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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 UNAUDITED INTERIM RESULTS
 FOR THE SIX MONTHS ENDED JUNE 30, 2022**

	Six months ended June 30,		Change
	2022	2021	
	<i>RMB million</i>	<i>RMB million</i>	
	(except for percentages)	(except for percentages)	
Revenue	17,756.3	10,536.6	68.5%
Gross Profit	6,426.8	3,883.7	65.5%
<i>Gross Profit Margin</i>	36.2%	36.9%	
Net Profit Attributable to the Owners of the Company	4,635.7	2,675.1	73.3%
<i>Margin of Net Profit Attributable to the Owners of the Company</i>	26.1%	25.4%	
Adjusted Non-IFRS Net Profit Attributable to the Owners of the Company	4,300.7	2,447.9	75.7%
<i>Margin of Adjusted Non-IFRS Net Profit Attributable to the Owners of the Company</i>	24.2%	23.2%	
	RMB	RMB	
Earnings per Share			
— Basic	1.59	0.92	72.8%
— Diluted	1.48	0.91	62.6%
Adjusted Non-IFRS Earnings per Share			
— Basic	1.47	0.84	75.0%
— Diluted	1.46	0.84	73.8%

The Board resolved not to declare any interim dividend for the six months ended June 30, 2022.

The Board of Directors is pleased to announce the unaudited interim results of the Company and its subsidiaries for the Reporting Period.

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

During the Reporting Period, the Company continued to execute on its unique end-to-end full-service platform achieving numerous synergies and strong growth across our business segments, while grasping new business opportunities by actively engaging new long tail customers. As at June 30, 2022, our active customer base has exceeded 5,850 with about 650 new active customers added during the Reporting Period. Top 20 global pharmaceutical companies made up 44.2% of our total revenue, representing a 165% YoY growth, while long tail customers made up 55.8% of our total revenue, representing a 31% YoY growth. We continued to optimize cross-platform synergies and increased our presence globally, strengthening our unique competitive advantage as a fully integrated CRDMO and a true one-stop service provider that is able to fulfill all our clients’ discovery, development and manufacturing service needs. In order to better serve our global customers, we have about 32 facility sites globally. Our revenue is well diversified across different geographic locations.

The Company continued to expand its capabilities by adding talents with unique academic and professional qualifications across all levels of the organization. As at June 30, 2022, we had 39,716 staff members, among which 11,441 staff members have a master’s degree and 1,294 staff members have a doctoral degree.

Revenue

For the six months ended June 30, 2022, the Company realized RMB17,756.3 million in revenue, representing a YoY growth of 68.5%. The Company has achieved a continuous quarter-over-quarter revenue growth for 17 consecutive quarters since the first quarter of 2018 to June 30, 2022 (other than the first quarter of 2020 due to the COVID-19 pandemic). For the first quarter and the second quarter of 2022, revenue grew by 32.8% and 9.5% on a quarter-over-quarter basis, respectively. Revenue from US-based clients grew by 104% to RMB11,909 million; revenue from China-based clients grew by 27% to RMB3,175 million; revenue from Europe-based clients grew by 24% to RMB1,853 million; revenue from other clients grew by 15% to RMB819 million. We continued to expand our customer base and retain existing clients. During the Reporting Period, revenue from existing clients grew by 79% to RMB17,366 million and new clients contributed RMB391 million in revenue. During the Reporting Period, revenue from top 20 global pharmaceutical companies grew by 165% to RMB7,856 million; revenue attributable to all other clients grew by 31% to RMB9,900 million. Our unique positioning across the pharmaceutical development value-chain drove our “follow-the-customer” and “follow-the-molecule” strategies and enhance synergies across our business segments. Clients using services from more than one of our business units contributed RMB15,744 million in revenue, representing a YoY growth of 82%.

Detailed breakdown of our revenue by operating segments is as follows:

Operating Segments	Six months ended June 30,		Revenue Change
	2022 Revenue <i>RMB million</i>	2021 Revenue <i>RMB million</i>	
WuXi Chemistry	12,974.1	6,425.8	101.9%
WuXi Testing	2,605.0	2,107.2	23.6%
WuXi Biology	1,090.7	920.2	18.5%
WuXi ATU	615.4	453.4	35.7%
WuXi DDSU	455.1	620.7	-26.7%
Other	16.0	9.2	74.3%
Total	<u>17,756.3</u>	<u>10,536.6</u>	<u>68.5%</u>

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

(1) *WuXi Chemistry*

Our chemistry business realized revenue of RMB12,974.1 million in the first half of 2022, representing a YoY growth of 101.9% as compared to the revenue of RMB6,425.8 million in the same period of 2021. Revenue from small molecule drug discovery (R) services amounted to RMB3,503.7 million, representing a YoY growth of 36.5%, and revenue from process D&M services amounted to RMB9,470.4 million, representing a YoY growth of 145.4%. Excluding the COVID-19 commercialization projects, revenue from chemistry business recorded a YoY growth of 36.8%. We fully leveraged our technological advantage in process development and pushed forward the strategy of “follow-the-molecule”. In relation to small molecule drug discovery (R) services, we completed the synthesis of more than 180,000 custom synthesized compounds in the first half of 2022, empowering customers of early-stage development of innovative small molecule drugs and serving as an important “funnel entrance” of the Company’s downstream business units. By establishing close collaborative relationships with our customers in drug discovery and preclinical stages based on our “follow-the-customer” and “follow-the-molecule” strategies, we are able to seek opportunities for new projects from late clinical stage to the commercialization stage, facilitating sustainable and rapid growth in revenue from our CRDMO services. The Company continuously implements the long-tail customer strategy and has recorded robust growth in long-tail customers. During the Reporting Period, we added 473 molecules to the chemistry process D&M pipeline. As at the end of the first half of 2022, our chemistry services involved 2,010 new drug molecules, including 52 in Phase III, 288 in Phase II, 1,627 in Phase I and preclinical stage and 43 drug approvals. In terms of D&M services of new modalities, the number of oligonucleotide and peptide D&M customers under our chemistry business sector was 98, representing a YoY growth of 123%. The number of oligonucleotide and peptide D&M molecules was 142, representing a YoY growth of 63%. Revenue from oligonucleotide and peptide D&M reached RMB705 million. Capacity expansion of WuXi Chemistry continued to accelerate in the first half of 2022 to meet demands. In June 2022, we announced the opening of another high-potency API plant at our Changzhou site. The new plant will meet growing demand for high-potency API process R&D and manufacturing services. In July 2022, we announced the opening of a new large-scale oligonucleotide and peptide manufacturing facility at our Changzhou campus. The new facility underscores our ongoing commitment to enhancing our capacity and capability to meet the fast-growing customer needs for oligonucleotide and peptide therapeutics development and manufacturing worldwide. In addition, we opened a continuous manufacturing (flow chemistry) plant at our Changzhou campus for large-scale API and advanced intermediate production. This new expansion marks our ongoing effort to enhance our flow chemistry platform in response to increasing customer demand for scalable and sustainable pharmaceutical manufacturing.

(2) *WuXi Testing*

Our testing business realized revenue of RMB2,605.0 million in the first half of 2022, representing a YoY growth of 23.6% as compared to the revenue of RMB2,107.2 million in the same period of 2021. Revenue from lab analysis and testing services amounted to RMB1,890.0 million, representing a YoY growth of 34.6%, and revenue from clinical CRO and SMO amounted to RMB715.1 million, representing a YoY growth of 1.7%. We provide a full range of laboratory testing services to our customers, including drug metabolism and pharmacokinetics (DMPK), toxicology, and bioanalysis for drug development testing as well as medical device testing. We leveraged our integrated platform through the WIND service platform, and integrated preclinical pharmacodynamics, pharmacokinetics, safety evaluation, and application writing and filing to provide a one-stop service for customers in respect of new drug R&D and filing globally so as to accelerate their process of new drug R&D. In the first half of 2022, 72 service contracts were signed through the WIND service platform. In respect of drug safety evaluation business, revenue maintained significant growth momentum as compared to the same period of 2021 and realized a YoY growth of 53% during the Reporting Period. We maintained and expanded our industry-leading position in Asia for drug safety evaluation services that meet the highest global regulatory requirements. Testing services for medical devices recovered significantly and recorded a YoY growth of 31% during the Reporting Period. In respect of clinical CRO services, in the first half of 2022, the Company provided clinical testing and development services to around 170 projects and assisted customers in obtaining 10 IND approvals. For clinical SMO services, the Company continued its rapid expansion. As at the end of the first half of 2022, the SMO team had more than 4,600 staff, representing a YoY growth of 16%, across over 1,000 hospitals in approximately 150 cities in China. In the first half of 2022, SMO supported 16 new drugs approval.

(3) *WuXi Biology*

Our biology business realized revenue of RMB1,090.7 million in the first half of 2022, representing a YoY growth of 18.5% as compared to the revenue of RMB920.2 million in the same period of 2021. The Company has the largest discovery biology enabling platform, with more than 2,500 experienced scientists who provide comprehensive biology services and solutions covering all stages and therapeutic areas of drug R&D. The Company has established three centers of excellence for non-alcoholic steatohepatitis (NASH), anti-viral, neuroscience and aging. The Company has a leading DNA Encoded Library (DEL) and hit compound generation platform, providing service for more than 1,200 customers globally. We leverage our global network across Asia, Europe and North America to develop and use new technologies such as One-Bead-One-Compound (OBOC) to drive growth and maintain business continuity. The Company continues to build new biology capabilities related to new modalities, including target protein degradation, nucleic acid based and conjugated modalities, vector platforms, and novel drug delivery vehicles. In the first half of 2022, revenue from new modalities and large molecules grew by 67%, and its revenue contribution rose to 19.0% in the first half of 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 realized revenue of RMB615.4 million in the first half of 2022, representing a YoY increase of 35.7% as compared to the revenue of RMB453.4 million in the same period of 2021. The Company further strengthened the capabilities in product testing, process development and production of cell and gene therapy products. It provided development and production services for 67 projects, including 51 clinical testing projects in preclinical and Phase I, 9 clinical testing projects in Phase II, and 7 clinical testing projects in Phase III (4 projects are in biological license application (BLA) preparation stage). The Company announced the launch of Tetracycline-Enabled Self-Silencing Adenovirus (TESSA™) in March 2022. TESSA™ technology is a revolutionary and novel process for transfection-free, scalable manufacturing of adeno-associated virus (AAV). Process has now been scaled to 200L that produces more than 10 times AAV products compared to traditional plasmid-based manufacture. At the end of the first half of 2022, we had 30 TESSA™ evaluation projects by customers.

(5) *WuXi DDSU*

Our DDSU business realized revenue of RMB455.1 million in the first half of 2022, representing a YoY decrease of 26.7% as compared to RMB620.7 million in the same period of 2021. The revenue decline was mainly attributed to business evolution that aim to better serve the growing needs of clients in China for novel and innovative products, which will take longer to deliver INDs. In the first half of 2022, the Company helped customers complete IND filing process for 9 projects and obtained 19 clinical trial approvals. As at the end of the first half of 2022, the Company had completed IND filings for 153 projects and obtained clinical trial approvals for 129 projects. In addition, new drug application (NDA) for 1 project was in progress, and there were 5 projects, 18 projects and 77 projects in Phase III, Phase II and Phase I clinical trials, respectively. Upon the launch of customers' products, we will receive a commission according to the agreed percentage of the drug revenue of customers pursuant to the agreements. We are now putting our efforts towards the discovery of potential best-in-class molecules and new modalities molecules for customers. In the first half of 2022, we worked for customers on 15 pre-clinical projects in new modalities that include Peptide/Peptide-Drug-Conjugation (PDC), protein degraders and oligonucleotides. Several of these projects are expected to file an IND in late 2022 or early 2023.

Explanatory matters

After Shanghai experienced an Omicron outbreak in the second quarter of 2022, we effectively implemented our business continuity plan and leveraged our global capacities and comprehensive capabilities to ensure the health of our employees and continue our business operations. Since June 2022, we have resumed operations of our facilities in Shanghai, and continue to meet project delivery timelines and capture new business opportunities. We have increased our revenue growth target for the full year of 2022 to the range of 68–72% from 65–70% year-over-year, and we are confident to deliver strong growth in 2022 and beyond.

The abovementioned operating performance forecast for the full year of 2022 is made based on the current order backlog of the Company. In addition, such operating performance forecast is subject to various prerequisites, including the continued stabilization or improvement of the COVID-19 global pandemic, the stable development of the global pharmaceutical industry and the stability of the international trade environment and regulatory environment of the countries where the main operations of the Company are located. Further, such operating performance forecast does not constitute a profit forecast by the management of the Company for the full year of 2022 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

	2022		Six months ended June 30, 2021		Gross Profit Change
	Gross Profit RMB million	Gross Profit Margin	Gross Profit RMB million	Gross Profit Margin	
WuXi Chemistry	5,072.4	39.1%	2,629.4	40.9%	92.9%
WuXi Testing	871.2	33.4%	673.2	31.9%	29.4%
WuXi Biology	416.6	38.2%	308.2	33.5%	35.2%
WuXi ATU	-57.7	-9.4%	-14.5	-3.2%	298.1%
WuXi DDSU	116.2	25.5%	284.5	45.8%	-59.2%
Gross profit of core business	6,418.6	36.2%	3,880.7	36.9%	65.4%
Gross profit of other business	8.2	51.4%	3.0	32.8%	173.1%
Comprehensive gross profit	6,426.8	36.2%	3,883.7	36.9%	65.5%

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

For the six months ended June 30, 2022, the Company realized RMB6,426.8 million in gross profit, representing a YoY growth of 65.5%. Gross profit margin was 36.2%, representing a decrease of 0.7 percentage points as compared with the same period of 2021.

(1) WuXi Chemistry

During the Reporting Period, the gross profit was RMB5,072.4 million and the gross profit margin dropped by 1.8 percentage points, mainly due to the significant decrease in the hedging contracted exchange rate (USD against RMB) in the Reporting Period when compared with the same period in 2021.

(2) WuXi Testing

During the Reporting Period, the gross profit was RMB871.2 million and the gross profit margin increased by 1.5 percentage points. However, it was partially offset by the unfavorable impact of the Omicron outbreak in the second quarter on clinical CRO and SMO business.

(3) *WuXi Biology*

During the Reporting Period, the gross profit was RMB416.6 million and the gross profit margin increased by 4.7 percentage points, mainly due to the fluctuation in gross profit of projects delivered during various periods.

(4) *WuXi ATU*

During the Reporting Period, the gross profit was RMB(57.7) million and the gross profit margin dropped by 6.2 percentage points, mainly due to under-utilized capacities of the newly built Shanghai Lingang site.

(5) *WuXi DDSU*

During the Reporting Period, the gross profit was RMB116.2 million and the gross profit margin dropped by 20.3 percentage points, mainly due to the decrease of revenue resulted from business evolution.

Other Income

Other income increased from RMB206.1 million for the six months ended June 30, 2021 to RMB240.5 million for the six months ended June 30, 2022, representing a YoY growth of 16.7%. The increase in other income was primarily due to: (1) increase in R&D grants of RMB46.6 million; and (2) increase in dividend income arising from financial assets at FVTPL of RMB9.6 million; offset by (3) decrease in interest income of RMB21.8 million.

Other Gains and Losses

Other gains and losses increased from RMB740.6 million for the six months ended June 30, 2021 to RMB1,389.9 million for the six months ended June 30, 2022, representing a YoY growth of 87.7%. The increase in other gains and losses was primarily due to: (1) a turn-around from loss to gain of RMB1,768.7 million in derivate financial instruments, which mainly resulted from fair value changes of the derivative component of the Convertible Bonds; (2) a turn-around from loss to gain of RMB284.8 million in net foreign exchange; (3) increase in fair value gain of biological assets of RMB245.7 million; (4) gain resulting from transfer of an investment in a subsidiary to financial assets at FVTPL of RMB125.4 million; (5) net increase in other individually insignificant items of RMB23.3 million; and partially offset by (6) decrease in gain from investment portfolios of RMB1,798.5 million.

Administrative Expenses

Administrative expenses increased from RMB995.3 million for the six months ended June 30, 2021 to RMB1,307.8 million for the six months ended June 30, 2022, representing a YoY growth of 31.4%. 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 RMB404.4 million for the six months ended June 30, 2021 to RMB657.2 million for the six months ended June 30, 2022, representing a YoY growth of 62.5%. During the Reporting Period, the Company continued to invest substantially in further improving service capabilities for new molecule types, such as PROTAC, oligonucleotide, peptide, antibody-drug conjugate (ADC), bi-specific antibody, cell and gene therapies.

Share of Results of Associates

Share of results of associates decreased from gains of RMB217.3 million for the six months ended June 30, 2021 to losses of RMB70.8 million for the six months ended June 30, 2022. The turnaround from gains to losses was primarily due to: (1) a turnaround of equity pick-up from gain to loss of WuXi Healthcare Ventures II L.P., leading to a decrease of RMB324.4 million; partially offset by (2) increase in equity pick-up gain of RMB36.3 million from WuXi XDC Cayman Inc. and other associates.

Share of Results of Joint Ventures

Share of results of joint ventures increased from losses of RMB22.3 million for the six months ended June 30, 2021 to gains of RMB1.4 million for the six months ended June 30, 2022. The turnaround from losses to gains was primarily due to performance improvement at the joint ventures during the Reporting Period.

Income Tax Expenses

Income tax expenses increased from RMB487.7 million for the six months ended June 30, 2021 to RMB865.2 million for the six months ended June 30, 2022, representing a YoY growth of 77.4%. 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 Period

Profit for the Reporting Period increased from RMB2,692.2 million for the six months ended June 30, 2021 to RMB4,675.7 million for the six months ended June 30, 2022, representing a YoY increase of 73.7%. Net profit margin increased from 25.6% to 26.3% primarily due to strong revenue growth leading to profit increase during the Reporting Period.

Cash Flows

	Six months ended June 30,		Change
	2022	2021	
	<i>RMB million</i>	<i>RMB million</i>	
Net cash from operating activities	3,767.9	2,063.5	82.6%
Net cash used in investing activities	(3,770.1)	(2,486.0)	51.7%
Net cash (used in) from financing activities	(1,137.6)	62.8	N.A.

For the six months ended June 30, 2022, net cash flows from operating activities of the Company amounted to RMB3,767.9 million, representing an increase of 82.6% over the six months ended June 30, 2021. The increase was primarily due to the strong growth of revenue and continuous improvement on operating process, leading to a higher turnover efficiency of working capital.

For the six months ended June 30, 2022, net cash flows used in investing activities of the Company amounted to RMB3,770.1 million, representing an increase of 51.7% over the six months ended June 30, 2021. The increase was primarily due to increasing capital investments in constructions in Taixing, Wuhan, Changzhou and Changshu sites, as well as capital injection to associates during the Reporting Period.

For the six months ended June 30, 2022, net cash flows used in financing activities of the Company amounted to RMB1,137.6 million, compared to the net cash from financing activities of RMB62.8 million for the six months ended June 30, 2021. The turnaround was primarily due to the decrease in net cash inflow from short-term loan financing, and the distribution of 2021 cash dividend during the Reporting Period which was much greater in amount than the cash dividend of the same period in 2021.

Indebtedness

As at June 30, 2022, total liabilities of the Company amounted to RMB19,520.1 million (December 31, 2021: RMB16,369.9 million), the composition of which was 43.7% being trade and other payables, 16.6% being contract liabilities, 14.7% being bank borrowings, 6.3% being lease liabilities and 5.4% being Convertible Bonds.

(1) Borrowings

As at June 30, 2022, the Company had aggregated borrowings of RMB2,870.9 million and the whole amount will be due within one year. Floating interest rate borrowings amounted to RMB100.7 million and fixed interest rate borrowings amounted to RMB2,770.2 million. USD borrowings amounted to RMB2,281.9 million (equivalent to USD340.0 million) and RMB borrowings amounted to RMB589.0 million.

(2) Charges on Assets

As at June 30, 2022, the Company pledged bank deposits with an amount of RMB0.4 million, which decreased by 99.4% from RMB63.4 million as at December 31, 2021. The balance mainly represented deposits placed in banks as collateral for banks to issue letters of guarantee for the Group's raw material purchasing and domestic construction projects.

(3) Contingent Liabilities

As at June 30, 2022, the Company has no significant contingent liabilities.

(4) Gearing Ratio

As at June 30, 2022, the gearing ratio, calculated as total liabilities over total assets, was 31.5%, as compared with 29.7% as at December 31, 2021. The slight increase was primarily due to increase in trade related payables and borrowings for supporting performance achievement and capacity expansion.

Treasury Policies

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

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

B. Non-IFRS Measure

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

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

Adjusted EBITDA

	Six months ended June 30,	
	2022	2021
	RMB million	RMB million
	(except for	(except for
	percentages)	percentages)
Profit before tax	5,540.9	3,179.9
Add:		
Interest expense	66.5	68.9
Depreciation and amortization	875.8	693.6
	<hr/>	<hr/>
EBITDA	<u>6,483.1</u>	<u>3,942.4</u>
<i>EBITDA margin</i>	36.5%	37.4%
Add:		
Share-based compensation expenses	430.9	375.0
Issuance expenses of Convertible Bonds	1.1	2.4
Fair value (gain) loss from derivative component of Convertible Bonds	(274.5)	1,493.3
Foreign exchange related (gains) losses	(206.6)	79.0
Realized and unrealized gains from venture capital investments	(355.1)	(2,266.0)
Realized and unrealized share of (gains) losses from joint ventures	(1.4)	22.3
	<hr/>	<hr/>
Adjusted EBITDA	<u>6,077.5</u>	<u>3,648.5</u>
<i>Adjusted EBITDA margin</i>	34.2%	34.6%

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

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

	Six months ended June 30,	
	2022	2021
	<i>RMB million</i>	<i>RMB million</i>
Profit attributable to the owners of the Company	4,635.7	2,675.1
Add:		
Share-based compensation expenses	360.0	310.6
Issuance expenses of Convertible Bonds	0.9	1.8
Fair value (gain) loss from derivative component of Convertible Bonds	(274.5)	1,439.3
Foreign exchange related (gains) losses	(158.5)	66.8
Amortization of acquired intangible assets from merge and acquisition	28.7	26.2
	<hr/>	<hr/>
Non-IFRS net profit attributable to the owners the Company	<u>4,592.2</u>	<u>4,573.8</u>
Add:		
Realized and unrealized gains from venture capital investments	(290.1)	(2,148.2)
Realized and unrealized share of (gains) losses from joint ventures	(1.4)	22.3
	<hr/>	<hr/>
Adjusted non-IFRS net profit attributable to the owners of the Company	<u>4,300.7</u>	<u>2,447.9</u>

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

C. Assets and Liabilities Analysis

In RMB million

Items	Amount as at June 30, 2022	Percentage of the amount to the total assets as at June 30, 2022 (%)	Amount as at December 31, 2021	Percentage of the amount to the total assets as at December 31, 2021 (%)	Ratio of change for the amount as at June 30, 2022 as compared with the amount as at December 31, 2021 (%)	Reasons
Assets						
Biological assets (non-current)	956.9	1.5	733.5	1.3	30.4	Primarily due to the increase in quantities and fair value change of biological assets during the Reporting Period.
Interests in associates	1,078.1	1.7	619.4	1.1	74.1	Primarily due to the investment in WuXi XDC Cayman Inc. during the Reporting Period.
Amounts due from related parties	71.8	0.1	343.3	0.6	-79.1	Primarily due to collection of receivables from the sales of small molecule payload and linker business and relevant assets in Changzhou STA.
Trade and other receivables	7,767.1	12.5	5,968.5	10.8	30.1	Primarily due to the expansion of business and revenue growth during the Reporting Period.

Items	Amount as at June 30, 2022	Percentage of the amount to the total assets as at June 30, 2022 (%)	Amount as at December 31, 2021	Ratio of change for the amount		Reasons
				Percentage of the amount to the total assets as at December 31, 2021 (%)	as at June 30, 2022 as compared with the amount as at December 31, 2021 (%)	
Financial assets at FVTPL (Current)	40.6	0.1	527.3	1.0	-92.3	Primarily due to redemption of structured deposits during the Reporting Period.
Derivative financial instruments	13.2	0.0	229.1	0.4	-94.2	Primarily due to the settlement and fair value change of forward foreign exchange contracts.
Pledged bank deposits	0.4	0.0	63.4	0.1	-99.4	Primarily due to payment to employees for settling the vested and sold shares related to share-based compensations.
Other current assets	545.4	0.9	—	—	100	Primarily due to the reclassification of certificates of deposits due in one year.
Liabilities						
Derivative financial instruments	467.6	0.8	3.7	0.0	12,702.9	Primarily due to the fair value change of forward foreign exchange contracts.
Income tax payables	665.2	1.1	459.3	0.8	44.8	Primarily due to the increase of assessable income of subsidiaries during the Reporting Period.

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 June 30, 2022, the balance of current-financial assets at FVTPL amounted to RMB40.6 million, representing 0.07% of our total assets. Products associated of the investment balance have a maturity date within 90 days to 180 days. As at the end of the Reporting Period, the Group invested in structured deposits, which are conservative products with guaranteed principals and the amount of yields contingent on the indicative performance of the financial market and derivative, such as interest rate derivative, foreign exchange and commodity.

Investment in companies

As part of our efforts to foster the healthcare 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 additional 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 capabilities.

During the Reporting Period, addition in other equities aside from joint ventures and associates amounted to a total of RMB359.3 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 ^(Note 1)	20.1	115.9	223.3	359.3
Fair value change during the Reporting Period	(642.4)	(10.3)	802.4	149.7
Disposal of shares	(32.6)	(0.9)	(128.8)	(162.3)
Dividends	—	(16.5)	—	(16.5)
Foreign exchange effects	51.7	27.6	220.7	300.0
Ending Balance	<u>1,507.6</u>	<u>947.8</u>	<u>6,888.9</u>	<u>9,344.3</u>

Note 1: The addition amount includes fair value of interest retained after deemed disposal of Suzhou Yao Ming Bo Rui Biotechnology Co., Ltd. (“**Borui Biotech**”). During the Reporting Period, the Group lost its control on Borui Biotech and evaluated that Borui Biotech was no longer its subsidiary. As at June 30, 2022, the investment was transferred to financial assets at FVTPL with amount of RMB167.1 million.

Note 2: The discrepancies between the 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 June 30, 2022.

Genesis Medtech Group Limited (“Genesis”)

Genesis provides high-quality research, production and sales services on medical device. As at June 30, 2022, the fair value of the equity interests held by our Group in Genesis amounted to RMB1,510.4 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 June 30, 2022, Genesis has over 1,600 employees and covers 1,500 hospitals, of which more than 50% are Class III Grade A hospitals in China.

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

NanoMicro is a high-tech enterprise specializing in the R&D, large-scale production, sales and application services of high-performance nanomicrosphere materials, providing core microsphere materials and related technical solutions to customers in the fields of biomedicine, flat panel display, analytical testing and in vitro diagnostics. As at June 30, 2022, the fair value of the equity interests held by our Group in NanoMicro amounted to RMB521.4 million (representing 0.8% of our total assets).

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

iKang Healthcare Group (“iKang”)

iKang is a leading medical examination and health management group in China, providing high-quality medical services including medical examination, disease detection, dental services, private doctors, vaccination and anti-aging. As at June 30, 2022, the fair value of equity interests held by our Group in iKang amounted to RMB447.7 million (representing 0.7% of our total assets).

iKang was formerly listed on the Nation Association of Securities Dealers Automated Quotations (“NASDAQ”) Stock Exchange and subsequently privatized in January 2019. As at June 30, 2022, iKang operated 155 medical examination centers in 59 cities. iKang also cooperated with over 700 medical institutions in over 200 cities in China to provide one-stop countrywide medical examination and health management services.

Lyell Immunopharma, Inc. (NASDAQ: LYEL) (“Lyell”)

Headquartered in South San Francisco, California, the U.S., Lyell is a pre-revenue cell therapy company addressing unsolved problems of creating reliable, curative adoptive cell therapy for solid tumors. As at June 30, 2022, the fair value of the equity interests held by our Group in Lyell amounted to RMB358.0 million (representing 0.6% of our total assets).

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

- (1) Redefining the cell preparations for cell-based immunotherapy following the decades-long work of two of Lyell scientific leaders, Stan Riddell and Nick Restifo;
- (2) Modulating T cells to maintain their functionality within the solid tumor microenvironment;
- (3) Controlling the specificity and safety of solid tumor-directed T cells armed with T cell receptors, chimeric antigen receptors or other targeting modalities using state-of-the-art protein engineering.

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. As at June 30, 2022, the fair value of the equity interests held by our Group in Hanbon amounted to RMB273.0 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.

Significant Investment Held

As at June 30, 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, we fully leveraged our global footprint and full industrial chain coverage to develop global synergy and promote business continuity. We assisted our customers in pushing forward their new drug R&D and gained wide recognitions from them. Going forward, we will continue to enhance our capacity and expand our scale in China and overseas in order to enable pharmaceutical innovations worldwide more effectively.

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

The Company is committed to leveraging latest scientific and technological discoveries to enable medical innovation in an effort to assist its customer in transforming new drug ideas into reality. With its leading service capability and scale in the industry, the Company has established an entry barrier which can hardly be replicated by its competitors, enabling the Company 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 global and China medical industry has developed rapidly. Looking forward, the Company will continue to increase its investment in the service capabilities of new molecular types, such as PROTAC, oligonucleotide, peptide, antibody-drug conjugate (“ADC”), bi-specific antibody, cell and gene therapies, to capture new business opportunities and enable global medical innovation.

Moreover, through exploring technologies such as artificial intelligence, medical big data and laboratory automation, the Company strives to apply them in R&D of new drugs as early as possible to help its customers increase their R&D efficiency and minimize the entry barrier of pharmaceutical R&D. Leveraging its deep insights into industrial trends and emerging technologies, the Company enables its customers to understand and study the latest scientific and technological discoveries and convert them to potential products.

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

We have accumulated extensive industry experience after 20 years of rapid growth. Other than providing services, we have also established trusted partnerships with leading domestic and overseas pharmaceutical companies. We have deep understanding of the customers’ demands and are aware of the latest development trends. Through continuous strengthening of capabilities and expansion of scale, we strive to provide more premium and comprehensive services to our customers.

We continue to increase our capacities and enhance capabilities across all segments and facilities globally. In April 2022, WuXi Advanced Therapies (WuXi ATU), a wholly owned subsidiary of the Company, and A*STAR's Bioprocessing Technology Institute, announced a new partnership to bring WuXi Advanced Therapies (WuXi ATU)'s proprietary TESSA™ technology to the Asia-Pacific region. This partnership aims to foster scientific innovation in cell and gene therapy, and establish a joint professional development programme to train and develop the next generation of scientists and engineers in GMP manufacturing for the cell and gene therapy industry. In June 2022, we announced the opening of another high-potency API plant at our Changzhou site. The new plant will meet growing demand for high-potency API process R&D and manufacturing services. In July 2022, we announced the opening of a new large-scale oligonucleotide and peptide manufacturing facility at our Changzhou campus. The new facility underscores our ongoing commitment to enhancing our capacity and capability to meet the fast-growing customer needs for oligonucleotide and peptide therapeutics development and manufacturing worldwide. In addition, we opened a continuous manufacturing (flow chemistry) plant at our Changzhou campus for large-scale API and advanced intermediate production. This new expansion marks our ongoing effort to enhance our flow chemistry platform in response to increasing customer demand for safe and sustainable pharmaceutical manufacturing.

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

We have a strong, loyal and expanding customer base. During the Reporting Period, we added over 650 new customers and provided services to more than 5,850 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 44.2% of our revenue. As our service capabilities continue to expand, the number of our customers continue to grow. We aim to lower entry barriers for the discovery and development of innovative drugs with respect to capabilities, capacities and capital, and are committed to embracing demands of new and existing customers, thereby attracting new participants to join the evolving healthcare ecosystem. Through this lowering of entry barriers, we believe that we are able to catalyze and benefit from the continuous transformation of the healthcare ecosystem. By nurturing and incubating the rise of new business models and encouraging participants to develop new drugs and healthcare products, we drive the creation of new knowledge and technologies, stimulate new demand and improve efficiency, which further drives innovation and fuels the growth of all participants.

As the global pandemic continued unabated, the Company tightened its online communication and cooperation with its global customers during the pandemic lockdown where they stayed at home and facilitated the advancement of its new drug R&D programs. In the first half of 2022, the Company organized 5 online activities, including WuXi Global Forum, WuXi Healthy Aging Forum, WuXi Healthy Industry Forum, rare disease non-profit concerts, rare disease non-profit series forums and others, where over 120 industry KOLs, and over 50 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 19,000 people have registered for the online forums of the Company.

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

We have an excellent management team with global vision and strategic industrial 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 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 special grant of the 2019 A Share Incentive Plan (“**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 the 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.

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 June 30, 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 175 incentive participants have exercised an aggregate 780,104 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 announcement of the Company dated July 3, 2022 for further details.

(3) *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.

(4) *Adjustment to the repurchase price of Restricted A Shares under the 2018 A Share Incentive Plan and/or 2019 A Share Incentive Plan.*

2018 A Share Incentive Plan

Following the implementation of the 2021 Profit Distribution Plan, the repurchase price of Restricted A Shares granted under the initial grant of the 2018 A Share Incentive Plan shall be adjusted to RMB18.17 per A Share and the repurchase price of Restricted A Shares granted under the reserved grant of the 2018 A Share Incentive Plan shall be adjusted to RMB18.34 per A Share.

2019 A Share Incentive

Following the implementation of the 2021 Profit Distribution Plan, the repurchase price of Restricted A Shares granted under the initial grant of the 2019 A Share Incentive Plan shall be adjusted to RMB18.34 per A Share and the repurchase price of Restricted A Shares granted under the reserved grant of the 2019 A Share Incentive Plan shall be adjusted to RMB33.04 per A Share.

(5) *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 initial grant of the 2018 A Share Incentive Plan, the Company shall repurchase a total of 57,044 Restricted A Shares granted under the initial grant of the 2018 A Share Incentive Plan at the repurchase price of RMB18.69 per A Share. The repurchase and cancellation of such Restricted A Shares were completed on January 14, 2022. Please refer to the relevant announcement of the Company dated October 29, 2021, January 11, 2022 and January 14, 2022 for further details.

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; (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; and (iii) due to the departure of 1 incentive participant before the expiry of the vesting period of the share options granted under the reserved grant of 2018 A Share Incentive Plan, the Company shall cancel a total of 56,448 units of share options granted under the reserved grant of 2018 A Share Incentive Plan. 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 Repurchase and Cancellation of Part of the Restricted A Shares and the Cancellation of Part of the Share Options Granted under the Restricted A Shares and Stock Option Incentive Plan of 2019 of the Company” was approved at the twentieth meeting of the second session of the Board. Pursuant to the above proposal, due to (i) the departure of 29 Incentive Participants before the expiry of the lock-up periods of the Restricted A Shares granted under the Initial Grant and the 2019 Reserved Grant; and (ii) the departure of 27 Incentive Participants before the expiry of the withholding period of the Share Options, the Company shall (a) repurchase a total of 145,219 Restricted A Shares granted under the Initial Grant at the repurchase price of RMB18.85 per A Share; (b) repurchase a total of 15,120 Restricted A Shares granted under the Reserved Grant at the repurchase price of RMB33.55 per A Share; and (c) cancel 330,912 units of Share Options granted under the 2019 Initial Grant. The repurchase and cancellation of such Restricted A Shares were completed on January 14, 2022. Please refer to the relevant announcement of the Company dated October 29, 2021, January 11, 2022 and January 14, 2022 for further details.

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 initial grant of 2019 A Share Incentive Plan. 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 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; (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; and (iii) due to the departure of 1 incentive participant, 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 initial grant of 2019 A Share Incentive Plan. Please refer to the relevant announcement of the Company dated June 27, 2022 for further details.

(6) *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 relevant announcement of the Company dated June 27, 2022 for further details.

(7) *Further grant of 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 independent selected participants, and the number of Award Shares underlying the relevant 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.

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

A. Competition and Development Trends of the Industry

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

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

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

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

B. Development Strategies

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

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

C. Operation Plan

(1) *Platform Building*

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

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

(2) *Customer Strategy*

We are committed to further improving 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 domestic and overseas markets, in particular, long-tail customers through diversified channels. We will attract more participants to join the new drug R&D industry and enable more customers to succeed through ongoing reduction of entry barrier of drug R&D industry.

(3) *Quality and Compliance*

We have always adhered to the highest international quality standard and attached great importance to our compliance with relevant laws and regulations. We have developed management systems concerning quality control, safety in production, intellectual property protection, sales management, financial & accounting management, business continuity plan, etc. In 2022, we will continue to refine and implement our standard operating procedure to prevent incurrence of 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, ADC, bi-specific antibody, cell and gene therapies, to capture new business opportunities and empower global pharmaceutical innovation.

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

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

(5) *Team of Talents*

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

(6) *Corporate Culture*

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

D. Potential Risks

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

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

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

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

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

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

(4) *Business compliance risk*

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

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

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

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

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

(7) *Risk of failure in business expansion*

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

(8) *Foreign exchange risk*

We conduct a multinational business. Fluctuations in exchange rates between the RMB and USD and other currencies may be affected by, among other things, changes in political and economic conditions. During the Reporting Period, most of the revenue of the main business was denominated in USD while a majority of our cost of services and operating costs and expenses were denominated in RMB. During the Reporting Period, RMB exchange rate demonstrated significant volatility and the Company's foreign exchange gain/(loss) in the six months ended June 30, 2021 and June 30, 2022 were RMB78.2 million in loss and RMB206.6 million in gain, respectively. If RMB appreciates significantly against USD, our margins might be pressured, a portion of cost denominated in USD might be increased and the size of our international customers' orders might be contracted due to increase of unit prices of services denominated in USD. In addition, the USD asset we hold might cause foreign currency translation loss, which may adversely impact our profitability as a result.

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

Value of our assets or liabilities measured at FVTPL, such as investments in listed companies and other non-listed portfolios, derivative component of Convertible Bonds and biological assets, are determined at the fair value at the end of each Reporting Period, with the changes in fair value recognized in current profit and loss. Among which the value of our investments in listed companies and other non-listed portfolios is recorded as other non-current financial assets measured at FVTPL, the value of which could be greatly affected by market fluctuations. At the end of the Reporting Period, the balance of these assets held by our Company was RMB9,344.3 million. In the six months ended June 30, 2022 and June 30, 2021, the changes in fair value of the Company's equity interests in listed companies and other unlisted underlying interests were gains of RMB149.7 million and RMB1,251.4 million, respectively, with a difference of RMB1,101.7 million. The Company pays close attention to the investee listed companies with a view to making timely and ongoing investment decisions with these investee companies. As we mark-to-market the fair value of certain of our investments on a periodic basis, we expect the fair value of our financial assets at FVTPL, especially our investments in publicly-traded companies, may be negatively affected by capital market fluctuations which will further bring significant negative effect to our net profit.

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

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

HUMAN RESOURCES

As at June 30, 2022, the Group had 39,716 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 and the 2019 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 repurchase and cancellation of such Restricted A Shares were completed on January 14, 2022. Please refer to the relevant announcement of the Company dated October 29, 2021, January 11, 2022 and January 14, 2022 for further details.

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 Initial Grant and the 2019 Reserved Grant, the Company shall (i) repurchase a total of 145,219 Restricted A Shares granted under the 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 Reserved Grant at the repurchase price of RMB33.55 per A Share. The repurchase and cancellation of such Restricted A Shares were completed on January 14, 2022. Please refer to the relevant announcement of the Company dated October 29, 2021, January 11, 2022 and January 14, 2022 for further details.

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. Please refer to the relevant announcement of the Company dated June 27, 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 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. Please refer to the relevant announcement of the Company dated June 27, 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.

INTERIM DIVIDEND

The Board does not recommend the distribution of any interim dividend for the Reporting Period.

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

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 June 30, 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 unaudited condensed 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 independent auditors of the Company, namely Deloitte Touche Tohmatsu, have carried out a review of the interim financial information in accordance with the Hong Kong Standard on Review Engagement 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM 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 interim report of the Company for the Reporting Period will be despatched to the Shareholders and published on the aforesaid websites in due course.

CHANGE OF ADDRESS OF PRINCIPAL PLACE OF BUSINESS IN HONG KONG AND HONG KONG H SHARE REGISTRAR AND TRANSFER OFFICE

With effect from August 15, 2022, (i) the principal place of business in Hong Kong of the Company will be relocated from Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong to 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong; and (ii) the Hong Kong H Share Registrar and Transfer Office of the Company, Tricor Investor Services Limited (the “**H Share Registrar**”), will change its address from Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong to 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

All telephone and facsimile numbers of the H Share Registrar will remain unchanged.

The Board is pleased to announce that the unaudited condensed consolidated interim results of the Group for the six months ended June 30, 2022 with the comparative figures in the corresponding period in 2021 are as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended June 30, 2022

		Six months ended June 30,	
		2022	2021
		RMB'000	RMB'000
	<i>Notes</i>	(Unaudited)	(Unaudited)
Revenue	5	17,756,258	10,536,558
Cost of services		<u>(11,329,433)</u>	<u>(6,652,831)</u>
Gross profit		6,426,825	3,883,727
Other income	6	240,549	206,077
Other gains and losses	7	1,389,885	740,603
Impairment losses under expected credit losses ("ECL") model, net of reversal		(58,750)	(21,644)
Selling and marketing expenses		(355,614)	(355,259)
Administrative expenses		(1,307,811)	(995,276)
R&D expenses		<u>(657,200)</u>	<u>(404,431)</u>
Operating profit		<u>5,677,884</u>	<u>3,053,797</u>
Share of results of associates		(70,835)	217,286
Share of results of joint ventures		1,434	(22,293)
Finance costs	8	<u>(67,621)</u>	<u>(68,855)</u>
Profit before tax		<u>5,540,862</u>	<u>3,179,935</u>
Income tax expense	9	<u>(865,203)</u>	<u>(487,742)</u>
Profit for the period	10	<u><u>4,675,659</u></u>	<u><u>2,692,193</u></u>
Profit for the period attributable to:			
Owners of the Company		4,635,750	2,675,101
Non-controlling interests		<u>39,909</u>	<u>17,092</u>
		<u><u>4,675,659</u></u>	<u><u>2,692,193</u></u>
Earnings per Share (expressed in RMB per Share)			
— Basic	12	1.59	0.92
— Diluted	12	1.48	0.91

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended June 30, 2022

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit for the period	4,675,659	2,692,193
Other comprehensive income (expense) for the period		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of foreign operations	282,585	(71,539)
Fair value loss on hedging instrument designated in cash flow hedges	(581,173)	(205,603)
Other comprehensive expense for the period, net of income tax	(298,588)	(277,142)
Total comprehensive income for the period	<u>4,377,071</u>	<u>2,415,051</u>
Attributable to:		
Owners of the Company	4,342,460	2,400,005
Non-controlling interests	34,611	15,046
	<u>4,377,071</u>	<u>2,415,051</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2022

		June 30, 2022	December 31, 2021
		<i>RMB'000</i>	<i>RMB'000</i>
	<i>Notes</i>	(Unaudited)	(Audited)
Assets			
Non-current Assets			
Property, plant and equipment		20,064,140	15,848,703
Right-of-use assets		1,789,137	1,779,500
Goodwill		1,919,165	1,925,563
Other intangible assets		872,114	889,822
Interests in associates		1,078,101	619,382
Interests in joint ventures		61,554	58,923
Financial assets at fair value through profit or loss ("FVTPL")	13	9,344,343	8,714,098
Deferred tax assets		474,311	389,846
Other non-current assets		1,675,586	2,182,393
Biological assets		956,850	733,510
Total Non-current Assets		38,235,301	33,141,740
Current Assets			
Inventories		5,752,057	4,554,577
Biological assets		947,154	755,517
Contract costs		583,215	594,912
Amounts due from related parties		71,849	343,310
Trade and other receivables	14	7,767,100	5,968,471
Contract assets	14	862,746	773,433
Income tax recoverable		225	225
Financial assets at FVTPL	13	40,633	527,288
Derivative financial instruments	17	13,233	229,142
Pledged bank deposits		373	63,437
Bank balances and cash		7,094,220	8,175,336
Other current assets		545,361	—
Total Current Assets		23,678,166	21,985,648
Total Assets		61,913,467	55,127,388

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at June 30, 2022

		June 30, 2022	December 31, 2021
		RMB'000	RMB'000
	<i>Notes</i>	(Unaudited)	(Audited)
Capital and Reserves			
Share capital	18	2,956,794	2,955,827
Reserves		<u>39,123,639</u>	<u>35,535,682</u>
Equity attributable to owners of the Company		42,080,433	38,491,509
Non-controlling interests		<u>312,911</u>	<u>265,953</u>
Total Equity		<u>42,393,344</u>	<u>38,757,462</u>
Liabilities			
Non-current Liabilities			
Deferred tax liabilities		399,621	324,125
Deferred income		873,915	770,601
Lease liabilities		987,609	1,018,979
Convertible bonds-debt component	16	646,835	607,140
Convertible bonds-embedded derivative component	16	408,627	657,317
Other long-term liabilities		<u>48</u>	<u>7,170</u>
Total Non-current Liabilities		<u>3,316,655</u>	<u>3,385,332</u>
Current Liabilities			
Trade and other payables	15	8,527,169	6,855,964
Amounts due to related parties		13,331	21,439
Derivative financial instruments	17	467,562	3,652
Contract liabilities		3,231,090	2,986,379
Borrowings		2,870,909	2,261,480
Lease liabilities		248,066	220,183
Income tax payables		665,213	459,256
Other current liabilities		<u>180,128</u>	<u>176,241</u>
Total Current Liabilities		<u>16,203,468</u>	<u>12,984,594</u>
Total Liabilities		<u>19,520,123</u>	<u>16,369,926</u>
Total Equity and Liabilities		<u>61,913,467</u>	<u>55,127,388</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended June 30, 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 WuXi AppTec Ltd. 無錫藥明康德新藥開發有限公司 (formerly known as WuXi PharmaTechs Co., Ltd. 無錫藥明康德組合化學有限公司), a company with limited liability incorporated in the PRC in December 2000. The Company completed its initial public offering and listing of 104,198,556 ordinary shares of the Company (“**A Shares**”) on The Shanghai Stock Exchange (stock code: 603259.SH) on May 8, 2018, The Company completed its public offering and listing of 116,474,200 ordinary shares of the Company (“**H Shares**”) on the Main Board of The Stock Exchange of Hong Kong Limited (“**The Hong Kong Stock Exchange**”), (stock code: HK 2359) on December 13, 2018. On January 9, 2019, an aggregate of 5,321,200 H shares was issued and allotted by the Company with the exercise of over-allotment option.

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

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

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

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” (“IAS 34”) issued by the International Accounting Standards Board (“IASB”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

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 six months ended June 30, 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 interim period, the Group has applied the following amendments to IFRSs issued by the IASB for the first time, which are mandatorily effective for the annual period beginning on or after January 1, 2022 for the preparation of the Group’s condensed 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 IFRS Standards	Annual Improvements to IFRS Standards 2018–2020

The application of the amendments to IFRSs in the current interim period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed 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 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 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”) (SMO 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 and results by reportable segments.

	Six months ended June 30, 2022 (Unaudited)						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	12,974,122	2,605,046	1,090,655	615,404	455,073	
Segment results	<u>5,072,388</u>	<u>871,189</u>	<u>416,608</u>	<u>(57,728)</u>	<u>116,166</u>	<u>8,202</u>	<u>6,426,825</u>
Unallocated amount:							
Other income							240,549
Other gains and losses							1,389,885
Impairment losses under ECL model, net of reversal							(58,750)
Selling and marketing expenses							(355,614)
Administrative expenses							(1,307,811)
R&D expenses							(657,200)
Share of results of associates							(70,835)
Share of results of joint ventures							1,434
Finance costs							<u>(67,621)</u>
Profit before tax							<u><u>5,540,862</u></u>

	Six months ended June 30, 2021 (Unaudited)						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	6,425,785	2,107,240	920,225	453,409	620,743	
Segment results	2,629,393	673,159	308,195	(14,501)	284,478	3,003	3,883,727
Unallocated amount:							
Other income							206,077
Other gains and losses							740,603
Impairment losses under ECL model, net of reversal							(21,644)
Selling and marketing expenses							(355,259)
Administrative expenses							(995,276)
R&D expenses							(404,431)
Share of results of associates							217,286
Share of results of joint ventures							(22,293)
Finance costs							(68,855)
Profit before tax							<u>3,179,935</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.

In order to provide more transparent and relevant accounting information in the financial report that is reflective of the current business management structure of the Group, the Company has decided to adjust the presentation of its operating segments in October 2021. This change does not affect the financial statement data and presentation, and it only affects the presentation of segment reporting. Prior period segment disclosures have been represented to conform with the current period’s presentation.

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:

	Six months ended June 30,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Revenue		
— U.S.	11,909,254	5,834,903
— PRC	3,174,510	2,501,004
— Europe	1,853,456	1,489,892
— Rest of the world	819,038	710,759
	<u>17,756,258</u>	<u>10,536,558</u>

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

	At	At
	June 30,	December 31,
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
— PRC	21,813,258	17,508,049
— Rest of the world	5,006,406	4,428,849
	<u>26,819,664</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 below.

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

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue		
— WuXi Chemistry	12,974,122	6,425,785
— WuXi Testing	2,605,046	2,107,240
— WuXi Biology	1,090,655	920,225
— WuXi ATU	615,404	453,409
— WuXi DDSU	455,073	620,743
— Others	15,958	9,156
	<u>17,756,258</u>	<u>10,536,558</u>

Timing of revenue recognition

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Over time		
— WuXi Chemistry	2,656,411	2,158,190
— WuXi Testing	2,605,046	2,107,240
— WuXi Biology	1,090,655	920,225
— WuXi ATU	607,096	453,409
— WuXi DDSU	455,073	620,743
— Others	11,137	6,179
At a point in time		
— WuXi Chemistry	10,317,711	4,267,595
— WuXi ATU	8,308	—
— Others	4,821	2,977
	<u>17,756,258</u>	<u>10,536,558</u>

6. OTHER INCOME

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest income on bank balances	69,575	91,346
R&D grants and others related to		
— asset (i)	33,071	26,936
— income (ii)	128,142	87,666
Dividend income arising from financial assets at FVTPL	9,761	129
	<u>240,549</u>	<u>206,077</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 Reporting Period.

7. OTHER GAINS AND LOSSES

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net foreign exchange gain (loss)	206,590	(78,197)
Gain on deemed disposal of subsidiaries	125,445	—
Loss on disposal of plant and equipment	(5,652)	(5,993)
Gain on financial assets at FVTPL (realized)	165,933	868,971
Gain on financial assets at FVTPL (unrealized)	149,778	1,245,287
Loss on derivative financial instruments (realized)	—	(11,791)
Gain (Loss) on derivative financial instruments (unrealized)	274,509	(1,482,372)
Fair value gain on biological assets	477,842	232,190
Fair value loss on financial liabilities at FVTPL	—	(226)
Fair value gain (loss) on share-based appreciation rights	5,137	(21,949)
Others	(9,697)	(5,317)
	<u>1,389,885</u>	<u>740,603</u>

8. FINANCE COSTS

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest expense on borrowings	26,133	11,164
Imputed interest expense on payable for acquisition of a subsidiary	3,064	3,281
Interest on lease liabilities	27,162	29,470
Effective interest expense on Convertible Bonds	11,262	24,940
	<u>67,621</u>	<u>68,855</u>

9. INCOME TAX EXPENSE

	Six months ended June 30,	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current tax:		
— PRC	597,570	348,845
— Hong Kong	121,564	80,975
— U.S.	20,085	401
— Rest of world	3,149	16,583
	<u>742,368</u>	<u>446,804</u>
Under provision in respect of prior years:		
— PRC	27,799	7,588
	<u>27,799</u>	<u>7,588</u>
Deferred tax:		
— Current period	95,036	33,350
	<u>95,036</u>	<u>33,350</u>
	<u>865,203</u>	<u>487,742</u>

10. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging (crediting):

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	701,388	527,446
Depreciation of right-of-use assets	110,883	121,568
Amortisation of other intangible assets and other non-current assets	63,499	44,598
Staff cost (including directors' emoluments):		
— Salaries and other benefits	4,285,738	3,187,221
— Retirement benefit scheme contributions	490,418	339,671
— Equity-settled share-based payments	454,578	260,425
— Cash-settled share-based payments	(18,581)	92,739
	6,087,923	4,573,668
Capitalized in the ending balance of inventories and contract costs	(1,533,225)	(902,360)
	4,554,698	3,671,308
Write-down of inventories	(913)	9,347
Expense relating to short-term leases	2,034	7,017
Expense relating to leases of low-value assets that are not shown above as short-term leases	995	186
Auditor's remuneration	4,395	3,996

11. DIVIDENDS

On May 6, 2022, the 2021 profit distribution plan (“**2021 Profit Distribution Plan**”) of the Company was approved at the 2021 annual general meeting. Pursuant to the 2021 Profit Distribution Plan, a final dividend of RMB0.5174 per share (inclusive of tax) based on the record date for determining the shareholders' entitlement to 2021 Profit Distribution plan was declared to both holders of A Shares and H Shares. The aggregated dividends amounted to RMB1,529,442,000 (six months ended June 30, 2021: RMB889,580,000), including A shares dividends of RMB1,326,532,000 (six months ended June 30, 2021: RMB774,954,000), and H shares dividends of RMB202,910,000 (six months ended June 30, 2021: RMB114,626,000), which was paid by the Company during the current interim period.

The directors of the Company have determined that no dividend will be proposed or declared in respect of the current interim period (six months ended June 30, 2021: nil).

12. EARNINGS PER SHARE

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

	Six months ended June 30,	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings:		
Profit attributable to ordinary equity holders of the parent	4,635,750	2,675,101
Less: Cash dividends attribute to the shareholders of restricted shares expected to be unlocked in the future	(2,868)	(4,598)
Earnings for the purpose of calculating basic earnings per share	<u>4,632,882</u>	<u>2,670,503</u>
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	(1,428)	(4,821)
Effect of the conversion of the convertible bonds	<u>(263,533)</u>	<u>—</u>
Earnings for the purpose of calculating diluted earnings per share	<u><u>4,370,789</u></u>	<u><u>2,670,280</u></u>
Number of Shares ('000):		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<u>2,922,374</u>	<u>2,903,298</u>
Effect of dilutive potential ordinary shares:		
Effect of restricted shares and share options issued by the Company	17,882	21,097
Effect of the conversion of the convertible bonds	<u>11,641</u>	<u>—</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<u><u>2,951,897</u></u>	<u><u>2,924,395</u></u>

The earnings for the purpose of calculating diluted earnings per share has been adjusted on the effect of share options issued by a subsidiary and the effect of the conversion of the Convertible Bonds.

The computation of diluted earnings per share for the six months ended June 30, 2022 is based on weighted average number of shares assumed to be in issue after taking into account the effect of restricted shares, share options and the conversion of the outstanding convertible bonds issued by the Company.

The computation of diluted earnings per share for the six months ended June 30, 2021 is based on weighted average number of shares assumed to be in issue after taking into account the effect of restricted shares and share options. The computation of diluted earnings per share for the six months ended June 30, 2021 does not assumes the conversion of the Company's outstanding convertible bonds since their assumed exercise would result in an increase in earnings per share.

13. FINANCIAL ASSETS AT FVTPL

	At June 30, 2022 <i>RMB'000</i> (Unaudited)	At December 31, 2021 <i>RMB'000</i> (Audited)
Current asset		
Structured deposits and financial products	<u>40,633</u>	<u>527,288</u>
	<u>40,633</u>	<u>527,288</u>
Non-current assets		
Listed equity securities	1,507,609	2,110,784
Unlisted equity investments	6,888,905	5,771,360
Unlisted fund investments	<u>947,829</u>	<u>831,954</u>
	<u>9,344,343</u>	<u>8,714,098</u>

14. TRADE AND OTHER RECEIVABLES/CONTRACT ASSETS

Trade and Other Receivables

	At June 30, 2022 RMB'000 (Unaudited)	At December 31, 2021 RMB'000 (Audited)
Trade receivables		
— third parties	6,466,176	4,690,024
Less: Allowance for credit losses	<u>(161,151)</u>	<u>(102,526)</u>
	6,305,025	4,587,498
Other receivables	<u>28,612</u>	<u>16,525</u>
Note receivable	117,266	48,000
Prepayments	369,749	302,910
Interest receivables	—	38
Prepaid expenses	37,426	27,721
Value added tax recoverable	894,654	858,760
Rental deposits	14,368	11,759
Others	<u>—</u>	<u>115,260</u>
	1,433,463	1,364,448
Total trade and other receivables	<u>7,767,100</u>	<u>5,968,471</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:

	At June 30, 2022 <i>RMB'000</i> (Unaudited)	At December 31, 2021 <i>RMB'000</i> (Audited)
Within 180 days	5,854,780	4,214,825
181 days to 1 year	328,367	217,129
1 year to 2 years	169,026	170,466
More than 2 years	70,118	33,078
	<u>6,422,291</u>	<u>4,635,498</u>

Contract Assets

	At June 30, 2022 <i>RMB'000</i> (Unaudited)	At December 31, 2021 <i>RMB'000</i> (Audited)
Contract assets	870,693	778,965
Less: Allowance for credit losses	<u>(7,947)</u>	<u>(5,532)</u>
	<u>862,746</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. TRADE AND OTHER PAYABLES

	At June 30, 2022 <i>RMB'000</i> (Unaudited)	At December 31, 2021 <i>RMB'000</i> (Audited)
Trade payables	3,417,018	1,923,298
Salary and bonus payables	1,277,647	1,580,452
Payables for acquisition of plant and equipment	2,990,583	2,229,717
Accrued expenses	559,618	539,691
Other taxes payable	67,611	76,753
Interest payable	1,418	1,338
Others	86,237	190,623
Considerations received from employees for subscribing restricted A shares of the Company under the WuXi AppTec A Share Incentive Plan	127,037	314,092
	<u>8,527,169</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 presented based on invoice date at the end of each reporting period:

	At June 30, 2022 <i>RMB'000</i> (Unaudited)	At December 31, 2021 <i>RMB'000</i> (Audited)
Within one year	3,383,217	1,901,748
1 year to 2 years	17,167	10,877
2 years to 3 years	8,125	4,280
More than 3 years	8,509	6,393
	<u>3,417,018</u>	<u>1,923,298</u>

16. CONVERTIBLE BONDS

On September 17, 2019 (the “**Issue Date**”), the Company issued a five-year zero coupon convertible bonds (the “**Convertible Bonds**”) overseas in an aggregate principal amount of USD300,000,000. The conversion period is on or after October 28, 2019 up to the close of business on the date falling 10 working days prior to September 17, 2024 (the “**Maturity Date**”) and the price of H shares to be issued in exercise of the right of conversion is initially HK\$111.80 per H share. 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 RMB'000	Embedded derivative component RMB'000	Total RMB'000
As at January 1, 2022 (Audited)	607,140	657,317	1,264,457
Exchange adjustments	32,126	29,670	61,796
Interest charge	11,262	—	11,262
Gain arising on changes of fair value	—	(274,509)	(274,509)
Conversion of convertible bonds into shares	(3,693)	(3,851)	(7,544)
	<u>646,835</u>	<u>408,627</u>	<u>1,055,462</u>
As at June 30, 2022 (Unaudited)	<u>646,835</u>	<u>408,627</u>	<u>1,055,462</u>

During the Reporting Period, convertible bonds with a nominal value of USD600,000 (equivalent to RMB3,825,000) (December 31, 2021: RMB1,282,791,000) have been converted to 71,000 shares (December 31, 2021: 22,021,000 shares) of the Company by the bond holders, as a result, the debt component of the convertible bonds of RMB3,693,000 (December 31, 2021: RMB1,223,678,000) and the embedded derivative component of the convertible bonds of RMB3,851,000 (December 31, 2021: RMB1,890,633,000) have been transferred to equity upon the conversion.

No redemption of the Convertible Bonds has occurred up to June 30, 2022.

As at June 30, 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 were recognised in profit or loss during the Reporting Period.

17. DERIVATIVE FINANCIAL INSTRUMENTS

	At June 30, 2022 <i>RMB'000</i> (Unaudited)	At December 31, 2021 <i>RMB'000</i> (Audited)
Current assets		
Derivatives under hedge accounting		
<i>Cash flow hedges — Foreign currency forward contracts</i>	13,233	216,468
<i>Cash flow hedges — Foreign currency collar option contracts</i>	<u>—</u>	<u>12,674</u>
	<u>13,233</u>	<u>229,142</u>
Current liabilities		
Derivatives under hedge accounting		
<i>Cash flow hedges — Foreign currency forward contracts</i>	<u>467,562</u>	<u>3,652</u>
	<u>467,562</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 June 30, 2022	Notional value as at June 30, 2022 <i>USD'000</i>	Fair value assets as at June 30, 2022 <i>RMB'000</i>
Sell USD			
7 to 12 months	6.7381	259,700	13,233

	Average strike rate as at June 30, 2022	Notional value as at June 30, 2022 USD'000	Fair value liabilities as at June 30, 2022 RMB'000
Sell USD			
Less than 3 months	6.5553	948,000	129,968
3 to 6 months	6.5640	1,089,000	143,604
7 to 12 months	6.4519	833,750	193,990

Period ended June 30, 2022		
Fair value change of derivative financial instruments recognised in other comprehensive income RMB'000	Reclassification from other comprehensive income into profit or loss RMB'000	Profit or loss item

Cash flow hedges

Anticipated future sales	(671,487)	(8,331)	Revenue
	<u>(671,487)</u>	<u>(8,331)</u>	

As at June 30, 2022, the aggregate amount of loss under foreign exchange forward contracts recognised in other comprehensive income and accumulated in cash flow hedging reserve relating to the exposure on anticipated future sales transactions denominated in USD is RMB453,853,000 (as at December 31, 2021: gain of RMB225,966,000). It is anticipated that the sales will take place within next 12 months at which time the amount recognised in other comprehensive income will be reclassified to profit or loss.

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 Reporting Period and the same period in 2021 is not significant.

18. SHARE CAPITAL

Share Capital

	<i>RMB'000</i>
Ordinary shares of RMB1.00 each	
At January 1, 2021	2,441,685
Share premium transferred to share capital	490,127
Conversion of convertible bonds	15,371
Issue of restricted A shares under the 2019 A Share Incentive Plan — Stock Option	1,714
Issue of A shares under 2018 A Share Incentive Plan — Reserved Options	98
	<hr/>
At June 30, 2021 (Unaudited)	<u><u>2,948,995</u></u>
Conversion of convertible bonds	6,650
Issue of restricted A shares under the 2019 A Share Incentive Plan — Stock Option	817
Issue of A shares under 2018 A Share Incentive Plan — Reserved Options	56
Repurchase and cancellation of restricted A shares	(691)
	<hr/>
At December 31, 2021 (Audited)	<u><u>2,955,827</u></u>
At January 1, 2022	2,955,827
Issue of restricted A shares under the 2019 A Share Incentive Plan — Stock Option	1,113
Conversion of convertible bonds	71
Repurchase and cancellation of restricted A shares	(217)
	<hr/>
At June 30, 2022 (Unaudited)	<u><u>2,956,794</u></u>

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
“2020 Capitalization of Reserve”	the issuance of 2 2020 Capitalization Shares for every 10 Shares by way of capitalization of reserve under the 2020 Profit Distribution Plan
“2020 Capitalization Shares”	the new Shares to be allotted and issued under the 2020 Capitalization of Reserve by the Company
“2020 H Share Award and Trust Scheme” or “2020 Scheme”	the H Share award and trust scheme adopted by the Company in accordance with the 2020 Scheme Rules on August 31, 2020
“2020 Profit Distribution”	the proposed distribution of cash dividend of RMB3.63 for every 10 Shares (inclusive of tax) under the 2020 Profit Distribution Plan

“2020 Profit Distribution Plan”	the profit distribution plan of the Company for the year ended December 31, 2020 which includes the 2020 Capitalization of Reserve and the 2020 Profit Distribution
“2020 Scheme Rules”	the rules of the 2020 Scheme (as amended from time to time)
“2021 AGM”	the annual general meeting of the Company held on May 6, 2022
“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
“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
“ADC”	anti-body conjugate
“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
“Award”	an award granted by the Board to a Selected Participant, which may vest in the form of Award Shares or the actual selling price of the Award Shares in cash, as the Board may determine in accordance with the terms of the 2020 Scheme Rules
“Award Shares”	the H Shares granted to a Selected Participant in an Award
“Board”	our board of Directors

“CDMO”	Contract Development and Manufacturing Organization, a CMO that in addition to comprehensive drug manufacturing services, also provide process development and other drug development services in connection with its manufacturing services
“CG Code”	the “Corporate Governance Code” as contained in Appendix 14 to the Listing Rules
“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”, “Group”, “our Group”, “We” “our”, “us”	WuXi AppTec Co., Ltd.* (無錫藥明康德新藥開發股份有限公司), a joint stock limited company incorporated under the laws of the PRC, the predecessor of which, WuXi AppTec Ltd. (無錫藥明康德新藥開發有限公司) (formerly known as WuXi PharmaTech Co., Ltd (無錫藥明康德組合化學有限公司)) was established under the laws of the PRC as an enterprise legal person in December 2000, the A Shares of which are listed on the Shanghai Stock Exchange (stock code: 603259) and the H shares of which are listed on the Hong Kong Stock Exchange (stock code: 02359) and if the context requires, includes its predecessor and subsidiaries
“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
“COVID-19”	the novel coronavirus pneumonia
“CRDMO”	Contract Research Development and Manufacturing Organization
“CRO”	Contract Research Organization

“CTDMO”	Contract Testing, Development, Manufacturing Organization
“D&M”	development and manufacturing
“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
“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\$”	Hong Kong dollars and cents, both are the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IFRS”	International Financial Reporting Standards
“IND”	investigational new drug
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended from time to time)
“M&A”	mergers and acquisitions
“Model Code”	the “Model Code for Securities Transactions by Directors of Listed Issuers” as set out in Appendix 10 to the Listing Rules
“NMPA”	National Medical Products Administration

“PROTAC”	proteolysis targeting chimeras
“R&D”	research and development
“Reporting Period”	the six months ended June 30, 2022
“Restricted A Shares”	the restricted A Shares granted by the Company under the 2018 A Share Incentive Plan and/or the 2019 Share Incentive Plan
“RMB”	Renminbi, the lawful currency of the PRC
“Selected Participant(s)”	any eligible employee who is approved for participation in the 2020 Scheme and has been granted any Award in accordance with the Scheme Rules
“Share Options”	share options granted under the initial grant of 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
“U.S.”	the United States of America, its territories, its possession and all areas subject to its jurisdiction
“USD”	United States dollars, the lawful currency of the United States
“WIND”	WuXi IND
“WuXi ATU”	CTDMO business of the Company

“WuXi 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, July 26, 2022

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*