# WUXI BIOLOGICS (CAYMAN) INC.
# 藥明生物技術有限公司*

*(Incorporated in the Cayman Islands with limited liability)*
**(Stock Code: 2269)**

## ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2021

## FINANCIAL HIGHLIGHTS

| | | **2021** ***RMB million*** | 2020 *RMB million* | Change |
|---|---|---|---|---|
| Revenue | | **10,290.1** | 5,612.4 | 83.3% |
| Gross profit | | **4,828.9** | 2,533.0 | 90.6% |
| *Gross profit margin* | | ***46.9%*** | *45.1%* | |
| Net profit | | **3,508.6** | 1,692.7 | 107.3% |
| *Net profit margin* | | ***34.1%*** | *30.2%* | |
| Net profit attributable to owners of the Company | | **3,388.5** | 1,688.9 | 100.6% |
| *Margin of net profit attributable to owners of the Company* | | ***32.9%*** | *30.1%* | |
| Adjusted net profit attributable to owners of the Company | | **3,316.4** | 1,722.0 | 92.6% |
| *Margin of adjusted net profit attributable to owners of the Company* | | ***32.2%*** | *30.7%* | |
| | | ***RMB*** | *RMB* | |
| Earnings per share | — Basic | **0.81** | 0.43 | 88.4% |
| | — Diluted | **0.77** | 0.40 | 92.5% |
| Adjusted earnings per share | — Basic | **0.79** | 0.44 | 79.5% |
| | — Diluted | **0.75** | 0.41 | 82.9% |

The Board does not recommend any payment of final dividend for the year ended December 31, 2021.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

### CRDMO Platform — Overall Performance

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

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

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

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

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

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

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

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

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

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

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

*Notes:*

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

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

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

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

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

***Ongoing Contributions to Combat the COVID-19 Pandemic***

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

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

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

***Strategic Highlights***

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

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

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

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

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

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

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

**CRDMO Platform — Discovery and Development Capabilities and Capacity**

***Discovery Research and Development ("R&D")***

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

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

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

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

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

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

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

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

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

***Technology Platforms***

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

***Antibody-drug Conjugates***

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


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

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

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

***Bispecific and Multispecific Antibodies***

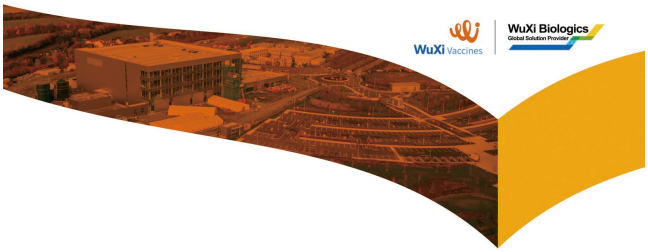
With more than 100 different bispecific formats currently available, approximately 160 bispecific antibodies in clinical trials and 460 bispecific antibodies in pre-clinical development, many believe that multispecific drugs, particularly bispecific and multispecific antibodies, are leading the way in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

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

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

***Vaccines Platform***

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




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

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

*Other Proprietary Technology Platforms*

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

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

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

**CRDMO Platform — Manufacturing Capabilities and Capacity**

*Manufacturing*

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

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

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

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

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

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

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

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

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

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

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

***Biosafety Testing***

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

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

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

***Quality***

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

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

**Capacity Expansion**

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

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

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

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

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

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

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

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

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

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


**Sales and Marketing**

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

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

***Strategic Collaborations with Global Partners***

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

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

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

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

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

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

**Environmental, Social and Governance ("ESG")**

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

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

**Investors Relations**

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

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

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

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

**Company Awards**

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

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

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

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

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

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

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


## Future Outlook

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

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

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

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

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

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

## FINANCIAL REVIEW

### Revenue

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

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

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

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

For the year ended December 31, 2021, the pre-IND services revenue of the Group increased by 21.1% to approximately RMB3,392.0 million, accounting for 33.0% of the total revenue. Early-phase (phases I & II) services revenue of the Group increased by 9.0% to approximately RMB1,602.7 million, accounting for 15.6% of the total revenue. Furthermore, late-phase (phase III) services and commercial manufacturing revenue of the Group increased by 293.0% to approximately RMB4,930.5 million, accounting for 47.9% of the total revenue, by implementing the "Follow and Win the Molecule" strategies.

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

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

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

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

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

## Cost of Sales and Services

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

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

## Gross Profit and Gross Profit Margin

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

## Other Income

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

**Other Gains and Losses**

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

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

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

**Selling and Marketing Expenses**

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

**Administrative Expenses**

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

**Research and Development Expenses**

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

**Financing Costs**

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

**Income Tax Expense**

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

**Net Profit and Net Profit Margin**

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

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

**Basic and Diluted Earnings Per Share**

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

**Property, Plant and Equipment**

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

**Right-of-Use Assets**

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

**Goodwill**

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

**Intangible Assets**

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

**Investment of an Associate Measured at FVTPL**

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

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

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

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

**Inventories**

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

**Contract Costs**

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

**Trade and Other Receivables**

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

**Contract Assets**

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

**Trade and Other Payables**

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

**Contract Liabilities (Current Portion & Non-current Portion)**

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

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

**Lease Liabilities (Current Portion & Non-current Portion)**

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

**Liquidity and Capital Resources**

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

**Treasury Policy**

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

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

**Significant Investments, Material Acquisitions and Disposals**

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

**Indebtedness**

***Borrowings***

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

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

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

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

***Contingent Liabilities and Guarantees***

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

***Currency Risk***

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

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

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

***Charges of Assets***

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

*Gearing Ratio*

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

**Non-IFRS Measures**

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

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

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

*Adjusted Net Profit*

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

*Note:*

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

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

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

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

***EBITDA and Adjusted EBITDA***

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

## Employee and Remuneration Policies

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

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

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

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

## Final Dividend

The Board does not recommend any payment of final dividend for the year ended December 31, 2021.

## OTHER INFORMATION

### AGM and Closure of Register of Members

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

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

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of Shareholders and to enhance corporate value and accountability. The Company has adopted the CG Code as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. The Company has complied with all the applicable code provisions as set out in the CG Code throughout the year ended December 31, 2021. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

## COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Written Guidelines on no less exacting terms than the Model Code as its own code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, all of them have confirmed that they have complied with the Model Code and the Written Guidelines throughout the Reporting Period. In order to ensure strict compliance of the Listing Rules and enhance corporate governance measures, the Company will remind all Directors as to their respective obligations under the Listing Rules in all aspects, including but not limited to the restrictions in dealing with Company's securities. No incident of non-compliance of the Guidelines for Securities Transactions by Employees (員工證券交易管理辦法) by the employees who are likely to be in possession of inside information of the Company was noted by the Company.

## USE OF NET PROCEEDS FROM PLACING

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

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

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

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

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

*Note:*

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

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

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

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

*Note:*

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

## PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES OF THE COMPANY

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

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

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

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

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

## REVIEW OF ANNUAL RESULTS

The independent auditors of the Company, namely Messrs. Deloitte Touche Tohmatsu, have carried out a review of the annual financial information, which is based on the audited consolidated financial statements of the Group for the year ended December 31, 2021. The Audit Committee has jointly reviewed with the management and the independent auditors of the Company, the accounting principles and policies adopted by the Company and discussed internal control and financial reporting matters (including the review of the annual results for the year ended December 31, 2021) of the Group. The Audit Committee and the independent auditors considered that the annual results are in compliance with the applicable accounting standards, laws and regulations, and the Company has made appropriate disclosures thereof.

## SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended December 31, 2021 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the audited consolidated financial statements of the Group for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

## KEY EVENTS AFTER THE REPORTING PERIOD

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

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

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

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

As confirmed by the special US counsel engaged by the Company on the UVL matter, the additional export documentation and filing requirements associated with the UVL listing only apply to the two designated subsidiaries. With the legal counsel's assistance, the two designated subsidiaries have already instituted processes to issue required documentations from authorized officials to ensure compliance by themselves, their U.S. suppliers and customers. The Group remains confident that the two designated subsidiaries will be removed from the list once on-site end-user-verification inspections are completed.

## PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This announcement is published on the website of HKEX (www.hkexnews.hk) and the Company's website (www.wuxibiologics.com). The annual report for the year ended December 31, 2021 containing all the information in accordance with the requirements under the Listing Rules, will be despatched to the Shareholders and published on the respective websites of HKEX and the Company in due course.

## RESULTS

The Board is pleased to announce the consolidated statement of profit or loss and other comprehensive income of the Group for the year ended December 31, 2021 and the Group's consolidated statement of financial position as at December 31, 2021, together with the comparative figures for corresponding period in 2020 as follows:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*FOR THE YEAR ENDED DECEMBER 31, 2021*

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

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*FOR THE YEAR ENDED DECEMBER 31, 2021*

| | NOTE | **2021** ***RMB'000*** | 2020 *RMB'000* |
|---|---|---|---|
| **Profit for the year attributable to:** | | | |
| Owners of the Company | | **3,388,478** | 1,688,886 |
| Non-controlling interests | | **120,103** | 3,808 |
| | | **3,508,581** | 1,692,694 |
| **Total comprehensive income for the year attributable to:** | | | |
| Owners of the Company | | **2,697,354** | 1,885,582 |
| Non-controlling interests | | **92,622** | 6,729 |
| | | **2,789,976** | 1,892,311 |
| | | ***RMB*** | *RMB* |
| Earnings per share — Basic | 10 | **0.81** | 0.43 |
| — Diluted | 10 | **0.77** | 0.40 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*AS AT DECEMBER 31, 2021*

| | NOTES | **2021** **RMB'000** | 2020 RMB'000 |
|---|---|---|---|
| **Non-current Assets** | | | |
| Property, plant and equipment | | **18,065,495** | 11,996,171 |
| Right-of-use assets | | **1,690,301** | 874,153 |
| Goodwill | | **1,529,914** | 185,408 |
| Intangible assets | | **600,654** | 391,857 |
| Investment of an associate measured at fair value through profit or loss ("**FVTPL**") | | **752,275** | 187,520 |
| Equity instruments at FVTOCI | | **94,413** | 127,167 |
| Financial assets at FVTPL | | **1,356,134** | 758,813 |
| Finance lease receivables | | **124,485** | 87,672 |
| Derivative financial assets | | **10,942** | 20,870 |
| Deferred tax assets | | **220,787** | 80,136 |
| Other long-term deposits and prepayments | | **57,482** | 49,478 |
| | | **24,502,882** | 14,759,245 |
| **Current Assets** | | | |
| Inventories | | **1,687,375** | 1,084,192 |
| Finance lease receivables | | **13,564** | 8,615 |
| Trade and other receivables | 12 | **4,857,319** | 3,241,878 |
| Contract assets | 13 | **132,545** | 24,069 |
| Contract costs | | **1,005,470** | 392,123 |
| Tax recoverable | | **9,436** | 3,147 |
| Derivative financial assets | | **479,557** | 440,997 |
| Financial assets at FVTPL | | **975,578** | 112,469 |
| Pledged bank deposits | 14 | **217,991** | 528,787 |
| Time deposits | 14 | **1,147,626** | 1,272,356 |
| Bank balances and cash | 14 | **9,003,280** | 7,095,735 |
| | | **19,529,741** | 14,204,368 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*AS AT DECEMBER 31, 2021*

| | NOTES | **2021** **RMB'000** | 2020 RMB'000 |
|---|---|---|---|
| **Current Liabilities** | | | |
| Trade and other payables | 15 | **3,697,819** | 2,728,543 |
| Borrowings | 17 | **2,121,895** | 767,126 |
| Contract liabilities | 16 | **1,733,799** | 664,863 |
| Income tax payable | | **557,725** | 250,893 |
| Lease liabilities | | **103,561** | 60,711 |
| Derivative financial liabilities | | **40,890** | 26,112 |
| | | **8,255,689** | 4,498,248 |
| **Net Current Assets** | | **11,274,052** | 9,706,120 |
| **Total Assets less Current Liabilities** | | **35,776,934** | 24,465,365 |
| **Non-current Liabilities** | | | |
| Deferred tax liabilities | | **124,211** | 180,885 |
| Borrowings | 17 | **640,513** | 1,837,623 |
| Contract liabilities | 16 | **652,598** | 659,949 |
| Lease liabilities | | **1,429,318** | 666,513 |
| Deferred income | | **224,128** | 213,740 |
| Derivative financial liabilities | | **—** | 7,259 |
| | | **3,070,768** | 3,565,969 |
| **Net Assets** | | **32,706,166** | 20,899,396 |
| **Capital and Reserves** | | | |
| Share capital | 18 | **235** | 225 |
| Reserves | | **32,278,358** | 20,564,220 |
| Equity attributable to owners of the Company | | **32,278,593** | 20,564,445 |
| Non-controlling interests | | **427,573** | 334,951 |
| **Total Equity** | | **32,706,166** | 20,899,396 |

## 1. GENERAL INFORMATION

WuXi Biologics (Cayman) Inc. (the "**Company**") was established in the Cayman Islands as an exempted company with limited liability on February 27, 2014, and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since June 13, 2017. The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as "**the Group**") are principally engaged in provision of discovery, development of biologics services and manufacturing of biologics products.

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

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

**Amendments to IFRSs that are mandatorily effective for the current year**

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board (the "**IASB**") for the first time, which are mandatorily effective for the annual period beginning on or after January 1, 2021 for the preparation of the consolidated financial statements:

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

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

In addition, the Group also applied the agenda decision of the IFRS Interpretations Committee (the "**Committee**") of the IASB issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realizable value of inventories.

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

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

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

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

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period.

## 4. REVENUE

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

### Geographical information

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

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

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

**Information about major customers**

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

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

*Note:*

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

## 5. OTHER INCOME

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

*Notes:*

(i) The Group has received certain research and other grants for investing in laboratory equipment. The grants were recognized in profit or loss over the useful lives of the relevant assets.

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

## 6. OTHER GAINS AND LOSSES

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

## 7. FINANCING COSTS

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

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

## 8. PROFIT BEFORE TAX

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

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

## 9. INCOME TAX EXPENSE

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

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

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

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

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

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

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

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

## 10. EARNINGS PER SHARE

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

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

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

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

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

## 11. DIVIDENDS

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

## 12. TRADE AND OTHER RECEIVABLES

| | **2021** | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Trade receivables from contracts with customers | | |
| — related parties | **2,367** | 6,113 |
| Less: allowance for credit losses | **(76)** | (20) |
| — third parties | **3,424,757** | 2,504,003 |
| Less: allowance for credit losses | **(303,293)** | (177,398) |
| | **3,123,755** | 2,332,698 |
| Bill receivables from contracts with customers | **3,247** | 5,160 |
| Receivables for purchase of raw materials on behalf of customers | **616,961** | 321,987 |
| Less: allowance for credit losses | **(30,378)** | (6,087) |
| | **586,583** | 315,900 |
| Advances to suppliers | | |
| — related parties | **12,607** | — |
| — third parties | **70,600** | 35,718 |
| | **83,207** | 35,718 |
| Other receivables | **278,026** | 42,996 |
| Prepayments | **12,362** | 6,629 |
| Value added tax recoverable | **620,584** | 303,222 |
| Receivable arising from payment for potential acquisition | **149,555** | 149,555 |
| Loan receivable to an associate | **—** | 50,000 |
| | **1,060,527** | 552,402 |
| Total trade and other receivables | **4,857,319** | 3,241,878 |

The Group allows a credit period ranging from 10 to 90 days to its customers. The following is an aged analysis of trade receivables (net of allowance for credit losses) presented based on the invoice dates:

| | **2021** | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Not past due | **2,075,079** | 1,517,790 |
| Overdue: | | |
| — Within 90 days | **719,662** | 446,644 |
| — 91 days to 1 year | **281,206** | 286,697 |
| — Over 1 year | **47,808** | 81,567 |
| | **3,123,755** | 2,332,698 |

As at December 31, 2021, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB1,048,676,000 (2020: RMB814,908,000) which are past due as at the reporting date. Out of the past due balances, RMB329,014,000 (2020: RMB368,264,000) has been past due 90 days or more and is not considered as in default as the management of the Group believed that the amounts will be settled by the customers based on the customers' committed promise and historical experience. The Group does not hold any collateral over these balances.

## 13. CONTRACT ASSETS

| | **2021** | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Contract assets | | |
| — related parties | **7,685** | — |
| Less: allowance for credit losses | **(2)** | — |
| — third parties | **135,357** | 31,854 |
| Less: allowance for credit losses | **(10,495)** | (7,785) |
| | **132,545** | 24,069 |

The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditioned upon the Group's future performance in achieving specified milestones as stipulated in the contract. The contract assets are transferred to trade receivables when the rights become unconditional.

## 14. BANK BALANCES AND CASH/PLEDGED BANK DEPOSITS/TIME DEPOSITS

Bank balances and cash of the Group comprised of cash and short term bank deposits with an original maturity of three months or less. The short term bank deposits are carried interests at market rates which ranged from 0% to 2.1% per annum as at December 31, 2021 (2020: 0% to 2.38%).

Certain deposits are pledged to banks as collateral for the letter of guarantee for facility construction in Ireland.

Time deposits as at December 31, 2021 are carried fixed interests rate from 0.3% to 0.6% per annum and have original maturity over three months (2020: 1.25% to 1.70%).

The Group performed impairment assessment on time deposits, pledged bank deposits and bank balances and concluded that the associated credit risk is limited because the counterparties are banks with high credit rating and good reputation.

## 15. TRADE AND OTHER PAYABLES

| | **2021** | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Trade payables | | |
| — related parties | **62,214** | 33,212 |
| — third parties | **555,570** | 612,790 |
| | **617,784** | 646,002 |
| Other payables and accrual | | |
| — related parties | **8,857** | 450 |
| — third parties | **1,206,705** | 655,299 |
| | **1,215,562** | 655,749 |
| Payable for purchase of property, plant and equipment | **750,420** | 717,100 |
| Payable for acquisition of investment of an associate measured at FVTPL | **—** | 154,526 |
| Consideration payables for acquisition of subsidiaries | **4,008** | 23,018 |
| Consideration payables to a related party for acquisition of business | **280,000** | — |
| Salary and bonus payables | **781,009** | 500,993 |
| Other taxes payable | **49,036** | 31,155 |
| Trade and other payables | **3,697,819** | 2,728,543 |

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 aging analysis of trade payables presented based on invoice date at the end of the reporting period:

| | **2021** | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within three months | **561,455** | 620,291 |
| Over three months but within one year | **37,408** | 25,031 |
| Over one year but within five years | **18,921** | 680 |
| | **617,784** | 646,002 |

## 16. CONTRACT LIABILITIES

| | **2021** | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Contract liabilities | | |
| — related parties | **98** | — |
| — third parties | **2,386,299** | 1,324,812 |
| | **2,386,397** | 1,324,812 |
| Less: amounts shown under current liabilities | **(1,733,799)** | (664,863) |
| Amounts shown under non-current liabilities *(Note)* | **652,598** | 659,949 |

*Note:* In February 2020, the Group entered into a contract manufacturing agreement pursuant to which the Group shall build an integrated vaccine manufacturing facility in Ireland, and manufacture for, and supply to the Vaccine Partner with certain vaccine products. As of December 31, 2020, the Group received total instalments of US$100 million (equivalent to RMB652,490,000) from the Vaccine Partner, which represents the Group's obligation to provide services to the Vaccine Partner and is recognized as contract liabilities. The contract liabilities are classified as non-current due to the related services will be provided beyond twelve months. The non-current contract liabilities amounted to RMB652,598,000 at December 31, 2021 (December 31, 2020: RMB659,949,000) after considering the financing components and the recognition of revenue during the reporting period.

Revenue of RMB508,933,000 was recognized during the year ended December 31, 2021 that was included in the contract liabilities at the beginning the year of 2021 (2020: RMB266,896,000).

## 17. BORROWINGS

| | 2021<br>*RMB'000* | 2020<br>*RMB'000* |
|---|---|---|
| Secured bank loans | **75,900** | 85,100 |
| Unsecured bank loans | **2,686,508** | 2,519,649 |
| | **2,762,408** | 2,604,749 |
| The carrying amounts of the above borrowings are repayable*: | | |
| Within one year | **2,121,895** | 767,126 |
| Within a period of more than one year but not exceeding two years | **583,013** | 1,770,923 |
| Within a period of more than two years but not exceeding five years | **27,600** | 27,600 |
| Within a period of more than five years | **29,900** | 39,100 |
| | **2,762,408** | 2,604,749 |
| Less: amounts due within one year shown under current liabilities | **(2,121,895)** | (767,126) |
| Amounts shown under non-current liabilities | **640,513** | 1,837,623 |

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

The exposure of the Group's bank borrowings are as follows:

| | 2021<br>*RMB'000* | 2020<br>*RMB'000* |
|---|---|---|
| Fixed-rate borrowings | **75,900** | 85,100 |
| Variable-rate borrowings | **2,686,508** | 2,519,649 |
| | **2,762,408** | 2,604,749 |

The Group's variable-rate borrowings carry interest at LIBOR plus 1.1% to 2.5%, European Central Bank Rate plus 1.5% and EURIBOR plus 0.75% and 0.8%. Interest is reset each one to three months based on the contracts.

The ranges of effective interest rates before the interest rate swap (which are also equal to contracted interest rates) on the Group's borrowings are as follows:

| | **2021** | 2020 |
|---|---|---|
| Effective interest rate: | | |
| Fixed-rate borrowings | **3.85% to 4.90%** | 3.70% to 4.90% |
| Variable-rate borrowings | **0.75% to 2.69%** | 1.25% to 3.68% |

As at the end of the reporting period, the Group has the following undrawn borrowing facilities:

| | **2021** | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Floating rate | | |
| — expiring within one year | **468,386** | 331,061 |
| — expiring beyond one year | **—** | 652,490 |
| | **468,386** | 983,551 |

At December 31, 2021, the Group's borrowings were secured against the Group's property, plant and equipment as collaterals with carrying amounts of RMB10,597,000 (December 31, 2020: in the process of securing the property, plant and equipment as collaterals with carrying amount of RMB42,147,000).

## 18. SHARE CAPITAL

AUTHORIZED:

| | **Number of shares** | **Par value** *US$* | **Authorized share capital** *US$* |
|---|---|---|---|
| At January 1, 2020 | 2,000,000,000 | 0.000025 | 50,000 |
| Share subdivision | 4,000,000,000 | | — |
| At December 31, 2020 and December 31, 2021 | 6,000,000,000 | 1/120,000 | 50,000 |

ISSUED AND FULLY PAID:

| | Number of shares | Amount *US$* | Shown in the financial statements as *RMB'000* |
|---|---|---|---|
| At January 1, 2020 | 1,294,525,986 | 32,364 | 214 |
| Issue of new shares | 51,882,141 | 1,296 | 9 |
| Exercise of pre-IPO share options prior to the Share Subdivision | 14,317,347 | 358 | 1 |
| Share subdivision | 2,721,450,948 | — | — |
| Exercise of pre-IPO share options after the Share Subdivision | 2,586,638 | 22 | 1 |
| At December 31, 2020 | 4,084,763,060 | 34,040 | 225 |
| Issue of new shares *(Notes i and ii)* | 128,354,126 | 1,070 | 7 |
| Exercise of pre-IPO share options | 45,886,428 | 382 | 3 |
| At December 31, 2021 | 4,259,003,614 | 35,492 | 235 |

*Notes:*

i. On February 10, 2021, the Company issued 118,000,000 new ordinary shares of US$1/120,000 each through placement to certain independent third parties at a price of HK$112.00 per share. The net cash proceed of this placement was HK$13,121,243,000 (equivalent to approximately RMB10,899,029,000), after deducting the issue cost of HK$94,757,000 (equivalent to approximately RMB78,709,000) from the gross cash proceed of HK$13,216,000,000 (equivalent to approximately RMB10,977,738,000).

ii. On June 10, 2021, the Company issued and allotted 10,354,126 new ordinary shares at nil consideration to trustee under the Restricted Share Award Scheme.

| | |
|---|---|
| **"AGM"** | the annual general meeting of the Company |
| **"Audit Committee"** | the audit committee of the Board |
| **"Board" or "Board of Directors"** | the board of Directors of the Company |
| **"CG Code"** | the Corporate Governance Code as set out in Appendix 14 to the Listing Rules |
| **"cGMP"** | Current Good Manufacturing Practice regulations, regulations enforced by the Food and Drug Administration of the United States on pharmaceutical and biotech firms to ensure that the products produced meet specific requirements for identity, strength, quality and purity |
| **"Chairman"** | the Chairman of the Board |
| **"China" or the "PRC"** | the People's Republic of China excluding, for the purpose of this announcement, Hong Kong, Macau Special Administrative Region and Taiwan |
| **"China NMPA"** | China National Medical Products Administration |
| **"Company"** | WuXi Biologics (Cayman) Inc. (藥明生物技術有限公司*), an exempted company incorporated in the Cayman Islands with limited liability on February 27, 2014 |
| **"Director(s)"** | the director(s) of the Company |
| **"DNA"** | a molecule that carries most of the genetic instructions used in the development, functioning and reproduction of all known living organisms and many viruses |
| **"EU"** | a politico-economic union of 27 member states that are located primarily in Europe |
| **"EU EMA"** | European Medicines Agency |
| **"EUR"** | Europe currency |

| | |
|---|---|
| **"Global Partner Program Share Scheme"** | the share award scheme for global partner program adopted by the Company on June 16, 2021 |
| **"GMP"** | Good Manufacturing Practice |
| **"Group" " or "we" or "our" or "us"** | the Company and its subsidiaries |
| **"H.K. dollar(s)" or "HK$"** | Hong Kong dollar(s), the lawful currency of Hong Kong |
| **"HKEX"** | Hong Kong Exchange and Clearing Limited |
| **"Hong Kong"** | the Hong Kong Special Administrative Region of the PRC |
| **"IFRS"** | International Financial Reporting Standards |
| **"IND"** | investigational new drug, an experimental drug for which a pharmaceutical company obtains permission to ship across jurisdictions (usually to clinical investigators) before a marketing application for the drug has been approved |
| **"IPO"** | the listing of the Shares on the Main Board of the Stock Exchange on June 13, 2017 |
| **"Italy AIFA"** | Italian Medicines Agency |
| **"Japan PMDA"** | Pharmaceuticals and Medical Devices Agency of Japan |
| **"Listing Rules"** | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time |
| **"Main Board"** | Main Board of the Stock Exchange |
| **"Model Code"** | the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules |
| **"Pre-IPO Share Option Scheme"** | the pre-IPO share option scheme adopted by the Company on January 5, 2016, and amended on August 10, 2016, the principal terms of which are summarized in "Statutory and General Information — E. Pre-IPO Share Option Scheme" in Appendix IV to the Prospectus |
| **"Prospectus"** | the prospectus issued by the Company dated May 31, 2017 |

| | |
|---|---|
| **"Renminbi" or "RMB"** | Renminbi Yuan, the lawful currency of the PRC |
| **"Reporting Period"** | the one-year period from January 1, 2021 to December 31, 2021 |
| **"Restricted Share Award Scheme"** | the restricted share award scheme adopted by the Company on January 15, 2018 |
| **"Shareholder(s)"** | holder(s) of Share(s) |
| **"Share(s)"** | ordinary share(s) in the capital of the Company with nominal value of US$1/120,000 each |
| **"Stock Exchange"** | The Stock Exchange of Hong Kong Limited |
| **"U.S. dollar(s)" or "US$" or "USD"** | United States dollar(s), the lawful currency of the United States of America |
| **"U.S. FDA"** | The Food and Drug Administration of the United States of America |
| **"Written Guidelines"** | the Written Guidelines for Securities Transactions by Directors adopted by the Company |
| **"WuXi AppTec"** | WuXi AppTec Co., Ltd. (無錫藥明康德新藥開發股份有限公司), a company incorporated in the PRC on December 1, 2000 and the shares of which are listed on Shanghai Stock Exchange (Stock code: 603259) and the Main Board of the Stock Exchange (Stock code: 2359) |
| **"WuXi Vaccines"** | WuXi Vaccines (Cayman) Inc., a company incorporated under the laws of the Cayman Islands and a non-wholly owned subsidiary of the Company |

*In this announcement, the terms "associate", "connected person", "substantial shareholder" and "subsidiary" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.*

By order of the Board
**WuXi Biologics (Cayman) Inc.**
**Dr. Ge Li**
*Chairman*

Hong Kong, March 22, 2022

*As at the date of this announcement, the Board comprises Dr. Zhisheng Chen and Dr. Weichang Zhou as executive Directors; Dr. Ge Li, Dr. Ning Zhao, Mr. Yibing Wu and Mr. Yanling Cao as non-executive Directors; and Mr. William Robert Keller, Mr. Teh-Ming Walter Kwauk and Mr. Kenneth Walton Hitchner III as independent non-executive Directors.*

* *For identification purpose only*