# 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, 2023

## FINANCIAL HIGHLIGHTS

| | | Six months ended June 30, | | |
|---|---|---|---|---|
| | | **2023** | 2022 | Change |
| | | ***RMB million*** | *RMB million* | |
| Revenue | | **8,492.0** | 7,206.4 | 17.8% |
| Gross profit | | **3,560.6** | 3,413.2 | 4.3% |
| *Gross profit margin* | | ***41.9%*** | *47.4%* | |
| Net profit | | **2,337.9** | 2,621.2 | (10.8%) |
| *Net profit margin* | | ***27.5%*** | *36.4%* | |
| Net profit attributable to owners of the Company | | **2,266.7** | 2,535.1 | (10.6%) |
| *Margin of net profit attributable to owners of the Company* | | ***26.7%*** | *35.2%* | |
| Adjusted net profit attributable to owners of the Company | | **2,838.3** | 2,835.0 | 0.1% |
| *Margin of adjusted net profit attributable to owners of the Company* | | ***33.4%*** | *39.3%* | |
| | | ***RMB*** | *RMB* | |
| Earnings per share | — Basic | **0.55** | 0.61 | (9.8%) |
| | — Diluted | **0.52** | 0.58 | (10.3%) |
| Adjusted earnings per share | — Basic | **0.68** | 0.68 | — |
| | — Diluted | **0.65** | 0.65 | — |

The Board resolved not to declare any interim dividend for the six months ended June 30, 2023.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

### Overall Performance

Amidst a complex world economy and macro environment, coupled with various uncertainties, the beginning of 2023 has emerged as an uncharted period for numerous industries. Nevertheless, these impacts did not impede the steady and resolute progress of the biologics development. In addressing unmet medical needs, a multitude of thriving new modalities, including ADC, bispecific and multi-specific therapies, alongside potential blockbusters like Alzheimer's disease drugs, are expected to generate more demands for the biologics outsourcing industry. Riding on such market potential, the Group maintains an optimistic outlook that its unique CRDMO platform, equipped with industry-leading capabilities and capacity, expects to seize more business opportunities in the years to come.

During the Reporting Period, despite headwinds, the Group's unique CRDMO platform persistently affirmed its status as a powerful and indispensable ally for its clients and partners, enabling them to realize their biologics projects from concept to commercial manufacturing in a cost-efficient and time-sensitive manner. Under the guidance of its "Follow and Win the Molecule" strategies, the Group continued to propel growth.

- The total number of integrated projects increased from 534 as at the same time last year to 621 as at June 30, 2023, including close to 580 non-COVID integrated projects, demonstrating the Group's strong business growth even without COVID-19 projects.

- The number of pre-clinical projects remained stable, totaling 286 as at June 30, 2023, while the total number of early-phase (phases I and II) projects increased from 204 as at the same time last year to 269 (192 in phase I and 77 in phase II) as at June 30, 2023.

- The number of late-phase (phase III) projects and commercial manufacturing projects leaped from 43 as at the same time last year to 66 (44 in late-phase and 22 in commercial manufacturing) as at June 30, 2023.

- The Group successfully progressed projects from pre-IND stage to post-IND stage: 39 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 11 external projects into the pipeline during the Reporting Period, including 6 late-phase and commercial manufacturing projects.

The following table sets forth the status of the on-going integrated projects of the Group as at June 30, 2023:

| **Biologics Development Process Stage** | **Number of On-Going Integrated Projects**[(1)] | **Typical Duration** | **Typical Service Revenue**[(2)] |
|---|---|---|---|
| Pre-IND | | | |
| — Drug discovery | — | 2 years | US$1.5–2.5 mm |
| — Pre-clinical development | 286 | 1–2 years | US$5–8 mm |
| Post-IND | | | |
| — Early-phase (phases I & II) clinical development: | 269 | 3 years | US$4–6 mm |
| — Phase I clinical development | 192 | | |
| — Phase II clinical development | 77 | | |
| — Late-phase (phase III) clinical development | 44 | 3-5 years | US$20–50 mm |
| — Commercial manufacturing[(3)] | 22 | Annually | US$50–100 mm[(4)] |
| **Total** | **621** | | |

*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, 2023 increased by 17.8% year-on-year to RMB8,492.0 million, together with a 4.3% year-on-year growth in gross profit to RMB3,560.6 million and a 0.4% year-on-year growth in adjusted net profit to RMB2,925.6 million, while maintaining positive free cash flow. The Group's total backlog, including the service backlog and upcoming potential milestone fees, also increased from US$18,467 million as of June 30, 2022 to US$20,108 million as of June 30, 2023, of which service backlog increased from US$12,809 million to US$13,562 million and upcoming potential milestone fees increased from US$5,658 million to US$6,546 million. The Group's total backlog within three years also increased from US$3,049 million as of June 30, 2022 to US$3,503 million as of June 30, 2023. The service backlog represents the revenue amount the Group has contracted but has yet to perform. The total upcoming potential milestone fees represent 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.

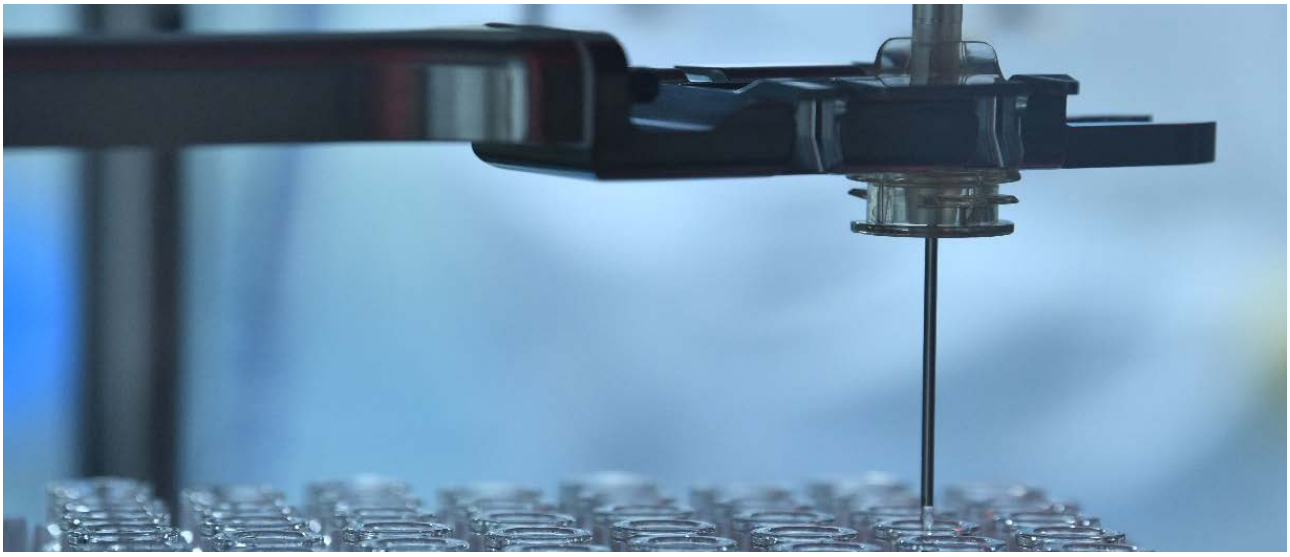
The Group further diversified its customer base by collaboration with all top 20 pharmaceutical companies in the world and most of largest pharmaceutical companies in China. The Group extended its services to 573 clients for the six months ended June 30, 2023, compared with 434 clients for the same period last year. The Group believes that continuous improvement of its capabilities and capacity, combined with unwavering commitment to its clients and partners, will strengthen its value chain, enabling the Group to consistently seize opportunities in this expanding market.

***Harnessing Power of Digitalization to Unlock Potential of CRDMO***

As digital technology emerges as a prominent trend in the biologics industry, the Group strives to harness digitalization to unlock the full potential of its CRDMO platform, as evidenced by numerous achievements during the Reporting Period.

The integration of digitalization and automation has revolutionized the Group's entire service chain. Multiple processes, from antibody discovery to generation and optimization, have been automated and streamlined, resulting in heightened efficiency and cost reduction, significantly compressing research timelines and enabling our clients and partners to develop more innovative biologics. The Group has also integrated multiple cutting-edge automation systems into its industry-leading biologics development platforms to enable faster, better, cheaper and smarter development, resulting in substantial reduction in labor costs and improved success rate. Finally, the Group set up digitalized plant framework and smart intelligent applications to streamline automatic manufacturing operation and quality management, greatly improving manufacturing operation robustness and batch success rate. Secured access to facility processes has also been provided, offering process visibility and advanced data use to clients and partners via global manufacturing data infrastructure.

With digitally integrated infrastructure forged through the aforementioned efforts, the Group offered clients and partners a digitalized end-to-end service experience from discovery and development to manufacturing in a cost-efficient and time-sensitive manner.



***Strategic Highlights***

The Group continually advances its capabilities and capacity, proactively adapting to embrace the evolving dynamics of the global biologics industry. With strong execution, best-in-industry timeline, cutting-edge technology and committed ESG practices, the Group accomplished the following strategic milestones during the Reporting Period:

- During the Reporting Period, the Group's strategic partner, Amicus Therapeutics, Inc. (NASDAQ: FOLD), a global biotechnology company, has received European Commission's approval for Pombiliti™, a long-term enzyme replacement therapy used in combination with miglustat therapy for adults with late-onset Pompe disease. Besides, the U.S. FDA has also recently completed relevant required pre-license inspection of the Group's manufacturing facility. Pombiliti™ was started at the Group in 2012 with just an initial concept and now realizes commercialization enabled by the Group's proprietary integrated technology platform and unparalleled manufacturing capacity. This achievement truly attests to the effectiveness of the Group's long-standing "Follow and Win the Molecule" strategies.

- In January 2023, the Group entered into a license agreement with GSK plc (LSE/ NYSE: GSK) ("**GSK**") under which GSK will have exclusive licenses for up to four bi- & multi-specific T cell engager ("**TCE**") antibodies developed using the Group's proprietary technology platforms. Under the agreement, the Group will receive a US$40 million upfront payment and up to US$1.46 billion in additional payments for research, development, regulatory and commercial milestones across the four TCE

antibodies. The Group is also eligible to receive tiered royalties on net sales. The partnership with GSK signifies the success of the Group's research capability, the "R" in its CRDMO business model.

- The Group's leading CRDMO subsidiary dedicated to the global ADC and broader bioconjugate market, WuXi XDC, expanded collaboration with Cidara Therapeutics, Inc. (NASDAQ: CDTX) ("**Cidara**") to provide IND-enabling chemistry, manufacturing and controls ("**CMC**") development services for Cidara's oncology program, which is a strong testament to our industry-leading ADC capabilities and expertise.

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

  - 2023 "CDMO Leadership Awards" for the sixth year in a row. The Group is proud to receive this distinction in the "Capabilities" category across all three groups — Overall, Big Pharma and Small Pharma. The Group was also recognized for having exceeded customer expectations in the Individual Attribute Awards categories of "Accessible Senior Management" and "State-of-the-Art".

  - "Best Contract Development and Manufacturing Organization Award" and the "Bioprocessing Excellence in Greater China Region Award" at the 2023 Asia-Pacific Bioprocessing Excellence Awards ceremony by IMAPAC.

  - Grand Prix — FDI Company of the Year award and the Best Regional Investment award at the 2023 Invest in Ireland Awards.

  - 2023 Facility of the Year Award ("**FOYA**") in the Operations category from International Society for Pharmaceutical Engineering ("**ISPE**") for the Group's manufacturing facility in Dundalk, Ireland.

  - Multiple ESG awards and recognitions such as 2023 ESG Industry Top-rated and Regional (Asia-Pacific) Top-rated Company from Sustainalytics, being selected for the S&P Global A List with a ranking in the Industry's Top 5%, "Platinum Award" in The Asset ESG Corporate Awards 2022, high ratings and "Leadership Award" from CDP.

- The Group underscores the importance of workforce development, deploying a focused human resources strategy to recruit, train, and retain global talents. As of the end of the Reporting Period, the Group's total staff reached 12,397, with a sizable biologics development team of 4,344 scientists. The Group's recruitment outside China proceeded well to support enhanced global capabilities and capacity. Talent retention continued to be successful, with a key talent retention rate of over 98% that is well above the industry's average.

## CRDMO Platform Review

### *CRDMO Platform — Research (R)*

The Group's research and discovery arm, the "R" in CRDMO, boasts an elite team of approximately 400 scientists, many of whom possess extensive biologics discovery experience at multinational pharmaceutical firms and renowned research institutions. It provides a comprehensive and streamlined suite of solutions for biologic discovery, ranging from concept to IND, that seamlessly transits to CMC and downstream process development. The Group continuously focused on enhancing innovative biologics generation and optimization capabilities and enriching and optimizing existing technological platforms to solidify its role as an industry-leading technology pioneer, accelerating the discovery and development process of various novel therapeutic biologics, especially with the following technology platforms:

- ***Bispecific and Multispecific Antibodies***

  The advent of multispecific biologics, particularly bispecific and multispecific antibodies, marks a turning point in biologics innovation. Despite their tremendous potential, the numerous obstacles related to protein engineering, biology, product stability, and manufacturing have hindered the extensive development of bispecific and multispecific antibodies.

  Drawing upon its established expertise in the development of antibodies and its top team of scientists, the Group has been working on more than 40 different formats and released over 30 relevant papers, with 105 bispecific projects currently underway. 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 monoclonal antibody ("**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. WuXiBody® continues to gain worldwide recognition, with 42 out-licensed projects by the end of the Reporting Period.

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 has also developed the sophisticated VHH-based SDArBodY® (Single-Domain Antibody-related Multispecific Antibody) platform, providing our clients and partners with multi-functional therapeutic capabilities. SDArBodY® has been applied extensively across a range of projects.

- ***Targeted Immunotherapy***

  The Group developed a patient-centric big data driven omics approach to identify and qualify tumor specific antigens ("**TSAs**") and tumor associated antigens ("**TAAs**"). TSA or TAA specific mAbs, when attached to various payloads, create a plethora of targeted immunotherapy.

  The Group has harnessed its Immune Cell Engager ("**ICE**") platform to devise TCE in an optimized bispecific antibody format, which demonstrated low cytokine release and potent tumor killing in preclinical studies. Through various research collaborations and licensing agreements, the Group has enabled diverse clients and partners, including multiple-national major pharmaceutical companies, such as GSK, to explore the potential of TCE antibodies as preeminent or pioneering treatments for tumors. Currently, three TCEs are in phase I clinical trials.

- ***Computer Aided Drug Discovery ("CADD")***

  The Group now leverages CADD to enable lead discovery and lead optimization of biologics. With the advent of digitalization for drug discovery, the Group, taking advantage of its extensive experience in biological drug discovery and wet lab capability, applied digitalization tools to various biological drug lead discovery and lead optimization scenarios, such as hybridoma screening, display panning, developability engineering, cross-reactivity engineering, etc. to help accelerate drug discovery process and expand the searching field of potential lead molecules.

- ***Single B Cell Cloning Technology***

  The Group has developed leading B cell cloning technology using Berkeley Light Beacon system, and significantly improved a variety of existing technologies, such as the enhanced immunization protocol and plasma B cell enrichment method, etc. The most prominent improvement is the development of proprietary reagents to expand single B cell sorting technology to various of species, which greatly helped in the discovery of valuable lead molecules.

***CRDMO Platform — Development (D)***

With its mission of "Turning Ideas into Life-Improving Biologics and Vaccines", the Group's industry-leading biologics development team, being capable of enabling 150 INDs and 12 Biologics License Applications ("**BLAs**") a year, offers cutting-edge technologies and capabilities to expedite biologics development and manufacturing through technology platforms including but not limited to:

- ***WuXia®***

  The Group's proprietary CHO cell line development platform, enables 150 integrated CMC projects per year, which is 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 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. The Group has delivered more than 750 cell lines, including five commercial products.

- ***WuXiUP™***

  The Group's proprietary continuous bioprocessing 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. WuXiUP™ has been implemented in more than 130 processes (more than 50 different molecules), among which more than 19 projects accomplished process scale-up, clinical manufacturing and commercial manufacturing and two projects received BLA approval.


- ***WuXiUI™***

  The Group's proprietary ultra-intensified fed-batch bioprocessing platform, aims to transform upstream process performance with improved productivity and reduced cost of goods ("**COGS**") in commercial manufacturing. In more than 15 cell lines expressing different types of recombinant proteins including mAbs, bispecific antibodies and fusion proteins, the application of the platform can achieve 3–6 folds of upstream productivity in comparison with the conventional fed-batch process, and at the same time realize substantially lowered manufacturing COGS. WuXiUI™ renders unparalleled flexibility and competitiveness in meeting different commercial market supply and manufacturing needs.

- ***WuXiHigh™***

  The Group's proprietary high concentration drug product ("**DP**") development platform, incorporates features such as novel viscosity reducers, synergistic excipient combinations, high-throughput formulation screening strategies, and computer-assisted formulation development that revolutionizes the development and manufacturing of high concentration (>100 mg/mL) biologics and biologic-device combination products. WuXiHigh™ has offered high concentration formulation development and manufacturing solutions for over 70 projects (up to 200 mg/mL) for various modalities, and tailored DP process development strategies for wide range of viscosities.

***CRDMO Platform — Manufacturing (M)***

During the Reporting Period, the Group proficiently utilized its manufacturing capacity, yielding hundreds of projects on time and achieving a flawless success rate for both drug substance ("**DS**") and DP production, all while building up capabilities and capacity across the global network.

- ***DS Manufacturing***

  The Group operates several of the industry's largest biologics cGMP manufacturing facilities that exclusively employ single-use bioreactors. During the Reporting Period, the Group's main operational DS manufacturing capacity includes:

| Facility | Highlights |
|---|---|
| **MFG1** | • Located in Wuxi, China; The first biologics manufacturing facility in China approved by U.S. FDA, EU EMA, Singapore HSA and China NMPA<br>• Successfully completed one process performance qualification ("**PPQ**") project, and successfully completed one BLA inspection by U.S. FDA during the Reporting Period |

| Facility | Highlights |
|---|---|
| **MFG2** | • Located in Wuxi, China; Offer a highly flexible manufacturing facility and competitive cost structure through combination of multiple 2,000L-capacity and 1,000L-capacity disposable bioreactors<br>• Received GMP accreditation from various regulatory agencies, including China NMPA, U.S. FDA, Italy AIFA, Japan PMDA, Canada HC and Korea MFDS<br>• Fully utilized by commercial products and Post-PPQ products<br>• Successfully completed one PPQ project and successfully completed one BLA inspection from U.S. FDA, and one BLA inspection from China NMPA during the Reporting Period |
| **MFG3** | • With MFG3, Shanghai site offers complete one-stop biologics development and manufacturing services in one central location<br>• Enable the Group's clients to reach their clinical manufacturing goals within the shortest time possible<br>• Substantial batches successfully completed for various modalities and processes during the Reporting Period |
| **MFG4** | • Located in Wuxi, China; Successfully completed the first 4,000L DS GMP production in 2020, which was a significant breakthrough in the biologics industry for the first time using the 4,000L single-use bioreactor in Asia<br>• Approved by ANVISA and EU EMA |
| **MFG5** | • Located in Wuxi, China; World's largest single-use bioreactor-based cGMP biologics facility with two complete production lines in one single building<br>• Approved by EU EMA<br>• One project successfully completed PPQ in the 2,000L line and two projects completed Post-PPQ in 4,000L line during the Reporting Period |
| **MFG6/7** | • Located in Dundalk, Ireland; GMP released for its phase I in 2022<br>• Successfully completed engineering batches in MFG6<br>• Completed commissioning, qualification and validation ("**CQV**") of MFG7 |

| Facility | Highlights |
|---|---|
| **MFG8** | • With 48,000L manufacturing capacity in Shijiazhuang, China, enhancing the Group's capabilities and capacity of providing commercial manufacturing at 4,000L to 20,000L scale<br>• Showcase of best practices for the "Factory of the Future"<br>• GMP released in 2022, and successfully completed multiple batches during the Reporting Period |
| **MFG13** | • Part of the Group's microbial and viral platform ("**MVP**") business unit in Hangzhou, China<br>• With MFG13, MVP offers one-stop end-to-end services from sequence to DS GMP manufacturing and quality control release for viral and mRNA based products |
| **MFG14** | • Part of the Group's MVP business unit in Hangzhou, China<br>• With MFG14, MVP offers one-stop services of integrated CMC package based on microbial expression systems<br>• Substantial batches successfully completed for various modalities spanning recombinant protein, virus like particle, enzyme, and plasmid DNA, during the Reporting Period |
| **MFG18** | • Located in Cranbury, New Jersey; First clinical manufacturing facility in U.S., offering 150,000 square foot cGMP clinical manufacturing space with full process development capability and clinical DS and DP cGMP manufacturing capability<br>• Phase I GMP released in 2022 |
| **MFG20** | • Acquired from Pfizer China in Hangzhou, China<br>• Efficiently utilized by Post-PPQ and late-stage products, producing substantial amount of neutralized antibody during the Reporting Period |
| **MFG21** | • GMP certificated facility in Suzhou acquired in 2021<br>• Substantial batches successfully completed during the Reporting Period<br>• Only took one year to upgrade this facility from local CDMO to global CRDMO, demonstrating the acquisition integration capability, strong resilience and powerful execution of the Group |

- ***DP Manufacturing***

  Over the course of more than a decade of development, the Group has diligently extended its DP development and manufacturing capabilities and capacity, mirroring the triumphs achieved in DS development and manufacturing. With state-of-the-art facilities and cutting-edge technologies, including integrated high throughput and automation instruments, pioneering lyophilization technologies, and advanced process development capabilities, the Group's one-stop comprehensive DP capabilities and capacity increased the spectrum of services offered to the biologics industry, boosting the Group's revenue stream. During the Reporting Period, the Group witnessed sustainable growth of DP projects and clients and successfully completed substantial batches for clients' projects.

  In addition, a new Drug Product Packaging Center ("**DPPC**") which includes the Group's first fully automated vial packaging line, was GMP released in 2021. Leveraging new technologies, including anti-forgery drug tracking as well as automatic intelligent labeling and packaging, DPPC not only provides customized end-to-end manufacturing services for clients, but also accelerates the process of high-volume clinical and commercial projects.

***CRDMO Platform — Integrated ADC and Vaccine Platforms***

Leveraging its extensive expertise and robust experience spanning the entire life-cycle of biologics development, the Group has strategically deployed its capabilities and capacity on establishing integrated platforms that provide comprehensive end-to-end CRDMO services for ADC and vaccine discovery, development, and manufacturing. Since their inception, these platforms have thrived, expanding the Group's service spectrum significantly and positioning it to seize opportunities within the rapidly evolving biologics market.

- ***ADC/XDC***

  ADC is an innovative biologics drug modality composed of a biologic component (i.e., the antibody) attached with a small molecule drug (i.e., the cytotoxic payload) via a specifically designed linker. Compared with current standard-of-care therapies, ADCs combine the target selective antibody and highly active cell-killing toxic drug, and have demonstrated the potential of significantly improving therapeutic window. This new therapeutic modality has shown promising clinical benefits, and its popularity is evidenced by the 11 ADCs that have been approved worldwide since 2018.


  The flourishing ADC market and intricate nature of ADC development have led to rising demand for outsourcing services in this area, creating a significant opportunity for the Group to leverage its expertise and bring value to its clients and partners. The Group's subsidiary, WuXi XDC, is dedicated to offering integrated and end-to-end interdisciplinary and comprehensive CRDMO services encompassing entire discovery, research, development, and manufacturing for ADCs and other bioconjugates. It has developed proprietary WuXiDAR4™ technologies that enable clients to achieve tight control of the distribution of species with narrow drug-to-antibody ratio ("**DAR**"), thereby significantly increasing product homogeneity and lot-to-lot consistency, which

in turn improve the pharmacokinetics profile and stability of bioconjugate products and potentially result in better clinical outcomes. Multiple projects have completed GMP manufacturing and initiated clinical trials using the patented WuXiDAR4™ technologies. As a trusted partner leading bioconjugate development globally, WuXi XDC has a strong presence in the global ADC outsourcing services field. As of the end of the Reporting Period, it had secured 110 ADC integrated projects globally with 16 projects in phase II/III.

WuXi XDC provides one-stop GMP manufacturing of bioconjugates by strategically offering its services from proximately located operation sites in Wuxi, Shanghai and Changzhou in China, where it has established dedicated and specialized facilities for bioconjugates. As such, it can better manage the supply chain and coordinate development and manufacturing operations, leading to expedited development timelines and improved quality and cost efficiencies for clients. WuXi XDC can halve the standard industry timeline from antibody DNA sequence to bioconjugate IND filing to approximately 13 to 15 months. Such fully integrated capabilities lay a solid foundation for its comprehensive service offerings, enabling clients to bring innovative bioconjugate therapeutic solutions to patients worldwide with high quality and speed.

The Group's ADC manufacturing site in Wuxi city, Jiangsu Province, encompasses nearly 26,000 square meters (approximately 280,000 square feet) and provides integrated solutions such as formulation 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 and automatically 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. The Wuxi

site also hosts our second groups of ADC facilities, which include a dual-manufacturing facility of mAb and ADC DS, a new DP facility, a labeling and packaging line, and a payload-linker manufacturing facility, all with target GMP release by the end of 2023. This will more than double ADC DS and DP manufacturing capacity to meet the needs of multiple late-stage ADC development and manufacturing projects.

- ***Vaccines Platform***

The Group's vaccine initiatives have enjoyed consistent growth and prosperity since 2018, driven by WuXi Vaccines, its subsidiary dedicated to offering comprehensive end-to-end vaccine CRDMO services. Its robust global supply chain enables its clients to commence vaccine initiatives within a mere four weeks and facilitates the distribution of vaccines from the Group's facilities to the desired global locations of its clients.

The Group furnishes vaccine CRDMO services that encompassed a broad array of technical platforms, such as Chinese Hamster Ovary ("**CHO**"), viral, microbial, and RNA, including the first microbial iCMC (integrated CMC) vaccine project and a potential blockbuster product based on CHO platform. In the 2023 World Vaccine Congress, WuXi Vaccines was named the Highly Commended CMO, a recognition of its capability and technical expertise to expedite vaccine manufacturing.

The Group's state-of-the-art vaccine facility in Ireland is now in the phase of CQV and will kick off technical transfer after that. The Suzhou facility, the first multiple platform in China, expects to commence GMP production in the second half of 2023.

During the Reporting Period, WuXi Vaccines' project numbers increased to 48, including 21 integrated projects, attesting to WuXi Vaccines' premium technical and quality strengths, CMC and regulatory capabilities and growing reputation in the industry.

***CRDMO Platform — Biosafety Testing***

The Group's biosafety testing facility in Suzhou and the new facility in Lingang, Shanghai significantly shorten the turnaround times for all biosafety tests and viral clearance validation studies conducted for the integrated CMC projects and standalone projects of 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. The commercial products testing service continues to thrive, which has supported and enabled the majority of new biologics drugs in China market. During the Reporting Period, the newly launched biosafety testing facility in Lingang, Shanghai, commenced the undertaking of clients' projects, strengthening the capabilities and capacity of the existing business and being remarked as a new milestone of providing better and faster service to global clients.

The Group actively builds up its biosafety testing capabilities by developing tests and methods for various biologics products, as well as expanding its cell bank characterization test panels to include other species (such as the HEK293 cell line and E. coli) commonly used in the production of biologics and vaccines. Testing capabilities in new business areas have been widely recognized by clients.

Over nearly six years of development, the Group's biosafety testing team has provided high-quality virus clearance validation services for over 1,000 projects, with the fastest delivery timeline being 1.5 months. With the support of our biosafety testing team, 37 biologics products of our clients and partners have obtained approval globally.

***CRDMO Platform — Quality***

The Group's quality department, which includes quality assurance, quality control, global quality compliance, regulatory affair 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 30 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 1,000 GMP audits from global clients, and more than 90 audits by EU Qualified Person ("**EU QP**"). The Group believes that these certificates will help manifest the Group's premier quality system that meets global quality standards and thereby benefits patients globally with biologics of better quality.

***CRDMO Platform — Capacity Expansion***

During the Reporting Period, the Group continued to increase its capacity to keep up with acceleration of the industry's late-stage and commercial manufacturing projects, while also fulfilling its "Global Dual Sourcing" strategy to cater to ever-increasing demand. The total planned manufacturing capacity of the Group will reach 580,000L with major presence in China, the U.S., Ireland, Germany and Singapore, providing a flexible and robust global supply chain network to fully meet the needs of our clients and partners worldwide.

- The Group's Dundalk, Ireland site (**MFG6** and **MFG7**), its first European site, was GMP released for its phase I in 2022, and phase II is to be released soon. The site has initiated the preparation work of multiple manufacturing projects. This facility won 2023 FOYA from ISPE. In particular, Ireland site has been almost fully booked for 2025, which serves as a testament to the Group's excellent strategy and execution. Please refer to the sections headed "CRDMO Platform — Manufacturing (M)" for additional information.

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

  - The construction of the Group's Manufacturing Facility 11 ("**MFG11**") in Worcester, Massachusetts, is progressing smoothly. Once finished, this new biologics development and production center in the U.S. will be yet another hub within the Group's global network.

  - The Group's Manufacturing Facility 18 ("**MFG18**") in Cranbury, New Jersey, is its first operational manufacturing facility in the U.S. Phase I of MFG 18 was released in 2022 and phase II will be released soon. Please refer to the sections headed "CRDMO Platform — Manufacturing (M)" for additional information. The construction of a DP facility at this site is underway and expects to be ready for GMP production in 2024.

- The Group's Germany site ("**MFG19**") in Wuppertal, is its first GMP DS plant in Germany. It has successfully completed the revamping project with mechanical completion, and the majority of CQV activities have been finished. Its 12,000L capacity is expected to be released soon.

  In response to global clients' increasing demand for contract manufacturing services, the Group plans to double the total capacity of MFG19 from 12,000L to 24,000L. The DP capacity in Germany will also be expanded to include a second variable filling line. This expansion will further enhance the Group's clinical and commercial manufacturing capacities in Europe and will strengthen the Group's "Global Dual Sourcing" strategy and its ability to deliver timely support to global clients.

- To strengthen the Group's global footprint, the Group's Singapore site commenced concept design in 2023, and will become an integrated biologics CRDMO center. To improve construction quality and safety and cost predictability, the site partly adopted modular approach for project execution, which will greatly shorten the project cycle.

- The Group's integrated biologics CRDMO center located in the Fengxian district of Shanghai was launched in 2022. This site offers an entire range of biologics research, development and manufacturing services and provides proprietary technology platforms WuXiBody® and SDArBodY® for bispecific and multispecific antibodies discovery, and many other aforementioned cutting-edge technologies to expedite biologics development and manufacturing. Its DS and DP facilities are expected to be GMP released soon. These facilities will further enhance the Group's manufacturing network to meet global clients' demand for clinical DS and DP manufacturing of innovative biologics at various scales and volumes.

***WBS (WuXi Biologics Business System)***

WBS was introduced and implemented in all functions of the Group in 2021 to continuously improve efficiency and quality, reduce cost, and generate value for clients. In 2023, the Group targets to improve substantial gross profit margin through WBS. During the Reporting Period, the Group has accomplished the following achievements through Kaizen projects:

- Cost-saving on materials for DS and DP manufacturing and laboratory reagents and consumables
- Capacity increase by improvement of methods such as buffer preparation and changeover time reduction
- Speeding up of product release and improved customer satisfaction
- Significant reduction of raw material inventory and material impairment through procurement planning and inventory control processes optimization
- Continuous enhancement of work efficiency through standardization of laboratory and manufacturing operations

The Group will continue to develop WBS as a management system to drive continuous improvement and create value for our clients and partners.

***ESG***

The Group maintains an unwavering dedication to sustainable development. During the Reporting Period, the Group made a commitment to the Science-Based Targets initiative ("**SBTi**") and is actively engaged in developing science-based emission reduction targets. Committing to the SBTi is an important component of the Group's carbon strategy, and also marks a new starting point of our net-zero journey.

To ensure the effective implementation of its Diversity, Equity, and Inclusion ("**DEI**") strategies, the Group has established a dedicated DEI Committee that served as the highest-level management body for DEI initiatives. This committee assumes responsibility for overseeing the global implementation of its DEI initiatives. By collaborating with task forces from various sectors, the Group ensures that ESG priorities are harmonized throughout the organization.

The Group's steadfast commitment to ESG principles will continue to guide our actions and propel us towards a more sustainable future.

***Future Outlook***

With the immense potential in addressing diseases that were once deemed untreatable or challenging to treat, and offering more efficacious and targeted therapies with fewer side effects, biologics are witnessing steady increasing demand, especially with the growing aging population and prevalence of chronic diseases. Along with the increasing availability and acceptability of advanced biologic therapies, the industry is continually experiencing steady capital investment in the R&D of innovative biologics, especially with the recent signals of rebounding funding in the U.S. and EU, driving growth of the biologics market. Furthermore, continuous advancement in biologics technology further propels innovation within the sector. During the first half of 2023, the U.S. FDA had approved 26 novel biologics. The global biologics market is forecasted to experience an impressive CAGR of 10.3% from 2023 to 2030.

The burgeoning demand of biologics creates a huge demand for outsourcing capacity. Pharmaceutical and biotech companies, facing limitations in manufacturing capacity, turn to specialized biologics outsourcing service providers equipped with extensive expertise and solid experience. This strategic approach not only helps in cost reduction but also enhances overall operational efficiency. The biologics outsourcing market is predicted to grow at a double-digit rate in the coming years.

The Group, possessing an industry-leading portfolio of complex biologics consisting of mAbs, bispecifics, multispecifics, ADCs, fusion proteins and vaccines and more, boasts an excellent track record, world-class quality system and "Global Dual Sourcing" strategy that enable seamless project delivery. It has become an outstanding choice for pharmaceutical and biotech companies. In 2023, the Group's "Follow and Win the Molecule" strategies are steadily bringing new projects into the pipeline with accelerated phase III and commercial biologics projects. In the foreseeable future, we are confident that commercial manufacturing will serve as the primary driver of the Group's growth, while our research business is also expected to continue to enable our clients to develop innovative biologics and enrich our CRDMO business model.

Looking ahead to the latter half of 2023, the Group will abide by its proven "Follow and Win the Molecule" and "Global Dual Sourcing" strategies and continue to build more cutting-edge capabilities and capacity utilizing advanced, intelligent, and environmentally-friendly technologies to strengthen our leading position as a premier CRDMO. We will prioritize enhancing the efficiency of the operations and executing additional WBS projects, aiming to further elevate the speed and quality of our services, ultimately enabling our clients and partners with more innovative biologics to envision a future where "every drug can be made and every disease can be treated".

## FINANCIAL REVIEW

### Revenue

The revenue of the Group increased by 17.8% from approximately RMB7,206.4 million for the six months ended June 30, 2022 to approximately RMB8,492.0 million for the six months ended June 30, 2023. The increase was mainly attributed to (i) the successful execution of the Group's "Follow and Win the Molecule" strategies, coupled with the leading technology platform, best-in-industry timeline and excellent execution track record, contributing to the growth of the Group's revenue; (ii) enlarged spectrum of services offered to the biologics industry, fast growing technology platforms including ADC and bispecific antibodies, contributing to the Group's revenue stream; (iii) growth of license revenue generated from the Group's various leading-edge technologies; and (iv) the utilization of existing and newly expanded capacities, including ramp-up of overseas manufacturing sites, while partially offset by the decline in COVID-related revenue.

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

| | **Six months ended June 30,** | | | |
|---|---|---|---|---|
| | **2023** | | 2022 | |
| | ***RMB million*** | ***%*** | *RMB million* | *%* |
| — North America | **3,927.9** | **46.3%** | 3,896.1 | 54.1% |
| — Europe | **2,551.6** | **30.0%** | 1,296.6 | 18.0% |
| — PRC | **1,792.5** | **21.1%** | 1,792.1 | 24.9% |
| — Rest of the world *(Note)* | **220.0** | **2.6%** | 221.6 | 3.0% |
| Total | **8,492.0** | **100.0%** | 7,206.4 | 100.0% |

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

For the six months ended June 30, 2023, the pre-IND services revenue of the Group increased by 6.6% to approximately RMB2,810.7 million, accounting for 33.1% of the total revenue. Early-phase (phases I & II) services revenue of the Group increased by 51.8% to approximately RMB1,949.7 million, accounting for 23.0% of the total revenue. Furthermore, late-phase (phase III) services and commercial manufacturing revenue of the Group increased by 14.3% to approximately RMB3,603.3 million, accounting for 42.4% 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,** | | | |
|---|---|---|---|---|
| | **2023** | | 2022 | |
| | ***RMB million*** | ***%*** | *RMB million* | *%* |
| Pre-IND services | **2,810.7** | **33.1%** | 2,637.7 | 36.6% |
| Early-phase (phases I & II) services | **1,949.7** | **23.0%** | 1,284.4 | 17.8% |
| Late-phase (phase III) services & commercial manufacturing | **3,603.3** | **42.4%** | 3,151.5 | 43.8% |
| Others *(Note)* | **128.3** | **1.5%** | 132.8 | 1.8% |
| Total | **8,492.0** | **100.0%** | 7,206.4 | 100.0% |

*Note:* Others mainly include sales of other biologics products by Bestchrom (Zhejiang) Biosciences Co., Ltd. and Bestchrom (Shanghai) Biosciences Co., Ltd., (collectively referred to as "**Bestchrom**"), 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

The cost of sales of the Group increased by 30.0% from approximately RMB3,793.2 million for the six months ended June 30, 2022 to approximately RMB4,931.4 million for the six months ended June 30, 2023.

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

## Gross Profit and Gross Profit Margin

The gross profit of the Group increased by 4.3% from approximately RMB3,413.2 million for the six months ended June 30, 2022 to approximately RMB3,560.6 million for the six months ended June 30, 2023, while the gross profit margin decreased from 47.4% for the six months ended June 30, 2022 to 41.9% for the six months ended June 30, 2023, mainly due to (i) the expected ramp-up impact of new manufacturing facilities, especially those in overseas entities; (ii) lower number of new projects due to biotech funding slowdown in China; (iii) required catch-up maintenance shutdown of current facilities, while partially offset by (iv)efficiency achieved from WBS and other continuous improvement activities.

## 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 24.5% from approximately RMB159.1 million for the six months ended June 30, 2022 to approximately RMB198.0 million for the six months ended June 30, 2023, mainly attributable to (i) an increase in interest income, as a result of a higher interest rate for USD deposits; and (ii) an increase in research and other grants received.

## 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 decreased by 62.9% from approximately RMB309.6 million for the six months ended June 30, 2022 to approximately RMB114.8 million for the six months ended June 30, 2023, mainly due to (i) the Group has reported a fair value loss on investments in equity securities as compared to the fair value gain reported in the corresponding comparative period, partially offset by (ii) an increase in fair value gain on investments of wealth management products, as a result of a higher interest rate in the current Reporting Period.

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

Impairment losses, under Expected Credit Loss ("**ECL**") model, net of reversal of the Group represent loss allowances on the Group's financial assets (including trade and other receivables and contract assets) ("**Impairment Losses**"). The impairment losses under ECL model increased from approximately RMB70.8 million for the six months ended June 30, 2022 to approximately RMB131.8 million for the six months ended June 30, 2023, as a result of (i) an increased trade and other receivable balance following the growth of the Group's revenue; and (ii) the longer collecting cycles from some customers headquartered in China.

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

**Selling and Marketing Expenses**

The selling and marketing expenses of the Group increased by 57.1% from approximately RMB67.1 million for the six months ended June 30, 2022 to approximately RMB105.4 million for the six months ended June 30, 2023, as a result of the Group's continuous investing in talent acquisition and retention to enhance the business development capability in the competitive global market. The selling and marketing expenses as a percentage of the Group's revenue increased from 0.9% for the six months ended June 30, 2022 to 1.2% for the six months ended June 30, 2023.

**Administrative Expenses**

The Group's administrative expenses increased by 30.7% from approximately RMB520.1 million for the six months ended June 30, 2022 to approximately RMB679.6 million for the six months ended June 30, 2023, primarily due to (i) an increase in the staff related costs; and (ii) increases in overseas administrative expenses, digital initiatives, etc., to reinforce the key administrative functions and IT infrastructure to support the rapid expansion of the Group's operations globally.

**Other Expenses**

The other expenses of the Group represent the listing expenses incurred for the proposed spin-off and the separate listing of the shares of WuXi XDC on the Main Board of the Stock Exchange. The other expenses amounted to approximately RMB7.4 million for the six months ended June 30, 2023.

**R&D Expenses**

The R&D expenses of the Group consist of direct labor costs, cost of raw materials and allocated overhead relating to our R&D projects. The R&D expenses of the Group increased by 25.9% from approximately RMB271.1 million for the six months ended June 30, 2022 to approximately RMB341.4 million for the six months ended June 30, 2023, as a result of our continuous investment in innovation and technologies to enhance and develop the Group's cutting-edge technologies 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 the financing component of an advance payment received from a customer. The financing costs of the Group increased by 247.1% from approximately RMB22.7 million for the six months ended June 30, 2022 to approximately RMB78.8 million for the six months ended June 30, 2023, mainly due to an increase in interest expenses on bank borrowings denominated in USD and EUR, as a result of interest rate hikes during the Reporting Period; coupled with an increase in interest expenses on lease liabilities, in line with the increment of the Group's leasing arrangements globally.

**Income Tax Expense**

The income tax expense of the Group decreased by 38.1% from approximately RMB308.9 million for the six months ended June 30, 2022 to approximately RMB191.1 million for the six months ended June 30, 2023, as a result of the decrease of profit before tax as discussed above. Excluding the impact of certain tax refund from local authorities, the effective tax rate of the Group slightly decreased from 23.6% for the six months ended June 30, 2022 to 22.6% for the six months ended June 30, 2023.

**Net Profit and Net Profit Margin**

As a result of the foregoing, the net profit of the Group decreased by 10.8% from approximately RMB2,621.2 million for the six months ended June 30, 2022 to approximately RMB2,337.9 million for the six months ended June 30, 2023. The net profit margin of the Group for the six months ended June 30, 2023 was 27.5%, as compared to 36.4% for the six months ended June 30, 2022. The decrease was mainly due to (i) a decrease in gross profit margin; (ii) increases in selling and marketing expenses, administration expenses and R&D expenses; and (iii) fair value losses on investments due to the capital market volatility.

The net profit attributable to owners of the Company decreased by 10.6% from approximately RMB2,535.1 million for the six months ended June 30, 2022 to approximately RMB2,266.7 million for the six months ended June 30, 2023. The margin of net profit attributable to owners of the Company decreased from 35.2% for the six months ended June 30, 2022 to 26.7% for the six months ended June 30, 2023. The decrease followed the same set of reasons as discussed above.

**Basic and Diluted Earnings Per Share**

The basic earnings per share of the Group decreased by 9.8% from RMB0.61 for the six months ended June 30, 2022 to RMB0.55 for the six months ended June 30, 2023. The diluted earnings per share of the Group decreased by 10.3% from RMB0.58 for the six months ended June 30, 2022 to RMB0.52 for the six months ended June 30, 2023. The decrease in the basic and diluted earnings per share was primarily due to the decrease 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 9.4% from approximately RMB24,170.7 million as at December 31, 2022 to approximately RMB26,449.8 million as at June 30, 2023, primarily due to the Group has continuously invested in facility constructions under its "Global Dual Sourcing" strategy.

**Right-of-Use Assets**

Right-of-use assets mainly include the leasehold lands, leased properties and leased machineries. The balance of the right-of-use assets of the Group increased by 45.8% from approximately RMB1,745.3 million as at December 31, 2022 to approximately RMB2,545.1 million as at June 30, 2023, primarily due to the new leasing agreements entered during the Reporting Period, mainly in China and Singapore.

**Goodwill**

As at June 30, 2023, goodwill amounted to approximately RMB1,529.9 million, arising from acquisitions of subsidiaries and business in previous years, keeping consistent with the balance as at December 31, 2022.

**Intangible Assets**

The intangible assets of the Group mainly include technology and customer relationship arising from acquisitions, and patent and license held by the Group. The intangible assets of the Group decreased by 0.9% from approximately RMB548.8 million as at December 31, 2022 to approximately RMB544.0 million as at June 30, 2023, following the regular amortization schedule during the Reporting Period.

**Investment of An Associate Measured at FVTPL**

The investment of an associate measured at FVTPL of the Group represents the equity interest held in Shanghai Duoning Biotechnology Co., Ltd. ("**Duoning**"). The balance of investment in Duoning amounted to approximately RMB1,586.4 million as at June 30, 2023, slightly increased by 0.3% as compared to the balance of approximately RMB1,581.6 million as at December 31, 2022.

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

The financial assets at FVTPL in the non-current assets of the Group mainly include investments in listed equity securities and unlisted equity investments. The balance increased by 6.0% from approximately RMB1,086.2 million as at December 31, 2022 to approximately RMB1,151.8 million as at June 30, 2023, mainly due to certain new investments during the Reporting Period.

The financial assets at FVTPL in the current assets of the Group represent the investments in wealth management products deployed with several reputable banks. The balance decreased by 45.9% from approximately RMB2,014.6 million as at December 31, 2022 to approximately RMB1,090.7 million as at June 30, 2023, as the Group has maintained a higher weight of time deposits and current deposits, following the interest rate hikes during the Reporting Period.

**Inventories**

The inventories of the Group decreased by 13.8% from approximately RMB2,280.9 million as at December 31, 2022 to approximately RMB1,965.1 million as at June 30, 2023, largely attributable to the Group's WBS projects, which has been targeting at lean operation. The decreased inventory balance in China domestic entities has been partially offset by an increasing inventory stock level in the Group's overseas entities for their ramp-up.

**Contract Costs**

The contract costs (previously called Service Work in Progress) of the Group amounted to approximately RMB1,085.7 million as at June 30, 2023, have been kept stable as compared to the balance of approximately RMB1,096.5 million as at December 31, 2022.

**Trade and Other Receivables**

The trade and other receivables of the Group slightly decreased by 1.9% from approximately RMB5,610.4 million as at December 31, 2022 to approximately RMB5,504.0 million as at June 30, 2023, primarily attributed to (i) a decrease in other receivables, as the Group has collected receivables of approximately RMB247.0 million in relation to the settled derivative financial instruments from banks in the first half year of 2023; (ii) a decrease in receivables for purchase of raw materials on behalf of customers, which was partially offset by (iii) an increase in trade receivables, along with the Group's revenue growth; and (iv) an increase in value added tax recoverable.

**Contract Assets**

The contract assets of the Group increased by 5.4% from approximately RMB493.6 million as at December 31, 2022 to approximately RMB520.2 million as at June 30, 2023, which is in line with the growth of the Group's revenue.

**Trade and Other Payables**

The trade and other payables of the Group decreased by 31.8% from approximately RMB3,269.2 million as at December 31, 2022 to approximately RMB2,230.5 million as at June 30, 2023, mainly due to (i) a decrease in salary and bonus payables, after the settlement of the 2022 annual bonus of the Group; (ii) a decrease in trade payables attributable to the WBS projects of the Group as discussed in "Inventories" (please refer to the section headed "Inventories" for additional information); and (iii) a decrease in payable for purchase of property, plant and equipment, which is in line with the gradual completion of a couple of facility construction projects of the Group.

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

The contract liabilities of the Group mainly include the advance payments received from customers. The balance of the contract liabilities in the current liabilities decreased by 15.3% from approximately RMB3,379.4 million as at December 31, 2022 to approximately RMB2,861.1 million as at June 30, 2023, primarily due to the continuous project completion and corresponding revenue recognition during the Reporting Period.

The contract liabilities in the non-current liabilities mainly represent the advance payment received from a vaccine partner under a contract manufacturing agreement, and the related services are expected be provided beyond twelve months. The balance amounted to approximately RMB737.1 million as at June 30, 2023, slightly increased by 3.6% as compared with the balance of approximately RMB711.5 million as at December 31, 2022, as a result of foreign exchange revaluation.

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

The aggregated balance of lease liabilities in the current liabilities and non-current liabilities of the Group increased by 41.9% from approximately RMB1,638.7 million as at December 31, 2022 to approximately RMB2,326.1 million as at June 30, 2023, which is in line with the increment of leased facilities and offices to support the Group's business expansion.

**Liquidity and Capital Resources**

The aggregated balances of bank balances and cash and time deposits of the Group increased by 13.5% from approximately RMB6,699.7 million as at December 31, 2022 to approximately RMB7,603.6 million as at June 30, 2023, as a result of the net cash inflow generated 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, to maintain the Group's stability and growth. In order to better control and minimize the cost of funds, the Group's treasury activities are centralized and all cash transactions are dealt with reputable banks.

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

**Significant Investments, Material Acquisitions and Disposals**

As at June 30, 2023, there was no significant investment held by the Company, nor were there any material acquisitions or disposals of subsidiaries, associates and joint ventures during the Reporting Period.

## Indebtedness

### *Borrowings*

The aggregated borrowings of the Group amounted to approximately RMB2,815.0 million as at June 30, 2023, quite stable as compared to the balance of approximately RMB2,783.0 million as at December 31, 2022.

Of the total borrowings as at June 30, 2023, RMB denominated borrowings amounted to approximately RMB279.7 million with the effective interest rate ranging from 3.4% to 4.9% annum; USD denominated borrowings amounted to approximately RMB2,008.1 million with the effective interest rate ranging from 5.4% to 6.4% per annum; and EUR denominated borrowings amounted to approximately RMB527.2 million with the effective interest rate ranging from 2.7% to 5.0% per annum, respectively.

Among all, approximately RMB1,155.6 million will be due within one year; approximately RMB380.5 million will be due in more than one year but within two years; approximately RMB1,156.8 million will be due in more than two years but within five years; and approximately RMB122.1 million will be due after five years.

As at June 30, 2023, RMB denominated borrowings of approximately RMB62.1 million was secured against the Group's buildings. The remaining borrowings were unsecured.

### *Contingent Liabilities and Guarantees*

As at June 30, 2023, 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 risks by closely monitoring and minimizing its net foreign currency positions. The Group has engaged in a series of forward contracts to manage its currency risks. Hedge accounting is also adopted by the Group for derivatives to mitigate the impact on profit or loss due to the fluctuation in foreign exchange rates.

***Charges of Assets***

The Group pledged the bank deposits as collateral for bank borrowings, or for banks to issue the letter of credit to support facility construction and lease arrangements. The pledged bank deposits of the Group increased by 54.7% from approximately RMB25.4 million as at December 31, 2022 to approximately RMB39.3 million as at June 30, 2023, mainly due to an increase in pledged bank deposits of Bestchrom for its issuance of bills payable during the Reporting Period.

Also, as at June 30, 2023, the buildings with carrying amounts of approximately RMB10.4 million has been pledged for RMB denominated borrowing of approximately RMB62.1 million in China.

***Gearing Ratio***

Gearing ratio is calculated using interest-bearing borrowings divided by total equity and multiplied by 100%. Gearing ratio decreased from 7.7% as at December 31, 2022 to 7.2% as at June 30, 2023, as a result of the stable balance of borrowings, coupled with the increase in total equity, mainly attributable to the net profit reported during the Reporting Period.

## Non-IFRS Measures

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

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

*Adjusted Net Profit*

| | | Six months ended June 30, | |
|---|---|---|---|
| | | **2023** | 2022 |
| | | ***RMB million*** | *RMB million* |
| **Net Profit** | | **2,337.9** | 2,621.2 |
| **Add:** | share-based compensation expense | **632.4** | 568.6 |
| **Add:** | listing expenses | **7.4** | — |
| **Add:** | losses (gains) from equity investments | **55.4** | (180.9) |
| **Less:** | foreign exchange gain | **(107.5)** | (94.0) |
| **Adjusted Net Profit** *(Note)* | | **2,925.6** | 2,914.9 |
| ***Margin of Adjusted Net Profit*** | | ***34.5%*** | *40.4%* |
| **Adjusted Net Profit Attributable to Owners of the Company** | | **2,838.3** | 2,835.0 |
| ***Margin of Adjusted Net Profit Attributable to Owners of the Company*** | | ***33.4%*** | *39.3%* |
| | | ***RMB*** | *RMB* |
| **Adjusted Earnings Per Share** | | | |
| — Basic | | **0.68** | 0.68 |
| — Diluted | | **0.65** | 0.65 |

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

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

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

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

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

***EBITDA and Adjusted EBITDA***

| | | Six months ended June 30, | |
|---|---|---|---|
| | | **2023** | 2022 |
| | | ***RMB million*** | *RMB million* |
| **Net Profit** | | **2,337.9** | 2,621.2 |
| **Add:** | income tax expense | **191.1** | 308.9 |
| | interest expense | **78.8** | 22.7 |
| | depreciation | **593.2** | 410.7 |
| | amortization | **29.6** | 29.2 |
| **EBITDA** | | **3,230.6** | 3,392.7 |
| ***EBITDA Margin*** | | ***38.0%*** | *47.1%* |
| **Add:** | share-based compensation expense | **632.4** | 568.6 |
| **Add:** | listing expenses | **7.4** | — |
| **Add:** | losses (gains) from equity investments | **55.4** | (180.9) |
| **Less:** | foreign exchange gain | **(107.5)** | (94.0) |
| **Adjusted EBITDA** | | **3,818.3** | 3,686.4 |
| ***Adjusted EBITDA Margin*** | | ***45.0%*** | *51.2%* |

**Employee and Remuneration Policies**

As at June 30, 2023, the Group employed a workforce totaling 12,397 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 RMB2,002.9 million for the six months ended June 30, 2023, as compared to approximately RMB1,707.9 million for the six months ended June 30, 2022. The remuneration package of employees generally includes salary and bonus elements. In general, the Group determines the remuneration package based on the qualifications, position and performance of its employees. The Group also makes contributions to social insurance fund, including basic pension insurance, medical insurance, unemployment insurance, childbirth insurance, work-related injury insurance funds, and housing reserve fund as applicable to the countries where the Group operates.

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, 2023.

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of Shareholders and to enhance corporate value and accountability. The Company has adopted the CG Code as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. The Company has complied with all the applicable code provisions as set out in the CG Code throughout the six months ended June 30, 2023. 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 February 2, 2021, the Company entered into a placing agreement with Morgan Stanley & Co. International plc (the "**Placing Agent**"), pursuant to which the Placing Agent agreed to place 118,000,000 shares (or, failing which, to purchase itself as principal) on a fully underwritten basis to not less than six independent investors (the "**Fourth Placing**"). The Fourth Placing price was HK$112.00 per share. The net price per Fourth Placing share was approximately HK$111.20. The closing price was HK$120.40 per share as quoted on the Stock Exchange on the date of the placing agreement.

The net proceeds from the Fourth Placing were approximately RMB10,899.0 million, which will be used in the following manner: (i) approximately 40% will be used for merger and acquisition of additional capacities for drug substances/drug products (DS/DP) manufacturing to match a rapidly growing pipeline; (ii) approximately 40% will be used for building-up of additional large scale manufacturing capacities for various technology platforms, including microbial and mammalian platforms; (iii) approximately 10% will be used for investment in mRNA related technologies to further enable its global clients; and (iv) approximately 10% shall be used for general corporate purposes of the Group. The table below sets out the planned applications of the net proceeds and actual usage up to June 30, 2023:

| Use of proceeds | Planned applications *(RMB million)* | Percentage of total net proceeds | Actual usage up to June 30, 2023 *(RMB million)* | Net proceeds brought forward for the Reporting Period *(RMB million)* | Unutilized net proceeds as at June 30, 2023 *(RMB million)* | Expected timeframe for utilizing the remaining unutilized net proceeds *(Note)* |
|---|---|---|---|---|---|---|
| Merger and acquisition of additional capacities for drug substances/drug products (DS/DP) manufacturing | 4,359.6 | 40% | 3,657.7 | 809.0 | 701.9 | By the end of 2024 |
| Building-up of additional large scale manufacturing capacities for various technology platforms, including microbial and mammalian platforms | 4,359.6 | 40% | 4,359.6 | 261.5 | — | N/A |
| Investment in mRNA related technologies | 1,089.9 | 10% | 25.5 | 1,065.1 | 1,064.4 | By the end of 2024 |
| General corporate purposes of the Group | 1,089.9 | 10% | 1,089.9 | — | — | N/A |
| **Total** | **10,899.0** | **100%** | **9,132.7** | **2,135.6** | **1,766.3** | |

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

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

During the Reporting Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

## REVIEW OF INTERIM RESULTS

The independent auditor of the Company, namely Deloitte Touche Tohmatsu, has 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 auditor 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, 2023) of the Group. The Audit Committee and the independent auditor of the Company 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 event taken place subsequent to June 30, 2023:

- On July 9, 2023, the Company announced the proposed spin-off and separate listing of WuXi XDC, a subsidiary of the Company, on the Main Board (the "**Proposed Spin-off**"). The Company believes that the Proposed Spin-off is in the interests of the Company and its Shareholders as a whole for the following reasons: (1) the Proposed Spin-off enables WuXi XDC to develop a unique global leading CRDMO dedicated to bioconjugates initially starting with ADCs and evolving into all bioconjugates (from ADC to XDC) and (2) bring a more defined business focus and strategy to support growth of the Company, which would lead to (3) a more organized and efficient allocation of capital and resources of the Company as a whole, with the Company benefiting from (4) continued consolidation of financials as well as (5) improved governance, market communication, operational and financial transparency, thereby resulting in (6) value creation for the Company and its Shareholders. For details of the Proposed Spin-off, please refer to the announcement of the Company dated July 9, 2023.

## PUBLICATION OF THE 2023 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, 2023 containing all the information about the Company set out in this preliminary announcement of results for the six months ended June 30, 2023 will be dispatched to the Shareholders and published on the respective websites of HKEX and the Company in due course.

## INTERIM RESULTS CALL

The Company will host an earnings conference call at 9:30 a.m. and 8:00 p.m. (Hong Kong time) on Thursday, August 24, 2023 on the Company's 2023 interim results. Details of the conference call are as follows:

Event title: WuXi Biologics 2023 Interim Results Call

Registration Link:

If you are within the mainland of China:

https://morganstanley.cnwebcasts.cn/starthere.jsp?ei=1627629&tp_key=7ddfee1253

If you are outside the mainland of China:

https://morganstanley.webcasts.com/starthere.jsp?ei=1627629&tp_key=7ddfee1253

(In Chinese at 9:30 a.m. (Hong Kong time))

https://jefferies.zoom.us/webinar/register/9016908023189/WN_yJK2g7wDRq2Xbgnw4m7QTQ

(In English at 8:00 p.m. (Hong Kong time))

Please use the link provided above to complete the online registration process in advance of the conference call. To ensure that all Shareholders and potential investors of the Company have equal and timely access to the information pertaining to the Company as well as its business and operations, the copy of the presentation material will also be available on the Company's website (www.wuxibiologics.com) under the section headed "Investors" before the hosting of the conference call.

## INTERIM RESULTS FOR THE SIX MONTHS ENDED JUNE 30, 2023

The Board is pleased to announce the unaudited condensed consolidated interim results of the Group for the six months ended June 30, 2023, together with the comparative figures for the corresponding period in 2022 as follows:

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

*FOR THE SIX MONTHS ENDED JUNE 30, 2023*

| | | Six months ended June 30, | |
|---|---|---|---|
| | | **2023** | 2022 |
| | *NOTES* | ***RMB'000*** | *RMB'000* |
| | | **(Unaudited)** | (Unaudited) |
| Revenue | *4* | **8,492,046** | 7,206,440 |
| Cost of sales | | **(4,931,412)** | (3,793,233) |
| Gross profit | | **3,560,634** | 3,413,207 |
| Other income | *5* | **197,965** | 159,144 |
| Other gains and losses | *6* | **114,840** | 309,626 |
| Impairment losses, under expected credit loss model, net of reversal | *8* | **(131,797)** | (70,838) |
| Selling and marketing expenses | | **(105,391)** | (67,103) |
| Administrative expenses | | **(679,642)** | (520,112) |
| Other expenses | *8* | **(7,374)** | — |
| Research and development expenses | | **(341,440)** | (271,128) |
| Financing costs | *7* | **(78,819)** | (22,661) |
| Profit before tax | *8* | **2,528,976** | 2,930,135 |
| Income tax expense | *9* | **(191,116)** | (308,910) |
| **Profit for the period** | | **2,337,860** | 2,621,225 |
| **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**") | | **(20,615)** | (49,552) |
| *Items that may be reclassified subsequently to profit or loss:* | | | |
| Exchange differences on translation of foreign operations | | **282,346** | (124,080) |
| Fair value loss on hedging instruments designated as cash flow hedges, net foreign investment hedges and time value within fair value hedges, net of income tax | | **(594,987)** | (108,047) |
| **Other comprehensive expense for the period** | | **(333,256)** | (281,679) |
| **Total comprehensive income for the period** | | **2,004,604** | 2,339,546 |

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

*FOR THE SIX MONTHS ENDED JUNE 30, 2023*

| | | Six months ended June 30, | |
|---|---|---|---|
| | | **2023** | 2022 |
| | *NOTE* | ***RMB'000*** | *RMB'000* |
| | | **(Unaudited)** | (Unaudited) |
| **Profit for the period attributable to:** | | | |
| Owners of the Company | | **2,266,675** | 2,535,064 |
| Non-controlling interests | | **71,185** | 86,161 |
| | | **2,337,860** | 2,621,225 |
| **Total comprehensive income for the period attributable to:** | | | |
| Owners of the Company | | **1,917,044** | 2,260,191 |
| Non-controlling interests | | **87,560** | 79,355 |
| | | **2,004,604** | 2,339,546 |
| | | ***RMB*** | *RMB* |
| Earnings per share — Basic | *11* | **0.55** | 0.61 |
| — Diluted | *11* | **0.52** | 0.58 |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*AS AT JUNE 30, 2023*

| | NOTES | **June 30, 2023** ***RMB'000*** **(Unaudited)** | December 31, 2022 *RMB'000* (Audited) |
|---|---|---|---|
| **Non-current Assets** | | | |
| Property, plant and equipment | | **26,449,802** | 24,170,739 |
| Right-of-use assets | | **2,545,095** | 1,745,259 |
| Goodwill | | **1,529,914** | 1,529,914 |
| Intangible assets | | **543,961** | 548,778 |
| Investment of an associate measured at fair value through profit or loss ("**FVTPL**") | | **1,586,352** | 1,581,565 |
| Equity instruments at FVTOCI | | **22,035** | 41,470 |
| Financial assets at FVTPL | | **1,151,775** | 1,086,176 |
| Finance lease receivables | | **101,399** | 109,171 |
| Deferred tax assets | | **263,597** | 222,568 |
| Other long-term deposits and prepayments | | **69,777** | 58,877 |
| | | **34,263,707** | 31,094,517 |
| **Current Assets** | | | |
| Inventories | | **1,965,134** | 2,280,911 |
| Finance lease receivables | | **14,399** | 14,166 |
| Trade and other receivables | *12* | **5,504,010** | 5,610,363 |
| Contract assets | *13* | **520,216** | 493,566 |
| Contract costs | | **1,085,707** | 1,096,480 |
| Tax recoverable | | **4,857** | 33,442 |
| Derivative financial assets | | **49,616** | 201,243 |
| Financial assets at FVTPL | | **1,090,678** | 2,014,632 |
| Pledged bank deposits | | **39,323** | 25,374 |
| Time deposits | *14* | **248,450** | 304,469 |
| Bank balances and cash | *14* | **7,355,135** | 6,395,222 |
| | | **17,877,525** | 18,469,868 |

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*AS AT JUNE 30, 2023*

| | NOTES | **June 30, 2023** ***RMB'000*** **(Unaudited)** | December 31, 2022 *RMB'000* (Audited) |
|---|---|---|---|
| **Current Liabilities** | | | |
| Trade and other payables | *15* | **2,230,472** | 3,269,182 |
| Borrowings | *17* | **1,155,586** | 1,321,430 |
| Contract liabilities | *16* | **2,861,142** | 3,379,372 |
| Income tax payable | | **589,945** | 773,825 |
| Lease liabilities | | **124,942** | 149,058 |
| Derivative financial liabilities | | **1,178,761** | 425,730 |
| | | **8,140,848** | 9,318,597 |
| **Net Current Assets** | | **9,736,677** | 9,151,271 |
| **Total Assets less Current Liabilities** | | **44,000,384** | 40,245,788 |
| **Non-current Liabilities** | | | |
| Deferred tax liabilities | | **126,609** | 132,076 |
| Borrowings | *17* | **1,659,372** | 1,461,563 |
| Contract liabilities | *16* | **737,074** | 711,541 |
| Lease liabilities | | **2,201,108** | 1,489,610 |
| Deferred income | | **231,901** | 237,921 |
| | | **4,956,064** | 4,032,711 |
| **Net Assets** | | **39,044,320** | 36,213,077 |
| **Capital and Reserves** | | | |
| Share capital | *18* | **234** | 233 |
| Reserves | | **37,738,143** | 35,047,174 |
| Equity attributable to owners of the Company | | **37,738,377** | 35,047,407 |
| Non-controlling interests | | **1,305,943** | 1,165,670 |
| **Total Equity** | | **39,044,320** | 36,213,077 |

## 1. GENERAL INFORMATION

The Company was established in the Cayman Islands as an exempted company with limited liability on February 27, 2014, and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (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 new and amendments to International Financial Reporting Standards ("**IFRSs**") disclosed below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2023 are the same as those presented in the Group's annual financial statements for the year ended December 31, 2022.

**Application of amendments to IFRSs**

In the current interim period, the Group has applied the following new and amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for the Group's annual period beginning on January 1, 2023 for the preparation of the Group's condensed consolidated financial statements:

| | |
|---|---|
| IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17) | *Insurance Contracts* |
| Amendments to IAS 8 | *Definition of Accounting Estimates* |
| Amendments to IAS 12 | *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* |
| Amendments to IAS 12 | *International Tax Reform-Pillar Two Model Rules* |

Except as described below, the application of the new and 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.

**3.1 Impacts and changes in accounting policies on application of Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction***

***3.1.1 Accounting policies***

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

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

### *3.1.2 Transition and summary of effects*

As disclosed in the Group's annual financial statements for the year ended December 31, 2022, the Group previously applied the IAS 12 requirements to assets and liabilities arising from a single transaction as a whole and temporary differences relating to the relevant assets and liabilities were assessed on a net basis. Upon the application of the amendments, the Group assessed the relevant assets and liabilities separately. In accordance with the transition provision:

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

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

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

### 3.2 Impacts on application of Amendments to IAS 12 *Income Taxes International Tax Reform-Pillar Two Model Rules*

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

Certain group entities are operated in jurisdictions where the Pillar Two legislation is enacted or substantially enacted but not yet in effect, including Germany and the United Kingdom. The Group has applied the temporary exception immediately upon issue of these amendments and retrospectively, i.e. applying the exception from the date Pillar Two legislation is enacted or substantially enacted. The Group will disclose known or reasonably estimable information that helps users of financial statements to understand the Group's exposure to Pillar Two income taxes in the Group's annual consolidated financial statements for the year ending 31 December 2023.

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

In addition, the Group will apply Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of Accounting Policies which are mandatorily effective for the Group's annual period beginning on January 1, 2023 for the preparation of the Group's consolidated financial statements for the year ending December 31, 2023.

IAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

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

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

The application of the amendments in the current period had no material impact on the condensed consolidated financial statements but is expected to affect the disclosures of the Group's accounting policies in the Group's annual consolidated financial statements for the year ending December 31, 2023.

## 4. REVENUE FROM CONTRACTS WITH CUSTOMERS

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,** | |
|---|---|---|
| | **2023** | 2022 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Revenue | | |
| — North America | **3,927,954** | 3,896,111 |
| — Europe | **2,551,605** | 1,296,601 |
| — PRC | **1,792,531** | 1,792,077 |
| — Rest of the world | **219,956** | 221,651 |
| | **8,492,046** | 7,206,440 |

As at June 30, 2023, the Group's non-current assets other than financial instruments and deferred tax assets located in Ireland, Germany, the United States ("**US**") and Singapore are amounted to RMB10,954,469,000, RMB3,230,281,000, RMB2,064,910,000 and RMB228,803,000 (December 31, 2022: RMB10,120,685,000, RMB2,794,914,000, RMB1,840,142,000 and RMB25,529,000) respectively, the remaining non-current assets of the Group are mainly located in the PRC.

## 5. OTHER INCOME

| | **Six months ended June 30,** | |
|---|---|---|
| | **2023** | 2022 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Interest income from banks and other financial assets at amortized cost | **74,843** | 44,004 |
| Research and other grants related to | | |
| — assets *(note i)* | **10,807** | 8,178 |
| — income *(note ii)* | **112,315** | 98,647 |
| Dividend from an equity instrument at FVTOCI | **—** | 8,315 |
| | **197,965** | 159,144 |

*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, | |
|---|---|---|
| | **2023** | 2022 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Net foreign exchange gain | **168,402** | 106,410 |
| Fair value (loss) gain on | | |
| — listed equity securities at FVTPL | **(54,531)** | (413,646) |
| — unlisted equity investments at FVTPL | **13,185** | 13,633 |
| — investment of an associate measured at FVTPL | **(14,095)** | 572,619 |
| — wealth management products | **47,954** | 14,148 |
| — derivative financial instruments | **(60,866)** | (12,400) |
| Others | **14,791** | 28,862 |
| | **114,840** | 309,626 |

## 7. FINANCING COSTS

| | Six months ended June 30, | |
|---|---|---|
| | **2023** | 2022 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Interest expenses on financing component of an advance payment received from a customer | **5,419** | 4,911 |
| Interest expenses on bank borrowings | **67,879** | 24,317 |
| Interest expenses on lease liabilities | **39,637** | 25,220 |
| | **112,935** | 54,448 |
| Less: amounts capitalized in the cost of qualifying assets | **(34,116)** | (31,787) |
| | **78,819** | 22,661 |

During the current interim period, borrowing cost arose on certain general borrowings were capitalized to expenditure on qualifying assets at rates varying from 1.27% to 6.37% (2022: from 1.39% 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, | |
|---|---|---|
| | **2023** | 2022 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Depreciation for property, plant and equipment | **521,078** | 388,926 |
| Depreciation for right-of-use assets | **117,802** | 82,825 |
| Amortization of intangible assets | **29,611** | 29,204 |
| | **668,491** | 500,955 |
| Staff cost (including directors' emoluments): | | |
| — Salaries and other benefits | **2,002,894** | 1,707,923 |
| — Retirement benefits scheme contributions | **215,076** | 132,282 |
| — Share-based payment expenses | **782,721** | 599,506 |
| | **3,000,691** | 2,439,711 |
| Depreciation, amortization and staff cost | | |
| — capitalized in contract cost | **(616,509)** | (421,034) |
| — capitalized in property, plant and equipment | **(319,079)** | (287,253) |
| | **(935,588)** | (708,287) |
| Impairment losses, under expected credit loss model, net of reversal | | |
| — Trade receivables | **126,598** | 64,472 |
| — Contract assets | **4,063** | 98 |
| — Receivables for purchase of raw materials on behalf of customers | **1,136** | 6,268 |
| | **131,797** | 70,838 |
| Write-down of inventories (included in cost of sales) | **42,681** | 18,123 |
| Reversals of inventories write-down (included in cost of sales) | **(87,778)** | (23,694) |
| Write-down of contract costs (included in cost of sales) | **43,479** | 89,144 |
| Reversals of contract costs write-down (included in cost of sales) | **(88,288)** | (78,203) |
| Listing expenses of a subsidiary (under other expenses) | **7,374** | — |
| Loss on disposal of property, plant and equipment | **2,455** | 1,259 |
| Cost of inventories recognized as an expense | **1,619,258** | 1,497,829 |

## 9. INCOME TAX EXPENSE

| | Six months ended June 30, | |
|---|---|---|
| | **2023** | 2022 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Unaudited) |
| Current tax: | | |
| — PRC Enterprise Income Tax ("**EIT**") | **549,852** | 566,752 |
| — Hong Kong Profits Tax | **73,113** | 56,187 |
| — US Federal and State Income Taxes | **1,407** | 34 |
| Over provision in prior years | **(394,359)** | (361,982) |
| | **230,013** | 260,991 |
| Deferred tax: | | |
| — Current period | **(38,897)** | 47,919 |
| | **191,116** | 308,910 |

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, | |
|---|---|---|
| | **2023** | 2022 |
| | ***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 | **2,266,675** | 2,535,064 |

| | Six months ended June 30, | |
|---|---|---|
| | **2023** | 2022 |
| | **(Unaudited)** | (Unaudited) |
| **Number of shares** | | |
| Weighted average number of ordinary shares for the purpose of calculating basic earnings per share | **4,158,087,472** | 4,175,781,792 |
| Effect of dilutive potential ordinary shares: | | |
| Share options | **161,833,695** | 184,325,722 |
| Restricted shares | **29,924,716** | 26,231,757 |
| Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share | **4,349,845,883** | 4,386,339,271 |

The weighted average number of ordinary shares shown above have been arrived at after deducting the weighted average effect of 73,962,140 shares (June 30, 2022: 46,532,552 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, 2023** | December 31, 2022 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) |
| Trade receivables | | |
| — related parties | **11,142** | 5,500 |
| Less: allowance for credit losses | **(436)** | (199) |
| — third parties | **5,521,967** | 5,194,251 |
| Less: allowance for credit losses | **(676,981)** | (548,889) |
| | **4,855,692** | 4,650,663 |
| Bill receivables from contracts with customers | **3,425** | — |
| Receivables for purchase of raw materials on behalf of customers | **72,119** | 291,931 |
| Less: allowance for credit losses | **(30,026)** | (28,889) |
| | **42,093** | 263,042 |
| Advances to suppliers | | |
| — related parties | **12,746** | 16,995 |
| — third parties | **79,678** | 71,235 |
| | **92,424** | 88,230 |
| Other receivables | | |
| — related parties | **298** | — |
| — third parties *(note)* | **52,448** | 273,255 |
| | **52,746** | 273,255 |
| Prepayments | **50,693** | 25,281 |
| Value added tax recoverable | **406,937** | 309,892 |
| Total trade and other receivables | **5,504,010** | 5,610,363 |

*Note:* Included in other receivables at June 30, 2023, nil (December 31, 2022: RMB247,000,000) was the receivable from bank in relation to the settled derivative financial instruments.

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, 2023** | December 31, 2022 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) |
| Not past due | **2,913,087** | 3,017,493 |
| Overdue: | | |
| — Within 90 days | **958,065** | 736,181 |
| — 91 days to 1 year | **742,565** | 735,020 |
| — Over 1 year | **241,975** | 161,969 |
| | **4,855,692** | 4,650,663 |

## 13. CONTRACT ASSETS

| | As at | |
|---|---|---|
| | **June 30, 2023** | December 31, 2022 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) |
| Contract assets | | |
| — related parties | **7,685** | 7,250 |
| Less: allowance for credit losses | **(73)** | (44) |
| — third parties | **543,095** | 512,722 |
| Less: allowance for credit losses | **(30,491)** | (26,362) |
| | **520,216** | 493,566 |

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/ 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 5.59% per annum as at June 30, 2023 (December 31, 2022: from nil to 2.03% per annum).

Time deposits as at June 30, 2023 carried fixed interests rate at 3.05% to 3.3% per annum and have original maturity over three months (December 31, 2022: from 2.6% to 3.0%).

## 15. TRADE AND OTHER PAYABLES

| | As at | |
|---|---|---|
| | **June 30, 2023** | December 31, 2022 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) |
| Trade payables | | |
| — related parties | **85,227** | 115,796 |
| — third parties | **470,865** | 676,680 |
| | **556,092** | 792,476 |
| Accrued expenses and other payables | | |
| — related parties | **10,025** | 40,716 |
| — third parties *(note)* | **636,436** | 431,434 |
| | **646,461** | 472,150 |
| Payable for purchase of property, plant and equipment | **537,642** | 1,029,318 |
| Consideration payables for acquisition of subsidiaries | **2,968** | 2,968 |
| Salary and bonus payables | **413,759** | 912,852 |
| Other taxes payables | **56,446** | 57,506 |
| Bill payables | **17,104** | 1,912 |
| | **1,027,919** | 2,004,556 |
| Trade and other payables | **2,230,472** | 3,269,182 |

*Note:* Included in the other payables, amount of RMB45,275,000 represented the payables to employees arising from exercise of share options and restricted shares as at June 30, 2023 (December 31, 2022: RMB4,936,000). In addition, amount of RMB195,375,000 represented the payables to banks arising from restructure of forward extra contracts, partial callable forward contract and partial callable forward extra contract (December 31, 2022: nil).

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, 2023** | December 31, 2022 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) |
| Within 90 days | **520,129** | 674,412 |
| 91 days to 1 year | **22,718** | 100,853 |
| Over 1 year but within 5 years | **13,245** | 17,211 |
| | **556,092** | 792,476 |

## 16. CONTRACT LIABILITIES

| | As at | |
|---|---|---|
| | **June 30, 2023** | December 31, 2022 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) |
| Contract liabilities | | |
| — related parties | **844** | — |
| — third parties | **3,597,372** | 4,090,913 |
| | **3,598,216** | 4,090,913 |
| Less: amounts shown under current liabilities | **(2,861,142)** | (3,379,372) |
| Amounts shown under non-current liabilities | **737,074** | 711,541 |

## 17. BORROWINGS

| | As at | |
|---|---|---|
| | **June 30, 2023** | December 31, 2022 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) |
| Secured bank loans | **62,100** | 66,700 |
| Unsecured bank loans | **2,752,858** | 2,716,293 |
| | **2,814,958** | 2,782,993 |
| The carrying amounts of the above borrowings are repayable*: | | |
| Within one year | **1,155,586** | 1,321,430 |
| Within a period of more than one year but not exceeding two years | **380,523** | 96,954 |
| Within a period of more than two years but not exceeding five years | **1,156,744** | 1,343,909 |
| Within a period of more than five years | **122,105** | 20,700 |
| | **2,814,958** | 2,782,993 |
| Less: amounts due within one year shown under current liabilities | **(1,155,586)** | (1,321,430) |
| Amounts shown under non-current liabilities | **1,659,372** | 1,461,563 |

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

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

| | As at | |
|---|---|---|
| | **June 30, 2023** | December 31, 2022 |
| | ***RMB'000*** | *RMB'000* |
| | **(Unaudited)** | (Audited) |
| Fixed-rate borrowings | **62,100** | 66,700 |
| Variable-rate borrowings | **2,752,858** | 2,716,293 |
| | **2,814,958** | 2,782,993 |

The Group's variable-rate borrowings carry interest at London Interbank Offered Rate ("**LIBOR**") plus 1.1%, European Central Bank Rate plus 1.5%, Euro Interbank Offered Rate ("**EURIBOR**") plus 0.75% and 0.8%, and Secured Overnight Financing Rate ("**SOFR**") plus 0.8%, and 5-years Loan Prime Rate ("**LPR**") minus 0.9%. Interest is reset each one to twelve 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, 2023** | December 31, 2022 |
| Effective interest rate: | | |
| Fixed-rate borrowings | **4.90%** | 4.90% |
| Variable-rate borrowings | **2.71% to 6.37%** | 0.75% to 5.12% |

At June 30, 2023, the Group's borrowings were secured against the Group's property, plant and equipment as collaterals with carrying amounts of RMB10,373,000 (December 31, 2022: RMB10,448,000).

In respect of bank loans with carrying amount of RMB2,008,050,000 (December 31, 2022: RMB2,089,380,000), the Group is required to comply with the following financial covenants throughout the continuance of the relevant loans and/or as long as the loans are outstanding:

(i) Bank loans with carrying amount of RMB505,806,000 (US$70,000,000):

In relation to the Group:

- Total equity after deducting goodwill, intangible assets and deferred tax assets (together referred to as "**Tangible Net Worth**") shall not at any time be less than RMB9,000,000,000;

- Earnings before interest, taxes, depreciation and amortization ("**EBITDA**") shall not be less than 5 times gross interest expenses at the last day of the first half of the financial year and the last day of the financial year (the "**Relevant Period**");

- Total debt less the cash and cash equivalents ("**Net debt**") at the end of each year shall not exceed 2.5 times EBITDA for that Relevant Period.

In relation to WuXi Biologics (Hong Kong) Limited ("**BIOHK**"), a wholly-owned subsidiary of the Company:

- Tangible Net Worth shall not at any time be less than RMB20,000,000.

(ii) Bank loans with carrying amount of RMB786,890,000 (US$108,900,000):

In relation to the Group:

- Tangible Net Worth shall not at any time be less than RMB20,000,000,000;
- EBITDA in respect of any Relevant Period shall not be less than 5 times gross interest expenses for that Relevant Period; and
- Net Debt at the end of each Relevant Period shall not exceed 2.5 times EBITDA for that Relevant Period.

In relation to BIOHK:

- Tangible Net Worth shall not at any time be less than RMB20,000,000.

(iii) Bank loans with carrying amount of RMB715,354,000 (US$99,000,000):

In relation to the Group:

- EBITDA shall not be less than 5 times interest expenses;
- Net interest-bearing debt shall not exceed 2.5 times EBITDA.

The Group has complied with these covenants throughout the reporting period.

## 18. SHARE CAPITAL

Authorized:

| | Number of shares | Par value *US$* | Authorized share capital *US$* |
|---|---|---|---|
| At January 1, 2022, June 30, 2022, January 1, 2023 and June 30, 2023 | 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, 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 |
| At January 1, 2023 (audited) | 4,225,261,885 | 35,211 | 233 |
| Issue of new shares *(note i)* | 17,642,323 | 147 | 1 |
| Exercise of pre-IPO share options | 5,624,927 | 47 | * |
| At June 30, 2023 (unaudited) | 4,248,529,135 | 35,405 | 234 |

*Notes:*

i. On June 10, 2022 and June 1, 2023, the Company issued and allotted 39,953,861 and 17,642,323 new ordinary shares at nil consideration to the trustee under the Restricted Share Award Scheme or the Global Partner Program Share Scheme, respectively.

ii. 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.

* Amount below RMB1,000.

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

| | |
|---|---|
| **"ADC"** | antibody-drug conjugate |
| **"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 |
| **"Canada HC"** | Health Canada |
| **"CAGR"** | compound annual growth rate |
| **"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 |
| **"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 |
| **"CMC"** | Chemical Manufacturing and Control |
| **"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 |
| **"ESG"** | environmental, social and governance |
| **"EU"** | a politico-economic union of 27 member states that are located primarily in Europe |
| **"EU EMA"** | European Medicines Agency |
| **"EUR"** | Europe currency |
| **"Global Partner Program Share Scheme"** | the share award scheme for global partner program adopted by the Company on June 16, 2021 and amended and restated on June 27, 2023 |
| **"GMP"** | Good Manufacturing Practice |
| **"Group" or "we" or "our" or "us"** | the Company and its subsidiaries |
| **"HK$"** | Hong Kong dollar(s), the lawful currency of Hong Kong |
| **"HKEX"** | Hong Kong Exchanges and Clearing Limited |
| **"Hong Kong"** | the Hong Kong Special Administrative Region of the PRC |
| **"IFRS"** | International Financial Reporting Standards |
| **"IND"** | investigational new drug, an experimental drug for which a pharmaceutical company obtains permission to ship across jurisdictions (usually to clinical investigators) before a marketing application for the drug has been approved |
| **"IPO"** | the listing of the Shares on the Main Board of the Stock Exchange on June 13, 2017 |
| **"Italy AIFA"** | Italian Medicines Agency |
| **"Japan PMDA"** | Pharmaceuticals and Medical Devices Agency of Japan |

| | |
|---|---|
| **"Korea MFDS"** | The Ministry of Food and Drug Safety of the Republic of Korea |
| **"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 |
| **"mRNA"** | messenger ribonucleic acid |
| **"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, 2023 to June 30, 2023 |
| **"Restricted Share Award Scheme"** | the restricted share award scheme adopted by the Company on January 15, 2018 and amended and restated on June 27, 2023 |
| **"RNA"** | ribonucleic acid |
| **"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 |
| **"Singapore HSA"** | Health Sciences Authority of Singapore |
| **"Stock Exchange"** | The Stock Exchange of Hong Kong Limited |

| | |
|---|---|
| **"U.S."** | United States of America |
| **"US$" or "USD"** | United States dollar(s), the lawful currency of the U.S. |
| **"U.S. FDA"** | The Food and Drug Administration of the U.S. |
| **"Written Guidelines"** | the Written Guidelines for Securities Transactions by Directors adopted by the Company |
| **"WuXi 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.*

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

Hong Kong, August 23, 2023

*As at the date of this announcement, the Board comprises Dr. Zhisheng Chen and Dr. Weichang Zhou as executive Directors; Dr. Ge Li, Mr. Yibing Wu and Mr. Yanling Cao as non-executive Directors; and Mr. William Robert Keller, Mr. Kenneth Walton Hitchner III, Mr. Jackson Peter Tai and Dr. Jue Chen as independent non-executive Directors.*

* *For identification purpose only*