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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED JUNE 30, 2022

FINANCIAL HIGHLIGHTS

		Six months ended June 30,		
		2022	2021	Change
		RMB million	*RMB million*	
Revenue		**7,206.4**	4,406.8	63.5%
Gross profit		**3,413.2**	2,296.8	48.6%
Gross profit margin		***47.4%***	*52.1%*	
Net profit		**2,621.2**	1,882.8	39.2%
Net profit margin		***36.4%***	*42.7%*	
Net profit attributable to owners of the Company		**2,535.1**	1,842.1	37.6%
Margin of net profit attributable to owners of the Company		***35.2%***	*41.8%*	
Adjusted net profit attributable to owners of the Company		**2,835.0**	1,768.7	60.3%
Margin of adjusted net profit attributable to owners of the Company		***39.3%***	*40.1%*	
		RMB	*RMB*	
Earnings per share	— Basic	**0.61**	0.44	38.6%
	— Diluted	**0.58**	0.42	38.1%
Adjusted earnings per share	— Basic	**0.68**	0.43	58.1%
	— Diluted	**0.65**	0.40	62.5%

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

CRDMO Platform — Overall Performance

The first half of 2022 was filled with unprecedented external challenges, yet the Group continued its efforts in offering its integrated one-stop end-to-end CRDMO platform that enabled its clients and partners to discover, develop and manufacture biologics — from concept to commercial manufacturing. Drawing on the successful execution of its proven "Follow and Win the Molecule" strategies, comprehensive efficiency improvement program, and well-established business continuity plan, the Group maintained its growth momentum and delivered outstanding results for the Reporting Period.

- The total number of integrated projects increased by 30.9% from 408 as at the same time last year to 534 as at June 30, 2022, including close to 500 non-COVID integrated projects, demonstrating the Group's strong sustainable business growth even without COVID-19 projects.

- The total number of pre-clinical projects increased by 35.4% from 212 as at the same time last year to 287 as at June 30, 2022.

- The total number of early-phase (phases I and II) projects increased by 27.5% from 160 as at the same time last year to 204 (144 in phase I and 60 in phase II) as at June 30, 2022.

- The number of late-phase (phase III) projects and commercial manufacturing projects increased by 19.4% from 36 as at the same time last year to 43 as at June 30, 2022, including 14 commercial manufacturing projects.

- The Group also achieved great success in progressing projects from pre-IND stage to post-IND stage: 32 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 5 external projects into the pipeline.

The following table sets forth the status of the on-going integrated projects of the Group as at June 30, 2022:

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	287	1-2 years	US$5-8 mm
Post-IND			
— Early-phase (phases I & II) clinical development	204	3 years	US$4-6 mm
— Phase I clinical development	144		
— Phase II clinical development	60		
— Late-phase (phase III) clinical development	29	3-5 years	US$20-50 mm
— Commercial manufacturing[3]	14	Annually	US$50-100 mm[4]
Total	**534**		

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

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

The Group's revenue for the six months ended June 30, 2022 increased by 63.5% year-on-year to RMB7,206.4 million, together with a 48.6% year-on-year growth in gross profit to RMB3,413.2 million and a 60.3% year-on-year growth in adjusted net profit attributable to owners of the Company to RMB2,835.0 million. The Group's total backlog, including the service backlog and upcoming potential milestone fees backlog, also increased from US$12,465 million as of June 30, 2021 to US$18,467 million as of June 30, 2022, of which service backlog increased from US$7,229 million to US$12,809 million and upcoming potential milestone fees backlog increased from US$5,236 million to US$5,658 million. The Group's total backlog within three years also increased from US$2,249 million as of June 30, 2021 to US$3,049 million as of June 30, 2022. 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 43 out of the 50 largest pharmaceutical companies in China. The Group provided services to 434 customers for the six months ended June 30, 2022, compared with 352 customers for the same period last year. The Group believes that continuous capabilities and capacity expansion as well as cooperation with and commitment to its existing customers will enhance its value chain, thus allowing the Group to continue to capture opportunities in this growing market.

Overcoming External Challenges with Resilience

At the beginning of 2022, the Group faced various external challenges. Despite a brief disruption in operations, the Group's proactive response demonstrated to global clients and partners its commitment to reliability and resiliency.

During the Reporting Period, the Group successfully executed its business continuity plan and operational efficiency improvement programs in its Shanghai, Suzhou and Wuxi facilities and minimized the impact of COVID-19 on project deliverables and overall business. These steps allowed for the work of development labs and manufacturing facilities to proceed uninterrupted and helped maintain considerable business growth during such a challenging period. Credit goes to our dedicated employees and management team — especially those 600 employees who stayed at the campus day and night throughout Shanghai's COVID-19 outbreak — for delivering key projects with a 100% success rate despite limited staff. Meanwhile, years of buildup in our global supply chain capabilities also paid off with no material shortages and no substantial interruption in either domestic or international logistics.

The Group's perseverance through external challenges was further evidenced by the fact that no clients or projects were lost due to Shanghai's COVID-19 outbreak. Furthermore, confronting these challenges, the Group continued to contribute to the public health imperative by enabling more than 30 global INDs for COVID-19 related projects, especially with its record-breaking DNA to IND timeline, and supplying hundreds of millions of doses of COVID-19 vaccines and manufacturing over 2,000kg of COVID-19 neutralizing antibodies. The Group's commitment to enabling clients and partners combating COVID-19 worldwide also contributed substantial revenues during the Reporting Period. In addition, during the Reporting Period, the Group made positive progress towards resolving the inclusion on the U.S. Unverified List ("**UVL**"), which did not pose any material impact to the Group's business operation or cause any substantial disruption to its supply chain.

Strategic Highlights

Driven by its successful "Follow and Win the Molecule" strategies, the Group has been continually embracing changes in the global biologics industry and maintaining its leadership in technology innovation for biologics discovery, development and manufacturing services. With unparalleled capabilities and capacity, the Group is capable of enabling any new project within four weeks. During the Reporting Period, the Group continued to pioneer the biologics CRDMO through, among others, the following achievements in its core business:

- The Group announced a 10-year US$1.4 billion investment plan to establish a cutting-edge, fully integrated CRDMO center expanding its research, development, and large-scale drug substance ("**DS**") and drug product ("**DP**") manufacturing capacity and capabilities in Singapore with 120,000L biomanufacturing capacity by 2026. This investment will strengthen the Group's global research, development and manufacturing network with more robust nodes to meet the growing demand from clients worldwide for end-to-end services, and continue to enable its "Global Dual Sourcing" strategy.

- The Group successfully launched the GMP operation of its new Drug Product Facility 5 ("**DP5**"), its first commercial DP facility for pre-filled syringes ("**PFS**"). With DP facilities for vials and PFS located in China and Germany, together with comprehensive DP development capabilities and capacity serving all DP modalities, the Group solidified its global leadership role in one-stop integrated DP CDMO services.

- The Group's industry-leading vaccines CRDMO subsidiary, WuXi Vaccines, received the GMP certificate from Ireland Health Products Regulatory Authority ("**HPRA**") for its quality control ("**QC**") potency lab in Dundalk, Ireland, which marked a critical step for WuXi Vaccines to enable the manufacturing of commercial vaccine products in its Dundalk facility to supply the global market for a top-10 pharmaceutical company.

- 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.

CRDMO Platform — Discovery and Development Capabilities and Capacity

Discovery Research and Development ("R&D")

The Group's discovery organization, the "R" of CRDMO, has approximate 400 scientists, many of whom have multiple years of biologics discovery experience at multinational pharmaceutical companies and prestigious research institutes, offering fully integrated end-to-end and modular solutions for biologics drug discovery from concept to IND, seamlessly transitioning to Chemical Manufacturing and Control ("**CMC**") and downstream process development, and continuously focused on:

- enhancing innovative biologics generation capabilities and optimizing several existing technological platforms, including traditional hybridoma technology, phage display technology (naïve, immune and fully synthetic), yeast display technology (Fab and fully length), OMT fully human antibody discovery platform, premium humanization, Fc effector and half-life engineering, and various antibody optimization platforms (including PTM removal, pH sensitivity engineering and disease microenvironment modulating engineering), bispecifics, multispecifics, nanobodies, modified cytokines, fusion proteins, and antibody fragments to expedite the discovery of novel therapeutic biologics; establishing and improving single B cell cloning technique to dramatically accelerate the discovery of lead antibodies, and applying AI technology to assist antibody lead identification and optimization; the timeline from target to preclinical candidate compounds ("**PCC**") was shortened to six months at certain scenarios;

- 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 Antibody-drug Conjugates, immune cell engagers and other targeted therapies;

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

- establishing in silico screening method, and a set of assays that can help to assess the potential development risk of a molecule and protein engineering when needed for improvement, a critical step that can significantly reduce the CMC and clinical development risk and shorten development timeline;

- 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 PCC molecules 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's ongoing investments in cutting-edge technology platforms help define its role as an industry-leading technology pioneer. During the Reporting Period, the Group experienced exciting growth of new modalities, including antibody-drug conjugates, bispecifics, and advanced vaccines. Armed with these useful, valuable and differentiated technology platforms, the Group generates milestone and royalty revenues, while also bringing more biologics projects into its pipeline under its "Follow and Win the Molecule" strategies.

Antibody-Drug Conjugates

Antibody-drug Conjugates ("**ADC**") 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 monoclonal antibodies ("**mAb**"), ADCs show superior efficacy, lower off-target toxicity and a larger therapeutic window. It has made breakthrough recently for the treatment of tumors, and has become a hot therapeutic modality as evidenced by close to ten 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 76 ADC integrated projects globally, 27 of which had completed IND submission and are in various stages of clinical trials.

The Group's subsidiary, WuXi XDC, provides a dedicated, comprehensive, full-spectrum set of in-house capabilities for ADC and bioconjugates. Its facilities — offering services from antibody discovery to conjugation research, to full CMC development and all the way to commercial production — are all located within close proximity to enable global ADC innovators to move their assets forward in a high quality, cost-effective and timely manner. WuXi XDC also has developed DAR4 technology that can control drug-to-antibody ratio ("**DAR**") at approximately 4, significantly reducing the heterogeneity of ADC molecules and thereby reducing the CMC development complexity of ADC molecules.

The Group's 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 180 GMP DS and DP batches. The Group is also building the second ADC DP facility with tentative release date in early 2023. This will further double ADC DP manufacturing capacity to meet the needs of multiple late-stage ADC development and manufacturing projects.

Bispecific and Multispecific Antibodies

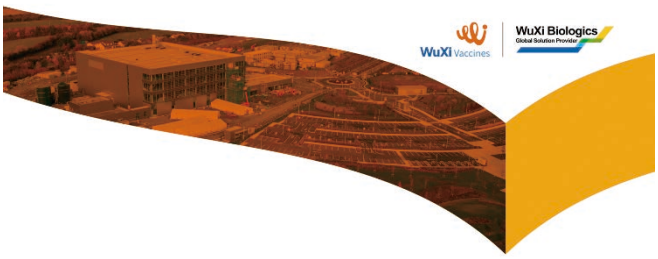
Multispecific drugs, particularly bispecific and multispecific antibodies, herald a new era of biopharmaceutical innovation. However, despite how promising they are, various challenges associated with protein engineering, biology, product stability and manufacturing delayed bispecific and multispecific antibodies from undergoing wide-spread development.

Based on its extensive experience in antibody development and its top team of scientists, the Group has developed more than 10 different formats and published more than 30 relevant papers, and is undertaking 84 bispecific projects. The Group also offered its industry leading proprietary bispecific antibody platform WuXiBody™ to enable global bispecific biologics innovation, which allows valency flexibility and permits the easy joining of almost any mAb pair to build a bispecific antibody. WuXiBody™ also offers many other benefits, including high yield, high solubility, good stability in serum and increased in vivo half-life, amongst others.

In addition to the widely recognized WuXiBody™ platform, leveraging our leading technical capability of Variable Domain of Heavy-chain Antibodies ("**VHH**") libraries, advanced VHH immunization, VHH affinity maturation and humanization platforms and the deep understanding of disease and target biology, the Group's scientist team has also developed the advanced VHH based multispecific antibody platform SDArBodY™ (Single-Domain Antibody-related Multispecific Antibody) to enable our clients and partners who are focusing on those multi-functional therapeutic modalities. SDArBodY™ has been used in many projects.

Vaccines Platform

Through WuXi Vaccines — the Group's industry-leading subsidiary focusing on end-to-end vaccine CRDMO services — the Group has continued to grow its vaccine business since 2018. The Group's robust global network enables its clients to start vaccine projects within four weeks and then distributes vaccines from the Group's facilities to the clients' desired sites anywhere around the world.



During the Reporting Period, the Group provided vaccine CRDMO services on a wide spectrum of technical platforms covering Chinese Hamster Ovary ("**CHO**"), viral, microbial and mRNA, including the first iCMC (integrated CMC) mRNA project, the first U.S. late-stage project based on CHO platform, the first China commercial project, and the first consulting service to support the client to pass WHO PQ (Pre-qualification). In addition to the partnership manufacturing agreement with one global vaccine leader for an initial term of 20 years and a total contract value over US$3 billion, new agreements with one global vaccine leader and one Big Pharma were added for late-phase development and manufacturing. Moreover, new collaborations will also help partners reach global market and supply GAVI (Global Alliance for Vaccines and Immunization) countries. The Group also has enabled clients to combat the pandemic with three different modalities of COVID-19 vaccines and hundreds of millions of doses of COVID-19 vaccines produced for supply.

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 on track towards mechanical completion by end of 2022 and has received the GMP certificate from HPRA for its QC potency lab.

Technology Platforms for Biologics Development

In addition to the industry-leading technology platforms listed previously, the Group's CRDMO platform also offers various additional cutting-edge biologics development gears. In particular, with its mission of "Turning Ideas into Life-Improving Biologics", the Group's industry-leading biologics development team, being capable of enabling 150 INDs and 12 Biologics License Applications ("**BLA**s") a year, successfully innovated and updated various technologies to expedite global biologics development and manufacturing.

WuXia™, the Group's proprietary CHO cell line development platform, enables 150 integrated CMC 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 and desired quality attributes 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 and multispecific antibodies, fusion proteins and other 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 55 projects; among them more than 15 projects accomplished process scale-up, clinical manufacturing and commercial manufacturing and two projects received BLA approval.

CRDMO Platform — Manufacturing Capabilities and Capacity

Manufacturing

Since the banner year of 2021, the Group has maintained accelerating business momentum in late-stage and commercial manufacturing projects, contributing to significant revenue growth. During the Reporting Period, most of the Group's manufacturing capacity was fully and efficiently utilized, with the number of biologics projects — both COVID and non-COVID — reaching record highs.

DS Manufacturing

As of the end of the Reporting Period, the Group's operational DS manufacturing capacity mainly includes:

Facility	Highlights
MFG1	• The first biologics manufacturing facility in China approved by the U.S. FDA, the EU EMA, France HAS and China NMPA • Successfully completed two process performance qualification ("**PPQ**") projects during the Reporting Period
MFG2	• Offer a highly flexible manufacturing facility and competitive cost structure through combination of multiple 2,000L-capacity and 1,000L-capacity disposable bioreactors • Fully in compliance with FDA 21 CFR Part 11 and based on ISA88 batch standard, adaptable to various pharmaceutical processes • Received GMP accreditation from various regulatory agencies, including but not limited to China NMPA, U.S. FDA, Japan PMDA and Italy AIFA and completed a remote GMP inspection by South Korea's Ministry of Food and Drug Safety • Fully utilized by two commercial products and one post-PPQ product, producing substantial amount of neutralized antibody for COVID-19 during the Report Period

Facility	Highlights
MFG3	• With MFG3, Shanghai site offers complete one-stop biologics development and manufacturing services in one central location • Enable the Group's customers to reach their clinical manufacturing goals within the shortest time possible • Despite Shanghai COVID-19, substantial batches successfully completed during the Reporting period
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 • Successful DS PPQ production of COVID-19 vaccine in supporting WHO inspection • Passed all 11 audits including ANVISA and EU EMA during the Reporting Period
MFG5	• World's largest single-use bioreactor-based cGMP biologics facility • Fully in compliance with FDA 21 CFR Part 11 and based on ISA88 batch standard, adaptable to various pharmaceutical processes • One PPQ project successfully completed in the 2,000L line during the Reporting Period
MFG13	• Part of the Group's microbial and viral platform ("**MVP**") business unit in Hangzhou, China • Offers one-stop end-to-end CDMO services from sequence to GMP manufacturing and quality control release for viral, HEK293 and mRNA based products

Facility	Highlights
MFG14	• Part of the Group's MVP business unit in Hangzhou, China • Offers services of integrated CMC package based on E. coli and yeast host systems • As of the end of the Reporting Period, MFG14 had been working on more than 20 projects for various modalities spanning recombinant protein, virus like particle, enzyme, plasmid DNA, etc.
MFG20	• Acquired from Pfizer China in Hangzhou, designed 8,000L capacity with further expansion plan • GMP released in 2021
MFG21	• GMP certificated facility in Suzhou acquired in 2021 • Only took short time to upgrade this facility from local CDMO to global CRDMO, showcased the Group's strong post-acquisition integration power • Applies single-use technology with four upstream production lines with flexible capacities and two downstream purification lines • Substantial batches successfully completed during the Reporting Period

DP Manufacturing

Over the course of a decade's worth of continual investment and development, the Group has built up and expanded its world-class DP development and manufacturing capacity and capabilities to replicate its success in DS development and manufacturing. With state-of-art facilities and cutting-edge technologies, including integrated high throughput and automation instruments, pioneering lyophilization technologies, and advanced process development capabilities, the Group's one-stop comprehensive DP capabilities and capacity enlarged the spectrum of services offered to the biologics industry, boosting the Group's revenue stream. During the Reporting Period, the Group witnessed rapid growth of DP projects and clients. Its main operational DP facilities once again achieved their manufacturing goals:

Facility	Highlights
DP1	• The Group's first triple approval DP facility from the U.S. FDA, the EU EMA and China NMPA, and only China based biologics DP facility certified by abovementioned regulatory authorities for commercial manufacturing • Successfully completed substantial batches with 100% success rate during the Reporting Period
DP2	• Features a state-of-the-art isolator filling line for the continuous high-speed production of wide size range; GMP released in 2021 • Applies innovative technologies such as single-use and automation and will increase up to 60 million vials for commercial DP per year • During the Reporting Period, completed one DP PPQ and eight audit

Facility	Highlights
DP3	• Please refer to the section headed "CRDMO Platform — Discovery and Development Capabilities and Capacity — Antibody-Drug Conjugates"
DP4	• First robotic aseptic filling line for biologics in China • During the Reporting Period, completed the first PFS PPQ batches • During the Reporting Period, completed substantial batches including the first domestic commercialized COVID-19 neutralized antibody
DP5	• Successfully launched the GMP operation during the Reporting Period • Features an advanced isolator filling line for continuous and steady filling services, which offers multiple volume delivery options for PFS • More than 10 PFS filling batches completed in one month after the facility's GMP release
DP7	• Acquired from Bayer Aktiengesellschaft ("**Bayer**") in Germany • Received a License of Manufacturing Permit from German health authorities and EU EMA COVID-19 product manufacturing approval • Successfully filled more than 10 million doses for commercial lots and under fill line capacity expansion
DP8	• Part of the Group's MVP business unit in Hangzhou, China, GMP released • Planned for DP manufacturing of various modalities, including antibodies, recombinant proteins, enzymes, adjuvant-vaccines, mRNA, viral vectors, etc.
DP9	• Acquired from Pfizer China in Hangzhou • GMP released from renovation during the Reporting Period • The capacity increased to 10 million doses annually
DP11	• GMP certificated facility in Suzhou acquired in 2021 • Completed audits from EU, US, China clients and EU Qualified Person ("**EU QP**") • Features a fully automatic Bosch line for both liquid and lyophilization products

In addition, a new Drug Product Packaging Center ("**DPPC**") which includes the Group's first fully automated vial packaging line, was also GMP released in end of 2021. 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. DPPC completed more than 20 batches packaging and labelling for multiple commercial projects during the Reporting Period.

The Group's Manufacturing Science and Technology ("**MSAT**") team is responsible for DS and DP late-phase and commercial manufacturing support and troubleshooting. During the Reporting Period, this team expanded its capabilities in leading the risk assessment of new product introduction, technology transfer and process verification, facility fit, and change control of late-phase and commercial products; PPQ preparation, implementation and reporting for post-clinical projects; and continuous process validation ("**CPV**") for commercial products. Currently it is handling the PPQ for more than 30 late-phase projects and supporting the production of commercial products.

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. The biosafety Suzhou site has received two EU EMA GMP certificates, which further validates the Group's commitment to delivering high-quality services to its global clients and partners.

Along with other business units, the Group's 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. With the ascent of the biologics testing business, another new testing center has been under construction for further capacity expansion.

In response to the COVID-19 predicament of early 2022, the Group's well-prepared biosafety Suzhou site recovered and returned to full capacity by proactively and effectively implementing its business continuity plan. In particular, the site's viral clearance study team proactively expanded their capabilities in providing remote services to mitigate the impact from COVID-19. With tremendous efforts, the Suzhou site not only successfully delivered all projects on time but also managed to keep the business growing.

Quality

The Group's 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 25 regulatory inspections conducted by U.S. FDA, EU EMA, China NMPA and other national regulatory agencies since 2017 with no critical issues and zero data integrity finding, which distinguishes the Group as the first and only biologics company certified by these regulatory agencies for commercial manufacturing in China. The Group has completed more than 700 GMP audits from global clients, and more than 40 audits by EU QP. 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.

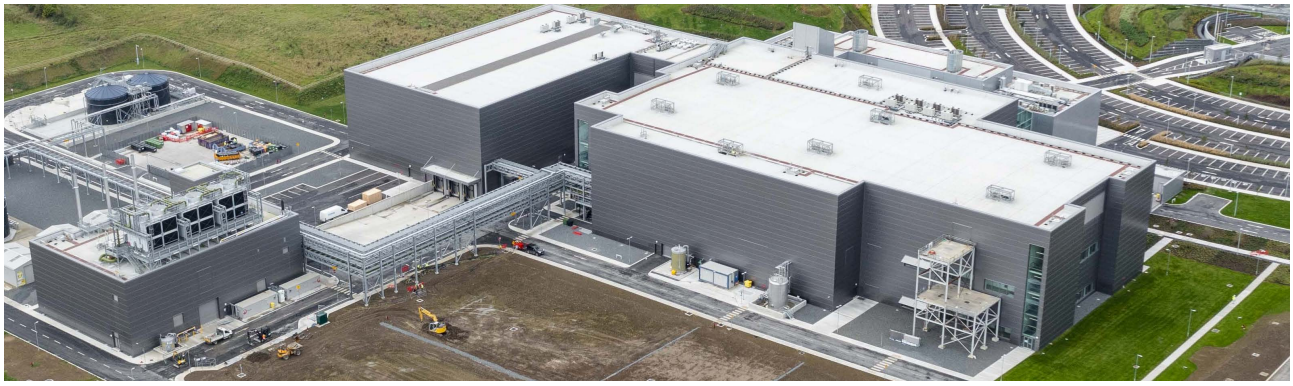
Capacity Expansion

During the Reporting Period, the Group continued to increase its global capacity in alignment with the industry's rapid growth of late-stage and commercial manufacturing projects, while also fulfilling its "Global Dual Sourcing" manufacturing paradigm to satisfy burgeoning demand. Through both new construction and global acquisitions, the total planned manufacturing capacity of the Group will reach 580,000L by 2026, including the newly announced Singapore CRDMO center.

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	Hebei	Commercial
MFG9	120,000L fed-batch	Wuxi	Commercial
MFG10	120,000L fed-batch	Singapore	Commercial
MFG11	24,000L 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 various external challenges including 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: most of commissioning, qualification and validation ("**CQV**") of MFG6 phase 1 was completed. The site is progressing well to be GMP operational soon. 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 detail 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 completed in around 2024.

  - 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 will be released soon.

- 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 in 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 mechanical, electrical and plumbing engineering ("**MEP**") was completed. The facility is expected to release soon.

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

Sales and Marketing

During the Reporting Period, the pandemic situation continued to influence the way the Group interacted with its clients and partners, particularly in China, as interactions between large groups continued to mostly take place as virtual events. North America and parts of Europe opened for live industry events and other live industry sales engagements added new energy to prospect and client relationships.

Regarding industry events in North American and Europe, the Group was able to participate in-person at targeted events such as PEP Talks and the PEG Conference focusing on our discovery services and protein production capabilities, the World ADC London conference tailored to the ADC market, and increased activities at in-person core bioprocessing events such as the BIO International Convention, BioEurope Spring, and selected bioprocessing events in Singapore and Korea. In China, the Group continued to employ more digital outreach and focus on its active webinar program to communicate to the market.

In addition to promoting the Group's record-breaking DNA to IND timelines and the extraordinary efforts made to enable our partners to deliver novel biologics in record-breaking timeframe throughout the COVID-19 pandemic, this period was marked by increased marketing communications promoting the Group's expertise and services in the

areas of biologics discovery. Other marketing efforts centered on the Group's "Global Dual Sourcing" manufacturing strategy, which supported the Group's global facility and capacity expansion initiatives, and leadership development for our novel technology platforms, including the 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 offered via the WuXi XDC subsidiary.

Environmental, Social and Governance ("ESG")

The Group regards ESG as an essential component of business strategy to drive its long-term success. The Group reinforced its ESG commitment by — among other strategies — setting an ambitious goal to reduce its Scope 1 and Scope 2 greenhouse gas ("**GHG**") emissions intensity by 50% by 2030 (compared to its 2020 outputs), achieving an 8% reduction of GHG emissions intensity in 2021 through its advanced continuous manufacturing platform with single-use technology. The Group has also launched additional Corporate Social Responsibility ("**CSR**") initiatives that aim to benefit its partners, patients, and society globally. In particular, devoted to spearheading career development of women professionals in the fields of STEM (Science, Technology, Engineering and Mathematics), the Group has formed a WiSTEM (Women in STEM) committee consisting of female employees from different sectors with different job titles, ethnic backgrounds, etc. to foster healthier business and culture with greater diversity, equity, and inclusion. As a recognition to these endeavors, the Group received multiple ESG awards and top recognition globally during the Reporting Period.

Future Outlook

The beginning of 2022 was marked by global events including the continued impact of COVID-19. Many economists estimate that the likelihood of a global recession is growing and inflation is already taking a significant toll, as also evidenced by the decline and postponement of investments in many sectors. However, owing to their indispensable efficacy and specificity, biologics drugs continue to see increased demand and are expected to become even more popular in the future. With that demand — coupled with robust expansion of the healthcare industry, growth in healthcare expenditures and favorable public support — the biologics market remains attractive and can expect to see a sustainable double-digit increase rate in the coming years.

Keeping pace with the market growth, while meeting the challenge of biologics' ever-increasing complexity, require solid expertise, extensive experience and significant capital expenditure. Outsourcing to a CDMO — especially to an experienced, one-stop CRDMO — is being viewed increasingly as a desirable option for maintaining competitiveness and bridging the gap between performance and opportunity. A shift to a more cost-effective, efficient and professional integrated outsourcing paradigm is becoming significantly more attractive to biopharma companies. Mirroring growth in the underlying biologics market, biologics outsourcing services are in unprecedented demand throughout all stages of biologics development. As a result, the global biologics outsourcing market is projected to increase at a remarkable rate.

In addition, the rapid growth of various new biological modalities — such as bispecfic, multispecific antibodies and ADC — is predicted to contribute notably to the biologics outsourcing market due to their requirements for sophisticated in-house infrastructure, specific expertise and know-how. For small-and medium-sized biotechnology companies with limited manufacturing capabilities, utilizing the one-stop outsourcing model is particularly attractive to reduce pipeline risk and increase operating flexibility, while large pharmaceutical companies generally welcome strategic partnerships with outsourcing service providers in order to shed assets and drive down costs.

Boosted by the rapid ascent of the biologics outsourcing market, the Group will continue to maintain its strong growth. With ongoing investments in its capabilities and capacity for providing comprehensive end-to-end CRDMO services, the Group will capture more development opportunities in the biologics industry, boosting its milestone and royalty revenue streams by attracting additional clients, and introducing more biologics into its pipeline. The Group offers end-to-end solutions that empower anyone and any company to discover, develop and manufacture biologics — from concept to commercial manufacturing — in a cost-effective and time-sensitive manner.

During the Reporting Period, the Group advanced its strong business momentum with its excellent execution capabilities and flexible manufacturing capacity. The Group's "Follow and Win the Molecule" strategies continued to bring excellent results with increasing late-stage and commercial manufacturing projects. Its vaccines and ADC businesses were also thriving, securing new clients and projects. The Group maintained its leading role by investing in cutting-edge technology platforms and state-of-the-art infrastructure to sustain strong growth in business and revenue over the coming years.

Looking ahead to the remainder of 2022, the Group will continue to expand capacities, enrich service portfolios, and implement its "Follow and Win the Molecule" strategies and "Global Dual Sourcing" paradigm to capture exciting opportunities in the biologics industry. Through these efforts, we will continue to enable our clients and partners to benefit patients worldwide.

FINANCIAL REVIEW

Revenue

The revenue of the Group increased by 63.5% from approximately RMB4,406.8 million for the six months ended June 30, 2021 to approximately RMB7,206.4 million for the six months ended June 30, 2022. The increase was mainly attributed to (i) the successful execution of the Group's "Follow and Win the Molecule" strategies, continuing to gain more customers to achieve sustainable high growth; (ii) accelerated momentum for the Group's commercial manufacturing and late-stage businesses since the banner year of 2021, contributing to significant revenue growth; (iii) the Group's acceleration to undertake, promptly execute and generate revenue from existing and new projects to support and enable the Group's global clients in combatting COVID pandemic; (iv) 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; (v) enlarged spectrum of services offered to biologics industry, including the one-stop shop comprehensive drug product service, boosted the Group's revenue stream; and (vi) the full utilization of the existing capacities and resources and the implementation of operational efficiency improvement programs, coupled with successful executions of business continuity plan in Shanghai.

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

	Six months ended June 30,			
	2022		2021	
Revenue	***RMB million***	***%***	*RMB million*	*%*
— North America	**3,896.1**	**54.1%**	2,189.3	49.7%
— PRC	**1,792.1**	**24.9%**	1,161.0	26.3%
— Europe	**1,296.6**	**18.0%**	989.9	22.5%
— Rest of the world *(Note)*	**221.6**	**3.0%**	66.6	1.5%
Total	**7,206.4**	**100.0%**	4,406.8	100.0%

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

For the six months ended June 30, 2022, the pre-IND services revenue of the Group increased by 82.1% to approximately RMB2,637.7 million, accounting for 36.6% of the total revenue. Early-phase (phases I & II) services revenue of the Group increased by 42.7% to approximately RMB1,284.4 million, accounting for 17.8% of the total revenue. Furthermore, late-phase (phase III) services and commercial manufacturing revenue of the Group increased by 63.5% to approximately RMB3,151.5 million, accounting for 43.8% 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:

	Six months ended June 30,			
	2022		2021	
	RMB million	***%***	*RMB million*	*%*
Pre-IND services	**2,637.7**	**36.6%**	1,448.5	32.9%
Early-phase (phases I & II) services	**1,284.4**	**17.8%**	900.1	20.4%
Late-phase (phase III) services & commercial manufacturing	**3,151.5**	**43.8%**	1,928.1	43.8%
Others *(Note)*	**132.8**	**1.8%**	130.1	2.9%
Total	**7,206.4**	**100.0%**	4,406.8	100.0%

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

Cost of Sales and Services

The cost of sales and services of the Group increased by 79.8% from approximately RMB2,109.9 million for the six months ended June 30, 2021 to approximately RMB3,793.2 million for the six months ended June 30, 2022. The increase of the cost of sales and services was in line with the Group's business and revenue growth.

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 48.6% from approximately RMB2,296.8 million for the six months ended June 30, 2021 to approximately RMB3,413.2 million for the six months ended June 30, 2022, and with a gross profit margin of 47.4%, primarily due to: (i) the robust revenue growth; (ii) the significant manufacturing margin growth in the first half of 2022 compared to the same period last year, again demonstrating disposable technologies can yield similar or higher margin than stainless steel tanks; (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 despite of the COVID constraints; and (v) the continuing undertaking of the Group's operational efficiency improvement programs.

The Group's revenue growth exceeded the gross profit growth in the Reporting Period, primarily due to the following reasons: The first half of 2021 was an exceptional period with record profitability, when the Group took extraordinary efforts to undertake a large number of new integrated projects with very limited new headcount added. In the first half of 2022, the Group continued to invest in talent acquisition and retention, capacity expansion, and global footprint extension to assure the long-term sustainable growth.

Other Income

The other income of the Group mainly consists of research and other grants and interest income. Other income of the Group increased by 25.0% from approximately RMB127.3 million for the six months ended June 30, 2021 to approximately RMB159.1 million for the six months ended June 30, 2022, mainly attributed to (i) an increase in interest income; (ii) dividend obtained from an equity investment at fair value through other comprehensive income ("**FVTOCI**"); and (iii) an increase in research and other grants.

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 slightly decreased by 0.6% from approximately RMB311.5 million for the six month ended June 30, 2021 to approximately RMB309.6 million for the six month ended June 30, 2022.

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 decreased from approximately RMB133.2 million for the six months ended June 30, 2021 to approximately RMB70.8 million for the six months ended June 30, 2022. The decrease was mainly attributed to the management's efforts to continuously enhance credit control. Down-payment requirements, periodic credit evaluation and other effective measures have been strictly executed in operation.

Selling and Marketing Expenses

The selling and marketing expenses of the Group increased by 11.1% from approximately RMB60.4 million for the six months ended June 30, 2021 to approximately RMB67.1 million for the six months ended June 30, 2022, mainly due to (i) our continuous efforts in enhancing the Group's business development capability globally; and (ii) the amortization of customer relationship generated from acquisitions incurred in the later of year 2021. Compared to the phenomenal growth of revenue, the selling and marketing expenses as a percentage of the Group's revenue decreased from 1.4% for the six months ended June 30, 2021 to 0.9% for the six months ended June 30, 2022.

Administrative Expenses

The Group's administrative expenses increased by 49.6% from approximately RMB347.6 million for the six months ended June 30, 2021 to approximately RMB520.1 million for the six months ended June 30, 2022, primarily due to the Group's continuous investment in talent acquisition and retention.

Research and Development Expenses

The research and development expenses of the Group increased by 134.9% from approximately RMB115.4 million for the six months ended June 30, 2021 to approximately RMB271.1 million for the six months ended June 30, 2022, 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 increased by 8.6% from approximately RMB20.9 million for the six months ended June 30, 2021 to approximately RMB22.7 million for the six months ended June 30, 2022, mainly due to (i) an increase in interest expense on lease liabilities, in line with the increment of lease liabilities over the world to support global operation, which was partially offset by (ii) a decrease in interest expense on bank borrowings, as a result of a lower interest rate maintained through interest swap arrangements.

Income Tax Expense

The income tax expense of the Group increased by 76.0% from approximately RMB175.5 million for the six months ended June 30, 2021 to approximately RMB308.9 million for the six months ended June 30, 2022, in line with the increment of profit before tax as discussed above. Excluding the impact of certain tax refund from local authorities, the effective tax rate of the Group increased from 15.8% for the six months ended June 30, 2021 to 23.6% for the six months ended June 30, 2022, mainly due to recognition of fair value losses on equity investments at FVTPL and share-based compensation expense which were not deductible for tax purpose during the Reporting Period.

Net Profit and Net Profit Margin

As a result of the foregoings, the net profit of the Group increased by 39.2% from approximately RMB1,882.8 million for the six months ended June 30, 2021 to approximately RMB2,621.2 million for the six months ended June 30, 2022. The net profit margin of the Group for the six months ended June 30, 2022 was 36.4%, as compared to 42.7% for the six months ended June 30, 2021. The decrease in net profit margin was mainly due to the decrease in gross profit margin and the increases in research and development expenses and income tax expense.

The net profit attributable to owners of the Company increased by 37.6% from approximately RMB1,842.1 million for the six months ended June 30, 2021 to approximately RMB2,535.1 million for the six months ended June 30, 2022. The margin of net profit attributable to owners of the Company decreased from 41.8% for the six months ended June 30, 2021 to 35.2% for the six months ended June 30, 2022. The decreases 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 38.6% from RMB0.44 for the six months ended June 30, 2021 to RMB0.61 for the six months ended June 30, 2022. The diluted earnings per share of the Group increased by 38.1% from RMB0.42 for the six months ended June 30, 2021 to RMB0.58 for the six months ended June 30, 2022. 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 as discussed above.

Property, Plant and Equipment

The balance of the property, plant and equipment of the Group increased by 11.9% from approximately RMB18,065.5 million as at December 31, 2021 to approximately RMB20,213.6 million as at June 30, 2022, primarily due to the on-going facility constructions in various sites of the Group, mainly in Ireland, the U.S. and China.

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 76.6% from approximately RMB752.3 million as at December 31, 2021 to approximately RMB1,328.7 million as at June 30, 2022, mainly due to the fair value gain on investment of Duoning amounting to approximately RMB572.6 million recognized during the Reporting Period.

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

The financial assets at FVTPL in the non-current assets of the Group mainly include investments in listed equity securities and unlisted equity investments. The balance decreased by 22.4% from approximately RMB1,356.1 million as at December 31, 2021 to approximately RMB1,052.0 million as at June 30, 2022, mainly due to the market value of listed equity securities held by the Group has declined during the Reporting Period.

The financial assets at FVTPL in the current assets of the Group mainly include investments in wealth management products purchased from several banks. The balance increased by 42.8% from approximately RMB975.6 million as at December 31, 2021 to approximately RMB1,393.4 million as at June 30, 2022, mainly as the Group has invested in principal guaranteed products to assure the safety of funds and improve the return accordingly.

Inventories

The inventories of the Group increased by 27.0% from approximately RMB1,687.4 million as at December 31, 2021 to approximately RMB2,143.8 million as at June 30, 2022, mainly due to (i) increased inventory safety stocks to mitigate the supply chain risk under the COVID pandemic; and (ii) increased inventory stock held in new sites preparing for coming production.

Contract Costs

The contract costs (previously called Service Work in Progress) of the Group increased by 5.3% from approximately RMB1,005.5 million as at December 31, 2021 to approximately RMB1,059.0 million as at June 30, 2022, mainly due to the increment of on-going projects, in line with the growth of the Group's revenue and business.

Trade and Other Receivables

The trade and other receivables of the Group increased by 38.3% from approximately RMB4,857.3 million as at December 31, 2021 to approximately RMB6,715.4 million as at June 30, 2022, primarily attributed to the increase in trade receivables, as combined results of the Group's revenue growth and slower collection due to the COVID pandemic, which was partially offset by the decrease in value added tax recoverable, as the local tax bureaus have accelerated refund of non-deductible value added tax to enterprises during the Reporting Period.

Contract Assets

The contract assets of the Group amounted to approximately RMB130.0 million as at June 30, 2022, being stable as compared to approximately RMB132.5 million as at December 31, 2021.

Trade and Other Payables

The trade and other payables of the Group decreased by 20.2% from approximately RMB3,697.8 million as at December 31, 2021 to approximately RMB2,951.0 million as at June 30, 2022, mainly due to (i) a decrease in the employees related payables, including salary and bonus payable and payables to employees arising from exercise of share options; (ii) the settlement of acquisition of WuXi XDC's payload and linker business, partially offset by the increase in trade payables which was along with the Group's business expansion.

Contract Liabilities (Current Portion & Non-current Portion)

The contract liabilities in the current liabilities of the Group increased by 53.7% from approximately RMB1,733.8 million as at December 31, 2021 to approximately RMB2,664.1 million as at June 30, 2022, mainly due to more contracts have been entered into, and 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.

Liquidity and Capital Resources

The aggregated balances of bank balances and cash and time deposits of the Group decreased by 16.6% from approximately RMB10,150.9 million as at December 31, 2021 to approximately RMB8,470.9 million as at June 30, 2022. The decrease was mainly due to a higher weight of cash deployed as wealth management products with principal guaranteed, being recorded in Financial Assets at FVTPL; coupled with the payment for purchase of property, plant and equipment, which was partially offset by net cash from operating activities during the Reporting Period.

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 to hedge to a reasonable coverage of the forecasted future USD denominated sales transactions up to 12 months, cross currency swap contracts to hedge foreign currencies denominated borrowings and repayments upon demand and forward extra contracts to hedge net exposure denominated in foreign currencies as needed, etc.

Significant Investments, Material Acquisitions and Disposals

As at June 30, 2022, there was no significant investment held by the Company, nor were there any material acquisitions or disposals of subsidiaries, associates and joint ventures during the Reporting Period.

Indebtedness

Borrowings

The aggregated borrowings of the Group increased by 4.2% from approximately RMB2,762.4 million as at December 31, 2021 to approximately RMB2,879.1 million as at June 30, 2022, 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 June 30, 2022, RMB denominated borrowings amounted to approximately RMB71.3 million with the effective interest rate around 4.9% per annum; USD denominated borrowings amounted to approximately RMB2,080.6 million with the effective interest rates ranging from 1.8% to 2.7% per annum; and EUR denominated borrowings amounted to approximately RMB727.2 million with the effective interest rate ranging from 0.8% to 1.5% per annum, respectively.

Among all, approximately RMB2,347.2 million will be due within one year; approximately RMB479.0 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 RMB25.3 million will be due after five years.

As at June 30, 2022, RMB denominated borrowings of approximately RMB71.3 million was secured against the Group's buildings. The remaining borrowings were unsecured.

Contingent Liabilities and Guarantees

As at June 30, 2022, the Group did not have any material contingent liabilities or guarantees.

Currency Risk

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

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

The Group seeks to limit its exposure to foreign currency 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. As at June 30, 3022, the pledged bank deposits of the Group amounted to approximately RMB218.2 million, being stable as compared to the balance of approximately RMB218.0 million as at December 31, 2021.

Gearing Ratio

Gearing ratio is calculated using interest-bearing borrowings divided by total equity and multiplied by 100%. Gearing ratio was 8.1% as at June 30, 2022, while 8.4% as at December 31, 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

	Six months ended June 30,	
	2022	2021
	RMB million	*RMB million*
Net Profit	**2,621.2**	1,882.8
Add: share-based compensation expense	**568.6**	204.7
Less: foreign exchange gain	**(94.0)**	(93.1)
Less: gains from equity investments	**(180.9)**	(182.3)
Adjusted Net Profit *(Note i)*	**2,914.9**	1,812.1
Margin of Adjusted Net Profit	***40.4%***	*41.1%*
Adjusted Net Profit Attributable to Owners of the Company	**2,835.0**	1,768.7
Margin of Adjusted Net Profit Attributable to Owners of the Company	***39.3%***	*40.1%*
	RMB	*RMB*
Adjusted Earnings Per Share		
— Basic	**0.68**	0.43
— Diluted	**0.65**	0.40

Notes:

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 from equity investments, a non-operating item.

EBITDA and Adjusted EBITDA

	Six months ended June 30,	
	2022	2021
	RMB million	*RMB million*
Net Profit	**2,621.2**	1,882.8
Add: income tax expense	**308.9**	175.5
Add: interest expense	**22.7**	20.9
Add: depreciation	**410.7**	286.6
Add: amortization	**29.2**	21.3
EBITDA	**3,392.7**	2,387.1
EBITDA Margin	***47.1%***	*54.2%*
Add: share-based compensation expense	**568.6**	204.7
Less: foreign exchange gain	**(94.0)**	(93.1)
Less: gains from equity investments	**(180.9)**	(182.3)
Adjusted EBITDA	**3,686.4**	2,316.4
Adjusted EBITDA Margin	***51.2%***	*52.6%*

Employee and Remuneration Policies

As at June 30, 2022, the Group employed a workforce totaling 10,593 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 RMB1,707.9 million for the six months ended June 30, 2022, as compared to approximately RMB1,184.8 million for the six months ended June 30, 2021. 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.

Interim Dividend

The Board resolved not to declare any interim dividend for the six months ended June 30, 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 code provisions as set out in the CG Code throughout the six months ended June 30, 2022. 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 June 29, 2020, 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 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 June 30, 2022:

Use of proceeds	**Planned applications** *(RMB million)*	**Percentage of total net proceeds**	**Actual usage up to June 30, 2022** *(RMB million)*	**Net proceeds brought forward for the Reporting Period** *(RMB million)*	**Unutilized net proceeds as at June 30, 2022** *(RMB million)*	**Expected timeframe for utilizing the remaining unutilized net proceeds**
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%	5,545.8	1,038.9	—	N/A

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 June 30, 2022:

Use of proceeds	**Planned applications** *(RMB million)*	**Percentage of total net proceeds**	**Actual usage up to June 30, 2022** *(RMB million)*	**Net proceeds brought forward for the Reporting Period** *(RMB million)*	**Unutilized net proceeds as at June 30, 2022** *(RMB million)*	**Expected timeframe 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	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%	1,231.7	4,359.6	3,127.9	By the end of 2023
Investment in mRNA related technologies	1,089.9	10%	—	1,089.9	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%**	**5,483.7**	**6,647.0**	**5,415.3**	

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 10,435,500 Shares on the Stock Exchange at an aggregate purchase price of approximately HK$842.67 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 six months ended June 30, 2022 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)*
January 4, 2022 to January 5, 2022	10,435,500	82.90	78.45	842.67

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

REVIEW OF INTERIM RESULTS

The independent auditors of the Company, namely Deloitte Touche Tohmatsu, have carried out a review of the interim financial information in accordance with the Hong Kong Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. 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 unaudited interim results for the six months ended June 30, 2022) of the Group. The Audit Committee and the independent auditors considered that the interim results are in compliance with the applicable accounting standards, laws and regulations, and the Company has made appropriate disclosures thereof.

KEY EVENTS AFTER THE REPORTING PERIOD

The Group has the following events taken place subsequent to June 30, 2022:

- On July 19, 2022, the Group announced a 10-year US$1.4 billion investment plan to establish a cutting-edge, fully integrated CRDMO center expanding its research, development, and large-scale DS and DP manufacturing capacity and capabilities in Singapore with 120,000L biomanufacturing capacity by 2026. This investment will strengthen the Group's global research, development and manufacturing network with more robust nodes to meet the growing demand from clients worldwide for end-to-end services, and continue to enable its "Global Dual Sourcing" strategy.

PUBLICATION OF THE 2022 CONDENSED CONSOLIDATED INTERIM RESULTS AND INTERIM REPORT

This announcement is published on the website of HKEX (www.hkexnews.hk) and the Company's website (www.wuxibiologics.com). In accordance with the requirements under the Listing Rules which are applicable to the Reporting Period, the interim report for the six months ended June 30, 2022 containing all the information about the Company set out in this preliminary announcement of results for the six months ended June 30, 2022 will be despatched to the Shareholders and published on the respective websites of HKEX and the Company in due course.

INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2022

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2022

		Six months ended June 30,	
		2022	2021
	NOTES	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*4*	**7,206,440**	4,406,754
Cost of sales and services		**(3,793,233)**	(2,109,921)
Gross profit		**3,413,207**	2,296,833
Other income	*5*	**159,144**	127,273
Other gains and losses	*6*	**309,626**	311,533
Impairment losses under expected credit loss model, net of reversal	*8*	**(70,838)**	(133,166)
Selling and marketing expenses		**(67,103)**	(60,356)
Administrative expenses		**(520,112)**	(347,640)
Research and development expenses		**(271,128)**	(115,375)
Financing costs	*7*	**(22,661)**	(20,874)
Profit before tax	*8*	**2,930,135**	2,058,228
Income tax expense	*9*	**(308,910)**	(175,450)
Profit for the period		**2,621,225**	1,882,778
Other comprehensive expense:			
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**")		**(49,552)**	—
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**(124,080)**	(223,762)
Fair value loss on hedging instruments designated in fair value hedges and cash flow hedges, net of related income tax		**(108,047)**	(127,558)
Other comprehensive expense for the period		**(281,679)**	(351,320)
Total comprehensive income for the period		**2,339,546**	1,531,458

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED JUNE 30, 2022

		Six months ended June 30,	
		2022	2021
	NOTE	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Profit for the period attributable to:			
Owners of the Company		**2,535,064**	1,842,140
Non-controlling interests		**86,161**	40,638
		2,621,225	1,882,778
Total comprehensive income for the period attributable to:			
Owners of the Company		**2,260,191**	1,503,365
Non-controlling interests		**79,355**	28,093
		2,339,546	1,531,458
		RMB	*RMB*
Earnings per share — Basic	*11*	**0.61**	0.44
— Diluted	*11*	**0.58**	0.42

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2022

	NOTES	**June 30, 2022** ***RMB'000*** **(Unaudited)**	December 31, 2021 *RMB'000* (Audited)
Non-current Assets			
Property, plant and equipment		**20,213,557**	18,065,495
Right-of-use assets		**1,632,312**	1,690,301
Goodwill		**1,529,914**	1,529,914
Intangible assets		**563,981**	600,654
Investment of an associate measured at fair value through profit or loss ("**FVTPL**")		**1,328,691**	752,275
Equity instruments at FVTOCI		**49,832**	94,413
Financial assets at FVTPL		**1,052,023**	1,356,134
Finance lease receivables		**116,935**	124,485
Derivative financial assets		**28,566**	10,942
Deferred tax assets		**244,639**	220,787
Other long-term deposits and prepayments		**55,747**	57,482
		26,816,197	24,502,882
Current Assets			
Inventories		**2,143,758**	1,687,375
Finance lease receivables		**13,772**	13,564
Trade and other receivables	*12*	**6,715,392**	4,857,319
Contract assets	*13*	**129,958**	132,545
Contract costs		**1,058,955**	1,005,470
Tax recoverable		**9,066**	9,436
Derivative financial assets		**503,613**	479,557
Financial assets at FVTPL		**1,393,441**	975,578
Pledged bank deposits	*14*	**218,241**	217,991
Time deposits	*14*	**335,570**	1,147,626
Bank balances and cash	*14*	**8,135,290**	9,003,280
		20,657,056	19,529,741

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT JUNE 30, 2022

	NOTES	**June 30, 2022** ***RMB'000*** **(Unaudited)**	December 31, 2021 *RMB'000* (Audited)
Current Liabilities			
Trade and other payables	*15*	**2,950,985**	3,697,819
Borrowings	*17*	**2,347,164**	2,121,895
Contract liabilities	*16*	**2,664,117**	1,733,799
Income tax payable		**586,999**	557,725
Lease liabilities		**126,249**	103,561
Derivative financial liabilities		**320,640**	40,890
		8,996,154	8,255,689
Net Current Assets		**11,660,902**	11,274,052
Total Assets less Current Liabilities		**38,477,099**	35,776,934
Non-current Liabilities			
Deferred tax liabilities		**162,313**	124,211
Borrowings	*17*	**531,898**	640,513
Contract liabilities	*16*	**688,010**	652,598
Lease liabilities		**1,393,251**	1,429,318
Deferred income		**220,996**	224,128
		2,996,468	3,070,768
Net Assets		**35,480,631**	32,706,166
Capital and Reserves			
Share capital	*18*	**235**	235
Reserves		**34,461,460**	32,278,358
Equity attributable to owners of the Company		**34,461,695**	32,278,593
Non-controlling interests		**1,018,936**	427,573
Total Equity		**35,480,631**	32,706,166

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

2. BASIS OF PREPARATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

Other than additional accounting policies resulting from application of amendments to International Financial Reporting Standards ("**IFRSs**"), and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2022 are the same as those presented in the Group's annual financial statements for the year ended December 31, 2021.

Application of amendments to IFRSs

In the current interim period, the Group has applied the following amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for the annual periods beginning on or after January 1, 2022 for the preparation of the Group's condensed consolidated financial statements:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018–2020

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

4. 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 of the Group. 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:

	Six months ended June 30,	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue		
— North America	**3,896,111**	2,189,224
— PRC	**1,792,077**	1,161,009
— Europe	**1,296,601**	989,933
— Rest of the world	**221,651**	66,588
	7,206,440	4,406,754

As at June 30, 2022, the Group's non-current assets located in Ireland, Germany, the United States ("**US**") and Singapore are amounted to RMB8,519,137,000, RMB2,451,576,000, RMB1,416,177,000 and RMB7,793,000 (December 31, 2021: RMB7,743,261,000, RMB2,388,062,000, RMB1,078,688,000, and RMB3,954,000) respectively, the remaining non-current assets of the Group are mainly located in the PRC.

5. OTHER INCOME

	Six months ended June 30,	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest income from banks and other financial assets at amortized cost	**44,004**	26,289
Research and other grants related to		
— Assets *(note i)*	**8,178**	17,760
— Income *(note ii)*	**98,647**	82,765
Dividend from an equity instrument at FVTOCI	**8,315**	—
Others	**—**	459
	159,144	127,273

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 current interim period were mainly related to recognizing 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

	Six months ended June 30,	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Net foreign exchange gain	**106,410**	88,907
Fair value (loss) gain on		
— listed equity securities at FVTPL	**(413,646)**	153,965
— unlisted equity investments at FVTPL	**13,633**	14,967
— investment of an associate measured at FVTPL	**572,619**	13,335
— wealth management products	**14,148**	30,689
— derivative financial instruments	**(12,400)**	4,176
Others	**28,862**	5,494
	309,626	311,533

7. FINANCING COSTS

	Six months ended June 30,	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Interest expenses on financing component of an advance payment received from a customer	**4,911**	4,884
Interest expenses on bank borrowings	**24,317**	30,043
Interest expenses on lease liabilities	**25,220**	13,669
Less: amounts capitalized in the cost of qualifying assets	**(31,787)**	(27,722)
	22,661	20,874

During the current interim period, borrowing cost arose on certain general borrowings were capitalized to expenditure on qualifying assets at rates varying from 1.39% to 2.31% (2021: from 1.29% to 2.31%) per annum.

8. PROFIT BEFORE TAX

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

	Six months ended June 30,	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Depreciation for property, plant and equipment	**388,926**	263,462
Depreciation for right-of-use assets	**82,825**	47,334
Amortization of intangible assets	**29,204**	21,335
	500,955	332,131
Staff cost (including directors' emoluments):		
— Salaries and other benefits	**1,707,923**	1,184,808
— Retirement benefit scheme contributions	**132,282**	90,244
— Share-based payment expenses	**599,506**	222,623
	2,439,711	1,497,675
Less: Capitalized in contract costs and property, plant and equipment	**(708,287)**	(492,701)
	2,232,379	1,337,105
Impairment losses under expected credit loss model, net of reversal		
— Trade receivables	**64,472**	125,414
— Contract assets	**98**	412
— Receivables for purchase of raw materials on behalf of customers	**6,268**	7,340
	70,838	133,166
Covid-19-related rent concessions	**—**	(177)
Write-down of inventories (included in cost of sales and services)	**18,123**	28,731
Reversal of inventories write-down (included in cost of sales and services)	**(23,694)**	(5,171)
Write-down of contract costs (included in cost of sales and services)	**10,941**	16,286
Loss on disposal of property, plant and equipment	**1,259**	766
Cost of inventories recognized as expense	**1,497,829**	861,958

9. INCOME TAX EXPENSE

	Six months ended June 30,	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax:		
— PRC Enterprise Income Tax ("**EIT**")	**566,752**	317,493
— Hong Kong Profits Tax	**56,187**	35,219
— Ireland Income Taxes	**—**	379
— US Federal and State Income Taxes	**34**	39
Over provision in prior years	**(361,982)**	(132,639)
	260,991	220,491
Deferred tax:		
— Current period	**47,919**	(45,041)
	308,910	175,450

The Company is registered as an exempted company and as such is not subject to Cayman Islands taxation.

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%.

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 certain subsidiaries which are eligible for lower tax rates because they were accredited with "Technology Advanced Service Enterprise", "High and New Technology Enterprise" or "Micro and Small Enterprise" tax preference for the current interim period.

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

10. DIVIDENDS

No dividends were paid, declared or proposed during the current interim period. The directors of the Company have resolved not to declare any interim dividend in respect of the interim period.

11. EARNINGS PER SHARE

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

	Six months ended June 30,	
	2022	2021
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Earnings attributable to owners of the Company		
Earnings for the purpose of calculating basic and diluted earnings per share	**2,535,064**	1,842,140

	Six months ended June 30,	
	2022	2021
	(Unaudited)	(Unaudited)
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**4,175,781,792**	4,149,321,757
Effect of dilutive potential ordinary shares:		
Share options	**184,325,722**	224,232,937
Restricted shares	**26,231,757**	34,277,112
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**4,386,339,271**	4,407,831,806

The weighted average number of ordinary shares shown above have been arrived at after deducting the weighted average effect on 46,532,552 shares (June 30, 2021: 49,367,119 shares) held by the trustee under the Restricted Share Award Scheme or the Global Partner Program Share Scheme.

12. TRADE AND OTHER RECEIVABLES

	As at	
	June 30, 2022	December 31, 2021
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables		
— related parties	**1,924**	2,367
Less: allowance for credit losses	**(22)**	(76)
— third parties	**5,784,280**	3,424,757
Less: allowance for credit losses	**(368,246)**	(303,293)
	5,417,936	3,123,755
Bills receivable from contracts with customers	**605**	3,247
Receivables for purchase of raw materials on behalf of customers	**745,213**	616,961
Less: allowance for credit losses	**(36,646)**	(30,378)
	708,567	586,583
Advances to suppliers		
— related parties	**13,177**	12,607
— third parties	**71,640**	70,600
	84,817	83,207
Other receivables	**278,867**	278,026
Prepayments	**30,119**	12,362
Value added tax recoverable	**194,481**	620,584
Receivable arising from payments for potential acquisition	**—**	149,555
	503,467	1,060,527
Total trade and other receivables	**6,715,392**	4,857,319

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

	As at	
	June 30, 2022	December 31, 2021
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Not past due	**3,428,026**	2,075,079
Overdue:		
— Within 90 days	**1,284,757**	719,662
— 91 days to 1 year	**628,768**	281,206
— Over 1 year	**76,385**	47,808
	5,417,936	3,123,755

13. CONTRACT ASSETS

	As at	
	June 30, 2022	December 31, 2021
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Contract assets		
— related parties	**7,250**	7,685
Less: allowance for credit losses	**(64)**	(2)
— third parties	**133,303**	135,357
Less: allowance for credit losses	**(10,531)**	(10,495)
	129,958	132,545

The contract assets are primarily related to the Group's right to consideration for work completed and not billed because the rights are conditioned on the Group's future performance in achieving specified milestones as stipulated in the contracts.

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 carried interest at market rates which ranged from nil to 2.03% per annum as at June 30, 2022 (December 31, 2021: from nil to 2.10% per annum).

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

Time deposits as at June 30, 2022 carried fixed interests rate at 0.4% per annum and have original maturity over three months (December 31, 2021: from 0.3% to 0.6%).

15. TRADE AND OTHER PAYABLES

	As at	
	June 30, 2022	December 31, 2021
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade payables		
— related parties	**89,939**	62,214
— third parties	**905,390**	555,570
	995,329	617,784
Other payables		
— related parties	**4,314**	8,857
— third parties	**788,847**	1,206,705
	793,161	1,215,562
Payable for purchase of property, plant and equipment	**697,843**	750,420
Consideration payables for acquisition of subsidiaries	**4,008**	4,008
Consideration payable to a non-controlling shareholder	**1,129**	—
Consideration payable to a related party for acquisition of business	**—**	280,000
Salary and bonus payables	**402,033**	781,009
Other taxes payable	**57,482**	49,036
	1,162,495	1,864,473
Trade and other payables	**2,950,985**	3,697,819

Payment terms with suppliers are mainly on credit within 90 days. The following is an age analysis of trade payables presented based on invoice date at the end of the reporting period:

	As at	
	June 30, 2022	December 31, 2021
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Within 90 days	**884,333**	561,455
91 days to 1 year	**109,649**	37,408
Over 1 year but within 5 years	**1,347**	18,921
	995,329	617,784

16. CONTRACT LIABILITIES

	As at	
	June 30, 2022	December 31, 2021
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Contract liabilities		
— related parties	**432**	98
— third parties	**3,351,695**	2,386,299
	3,352,127	2,386,397
Less: amounts shown under current liabilities	**(2,664,117)**	(1,733,799)
Amounts shown under non-current liabilities	**688,010**	652,598

17. BORROWINGS

	As at	
	June 30, 2022	December 31, 2021
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Secured bank loans	**71,300**	75,900
Unsecured bank loans	**2,807,762**	2,686,508
	2,879,062	2,762,408
The carrying amounts of the above borrowings are repayable*:		
Within one year	**2,347,164**	2,121,895
Within a period of more than one year but not exceeding two years	**478,998**	583,013
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	**25,300**	29,900
	2,879,062	2,762,408
Less: amounts due within one year shown under current liabilities	**(2,347,164)**	(2,121,895)
Amounts shown under non-current liabilities	**531,898**	640,513

* 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:

	As at	
	June 30, 2022	December 31, 2021
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Fixed-rate borrowings	**71,300**	75,900
Variable-rate borrowings	**2,807,762**	2,686,508
	2,879,062	2,762,408

The Group's variable-rate borrowings carry interest at LIBOR plus 1.1% to 1.2%, European Central Bank Rate plus 1.5% and EURIBOR plus 0.7% to 0.8%. Interest is reset each one to three months based on the contracts.

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

	As at	
	June 30, 2022	December 31, 2021
Effective interest rate:		
Fixed-rate borrowings	**4.90%**	3.85% to 4.90%
Variable-rate borrowings	**0.75% to 2.70%**	0.75% to 2.69%

At June 30, 2022, the Group's borrowings were secured against the Group's property, plant and equipment as collaterals with carrying amounts of RMB10,522,000 (December 31, 2021: RMB10,597,000).

18. SHARE CAPITAL

AUTHORIZED:

	Number of shares	Par value *US$*	Authorized share capital *US$*
At January 1, 2021, June 30, 2021, January 1, 2022 and June 30, 2022	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, 2021 (audited)	4,084,763,060	34,040	225
Issue of new shares *(note i)*	128,354,126	1,070	7
Exercise of pre-IPO share options	25,005,956	208	2
At June 30, 2021 (unaudited)	4,238,123,142	35,318	234
At January 1, 2022 (audited)	4,259,003,614	35,492	235
Issue of new shares *(note i)*	39,953,861	333	2
Exercise of pre-IPO share options	9,628,842	80	1
Shares repurchased and cancelled *(note ii)*	(45,058,000)	(375)	(3)
At June 30, 2022 (unaudited)	4,263,528,317	35,530	235

Notes:

i. On June 10, 2021 and June 10, 2022, the Company issued and allotted 10,354,126 and 39,953,861 new ordinary shares at nil consideration to the trustee under the Restricted Share Award Scheme or the Global Partner Program Share Scheme, respectively.

ii. During the current interim period, the Company repurchased its own ordinary shares through the Stock Exchange as follows:

Month of repurchase	No. of ordinary shares	Price per share		Aggregate consideration paid
		Highest	Lowest	
		HK$	*HK$*	*RMB'000*
January 2022	10,435,500	82.90	78.45	691,056

On January 14, 2022, 45,058,000 shares were cancelled, of which 10,435,500 and 34,622,500 shares were repurchased in January 2022 and December 2021, respectively.

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the current interim period.

"ANVISA"	the Brazilian Health Surveillance Agency
"Audit Committee"	the audit committee of the Board
"Board" or "Board of Directors"	the board of Directors of the Company
"CDMO"	Contract Development and Manufacturing Organization
"CG Code"	the Corporate Governance Code as set out in Appendix 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
"CMO"	Contract Manufacturing Organization
"Company"	WuXi Biologics (Cayman) Inc. (藥明生物技術有限公司*), an exempted company incorporated in the Cayman Islands with limited liability on February 27, 2014
"CRDMO"	Contract Research, Development and Manufacturing Organization
"Director(s)"	the director(s) of the Company
"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
"France HAS"	French National Authority for Health
"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
"Remuneration Committee"	the remuneration committee of the Board
"Renminbi" or "RMB"	Renminbi Yuan, the lawful currency of the PRC
"Reporting Period"	the six-month period from January 1, 2022 to June 30, 2022
"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$1/120,000 each
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"U.S."	United States of America
"U.S. dollar(s)" or "US$" or "USD"	United States dollar(s), the lawful currency of the U.S.
"U.S. FDA"	The Food and Drug Administration of the U.S.
"WHO"	World Health Organization
"Written Guidelines"	the Written Guidelines for Securities Transactions by Directors adopted by the Company
"WuXi Vaccines"	WuXi Vaccines (Cayman) Inc., a company incorporated under the laws of the Cayman Islands, a non-wholly owned subsidiary of the Company
"WuXi XDC"	WuXi XDC Cayman Inc., a company incorporated under the laws of the Cayman Islands with limited liability, 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.

For and on behalf of the Board
WuXi Biologics (Cayman) Inc.
Dr. Ge Li
Chairman

Hong Kong, August 17, 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*