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WUXI APPTEC CO., LTD.*
無錫藥明康德新藥開發股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)
 (Stock Code: 2359)

ANNOUNCEMENT OF THE ANNUAL RESULTS
FOR THE YEAR ENDED DECEMBER 31, 2022

FINANCIAL HIGHLIGHTS			
	2022	2021	Change
	<i>RMB million</i>	<i>RMB million</i>	
	<i>(except for</i>	<i>(except for</i>	
	<i>percentages)</i>	<i>percentages)</i>	
Revenue	39,354.8	22,902.4	71.8%
Gross Profit	14,506.5	8,265.5	75.5%
<i>Gross Profit Margin</i>	36.9%	36.1%	
Net Profit Attributable to the Owners of the Company	8,813.7	5,097.2	72.9%
<i>Margin of Net Profit Attributable to the Owners of the Company</i>	22.4%	22.3%	
Adjusted Non-IFRS Net Profit Attributable to the Owners of the Company	9,399.3	5,131.3	83.2%
<i>Margin of Adjusted Non-IFRS Net Profit Attributable to the Owners of the Company</i>	23.9%	22.4%	
	RMB	RMB	
Earnings per Share			
— Basic	3.01	1.75	72.0%
— Diluted	2.82	1.73	63.0%
Adjusted Non-IFRS Earnings per Share			
— Basic	3.21	1.76	82.4%
— Diluted	3.18	1.75	81.7%

FINAL DIVIDEND

The Board proposes a profit distribution plan for the year ended December 31, 2022 as follows: a cash dividend of RMB8.9266 (inclusive of tax) for every 10 shares (representing an aggregate amount of RMB2,644,137,750.80 (inclusive of tax) based on the total issued share capital of the Company as of the date of this announcement). In the event of change in the total issued share capital of the Company before the record date for profit distribution, dividends will be distributed according to the original dividend amount per share and the total distribution amount will be adjusted accordingly. The 2022 Profit Distribution Plan is subject to, amongst others, approval by Shareholders at the forthcoming AGM.

In this announcement, “we”, “us”, “our” and “WuXi AppTec” refer to the Company and where the context otherwise requires, the Group (as defined below).

MANAGEMENT DISCUSSION AND ANALYSIS

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

A. Analysis on Principal Operations

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

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

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

Revenue

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

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

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

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

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

(1) *WuXi Chemistry*

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

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

(2) *WuXi Testing*

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

(3) *WuXi Biology*

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

(4) *WuXi ATU*

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

(5) *WuXi DDSU*

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

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

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

Gross Profit

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

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

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

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

(1) *WuXi Chemistry*

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

(2) *WuXi Testing*

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

(3) *WuXi Biology*

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

(4) *WuXi ATU*

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

(5) *WuXi DDSU*

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

Other Income

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

Other Gains and Losses

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

Administrative Expenses

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

R&D Expenses

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

Share of Results of Associates

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

Share of Results of Joint Ventures

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

Finance Costs

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

Income Tax Expenses

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

Profit for the Year

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

Cash Flows

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

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

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

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

Indebtedness

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

(1) Borrowings (current and non-current)

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

(2) Charges on Assets

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

(3) Contingent Liabilities

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

(4) Gearing Ratio

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

Treasury Policies

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

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

B. Non-IFRS Measure

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

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

Adjusted EBITDA

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

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

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

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

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

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

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

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

C. Assets and Liabilities Analysis

In RMB million

Items	Amount as at December 31, 2022 <i>(In RMB million)</i>	Percentage of the amount to the total assets as at December 31, 2022 <i>(%)</i>	Amount as at December 31, 2021 <i>(In RMB million)</i>	Percentage of the amount to the total assets as at December 31, 2021 <i>(%)</i>	Ratio of change for the amount as at December 31, 2022 as compared with the amount as at December 31, 2021 <i>(%)</i>	Reasons
Assets						
Property, plant and equipment	23,444.9	36.2	15,848.7	28.7	47.9	Primarily due to increasing investment in plants and equipment for Changzhou, Wuhan, Wuxi, Nantong, Taixing and other sites during the Reporting Period.
Interests in associates	1,135.7	1.8	619.4	1.1	83.4	Primarily due to the investment in WuXi XDC Cayman Inc. during the Reporting Period.
Other non-current assets	1,054.9	1.6	2,182.4	4.0	(51.7)	Primarily due to the reclassification of certificates of deposits due in one year to current assets.
Biological assets (current)	1,037.3	1.6	755.5	1.4	37.3	Primarily due to the increase in quantities and fair value change of biological assets during the Reporting Period.
Amounts due from related parties	123.0	0.2	343.3	0.6	(64.2)	Primarily due to collection of receivables from the sales of small molecule payload and linker business and relevant assets in Changzhou STA.

Items	Amount as at December 31, 2022 <i>(In RMB million)</i>	Percentage of the amount to the total assets as at December 31, 2022 <i>(%)</i>	Amount as at December 31, 2021 <i>(In RMB million)</i>	Percentage of the amount to the total assets as at December 31, 2021 <i>(%)</i>	Ratio of change for the amount as at December 31, 2022 as compared with the amount as at December 31, 2021 <i>(%)</i>	Reasons
Contract assets	1,048.2	1.6	773.4	1.4	35.5	Primarily due to the expansion of business and revenue growth during the Reporting Period.
Income tax recoverable	16.0	0.0	0.2	0.0	7,006.2	Primarily due to increasing prepayment of income tax during the Reporting Period.
Financial assets at FVTPL (current)	2.0	0.0	527.3	1.0	(99.6)	Primarily due to redemption of structured deposits during the Reporting Period.
Derivative financial instruments	135.6	0.2	229.1	0.4	(40.8)	Primarily due to the settlement and fair value change of forward foreign exchange contracts.
Pledged bank deposits	1.8	0.0	63.4	0.1	(97.1)	Primarily due to payment to employees for settling the vested and sold shares related to share-based compensations.
Other current assets	1,427.8	2.2	—	—	N/A	Primarily due to the reclassification of certificates of deposits due in one year from non-current assets.

Items	Amount as at December 31, 2022 <i>(In RMB million)</i>	Percentage of the amount to the total assets as at December 31, 2022 <i>(%)</i>	Amount as at December 31, 2021 <i>(In RMB million)</i>	Percentage of the amount to the total assets as at December 31, 2021 <i>(%)</i>	Ratio of change for the amount as at December 31, 2022 as compared with the amount as at December 31, 2021 <i>(%)</i>	Reasons
Liabilities						
Amounts due to related parties	14.5	0.0	21.4	0.0	(32.4)	Primarily due to the vesting and trading of several tranches of the Restricted A Share-based compensation plans.
Derivative financial instruments	115.4	0.2	3.7	0.0	3061.1	Primarily due to the settlement and fair value change of forward foreign exchange contracts.
Borrowings (current)	3,874.1	6.0	2,261.5	4.1	71.3	Primarily due to the increased borrowings for daily operations.
Other current liabilities	22.1	0.0	176.2	0.3	(87.5)	Primarily due to the settlement of previous equity acquisition payments.
Borrowings (non-current)	279.1	0.4	—	—	N/A	Primarily due to the increased borrowings for daily operations and capital expenditure.
Convertible bonds-embedded derivative component	147.9	0.2	657.3	1.2	(77.5)	Primarily due to bond conversions and fair value change along with the fluctuation of stock price during the Reporting Period.
Deferred tax liabilities	440.5	0.7	324.1	0.6	35.9	Primarily due to increasing taxable temporary difference from long-term assets depreciation and biological assets fair value gains.

D. Analysis on Investments

Investment on wealth management product

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

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

Investment in companies

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

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

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

In RMB million

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

Note:

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

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

Genesis Medtech Group Limited (“Genesis”)

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

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

iKang Healthcare Group (“iKang”)

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

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

Jiangsu Hanbon Science and Technology Co., Ltd. (“Hanbon”)

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

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

Shanghai BioEngine Sci-Tech Co., Ltd. (“BioEngine”)

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

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

Hua Medicine (HK: 02552) (“Hua Medicine”)

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

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

required. Hua Medicine is partnering with Bayer, a leading global pharmaceutical company, to commercialize HuaTangNing in China, benefiting diabetic patients and their families.

Significant Investment Held

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

E. Core Competence Analysis

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

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

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

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

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

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

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

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

We continue to enhance our capacities and scale globally. During the Reporting Period, STA, a subsidiary of the Company, commenced operations of its Changzhou Phase III facility, including one R&D center and five production workshops, for GMP production. In July 2022, a new oligonucleotide and peptide production building was put into operation at the Changzhou site, which further enhanced large-scale production capabilities and met the increasing demand for oligonucleotide and peptide drug development from global partners. The sterile lipid nanoparticle formulation platform at the Wuxi site commenced operations, ramping up the global CRDMO platform capabilities. The first highly-active oral

drug production workshop was also put into operation in September 2022 at the Wuxi site. Meanwhile, with the completion of the central China headquarters base in Wuhan, the capacity of its drug discovery services continued to expand. In an effort to expand its global footprint, the Company announced the construction plan of its Singapore base during the Reporting Period. The construction of a new production base in Middletown, Delaware, the U.S., also started, which will better meet the needs of global partners in the future.

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

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

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

(5) *Experienced management team with vision and ambition*

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

F. Other Events

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

2018 A Share Incentive Plan

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

On April 28, 2022, the Board resolved to approve the resolution in relation to the fulfilment of the conditions for unlocking the Restricted A Shares granted under the 2018 Initial Grant for the third unlocking period. As a result, a total of 1,162 incentive participants have satisfied the conditions for unlocking the Restricted A Shares granted under the 2018 Initial Grant for the third unlocking period and a total of 3,786,121 Restricted A Shares were unlocked, representing approximately 0.1281% of the then total issued share capital of the Company and approximately 0.1477% of the then total number of issued A Shares of

the Company, respectively. The listing of and trading in the aforementioned Restricted A Shares to be unlocked commenced on May 12, 2022. Please refer to the relevant announcement of the Company dated May 5, 2022 for further details.

2019 A Share Incentive Plan

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

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

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

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

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

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

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

2018 A Share Incentive Plan

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

2019 A Share Incentive Plan

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

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

2018 A Share Incentive Plan

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

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

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

2019 A Share Incentive Plan

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

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

The “Proposal on the Repurchase and Cancellation of Part of the Restricted A Shares and the Cancellation of Part of the Share Options Granted under the Restricted A Shares and Stock Option Incentive Plan of 2019 of the Company” was approved at the thirtieth meeting of the second session of the Board. Pursuant to the above proposal, due to the implementation of the 2021 Profit Distribution Plan, and: (i) due to the departure of 73 incentive participants of the 2019 A Share Incentive Plan either departing before the expiry of the lock-up period of the Restricted A Shares or being unable to satisfy the performance appraisal target at the individual level for 2021, the Company shall repurchase a total of 332,977 Restricted A Shares granted under the 2019 Initial Grant at the repurchase price of RMB18.34 per A Share; (ii) due to the departure of 2 incentive participants of the 2019 A Share Incentive Plan before the expiry of lock-up period of the Restricted A Shares, the Company shall repurchase a total of 30,845 Restricted A Shares granted under the 2019 Reserved Grant at the repurchase price of RMB33.04 per A Share; and (iii) due to the departure of 1 incentive participant

of the 2019 A Share Incentive Plan, the Company shall cancel a total of 3,729 units of Share Options granted and the validity period for the exercise of which has expired under the 2019 Initial Grant. The repurchase and cancellation of such Restricted A Shares were completed on January 5, 2023. Please refer to the relevant announcements of the Company dated June 27, 2022 and December 30, 2022 for further details.

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

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

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

(6) 2021 Profit Distribution Plan

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

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

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

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

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

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

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

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

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

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

A. Industry Landscape and Trends

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

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

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

report published in July 2022, global pharmaceutical industry R&D investment will increase from US\$243.7 billion in 2022 to US\$328.8 billion in 2026, with a CAGR of approximately 7.8%.

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

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

B. Development Strategies

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

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

C. Operation Plan

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

(1) Platform Building

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

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

(2) *Customer Strategy*

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

(3) *Quality and Compliance*

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

(4) *Innovation and Development*

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

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

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

(5) *Team of Talents*

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

(6) *Corporate Culture*

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

D. Potential Risks

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

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

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

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

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

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

(4) *Business compliance risk*

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

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

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

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

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

(7) *Risk of failure in business expansion*

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

(8) *Exchange Rate risk*

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

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

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

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

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

HUMAN RESOURCES

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

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

PRE-EMPTIVE RIGHTS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

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

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

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

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

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

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

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

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

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

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

FINAL DIVIDEND

The Board proposes a profit distribution plan for the year ended December 31, 2022 as follows: a cash dividend of RMB8.9266 (inclusive of tax) for every 10 shares (representing an aggregate amount of RMB2,644,137,750.80 (inclusive of tax) based on the total issued share capital of the Company as of the date of this announcement). In the event of change in the total issued share capital of the Company before the record date for profit distribution, dividends will be distributed according to the original dividend amount per share and the total distribution amount will be adjusted accordingly. The 2022 Profit Distribution Plan is subject to, amongst others, approval by Shareholders at the forthcoming AGM. Subject to the approval of the Shareholders at the AGM, the 2022 Profit Distribution Plan is expected to be paid to the eligible Shareholders by no later than June 30, 2023.

A circular containing further details as to, amongst others, the applicable foreign exchange rate for the proposed cash dividend, the relevant record date and book closure period will be despatched to the Shareholders in due course.

AGM AND PERIOD OF CLOSURE OF REGISTER OF MEMBERS

The Company will arrange the time of convening the forthcoming AGM as soon as practicable, and the notice of the AGM will be published and despatched to the Shareholders in a timely manner in accordance with the requirements of the Listing Rules and the Articles of Association. Once the date of the AGM is finalized, the Company will publish the period of closure of register of members of H Shares of the Company in a separate announcement and in the notice of the AGM.

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the Board, as at the date of this announcement, the Company has maintained the public float as required under Listing Rules and as modified by the waiver granted by the Stock Exchange upon its listing on the Hong Kong Stock Exchange on December 13, 2018.

CORPORATE GOVERNANCE

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

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

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

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

DIRECTORS' SECURITIES TRANSACTIONS

The Company has devised its own code of conduct regarding Directors' dealings in the Company's securities (the "**Code of Conduct**") on terms no less exacting than the Model Code.

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

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

REVIEW OF FINANCIAL STATEMENTS

Audit Committee

As at December 31, 2022, the Audit Committee of the Company comprises three independent non-executive Directors, namely Dr. Hetong Lou, Mr. Xiaotong Zhang and Dr. Jiangnan Cai. The chairman of the Audit Committee is Dr. Hetong Lou. The Audit Committee has reviewed with management and external auditor the consolidated financial information of the Group for the Reporting Period, including accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters.

Scope of work of Messrs. Deloitte Touche Tohmatsu

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the Reporting Period as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company's website (www.wuxiapptec.com.cn). The annual report of the Company for the Reporting Period will be despatched to the Shareholders and published on the aforesaid websites in due course.

The Board is pleased to announce that the consolidated annual results of the Group for the Reporting Period with the comparative figures in the corresponding period in 2021 are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended December 31, 2022

	<i>Notes</i>	Year ended 31/12/2022 RMB'000	Year ended 31/12/2021 RMB'000
Revenue	5	39,354,778	22,902,385
Cost of services		<u>(24,848,257)</u>	<u>(14,636,870)</u>
Gross profit		14,506,521	8,265,515
Other income	6	644,270	468,568
Other gains and losses	7	1,211,731	1,453,591
Impairment losses under expected credit losses ("ECL") model, net of reversal		(117,279)	(31,615)
Impairment losses of goodwill		(131,285)	—
Selling and marketing expenses		(731,587)	(698,970)
Administrative expenses		(2,943,833)	(2,253,614)
Research and development expenses		<u>(1,613,953)</u>	<u>(942,242)</u>
Operating profit		<u>10,824,585</u>	<u>6,261,233</u>
Share of results of associates		(52,532)	(92,162)
Share of results of joint ventures		6,261	(25,129)
Finance costs	8	<u>(159,837)</u>	<u>(128,333)</u>
Profit before tax		<u>10,618,477</u>	<u>6,015,609</u>
Income tax expense	9	<u>(1,715,866)</u>	<u>(879,662)</u>
Profit for the year	10	<u>8,902,611</u>	<u>5,135,947</u>
Profit for the year attributable to:			
Owners of the Company		8,813,713	5,097,155
Non-controlling interests		<u>88,898</u>	<u>38,792</u>
		<u>8,902,611</u>	<u>5,135,947</u>
Earnings per Share (expressed in RMB per Share)			
— Basic	12	3.01	1.75
— Diluted	12	2.82	1.73

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2022

	Year ended 31/12/2022 RMB'000	Year ended 31/12/2021 RMB'000
Profit for the year	8,902,611	5,135,947
Other comprehensive income (expense) for the year		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation or financial statements of foreign operations	467,611	(216,654)
Fair value loss on hedging instrument designated in cash flow hedges	(174,503)	(294,234)
Other comprehensive income (expense) for the year, net of income tax	293,108	(510,888)
Total comprehensive income for the year	9,195,719	4,625,059
Attributable to:		
Owners of the Company	9,109,138	4,588,790
Non-controlling interests	86,581	36,269
	9,195,719	4,625,059

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2022

	<i>Notes</i>	31/12/2022 RMB'000	31/12/2021 RMB'000
Assets			
Non-current Assets			
Property, plant and equipment		23,444,883	15,848,703
Right-of-use assets		1,857,486	1,779,500
Goodwill		1,822,102	1,925,563
Other intangible assets		926,331	889,822
Interests in associates		1,135,669	619,382
Interests in joint ventures		67,262	58,923
Deferred tax assets		492,111	389,846
Financial assets at fair value through profit or loss ("FVTPL")	<i>13</i>	8,954,330	8,714,098
Other non-current assets		1,054,942	2,182,393
Biological assets		937,985	733,510
Total Non-current Assets		40,693,101	33,141,740
Current Assets			
Inventories		3,952,560	4,554,577
Contract costs		678,759	594,912
Biological assets		1,037,275	755,517
Amounts due from related parties		122,955	343,310
Trade and other receivables	<i>14</i>	7,590,361	5,968,471
Contract assets	<i>14</i>	1,048,155	773,433
Income tax recoverable		15,989	225
Financial assets at FVTPL	<i>13</i>	2,000	527,288
Derivative financial instruments	<i>18</i>	135,636	229,142
Other current assets		1,427,795	—
Pledged bank deposits	<i>15</i>	1,837	63,437
Bank balances and cash	<i>15</i>	7,983,904	8,175,336
Total Current Assets		23,997,226	21,985,648
Total Assets		64,690,327	55,127,388

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31, 2022

	<i>Notes</i>	December 31, 2022 RMB'000	December 31, 2021 RMB'000
Capital and Reserves			
Share capital	19	2,960,527	2,955,827
Reserves		<u>43,629,426</u>	<u>35,535,682</u>
Equity attributable to owners of the Company		46,589,953	38,491,509
Non-controlling interests		<u>336,720</u>	<u>265,953</u>
Total Equity		<u>46,926,673</u>	<u>38,757,462</u>
Liabilities			
Non-current Liabilities			
Borrowings		279,086	—
Deferred tax liabilities		440,462	324,125
Deferred income		910,922	770,601
Lease liabilities		983,819	1,018,979
Convertible bonds-debt component	17	501,990	607,140
Convertible bonds-embedded derivative component	17	147,934	657,317
Other long-term liabilities		<u>80</u>	<u>7,170</u>
Total Non-current Liabilities		<u>3,264,293</u>	<u>3,385,332</u>
Current Liabilities			
Trade and other payables	16	7,253,439	6,855,964
Amounts due to related parties		14,498	21,439
Derivative financial instruments	18	115,443	3,652
Contract liabilities		2,496,637	2,986,379
Borrowings		3,874,120	2,261,480
Lease liabilities		205,335	220,183
Income tax payables		517,797	459,256
Other current liabilities		<u>22,092</u>	<u>176,241</u>
Total Current Liabilities		<u>14,499,361</u>	<u>12,984,594</u>
Total Liabilities		<u>17,763,654</u>	<u>16,369,926</u>
Total Equity and Liabilities		<u>64,690,327</u>	<u>55,127,388</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2022

1. GENERAL INFORMATION

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

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

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

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

2. BASIC OF PREPARATION

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

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments which are measured at fair value and biological assets which are measured at fair value less costs to sell.

Other than additional accounting policies resulting from application of amendments to International Financial Reporting Standards (“IFRSs”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the year ended December 31, 2022 are the same as those presented in the Group’s annual financial statements for the year ended December 31, 2021.

3. APPLICATION OF AMENDMENTS TO IFRSs

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

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

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

4. OPERATING SEGMENT INFORMATION

The Group's revenue streams are categorized as follows:

WuXi Chemistry	Integrating the chemistry business-related resources and capabilities, including WuXi STA (“合全藥業”), the Chemistry Service Unit (“CSU”), the International Discovery Service Unit (“IDSU”) and the Core Analytical Service (“CAS”) business units to offer new drug Contract Research Development and Manufacturing Organization (“CRDMO”) services to customers.
WuXi Testing	Integrating the pre-clinical and clinical resources and capabilities of the Group, such as Lab Testing Division, WuXi Clinical (“康德弘翼”) (Clinical Development Services business) and MedKey (“藥明津石”) (Site Management Organization business) to serve global customers in pharmaceutical, biopharmaceutical, medical device, and in vitro diagnostic sectors.
WuXi Biology	Integrating the cutting-edge technologies of the Group in DNA-encoded library (“DEL”), biology, oncology and immunology to provide global customers with integrated drug discovery and research services.
WuXi ATU	Capitalizing on the resources and capabilities in the PRC, the U.S. and the United Kingdom to provide customers with integrated cell and gene therapy CTDMO services including testing, process development and manufacturing.
WuXi DDSU	Based on customers' needs, providing customers with integrated new drug R&D services with a focus on patent creation, developing small molecule new drugs with internationally advanced level, and empowering the R&D of domestic pharmaceutical enterprises.
Others	Others mainly including the income streams from administrative services, sales of raw materials and sales of scrap materials.

Segment revenue and results

The following is an analysis of the Group's revenue by reportable segments.

	Year ended December 31, 2022						Total RMB'000
	WuXi Chemistry RMB'000	WuXi Testing RMB'000	WuXi Biology RMB'000	WuXi ATU RMB'000	WuXi DDSU RMB'000	Others RMB'000	
	Segment revenue	28,849,732	5,718,653	2,475,147	1,308,002	969,629	
Segment results	11,404,292	1,983,992	955,886	(106,059)	252,703	15,707	14,506,521
Unallocated amount:							
Other income							644,270
Other gains and losses							1,211,731
Impairment losses under ECL model, net of reversal							(117,279)
Impairment losses of goodwill							(131,285)
Selling and marketing expenses							(731,587)
Administrative expenses							(2,943,833)
R&D expenses							(1,613,953)
Share of results of associates							(52,532)
Share of results of joint ventures							6,261
Finance costs							(159,837)
Profit before tax							<u>10,618,477</u>

Year ended December 31, 2021

	WuXi Chemistry <i>RMB'000</i>	WuXi Testing <i>RMB'000</i>	WuXi Biology <i>RMB'000</i>	WuXi ATU <i>RMB'000</i>	WuXi DDSU <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue	14,087,220	4,525,111	1,985,093	1,026,401	1,251,040	27,520	22,902,385
Segment results	<u>5,528,184</u>	<u>1,427,516</u>	<u>768,806</u>	<u>(21,312)</u>	<u>549,225</u>	<u>13,096</u>	<u>8,265,515</u>
Unallocated amount:							
Other income							468,568
Other gains and losses							1,453,591
Impairment losses under ECL model, net of reversal							(31,615)
Selling and marketing expenses							(698,970)
Administrative expenses							(2,253,614)
R&D expenses							(942,242)
Share of results of associates							(92,162)
Share of results of joint ventures							(25,129)
Finance costs							<u>(128,333)</u>
Profit before tax							<u><u>6,015,609</u></u>

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

Entity-wide disclosure

Geographical information

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

	Year ended 31/12/2022 RMB'000	Year ended 31/12/2021 RMB'000
Revenue		
— PRC	7,526,171	5,802,236
— USA	25,884,323	12,146,429
— Europe	4,432,016	3,719,295
— Rest of the world	1,512,268	1,234,425
	<u>39,354,778</u>	<u>22,902,385</u>

One single customer of WuXi Chemistry contributed more than 10 per cent to the Group's revenue in 2022.

Information about the Group's non-current assets by geographical location of the assets is presented below:

	31/12/2022 RMB'000	31/12/2021 RMB'000
— PRC	24,890,891	17,508,049
— Rest of the world	5,599,453	4,428,849
	<u>30,490,344</u>	<u>21,936,898</u>

Non-current assets excluding deferred tax assets, certificates of deposits and financial assets at FVTPL.

5. REVENUE

The Group derives its revenue from the transfer of goods and services over time and at a point in time in the following major service lines. This is consistent with the revenue information that is disclosed for each reportable segment under IFRS 8 — operating segments in Note 4.

An analysis of the Group's revenue is as follows:

	Year ended 31/12/2022 RMB'000	Year ended 31/12/2021 RMB'000
Revenue		
— WuXi Chemistry	28,849,732	14,087,220
— WuXi Testing	5,718,653	4,525,111
— WuXi Biology	2,475,147	1,985,093
— WuXi ATU	1,308,002	1,026,401
— WuXi DDSU	969,629	1,251,040
— Others	33,615	27,520
	<u>39,354,778</u>	<u>22,902,385</u>
Timing of revenue recognition		
	Year ended 31/12/2022 RMB'000	Year ended 31/12/2021 RMB'000
Over time		
— WuXi Chemistry	5,638,627	4,557,338
— WuXi Testing	5,718,653	4,525,111
— WuXi Biology	2,475,147	1,985,093
— WuXi ATU	1,301,078	1,023,845
— WuXi DDSU	969,629	1,251,040
— Others	22,556	17,841
At a point in time		
— WuXi Chemistry	23,211,105	9,529,882
— WuXi ATU	6,924	2,556
— Others	11,059	9,679
	<u>39,354,778</u>	<u>22,902,385</u>

The aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) are RMB32,816 million as at December 31, 2022 (December 31, 2021: RMB29,099 million). The expected amount of revenue recognized in 2023 is RMB24,445 million. The management of the Group expects the majority of the transaction price allocated to the unsatisfied contracts as of each reporting date during the Reporting period will be recognised as revenue within two years from the reporting date.

6. OTHER INCOME

	Year ended 31/12/2022 RMB'000	Year ended 31/12/2021 RMB'000
Interest income on bank balances	190,846	191,693
R&D grants and others related to		
— asset (i)	100,207	69,888
— income (ii)	342,675	178,644
Dividend income arising from financial assets at FVTPL	10,542	28,343
	<u>644,270</u>	<u>468,568</u>

Notes:

- (i) The Group has received certain R&D grants and others to invest in laboratory equipment. The grants and subsidies were recognised in profit or loss over the useful lives of the relevant assets.
- (ii) The R&D grants and others related to income have been received to compensate for the Group's R&D expenditures. Some of the grants related to income have future related costs expected to be incurred and require the Group to comply with conditions attached to the grants. These grants related to income are recognised in profit or loss when related costs are subsequently incurred and the Group receives acknowledge of compliance. Other grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

7. OTHER GAINS AND LOSSES

	Year ended 31/12/2022 <i>RMB'000</i>	Year ended 31/12/2021 <i>RMB'000</i>
Net foreign exchange gain (loss)	263,513	(139,235)
Gain on financial assets at FVTPL (realized)	496,551	1,451,453
(Loss) gain on financial assets at FVTPL (unrealized)	(433,013)	273,396
Gain on deemed disposal of subsidiaries	125,445	—
Gain on biological assets	674,523	630,465
Gain (loss) on financial liabilities at FVTPL	20,004	(7,844)
Loss on derivative financial instruments (realized)	(399,558)	(6,011)
Gain (loss) on derivative financial instruments (unrealized)	508,563	(989,631)
(Loss) gain on disposal of plant and equipment	(20,995)	258,960
Others	(23,302)	(17,962)
	<u>1,211,731</u>	<u>1,453,591</u>

8. FINANCE COSTS

	Year ended 31/12/2022 <i>RMB'000</i>	Year ended 31/12/2021 <i>RMB'000</i>
Interest expense on borrowings	79,381	23,653
Interest on lease liabilities	52,340	60,220
Effective interest expense on convertible bonds	21,636	37,897
Imputed interest expense on payable for acquisition of a subsidiary	6,480	6,563
	<u>159,837</u>	<u>128,333</u>

9. INCOME TAX EXPENSES

	Year ended 31/12/2022 RMB'000	Year ended 31/12/2021 RMB'000
Current tax:		
— PRC	1,457,377	772,650
— Hong Kong	154,176	92,386
— USA	26,026	19,728
— Rest of world	8,671	18,379
	<u>1,646,250</u>	<u>903,143</u>
Under (over) provision in respect of prior years:		
— PRC	25,172	7,978
— Hong Kong	(3,862)	8,495
	<u>21,310</u>	<u>16,473</u>
Deferred tax:		
— Current year	48,306	(39,954)
	<u><u>1,715,866</u></u>	<u><u>879,662</u></u>

On March 21, 2018, the Hong Kong Legislative Council passed the Inland Revenue (Amendment) (No. 7) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on March 28, 2018 and was gazetted on the following day.

Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of profits of qualifying corporations will be taxed at 8.25%, and profits above HK\$2,000,000 will be taxed at 16.5%. Only one subsidiary of the Group can be nominated to benefit from the regime according to the policy, and WuXi AppTec (HongKong) Limited is subject to the two-tiered profits tax rates regime.

The federal corporate tax rate remains at 21% for both years.

The group entities incorporated in Cayman Islands are not subject to income or capital gains tax under the law of Cayman Islands. In addition, dividend payments are not subject to withholding tax in the Cayman Islands.

The group entities established in British Virgin Islands (“**BVI**”) are not subject to income tax or capital gains tax under the law of BVI.

The group entities incorporated in Korea, Ireland, Germany, Australia, Swiss, Singapore, United Kingdom and other countries are subject to the tax rate at a range from 8.5% to 30% during the Reporting Period.

Under the Law of the PRC on Enterprise Income Tax (the “**EIT Law**”) and Implementation Regulation of the EIT Law, the EIT rate of the Company and other PRC subsidiaries is 25% during the Reporting Period unless subject to tax concession set out below.

Certain subsidiaries operating in the PRC were accredited as “High and New Technology Enterprise” or “Advanced Technology Enterprise” for a period of three years, and therefore are entitled to a preferential EIT rate of 15% for the Reporting Period. The qualification as a High and New Technology Enterprise will be subjected to review by the relevant tax authority in the PRC for every three years. According to the Notice 2018 No.76 of the Ministry of Finance, from January 1, 2018, the enterprises that have the qualifications as High and New Technology Enterprise or Advanced Technology Enterprise (hereinafter collectively referred to as qualifications) will be able to make up for the losses that have not been completed in the previous five years before the qualification year. The longest carry-over period is extended from 5 years to 10 years.

The tax charge for the Reporting Period can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	Year ended 31/12/2022 RMB'000	Year ended 31/12/2021 RMB'000
Profit before tax	10,618,476	6,015,609
Tax at the applicable tax rate of 25%	2,654,619	1,503,902
Tax effect of expenses not deductible for tax purpose	114,301	289,974
Tax effect of income that is exempt from taxation	(218,401)	(117,609)
Under provision in respect of prior years	21,310	16,473
Effect of unused tax losses and other deductible temporary differences not recognised as deferred tax assets	196,491	73,959
Utilization of tax losses and other deductible temporary differences previously not recognised as deferred tax assets	(4,314)	(39,402)
Effect on opening deferred tax assets or liabilities resulting from change in applicable tax rate	19,367	1,928
Effect of different tax rate of subsidiaries operating in other jurisdictions and tax concession	(1,059,251)	(871,584)
Others	(8,256)	22,021
	<hr/>	<hr/>
Income tax expense	<u>1,715,866</u>	<u>879,662</u>

10. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	Year ended 31/12/2022 RMB'000	Year ended 31/12/2021 RMB'000
Depreciation for property, plant and equipment	1,555,405	1,138,145
Depreciation of right-of-use assets	216,394	224,157
Amortization of other intangible assets and other non-current assets	144,866	117,641
Expense relating to short-term leases	3,765	4,041
Expense relating to leases of low-value assets that are not shown above as short-term leases	3,439	2,772
Staff cost (including directors' emoluments):		
— Salaries and other benefits	9,304,841	6,787,535
— Retirement benefit scheme contributions	1,072,702	719,616
— Equity-settled share-based payments	859,086	556,623
— Cash-settled share-based payments	(18,487)	84,329
Less: capitalised in inventories and contract costs	(1,499,984)	(1,399,164)
	11,642,027	8,235,695
Auditor's remuneration	<u>7,559</u>	<u>7,619</u>

11. DIVIDENDS

Dividends for ordinary shareholders of the Company recognised as distribution during the year as follows:

	Year ended 31/12/2022 RMB'000	Year ended 31/12/2021 RMB'000
2021 Final-RMB0.5174 (inclusive of tax) per ordinary share (2020: RMB0.363)	<u>1,529,442</u>	<u>889,580</u>

Subsequent to the end of the Reporting Period, the directors of the Company proposes the 2022 profit distribution plan (“**2022 Profit Distribution Plan**”) as follows: a dividend in an aggregate amount of RMB2,644,137,750.80 (2021: RMB1,529,441,704.14) (inclusive of tax) to be paid to shareholders on the record date for determining the shareholders’ entitlement to 2022 Profit Distribution plan which amounts to a dividend of RMB0.89266 (2021: RMB0.5174) (inclusive of tax) per ordinary share to all shareholders of the Company. The 2022 Profit Distribution Plan is subject to, amongst others, approval by Shareholders at the forthcoming AGM.

12. EARNINGS PER SHARE

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Earnings:		
Profit attributable to the owner of the Company	8,813,713	5,097,155
Less: Cash dividends attribute to the shareholders of restricted shares expected to be unlocked in the future	<u>(2,868)</u>	<u>(4,598)</u>
Earnings for the purpose of calculating basic earnings per share	8,810,845	5,092,557
Effect of dilutive potential ordinary shares:		
Add: Cash dividends attribute to the shareholders of restricted shares expected to be unlocked in the future	2,868	4,598
Effect of share options issued by a subsidiary	(1,224)	(4,915)
Effect of convertible bonds after tax interest	<u>(487,482)</u>	<u>—</u>
Earnings for the purpose of calculating diluted earnings per share	8,325,007	5,092,240
Number of Shares ('000):		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	2,931,932	2,914,820
Effect of dilutive potential ordinary shares:		
Effect of restricted shares and share options issued by the Company	13,686	22,897
Effect of the conversion of the convertible bonds	<u>8,547</u>	<u>—</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<u><u>2,954,165</u></u>	<u><u>2,937,717</u></u>

The computation of diluted earnings per share for the year ended December 31, 2022 is based on weighted average number of shares assumed to be in issue after taking into account the effect of restricted shares, share option and the Convertible Bonds (the year ended December 31, 2021: restricted shares and share option) issued by the Company.

The denominator for the purposes of calculating both basic and diluted earnings per share for the years ended December 31, 2021 have been adjusted to reflect the capitalization issue completed on June 8, 2021 under the 2020 Profit Distribution Plan.

The earnings for the purpose of calculating diluted earnings per share for the year ended December 31, 2022 has been adjusted on the effect of share options issued by a subsidiary and the conversion of the Convertible Bonds (the year ended December 31, 2021: share options issued by a subsidiary).

13. FINANCIAL ASSETS AT FVTPL

	31/12/2022	31/12/2021
	<i>RMB'000</i>	<i>RMB'000</i>
Current asset		
Structured deposits and financial products	<u>2,000</u>	<u>527,288</u>
	<u>2,000</u>	<u>527,288</u>
Non-current assets		
Listed equity securities	979,673	2,110,784
Unlisted equity investments	6,839,202	5,771,360
Unlisted fund investments	<u>1,135,455</u>	<u>831,954</u>
	<u>8,954,330</u>	<u>8,714,098</u>

14. TRADE AND OTHER RECEIVABLES/CONTRACT ASSETS

Trade and Other Receivables

	31/12/2022	31/12/2021
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables		
— third parties	6,021,006	4,690,024
Less: Allowance for credit losses	(160,253)	(102,526)
	<u>5,860,753</u>	<u>4,587,498</u>
Other receivables	<u>141,066</u>	<u>16,525</u>
Note receivable	74,621	48,000
Prepayments	290,613	302,910
Interest receivables	—	38
Prepaid expenses	33,280	27,721
Value added tax recoverable	1,172,714	858,760
Rental deposits	17,314	11,759
Others	—	115,260
	<u>1,588,542</u>	<u>1,364,448</u>
Total trade and other receivables	<u><u>7,590,361</u></u>	<u><u>5,968,471</u></u>

The Group allows a credit period ranging from 30 to 90 days to its customers. The following is an aging analysis of trade receivables (net of allowance for credit losses) and note receivable presented based on the invoice dates, at the end of each reporting period:

	31/12/2022	31/12/2021
	<i>RMB'000</i>	<i>RMB'000</i>
Within 180 days	5,273,918	4,214,825
181 days to 1 year	363,683	217,129
1 year to 2 years	232,599	170,466
More than 2 years	65,174	33,078
	<u>5,935,374</u>	<u>4,635,498</u>

In determining the recoverability of the trade receivables, the Group considers any change in the credit quality of the trade receivables from the date on which the credit was initially granted up to the reporting date.

Contract Assets

	31/12/2022	31/12/2021
	RMB'000	RMB'000
Contract assets	1,056,154	778,965
Less: Allowance for credit losses	(7,999)	(5,532)
	<u>1,048,155</u>	<u>773,433</u>

The contract assets primarily relate to the Group's right to the consideration for work completed but not billed. The contract assets are transferred to trade receivables when the rights become unconditional.

15. BANK BALANCES AND CASH/PLEDGED BANK DEPOSITS

At the end of each reporting period, bank balances and cash of the Group comprised of cash and short term bank deposits with an original maturity of three months or less. The short term bank deposits carry interest at market rates which range from 0.00% to 5.30% per annum as at December 31, 2022 (December 31, 2021: 0.00% to 3.20%)

Pledged bank deposits represent deposits in restricted bank balance related to vested share incentives yet to be settled with employees and collateral for letters of guarantee for the purchase of raw materials and plant and equipment by the Group. The pledged bank deposits will be released upon the making of payments in relation to the share incentive plans of the Company and the repayment of relevant letter of guarantee.

16. TRADE AND OTHER PAYABLES

	31/12/2022	31/12/2021
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	1,630,634	1,923,298
Salary and bonus payables	1,913,154	1,580,452
Payables for acquisition of plant and equipment	2,309,727	2,229,717
Accrued expenses	650,895	539,691
Other taxes payable	364,252	76,753
Interest payable	3,409	1,338
Note payable	18,620	—
Others	238,550	190,623
Considerations received from employees for subscribing restricted A shares of the Company under the WuXi AppTec A Share Incentive Schemes	124,198	314,092
	<u>7,253,439</u>	<u>6,855,964</u>

Payment terms with suppliers are mainly on credit within 90 days from the time when the goods are received from the suppliers. The following is an age analysis of trade payables and note payable presented based on invoice date at the end of each reporting period:

	31/12/2022	31/12/2021
	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	1,612,932	1,901,748
1 year to 2 years	21,986	10,877
2 years to 3 years	8,223	4,280
More than 3 years	6,113	6,393
	<u>1,649,254</u>	<u>1,923,298</u>

17. CONVERTIBLE BONDS

On September 17, 2019 (the “**Issue Date**”), the Company issued a five-year zero coupon convertible bonds (the “**Convertible Bonds**”) in an aggregate principal amount of USD300,000,000. The conversion period is on or after October 28, 2019 up to the close of business on the date falling 10 working days prior to September 17, 2024 (the “**Maturity Date**”) and the price of H shares to be issued in exercise of the right of conversion is initially HK\$111.80 per H share. The conversion price is subject to adjustment for, among other things, capital distributions and capitalisation of profits or reserves made by the Company. The conversion price has been adjusted to HK\$79.85 per H Share as a result of the approval of the payment of the profit distribution and the capitalization of reserve by the Shareholders at the 2019 annual general meeting of the Company with effect from June 4, 2020. The conversion price has been further adjusted to HK\$66.17 per H Share as a result of the approval of the payment of the profit distribution and the capitalization of reserve by the Shareholders at the 2020 annual general meeting of the Company with effect from June 8, 2021.

The Convertible Bonds comprise two components:

- (a) Debt component was initially measured at fair value. It is subsequently measured at amortised cost using the effective interest method after considering the effect of the transaction costs.
- (b) Derivative component comprises conversion options and early redemption options (not closely related to the debt component), which was initially measured at fair value.

The total transaction costs that are related to the issue of the Convertible Bonds were allocated to the debt and derivative components in proportion to their respective fair values.

The total transaction costs relating to the derivative component were charged to profit or loss. Transaction costs relating to the debt component were included in the carrying amount of the debt portion and amortised over the period of the Convertible Bonds using the effective interest method.

The movement of the debt and derivative components of Convertible Bonds for the Reporting Period is set out as below:

	Debt component <i>RMB'000</i>	Embedded derivative component <i>RMB'000</i>	Total <i>RMB'000</i>
Balance at January 1, 2022	607,140	657,317	1,264,457
Interest charge	21,636	—	21,636
Exchange adjustments	59,979	52,552	112,531
Gain arising on changes of fair value	—	(508,563)	(508,563)
Conversion of convertible bonds into shares	<u>(186,765)</u>	<u>(53,372)</u>	<u>(240,137)</u>
As at December 31, 2022	<u><u>501,990</u></u>	<u><u>147,934</u></u>	<u><u>649,924</u></u>

During the Reporting Period, convertible bonds with a nominal value of USD26,700,000 (equivalent to RMB185,955,000) (2021: RMB1,282,791,000) have been converted to 3,165,059 shares (2021: 22,021,000 shares) of the Company by the bond holders, as a result, the debt component of the convertible bonds of RMB186,765,000 (2021: RMB1,223,678,000) and the embedded derivative component of the convertible bonds of RMB53,372,000 (2021: RMB1,890,633,000) have been transferred to equity upon the conversion.

No redemption of the Convertible Bonds has occurred up to December 31, 2022.

As at December 31, 2022, the derivative component was measured at fair value with reference to valuation report issued by a third party consultant. And the changes in fair value are recognised in profit or loss during the year.

18. DERIVATIVE FINANCIAL INSTRUMENTS

	31/12/2022 <i>RMB'000</i>	31/12/2021 <i>RMB'000</i>
Current assets		
<i>Derivatives under hedge accounting</i>		
Cash flow hedges — Foreign currency forward contracts	135,636	216,468
Cash flow hedges — Foreign currency collar option contracts	—	12,674
	<u>135,636</u>	<u>229,142</u>
Current liabilities		
<i>Derivatives under hedge accounting</i>		
Cash flow hedges — Foreign currency forward contracts	115,443	3,652
	<u>115,443</u>	<u>3,652</u>

Derivatives under hedge accounting

It is the policy of the Group to enter into forward foreign exchange contracts to manage its foreign exchange rate risk arising from anticipated future foreign currency transactions up to 12 months, in particular, the exchange rate between USD and RMB, which are designated into cash flow hedges.

	Average strike rate as at December 31, 2022	Notional value as at December 31, 2022 <i>USD'000</i>	Fair value assets as at December 31, 2022 <i>RMB'000</i>
Sell USD			
Less than 3 months	6.9518	247,000	4,596
3 to 6 months	6.9235	136,610	2,307
7 to 12 months	6.9989	732,640	128,733

	Average strike rate as at December 31, 2022	Notional value as at December 31, 2022 <i>USD'000</i>	Fair value liabilities as at December 31, 2022 <i>RMB'000</i>
Sell USD			
Less than 3 months	6.9278	361,000	5,734
3 to 6 months	6.7364	400,960	61,263
7 to 12 months	6.7334	398,630	48,446

Year ended December 31, 2022

	Fair value change of derivative financial instruments recognised in other comprehensive income <i>RMB'000</i>	Reclassification from other comprehensive income into profit or loss <i>RMB'000</i>	Profit or loss items
Cash flow hedges			
Anticipated future sales	<u>(1,016,341)</u>	<u>811,043</u>	Revenue
	<u><u>(1,016,341)</u></u>	<u><u>811,043</u></u>	

It is anticipated that the sales will take place within next 12 months at which time the amount recognised in other comprehensive income will be reclassified to profit or loss.

At the inception of above hedging relationships, the Group formally designates and documents the hedge relationship, risk management objective and strategy for undertaking the hedge. The cash flow hedge mentioned above were assessed to be highly effective.

The ineffective part of the hedge mainly comes from basis risk, risk of change of supply and demand in spot markets and forward markets, and other uncertainty risk of spot markets and forward markets. The amount of the ineffective part of the hedge in the current period and the previous period is not significant.

19. SHARE CAPITAL

	<i>RMB'000</i>
Ordinary shares of RMB1.00 each At December 31, 2020 and January 1, 2021	<u>2,441,685</u>
Share premium transferred to share capital ^(Note)	490,127
Conversion of convertible bonds	22,021
Issue of A shares under the 2019 WuXi AppTec A Share Incentive Scheme	2,531
Issue of A shares under 2018 WuXi AppTec A Share Incentive Scheme-Reserved Options	154
Repurchase and cancellation of restricted A shares	<u>(691)</u>
At December 31, 2021 and January 1, 2022	<u>2,955,827</u>
Conversion of convertible bonds	3,165
Issue of A shares under the 2019 WuXi AppTec A Share Incentive Scheme	1,752
Repurchase and cancellation of restricted A shares	<u>(217)</u>
At December 31, 2022	<u><u>2,960,527</u></u>

Note:

Pursuant to the written resolutions of the shareholders of the Company passed on May 13, 2021, 2 new shares for every 10 existing shares of the Company were issued out of reserve to all shareholders. As a result, RMB490,126,719.00 was transferred from share premium to share capital in the year of 2021.

20. SUBSEQUENT EVENTS

The Group has the following events taken place subsequent to December 31, 2022.

Proposal of Profit Distribution Plan

Subsequent to the end of the Reporting Period, the Board proposes the 2022 Profit Distribution Plan as follows: a cash dividend of RMB8.9266 (inclusive of tax) for every 10 shares (representing an aggregate amount of RMB2,644,137,750.80 (inclusive of tax) based on the total issued shares of the Company as of the date of this announcement) all shareholders. In the event of change in total issued Shares of the Company before the record date for payment of the cash dividend, dividends will be distributed according to the original dividend amount per share and the total distribution amount will be adjusted accordingly. The 2022 Profit Distribution Plan is subject to, amongst others, approval by shareholders of the Company at the forthcoming annual general meeting.

Early Redemption of the Convertible Bonds

On February 16, 2023, the Company issued a notice through the relevant clearing systems to all bondholders, the Trustee and the Principal Agent in connection with the early redemption of all outstanding bonds (the “**Redemption Notice**”). A reminder notice in this regard has also been issued to all bondholders through the relevant clearing systems on March 14, 2023 (the “**Reminder Notice**”). The Redemption Notice and the Reminder Notice set out details of the early redemption as follows, redemption date is April 4, 2023, early redemption amount is USD104,519.38 for each USD100,000 principal amount of the bonds, end of the conversion period is March 21, 2023, last day on which the bondholders may exercise the conversion rights attaching to the bonds is no later than 3:00 p.m. on March 20, 2023.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“2018 A Share Incentive Plan”	the Restricted A Shares and Stock Option Incentive Plan of 2018 adopted by the Company on August 22, 2018
“2018 Initial Grant”	the initial grant of Restricted A Shares and Share Options pursuant to the 2018 A Share Incentive Plan
“2018 Reserved Grant”	the grant of reserved interests subsequent to the initial grant under the 2018 A Share Incentive Plan
“2019 A Share Incentive Plan”	the Restricted A Shares and Stock Option Incentive Plan of 2019 adopted by the Company on September 20, 2019
“2019 Adjusted Initial Grant”	the adjusted initial grant of Restricted A Shares and Share Options pursuant to the 2019 A Share Incentive Plan
“2019 Initial Grant”	the initial grant of Restricted A Shares and Share Options upon adoption of the 2019 A Share Incentive Plan
“2019 Reserved Grant”	the grant of reserved interests subsequent to the initial grant under the 2019 A Share Incentive Plan
“2019 Share Appreciation Scheme”	the share appreciation incentive scheme adopted by the Company on September 20, 2019
“2019 Special Grant”	the special grant of the 2019 A Share Incentive Plan
“2020 Award”	an award granted by the Board to a 2020 Selected Participant, which may vest in the form of 2020 Award Shares or the actual selling price of the 2020 Award Shares in cash, as the Board may determine in accordance with the terms of the 2020 Scheme Rules
“2020 Award Shares”	the H Shares granted to a 2020 Selected Participant in a 2020 Award
“2020 Eligible Employee”	eligible employees of the 2020 Scheme pursuant to the 2020 Scheme Rules

“2020 H Share Award and Trust Scheme” or “2020 Scheme”	the H Share award and trust scheme adopted by the Company in accordance with the 2020 Scheme Rules on August 31, 2020
“2020 Independent Selected Participant(s)”	2020 Selected Participants who are not connected persons of the Group
“2020 Profit Distribution”	the proposed distribution of cash dividend of RMB3.63 for every 10 Shares (inclusive of tax) under the 2020 Profit Distribution Plan
“2020 Profit Distribution Plan”	the profit distribution plan of the Company for the year ended December 31, 2020 which includes the 2020 Capitalization of Reserve and the 2020 Profit Distribution
“2020 Scheme Rules”	the rules of the 2020 Scheme (as amended from time to time)
“2020 Selected Participants”	any 2020 Eligible Employee who is approved for participation in the 2020 Scheme and has been granted any 2020 Award in accordance with the 2020 Scheme Rules
“2021 Award”	an award granted by the Board to a 2021 Selected Participant, which may vest in the form of 2021 Award Shares or the actual selling price of the 2021 Award Shares in cash, as the Board may determine in accordance with the terms of the 2021 Scheme Rules
“2021 Award Shares”	the H Shares granted to a 2021 Selected Participant in a 2021 Award
“2021 Eligible Employee”	eligible employees of the 2021 Scheme pursuant to the 2021 Scheme Rules
“2021 H Share Award and Trust Scheme” or “2021 Scheme”	the H Share award and trust scheme adopted by the Company in accordance with the 2021 Scheme Rules on August 30, 2021
“2021 Independent Selected Participant(s)”	2021 Selected Participants who are not connected persons of the Group

“2021 Profit Distribution”	the proposed distribution of cash dividend of RMB5.1740 for every 10 Shares (inclusive of tax) under the 2021 Profit Distribution Plan
“2021 Profit Distribution Plan”	the profit distribution plan of the Company for the year ended December 31, 2021 which includes the 2021 Profit Distribution
“2021 Scheme Rules”	the rules of the 2021 Scheme (as amended from time to time)
“2021 Selected Participants”	any 2021 Eligible Employee who is approved for participation in the 2021 Scheme and has been granted any 2021 Award in accordance with the 2021 Scheme Rules
“2022 Award”	an award granted by the Board to a 2022 Selected Participant, which may vest in the form of 2022 Award Shares or the actual selling price of the 2022 Award Shares in cash, as the Board may determine in accordance with the terms of the 2022 Scheme Rules
“2022 Award Shares”	the H Shares granted to a 2022 Selected Participant in a 2022 Award
“2022 Connected Selected Participants”	2022 Selected Participants under the 2022 Scheme who are connected persons of the Group
“2022 Eligible Employee”	eligible employees of the 2022 Scheme pursuant to the 2022 Scheme Rules
“2022 H Share Award and Trust Scheme” or “2022 Scheme”	the 2022 H Share award and trust scheme adopted by the Company in accordance with the 2022 Scheme Rules on August 18, 2022
“2022 Scheme Rules”	the rules of the 2022 Scheme (as amended from time to time)
“2022 Selected Participants”	any 2022 Eligible Employee who is approved for participation in the 2022 Scheme and has been granted any 2022 Award in accordance with the 2022 Scheme Rules
“2022 Profit Distribution”	the proposed distribution of cash dividend of RMB8.9266 for every 10 Shares (inclusive of tax) under the 2022 Profit Distribution Plan

“2022” Profit Distribution Plan”	the profit distribution plan of the Company for the year ended December 31, 2022 which includes the 2022 Profit Distribution
“A Share(s)”	domestic shares of our Company, with a nominal value of RMB1.00 each, which are listed for trading on the Shanghai Stock Exchange and traded in RMB
“AAV”	adeno-associated virus
“AGM”	the 2022 annual general meeting to be convened by the Company
“API”	active pharmaceutical ingredient
“Articles of Association”	the articles of association of the Company as amended from time to time
“Audit Committee”	the audit committee of the Board
“Board”	our board of Directors
“Bonds” or “Convertible Bonds”	USD300 million zero coupon convertible bonds due 2024 convertible at the option of the holder thereof into fully paid ordinary H Shares of the Company of par value RMB1.00 each at the adjusted conversion price of HK\$66.17 per H Share
“CAGR”	compound annual growth rate
“CDMO”	Contract Development and Manufacturing Organization, a CMO that in addition to comprehensive drug manufacturing services, also provide process development and other drug development services in connection with its manufacturing services
“CG Code”	the “Corporate Governance Code” as contained in Appendix 14 to the Listing Rules
“Changzhou STA”	Changzhou STA Pharmaceutical Co., Ltd.* (常州合全藥業有限公司)

“China” or “PRC”	the People’s Republic of China, which for the purpose of this annual results announcement and for geographical reference only, excludes Hong Kong, Macau and Taiwan
“Company”, “our Company”, “WuXi AppTec”, “We”, “our”, or “us”	WuXi AppTec Co., Ltd.* (無錫藥明康德新藥開發股份有限公司), a joint stock limited company incorporated under the laws of the PRC, the predecessor of which, WuXi AppTec Ltd. (無錫藥明康德新藥開發有限公司) (formerly known as WuXi PharmaTech Co., Ltd (無錫藥明康德組合化學有限公司)) was established under the laws of the PRC as an enterprise legal person in December 2000, the A Shares of which are listed on the Shanghai Stock Exchange (stock code: 603259) and the H shares of which are listed on the Hong Kong Stock Exchange (stock code: 02359) and if the context requires, includes its predecessor
“COVID-19”	the novel coronavirus pneumonia
“CRDMO”	Contract Research Development and Manufacturing Organization
“CRO”	Contract Research Organization
“CTDMO”	Contract Testing, Development, Manufacturing Organization
“Director(s)”	the director(s) of the Company or any one of them
“EBITDA”	Earnings before Interest, Tax, Depreciation and Amortization
“FDA”	Food and Drug Administration in the U.S.
“FVTPL”	Fair Value Through Profit or Loss
“GMP”	Good Manufacturing Practice, a quality system imposed on pharmaceutical firms to ensure that products produced meet specific requirements for identity, strength, quality and purity, and enforced by public agencies, for example the U.S. FDA

“Group” or “our Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign shares in the share capital of our Company with nominal value of RMB1.00 each, which are listed on the Stock Exchange
“HK\$” or “HKD”	Hong Kong dollars and cents, both are the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IFRS”	International Financial Reporting Standards
“IND”	investigational new drug
“KOLs”	key opinion leaders
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“Model Code”	the “Model Code for Securities Transactions by Directors of Listed Issuers” as set out in Appendix 10 to the Listing Rules
“NMPA”	the National Medical Products Administration of the PRC (國家藥品監督管理局)
“PROTAC”	Proteolysis Targeting Chimera
“R&D”	research and development
“Reporting Period”	the year ended December 31, 2022
“Restricted A Shares”	the restricted A Shares granted by the Company under the 2018 A Share Incentive Plan and/or the 2019 A Share Incentive Plan
“RMB”	Renminbi, the lawful currency of the PRC
“Share Options”	share options granted under the 2018 A Share Incentive Plan and/or the 2019 A Share Incentive Plan

“Share(s)”	ordinary shares in the capital of our Company with a nominal value of RMB1.00 each, comprising A Shares and H Shares
“Shareholder(s)”	holder(s) of Shares
“SMO”	Site Management Organization
“STA”	Shanghai SynTheAll Pharmaceutical Co., Ltd* (上海合全藥業股份有限公司)
“Stock Exchange” or “Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TESSA”	Tetracycline-Enabled Self-Silencing Adenovirus
“U.S.”	the United States of America, its territories, its possession and all areas subject to its jurisdiction
“USD” or “US\$”	United States dollars, the lawful currency of the United States
“WIND”	WuXi IND
“WuXi ATU”	CTDMO business of the Company
“WuXi Biology”	biology business of the Company
“WuXi Chemistry”	chemistry business of the Company
“WuXi DDSU”	domestic new drug discovery service unit of the Company
“Wuxi STA”	Wuxi STA Pharmaceutical Co., Ltd. (無錫合全藥業有限公司)

“WuXi Testing”	testing business of the Company
“YoY”	year-over-year
“%”	percentage

By order of the Board
WuXi AppTec Co., Ltd.*
Dr. Ge Li
Chairman

Hong Kong, March 20, 2023

As at the date of this announcement, the Board comprises Dr. Ge Li, Mr. Edward Hu, Dr. Steve Qing Yang, Dr. Minzhang Chen, Mr. Zhaohui Zhang and Dr. Ning Zhao as executive Directors, Mr. Xiaomeng Tong and Dr. Yibing Wu as non-executive Directors and Dr. Jiangnan Cai, Ms. Yan Liu, Dr. Hetong Lou, Mr. Xiaotong Zhang and Mr. Dai Feng as independent non-executive Directors.

* *For identification purposes only*