists of one executive Director and three independent non-executive Directors, namely Dr. Zhisheng Chen, Mr. Kenneth Walton Hitchner III, Mr. Willian Robert Keller and Dr. Jue Chen, with Dr. Zhisheng Chen as its chairman.

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

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

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

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

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

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

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

During the Reporting Period, the ESG Committee met once to review the Company's ESG practice, carbon taskforce updates and ESG policy and targets updates.

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

Names of Members of the ESG Committee	Attendance
Dr. Zhisheng Chen	1/1
Dr. Ning Zhao (passed away on May 16, 2023)	N/A
Mr. Kenneth Walton Hitchner III	1/1
Mr. William Robert Keller	1/1
Dr. Jue Chen (appointed on August 16, 2023)	1/1

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

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

The Company has developed its risk management mechanism to:

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

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

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

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

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

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

- Develop and review, at least annually, a statement on the risk tolerance of the Group;
- Conduct a formalized risk assessment at least annually either in the form of risk assessment questionnaire or risk assessment workshop, which is to include the identification, prioritization, measurement and categorization of all key risks that could potentially affect the Company's objectives;
- Report annually on the key risks as identified in the Group's risk reporting formats;
- Continuously monitor key risks and controls and implement appropriate risk responses where necessary;
- Formalize responsibilities for managing risk and for sustaining the Group's risk management framework;
- Monitor and review the application of the risk management framework.

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

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

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

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

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

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

The Company has in place the Whistleblowing & Investigation Policy for employees of the Company and those who deal with the Company to raise concerns, in confidence and anonymity, with the Audit Committee about possible improprieties in any matters related to the Company. The Whistleblowing & Investigation Policy is available on the website of the Company.

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 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 Reporting Period, the Company held two anti-corruption trainings to all employees. The Anti-Corruption Policy is available on the website of the Company.

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

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended December 31, 2023.

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 on pages 102 to 103 of this annual report.

AUDITORS' REMUNERATION

An analysis of the remuneration paid/payable to the external auditors of the Company in respect of audit services and non-audit services for the year ended December 31, 2023 is set out below:

Service Category	Fees Paid/ Payable RMB'000
Audit and audit-related service for the Company	6,553
Audit service and/or reporting accountants for the subsidiaries	18,799
Non-audit service	3,939
TOTAL	29,291

JOINT COMPANY SECRETARIES

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

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

The joint company secretaries attended sufficient professional training as required under the Listing Rules for the year ended December 31, 2023 to update their skills and knowledge.

SHAREHOLDERS' RIGHTS

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

Convening an Extraordinary General Meeting

Pursuant to article 12.3 of the Articles of Association of the Company, extraordinary general meetings shall be convened on the written requisition of any one or more members holding together, as at the date of deposit of the requisition, shares representing not less than one-tenth of the voting rights, on a one vote per share basis, of the Company which carry the right of voting at general meetings of the Company. The written requisition shall be deposited at the principal office of the Company in Hong Kong specifying the objects of the meeting and the resolutions to be added to the meeting agenda, and signed by the requisitionist(s).

Putting Forward Proposals at General Meetings

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

Putting Forward Enquiries to the Board

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

Contact Details

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

Address:	No. 5, 800 Lane, Qifan Road, Pudong, Shanghai, China (For the attention of the board secretary office)
Fax:	86 (21) 5046 1000

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

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavors to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, Directors (or their delegates as appropriate) are available to meet Shareholders and answer their enquiries.

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

Names of Directors	Attendance
Dr. Ge Li	0/1
Dr. Zhisheng Chen	1/1
Dr. Weichang Zhou	1/1
Dr. Ning Zhao (passed away on May 16, 2023)	N/A
Dr. Yibing Wu	0/1
Mr. Yanling Cao	0/1
Mr. William Robert Keller	1/1
Mr. Kenneth Walton Hitchner III	0/1
Mr. Jackson Peter Tai (appointed on May 6, 2023)	1/1
Dr. Jue Chen (appointed on August 16, 2023)	N/A

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

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

Constitutional Documents

During the Reporting Period, the Company has amended its Memorandum and Articles of Association. Details of the amendments are set out in the circular dated May 23, 2023 to the Shareholders. An up-to-date version of the Company's Memorandum and Articles of Association is also available on the websites of the Company and HKEX.

Policies relating to Shareholders

The Company has in place a shareholders' communication policy to ensure that Shareholders' views and concerns are appropriately addressed. The policy aims at promoting effective communication with Shareholders and other stakeholders, encouraging Shareholders to engage actively with the Company and enabling Shareholders to exercise their rights as Shareholders effectively. The Board reviewed the implementation and effectiveness of the shareholders' communication policy and the results were satisfactory.

The Company has established a number of channels for maintaining an on-going dialogue with its Shareholders as follows:

(a) Means of Communication

Shareholders' Enquires

Shareholders shall direct their questions about their shareholdings to the Company's Hong Kong share registrar, Tricor Investor Services Limited.

Shareholders and the investment community may at any time contact either the Company's investor relations department or the company secretary to enquire about the information published by the Company.

Corporate Communication

Corporate communication (as defined in the Listing Rules) shall be provided to Shareholders in plain language and in both English and Chinese versions to facilitate Shareholders' understanding.

Shareholders have the right to choose the languages (either English and/or Chinese) or means of receipt of the corporate communication (in hard copy or through electronic means).

Shareholders are encouraged to provide, among other things, in particular, their email addresses to the Company through the Company's Hong Kong share registrar in order to ensure the receipt of the information published by the Company in a timely manner.

Relevant Websites

Disclosures made by the Company pursuant to the Listing Rules are available on the website of HKEX.

A dedicated "Investors" section is available on the Company's website. Information on the Company's website is updated on a regular basis.

Information uploaded by the Company to the HKEX's website is also posted on the Company's website immediately thereafter. Such information includes announcements, annual report, interim report, circulars and notices of general meetings and other documents.

All press releases will be made available on the Company's website.

Shareholders' General Meetings

Shareholders are encouraged to participate in general meetings (including annual general meetings) or to appoint proxies to attend and vote at such meetings for and on their behalf if they are unable to attend such meetings.

Appropriate arrangements for the annual general meetings will be in place to encourage Shareholders' participation.

The process of the Company's general meeting shall be monitored and reviewed on a regular basis, and, if necessary, changes be made to ensure that Shareholders' needs are best served.

Board members, in particular, the Chairman of the Board, the chairmen of Board committees or their delegates, appropriate management executives and external auditors and such other person as the Board deems appropriate shall attend annual general meetings to answer Shareholders' questions.

Shareholders are encouraged to attend Shareholders' activities organized by the Company, where information about the Company, including its latest strategic plan, products, services and etc. will be communicated.

Investment Market Communications

The Company, depending on its need, will arrange, without limitation, investor/analysts briefings and group/one-on-one meetings, roadshows (both domestic and international) and media interviews, and participate in marketing activities and forums for specialists and etc. on a regular basis in order to facilitate communication between the Company, Shareholders and the investment community.

(b) Shareholder Privacy

The Company recognizes the importance of Shareholders' privacy and will not disclose Shareholders' information without their consent, unless required by law to do so.

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

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

Independent Auditor's Report

Deloitte. 德勤

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

Opinion

We have audited the consolidated financial statements of WuXi Biologics (Cayman) Inc. (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 104 to 259, which comprise the consolidated statement of financial position as at December 31, 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

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, 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board (the "**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

Key Audit Matters

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

Key audit matters	How our audit addressed the key audit matters
Revenue recognition for Contract Research, Development and Manufacturing Organization ("CRDMO") contracts under fee-for-service ("FFS") basis	
As disclosed in Note 5 to the consolidated financial statements, for the year ended December 31, 2023, revenue of the Group in total was RMB17,034 million, of which RMB16,479 million was derived from CRDMO contracts under FFS basis, representing 97% total revenue. The management of the Group identified performance obligations in the contracts with customers and recognized revenue when control of the services or goods underlying the particular performance obligation is transferred to customers. To a certain degree the identification and measurement of different activities as distinct performance obligations were subject to management's judgement and interpretation on the terms of the contracts, which gave rise to the risk that revenue could be misstated due to (i) the performance obligation has not been fulfilled; and (ii) revenue is recognized in accounting period not coincide with the timing when the control of services or goods is transferred to customers. We identified the assertions of occurrence and cut-off of revenue recognition for CRDMO contracts under FFS basis to be a key audit matter.	Our procedures in relation to the occurrence and cut-off of revenue recognition for CRDMO contracts under FFS basis included: • Understanding key controls related to occurrence and cut-off assertions of revenue recognition for CRDMO contracts under FFS basis and evaluating the design and implementation and operating effectiveness of these controls; • Inquiring the management of the Group and examining the contract terms under FFS basis, on a sampling basis, to evaluate the appropriateness of the identification of each performance obligation and the timing of revenue recognition determined by the management in accordance with IFRS 15 *Revenue from Contracts with Customers*; • Selecting samples from recorded revenue transactions for CRDMO contracts under FFS basis and examining evidence supporting the transfer of control of services or goods; • Testing, on a sampling basis, revenue recognized for CRDMO contracts under FFS basis taking place before and after year-end and tracing to evidence supporting the transfer of control of services or goods to determine that the revenue is recognized in the correct accounting period.

Key audit matters	How our audit addressed the key audit matters
Impairment assessment on goodwill of CMAB Group (as defined in Note 17)	
As set out in Note 17 to the consolidated financial statements, as at December 31, 2023, the carrying amount of goodwill arising from the acquisitions of CMAB Group in previous financial years was RMB1,129,313,000. The Group has engaged a qualified independent valuation expert to assist the annual impairment assessment of goodwill. Details of the related accounting policies and impairment assessment of goodwill are set out in Notes 3 and 17 to the consolidated financial statements, respectively. The management assessed the impairment of goodwill by estimation of recoverable amount of cash-generating unit ("**CGU**") based on value-in-use calculation, which requires significant management judgements and forward-looking estimates with respect to factors such as revenue growth rate, discount rate, long-term growth rate and the assumptions adopted in the underlying cash flow forecast of the CGU where the goodwill belongs. We identified the impairment assessment on goodwill of CMAB Group as a key audit matter as the carrying amount is significant and the impairment assessment involved significant management judgements and estimation of uncertainty.	Our procedures in relation to the management's impairment assessment on goodwill of CMAB Group included: • Understanding the management process and the key controls in impairment assessment of goodwill and the preparation of cash flow forecast, including the key assumptions and inputs adopted; • Evaluating the appropriateness of model used by the management in the value-in-use calculations; • Evaluating the reasonableness of the key assumptions used in the value-in-use calculations, including revenue growth rate, discount rate and long-term growth rate by challenging the assumptions adopted by the management and evaluating the accuracy of historical cash flow forecast by comparing them to actual result; • Evaluating the reasonableness of the sensitivity analysis provided by the management of the Group to assess the extent of impact on the value-in-use; and • Assessing the appropriateness of the disclosures regarding the impairment assessment on goodwill in accordance with IAS 36 *Impairment of Assets*.

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 determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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

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

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

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

- 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 Leung, David.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

March 26, 2024

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2023

	NOTES	2023 RMB'000	2022 RMB'000
Revenue	5	**17,034,255**	15,268,660
Cost of sales		**(10,206,354)**	(8,544,646)
Gross profit		**6,827,901**	6,724,014
Other income	7	**416,657**	305,454
Impairment losses under expected credit loss model, net of reversal	10	**(319,970)**	(258,525)
Other gains and losses	8	**36,464**	766,533
Selling and marketing expenses		**(294,009)**	(162,913)
Administrative expenses		**(1,495,352)**	(1,269,592)
Research and development expenses		**(785,822)**	(682,818)
Other expenses	10	**(53,578)**	—
Financing costs	9	**(158,488)**	(64,382)
Profit before tax	10	**4,173,803**	5,357,771
Income tax expense	11	**(603,179)**	(807,865)
Profit for the year		**3,570,624**	4,549,906
Other comprehensive (expense) income			
Item that will not be reclassified to profit or loss:			
Fair value loss on investments in equity instruments at fair value through other comprehensive income ("**FVTOCI**")		**(20,806)**	(59,731)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**116,555**	143,151
Fair value loss on hedging instruments designated in cash flow hedges, net foreign investment hedges and time value within fair value hedges, net of income tax		**(288,821)**	(233,710)
Other comprehensive expense for the year		**(193,072)**	(150,290)
Total comprehensive income for the year		**3,377,552**	4,399,616

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2023

	NOTE	2023 RMB'000	2022 RMB'000
Profit for the year attributable to:			
Owners of the Company		**3,399,729**	4,420,286
Non-controlling interests		**170,895**	129,620
		3,570,624	4,549,906
Total comprehensive income for the year attributable to:			
Owners of the Company		**3,190,997**	4,262,390
Non-controlling interests		**186,555**	137,226
		3,377,552	4,399,616
		RMB	RMB
Earnings per share — Basic	13	**0.82**	1.06
— Diluted	13	**0.77**	1.01

Consolidated Statement of Financial Position

At December 31, 2023

	NOTES	2023 RMB'000	2022 RMB'000
Non-current Assets			
Property, plant and equipment	15	**27,377,643**	24,170,739
Right-of-use assets	16	**2,561,828**	1,745,259
Goodwill	17	**1,529,914**	1,529,914
Intangible assets	20	**511,834**	548,778
Investment of an associate measured at fair value through profit or loss ("**FVTPL**")	18	**1,393,531**	1,581,565
Equity instruments at FVTOCI	21	**21,408**	41,470
Financial assets at FVTPL	22	**1,519,347**	1,086,176
Finance lease receivables	23	**165,503**	109,171
Deferred tax assets	19	**235,783**	222,568
Other long-term deposits and prepayments	24	**60,686**	58,877
		35,377,477	31,094,517
Current Assets			
Inventories	25	**1,765,751**	2,280,911
Finance lease receivables	23	**21,575**	14,166
Trade and other receivables	27	**6,292,682**	5,610,363
Contract assets	28	**499,669**	493,566
Contract costs	26	**1,223,701**	1,096,480
Tax recoverable		**5,765**	33,442
Derivative financial assets	32	**127,652**	201,243
Financial assets at FVTPL	22	**1,233,598**	2,014,632
Pledged bank deposits	29	**18,017**	25,374
Time deposits	29	**340,000**	304,469
Bank balances and cash	29	**9,669,839**	6,395,222
		21,198,249	18,469,868
Current Liabilities			
Trade and other payables	30	**2,755,774**	3,269,182
Borrowings	33	**576,328**	1,321,430
Contract liabilities	31	**3,089,762**	3,379,372
Income tax payable		**618,883**	773,825
Lease liabilities	34	**154,980**	149,058
Derivative financial liabilities	32	**440,293**	425,730
		7,636,020	9,318,597
Net Current Assets		**13,562,229**	9,151,271
Total Assets less Current Liabilities		**48,939,706**	40,245,788

Consolidated Statement of Financial Position

At December 31, 2023

	NOTES	2023 RMB'000	2022 RMB'000
Non-current Liabilities			
Deferred tax liabilities	19	**122,540**	132,076
Borrowings	33	**1,571,046**	1,461,563
Contract liabilities	31	**711,216**	711,541
Lease liabilities	34	**2,259,005**	1,489,610
Deferred income	35	**258,017**	237,921
		4,921,824	4,032,711
Net Assets		**44,017,882**	36,213,077
Capital and Reserves			
Share capital	36	**235**	233
Reserves		**40,331,362**	35,047,174
Equity attributable to owners of the Company		**40,331,597**	35,047,407
Non-controlling interests		**3,686,285**	1,165,670
Total Equity		**44,017,882**	36,213,077

The consolidated financial statements on pages 104 to 259 were approved and authorized for issue by the Board of Directors on March 26, 2024 and are signed on its behalf by:

Zhisheng Chen
DIRECTOR

Weichang Zhou
DIRECTOR

Consolidated Statement of Changes In Equity

For the year ended December 31, 2023

	Attributable to owners of the Company												
	Share capital RMB'000	Treasury stock RMB'000	Share premium RMB'000	Statutory reserve RMB'000 *(note i)*	Equity-settled share-based compensation reserve RMB'000 *(note ii)*	Hedging reserve RMB'000	FVTOCI reserve RMB'000	Group reorganization reserve RMB'000 *(note iii)*	Foreign currency translation reserve RMB'000	Retained earnings RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
At January 1, 2022	235	(2,517,115)	27,044,497	637,307	1,079,598	125,214	(32,505)	(4,636)	(574,543)	6,520,541	32,278,593	427,573	32,706,166
Profit for the year	–	–	–	–	–	–	–	–	–	4,420,286	4,420,286	129,620	4,549,906
Other comprehensive income (expense) for the year													
– Fair value adjustments on hedges	–	–	–	–	–	(499,678)	–	–	–	–	(499,678)	(1,106)	(500,784)
– Recycling from hedging reserve to profits or loss	–	–	–	–	–	294,205	–	–	–	–	294,205	(1,864)	292,341
– Fair value change of equity instruments at FVTOCI	–	–	–	–	–	–	(59,731)	–	–	–	(59,731)	–	(59,731)
– Fair value adjustments on hedges of net investments in foreign operations	–	–	–	–	–	–	–	–	(25,267)	–	(25,267)	–	(25,267)
– Exchange differences arising from translation of foreign operations	–	–	–	–	–	–	–	–	132,575	–	132,575	10,576	143,151
Total comprehensive (expense) income for the year	–	–	–	–	–	(205,473)	(59,731)	–	107,308	4,420,286	4,262,390	137,226	4,399,616
Transfer to statutory reserve	–	–	–	424,714	–	–	–	–	–	(424,714)	–	–	–
Recognition of equity-settled share-based compensation	–	–	–	–	1,274,698	–	–	–	–	–	1,274,698	22,061	1,296,759
Exercise of pre-IPO share options and vest of restricted shares	1	–	379,095	–	(342,916)	–	–	–	–	–	36,180	–	36,180
Issue of new shares *(Note 36)*	2	–	(2)	–	–	–	–	–	–	–	–	–	–
Capital injection by non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	579,939	579,939
Cancellation of treasury stock	(5)	5,321,569	(5,321,564)	–	–	–	–	–	–	–	–	–	–
Repurchase of shares	–	(2,804,454)	–	–	–	–	–	–	–	–	(2,804,454)	–	(2,804,454)
Deemed distribution to a non-controlling shareholder arising from reorganization	–	–	–	–	–	–	–	–	–	–	–	(1,129)	(1,129)
As at December 31, 2022	233	–	22,102,026	1,062,021	2,011,380	(80,259)	(92,236)	(4,636)	(467,235)	10,516,113	35,047,407	1,165,670	36,213,077
Profit for the year	–	–	–	–	–	–	–	–	–	3,399,729	3,399,729	170,895	3,570,624
Other comprehensive income (expense) for the year													
– Fair value adjustments on hedges	–	–	–	–	–	441,694	–	–	–	–	441,694	3,160	444,854
– Recycling from hedging reserve to profits or loss	–	–	–	–	–	(396,688)	–	–	–	–	(396,688)	–	(396,688)
– Fair value change of equity instruments at FVTOCI	–	–	–	–	–	–	(20,806)	–	–	–	(20,806)	–	(20,806)
– Fair value adjustments on hedges of net investments in foreign operations	–	–	–	–	–	–	–	–	(336,987)	–	(336,987)	–	(336,987)
– Exchange differences arising from translation of foreign operations	–	–	–	–	–	–	–	–	104,055	–	104,055	12,500	116,555
Total comprehensive income (expense) for the year	–	–	–	–	–	45,006	(20,806)	–	(232,932)	3,399,729	3,190,997	186,555	3,377,552

Consolidated Statement of Changes In Equity

For the year ended December 31, 2023

	Attributable to owners of the Company												
	Share capital RMB'000	Treasury stock RMB'000	Share premium RMB'000	Statutory reserve RMB'000 *(note i)*	Equity-settled share-based compensation reserve RMB'000 *(note ii)*	Hedging reserve RMB'000	FVTOCI reserve RMB'000	Group reorganization reserve RMB'000 *(note iii)*	Foreign currency translation reserve RMB'000	Retained earnings RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
Transfer to statutory reserve	–	–	–	430,055	–	–	–	–	–	(430,055)	–	–	–
Recognition of equity-settled share-based compensation	–	–	–	–	1,366,378	–	–	–	–	–	1,366,378	57,143	1,423,521
Exercise of pre-IPO share options and vest of restricted shares	1	–	769,033	–	(742,876)	–	–	–	–	–	26,158	–	26,158
Issue of new shares *(Note 36)*	1	–	(1)	–	–	–	–	–	–	–	–	–	–
Capital injection by non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	–	289,298	289,298
Repurchase of shares *(note v)*	–	(916,916)	–	–	–	–	–	–	–	–	(916,916)	–	(916,916)
Issue of new shares of a subsidiary *(note iv)*	–	–	–	–	–	–	–	–	–	–	–	3,740,956	3,740,956
Transaction costs of issue of new shares of a subsidiary *(note iv)*	–	–	(68,957)	–	–	–	–	–	–	–	(68,957)	(66,807)	(135,764)
Deemed contribution from the owners of the Company arising from issue of new shares of a subsidiary *(note iv)*	–	–	1,686,530	–	–	–	–	–	–	–	1,686,530	(1,686,530)	–
As at December 31, 2023	235	(916,916)	24,488,631	1,492,076	2,634,882	(35,253)	(113,042)	(4,636)	(700,167)	13,485,787	40,331,597	3,686,285	44,017,882

Notes:

i. In accordance with the Articles of Association of all subsidiaries of WuXi Biologics (Cayman) Inc. (the "**Company**") established in the People's Republic of China (the "**PRC**"), they are required to transfer 10% of the profit after tax to the statutory reserve until the reserve reaches 50% of their registered capital. Transfer to this reserve must be made before distributing dividends to equity holders. The statutory reserve can be used to make up for previous years' losses, expand the existing operations or convert into additional capital of the subsidiaries.

ii. The amount represents the equity-settled share-based compensation attributable to owners of the Company in respect of:

(a) the share options for shares of WuXi PharmaTech (Cayman) Inc. ("**WuXi PharmaTech**"), the then ultimate holding company of the Company before completing the group reorganization of the Company (see note iii below), granted by WuXi PharmaTech to certain directors and employees of the Company and its subsidiaries (collectively referred to as the "**Group**") for their services rendered to the Group;

(b) the equity-settled share-based compensation under the Company's pre-IPO share option scheme (the "**Pre-IPO Share Option Scheme**");

(c) the Company's restricted share award scheme (the "**Restricted Share Award Scheme**");

(d) the Company's global partner program share scheme (the "**Global Partner Program Share Scheme**"); and

(e) the share option schemes of the Company's subsidiaries (the "**Subsidiary Share Option Scheme**").

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

iv. During the year ended December 31, 2023, WuXi XDC Cayman Inc. ("**WuXi XDC**"), one of the subsidiaries of the Company, completed its initial public offering and became listed on the Stock Exchange. WuXi XDC has issued 197,604,500 new shares at the share price of HK$20.6 per share. The gross proceeds of WuXi XDC's initial public offering amounted to HK$4,070,653,000 (equivalent to RMB3,740,956,000) and the transaction costs attribute to the issue of new shares, which were deducted from the equity of WuXi XDC, amounted to RMB135,764,000.

v. During the year ended December 31, 2023, the Company repurchased its own ordinary shares through the Stock Exchange as follows:

Month of repurchase	No. of ordinary shares	Price per share Highest HK$	Price per share Lowest HK$	Aggregate consideration paid RMB'000
December 2023	34,769,000	30.00	26.70	916,916

Consolidated Statement of Cash Flows

For the year ended December 31, 2023

	2023 RMB'000	2022 RMB'000
OPERATING ACTIVITIES		
Profit before tax	**4,173,803**	5,357,771
Adjustments for:		
Financing costs	**158,488**	64,382
Interest income from banks and other financial assets at amortized cost	**(219,178)**	(107,475)
Depreciation for property, plant and equipment	**934,389**	661,564
Depreciation of right-of-use assets	**173,920**	82,044
Amortization of intangible assets	**61,067**	57,066
Impairment loss, net of reversal		
— trade and other receivables	**318,983**	241,706
— contract assets	**987**	16,819
Write down of inventories, net of reversal	**72,907**	2,208
(Reversal) write down of contract costs	**(73,877)**	32,360
Net foreign exchange gain	**(537,472)**	(190,939)
Share-based compensation expense	**1,274,051**	1,234,383
Income from research and other grants related to asset	**(22,198)**	(29,649)
Gain on fair value changes of wealth management products	**(71,626)**	(26,559)
(Gain) loss on fair value changes of equity investments at FVTPL	**(139,122)**	457,020
Loss (gain) on fair value changes of investment of an associate measured at FVTPL	**196,914**	(809,898)
Loss on fair value changes of derivative financial instruments	**41,068**	48,046
Dividend income from an equity instrument at FVTOCI	**—**	(8,315)
Loss on disposal of property, plant and equipment	**3,484**	19,273
Operating cash flows before movements in working capital	**6,346,588**	7,101,807
Decrease (increase) in inventories	**442,462**	(498,122)
Decrease (increase) in contract costs	**173,337**	(94,356)
Increase in trade and other receivables	**(1,030,511)**	(1,123,007)
Increase in contract assets	**(7,162)**	(376,930)
Decrease (increase) in other long-term deposits	**5,073**	(5,782)
(Decrease) increase in contract liabilities	**(312,542)**	1,635,338
Decrease in trade and other payables	**(162,344)**	(509,019)
Decrease in deferred income	**(4,658)**	(2,594)
Cash generated from operations	**5,450,243**	6,127,335
Income taxes paid	**(782,531)**	(585,662)
NET CASH FROM OPERATING ACTIVITIES	**4,667,712**	5,541,673

Consolidated Statement of Cash Flows

For the year ended December 31, 2023

	2023 RMB'000	2022 RMB'000
INVESTING ACTIVITIES		
Proceeds on disposal of property, plant and equipment	**196,855**	20,125
Purchases of property, plant and equipment	**(4,045,574)**	(5,868,390)
Purchases of intangible assets	**(10,000)**	—
Payment for consideration payables for acquisition of a subsidiary in prior year	**—**	(281,040)
Repayment for deposits of potential acquisition	**—**	149,555
Payment for interest in subsidiaries held by a non-controlling shareholder	**(9,000)**	—
Payment for deemed distribution to a non-controlling shareholder arising from reorganization	**—**	(1,129)
Payments for right-of-use assets	**(174,940)**	—
Payments for rental deposits	**(9,915)**	—
Research and other grants received	**43,680**	44,783
Withdrawal of pledged bank deposits	**31,125**	206,352
Placement of pledged bank deposits	**(23,449)**	(13,474)
Dividends received from an equity instrument at FVTOCI	**—**	8,315
Withdrawal of financial assets at FVTPL	**15,085,405**	8,969,747
Placement of financial assets at FVTPL	**(14,453,501)**	(10,098,514)
Receipt of interest from banks	**217,633**	112,593
Withdrawal of time deposits	**552,933**	1,515,293
Placement of time deposits	**(588,450)**	(639,770)
Net settlement of derivative financial instruments	**(41,068)**	(32,698)
NET CASH USED IN INVESTING ACTIVITIES	**(3,228,266)**	(5,908,252)
FINANCING ACTIVITIES		
Proceeds from bank borrowings	**1,097,335**	2,389,197
Repayments of bank borrowings	**(1,802,084)**	(2,563,130)
Interest paid	**(217,284)**	(108,239)
Repayments of lease liabilities	**(113,701)**	(121,085)
Proceeds from exercise of pre-IPO share options	**26,158**	36,180
Capital injection by non-controlling shareholders	**289,298**	579,939
Net proceeds from issue of new shares of a subsidiary	**3,603,962**	—
Payment of transaction cost of issue of new shares of a subsidiary	**(5,605)**	—
Payment on repurchase of shares	**(916,916)**	(2,804,454)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**1,961,163**	(2,591,592)
Effect of foreign exchange rate changes	**(125,992)**	350,113
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**3,274,617**	(2,608,058)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**6,395,222**	9,003,280
TOTAL CASH AND CASH EQUIVALENTS AT END OF YEAR, represented by bank balances and cash	**9,669,839**	6,395,222

1. GENERAL INFORMATION

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

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

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

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

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

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

Except as described below, the application of the new and 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 NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (Continued)

2.1 Impacts on application of Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The Group has applied the amendments for the first time in the current year. 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.

In accordance with the transition provision:

(i) the Group has applied the new accounting policy retrospectively to leasing transactions that occurred on or after January 1, 2022;

(ii) the Group also, as at January 1, 2022, recognized a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized) and a deferred tax liability for all deductible and taxable temporary difference associated with right-of-use-assets and lease liabilities.

The application of the amendments has had no material impact on the Group's financial position and performance, except that the Group disclose the related deferred tax assets and deferred tax liabilities on a gross basis in Note 19 but it has no impact on the retained earnings at the earliest period presented.

2.2 Impacts on application of Amendments to IAS 12 *Income Taxes International Tax Reform — Pillar Two model Rules*

The Group has applied the amendments for the first time in the current year. IAS 12 is amended to add the exception to recognizing and disclosing information about deferred tax assets and liabilities that are related to tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organization for Economic Co-operation and Development (the "**Pillar Two legislation**"). The amendments require that entities apply the amendments immediately upon issuance and retrospectively. The amendments also require that entities to disclose separately its current tax expense/income related to Pillar Two income taxes in periods which the Pillar Two legislation is in effect, and the qualitative and quantitative information about its exposure to Pillar Two income taxes in periods in which the Pillar Two legislation is enacted or substantially enacted but not yet in effect in annual reporting periods beginning on or after January 1, 2023.

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

2.2 Impacts on application of Amendments to IAS 12 *Income Taxes International Tax Reform — Pillar Two model Rules* (Continued)

Certain group entities are operated in jurisdictions where the Pillar Two legislation is enacted or substantially enacted but not yet in effect, including Germany, Ireland, and the United Kingdom. The Group has applied the temporary exception immediately upon issue of these amendments and retrospectively, i.e. applying the exception from the date Pillar Two legislation is enacted or substantially enacted. The qualitative and quantitative information about the Group's exposure to Pillar Two income taxes is set out in Note 11.

2.3 Impacts on application of Amendments to IAS 1 and IFRS Practice Statement 2 *Disclosure of Accounting Policies*

The Group has applied the amendments for the first time in the current year. IAS 1 *Presentation of Financial Statements* is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

IFRS Practice Statement 2 *Making Materiality Judgements* (the "**Practice Statement**") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's accounting policies set out in Note 3 to the consolidated financial statements.

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

Amendments to IFRSs in issue but not yet effective

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

3.1 Basis of preparation of consolidated financial statements

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information

Basis of consolidation

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

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

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

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

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

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

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Basis of consolidation (Continued)

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.

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Goodwill

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

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Investments in subsidiaries

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

Investment of an associate measured at FVTPL

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. The investment of an associate was made in the form of ordinary shares with preferential rights and measured at financial assets at FVTPL.

Revenue from contracts with customers

Information about the Group's accounting policies relating to contracts with customers is provided in Notes 5, 27, 28 and 31.

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 of IFRS 16 or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Leases (Continued)

The Group as a lessee

Allocation of consideration to components of a contract

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

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

Short-term leases

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

Right-of-use assets

The cost of right-of-use assets includes the amount of the initial measurement of the lease liability.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognizes and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable; and
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date.

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

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (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 Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use assets.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Leases (Continued)

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognized as receivables at commencement date at amounts equal to net investments in the leases, measured using the interest rate implicit in the respective leases. Initial direct costs are included in the initial measurement of the net investments in the leases. Interest income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies IFRS 15 *Revenue from Contracts with Customers* 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than functional currency of that entity (foreign currencies) are recognized at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. When a fair value gain or loss on a non-monetary item is recognized in profit or loss, any exchange component of that gain or loss is also recognized in profit or loss. When a fair value gain or loss on a non-monetary item is recognized in other comprehensive income, any exchange component of that gain or loss is also recognized 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 recognized in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Renminbi) using exchange rate prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Borrowing costs

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

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

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

Research and other grants

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

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

Research and other grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Employee benefits

Retirement benefit costs

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

Pension obligations

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

Short-term employee benefits

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Share-based payments

Equity-settled share-based payment transactions

Share options granted to employees

Equity-settled share-based payments to employees (including directors of the Company) are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (equity-settled share-based compensation reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled share-based compensation reserve.

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

Modification to the terms and conditions of the share-based payment arrangements

When the terms and conditions of an equity-settled share-based payment arrangement are modified, the Group recognizes, as a minimum, the services received measured at the grant date fair value of the equity instruments granted, unless those equity instruments do not vest because of failure to satisfy a vesting condition (other than a market condition) that was specified at grant date. In addition, if the Group modifies the vesting conditions (other than a market condition) in a manner that is beneficial to the employees, for example, by reducing the vesting period, the Group takes the modified vesting conditions into consideration over the remaining vesting period.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Share-based payments (Continued)

Equity-settled share-based payment transactions (Continued)

Modification to the terms and conditions of the share-based payment arrangements (Continued)

The incremental fair value granted, if any, is the difference between the fair value of the modified equity instruments and that of the original equity instruments, both estimated as at the date of modification.

If the modification occurs during the vesting period, the incremental fair value granted is included in the measurement of the amount recognized for services received over the period from modification date until the date when the modified equity instruments are vested, in addition to the amount based on the grant date fair value of the original equity instruments, which is recognized over the remainder of the original vesting period.

If the modification reduces the total fair value of the share-based arrangement, or is not otherwise beneficial to the employee, the Group continues to account for the original equity instruments granted as if that modification had not occurred.

Restricted share award payment transactions

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Share-based payments (Continued)

Restricted share award payment transactions (Continued)

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

Taxation

Income tax expense represents the sum of current and deferred income tax expense.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognized if the temporary differences arise from the initial recognition of goodwill.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Taxation (Continued)

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognizes the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transaction in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to the lease liabilities and the related assets separately. The Group recognizes a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized and a deferred tax liability for all taxable temporary differences.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Taxation (Continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

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

Property, plant and equipment

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Property, plant and equipment (Continued)

Property, plant and equipment in the course of construction for production, supply or administrative purposes are carried at cost, less any recognized impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets is functioning properly and, for qualifying assets, borrowing costs capitalized 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 recognized 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 assets, commences when the assets are ready for their intended use.

Depreciation is recognized so as to write off the cost of assets other than property, plant and equipment in the course of construction less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of the reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortization and any accumulated impairment losses. Amortization for intangible assets with finite useful lives is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognized separately from goodwill and are initially recognized at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortization and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Intangible assets (Continued)

Internally-generated intangible assets — research and development expenditure

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

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

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets, contract costs and intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

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

Before the Group recognizes an impairment loss for assets capitalized as contract costs under IFRS 15, the Group assesses and recognizes any impairment loss on other assets related to the relevant contracts in accordance with applicable standards. Then, impairment loss, if any, for assets capitalized as contract costs is recognized to the extent the carrying amounts exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services that have not been recognized as expenses. The assets capitalized as contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

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

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value-in-use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

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.

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 selling price less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Provisions (Continued)

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at FVTPL are recognized immediately in profit or loss.

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets

Classification and subsequent measurement of financial assets

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

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("**OCI**") if that equity investment is neither held for trading nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 *Business Combinations* applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(i) Amortized cost and interest income

Interest income is recognized using the effective interest method for financial assets measured subsequently at amortized cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognized by applying the effective interest rate to the amortized cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognized by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Equity instruments designated as at FVTOCI

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(iii) Financial assets at FVTPL

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

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

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

The Group performs impairment assessment under expected credit loss ("**ECL**") model on financial assets (including trade receivables, receivables for purchase of raw materials on behalf of customers, other receivables, other financial assets, other long-term deposits, bills receivables, time deposits, pledged bank deposits and bank balances) and other items (finance lease receivables and contract assets) which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment is 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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

The Group always recognizes lifetime ECL for trade receivable, contract assets and finance lease receivables.

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

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

(i) Significant increase in credit risk (Continued)

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

- an actual or expected significant deterioration in the operating results of the debtor;

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

(ii) Definition of default (Continued)

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

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

a) significant financial difficulty of the issuer or the borrower;

b) a breach of contract, such as a default or past due event;

c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganization; or

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

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognized in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with IFRS 16.

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

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

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

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

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

(v) Measurement and recognition of ECL (Continued)

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortized cost of the financial asset.

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

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. Specifically:

- For financial assets measured at amortized cost that are not part of a designated hedging relationship, exchange differences are recognized in profit or loss in the 'Other gains and losses' line item as part of the net foreign exchange gains/(losses);

- For financial assets measured at FVTPL that are not part of a designated hedging relationship, exchange differences are recognized in profit or loss in the 'Other gains and losses' line item as part of the fair value gain/(losses) of financial assets;

- For equity instruments measured at FVTOCI, exchange differences are recognized in other comprehensive income in the fair value through other comprehensive income.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Derecognition/modification of financial assets

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

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Derecognition/modification of financial assets (Continued)

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

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

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

Financial liabilities at amortized cost

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

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 recognized in the 'Other gains and losses' line item in profit or loss as part of net foreign exchange gains/(losses) for financial liabilities that are not part of a designated hedging relationship. For those which are designated as a hedging instrument for a hedge of foreign currency risk, foreign exchange gains and losses are recognized in other comprehensive income and accumulated in a separate component of equity.

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 recognized in profit or loss for financial liabilities that are not part of a designated hedging relationship.

Derecognition of financial liabilities

The Group derecognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Derivative financial instruments

Derivatives are initially recognized at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognized in profit or loss unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Derivative financial instruments (Continued)

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not due to be realized or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Hedge accounting

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

At the inception of the hedging relationship the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

For the purpose of determining whether a forecast transaction (or a component thereof) is highly probable, the Group assumes that the interest rate benchmark on which the hedged cash flows (contractually or non-contractually specified) are based is not altered as a result of interest rate benchmark reform.

Assessment of hedging relationship and effectiveness

For hedge effectiveness assessment, the Group considers whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Hedge accounting (Continued)

Assessment of hedging relationship and effectiveness (Continued)

- 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.

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

Fair value hedges

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Hedge accounting (Continued)

Fair value hedges (Continued)

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

Cash flow hedges

The effective portion of changes in the fair value of derivatives instruments that are designated and qualify as cash flow hedges is recognized in other comprehensive income and accumulated under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss, and is included in the "other gains and losses" line item.

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

Amounts previously recognized in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognized hedged item. Furthermore, if the Group expects that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future that amount is immediately reclassified to profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Continued)

3.2 Material accounting policy information (Continued)

Financial instruments (Continued)

Hedge accounting (Continued)

Hedges of net investments in foreign operations

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in other comprehensive income and accumulated under the heading of translation reserve. The gain or loss relating to the ineffective portion is recognized immediately in profit or loss, and is included in the "other gains or losses" line item.

Gains or losses on the hedging instrument relating to the effective portion of the hedge accumulated in the translation reserve are reclassified to profit or loss on disposal of the foreign operation.

Discontinuation of hedge accounting

The Group discontinues hedge accounting prospectively only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. Discontinuing hedge accounting can either affect a hedging relationship in its entirety or only a part of it (in which case hedge accounting continues for the remainder of the hedging relationship).

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumption are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations, that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

Performance obligation determination

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

Key sources of estimation uncertainty

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

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

Key sources of estimation uncertainty (Continued)

Provision of ECL for trade receivables and contract assets

Trade receivables with significant balances and credit-impaired are assessed to ECL individually. In estimating ECL on trade receivables and contract assets which are not assessed individually, the Group uses the provision rates which are based on internal credit ratings as groupings of various debtors taking into consideration the Group's historical default rates and forward-looking information that is reasonable and supportable available without undue costs or effort. At each 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 38(b).

As at December 31, 2023, the carrying amount of trade receivables is RMB5,653,630,000 (2022: RMB4,650,663,000) net of loss allowances of RMB756,639,000 (2022: RMB549,088,000).

As at December 31, 2023, the carrying amount of contract assets is RMB499,669,000 (2022: RMB493,566,000) net of loss allowances of RMB27,280,000 (2022: RMB26,406,000).

Fair value measurements of unlisted equity investments

As at December 31, 2023, certain of the Group's investments in unlisted equity instruments accounted under financial assets at FVTPL, equity instruments at FVTOCI and investment of an associate measured at FVTPL amounting to RMB1,059,648,000 (2022: RMB706,005,000), RMB21,408,000 (2022: RMB41,470,000) and RMB1,393,531,000 (2022: RMB1,581,565,000) respectively are measured at fair value being determined based on direct or indirect observable inputs or significant unobservable inputs using valuation techniques. Judgement and estimation are required in establishing the relevant valuation techniques and relevant inputs thereof. Changes in assumption relating to these factors could affect the fair values of these instruments. Details of the fair value measurement are disclosed in Note 38(c).

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

Key sources of estimation uncertainty (Continued)

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated, which is the amount of the value-in-use. The value-in-use calculation requires significant management judgements and forward looking estimates with respect to factors such as revenue growth rate, and long-term growth rate and the assumptions underlying the future cash flows expected to arise from the cash-generating unit (or a group of cash-generating units) and select an appropriate discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss may arise.

As at December 31, 2023, the carrying amount of goodwill is RMB1,529,914,000 (2022: RMB1,529,914,000). Details of the recoverable amount calculation are disclosed in Note 17.

Impairment of contract costs

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

As at December 31, 2023, the carrying amounts of contract costs was RMB1,223,701,000 (2022: RMB1,096,480,000) (net of write downs of approximately RMB62,406,000 (2022: RMB136,283,000)).

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

Key sources of estimation uncertainty (Continued)

Allowance for inventories

The Group reviews the carrying amount of inventories at each balance sheet date to determine whether the inventories are carried at the lower of cost and net realizable value. The Group estimates the net realizable value, based on current market situation and historical experience on similar inventories. Any change in the assumption would increase or decrease the amount of inventories allowance or the related reversal. The change in allowance would affect the Group's loss for the year.

As at December 31, 2023, the carrying amounts of inventories were RMB1,765,751,000 (2022: RMB2,280,911,000) (net of write downs of approximately RMB193,316,000 (2022: RMB207,041,000)).

5. REVENUE

(i) Disaggregation of revenue from contracts with customers

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

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

CRDMO services

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

Others

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

5. REVENUE (Continued)

(ii) Performance obligations for contracts with customers and revenue recognition policies

CRDMO services

FFS basis

The Group primarily earns revenue by providing CRDMO services to its customers through contracts under FFS basis, the contract duration of which generally ranges from few months to years.

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

In addition, usually there is a performance obligation embedded in the contracts such as provision of project management service for which the directors of the Company have assessed that the customers simultaneously receive and consume benefit provided by the Group's performances. As such, the directors of the Company concluded that the performance obligation of the project management is satisfied over time and the associated revenue is recognized over the service period using input method, which is to recognize revenue on the basis of the Group's costs incurred to date to the satisfaction of a performance obligations relative to the total expected costs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

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

5. REVENUE (Continued)

(ii) Performance obligations for contracts with customers and revenue recognition policies (Continued)

CRDMO services (Continued)

FTE basis

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

Others

For sales of other biologics products, revenue is recognized at a point in time upon customers' acceptance of the deliverable goods. For PMO services, the directors of the Company have assessed that the customers simultaneously receive and consume benefit provided by the Group's performances. Therefore, the management of the Group has concluded that the performance obligation on PMO services is satisfied over time and the associated revenue is recognized over the service period using input method.

5. REVENUE (Continued)

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

The aggregate amount of the transaction price allocated to performance obligations of goods or services that are unsatisfied (or partially unsatisfied) including no variable consideration are as follows:

	2023 RMB million	2022 RMB million
Within one year	**11,065**	11,093
2–5 years	**46,060**	38,291
5–10 years	**64,847**	62,431
Over 10 years	**23,875**	26,436
	145,847	138,251

6. OPERATING SEGMENTS

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

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

6. OPERATING SEGMENTS (Continued)

Segment revenue and results

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

For the year ended December 31, 2023

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

For the year ended December 31, 2022

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

6. OPERATING SEGMENTS (Continued)

Segment revenue and results (Continued)

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3. Segment results represent the profit earned by each segment without allocation of central administration costs and directors' emoluments. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market rates.

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

Geographical information

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

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

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

6. OPERATING SEGMENTS (Continued)

Information about major customers

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

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

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

7. OTHER INCOME

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

Notes:

i. The Group has received certain research and other grants as incentive for investing in laboratory equipment. The grants were recognized in profit or loss over the useful lives of the relevant assets. Details of the grants are set out in Note 35.

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

8. OTHER GAINS AND LOSSES

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

9. FINANCING COSTS

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

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

10. PROFIT BEFORE TAX

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

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

10. PROFIT BEFORE TAX (Continued)

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

11. INCOME TAX EXPENSE

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

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

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

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

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

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

11. INCOME TAX EXPENSE (Continued)

The Group has applied the temporary exception issued by the IASB in May 2023 from the accounting requirements for deferred taxes in IAS 12. Accordingly, the Group neither recognizes nor discloses information about deferred tax assets and liabilities related to Pillar Two income taxes.

During the year ended December 31, 2023, the government of Germany, Ireland and the United Kingdom, where certain Group entities are operated, has enacted the Pillar Two income taxes legislation effective from January 1, 2024. Under the legislation, the relevant Group entities will be required to pay, in applicable countries and/or regions, a top-up tax on profits of their subsidiaries that are taxed at an effective tax rate of less than 15 per cent, if any.

As at December 31, 2023, the Group's annual profits arising from Germany, Ireland and the United Kingdom are immaterial. However, this information is based on the profits and tax expense determined as part of the preparation of the Group's consolidated financial statements without considering adjustments that would have been required applying the legislation. Because of the specific adjustments envisaged in the Pillar Two legislation which may give rise to different effective tax rates compared to those calculated based on accounting profit, the actual impact that the Pillar Two income taxes legislation would have had on the Group's results if it had been in effect for the year ended December 31, 2023 may have been different.

The Group is continuing to assess the impact of the Pillar Two income taxes legislation on its future financial performance.

11. INCOME TAX EXPENSE (Continued)

The income tax expense for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2023 RMB'000	2022 RMB'000
Profit before tax	**4,173,803**	5,357,771
Tax charge at the EIT rate of 25%	**1,043,451**	1,339,443
Tax effect of income that is exempt from taxation	**(47,006)**	(98,890)
Tax effect of expenses not deductible for tax purpose	**521,408**	581,259
Over provision in respect of prior years	**(402,960)**	(367,341)
Effect of weighted deduction of research and development expense	**(146,083)**	(102,379)
Effect of unused tax losses not recognized as deferred tax assets	**370,409**	196,896
Utilization of tax losses previously not recognized as deferred tax assets	**(32,884)**	(19,182)
Recognition of tax losses previously not recognized as deferred tax assets	**(32,875)**	—
Tax at concessionary rates	**(608,692)**	(638,916)
Decrease in opening deferred tax assets resulting from a decrease in applicable tax rates	**10,641**	5,308
Effect of different tax rate of operating entities in other jurisdiction	**(72,230)**	(88,333)
Income tax expense	**603,179**	807,865

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Details of the emoluments paid or payable to the directors and the Chief Executive of the Company for the service provided to the Group during the years ended December 31, 2023 and 2022 are as follows:

	2023 RMB'000	2022 RMB'000
Chief Executive and Executive Director:		
Dr. Zhisheng Chen *(note i)*		
— director's fee	—	—
— salaries and other benefits	3,992	3,000
— performance-based bonus *(note vi)*	—	1,500
— retirement benefits scheme contributions	—	—
— share-based compensation	92,919	74,170
	96,911	78,670
Executive Director:		
Dr. Weichang Zhou		
— director's fee	—	—
— salaries and other benefits	2,818	2,091
— performance-based bonus *(note vi)*	1,059	836
— retirement benefits scheme contributions	98	96
— share-based compensation	28,916	21,957
	32,891	24,980

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

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

	2023 RMB'000	2022 RMB'000
Non-executive Directors:		
Dr. Ge Li		
— director's fee	—	—
— salaries and other benefits	—	—
— performance-based bonus	—	—
— retirement benefits scheme contributions	—	—
— share-based compensation	—	—
	—	—
Dr. Yibing Wu		
— director's fee	—	—
— salaries and other benefits	—	—
— performance-based bonus	—	—
— retirement benefits scheme contributions	—	—
— share-based compensation	—	—
	—	—
Mr. Yanling Cao		
— director's fee	—	—
— salaries and other benefits	—	—
— performance-based bonus	—	—
— retirement benefits scheme contributions	—	—
— share-based compensation	—	—
	—	—
Dr. Ning Zhao *(note ii)*		
— director's fee	181	388
— salaries and other benefits	—	—
— performance-based bonus	—	—
— retirement benefits scheme contributions	—	—
— share-based compensation	—	—
	181	388

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

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

	2023 RMB'000	2022 RMB'000
Independent Non-executive Directors:		
Mr. William Robert Keller		
— director's fee	799	325
— salaries and other benefits	—	—
— performance-based bonus	—	—
— retirement benefits scheme contributions	—	—
— share-based compensation	107	245
	906	570
Mr. Teh-Ming Walter Kwauk *(note iii)*		
— director's fee	—	241
— salaries and other benefits	—	—
— performance-based bonus	—	—
— retirement benefits scheme contributions	—	—
— share-based compensation	—	354
	—	595
Mr. Kenneth Walton Hitchner III		
— director's fee	718	130
— salaries and other benefits	—	—
— performance-based bonus	—	—
— retirement benefits scheme contributions	—	—
— share-based compensation	215	491
	933	621
Mr. Jackson Peter Tai *(note iv)*		
— director's fee	710	—
— salaries and other benefits	—	—
— performance-based bonus	—	—
— retirement benefits scheme contributions	—	—
— share-based compensation	—	—
	710	—
Dr. Jue Chen *(note v)*		
— director's fee	408	—
— salaries and other benefits	—	—
— performance-based bonus	—	—
— retirement benefits scheme contributions	—	—
— share-based compensation	—	—
	408	—

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

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

Notes:

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

ii. On May 16, 2023, Dr. Ning Zhao ceased to be a non-executive director of the Company.

iii. On November 25, 2022, Mr. Teh-Ming Walter Kwauk ceased to be an independent non-executive director of the Company.

iv. On May 6, 2023, Mr. Jackson Peter Tai was appointed as an independent non-executive director of the Company.

v. On August 16, 2023, Dr. Jue Chen was appointed as an independent non-executive director of the Company.

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

Five highest paid individuals' emoluments

The five individuals with the highest emoluments in the Group include two (2022: two) directors disclosed above. The emoluments of the five highest paid individuals (including directors) for the years ended December 31, 2023 and 2022 were as follows:

	2023 **RMB'000**	2022 RMB'000
Salaries and other benefits	**14,006**	13,624
Performance-based bonus	**3,697**	5,549
Retirement benefits scheme contributions	**98**	96
Share-based compensation	**169,044**	146,215
	186,845	165,484

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

Five highest paid individuals' emoluments (Continued)

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

	Number of individuals 2023	Number of individuals 2022
HK$14,500,001 to HK$15,000,000	**1**	—
HK$15,500,001 to HK$16,000,000	**—**	1
HK$16,500,001 to HK$17,000,000	**1**	—
HK$19,000,001 to HK$19,500,000	**—**	1
HK$27,500,001 to HK$28,000,000	**—**	1
HK$31,500,001 to HK$32,000,000	**1**	—
HK$34,000,001 to HK$34,500,000	**—**	1
HK$36,500,001 to HK$37,000,000	**1**	—
HK$87,500,001 to HK$88,000,000	**—**	1
HK$107,500,001 to HK$108,000,000	**1**	—
	5	5

During the year ended December 31, 2023, no emoluments (2022: nil) were paid by the Group to the directors of the Company or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors of the Company have waived any emoluments during the year ended December 31, 2023 (2022: nil).

13. EARNINGS PER SHARE

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

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

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

The weighted average number of ordinary shares shown above have been arrived at after deducting the weighted average effect on 76,792,800 shares (December 31, 2022: 61,789,907 shares) held by a trustee under Restricted Share Award Scheme as set out in Note 36 for the year ended December 31, 2023.

14. DIVIDENDS

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

15. PROPERTY, PLANT AND EQUIPMENT

	Machinery RMB'000	Furniture fixtures and equipment RMB'000	Transportation equipment RMB'000	Freehold land, buildings and staff living quarters RMB'000 *(Note)*	Leasehold and other improvement RMB'000	Construction in progress ("CIP") RMB'000	Total RMB'000
COST							
As at January 1, 2022	4,421,427	571,669	3,926	2,097,291	1,794,754	10,872,641	19,761,708
Additions	33,888	111	1,014	—	—	6,432,458	6,467,471
Transfer from CIP	821,198	193,479	635	6,272	786,690	(1,808,274)	—
Disposals	(31,721)	(3,978)	(693)	(28)	(15,071)	—	(51,491)
Exchange alignment	15,271	2,548	9	10,676	14,756	438,166	481,426
As at December 31, 2022	5,260,063	763,829	4,891	2,114,211	2,581,129	15,934,991	26,659,114
Additions	25,746	1,889	177	—	558	3,719,080	3,747,450
Transfer from CIP	1,364,395	206,171	2,931	4,186,026	757,232	(6,516,755)	—
Disposals	(23,891)	(2,266)	—	(164,234)	(1,047)	(54,616)	(246,054)
Exchange alignment	22,788	5,737	(15)	59,303	19,621	666,965	774,399
As at December 31, 2023	6,649,101	975,360	7,984	6,195,306	3,357,493	13,749,665	30,934,909
DEPRECIATION AND IMPAIRMENT							
As at January 1, 2022	(1,144,788)	(147,661)	(1,908)	(39,571)	(362,285)	—	(1,696,213)
Provided for the year	(478,735)	(87,694)	(836)	(103,017)	(143,913)	—	(814,195)
Eliminated on disposals	23,458	3,078	534	—	1,308	—	28,378
Exchange alignment	(2,203)	(378)	(4)	(1,608)	(2,152)	—	(6,345)
As at December 31, 2022	(1,602,268)	(232,655)	(2,214)	(144,196)	(507,042)	—	(2,488,375)
Provided for the year	(601,086)	(118,499)	(696)	(167,122)	(190,196)	—	(1,077,599)
Eliminated on disposals	18,520	2,120	—	79	214	—	20,933
Exchange alignment	(3,392)	(790)	(6)	(5,718)	(2,319)	—	(12,225)
As at December 31, 2023	(2,188,226)	(349,824)	(2,916)	(316,957)	(699,343)	—	(3,557,266)
CARRYING VALUES							
As at December 31, 2022	3,657,795	531,174	2,677	1,970,015	2,074,087	15,934,991	24,170,739
As at December 31, 2023	4,460,875	625,536	5,068	5,878,349	2,658,150	13,749,665	27,377,643

Note: During the years ended December 31, 2023 and 2022, certain staff living quarters in Shanghai of the Group were disposed to eligible employees as part of employees' benefits, certain of which are under finance lease arrangement. Details are set out in Note 23.

15. PROPERTY, PLANT AND EQUIPMENT (Continued)

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

Machinery	9%–20% per annum
Furniture, fixtures and equipment	9%–20% per annum
Transportation equipment	18% per annum
Buildings and staff living quarters	1.4%–6.7% per annum
Leasehold and other improvement	2.2%–20% per annum

16. RIGHT-OF-USE ASSETS

	Leasehold lands RMB'000	Leased properties RMB'000	Machinery and equipment RMB'000	Total RMB'000
As at December 31, 2023				
Carrying amount	387,021	1,785,860	388,947	2,561,828
As at December 31, 2022				
Carrying amount	219,606	1,413,183	112,470	1,745,259
For the year ended December 31, 2023				
Depreciation charge	8,044	193,054	45,898	246,996
Capitalized in contract cost	—	(16,495)	(5,469)	(21,964)
Capitalized in property, plant and equipment	—	(65,414)	(3,574)	(68,988)
	8,044	111,145	36,855	156,044
For the year ended December 31, 2022				
Depreciation charge	4,184	152,857	13,372	170,413
Capitalized in contract cost	—	(11,601)	(318)	(11,919)
Capitalized in property, plant and equipment	—	(65,474)	(10,976)	(76,450)
	4,184	75,782	2,078	82,044

16. RIGHT-OF-USE ASSETS (Continued)

	2023 RMB'000	2022 RMB'000
Expense relating to short-term leases	**37,082**	21,809
Total cash outflow for leases	**406,249**	193,601
Additions to right-of-use assets	**1,021,905**	184,344

For both years, the Group leases various offices, laboratories, plant and equipment for its operations. Lease contracts are entered into for a fixed term of two to fifteen years, but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

Leasehold lands mainly represent upfront payments for leasehold lands in the PRC and Singapore. Land use right certificates for leasehold land in the PRC have been obtained.

The Group regularly entered into short-term leases for equipment and offices. As at December 31, 2023 and 2022, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expenses are disclosed above.

Restrictions or covenants on leases

In addition, lease liabilities of RMB2,413,985,000 are recognized with related right-of-use assets of RMB2,174,807,000 as at December 31, 2023 (2022: lease liabilities of RMB1,638,668,000 are recognized with related right-of-use assets of RMB1,525,653,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

17. GOODWILL

As at December 31, 2023, goodwill amounting to RMB1,529,914,000 was arising from acquisitions in previous financial years, of (a) Bestchrom (Zhejiang) Biosciences Co., Ltd. ("**Bestchrom Zhejiang**", formerly known as Pinghu U-Pure Biosciences Co., Ltd.) and Bestchrom (Shanghai) Biosciences Ltd. ("**Bestchrom Shanghai**", together with Bestchrom Zhejiang referred to as "**Bestchrom**"), (b) CMAB Biopharma Limited ("**CMAB BVI**") and its subsidiaries (together referred to as "**CMAB Group**"), and (c) the payload and linker business (the "**Payload and Linker Business**"), respectively.

	Acquisition of Bestchrom RMB'000	Acquisition of CMAB Group RMB'000	Acquisition of Payload and Linker Business RMB'000	Total RMB'000
COST AND CARRYING VALUES				
As at December 31, 2022 and December 31, 2023	185,408	1,129,313	215,193	1,529,914

(a) Acquisition of Bestchrom

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

For the purpose of impairment testing, Bestchrom Zhejiang and Bestchrom Shanghai are allocated as one individual cash-generating unit (the "**Bestchrom Unit**"). The recoverable amount of the Bestchrom Unit has been determined based on a value-in-use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period and pre-tax discount rate of 16% (2022: 16%). Pre-tax discount rate reflects the current market assessments of the time value of money and the risks specific to the Bestchrom Unit. The Bestchrom Unit's expected annual revenue growth rate up to the financial year of 2028 is 3% (2022: 3%). The Bestchrom Unit's cash flows beyond the 5-year period are extrapolated using a steady 2.2% (2022: 3%) long-term growth rate. Other key assumptions for the value-in-use calculations related to the estimation of cash inflows/outflows which include revenue growth rate are based on the Bestchrom Unit's past performance and management's expectation for the market development.

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

17. GOODWILL (Continued)

(b) Acquisition of CMAB Group

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

For the purpose of impairment testing, CMAB Group is allocated as one individual cash-generating unit (the "**CMAB Unit**"). The recoverable amount of the CMAB Unit has been determined based on a value-in-use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and pre-tax discount rate of 16% (2022: 15%). Pre-tax discount rate reflects the current market assessments of the time value of money and the risks specific to the CMAB Unit. The CMAB Unit's expected annual growth rate up to the financial year of 2028 ranges from 2% to 14% (2022: 3% to 18%). The CMAB Unit's cash flows beyond the 5-year period are extrapolated using a steady 2.2% (2022: 3%) long-term growth rate. Other key assumptions for the value-in-use calculations related to the estimation of cash inflows/outflows include revenue growth rate are based on the CMAB Group's past performance and management's expectation for the market development.

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

(c) Acquisition of Payload and Linker Business

The goodwill amounted to RMB215,193,000 was arising from the Group's acquisition of Payload and Linker Business during the year ended December 31, 2021.

For the purposes of impairment testing, the acquired Payload and Linker Business is allocated as an individual cash-generating unit (the "**Payload and Linker Unit**"). The recoverable amount of the Payload and Linker Unit has been determined based on a value-in-use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and pre-tax discount rate of 17% (2022: 17%). Pre-tax discount rate applied reflects the current market assessments of the time value of money and the risks specific to the Payload and Linker Unit. The expected annual growth rate up to the financial year of 2028 ranges from 10% to 45% (2022: 5% to 30%). Other key assumptions for the value-in-use calculations related to the estimation of cash inflows/outflows which include revenue growth rate, such estimation is based on the Payload and Linker Unit's past performance and management's expectation for the market development.

17. GOODWILL (Continued)

(c) Acquisition of Payload and Linker Business (Continued)

The cash flows beyond the 5-year period are extrapolated using a steady 2% long-term growth rate (2022: 3%). Long-term growth rate based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry.

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

18. INVESTMENT OF AN ASSOCIATE MEASURED AT FVTPL

Details of the Group's associate at the end of the reporting period are as follows:

Name of entity	Country of registration	Principal place of business	Proportion of ownership interest held by the Group		Proportion of voting rights held by the Group		Principal activity
			2023	2022	2023	2022	
Shanghai Duoning Biotechnology Co., Ltd. ("**Duoning**")	PRC	PRC	**17.36%**	17.36%	**20%**	20%	Sales of serum-free media and disposable products, formulation production and services

As at December 31, 2023, the Group had 17.36% equity interest in Duoning. The Group maintained significant influence in Duoning through its representation on the board of directors.

Details of the fair value measurement of the investment of an associate measured at FVTPL are set out in Note 38(c).

19. 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:

	2023 RMB'000	2022 RMB'000
Deferred tax assets	**235,783**	222,568
Deferred tax liabilities	**(122,540)**	(132,076)
	113,243	90,492

The following are the major deferred tax assets and liabilities recognized and movements thereon before offsetting during the reporting periods:

	Deferred income RMB'000	Allowance on inventories and credit losses RMB'000	Accrued expenses RMB'000	Accelerated tax depreciation RMB'000	Lease liabilities RMB'000	Right-of-use assets RMB'000	Fair value adjustment arising from acquisition of subsidiaries RMB'000	Derivative financial instruments RMB'000	Deductible loss RMB'000	Others RMB'000	Total RMB'000
As at January 1, 2022	35,252	74,100	18,807	(3,381)	395,403	(386,983)	(67,677)	(18,181)	85,727	(36,491)	96,576
(Charged) credited to profit or loss	(1,891)	34,001	10,099	1,615	66,698	(58,650)	8,634	–	(66,760)	(24,248)	(30,502)
Credited to OCI	–	–	–	–	–	–	–	29,866	–	–	29,866
Exchange alignment	–	–	–	–	–	–	–	–	–	(5,448)	(5,448)
As at December 31, 2022	**33,361**	**108,101**	**28,906**	**(1,766)**	**462,101**	**(445,633)**	**(59,043)**	**11,685**	**18,967**	**(66,187)**	**90,492**
(Charged) credited to profit or loss	**(4,379)**	**43,088**	**(8,893)**	**788**	**192,788**	**(167,398)**	**8,624**	**–**	**15,395**	**(28,260)**	**51,753**
Charged to OCI	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(28,125)**	**–**	**–**	**(28,125)**
Exchange alignment	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(877)**	**(877)**
As at December 31, 2023	**28,982**	**151,189**	**20,013**	**(978)**	**654,889**	**(613,031)**	**(50,419)**	**(16,440)**	**34,362**	**(95,324)**	**113,243**

19. DEFERRED TAXATION (Continued)

As at December 31, 2023, the Group had unused tax losses of RMB2,688,157,000 (2022: RMB1,161,320,000) available to offset against future profits. A deferred tax asset has been recognized in respect of RMB229,076,000 (2022: RMB75,867,000) of such losses. No deferred tax asset has been recognized in respect of the remaining RMB2,459,081,000 (2022: RMB1,085,453,000) due to the unpredictability of future profit streams.

The unrecognized tax losses as at December 31, 2023 include aggregate balance of RMB2,362,343,000 (December 31, 2022: RMB679,859,000) represented tax losses arising from subsidiaries located in Hong Kong, the U.S., Switzerland, Germany, Ireland and the United Kingdom which are permitted to carry forward indefinitely. The remaining unrecognized tax losses will be carried forward and expire in years as follows:

	2023 **RMB'000**	2022 RMB'000
2023	**N/A**	89
2024	**—**	—
2025	**378**	1,972
2026	**2,232**	332,889
2027	**16,620**	70,644
2028	**77,508**	N/A
	96,738	405,594

Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB17,570,897,000 as at December 31, 2023 (December 31, 2022: RMB12,131,204,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not be reversed in the foreseeable future.

20. INTANGIBLE ASSETS

	Technology RMB'000 *(note i)*	Customer relationship RMB'000 *(note i)*	Patent and license RMB'000 *(note ii)*	Total RMB'000
Cost				
As at January 1, 2022	81,885	309,217	315,638	706,740
Exchange alignment	—	—	8,851	8,851
As at December 31, 2022	81,885	309,217	324,489	715,591
Additions	—	—	10,000	10,000
Exchange alignment	—	—	19,003	19,003
As at December 31, 2023	**81,885**	**309,217**	**353,492**	**744,594**
Amortization				
As at January 1, 2022	(12,793)	(36,442)	(56,851)	(106,086)
Charge for the year	(6,755)	(36,023)	(15,604)	(58,382)
Exchange alignment	—	—	(2,345)	(2,345)
As at December 31, 2022	(19,548)	(72,465)	(74,800)	(166,813)
Charge for the year	(6,755)	(36,023)	(18,289)	(61,067)
Exchange alignment	—	—	(4,880)	(4,880)
As at December 31, 2023	**(26,303)**	**(108,488)**	**(97,969)**	**(232,760)**
Carrying Values				
As at December 31, 2022	62,337	236,752	249,689	548,778
As at December 31, 2023	**55,582**	**200,729**	**255,523**	**511,834**

Notes:

i. Technology and customer relationship were recognized as a result of the acquisitions of subsidiaries/business in 2019 and 2021, respectively. The amounts represented the intellectual property and existing customer relationships which have finite useful life and are amortized on a straight-line basis over their estimated useful lives of 11 to 16 and 5 to 10 years, respectively.

ii. License payment is amortized on a straight-line basis over the estimated useful life of 5 years and 18 years which represents the average duration of contracts benefit from the licenses estimated by the Group based on the management's understanding of the technology and market.

21. EQUITY INSTRUMENTS AT FVTOCI

Movement of equity instruments at FVTOCI are as follows:

	RMB'000
Unlisted equity instruments	
As at January 1, 2022	94,413
Fair value change	(59,731)
Exchange alignment	6,788
As at December 31, 2022	41,470
Fair value change	(20,806)
Exchange alignment	744
As at December 31, 2023	**21,408**

Details of the fair value measurement of the equity instrument at FVTOCI are set out in Note 38(c).

22. FINANCIAL ASSETS AT FVTPL

	2023 RMB'000	2022 RMB'000
Current asset		
Wealth management products *(note)*	**1,233,598**	2,014,632
Non-current assets		
Listed equity securities	**459,699**	380,171
Unlisted equity investments	**1,059,648**	706,005
Financial assets at FVTPL	**1,519,347**	1,086,176

Note: During the years ended December 31, 2023 and 2022, the Group entered into several contracts of wealth management products with banks under which the maturity terms are within 12 months. For the wealth management products, returns are determined by reference to the performance of the underlying instruments in the currency market, the interbank market, the bond market, the security and equity market, and the derivative financial assets, and as such they are recognized as financial assets at FVTPL. The expected return rates vary from 1.0% to 5.18% (December 31, 2022: 1.31% to 4.1%) per annum.

22. FINANCIAL ASSETS AT FVTPL (Continued)

During the years ended December 31, 2023 and 2022, the Group managed and evaluated the unlisted investments in accordance with the Group's investment strategy.

Details of the fair value measurement of the financial assets at FVTPL are set out in Note 38(c).

Financial assets at FVTPL that are denominated in currencies other than the functional currency of the respective group entities are set out below:

	2023 **RMB'000**	2022 RMB'000
Hong Kong dollars ("**HK$**")	**106,474**	176,256
RMB	**38,096**	36,846
Swiss Francs ("**CHF**")	**22,349**	19,720

23. FINANCE LEASE RECEIVABLES

During the years ended December 31, 2023 and 2022, the Group, acting as lessor, entered into finance lease arrangements in connection with the disposal of certain staff living quarters of the Group to eligible employees. The average terms of finance leases entered is 10 years, upon the end of the finance lease period, the purchase option owned by the eligible employees will become exercisable. The interest rates inherent in the leases range from 3.4% to 4.9% at the contract date over the lease terms.

	Minimum lease payments December 31, 2023 RMB'000	Present value of minimum lease payments December 31, 2023 RMB'000	Minimum lease payments December 31, 2022 RMB'000	Present value of minimum lease payments December 31, 2022 RMB'000
Finance lease receivables comprise:				
Within one year	31,549	21,575	20,467	14,166
Within a period of more than one year but not exceeding two years	31,297	22,228	20,282	14,610
Within a period of more than two years but not exceeding five years	93,892	72,531	60,845	47,922
Within a period of more than five years	85,794	70,744	52,835	46,639
	242,532	187,078	154,429	123,337
Less: unearned finance income	(55,454)	N/A	(31,092)	N/A
Present value of minimum lease payment receivables	187,078	187,078	123,337	123,337
Analyzed as:				
Current		21,575		14,166
Non-current		165,503		109,171
		187,078		123,337

Finance lease receivables are secured by the related staff living quarters. The Group is not permitted to sell or pledge the collateral in the absence of default by the lessees.

Details of impairment assessment are set out in Note 38(b).

24. OTHER LONG-TERM DEPOSITS AND PREPAYMENTS

Other long-term deposits represent rental deposits paid for certain lease arrangements of office premises and deposits paid to guarantee certain milestones of construction projects.

Prepayments represent payments to the banks for banking facilities granted to the Group which will be amortized over the facility period as well as prepaid insurance fee.

25. INVENTORIES

	2023 **RMB'000**	2022 RMB'000
Raw material and consumables	**1,740,323**	2,250,582
Work in progress	**8,471**	10,312
Finished goods	**16,957**	20,017
Total	**1,765,751**	2,280,911

Raw materials and consumables are net of a write-down of approximately RMB193,316,000 as at December 31, 2023 (2022: RMB207,041,000).

26. CONTRACT COSTS

	2023 **RMB'000**	2022 RMB'000
Costs to fulfil contracts	**1,223,701**	1,096,480

The contract costs are net of a write-down of approximately RMB62,406,000 as at December 31, 2023 (2022: RMB136,283,000).

27. TRADE AND OTHER RECEIVABLES

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

Notes:

i. The carrying amount of receivables for purchase of raw materials on behalf of customer are net of allowance for credit losses of RMB52,359,000 as at December 31, 2023 (December 31, 2022: RMB28,889,000).

ii. As at December 31, 2023, of the balance in other receivables, an amount of RMB9,246,000 (December 31, 2022: RMB247,000,000) represents the receivable from bank in relation to the settled derivative financial instruments.

27. TRADE AND OTHER RECEIVABLES (Continued)

As at January 1, 2022, trade receivables from contracts with customers amounted to RMB3,123,755,000 (net of allowance for credit losses of RMB303,369,000).

Details of the trade and other receivables due from related parties are set out in Note 42(b).

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

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

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

Details of impairment assessment of trade receivables, other receivables, bills receivables and receivables for purchase of raw materials on behalf of customers are set out in Note 38(b).

Trade and other receivables that are denominated in currencies other than the functional currency of the respective group entities are set out below:

	2023 **RMB'000**	2022 RMB'000
United States Dollar ("**US$**")	**4,424,097**	3,613,734
HK$	**651**	519
CHF	**875**	1
Euro ("**EUR**")	**823**	14,664

28. CONTRACT ASSETS

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

As at January 1, 2022, carrying amount of contract assets amounted to RMB132,545,000 (net of allowance for credit losses of RMB10,497,000).

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

Typical payment terms which impact on the amount of contract assets recognized are as follows:

— Revenue from CRDMO contracts under FFS basis

The Group's revenue from CRDMO contracts under FFS basis include payment schedules which require stage payments over the research or manufacturing period once certain specified milestones are reached or control of goods are transferred to customers. The Group requires certain customers to pay 20%-50% of total contract value as project start-up cost as part of its credit risk management policies.

The Group classifies these contract assets as current because the Group expects to realize these contracts assets in their normal operating cycle.

Details of the impairment assessment of contract assets are set out in Note 38(b).

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

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

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

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

Bank balances and cash, pledged bank deposits and time deposits that are denominated in currencies other than the functional currency of the respective group entities are set out below:

	2023 **RMB'000**	2022 RMB'000
US$	**3,871,266**	3,800,710
EUR	**23,611**	7,775
HK$	**4,107,097**	31,485

30. TRADE AND OTHER PAYABLES

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

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

Details of the trade and other payables due to related parties are set out in Note 42(b).

30. TRADE AND OTHER PAYABLES (Continued)

Payment terms with suppliers are mainly on credit within 90 days from the time when the goods are received from the suppliers. The following is an aged analysis of trade payables presented based on invoice date at the end of the reporting period:

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

Trade and other payables that are denominated in currencies other than the functional currency of the respective group entities are set out below:

	2023 **RMB'000**	2022 RMB'000
US$	**185,489**	160,116
EUR	**51,129**	8,086
HK$	**12,582**	—
CHF	**8,269**	4,588
SGD	**249**	312
GBP	**56**	818
Japan Yen ("**JPY**")	**—**	85

31. CONTRACT LIABILITIES

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

31. CONTRACT LIABILITIES (Continued)

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

As at January 1, 2022, contract liabilities amounted to RMB2,386,397,000.

Revenue of RMB2,408,117,000 was recognized during the year ended December 31, 2023 that was included in the contract liabilities at the beginning the year of 2023 (2022: RMB1,382,857,000).

Typical payment terms which impact on the amount of contract liabilities recognized are as follows:

— Revenue from CRDMO contracts under FFS basis

Except for the amount received in advance from an independent global vaccine leader under the contract manufacturing agreement for a 20-year period, the Group normally requires certain customers to pay a percentage of total contract value as down payment as project start-up cost as part of its credit risk management policies. The advance payment is accounted for as contract liabilities, representing the Group's obligation to transfer services to customer in future.

— Revenue from others

The Group normally invoices its clients a percentage of the price on acceptance of other biologics products orders to commence work, which will give rise to contract liability at the start of a contract.

32. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

	Assets		Liabilities	
	December 31, 2023 RMB'000	December 31, 2022 RMB'000	**December 31, 2023 RMB'000**	December 31, 2022 RMB'000
Derivatives under hedge accounting				
Fair value hedges				
— Forward extra, collar and structured deposit contracts	**9,159**	104,283	**305,324**	184,530
Cash flow hedges				
— Foreign currency forward, forward extra, interest rate swap and collar contracts	**117,370**	96,960	**5,547**	215,933
Net investment hedge in foreign operations				
— Forward extra, collar and structured deposit contracts	**1,123**	—	**129,422**	25,267
Total	**127,652**	201,243	**440,293**	425,730

Derivatives not under hedge accounting

During the current year, the Group entered into capped forward contracts with banks in order to manage the Group's currency risk. Under the capped forward contracts, the Group will pay to the bank notional amount of HK$ and receive from the bank an amount in US$ equal to the product of the relevant notional amount of HK$ and the relevant strike rate as specified within the respective contracts.

The Group did not elect to adopt hedge accounting for the contract and therefore, during the year ended December 31, 2023, gain from capped forward contracts of RMB13,435,000 (2022: RMB9,984,000 losses) was recognized as "loss on derivative financial instruments" in other gains and losses.

32. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES (Continued)

Derivatives under hedge accounting

In view of the management of the Group, the respective foreign currency forward contracts, forward extra contracts, collar contracts and structured deposit contracts are highly effective hedging instruments and qualified as cash flow or fair value hedges.

(i) The Group entered into foreign currency forward contracts with banks to eliminate the exposure to fluctuations in foreign currency exchange rate arising from anticipated foreign currency sales transactions, in particular, the exchange rate between US$ and RMB for foreign currency sales transactions which is designated as cash flow hedges. The major terms of these contracts on a net settlement basis as at December 31, 2023 presented are as follows:

	Average strike/forward rate	Foreign currency US$'000	Total outstanding notional value RMB'000	Fair value assets RMB'000	Fair value liabilities RMB'000
Sell US$					
Less than 3 months	7.0100–7.2300	435,000	3,081,850	12,057	(5,547)
4 to 6 months	7.0500–7.2130	451,000	3,206,985	37,798	—
7 to 11 months	7.0000–7.1725	720,000	5,088,941	63,751	—

(ii) The Group entered into a collar contract with a bank to eliminate the exposure to fluctuations in foreign currency exchange rate arising from anticipated foreign currency sales transactions, in particular, to buy RMB and sell US$. The major terms of the collar contract is as follows:

	Strike Rate 1	Strike Rate 2	Notional amount US$'000	Fair value assets RMB'000
Less than 3 months	6.9800	7.1000	25,000	305

32. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES (Continued)

Derivatives under hedge accounting (Continued)

(iii) The Group entered into a forward extra contract with a bank to eliminate the exposure to fluctuations in foreign currency exchange rate arising from anticipated foreign currency sales transactions, in particular, to buy RMB and sell US$. The major terms of the forward extra contract is as follows:

	Average strike rate	Knock-in barrier	Notional amount US$'000	Fair value assets RMB'000
Sell US$				
Less than 3 months	7.0500	7.3510	200,000	3,459

(iv) The Group entered into collar contracts with a bank to manage its foreign exchange rate risk arising from net exposure of net asset which are denominated in currencies at US$ and EUR up to 3 months, which is designated as fair value hedge. The major terms of the collar contracts are as follows:

	Strike rate 1	Strike rate 2	Notional amount US$'000	Fair value assets RMB'000	Fair value liabilities RMB'000
Sell US$					
Less than 2 months	6.9870–7.0240	7.2000	320,000	7,513	(135,140)

	Strike rate 1	Strike rate 2	Notional amount EUR'000	Fair value assets RMB'000	Fair value liabilities RMB'000
Sell EUR					
Less than 3 months	7.5650–7.7000	7.7500–7.8500	390,000	26	(55,460)

32. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES (Continued)

Derivatives under hedge accounting (Continued)

(v) The Group entered into structured deposit contracts with a bank to manage its foreign exchange rate risk arising from net exposure of net asset which are denominated in currencies at US$ up to 1 month, which is designated as fair value hedge. The major terms of the structured deposit contracts are as follows:

	Average strike rate	Notional amount US$'000	Fair value liabilities RMB'000
Sell US$			
1 month	6.8970–7.0350	270,000	(30,580)

(vi) The Group entered into forward extra contracts with a bank to manage its foreign exchange rate risk arising from net exposure of net asset which are denominated in currencies at US$ or EUR up to 3 months, which is designated as fair value hedge. The major terms of the forward extra contracts are as follows:

	Average strike rate	Knock-in Barrier	Notional amount US$'000	Fair value assets RMB'000	Fair value liabilities RMB'000
Sell US$					
Less than 2 months	7.0450	7.3210	40,000	904	(4,320)

	Average strike rate	Knock-in Barrier	Notional amount EUR'000	Fair value assets RMB'000	Fair value liabilities RMB'000
Sell EUR					
Less than 3 months	7.6080–7.8000	8.0110–8.1510	335,000	716	(79,824)

32. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES (Continued)

Derivatives under hedge accounting (Continued)

(vii) The Group entered into forward extra contracts with a bank to manage its net investments in foreign operations which are denominated in currencies at US$ or EUR up to 1 month, which is designated as net investment hedge. The major terms of the forward extra contracts are as follows:

	Average strike rate	Knock-in Barrier	Notional amount US$'000	Fair value assets RMB'000	Fair value liabilities RMB'000
Sell US$					
Less than 1 month	6.9500	7.4510	100,000	1,123	—

	Average strike rate	Knock-in Barrier	Notional amount EUR'000	Fair value assets RMB'000	Fair value liabilities RMB'000
Sell EUR					
Less than 1 month	7.6200	8.1610	120,000	—	(46)

(viii) The Group entered into collar contracts with a bank to manage its net investments in foreign operations which are denominated in currencies at US$ or EUR up to 3 months, which is designated as net investment hedge. The major terms of the collar contracts are as follows:

	Strike Rate 1	Strike Rate 2	Foreign currency US$'000	Fair value liabilities RMB'000
Sell US$				
Less than 1 month	6.9310	7.1500	150,000	(104,099)

	Strike Rate 1	Strike Rate 2	Foreign currency EUR'000	Fair value liabilities RMB'000
Sell EUR				
Less than 3 months	7.5600	7.8500	50,000	(12,726)

32. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES (Continued)

Derivatives under hedge accounting (Continued)

(ix) The Group entered into a structured deposit contract with a bank to manage its net investments in foreign operations which are denominated in currencies at US$ up to 1 month, which is designated as net investment hedge. The major terms of the structured deposit contract is as follows:

	Average strike rate	Notional amount US$'000	Fair value liabilities RMB'000
Sell US$			
Less than 1 month	6.8970	65,000	(12,551)

As at December 31, 2023, the aggregate amount of losses after tax under foreign currency forward contracts, collar contracts, forward extra contracts and structured deposit contracts recognized in other comprehensive income relating to the exposure on anticipated future sales transactions and net exposure denominated in US$ and EUR is RMB35,253,000 (December 31, 2022: RMB80,259,000 losses). The Group separates the intrinsic value and time value of forward extra contracts and collar contracts, designating only the intrinsic value as the hedging instrument. The time value, including any gains or losses, is recognized in other comprehensive income until the hedged transaction occurs and is recognized in profit or loss. It is anticipated that the sales and net exposure denominated in US$ and EUR related to foreign currency forward contracts, collar contracts, forward extra contracts and structured deposit contract will take place within next 11 months (December 31, 2022: 12 months) at which time the amount deferred in equity will be recycled to profit or loss.

During the current year, loss relating to the ineffective hedge portion of RMB54,503,000 (2022: RMB38,062,000 loss) is recognized immediately in profit or loss, and is included as "loss on derivative financial instruments" in other gains and losses.

During the current year, the aggregated amount of losses previously recognized in other comprehensive income and accumulated in equity of RMB342,188,000 (2022: credit RMB246,159,000) are reclassified to revenue when the hedged item affects profit or loss.

33. BORROWINGS

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

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

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

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

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

33. BORROWINGS (Continued)

The ranges of effective interest rates before the interest rate swap disclosed in Note 32 (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

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

The Group's bank borrowings that are denominated in currencies other than the functional currencies of the respective group entities are set out below:

	2023 RMB'000	2022 RMB'000
US$	**1,427,872**	2,089,380
EUR	**—**	311,311

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

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

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

33. BORROWINGS (Continued)

In respect of bank loans with aggregate carrying amount of RMB1,427,872,000 in 2023 (2022: RMB2,089,380,000), the Group is required to comply with the following financial covenants throughout the period of borrowing:

(i) Bank loan with carrying amount of RMB747,933,000 (US$105,600,000)

In relation to the Group:

- Total equity after deducting goodwill, intangible assets and deferred tax assets (together referred to as "**Tangible Net Worth**") shall not at any time be less than RMB20,000,000,000;

- Earnings before interest, taxes, depreciation and amortization ("**EBITDA**") in respect of any at the last day of the first half of the financial year and the last day of the financial year (the "**Relevant Period**") shall not be less than 5 times gross interest expenses for that Relevant Period; and

- Total debt less the cash and cash equivalents ("**Net debt**") at the end of each Relevant Period shall not exceed 2.5 times EBITDA for that Relevant Period.

In relation to the WuXi Biologics (Hong Kong) Limited ("**BIOHK**"):

- Tangible Net Worth shall not at any time be less than RMB20,000,000.

(ii) Bank loan with carrying amount of RMB679,939,000 (US$96,000,000)

In relation to the Group:

- EBITDA shall not be less than 5 times interest expenses; and

- Net interest-bearing debt shall not exceed 2.5 times EBITDA.

The Group has complied with these covenants throughout the reporting period.

34. LEASE LIABILITIES

	2023 RMB'000	2022 RMB'000
Lease liabilities payable:		
Within one year	**154,980**	149,058
Within a period of more than one year but not exceeding two years	**139,808**	148,601
Within a period of more than two year but not exceeding five years	**662,671**	591,944
Within a period of more than five years	**1,456,526**	749,065
	2,413,985	1,638,668
Less: amounts due within one year shown under current liabilities	**(154,980)**	(149,058)
Amounts shown under non-current liabilities	**2,259,005**	1,489,610

The weighted average incremental borrowing rates applied to lease liabilities range from 1.5% to 8.5% (2022: from 1.5% to 4.9%).

35. DEFERRED INCOME

	2023 RMB'000	2022 RMB'000
Assets related research and other grants	**254,366**	229,612
Income related research and other grants	**3,651**	8,309
	258,017	237,921

35. DEFERRED INCOME (Continued)

Movements of research and other grants:

	Assets related RMB'000	Income related RMB'000	Total RMB'000
As at January 1, 2022	213,225	10,903	224,128
Research and other grants received	44,783	157,421	202,204
Credited to profit or loss *(Note 7)*	(29,649)	(160,015)	(189,664)
Exchange alignment	1,253	—	1,253
As at December 31, 2022	**229,612**	**8,309**	**237,921**
Research and other grants received	**43,680**	**170,623**	**214,303**
Credited to profit or loss *(Note 7)*	**(22,198)**	**(175,281)**	**(197,479)**
Exchange alignment	**3,272**	**—**	**3,272**
As at December 31, 2023	**254,366**	**3,651**	**258,017**

During the year ended December 31, 2023, the Group received research and other grants of RMB43,680,000 (2022: RMB44,783,000) as a result of its investment in laboratory equipment. The grants were recognized in profit or loss over the useful lives of the relevant assets.

36. SHARE CAPITAL

AUTHORIZED:

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

36. SHARE CAPITAL (Continued)

ISSUED AND FULLY PAID:

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

Notes:

i. On June 10, 2022 and June 1, 2023, the Company issued and allotted 39,953,861 and 17,642,323 new ordinary shares at nil consideration to trustee under the Restricted Share Award Scheme or the Global Partner Program Share Scheme, respectively. Details of the Restricted Share Award Scheme are set out in Note 43.

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

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

37. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concern while maximizing the return to shareholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of net debt, which includes borrowings and lease liabilities disclosed in Notes 33 and 34 respectively, net of cash and cash equivalents, and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure on a continuous basis taking into account the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the issue of new shares as well as the issue of new debts or the redemption of existing debts.

38. FINANCIAL INSTRUMENTS

a. Categories of financial instruments

	2023 RMB'000	2022 RMB'000
Financial assets		
Financial assets at amortized cost	**15,817,953**	11,957,814
Financial assets at FVTPL	**2,752,945**	3,100,808
Equity instruments at FVTOCI	**21,408**	41,470
Derivative financial assets	**127,652**	201,243
Financial liabilities		
Derivative financial liabilities	**440,293**	425,730
Financial liabilities at amortized cost	**3,764,395**	4,707,738

b. Financial risk management objectives and policies

The Group's major financial assets and liabilities include trade and other receivables, other long-term deposits, financial assets at FVTPL, equity instruments at FVTOCI, derivative financial assets, time deposits, pledged bank deposits, bank balances and cash, derivative financial liabilities, borrowings, and trade and other payables. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

The Group's activities expose it primarily to currency risk, interest rate risk and other price risk. There had been no change in the Group's exposure to these risks or the manner in which it managed and measured the risks during the year ended December 31, 2023.

38. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

Currency risk

Certain group entities have foreign currency transactions, including sales and purchases, which expose the Group to foreign currency risk. Certain of the Group's bank balances and cash, time deposits, pledged bank deposits, trade and other receivables, trade and other payables and borrowings are denominated in currencies other than the functional currency of the relevant group entities and expose to such foreign currency risk. The carrying amounts of relevant group entities' foreign currency denominated monetary assets and liabilities other than their functional currency are disclosed in the respective notes.

The Group mainly exposes to foreign currency of US$, EUR, HK$, SGD, GBP and CHF. The Group entered into several foreign currency forward contracts, collar contracts, forward extra contracts with banks in order to manage the Group's currency risk associated with anticipated sales transactions up to 11 months (2022: 11 months). During the year ended December 31, 2023, the Group also entered into several forward extra contracts, collar contracts and structured deposit contracts with a bank in order to manage the Group's currency risk associated with the net exposure denominated in currencies at US$ and EUR up to 3 months (see Note 32 for details).

Before considering the hedging activities, the carrying amounts of the Group's foreign currency denominated monetary assets (trade and other receivables, pledged bank deposits, time deposits and bank balances and cash) and liabilities (trade and other payables and bank borrowings) at the end of the reporting period are as follows:

	2023 **RMB'000**	2022 RMB'000
Assets		
US$	**8,295,363**	7,414,444
HK$	**4,107,748**	32,004
EUR	**24,434**	22,439
CHF	**875**	1
Liabilities		
US$	**1,613,361**	2,249,496
EUR	**51,129**	319,397
HK$	**12,582**	—
CHF	**8,269**	4,588
SGD	**249**	312
GBP	**56**	818
JPY	**—**	85

38. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

Currency risk (Continued)

In current year, the Group entered into several forward extra contracts, collar contracts and structured deposit contracts in relation to the net exposure to US$ with notional amount of US$630,000,000 (equivalent to RMB4,462,101,000) which are designated as effective hedging relationship. In addition, the Group also entered into several forward extra contracts and collar contracts in relation to the net exposure to EUR for intra-group borrowings with notional amount of EUR725,000,000 (equivalent to RMB5,697,920,000) which are designated as effective hedging relationship. It is the Group's policy to negotiate the terms of the hedge derivatives, to the extent possible, to match or approximate the terms of the hedged items to maximize hedge effectiveness.

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against US$, HK$ and EUR, the foreign currencies with which the Group may have a material exposure. No sensitivity analysis has been disclosed for the SGD, CHF and GBP denominated assets/liabilities as the impact on profit is immaterial. 5% represents management's assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis uses outstanding foreign currency denominated monetary items as a base and adjusts their translation at the end of the reporting period for a 5% change in foreign currency rate. A negative number below indicates a decrease in post-tax profit where RMB strengthens 5% against US$ and HK$, while a positive number indicates an increase in post-tax profit where RMB strengthens 5% against EUR.

	2023 **RMB'000**	2022 RMB'000
Impact on profit or loss before hedging sensitivity:		
US$	**(285,817)**	(219,303)
HK$	**(175,167)**	(1,359)
EUR	**1,142**	12,609

38. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

Currency risk (Continued)

Sensitivity analysis (Continued)

After considering that the net exposure to US$ are hedged through several forward extra contracts, collar contracts and structured deposit contracts with notional amount of US$630,000,000 (equivalent to RMB4,462,101,000), if the RMB strengthens 5% against US$, the Group's post-tax profit would decrease by RMB198,501,000 for the year ended December 31, 2023 (2022: RMB84,085,000).

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings (see Note 33 for details) and fixed-rate pledged bank deposits (see Note 29 for details) and lease liabilities (see Note 34 for details). The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances (see Note 29 for details) and variable-rate bank borrowings (see Note 33 for details). The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of interest rate on bank balances, time deposits, European Central Bank Rate, EURIBOR, SOFR and LPR arising from the Group's bank borrowings. The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. The management will review the proportion of borrowings in fixed and floating rates and ensure they are within reasonable range.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for its floating-rate borrowings. The analysis is prepared assuming the floating rate borrowings outstanding at the end of the reporting period were outstanding for the whole year. 50 basis points (2022: 50 basis points) increase or decrease are used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. If interest rates had been 50 basis points (2022: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit would have decreased/increased approximately by RMB8,939,000 (2022: decrease/increase approximately by RMB11,533,000). This is mainly attributable to the Group's exposure to interest rates on its floating-rate borrowings.

38. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

Interest rate risk (Continued)

Sensitivity analysis (Continued)

Bank balances and pledged bank deposits are excluded from sensitivity analysis as the directors of the Company consider that the exposure of cash flow interest rate arising from variable-rate bank balances and pledged bank deposits is insignificant.

Other price risk

The Group is exposed to other price risk through its equity instruments measured at FVTOCI and financial assets at FVTPL. The management manages this exposure by maintaining a portfolio of investments with different risks. The Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise. The directors of the Company consider that the exposure of other price risk arising from equity instruments measured at FVTOCI is insignificant, therefore no sensitivity analysis on such risk has been prepared.

Sensitivity analysis

The sensitivity analysis has been determined based on the exposure to equity price risk at the reporting date.

If the prices of the respective financial assets at FVTPL had been 10% (2022:10%) higher/lower, the post-tax profit for the year ended December 31, 2023 would increase/decrease by RMB13,912,000 (2022: RMB45,702,000) as a result of the changes in fair value of listed and unlisted financial assets at FVTPL.

38. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. At the end of each reporting period, the Group's maximum exposure to credit risk which cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognized financial assets as stated in the consolidated statement of the financial position.

In order to minimize credit risk, the Group has developed and maintained the Group's credit risk grading to categorize exposures according to their degree of risk of default. Management uses publicly available financial information and the Group's own historical repayment records to rate its major customers and other debtors. The Group's exposure and the credit ratings of its counterparties are continuously monitored and reviewed at the end of the reporting period to ensure the adequate impairment losses are made for irrecoverable amount.

38. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The Group's current credit risk grading framework comprises the following categories:

Internal credit rating	Description	Trade receivables/ contract assets/ finance lease receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past due amounts	Lifetime ECL-not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle after due date in full	Lifetime ECL-not credit-impaired	12m ECL
Doubtful	There has been a significant increase in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL-not credit-impaired	Lifetime ECL-not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL-credit-impaired	Lifetime ECL-credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

38. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The tables below detail the credit risk exposures of the Group's financial assets, contract assets and finance lease receivables which are subject to ECL assessment:

	Internal credit rating	12-month or lifetime ECL	2023 Gross carrying amount RMB'000	2022 Gross carrying amount RMB'000
Financial assets at amortized cost				
Time deposits	Low risk	12m ECL	**340,000**	304,469
Pledged bank deposits	Low risk	12m ECL	**18,017**	25,374
Bank balances	Low risk	12m ECL	**9,669,839**	6,395,222
Other receivables *(note i)*	Low risk	12m ECL	**38,652**	273,255
Receivables for purchase of raw materials on behalf of customers	Low risk	12m ECL	**24,631**	196,546
	Doubtful	Lifetime ECL (not credit-impaired)	**54,975**	82,566
	Loss	Lifetime ECL (credit-impaired)	**10,244**	12,819
Trade receivables *(note ii)*	Low risk	Lifetime ECL (collective assessment)	**4,458,154**	3,096,392
	Doubtful	Lifetime ECL (collective assessment)	**889,719**	1,352,939
	Loss	Lifetime ECL (collective assessment)	**202,159**	211,824
	Doubtful	Lifetime ECL (individual assessment)	**860,237**	538,596
Bills receivables *(note iii)*	Low risk	12m ECL	**9,551**	—
Other long-term deposits *(note i)*	Low risk	12m ECL	**50,773**	45,789
Other items				
Contract assets *(note ii)*	Low risk	Lifetime ECL (collective assessment)	**292,427**	332,483
	Doubtful	Lifetime ECL (collective assessment)	**201,343**	126,489
	Loss	Lifetime ECL (collective assessment)	**8,053**	12,239
	Doubtful	Lifetime ECL (individual assessment)	**25,126**	48,761
Finance lease receivables *(note iv)*	Low risk	Lifetime ECL (collective assessment)	**187,078**	123,337

38. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Notes:

i. For other receivables and other long-term deposits, the directors of the Company believe that there is no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. For the years ended December 31, 2023 and 2022, the Group assessed the ECL for other receivables and other long-term deposits, no loss allowance of was recognized.

ii. For trade receivables and contract assets, the Group determines the ECL on a collective basis by categorizing its customers into three types: grade A customers, grade B customers and grade C customers, based on the financial quality of debtors and their historical credit loss experience according to the past due status adjusted, as appropriate, to reflect current conditions and estimates of future economic conditions. While for the customers which are assessed individually, the Group determines the ECL based on their historical credit loss experience according to the past due status adjusted to, as appropriate, to reflect current conditions including but not limited to subsequent collection rate and repayment plan.

iii. For bills receivables issued by banks, the Group assessed impairment loss individually and concluded that the probability of defaults of the counterparty banks are insignificant. Accordingly, no allowance for credit losses is provided.

iv. For finance lease receivables, no allowance for credit losses is provided as the finance lease receivables are secured by the related staff living quarters, the probability of defaults by the employees are insignificant.

38. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Trade receivables and contract assets

The Group performs impairment assessment under ECL model on trade receivables with significant balances and different credit risk characteristics individually and/or collectively with appropriate groupings. Except for items which are assessed for impairment individually, the remaining trade receivables and contract assets are grouped based on shared credit risk characteristics by reference to the Group's internal credit ratings. As of December 31, 2023, the Group provided RMB257,984,000 and RMB23,031,000 (2022: RMB272,455,000 and RMB18,947,000) impairment allowance for trade receivables and contract assets respectively based on collective assessment. Impairment allowance of RMB498,655,000 (2022: RMB276,633,000) was assessed individually on trade receivables with gross carrying amount of RMB860,237,000 (2022: RMB538,596,000). Impairment allowance of RMB4,249,000 (2022: RMB7,459,000) was assessed individually on contract assets with gross carrying amount of RMB25,126,000 (2022: RMB48,761,000).

The following table provides information about the exposure to credit risk for trade receivables and contract assets which are assessed based on collective basis within lifetime ECL as at December 31, 2023:

Gross carrying amount	2023			2022		
Internal credit rating	Average loss rate	Trade receivables RMB'000	Contract assets RMB'000	Average loss rate	Trade receivables RMB'000	Contract assets RMB'000
Grade A: Low risk and watch list	**0.24%**	**4,458,154**	**292,427**	0.14%	3,096,392	332,483
Grade B: Doubtful	**5.44%**	**889,719**	**201,343**	4.23%	1,352,939	126,489
Grade C: Loss	**100.00%**	**202,159**	**8,053**	100.00%	211,824	12,239
		5,550,032	**501,823**		4,661,155	471,211

38. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Trade receivables and contract assets (Continued)

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management of the Group to ensure relevant information about specific debtors is updated. The contract assets have substantially the same risk characteristics as the trade receivables for the same type of contracts. The Group has therefore concluded that the loss rates for trade receivables are a reasonable approximation of the loss rates for contract assets.

38. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The following table shows the movement in lifetime ECL that has been recognized for trade receivables and contract assets under the simplified approach.

	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
As at January 1, 2022	(94,954)	(218,912)	(313,866)
Changes due to financial instruments recognized as at January 1, 2022:			
— Transfer to credit-impaired	8,073	(8,073)	—
— Impairment losses recognized	(10,403)	—	(10,403)
— Impairment losses reversed	—	150,938	150,938
New financial assets originated or purchased	(252,533)	(148,016)	(400,549)
Exchange alignment	(1,614)	—	(1,614)
As at December 31, 2022	**(351,431)**	**(224,063)**	**(575,494)**
Changes due to financial instruments recognized as at January 1, 2023:			
— Transfer to credit-impaired	**20,828**	**(20,828)**	**—**
— Impairment losses reversed	**38,556**	**9,195**	**47,751**
— Impairment losses write-off	**—**	**88,955**	**88,955**
New financial assets originated or purchased	**(280,780)**	**(63,471)**	**(344,251)**
Exchange alignment	**(880)**	**—**	**(880)**
As at December 31, 2023	**(573,707)**	**(210,212)**	**(783,919)**

38. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The following table shows the reconciliation of loss allowances that has been recognized for receivables for purchase of raw materials on behalf of customers.

	12-month ECL RMB'000	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
As at January 1, 2022	(1,909)	(15,325)	(13,144)	(30,378)
Changes due to financial instruments recognized as at January 1, 2022:				
— Transfer to lifetime ECL	173	(173)	—	—
— Transfer to credit-impaired	—	1,498	(1,498)	—
— Impairment losses reversed	1,743	11,290	8,476	21,509
New financial assets originated or purchased	(234)	(13,133)	(6,653)	(20,020)
As at December 31, 2022	**(227)**	**(15,843)**	**(12,819)**	**(28,889)**
Changes due to financial instruments recognized as at January 1, 2023:				
— Transfer to lifetime ECL	**84**	**(84)**	**—**	**—**
— Impairment losses reversed	**128**	**—**	**6,565**	**6,693**
— Impairment losses recognized	**—**	**(24,136)**	**—**	**(24,136)**
New financial assets originated or purchased	**(76)**	**(1,961)**	**(3,990)**	**(6,027)**
As at December 31, 2023	**(91)**	**(42,024)**	**(10,244)**	**(52,359)**

38. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

For the purposes of impairment assessment, other financial assets are considered to have low credit risk. Accordingly, for the purpose of impairment assessment for these financial assets, the loss allowance is measured at an amount equal to 12m ECL. In determining the ECL for these financial assets at amortized cost, the directors of the Company have taken into account the historical default experience and the future prospects of the industries and/or considering various external sources of actual and forecast economic information, as appropriate, in estimating the probability of default of each of the other financial assets at amortized cost occurring within their respective loss assessment time horizon, as well as the loss upon default in each case. The directors of the Company considered that the 12m ECL allowance is insignificant at the end of each reporting period.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of bank balances and cash and unused banking facilities deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The management of the Group monitors the utilization of bank borrowings and ensures compliance with loan covenants.

Bank borrowing is one of the sources of liquidity of the Group. As at December 31, 2023, the Group has available unutilized bank loan facilities of approximately RMB936,041,000 (2022: RMB459,219,000). Details of which are set out in Note 33.

The following table details the Group's remaining contractual maturity for its financial liabilities and derivative instrument. The table has been drawn up based on the undiscounted cash flows of financial liabilities according to the earliest date on which the Group is required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

38. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash (inflows) and outflows on derivative instruments that settle on a net basis. When the amount payable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the end of the reporting period. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual settlement dates as the management consider that the settlement dates are essential for an understanding of the timing of the cash flows of derivatives.

	Weighted average interest rate	On demand or less than one year RMB'000	One to five years RMB'000	Over five years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
2023						
Trade and other payables	N/A	1,617,021	–	–	1,617,021	1,617,021
Bank borrowings						
— fixed rate	4.90%	12,017	43,562	12,063	67,642	57,500
— variable rate	2.71% to 6.46%	668,384	1,507,567	98,072	2,274,023	2,089,874
Total financial liabilities		2,297,422	1,551,129	110,135	3,958,686	3,764,395
Lease liabilities	1.5% to 8.5%	235,547	1,054,570	1,719,062	3,009,179	2,413,985
		2,532,969	2,605,699	1,829,197	6,967,865	6,178,380
Derivative — net settlement						
Foreign currency forward, structured deposit, forward extra and collar contracts		440,293	–	–	440,293	440,293

38. FINANCIAL INSTRUMENTS (Continued)

b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

	Weighted average interest rate	On demand or less than one year RMB'000	One to five years RMB'000	Over five years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
2022						
Trade and other payables	N/A	1,924,745	–	–	1,924,745	1,924,745
Bank borrowings						
– fixed rate	4.90%	12,468	45,365	21,714	79,547	66,700
– variable rate	0.75% to 5.12%	1,386,062	1,515,599	–	2,901,661	2,716,293
Total financial liabilities		3,323,275	1,560,964	21,714	4,905,953	4,707,738
Lease liabilities	1.5% to 4.9%	198,014	870,586	824,204	1,892,804	1,638,668
		3,521,289	2,431,550	845,918	6,798,757	6,346,406
Derivative – net settlement						
Foreign currency forward, partial convertible dual currency structured deposit, forward extra and par forward contracts		425,730	–	–	425,730	425,730

c. Fair value measurements of financial instruments

Some of the Group's financial instruments are measured at fair value for financial reporting purposes. The directors of the Company have set up a valuation team, which is headed up by the Chief Financial Officer of the Company, to determine the appropriate valuation techniques and inputs for fair value measurements.

In estimating the fair value, the Group uses market-observable data to the extent it is available. For instruments under Level 2 and Level 3, the Group engages third party qualified valuers to perform the valuation. The valuation team works closely with the qualified external valuers to establish the appropriate valuation techniques and inputs to the model. The Chief Financial Officer reports the valuation team's findings to the directors of the Company every quarter to explain the cause of fluctuations in the fair value.

38. FINANCIAL INSTRUMENTS (Continued)

c. Fair value measurements of financial instruments (Continued)

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

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial assets/ financial liabilities	Fair value as at December 31, 2023	Fair value as at December 31, 2022	Fair value hierarchy	Valuation technique and key inputs	Significant unobservable inputs
Financial assets at FVTPL	**Listed equity securities: RMB459,699,000**	Listed equity securities: RMB380,171,000	Level 1	Active market quoted transaction price *(note i)*	N/A
	Unlisted equity investments: RMB6,288,000	Unlisted equity investments: nil	Level 2	Recent transaction price	N/A
	Unlisted equity investments: RMB420,705,000	Unlisted equity investments: RMB458,652,000	Level 3	Back-solve from recent transaction price, option pricing model and/or adjusted net asset value method	Probability of qualified initial public offering ("**IPO**"), redemption and liquidation, risk-free rate and expected volatility
	Unlisted equity investments: RMB531,951,000	Unlisted equity investments: RMB167,733,000	Level 3	Comparable company method	Liquidity discount
	Unlisted equity investments: RMB100,704,000	Unlisted equity investments: RMB79,620,000	Level 3	Discounted cash flows method and option pricing model	Discount rate, probability of conversion, redemption and liquidation, risk-free rate and expected volatility
	Wealth management products: RMB1,233,598,000	Wealth management products: RMB2,014,632,000	Level 2	Discounted cash flows method, estimated based on expected return and market foreign exchange rate	N/A
Equity instruments at FVTOCI	**Unlisted equity investments: RMB21,408,000**	Unlisted equity investments: RMB41,470,000	Level 3	Comparable company method and discounted cash flows method	Liquidity discount and discount rate
Investment of an associate measured at FVTPL	**Investment of an associate measured at FVTPL: RMB1,393,531,000**	Investment of an associate measured at FVTPL: RMB1,581,565,000	Level 3	2023: Discounted cash flows method and option pricing model 2022: Back-solve from recent transaction price and option pricing model	2023: Discount rate, probability of conversion, redemption and liquidation, risk-free rate and expected volatility 2022: Probability of qualified IPO or sales, redemption and liquidation, risk-free rate and expected volatility
Foreign currency forward contracts, collars contracts, structured deposit contract, interest rate swap contracts and forward extra contracts classified as derivative financial assets and liabilities	**Derivative financial assets: RMB127,652,000** **Derivative financial liabilities: RMB440,293,000**	Derivative financial assets: RMB201,243,000 Derivative financial liabilities: RMB425,730,000	Level 2	Future cash flows are estimated based on forward exchange rates and contracted forward rates, discounted at a rate that reflects the credit risk of the banks.	

38. FINANCIAL INSTRUMENTS (Continued)

c. Fair value measurements of financial instruments (Continued)

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

Note:

i. These equity investments were listed on the Stock Exchange or National Association of Securities Dealers Automated Quotations ("**NASDAQ**") market, with the shares traded in an active market. Therefore, the fair value of such investments as at December 31, 2023 and December 31, 2022 was determined based on the market price and classified as Level 1 of the fair value hierarchy.

(ii) Reconciliation of Level 3 fair value measurements of financial assets

	Equity instruments at FVTOCI RMB'000	Financial assets at FVTPL RMB'000	Investment of an associate measured at FVTPL RMB'000
As at January 1, 2022	94,413	599,262	752,275
Total (losses) gains			
— in profit or loss	—	(94,978)	809,898
— in other comprehensive income	(59,731)	—	—
Purchases	—	168,839	—
Exchange alignment	6,788	32,882	19,392
As at December 31, 2022	**41,470**	**706,005**	**1,581,565**
Total gains (losses)			
— in profit or loss	**—**	**112,506**	**(196,914)**
— in other comprehensive income	**(20,806)**	**—**	**—**
Purchases	**—**	**321,948**	**—**
Disposals	**—**	**(40,000)**	**—**
Transfer to Level 1 *(note i)*	**—**	**(4,814)**	**—**
Transfer to Level 2 *(note ii)*	**—**	**(6,288)**	**—**
Exchange alignment	**744**	**(35,997)**	**8,880**
As at December 31, 2023	**21,408**	**1,053,360**	**1,393,531**

38. FINANCIAL INSTRUMENTS (Continued)

c. Fair value measurements of financial instruments (Continued)

(ii) Reconciliation of Level 3 fair value measurements of financial assets (Continued)

Notes:

i. During the year ended December 31, 2023, one of the Group's unlisted equity investments measured at FVTPL became listed on the NASDAQ market, with its shares traded in an active market. Therefore, the fair value hierarchy of such investment were transferred from Level 3 to Level 1.

ii. During the year ended December 31, 2023, shares of one of the Group's unlisted equity investments measured at FVTPL became tradable on the National Equities Exchange and Quotations so that the fair value of its share price became observable. Therefore, the fair value hierarchy of such investment were transferred from Level 3 to Level 2.

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

The management of the Group considers the carrying amounts of financial assets and financial liabilities recorded at amortized cost in the consolidated financial statements approximate their fair value.

The fair values of these financial assets and financial liabilities at amortized cost are determined in accordance with generally accepted pricing models based on discounted cash flow analysis with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

39. CAPITAL COMMITMENTS

The Group had capital commitments for land, equipment purchase and building construction, acquisition of investments accounted as financial assets at FVTPL, and interest in subsidiaries held by a non-controlling shareholder under non-cancellable contracts as follows:

	2023 RMB'000	2022 RMB'000
Contracted but not provided for		
— Land, property, plant and equipment	**2,383,243**	1,896,198
— Financial assets at FVTPL	**405,177**	74,650
— Interest in subsidiaries held by a non-controlling shareholder	**81,000**	—
	2,869,420	1,970,848

40. RETIREMENT BENEFIT PLANS

The employees of the Group's subsidiaries are members of the state-managed retirement benefits schemes operated by government. The subsidiaries are required to contribute a certain percentage of payroll costs to the retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the specified contributions.

The total cost charged to profit or loss in respect of the above-mentioned schemes amounted to approximately RMB420,361,000 for the year ended December 31, 2023 (2022: RMB332,120,000).

41. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both the cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Bank borrowings RMB'000	Interest prepayments and payable RMB'000	Lease liabilities RMB'000	Total RMB'000
As at January 1, 2022	2,762,408	(9,721)	1,532,879	4,285,566
Financing cash flows	(173,933)	(57,532)	(171,792)	(403,257)
Interest expenses	—	63,187	50,707	113,894
New leases entered	—	—	184,344	184,344
Exchange alignment	194,518	90	42,530	237,138
As at December 31, 2022	**2,782,993**	**(3,976)**	**1,638,668**	**4,417,685**
Financing cash flows	**(704,749)**	**(136,758)**	**(194,227)**	**(1,035,734)**
Interest expenses	**—**	**140,872**	**80,526**	**221,398**
New leases entered	**—**	**—**	**846,965**	**846,965**
Exchange alignment	**69,130**	**—**	**42,053**	**111,183**
As at December 31, 2023	**2,147,374**	**138**	**2,413,985**	**4,561,497**

The financing cash flows of bank borrowings represent the proceeds from and repayment of bank borrowings and interest paid in the consolidated statement of cash flows.

42. RELATED PARTY TRANSACTIONS AND BALANCES

In addition to the balances disclosed in Notes 27, 28, 30 and 31, the Group had the following significant transactions and balances with related parties:

(a) Related party transactions

Provision of research and development service to related parties

	2023 RMB'000	2022 RMB'000
Shanghai SynTheAll Pharmaceutical Co., Ltd. ("**STA**")	9,593	1,890
WuXi ATU Co., Ltd. ("**WuXi ATU**")	939	49
WuXi AppTec (Shanghai) Co., Ltd. ("**WXAT Shanghai**")	368	829
Changzhou SynTheAll Pharmaceutical Co., Ltd. ("**STA Changzhou**")	359	—
Shanghai STA Pharmaceutical R&D Co., Ltd. ("**STA R&D**")	358	279
Duoning *(note)*	183	1,467
WuXi STA Pharmaceutical Co., Ltd.	87	—
Nanjing Mingjie Biomedical Testing Co., Ltd. ("**NJ Mingjie**")	57	—
	11,944	4,514

Note: As disclosed in Note 18, Duoning is an investment of an associate measured at FVTPL of the Group.

Sales of materials to related parties

	2023 RMB'000	2022 RMB'000
Duoning	953	1,859
WuXi ATU	239	2,125
STA Changzhou	71	—
WuXi ATU (Shanghai) Limited	17	51
WuXi AppTec (Suzhou) Co., Ltd. ("**WASZ**")	9	—
WuXi AppTec (Nantong) Co., Ltd. ("**WANT**")	6	23
WuXi AppTec (Tianjin) Co., Ltd.	2	—
	1,297	4,058

42. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(a) Related party transactions (Continued)

Provision of other services to related parties

	2023 RMB'000	2022 RMB'000
Shanghai Lianghei Technology Co., Ltd. ("**Lianghei**") *(note)*	**115**	—

Note: Lianghei is a subsidiary of Duoning.

Technical service received

	2023 RMB'000	2022 RMB'000
STA R&D	**53,379**	43,609
STA	**46,003**	120
WXAT Shanghai	**18,462**	5,786
STA Changzhou	**16,554**	17,696
WASZ	**6,049**	32,289
WuXi ATU	**2,200**	—
CMA Metrology & Validation Lab Service (Shanghai) Co., Ltd ("**CMA Shanghai**") *(note)*	**684**	—
Shanghai STA Pharmaceutical Product Co., Ltd. ("**STA Product**")	**650**	—
NJ Mingjie	**485**	1,677
WANT	**187**	333
Duoning	**24**	51
STA Pharmaceutical Hong Kong Limited ("**STA HK**")	**—**	3,102
WuXi Diagnostic Medical Testing Institute (Shanghai) Co., Ltd.	**—**	703
Shanghai MedKey Med-Tech Development Co., Ltd.	**—**	67
	144,677	105,433

Note: CMA Shanghai is a subsidiary of Duoning.

42. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(a) Related party transactions (Continued)

Other services received

	2023 RMB'000	2022 RMB'000
WXAT Shanghai	**6,499**	2,511
Shanghai Waigaoqiao WuXi AppTec Incubator Management Co., Ltd. ("**WXAT Incubator**") *(note)*	**3,766**	3,950
WuXi AppTec Korea Co., Ltd.	**1,328**	1,680
STA Changzhou	**1,303**	1,034
CMA Shanghai	**155**	935
Chengdu Kangde Renze Real Estate Co., Ltd. ("**Renze**")	**121**	2,628
STA	**85**	—
	13,257	12,738

Note: WXAT Incubator is a joint venture held by WXAT Shanghai, an indirect wholly-owned subsidiary of WuXi AppTec Co., Ltd.

Purchase of materials

	2023 RMB'000	2022 RMB'000
Duoning	**92,257**	118,374
STA	**16,403**	36,176
Shanghai Biopro Industrial Development Co., Ltd ("**Shanghai Biopro**") *(note)*	**12,315**	1,851
STA Changzhou	**3,134**	4,236
WXAT Shanghai	**1,207**	24,912
Lianghei	**149**	411
Shanghai Tchuyee Biotechnology Co., Ltd. ("**Shanghai Tchuyee** ") *(note)*	**15**	—
Antuos Nanotechnology (Suzhou) Co., Ltd. ("**ATS**") *(note)*	**3**	—
	125,483	185,960

Note: Shanghai Biopro, Shanghai Tchuyee, and ATS are subsidiaries of Duoning.

42. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(a) Related party transactions (Continued)

Purchase of property, plant and equipment

	2023 RMB'000	2022 RMB'000
Duoning	**20,499**	19,727
Renze	**5,281**	3,599
Shanghai Biopro	**340**	—
WXAT Shanghai	**—**	3
	26,120	23,329

Interest expense on lease liabilities

	2023 RMB'000	2022 RMB'000
WXAT Incubator	**163**	237
WXAT Shanghai	**35**	89
	198	326

Expense relating to short-term leases

	2023 RMB'000	2022 RMB'000
STA Changzhou	**4,210**	3,865
STA	**97**	—
	4,307	3,865

42. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(b) Related party balances

As at December 31, 2023 and 2022, the Group had balances with related parties as follows:

	2023 RMB'000	2022 RMB'000
Amounts due from related parties		
Trade related		
STA	2,873	1,996
Less: Allowance for credit losses	(51)	(89)
WXAT Shanghai	735	887
Less: Allowance for credit losses	(263)	(1)
STA Changzhou	485	—
Less: Allowance for credit losses	(6)	—
STA R&D	179	—
Duoning	159	2,617
Less: Allowance for credit losses	(9)	(109)
Lianghei	119	—
WuXi ATU	15	—
WASZ	11	—
	4,247	5,301

	2023 RMB'000	2022 RMB'000
Contract assets		
STA Changzhou	7,685	7,250
Less: Allowance for credit losses	(229)	(44)
	7,456	7,206

	2023 RMB'000	2022 RMB'000
Advances to suppliers		
WASZ	2,813	10,945
STA R&D	180	—
WuXi ATU	169	—
STA Product	82	—
Duoning	—	5,400
WXAT Incubator	—	650
	3,244	16,995

42. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(b) Related party balances (Continued)

	2023 RMB'000	2022 RMB'000
Amounts due to related parties		
Trade related		
STA Changzhou	**24,800**	5,322
STA R&D	**18,301**	39,973
Duoning	**15,944**	13,803
STA	**14,955**	26,227
WXAT Shanghai	**13,033**	13,600
Shanghai Biopro	**9,558**	—
WASZ	**5,328**	12,590
WuXi ATU	**1,950**	—
NJ Mingjie	**566**	987
STA Product	**379**	—
CMA Shanghai	**189**	169
Lianghei	**168**	—
Shanghai Tchuyee	**18**	—
ATS	**4**	—
STA HK	**—**	3,034
Lianghei	**—**	91
	105,193	115,796
Non-trade related		
Duoning	**10,030**	17,933
STA Changzhou	**508**	22,594
Shanghai Biopro	**340**	—
Renze	**23**	189
	10,901	40,716

	2023 RMB'000	2022 RMB'000
Contract liabilities		
WuXi ATU	**1,002**	—

42. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(b) Related party balances (Continued)

	2023 RMB'000	2022 RMB'000
Lease liabilities		
WXAT Incubator	**3,479**	4,496
WXAT Shanghai	**—**	1,194
	3,479	5,690

Except for Duoning, WXAT Incubator, Lianghei, Shanghai Biopro, Shanghai Tchuyee, ATS and CMA Shanghai of which the relationship with the Group have been disclosed separately as above, all of the other related parties mentioned above are considered as related parties of the Group throughout the entire reporting period, because they are ultimately controlled by Dr. Ge Li; Mr. Xiaozhong Liu and Mr. Zhaohui Zhang (collectively referred to as the "**Shareholders**"), who are all acting in concert and have significant influence in WuXi Biologics Holdings Limited ("**Biologics Holdings**"), the immediate and ultimate holding company of the Company.

(c) Compensation of key management personnel

The remuneration of the directors of the Company and other members of key management of the Group during the year was as follows:

	2023 RMB'000	2022 RMB'000
Director's fee	**2,816**	1,084
Salaries and other benefits	**14,006**	13,624
Performance-based bonus	**3,697**	5,549
Retirement benefits scheme contributions	**98**	96
Share-based compensation	**169,366**	147,305
	189,983	167,658

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

43. SHARE-BASED COMPENSATION

(a) Pre-IPO Share Option Scheme

The Company's Pre-IPO Share Option Scheme was adopted pursuant to resolutions passed on January 5, 2016 for the primary purpose of attracting, retaining and motivating employees and directors. Under the Pre-IPO Share Option Scheme, the directors of the Company may grant up to 144,600,000 (before the effect of the Share Subdivision*) share options to eligible employees, including the directors of the Company and its subsidiaries, to subscribe for shares in the Company. Grantee accepting an option grant offered by the Company has to sign an acceptance letter and pay to the Company an amount of HK$1.00 (before the effect of the Share Subdivision) as consideration for the grant.

Upon the Share Subdivision became effective, pro-rata adjustments were made to the exercise prices and the number of share options outstanding, so as to give the eligible employees the same proportion of the equity capital as that they were entitled to before the effect of the Share Subdivision.

Each option granted under the Pre-IPO Share Option Scheme can only be exercised in the following manners (each date on which any portion of option granted shall be vested is hereinafter referred to as a "Vesting Date" and each tranche on which any portion of option granted shall be vested is hereinafter referred to as a "**Tranche**"):

Tranche	Vesting Date
twenty percent (20%) of the shares subject to an option so granted	second (2nd) anniversary of the offer date for an Option
twenty percent (20%) of the shares subject to an option so granted	third (3rd) anniversary of the offer date for an Option
twenty percent (20%) of the shares subject to an option so granted	fourth (4th) anniversary of the offer date for an Option
forty percent (40%) of the shares subject to an option so granted	fifth (5th) anniversary of the offer date for an Option

* Pursuant to a shareholders' resolution passed at an extraordinary general meeting on November 12, 2020, the authorized and issued shares of the Company were subdivided on the basis that every one issued share is subdivided into three subdivided shares (the "**Share Subdivision**"). The Share Subdivision became effective on November 16, 2020.

43. SHARE-BASED COMPENSATION (Continued)

(a) Pre-IPO Share Option Scheme (Continued)

Set out below are details of the movements of the outstanding options granted under the Pre-IPO Share Option Scheme during the years ended December 31, 2023 and 2022:

Option batch	Outstanding as at January 1, 2023	Granted	Exercised	Forfeited	Outstanding as at December 31, 2023
January 7, 2016	122,619,901	—	8,315,143	—	114,304,758
March 28, 2016	951,725	—	206,900	—	744,825
August 10, 2016	6,219,550	—	719,200	—	5,500,350
November 11, 2016	2,383,103	—	810,300	48,000	1,524,803
March 15, 2017	33,697,583	—	2,346,135	—	31,351,448
May 12, 2017	5,046,405	—	2,198,730	—	2,847,675
	170,918,267	—	14,596,408	48,000	156,273,859
Exercisable at the end of the year	170,918,267				156,273,859
Weighted average exercise price (US$)	0.22	—	0.27	0.26	0.21

Option batch	Outstanding as at January 1, 2022	Granted	Exercised	Forfeited	Outstanding as at December 31, 2022
January 7, 2016	131,901,326	—	9,281,425	—	122,619,901
March 28, 2016	1,398,725	—	447,000	—	951,725
August 10, 2016	7,435,400	—	1,215,850	—	6,219,550
November 11, 2016	4,934,803	—	2,551,700	—	2,383,103
March 15, 2017	41,632,793	—	7,935,210	—	33,697,583
May 12, 2017	5,698,630	—	652,225	—	5,046,405
	193,001,677	—	22,083,410	—	170,918,267
Exercisable at the end of the year	167,686,477				170,918,267
Weighted average exercise price (US$)	0.22	—	0.26	—	0.22

43. SHARE-BASED COMPENSATION (Continued)

(a) Pre-IPO Share Option Scheme (Continued)

The estimated fair value of the Pre-IPO share options at the date of grant were approximately US$20,489,000, US$555,000, US$1,773,000, US$2,227,000, US$9,430,000 and US$2,974,000 for the January 7, 2016, March 28, 2016, August 10, 2016, November 11, 2016, March 15, 2017 and May 12, 2017 option batch, respectively. The fair value was calculated using the Binomial model. The major inputs into the model are as follows:

Grant date	January 7, 2016	March 28, 2016	August 10, 2016	November 11, 2016	March 15, 2017	May 12, 2017
Share price (US$) *(note)*	0.1600	0.1600	0.2167	0.2500	0.3167	0.5500
Exercise price (US$) *(note)*	0.1667	0.1667	0.2200	0.2633	0.3400	0.6000
Expected volatility	40.80%	40.80%	40.92%	40.87%	40.65%	40.46%
Expected life (years)	10	10	10	10	10	10
Risk-free interest rate	2.92%	2.92%	2.72%	2.83%	3.39%	3.67%
Forfeiture rate	7.70%	7.70%	7.70%	7.70%	7.70%	7.70%

Note: The share price and exercise price represent the prices after the effect of the Share Subdivision effected on November 16, 2020.

Share price is determined as the total fair value of the Company's equity divided by the total number of shares. To determine the grant date fair values of the Company's equity prior to the Company's IPO on May 31, 2017, the Company used primarily the discounted cash flow method under the income approach, using cash flow projections based on financial forecasts approved by management covering a five-year period as appropriate and a discount rate of 13%. Cash flow beyond that five-year period has been extrapolated using a steady 5% growth rate. This growth rate does not exceed the long-term average growth rate for the market in which the Group operates. The result from the income approach was cross checked with the market approach, which incorporates certain assumptions, including the market performance of comparable listed companies, as well as the financial results and growth trends of the Company, to derive the total equity of the Group.

43. SHARE-BASED COMPENSATION (Continued)

(a) Pre-IPO Share Option Scheme (Continued)

The risk-free interest rate was based on market yield rate of China government bonds with the term corresponding to the contractual life of the options. Expected volatility was determined by using the historical volatility of the comparable companies. Changes in variables and assumptions may result in changes in the fair values of the share options.

The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. The value of an option varies with different variables of certain subjective assumptions.

The Group recognized total expense of nil for the year ended December 31, 2023 (2022: RMB1,384,000) in relation to share options granted by the Company under the Pre-IPO Share Option Scheme.

In respect of the share options exercised during the year, the weighted average share price at the dates of exercise was HK$46.88 (2022: HK$59.80) after the effect of the Share Subdivision.

43. SHARE-BASED COMPENSATION (Continued)

(b) Restricted Share Award Scheme

On January 15, 2018, the Company adopted the Restricted Share Award Scheme for the primary purpose of (i) recognize the contributions by certain employees of the Group and directors of the Company (the "**Selected Participants under Restricted Share Award Scheme**"); (ii) encourage, motivate and retain the Selected Participants under Restricted Share Award Scheme, whose contributions are beneficial to the continual operation, development and long-term growth of the Group; and (iii) provide additional incentive for the Selected Participants under Restricted Share Award Scheme to achieve performance goals, with a view to achieving the objectives of increasing the value of the Group and aligning the interests of the Selected Participants under Restricted Share Award Scheme to the shareholders of the Company through ownership of Shares. The total number of the restricted shares underlying all grants made pursuant to the Restricted Share Award Scheme shall not exceed three percent of the total number of shares of the Company in issue (i.e. 127,452,353 shares after the effect of the Share Subdivision) as at June 27, 2023 (the date on which the proposed amendments to the Restricted Share Award Scheme were approved by the shareholders).

The Company will issue and allot to trustee new shares under the general mandate granted by the shareholders of the Company from time to time. The new shares so issued will be held on trust until the end of each vesting period and will be transferred to the Selected Participants under Restricted Share Award Scheme upon satisfaction of the relevant original vesting conditions.

The fair value of the restricted shares awarded was determined based on the market value of the Company's shares at the grant date.

Upon the Share Subdivision became effective, pro-rata adjustments have been made to the number of outstanding restricted shares, so as to give the Selected Participants under Restricted Share Award Scheme the same proportion of the equity capital as that they were entitled to before the effect of the Share Subdivision.

43. SHARE-BASED COMPENSATION (Continued)

(b) Restricted Share Award Scheme (Continued)

Except for 14,138 (before the effect of the Share Subdivision) restricted shares granted on June 5, 2019, 11,400 (before the effect of the Share Subdivision) restricted shares granted on June 9, 2020, 12,335 (after the effect of the Share Subdivision) restricted shares granted on June 16, 2021 and 16,581 (after the effect of the Share Subdivision) restricted shares granted on June 10, 2022 with vesting period of one year, and 56,018 (after the effect of the Share Subdivision) restricted shares granted on March 24, 2021 with forty percent of such restricted shares were vested during the year ended December 31, 2021, and twenty and forty percent of such restricted shares shall be vested in the following two years, respectively, and 50,933 (after the effect of the Share Subdivision) restricted shares granted on November 23, 2021 with different vesting schedule from 3 years to 5 years, each other restricted share granted under the Restricted Share Award Scheme can only be vested in the following manners (each date on which any portion of restricted share granted shall be vested is hereinafter referred to as a "Vesting Date of Restricted Share Award Scheme" and each tranche on which any portion of restricted share granted shall be vested is hereinafter referred to as a "**Batch under Restricted Share Award Scheme**"):

Batch under Restricted Share Award Scheme	Vesting Date of Restricted Share Award Scheme
twenty percent (20%) of the restricted shares so granted	second (2nd) anniversary of the grant date for an restricted share
twenty percent (20%) of the restricted shares so granted	third (3rd) anniversary of the grant date for an restricted share
twenty percent (20%) of the restricted shares so granted	fourth (4th) anniversary of the grant date for an restricted share
forty percent (40%) of the restricted shares so granted	fifth (5th) anniversary of the grant date for an restricted share

43. SHARE-BASED COMPENSATION (Continued)

(b) Restricted Share Award Scheme (Continued)

Set out below are details of the movements of the outstanding restricted shares granted under the Restricted Share Award Scheme during the years ended December 31, 2023 and 2022:

Batch	Outstanding as at January 1, 2023	Granted	Vested	Forfeited	Cancelled due to joining the Subsidiary Share Option Scheme during the period *(note i)*	Outstanding as at December 31, 2023	Fair value per share at the date of grant *(note ii)*
January 15, 2018	1,954,272	–	1,934,568	–	19,704	–	HK$18.333
March 20, 2018	1,440,276	–	1,425,192	1,104	13,980	–	HK$25.233
June 13, 2018	544,209	–	525,855	14,898	3,456	–	HK$29.500
August 21,2018	1,148,685	–	1,103,577	14,688	30,420	–	HK$23.500
November 20, 2018	854,285	–	848,696	–	5,589	–	HK$21.850
March 19, 2019	82,750	–	27,580	–	–	55,170	HK$27.783
June 5, 2019	6,584,235	–	2,159,393	190,474	165,501	4,068,867	HK$23.900
August 20, 2019	2,161,513	–	682,127	97,075	74,467	1,307,844	HK$27.667
November 20, 2019	688,272	–	195,062	26,477	79,661	387,072	HK$29.800
March 27, 2020	2,990,928	–	739,080	70,496	97,259	2,084,093	HK$33.333
June 9, 2020	1,335,518	–	330,438	18,734	10,215	976,131	HK$41.900
August 18, 2020	1,109,910	–	269,764	17,867	12,851	809,428	HK$58.600
November 12, 2020	4,416,208	–	1,037,596	173,042	140,780	3,064,790	HK$77.133
March 24, 2021	4,009,552	–	830,894	168,729	139,412	2,870,517	HK$87.950
June 16, 2021	1,324,604	–	264,920	–	–	1,059,684	HK$116.900
June 17, 2021	11,078,195	–	2,146,632	452,408	443,562	8,035,593	HK$120.800
August 24, 2021	3,914,921	–	742,276	361,299	74,150	2,737,196	HK$121.700
November 23, 2021	3,371,719	–	762,381	269,704	42,637	2,296,997	HK$101.300
March 23, 2022	17,409,885	–	–	1,585,688	569,859	15,254,338	HK$65.300
June 10, 2022	8,530,729	–	16,581	371,232	136,095	8,006,821	HK$69.000
August 18, 2022	1,720,764	–	–	111,034	47,044	1,562,686	HK$71.700
November 28, 2022	7,252,833	–	–	459,300	71,435	6,722,098	HK$47.350
August 24, 2023	–	15,258,529	–	414,602	33,685	14,810,242	HK$44.600
November 21, 2023	–	3,037,209	–	82,815	–	2,954,394	HK$48.550
	83,924,263	18,295,738	16,042,612	4,901,666	2,211,762	79,063,961	
Weighted average fair value per share (HK$)	69.01	45.26	54.53	71.10	72.06	66.23	

43. SHARE-BASED COMPENSATION (Continued)

(b) Restricted Share Award Scheme (Continued)

Batch	Outstanding as at January 1, 2022	Granted	Vested	Forfeited	Cancelled due to joining the Subsidiary Share Option Scheme during the period *(note i)*	Outstanding as at December 31, 2022	Fair value per share at the date of grant *(note ii)*
January 15, 2018	3,128,778	–	1,042,926	92,736	38,844	1,954,272	HK$18.333
March 20, 2018	2,457,027	–	816,099	122,154	78,498	1,440,276	HK$25.233
June 13, 2018	886,641	–	287,457	52,545	2,430	544,209	HK$29.500
August 21,2018	1,929,057	–	586,452	106,953	86,967	1,148,685	HK$23.500
November 20, 2018	1,336,522	–	427,052	46,438	8,747	854,285	HK$21.850
March 19, 2019	110,330	–	27,580	–	–	82,750	HK$27.783
June 5, 2019	9,528,265	–	2,306,023	393,961	244,046	6,584,235	HK$23.900
August 20, 2019	3,148,144	–	750,216	171,843	64,572	2,161,513	HK$27.667
November 20, 2019	969,806	–	230,596	50,938	–	688,272	HK$29.800
March 27, 2020	4,476,978	–	904,602	377,817	203,631	2,990,928	HK$33.333
June 9, 2020	1,775,685	–	342,290	84,959	12,918	1,335,518	HK$41.900
August 18, 2020	1,580,916	–	288,319	129,446	53,241	1,109,910	HK$58.600
November 12, 2020	5,972,145	–	1,111,962	290,996	152,979	4,416,208	HK$77.133
March 24, 2021	4,482,376	–	–	321,027	151,797	4,009,552	HK$87.950
June 16, 2021	1,493,141	–	12,335	–	156,202	1,324,604	HK$116.900
June 17, 2021	12,534,876	–	–	902,631	554,050	11,078,195	HK$120.800
August 24, 2021	4,583,421	–	–	454,370	214,130	3,914,921	HK$121.700
November 23, 2021	3,846,769	–	16,638	330,216	128,196	3,371,719	HK$101.300
March 23, 2022	–	18,954,570	–	1,458,875	85,810	17,409,885	HK$65.300
June 10, 2022	–	8,821,616	–	233,815	57,072	8,530,729	HK$69.000
August 18, 2022	–	1,744,144	–	23,380	–	1,720,764	HK$71.700
November 28, 2022	–	7,330,996	–	78,163	–	7,252,833	HK$47.350
	64,240,877	36,851,326	9,150,547	5,723,263	2,294,130	83,924,263	
Weighted average fair value per share (HK$)	68.09	62.92	33.34	72.43	79.33	69.01	

43. SHARE-BASED COMPENSATION (Continued)

(b) Restricted Share Award Scheme (Continued)

Notes:

i. During the current period, certain employees of the Group were offered, and agreed to join the Subsidiary Share Option Scheme, i.e. the WuXi XDC Share Option Scheme (as defined in Note 43(d)) or the WuXi Vaccines Share Option Scheme (as defined in Note 43(d)). Upon participating in the Subsidiary Share Option Scheme, share options under the Subsidiary Share Option Scheme were granted to the employees while the outstanding restricted shares granted under the Restricted Share Award Scheme held by the respective employees were cancelled in the same time accordingly. The directors of the Company considered that most of the cancelled restricted shares under the Restricted Share Award Scheme were replaced by the share options granted under the Subsidiary Share Option Scheme, which was accounted for as a modification of the original equity instruments with no incremental fair value granted, therefore, such outstanding restricted shares would continue to be measured at the original grant-date fair value and the corresponding share-based compensation expense would be recognized in profit or loss over the original vesting periods. The remaining cancelled restricted shares were deemed to be accounted for as an acceleration of vesting, and the Group recognized immediately the amount that otherwise would have been recognized for services received over the remainder of the vesting period.

ii. The fair value per share at the date of grant represents the prices after the effect of the Share Subdivision effected on November 16, 2020.

The Group recognized total expense of approximately RMB1,140,526,000 for the year ended December 31, 2023 (2022: RMB1,089,761,000) in relation to restricted shares granted by the Company under the Restricted Share Award Scheme.

43. SHARE-BASED COMPENSATION (Continued)

(c) Global Partner Program Share Scheme

On June 16, 2021, the Company adopted a global partner program share scheme to further reward and incentivize the Group's top employees and attract key talents (the "**Selected Participants under Global Partner Program Share Scheme**") to ensure the continuous business development and growth of the Company and to further align the interests of the top employees and the shareholders of the Company. The Selected Participants under Global Partner Program Share Scheme who have significant contributions to the Group's business development and growth will be granted restricted shares under the Global Partner Program Share Scheme. The number of restricted shares to be granted will be determined based on various performance-related considerations, such as the fulfilment by the respective Selected Participants under Global Partner Program Share Scheme of their individual performance targets as well as the overall business performance of the Group as a whole. The total number of the restricted shares underlying all grants made pursuant to the Global Partner Program Share Scheme shall not exceed three percent of the total number of shares of the Company in issue (i.e. 127,452,353 shares) as at June 27, 2023 (the date on which the proposed amendments to the Global Partner Program Share Scheme were approved by the shareholders).

The Company will issue and allot to trustee new shares under the general mandate granted by the shareholders of the Company from time to time. The new shares so issued will be held on trust until the end of each vesting period and will be transferred to the Selected Participants under Global Partner Program Share Scheme upon satisfaction of the relevant original vesting conditions.

The fair value of the restricted shares awarded was determined based on the market value of the Company's share at the grant date.

43. SHARE-BASED COMPENSATION (Continued)

(c) Global Partner Program Share Scheme (Continued)

The restricted share granted under the Global Partner Program Scheme can only be vested in the following manners (each date on which any portion of restricted share granted shall be vested is hereinafter referred to as a "Vesting Date of Global Partner Program Share Scheme" and each batch on which any portion of restricted share granted shall be vested is hereinafter referred to as a "**Batch under Global Partner Program Share Scheme**"):

Batch under Global Partner Program Share Scheme	Vesting Date of Global Partner Program Share Scheme
fifty percent (50%) of the restricted shares so granted	first (1st) anniversary of the grant date for an restricted share
fifty percent (50%) of the restricted shares so granted	second (2nd) anniversary of the grant date for an restricted share

Besides, the restricted shares can only be vested when the share price is no less than HK$97.80.

Set out below are details of the movements of the outstanding restricted shares granted under the Global Partner Program Share Scheme during the year ended December 31, 2023:

Batch	Outstanding as at January 1, 2023	Granted	Vested	Forfeited	Cancelled due to joining the Subsidiary Share Option Scheme during the period	Outstanding as at December 31, 2023	Fair value per share at the date of grant
November 23, 2021	2,582,758	–	–	44,448	117,481	2,420,829	HK$101.30
June 10, 2022	1,223,147	–	–	–	–	1,223,147	HK$69.00
November 28, 2022	6,769,146	–	–	166,441	203,273	6,399,432	HK$47.35
August 24, 2023	–	1,343,624	–	–	–	1,343,624	HK$44.60
November 21, 2023	–	7,889,429	–	24,227	–	7,865,202	HK$48.55
	10,575,051	9,233,053	–	235,116	320,754	19,252,234	
Weighted average fair value per share (HK$)	63.03	47.98	–	57.67	67.11	55.81	

The Group recognized total expense of approximately RMB169,878,000 for the year ended December 31, 2023 (2022: RMB158,348,000) in relation to restricted shares granted by the Company under the Global Partner Program Share Scheme.

43. SHARE-BASED COMPENSATION (Continued)

(d) Subsidiary Share Option Scheme

WuXi XDC Share Option Schemes (as defined below)

WuXi XDC, a subsidiary of the Company, has adopted the 2021 pre-IPO share option scheme and 2023 pre-IPO share option scheme (collectively referred to as the "**WuXi XDC Share Option Schemes**") on November 23, 2021 and March 22, 2023, respectively. The purpose of the WuXi XDC Share Option Schemes is to enable WuXi XDC to grant share options to eligible participants as incentives or rewards for their contribution to WuXi XDC and its subsidiaries (collectively referred to as the "**WuXi XDC Group**") so as to enable the WuXi XDC Group to recruit and retain high-calibre employees and attract human resources that are valuable to the WuXi XDC Group.

As at December 31, 2023, a total outstanding options of 116,941,546 shares were conditionally granted on April 1, 2022, June 10, 2022, August 18, 2022, January 6, 2023, July 6, 2023, August 24, 2023, and October 30, 2023, respectively, and the exercise price of the options granted were RMB1.658, RMB1.658, RMB1.850, RMB1.868, RMB4.500, RMB6.900, and RMB6.900 per share, respectively.

The Group recognized total expense of approximately RMB79,344,000 for the year ended December 31, 2023 in relation to options granted under the WuXi XDC Share Option Schemes (2022: RMB27,487,000).

43. SHARE-BASED COMPENSATION (Continued)

(d) Subsidiary Share Option Scheme (Continued)

WuXi Vaccines Share Option Scheme (as defined below)

WuXi Vaccines (Cayman) Inc. ("**WuXi Vaccines**"), a subsidiary of the Company, has adopted the share option scheme (the "**WuXi Vaccines Share Option Scheme**") on November 23, 2021. The purpose of the WuXi Vaccines Share Option Scheme is to enable WuXi Vaccines to grant share options to eligible participants as incentives or rewards for their contribution to Wuxi Vaccines and its subsidiaries (collectively referred to as the "**WuXi Vaccines Group**") so as to enable the WuXi Vaccines Group to recruit and retain high-calibre employees and attract human resources that are valuable to the WuXi Vaccines Group.

As at December 31, 2023, a total outstanding options of 46,039,967 shares were conditionally granted on May 16, 2022 and June 10, 2022, respectively, and the exercise price of the options granted were US$0.511 and US$0.511 per share, respectively.

The Group recognized total expense of approximately RMB33,773,000 for the year ended December 31, 2023 in relation to options granted under the WuXi Vaccines Share Option Scheme (2022: RMB19,779,000).

44. DETAILS OF PRINCIPLE SUBSIDIARIES

44.1 General information of subsidiaries

The direct and indirect interests in the following subsidiaries held by the Company during the years ended December 31, 2023 and 2022 are as follows:

Name of subsidiaries	Place of Incorporation/ operation, date of incorporation	Authorized share capital/ Registered capital	Paid up capital	Attributable equity interests held by the Company as at December 31		Principal activities
				2023 %	2022 %	
Directly held:						
WuXi Biologics Investments Limited ("**Biologics Investments**") *(note ii)*	Hong Kong November 18, 2010	Not applicable	RMB16,484,300,092	**100**	100	Investment holding
WuXi Biologics HealthCare Venture (Cayman) Inc. *(note ii)*	Cayman Islands April 10, 2018	US$140,419,078	US$140,419,078	**100**	100	Investment holding
WuXi Biologics HealthCare Venture Hong Kong Holding Limited *(note ii)*	Hong Kong April 25, 2018	Not applicable	–	**100**	100	Investment holding
WuXi Biologics Alliance Limited *(note ii)*	Hong Kong June 27, 2019	Not applicable	–	**100**	100	Investment holding
WuXi Vaccines *(note ii)*	Cayman Islands September 18, 2020	US$50,000	US$50,000	**70**	70	Investment holding
WuXi XDC *(note iv)*	Cayman Islands December 14, 2020	US$59,880	US$59,880	**50.1**	60	Investment holding
Acellytron Therapeutics (Cayman) Inc. *(notes ii and vi)*	Cayman Islands August 9, 2023	US$50,000	–	**100**	N/A	Investment holding
Indirectly held:						
無錫藥明康德企業管理有限公司 (WuXi Biologics Holdings Co., Ltd.)# *(note ii)*	The PRC August 14, 2014	RMB4,911,180,000	RMB4,911,180,000	**100**	100	Investment holding
無錫藥明生物技術股份有限公司. (WuXi Biologics Co., Ltd. ("**WuXi Co.**"))# *(note i)*	The PRC May 25, 2010	RMB8,915,770,000	RMB8,915,770,000	**100**	100	Development of, and the provision of consultation services in relation to, the biopharmaceutical technology
WuXi Biologics (Hong Kong) Limited *(note iii)*	Hong Kong May 12, 2014	Not applicable	HK$1	**100**	100	International sales contracting service

44. DETAILS OF PRINCIPLE SUBSIDIARIES (Continued)

44.1 General information of subsidiaries (Continued)

Name of subsidiaries	Place of Incorporation/ operation, date of incorporation	Authorized share capital/ Registered capital	Paid up capital	Attributable equity interests held by the Company as at December 31		Principal activities
				2023 %	2022 %	
Indirectly held: (Continued)						
蘇州藥明檢測檢驗有限責任公司 (WuXi Biologics Biosafety Testing (Suzhou) Co., Ltd.)# *(note iii)*	The PRC May 30, 2012	RMB42,860,000	RMB42,860,000	**100**	100	Testing and development of testing technologies
上海藥明生物技術有限公司 (WuXi Biologics (Shanghai) Co., Ltd. ("**Shanghai Biologics**"))# *(note iii)*	The PRC January 6, 2015	RMB1,330,000,000	RMB1,330,000,000	**100**	100	Research and development in relation to biologics
WuXi Biologics Ireland Limited ("**Biologics Ireland**") *(note ii)*	Ireland March 8, 2018	EUR1,192,145,300	EUR1,192,145,300	**100**	100	Biologics discovery, development and manufacturing service
WuXi Biologics USA, LLC. ("**USA Biologics**") *(note ii)*	The United States of America April 21, 2016	US$379,200,100	US$379,200,100	**100**	100	Sales and marketing services in US, biologics clinical and manufacturing service
WuXi Biologics UK Ltd. ("**UK Biologics**") *(note ii)*	The United Kingdom December 2, 2016	Pound Sterling 1,000	Pound Sterling 1,000	**100**	100	Sales and marketing services in Europe
上海藥明生物醫藥有限公司 (WuXi Biologics (Shanghai FX) Co., Ltd)# *(note i)*	The PRC April 7, 2017	US$63,000,000	US$61,973,957	**100**	100	Production and sales of medicals, and provision of services in relation to the biopharmaceutical technology
成都藥明生物技術有限公司 (WuXi Biologics (Chengdu) Co., Ltd) # *(note i)*	The PRC December 4, 2017	US$120,000,000	US$66,318,000	**100**	100	Research and development in relation to biologics
上海藥明海德生物科技有限公司 (Shanghai Vaccines Co., Ltd.)# *(note i)*	The PRC August 1, 2018	RMB500,000,000	RMB8,200,000	**70**	70	Biologics manufacturing service
無錫藥明合聯生物技術有限公司 (WuXi XDC Co., Ltd.)# *(notes ii and iv)*	The PRC March 13, 2018	US$200,000,000	US$200,000,000	**50.1**	60	Biologics discovery, development and manufacturing service
河北藥明生物技術有限公司 (WuXi Biologics (Hebei) Co., Ltd.)# *(note i)*	The PRC June 19, 2018	US$62,000,000	US$62,000,000	**100**	100	Biologics discovery, development and manufacturing service

44. DETAILS OF PRINCIPLE SUBSIDIARIES (Continued)

44.1 General information of subsidiaries (Continued)

Name of subsidiaries	Place of Incorporation/ operation, date of incorporation	Authorized share capital/ Registered capital	Paid up capital	Attributable equity interests held by the Company as at December 31		Principal activities
				2023 %	2022 %	
Indirectly held: (Continued)						
WuXi Biologics HealthCare Venture *(note ii)*	Hong Kong May 29, 2018	Not applicable	US$140,419,078	**100**	100	Investment holding
杭州明德生物醫藥技術有限公司 (WuXi Biologics (Hangzhou) Co., Ltd.)# *(note i)*	The PRC September 16, 2019	US$110,000,000	US$110,000,000	**100**	100	Biologics discovery, development and manufacturing service
WuXi Biologics Singapore Private Limited *(note v)*	Singapore February 1, 2019	US$1	US$1	**N/A**	100	Biologics manufacturing service
WuXi Vaccines (Hong Kong) Limited *(note ii)*	Hong Kong May 24, 2019	Not applicable	US$182,495,215	**70**	70	International sales contracting service
WuXi Vaccines Ireland Limited *(note ii)*	Ireland June 20, 2019	EUR127,203,655	EUR127,203,655	**70**	70	Vaccine CDMO and related business
博格隆(浙江)生物技術有限公司 (Bestchrom (Zhejiang) Biosciences Co., Ltd.)# *(note i)*	The PRC June 18, 2013	RMB240,000,000	RMB102,000,000	**50.1**	50.1	Biologics manufacturing service and material supplier
博格隆(上海)生物技術有限公司 (Bestchrom (Shanghai) Biosciences Co., Ltd.)# *(note i)*	The PRC July 1, 2008	US$150,000	US$150,000	**50.1**	50.1	Biologics manufacturing service and material supplier
WuXi Biologics Germany GmbH *(note ii)*	The Federal Republic of Germany December 20, 2019	EUR25,000	EUR240,064,271	**100**	100	Biologics manufacturing service
杭州明德生物新技術開發有限公司 (WuXi Biologics (Hangzhou FTZ) Co., Ltd.)# *(note i)*	The PRC April 30, 2020	US$20,000,000	US$20,000,000	**100**	100	Biologics discovery, development and manufacturing service
無錫博格隆生物技術有限公司 (WuXi Bestchrom Biosciences Co., Ltd.)# *(note i)*	The PRC September 15, 2020	RMB20,000,000	–	**50.1**	50.1	Biologics discovery, development and manufacturing service
北京藥明生物技術有限公司 (WuXi Biologics (Beijing) Co., Ltd. ("**Beijing Biologics**"))# *(note iii)*	The PRC September 18, 2020	RMB30,000,000	RMB5,000,000	**100**	100	Biologics discovery, development and manufacturing service

44. DETAILS OF PRINCIPLE SUBSIDIARIES (Continued)

44.1 General information of subsidiaries (Continued)

Name of subsidiaries	Place of Incorporation/ operation, date of incorporation	Authorized share capital/ Registered capital	Paid up capital	Attributable equity interests held by the Company as at December 31		Principal activities
				2023 %	2022 %	
Indirectly held: (Continued)						
無錫元康投資管理有限公司 (WuXi Yuankang Investments Co., Ltd.)# *(note iii)*	The PRC November 10, 2020	RMB2,500,000,000	RMB235,020,000	**100**	100	Investment activity
無錫藥明海德生物技術有限公司 (WuXi Vaccines Co., Ltd)# *(note i)*	The PRC March 8, 2021	RMB50,000,000	–	**70**	70	Biologics manufacturing service
WuXi XDC Hong Kong Limited *(note iv)*	Hong Kong June 7, 2021	Not applicable	–	**50.1**	60	International sales contracting service
CMAB Biopharma Limited *(note ii)*	British Virgin Islands June 15, 2017	US$50,000	US$60,869,975	**100**	100	Investment holding
CMAB Biopharma (HK) Limited *(note ii)*	Hong Kong December 1, 2016	Not applicable	HKD10,000	**100**	100	Investment holding
CMAB Biopharma (US) Inc. *(note v)*	The United States June 9, 2020	US$1	US$1	**N/A**	100	Development, production and distribution of biotechnological products
CMAB Biopharma (Switzerland) Inc. *(note ii)*	Switzerland March 26, 2018	CHF100,000	CHF100,000	**100**	100	Development, production and distribution of biotechnological products
蘇州藥明生物技術有限公司 (WuXi Biologics (Suzhou) Co., Ltd.)# *(note i)*	The PRC June 23, 2017	US$69,364,416	US$69,364,416	**100**	100	Biologics discovery, development and manufacturing service
浙江藥明生物醫藥有限公司 (WuXi Biologics (Zhejiang) Co., Ltd)# *(note ii)*	The PRC November 2, 2015	US$325,000,000	US$321,000,000	**100**	100	Biologics discovery, development and manufacturing service
上海藥明合聯生物技術有限公司 (WuXi XDC (Shanghai) Co., Ltd.)# *(notes iii and iv)*	The PRC March 31, 2021	RMB30,000,000	RMB30,000,000	**50.1**	60	Biologics discovery, development and manufacturing service
常州藥明合聯生物技術有限公司 (WuXi XDC (Changzhou) Co., Ltd.)# *(notes iii and iv)*	The PRC July 2, 2021	RMB300,000,000	RMB300,000,000	**50.1**	60	Biologics discovery, development and manufacturing service
無錫藥明新創生物技術有限公司 (WuXi Biologics New Tech Co., Ltd.)# *(note ii)*	The PRC April 29, 2021	US$100,000,000	US$1,000,000	**100**	100	Biologics discovery, development and manufacturing service

44. DETAILS OF PRINCIPLE SUBSIDIARIES (Continued)

44.1 General information of subsidiaries (Continued)

Name of subsidiaries	Place of Incorporation/ operation, date of incorporation	Authorized share capital/ Registered capital	Paid up capital	Attributable equity interests held by the Company as at December 31		Principal activities
				2023 %	2022 %	
Indirectly held: (Continued)						
無錫雅康實業投資有限公司 (WuXi Yakang Investments Co., Ltd.)# *(note iii)*	The PRC June 30, 2021	RMB300,000,000	–	**100**	100	Investment activity
無錫啟盛投資合夥企業（有限合夥）(WuXi Qisheng Investments Partnership (Limited Partnership))# *(note i)*	The PRC June 30, 2021	RMB1,000,000,000	RMB430,000,000	**100**	100	Investment activity
上海藥明檢測有限公司 (WuXi Biologics Biosafety Testing (Shanghai) Co., Ltd.)# *(note i)*	The PRC July 22, 2021	RMB100,000,000	RMB100,000,000	**100**	100	Testing and development of testing technologies
無錫康澤投資管理有限公司 (WuXi Kangze Investments Management Co., Ltd.)# *(note ii)*	The PRC July 21, 2021	RMB400,000,000	–	**100**	100	Investment activity
無錫康悅投資合夥企業（有限合夥）(WuXi Kangyue Investments Partnership (Limited Partnership))# *(note i)*	The PRC August 6, 2021	RMB500,500,000	RMB226,510,000	**100**	100	Investment activity
無錫啟源投資合夥企業（有限合夥）(WuXi Qiyuan Investments Partnership (Limited Partnership))# *(note i)*	The PRC October 12, 2021	RMB1,000,000,000	–	**100**	100	Investment activity
Wuxi Biologics Biopharmaceuticals Singapore Private Limited *(note ii)*	Singapore December 30, 2021	US$8,000,000	US$8,000,000	**100**	100	Biologics manufacturing service
蘇州藥明海德生物科技有限公司 (Suzhou Vaccines Co., Ltd.) # *(note ii)*	The PRC October 20, 2022	RMB200,000,000	RMB200,000,000	**70**	70	Biologics manufacturing service
WuXi XDC Singapore Private Limited *(note iv)*	Singapore November 16, 2022	US$31,000,000	US$31,000,000	**50.1**	60	Biologics manufacturing service
WuXi Vaccines Singapore Private Limited *(note ii)*	Singapore November 16, 2022	US$1,000,000	US$1,000,000	**70**	70	Biologics manufacturing service
Acellytron Therapeutics (Hong Kong) Limited *(notes ii and vi)*	Hong Kong September 19, 2023	Not applicable	–	**100**	N/A	International sales contracting service
蘇州艾斯力創生物技術有限公司 (Acellytron Therapeutics (Suzhou) Co., Ltd.)# *(notes ii and vi)*	The PRC November 7, 2023	RMB20,000,000	–	**100**	N/A	Research and development in relation to biologics

English name is for identification purpose only.

44. DETAILS OF PRINCIPLE SUBSIDIARIES (Continued)

44.1 General information of subsidiaries (Continued)

Notes:

i. This Company is a sino-foreign joint venture.

ii. This Company is a wholly-foreign owned enterprise.

iii. This Company is a wholly-domestic owned enterprise.

iv. During the year ended December 31, 2023, the attributable equity interests held by the Company were diluted due to capital injection by non-controlling shareholders.

v. During the year ended December 31, 2023, this company is deregistered.

vi. This company is registered during the year ended December 31, 2023.

None of the subsidiaries had issued any debt securities at the end of the year.

44.2 Details of non-wholly owned subsidiary that has material non-controlling interests

WuXi XDC was the non-wholly owned subsidiary of the Group that had material non-controlling interests for the reporting period. As at December 31, 2023, the accumulated non-controlling interests of WuXi XDC were RMB2,721,704,000 and the profit allocated to non-controlling interests for the year ended December 31, 2023 amounted to RMB80,798,000.

45. FINANCIAL POSITION OF THE COMPANY

	2023 RMB'000	2022 RMB'000
Non-current Asset		
Investments in subsidiaries	**23,444,181**	6,026,218
	23,444,181	6,026,218
Current Assets		
Other receivables and prepayments	**12,613**	247,006
Amounts due from subsidiaries	**2,142,379**	22,340,781
Derivative financial assets	**14,046**	104,136
Financial assets at FVTPL	**1,213,598**	1,047,423
Bank balances and cash	**674,626**	1,181,105
	4,057,262	24,920,451
Current Liabilities		
Other payables	**189,459**	3,213
Amounts due to subsidiaries	**1,823,032**	5,562,554
Derivative financial liabilities	**434,747**	303,181
Income tax payables	**—**	66,937
	2,447,238	5,935,885
Net Current Assets	**1,610,024**	18,984,566
Total Assets less Current Liabilities	**25,054,205**	25,010,784
Deferred tax liabilities	**16,876**	—
Non-current Liability	**16,876**	—
Net Assets	**25,037,329**	25,010,784
Capital and Reserves		
Share capital	**235**	233
Reserves	**25,037,094**	25,010,551
Total Equity attributable to the Owners of the Company	**25,037,329**	25,010,784

46. RESERVES MOVEMENT OF THE COMPANY

The movement of the reserves of the Company are as follows:

	Treasury stock RMB'000	Share premium RMB'000	Equity-settled share-based compensation reserve RMB'000	Hedging reserve RMB'000	Retained earnings RMB'000	Total reserves RMB'000
As at January 1, 2022	(2,517,115)	26,783,823	1,287,524	14,682	158,839	25,727,753
Total comprehensive (expense) income for the year	–	–	–	(85,725)	887,300	801,575
Cancellation of treasury stock	5,321,569	(5,321,564)	–	–	–	5
Exercise of equity-settled share-based compensation	–	379,095	(342,916)	–	–	36,179
Recognition of equity-settled share-based compensation	–	–	1,249,493	–	–	1,249,493
Repurchase of shares	(2,804,454)	–	–	–	–	(2,804,454)
As at December 31, 2022	–	21,841,354	2,194,101	(71,043)	1,046,139	25,010,551
Total comprehensive (expense) income for the year	–	–	–	(418,212)	24,192	(394,020)
Issue of new shares, net of transaction costs	–	(1)	–	–	–	(1)
Exercise of equity-settled share-based compensation	–	769,033	(742,876)	–	–	26,157
Recognition of equity-settled share-based compensation	–	–	1,311,323	–	–	1,311,323
Repurchase of shares	(916,916)	–	–	–	–	(916,916)
As at December 31, 2023	(916,916)	22,610,386	2,762,548	(489,255)	1,070,331	25,037,094

47. INVESTMENTS IN SUBSIDIARIES

	2023 RMB'000	2022 RMB'000
Listed shares, at cost		
WuXi XDC	**777,052**	—
Unlisted shares, at cost		
Biologics Investments *(note i)*	**16,484,300**	2,065,376
WuXi Biologics HealthCare Venture (Cayman) Inc.	**1,013,124**	—
WuXi Vaccines	**1,327,896**	651,655
WuXi XDC	**—**	777,052
Deemed capital contributions to *(note ii)*:		
WuXi Co.	**1,850,761**	1,256,808
Shanghai Biologics	**1,001,336**	693,989
USA Biologics	**195,344**	129,819
WuXi Biologics Biosafety Testing (Suzhou) Co., Ltd.	**84,252**	55,016
UK Biologics	**19,775**	11,055
Biologics Ireland	**64,784**	40,157
WuXi XDC Co., Ltd.	**23,494**	21,506
WuXi Biologics (Hebei) Co., Ltd.	**19,645**	10,939
WuXi Biologics (Shanghai FX) Co., Ltd.	**350,686**	196,624
Wuxi Biologics (Chengdu) Co., Ltd.	**6,925**	3,171
WuXi Vaccines Ireland Limited	**13,035**	6,916
WuXi Biologics Germany GmbH	**51,483**	29,592
Beijing Biologics	**7,773**	4,903
Shanghai Vaccines Co., Ltd.	**6,889**	2,290
WuXi Biologics (Hangzhou) Co., Ltd.	**79,396**	41,700
WuXi Biologics (Hangzhou FTZ) Co., Ltd.	**8,197**	5,615
WuXi XDC (Changzhou) Co., Ltd.	**968**	968
WuXi Biologics (Zhejiang) Co., Ltd.	**17,473**	6,607
WuXi XDC (Shanghai) Co., Ltd.	**3,248**	2,045
WuXi Biologics (Suzhou) Co., Ltd.	**25,926**	11,537
WuXi Biologics Singapore Private Limited	**473**	473
WuXi Biologics Biopharmaceuticals Singapore Private Limited	**2,125**	174
WuXi Biologics Biosafety Testing (Shanghai) Co., Ltd.	**1,420**	231
Suzhou Vaccines Co., Ltd.	**5,411**	—
WuXi Vaccines Singapore Private Limited	**523**	—
BIOHK	**467**	—
	23,444,181	6,026,218

47. INVESTMENTS IN SUBSIDIARIES (Continued)

Notes:

i. During the year ended December 31, 2023, the Company injected capital amounting to RMB14,418,924,000, by way of debt capitalization into Biologics Investments, a wholly owned subsidiary of the Company incorporated in Hong Kong. As at December 31, 2023, the cost of investment amounted to approximately RMB16,484,300,000.

ii. The amounts represent the equity-settled share-based compensation in respect of the respective share options and restricted shares granted by the Company to certain employees of the specified subsidiaries for employees' services rendered to the respective subsidiaries under the Company's Pre-IPO Share Option Scheme, Restricted Share Award Scheme and Global Partner Program Share Scheme as disclosed in Note 43. Since the subsidiaries have no obligation to reimburse such expense, the amounts are treated as deemed capital contribution by the Company to the subsidiaries and included in the Company's cost of investments in subsidiaries.

48. SUBSEQUENT EVENTS

From January 16, 2024 to February 7, 2024, the Company repurchased an aggregate of 47,648,000 shares on The Stock Exchange of Hong Kong Limited at the highest and lowest prices of HK$30.35 and HK$16.90 per share, respectively. The aggregate purchase price paid for the share repurchase was approximately HK$973.6 million.

Definitions

"ADC"	antibody-drug conjugate
"ADCC"	antibody-dependent cell-mediated cytotoxicity
"AGM"	the annual general meeting of the Company
"Audit Committee"	the audit committee of the Board
"Biologics Holdings"	WuXi Biologics Holdings Limited, a company incorporated under the laws of the British Virgin Islands on December 17, 2015 with limited liability, and a substantial shareholder of the Company. Our Directors, Dr. Ge Li, Dr. Yibing Wu and Mr. Yanling Cao serve as directors of Biologics Holdings
"Board" or "Board of Directors"	the board of Directors of the Company
"CDMO"	Contract Development and Manufacturing Organization
"CG Code"	the Corporate Governance Code as set out in Appendix C1 to the Listing Rules
"cGMP"	Current Good Manufacturing Practice Regulations
"Chairman"	the chairman of the Board
"China" or the "PRC"	the People's Republic of China excluding, for the purpose of this annual report, Hong Kong, Macau Special Administrative Region and Taiwan
"China NMPA"	China National Medical Products Administration
"CMC"	Chemical Manufacturing and Control
"CMO"	Contract Manufacturing Organization
"COFEPRIS"	Federal Commission for the Protection against Sanitary Risk of Mexico
"Company"	WuXi Biologics (Cayman) Inc. (藥明生物技術有限公司*), an exempted company incorporated in the Cayman Islands with limited liability on February 27, 2014
"CRDMO"	Contract Research, Development and Manufacturing Organization
"Director(s)"	the director(s) of the Company

Definitions

"ESG"	environmental, social and governance
"EU"	a politico-economic union of 27 member states that are located primarily in Europe
"EU EMA"	European Medicines Agency
"EUR"	Europe currency
"Global Partner Program Share Scheme"	the share award scheme for global partner program adopted by the Company on June 16, 2021 and amended and restated on June 27, 2023
"GMP"	Good Manufacturing Practice
"Group" or "we" or "our" or "us"	the Company and its subsidiaries
"HK$"	Hong Kong dollar(s), the lawful currency of Hong Kong
"HKEX"	Hong Kong Exchanges and Clearing Limited
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"IFRS"	International Financial Reporting Standards
"IND"	investigational new drug, an experimental drug for which a pharmaceutical company obtains permission to ship across jurisdictions (usually to clinical investigators) before a marketing application for the drug has been approved
"IPO"	the listing of the Shares on the Main Board of the Stock Exchange on June 13, 2017
"Life Science Holdings"	New WuXi Life Science Holdings Limited, a company incorporated under the laws of the Cayman Islands on July 2, 2015 with limited liability, which holds 100% issued share capital of Life Science Limited. Our Directors, Dr. Yibing Wu and Mr. Yanling Cao serve as directors of Life Science Holdings

Definitions

"Life Science Limited"	New WuXi Life Science Limited, a company incorporated under the laws of the Cayman Islands on July 2, 2015 with limited liability, which holds 100% issued share capital of WuXi PharmaTech. Our Directors, Dr. Yibing Wu and Mr. Yanling Cao serve as directors of Life Science Limited
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time
"Main Board"	Main Board of the Stock Exchange
"MFDS"	The Ministry of Food and Drug Safety of the Republic of Korea
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix C3 to the Listing Rules
"mRNA"	messenger ribonucleic acid
"PMDA"	Pharmaceuticals and Medical Devices Agency of Japan
"PPQ"	process performance qualification
"Pre-IPO Share Option Scheme"	the pre-IPO share option scheme adopted by the Company on January 5, 2016, and amended on August 10, 2016, the principal terms of which are summarized in "Statutory and General Information — E. Pre-IPO Share Option Scheme" in Appendix IV to the Prospectus
"Prospectus"	the prospectus issued by the Company dated May 31, 2017
"Remuneration Committee"	the remuneration committee of the Board
"Renminbi" or "RMB"	Renminbi Yuan, the lawful currency of the PRC
"Reporting Period"	the one-year period from January 1, 2023 to December 31, 2023
"Restricted Share Award Scheme"	the restricted share award scheme adopted by the Company on January 15, 2018 and amended and restated on June 27, 2023

"Scheme Mandate Limit"	254,904,706 Shares, being the maximum number of Shares which may be issued and allotted in respect of all restricted shares to be granted under the Restricted Share Award Scheme and the Global Partner Program Share Scheme and all share options and share awards to be granted under any other share option schemes and/or share award schemes involving issuance of new Shares adopted and to be adopted by the Company from time to time
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
"Shareholder(s)"	holder(s) of Share(s)
"Share(s)"	ordinary share(s) in the capital of the Company with nominal value of US$1/120,000 each
"STA"	Shanghai SynTheAll Pharmaceutical Co., Ltd.* (上海合全藥業股份有限公司), a limited liability company established in the PRC on January 23, 2003
"Strategy Committee"	the strategy committee of the Board
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"U.K. MHRA"	The Medicines and Healthcare Products Regulatory Agency of the United Kingdom
"U.S."	United States of America
"US$" or "USD"	United States dollar(s), the lawful currency of the U.S.
"U.S. FDA"	The Food and Drug Administration of the U.S.
"Written Guidelines"	the Written Guidelines for Securities Transactions by Directors adopted by the Company
"WuXi AppTec"	WuXi AppTec Co., Ltd.* (無錫藥明康德新藥開發股份有限公司), a company incorporated in the PRC on December 1, 2000 and the shares of which are listed on Shanghai Stock Exchange (stock code: 603259) and the Main Board of the Stock Exchange (stock code: 2359)

Definitions

"WuXi PharmaTech"	WuXi PharmaTech (Cayman) Inc., a company incorporated under the laws of the Cayman Islands on March 16, 2007 with limited liability. Its shares were listed on the New York Stock Exchange (stock code: WX), and were delisted from the New York Stock Exchange on December 10, 2015. Our Directors, Dr. Yibing Wu and Mr. Yanling Cao serve as directors of WuXi PharmaTech
"WuXi Vaccines"	WuXi Vaccines (Cayman) Inc., a company incorporated under the laws of the Cayman Islands, a non-wholly owned subsidiary of the Company
"WuXi XDC"	WuXi XDC Cayman Inc. (藥明合聯生物技術有限公司*), a company incorporated under the laws of the Cayman Islands with limited liability, a non-wholly owned subsidiary of the Company and listed on the Main Board (stock code: 2268)

In this annual report, the terms "associate", "connected person", "substantial shareholder" and "subsidiary" shall have the meanings given to such terms in the Listing Rules.